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CO-CREATING NEW VENTURES: ATTRACTION, SEARCH, AND UNCERTAINTY IN FOUNDING PARTNERSHIP FORMATION

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CO-CREATING NEW VENTURES: ATTRACTION, SEARCH, AND UNCERTAINTY IN FOUNDING PARTNERSHIP FORMATION

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ABSTRACT

This study extends current research on entrepreneurial teams by focusing on a precursor of the new venture team, namely the founding partnership. We focus on the relationships between founders early in the venture creation process to gain insights on how homophily and resource seeking behaviors can coexist in partnerships, and why only some entrepreneurs partner. Results show that entrepreneurs partner first with one other person (dyad) for personal reasons, and then may add additional founders based on more pragmatic motives. The availability of potential partners and the level of perceived uncertainty in the environment both influence the establishment of founding partnerships, and larger partnerships are the result of resource-seeking behavior which is more likely to occur in ventures that pursue stable, high-technology opportunities.

INTRODUCTION

Research has shown that there are many benefits to starting new ventures with teams (Shane, 2004), especially when faced with uncertainty (Harper, 2008), and that founders’ influences on an organization can last for years after the founders have left or even passed on (Nelson, 2003). The percentage of new ventures started by partners is steadily increasing, and younger entrepreneurs are especially likely start their ventures with co-founders (Fenn, 2009). This should be no surprise as the iconic firms members of ‘generation y’ are most familiar with such as Google, Apple, Microsoft, Facebook, and YouTube were all created by founding partnerships, and the influences of those partnerships are legendary and enduring. Even though an increasing amount of research has focused on entrepreneurial teams (Cooney, 2005), little attention has been given to the founding partnership as an important precursor to the entrepreneurial team. Various theories from sociology, psychology, and economics help explain how entrepreneurs draw on their social networks in the team creation process (Aldrich & Kim, 2007), how teams are organized (Harper, 2008), and the lasting impact founders have on the organizations they create (Nelson, 2003), but crucial questions addressing partnerships remain largely unanswered. This paper addresses the important questions of 1) why do some entrepreneurs choose to create organizations together with others while the majority end up starting the process alone (Ballou et al., 2008; Ruef, Aldrich, & Carter, 2003a; Shane, 2008), and 2) how do co-founders perceive and relate to each other early in the venture creation process?

Theoretical Background

In their seminal work on team venture formation, Kamm and Nurick (1993) proposed a theoretical model of team based venture creation which has helped to explain team member additions (Forbes, Borchert, Zellmer-Bruhn, & Sapienza, 2006), exists (Ucbasaran, Lockett, Wright, & Westhead, 2003), and interactions (Ensley, Pearson, & Amason, 2002). The first phase of their model begins with when an entrepreneur, either individually as a lead entrepreneur or with another (the “group approach”) (Kamm et al., 1993), decides to start the process of venture creation. After that crucial decision is made, he or she (or they) then interact with their social network(s) to meet resource and personnel needs and in the process form and evolve their new
venture team. The two phases of the model are distinct; in the “idea stage” an entrepreneur enters the venture formation process alone or with others, and in the “implementation stage” they add additional founders once a target business concept is on the table (Kamm et al., 1993). While considerable scholarly attention has been given to the implementation phase of the model which focuses on team formation and evolution post concept generation, joint entrepreneurship in the idea stage is largely unexplored.

Perhaps one reason the phenomenon has gone unexplored is that there is no consensus as to what constitutes an entrepreneurial team (Cooney, 2005). In fact, the terms new venture team, founding team, and entrepreneurial team are used nearly interchangeably in the literature, and the definition on an entrepreneurial team has been inconsistent and confusing (Brush, 2007). Kamm and Nurick started the area of research with a clear definition that members of an entrepreneurial team needed to be involved in the new venture creation process before venture formation and have a financial interest in the company (Kamm, Shuman, Seeger, & Nurick, 1990). Other definitions have been much less restrictive and have included people who are not founders of the firm. For example, in their research on entrepreneurial teams Forbes et al. included people in their definition on an entrepreneurial team those who helped to create the venture but who may not have financial interest in the firm (2006), Ensley, Pearce, & Hmieleski studied those who are part of the senior management team and have more than 10% equity in the firm (2006), Chaganti et al. included in their study those who were members of the top management team of a firm at initial public offering (2008), and Beckman considered those who simply held a vice president or higher position at a young firm to be members of the entrepreneurial team (2006). Many studies on entrepreneurial teams include only founders in their definitions (for example (Ruef et al., 2003a; Watson, Stewart, & BarNir, 2003; West, 2007), but many others blur the distinction between founders and other members of the entrepreneurial team.

