TMT-STRATEGY FIT IN HIGH POTENTIAL NEW Ventures (SUMMARY)

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Recommended Citation
Shrader, Rod; Vidyarthi, Prajya; Hills, Gerald E.; and Hansen, David (2006) "TMT-STRATEGY FIT IN HIGH POTENTIAL NEW Ventures (SUMMARY)," Frontiers of Entrepreneurship Research. Vol. 26: Iss. 14, Article 9.
Available at: http://digitalknowledge.babson.edu/fer/vol26/iss14/9
SUMMARY

TMT-STRATEGY FIT IN HIGH POTENTIAL NEW VENTURES

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Principal Topic

This study examined the fit between entrepreneurial team experience and the competitive strategies of new ventures. Prior entrepreneurship research has frequently focused only on individual founders and has produced disappointing, conflicting and counter-intuitive results. While many new ventures are founded by one entrepreneur, those ventures that grow the fastest and offer the greatest economic promise are typically founded by relatively well-rounded teams. Therefore, this study borrowed and expanded upon concepts from strategic management (Upper Echelons Theory) to highlight the importance of entrepreneurial teams. Using a large sample of publicly traded new ventures this study examined the hypothesis that among high performing new ventures there will be a clear link between the backgrounds of TMT members and the competitive strategies of those firms.

The overall consistency of this study's findings provides a degree of confidence that among these high performing new ventures TMT experience was indeed significantly related to competitive strategies pursued by these firms. Many of these findings are exactly what one might expect or hope to see in well performing firms. Marketing experience was related to an emphasis on marketing-based differentiation. Technical experience was related to an emphasis on innovation-based differentiation. International experience was related to emphasis on internationalization.

Some of the study's findings, however, were particularly interesting. Industry experience was related only to an emphasis on low cost and internationalization, whereas one might expect a deeper immersion in the industry to be more significantly related to differentiation strategies or strategies indicating strategic aggressiveness. Also interesting were the importance of prior executive experience and prior finance experience, which were negatively related to strategic aggressiveness and strategic breadth. These findings provide indications that entrepreneurs coming from traditional corporate backgrounds may be more conservative in their approach to new venture strategy. Another interesting insight provided by these findings was that results were more robust and made more sense using finer grained measures of the generic strategy of differentiation (i.e., marketing-based or innovation-based differentiation). Future research must examine how the TMT-strategy fit affects the financial performance of new ventures.

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