However, the distinction between founders, and other members of an entrepreneurial team is important because there are differences in the ways in which founders and later team members identify themselves with the venture and interact with each other. For example, founders have been known to see their organizations as their “babies” and have a profound personal connection with their ventures (Cardon, Zietsma, Saparito, Matherne, & Davis, 2005), and they are “revered” within the organization (Wasserman, 2003). Founders also have lasting impacts on organizations because the values, structures, and routines they imprint on the organization often endure for years after the founders are gone (Aldrich, 2004a; Johnson, 2007).

Simply put, a founder is a person who establishes an organization, and a founding partnership is formed when two or more founders jointly start a business. This definition is theoretically narrow and precludes the inclusion of helpers and ‘hired guns’ who may enter the new venture team after the venture is operational, and advisors who may be involved during gestation phase of the business but who do not have equity stakes in the firm. The distinction between founders and other members of entrepreneurial team is important, and it is because we want to be clear we are investigating the earliest form of cooperation in a new venture that we are using the term “founding partnership” to describe entrepreneurs who enter into the venture creation process together.

Scholars have highlighted two main reasons why entrepreneurs form and join new venture teams (Aldrich et al., 2007): 1) for pragmatic reasons (Forbes et al., 2006; Harrison & Leitch, 1995; Kamm & Aldrich, 1991; Karl, 1990) or for interpersonal ones (cf. Shaver & Scott, 1991; Casson, 1982). Essentially it is either social attraction and homophily (Ruef, Aldrich, & Carter, 2003b) or resource-seeking behaviors which motivate founders to partner. From the social
attraction viewpoint, an entrepreneur will join together with someone who is similar in many ways. Age, gender, personality, and nearly any attribute that would make a person similar to another can be the foundation on which personal attraction is built. Homophily theory states that entrepreneurs tend to work with those who are similar to themselves. In contrast, the more pragmatic, resource-seeking view argues and even advocates (Aldrich et al., 2007) entrepreneurs partner with those who are different in some important ways. In order for a partner to bring a new resource to the table, he or she would have to have different strengths from the other. Some scholars believe that both can coexist within the same firm (Forbes et al., 2006), but the ways in which those competing motivations actually manifest themselves have not been empirically tested.

Although previous studies have not focused on the formation of founding partnerships, research into entrepreneurial teams can help to shed light on some of the reasons an entrepreneur might seek to create their venture with another. Teaming has been largely explained by either homophily or resource seeking behavior. Review of relevant literature starts with Kamm et al, 1990 (Cooney states that this was one of the first to question how a group of people came together prior to establishing an enterprise), then Kamm & Nurick, 1993 – decision making model of team venture formation (beginning with Idea or Team. Then Cooney’s process diagram (drawing on Muller-Boling, 1993, Kamm & Nurick, 1993, and Newbert, 2005). “While more work has been done recently to understand the pre-organizational stage of venture creation (Hansen & Wortman, 1989; Hansen, 1990), very little of it has focused specifically on how and why teams of founders come together to create new organizations.” (Kamm & Nurick, 1993, p. 17). There are perhaps two primary reasons that little research attention has been given to the team formation process. One is that because of left-censoring it is extremely hard to identify a team until after it has been created(Aldrich, 2004b). Additionally, the preponderance of research within management, psychology, and sociology focuses on the interactions within and the performance of existing teams rather than team formation (Forbes et al, 2006).

Building on interactional psychology and fit, we examine characteristics of BOTH individuals and situations that lead to partnering. Our theoretical framing builds on a theory of supplementary and complementary fit, and we used that framing to conduct a qualitative study of entrepreneurs to improve our understanding of when and why entrepreneurs are likely to partner. The predominance of short-term quantitative studies on entrepreneurial teams to date has focused on medians and averages (Cooney, 2005) and it is in this context that qualitative research has the potential to be especially insightful.

Quality Data and Analysis

Scholars have concluded that the use of qualitative data is appropriate when the goal is inductive theory generation and in the exploration of “why” questions (Edmondson & McManus, 2007). Additionally, the use of qualitative methods allowed us to open a window into the perceptions and interactions of the various partners in each venture. It has also helped to shed light on both the reasons entrepreneurs form an initial partnerships as well as the circumstances in which they are likely to grow those partnerships beyond the initial dyad. This section describes how we collected and analyzed our qualitative data, and outlines the theory generated in that endeavor.

Qualitative Research Design

We used a multiple case studies design in which the subjects (founders) were embedded in a larger context (their new ventures). This design afforded greater theoretical generalizability of findings (Yin, 2003), allowed us to sample cases on theoretically interesting variables (Locke,
2001) within the context of the phenomenon, and proved useful as it allowed us to generate theories that pertain to both the individual and firm levels of analysis. The multiple case design was appropriate as our goal was the comparison of differing types of founding partnerships with solo ventures, and the design allowed us to observe meaningful contrasts in data between cases. These contrasts highlighted the differences in the ways in which the partners see themselves, their partnerships, and their businesses.

**Sampling and Analysis**

We followed a selective sampling plan (Locke, 2001: 83) in selecting whom to interview. We segmented the founders of ventures in this study in two key dimensions: (1) the size of founding partnership and (2) the technological intensity of the venture. Our initial sampling plan called for interviewing all the founders from one-, two-, and three-or-more-founder ventures from both technology companies and companies where technology was not part of their competitive strategy. We therefore needed to interview a core set of at least twelve founders from six ventures.

Following recommendations from Gartner (1985), we sampled in order to maximize homogeneity of the factors other than those of interest in the study. Our data collection initially concentrated on students and recent graduates of a top-tier business school. This population is relatively homogeneous in age, educational achievement, and work experience, and each individual in the population had access to a large alumni network. Because of this sampling, the founders in our sample had very similar levels of human and social capital. By focusing on entrepreneurs with similar backgrounds, we were able to control for many of the other personal and demographic variables that could have influenced the study (Zott & Huy, 2007). We interviewed each founder separately given that each person brought his or her own unique personal history to the venture, and each had unique views of both the venture and the partnership. By interviewing the founders separately, we were also able to separately capture and then compare the language each founder used when describing their co-founder(s). This was especially important because subtle differences in the ways they described each other, and the language they used in those descriptions shed light on how they perceived their partners.

We used a variety of methods to collect data on founders and their firms including unstructured and semi-structured interviews as well as archival data collection. Because we wanted to understand the nuances and particulars of how dyadic partnerships operate, we started the data collection process with unstructured interviews targeted at select founders of firms with two partners. We used insights from those unstructured interviews to craft the interview protocol for the semi-structured interviews.

Our data collection and analysis was integrated, and this flexible research design helped to ensure the close interaction and evolution of data and theory. We took steps to make certain the data were accurately recorded and archived and conducted incremental analysis that would allow us to modify our sampling based on emergent theories. Our analysis closely followed guidelines for developing grounded theory (Brush, 2007; Locke, 2001; Patton, 2002); we first used the data to develop initial classifications, applied those classifications to the data, and then explored how well the data fit within the classifications. This exploration led to additional refinement to our theories, and those refined theories were once again compared with the data. We used NVivo 7 to aid in the coding and classification of the data.

This iterative design allowed us to pinpoint additional stakeholder who could help to shed light to shed light on the partnering phenomenon. In addition to the focal entrepreneurs, we interviewed serial entrepreneurs who had multiple experiences with partnerships of different, first employees
who were present at the start of the venture, and experienced mentors who were advising the nascent firms. Also, as it became apparent that the partnerships we were studying were continually evolving, we also conducted a longitudinal oversample of our focal two-person partnerships. In total, we conducted a total of twenty six interviews which averaged one hour each. Each interview was digitally recorded and professionally transcribed.

In addition to the interviews, we also collected periphery data about the entrepreneurs and their businesses. We used public sources of data when available and solicited other supporting documents from the founders in order to better understand their businesses. By using multiple sources and data collection methods, we were able to triangulate on emergent ideas (Yin, 1994).

Theory Generation

The data collection and analysis processes helped us to generate hypotheses and bolster other theoretical arguments derived from scholarly literature. Additionally, from analyzing the ways in which each entrepreneur described his or her partner(s) and from interviewing solo founders, we were able to reach theoretical saturation on two theories as to why different size founding partnerships are formed.

It was striking that every entrepreneur in this study had a desire to partner in starting his or her venture. This was surprising to us as we expected some entrepreneurs to see the world as “rugged individuals” who would not want to share their business. In fact, all three of the solo entrepreneurs in this study were actively seeking partners. Both Scott and Diane were in the early stages of starting another business and were seeking the right person with whom to partner in that venture. Another founder, Kim, laid the groundwork to start another firm with a partner and was not concerned that she would be giving up a piece of the pie for her second firm. But she wondered whether she should start the second firm with a partner and then merge the assets and operations of her first solo venture to bring the benefits of partnering to it as well.

Troy, one of the experienced entrepreneurs in our sample, was actively looking to partner on a new idea he had and was convinced that he should partner if he could find the right person. Even though he admitted that four out of the ten businesses he previously started failed because of partnership reasons, he intimated he was partnering in his current venture because he needed the personal accountability a partner brings:

I guess something that I love about working with other people is that level of accountability. And it’s saying, “Wow, I really truly believe that most people do not do things for themselves; they do things for other people. And a partnership... just takes that little bit of human nature and takes advantage of it. For a project I’m working on right now where there’s two of us, it’s great. I mean, it makes a deadline real, knowing that there’s someone else who’s waiting for your chunk to come to the table. Whereas, when it’s just you waiting for your chunk, you can be like, “Oh, well, who cares if it’s this week or next week?” type of thing. Entrepreneurship alone requires so much of your own individual get-up-and-go that anything you can do to help...I almost put it in a proxy for a boss...helps the process tremendously. And I think partners really do that. And if one person starts slacking, and that person’s me, having a partner there to tell you, “Hey, let’s set up the next meeting. When is your, you know, chunk coming to the table or piece coming to the table?” is a big factor.

A partnership provides many benefits to the individual entrepreneurs as well as to the venture. Troy explained the mutual support and accountability benefits of partnership, and the literature has
highlighted the benefits of cognitive (Barsade, Ward, Turner, & Sonnenfeld, 2000) and educational (Foo, Wong, & Ong, 2005) diversity within teams in the entrepreneurial context. There are numerous studies highlighting how teams bring greater creativity and differing viewpoints to bear on their actions (see Stewart, 2006: for a detailed review) and controlled experiments have shown how two working together will outperform the individual when confronted with difficult decision-making situations (Cooper & Kagel, 2005). Intuitively, the entrepreneurs in my sample all recognized the importance of having a partner; however, they also expressed how difficult it can be to find the right person with whom to partner. It was because of that difficulty that the solos had not yet partnered.

Scott, a solo entrepreneur, expressed that his next venture would be co-founded and that he had already identified people with whom he would like to partner:

But there are people I’ve already identified in my life that I do want to work with down the road, in that type of relationship... And they’re just a couple of people. And they’ve gone on very different paths, you know, different types of graduate schools. But I just know that at some point I would be disappointed if I’m 80 years old and look back at my life and I hadn’t tried to do something with a few of those individuals.

In a similar manner, Diane, when asked if she would partner in the future stated “I would definitely partner with someone. I would absolutely, if I found the right person.” It seems as though most entrepreneurs would consider partnering with the right person, but often, that person is not available or is not yet in their social networks. If there is a suitable partner available within an entrepreneur’s social network, and if two entrepreneurs partner with each other, how do they benefit from their partnership?

Entrepreneurship is an especially personal process. Entrepreneurs refer to their ventures using parenthood metaphors, in many instances considering the new venture their “babies” (Cardon, Zietsma, Saparito, Matherne, & Davis, 2005). In addition, entrepreneurship is an emotionally charged and taxing process (Cardon, Wincent, Singh, & Dnovsek, 2005) filled with risk and uncertainty (McMullen & Shepherd, 2006). The majority of solo entrepreneurs in the qualitative section of this study professed a desire to partner with another entrepreneur, if a suitable partner was available. Diane, the founder of Craft Co., gave one of the examples that were typical: “I would definitely partner with someone. I would absolutely, if I found the right person. And I have a very good girlfriend of mine that has a similar interest. And she’s working full time. But if there’s an opportunity and we could work together, I’d much rather do this as a partnership.” Finding the right person with whom to partner is especially difficult given that the entrepreneurial partnership requires an immense amount of trust and connection between partners.

At this point, three stylized facts emerged: (1) If the right partnership candidate is available, entrepreneurs are likely to partner, (2) Finding the right partner is difficult because of the immense levels of trust and emotional commitment inherent in the relationship, and (3) Entrepreneurs cannot access the universe of potential partners, but only potential partners within their social networks. Therefore, the more partnership candidates are available to the entrepreneur, the more likely they are to partner:

H1: Entrepreneurs who have access to more potential partnership candidates will be more likely to partner.

In addition to entrepreneurs’ access to potential partners, the environment in which the entrepreneur operates is also likely to influence partnering. David Harper recently theorized about
the environmental conditions that would lead to joint entrepreneurial action (2008). Drawing on team play in game theoretic studies (Bacharach, Gold, & Sugden, 2006) as well as evolutionary biology, he concluded that entrepreneurial teams are more likely to form when environmental uncertainty is high. As the environment becomes more uncertain, the individual will likely feel less able to deal with the uncertainty, and will seek help in bearing the risk.

H2: Higher perceived environmental uncertainty increases the likelihood of partnering.

While the reasons for establishing an initial dyadic partnership hinge on interpersonal processes, the answer to the question of why some entrepreneurs partner with more than one individual is likely to be more instrumental in nature and to center on resource acquisition (i.e., driven more by the needs of the venture than the needs or preferences of the entrepreneur). The majority of technologically intensive firms are started by more than one person (Francis & Sandberg, 2000; Kamm et al., 1990), and higher technology start-ups are more likely to have partners that are not close ties (Smith, 2007). Also, special skills are often needed in technologically intensive companies, and larger founding partnerships may give new ventures both greater access to skills and resources (Delmar & Shane, 2006) along with enabling them to better deal with complex and changing environments (Fejes & Willard, 1990). Finally, in line with Kamm and Nurick’s theory (1993) each of the larger partnerships in the qualitative study began with a group of two entrepreneurs who knew each other long before the venture creation process began, and the additional founders who were added in response to a specific need. For example, when asked about his relationship with his co-founder who has the technological background needed by the venture, one founder remarked, “I would say at this time, maybe with Jim it’s just a colleague. You know, we just got together because he had the technology and we wanted him to commercialize that.” The relationship was clearly resource-seeking and only required because of the high technology nature of the firm.

In order to further tease out whether partners were together for pragmatic or personal reasons, we concentrated our analyses on dyadic and larger partnerships. We interviewed the founders separately and asked about how they met their partner, their personal strengths and weaknesses, and their partner’s strengths and weaknesses. This line of questioning prompted the entrepreneur to express positive and negative perceptions of their partner and allowed them to describe whatever dimensions of the other partner were the most salient. The results were informative, and pointed to the ways in which dyads and triads differ.

In response to questions concerning what their strengths and weaknesses were as well as the strengths and weaknesses of their partners, founders used more personal verbiage in describing some, and more instrumental language in describing others. Tables 1 and 2 show the ways in which each founder described his or her co-founders. The tables are oriented similar to a correlation matrix in that the diagonal is how the respondent described him or herself, and the other cells are how they described each other. The rows signify who is doing the describing (the subject) and the columns who is being described (the object). For example, in the first row, Will described Luke as being experienced, steady, and reserved.

The language used seemed to fall into one of two categories: it either described the person or what the person could do for the business. While many of the descriptions would likely be found in any setting of one person describing another on a personal level, other responses seemed as if they were describing a job candidate (bolded in the tables). The words used to describe Jamie and Stan were mostly focused on how they could contribute to the business, and not on their personal attributes. Experienced, effective, and technical were repeated in each case, while the other founders were described in more personal terms, such as passionate, social, and quiet. The
language people use can often show how they perceive one another, and in this study it appears as if some founders were seen as more instrumental to the operation of the business than were others.

The larger partnerships were each formed first along the lines of personal bonds, and then added members to fill certain resource needs. The interesting differences were in the way two of the three partners related to each other and to the third. The partnerships each started as a dyad—two friends who decided to start a business together, and then those dyads added one more member. The initial two in each triad described their relationship with each other in comparable ways as those of the dyads, but the third member was described in instrumental terms. Drew and Garth from High Tech Co. came up with an idea for a process that would help them manufacture their product but knew they did not have the level of technical expertise required to implement the process. They conducted a national search to target the experts who might join their venture as a partner. Stan was indentified and contacted, and he agreed to come on board because he was excited about the product. Still, he realized his relationship with the others was not the same as their relationship with each other. In contrast to Sam, Joanne was brought on board at Road War for instrumental reasons, but she did not realize her relationship with the other partners was in any way different. During the start-up process, the other two founders came into contact with Joanne who had social networks, entrepreneurial experience, and funding—all of which would be instrumental to their venture’s success. She became a partner in the firm because of what she could do for the company, but interestingly did not realize she was the odd person out.

In total, the responses from the entrepreneurs in our sample were amazingly consistent; the dyads were founded for mostly personal and relational reasons, while the larger partnerships began in a similar fashion, but after the initial dyad was established, it sought to add partners for pragmatic reasons. In a sense, the dyad was foundational to all partnerships in this study—the triads were simply dyads plus one. All of these factors lead us to hypothesize:

\[ H3: \text{Firms with higher technological intensity are likely to have larger founding partnerships.} \]

The strategy employed by the entrepreneur may also impact the propensity to form larger partnerships. While some entrepreneurs start their ventures knowing exactly what their product or service will be, others start the venture before they know what opportunity it will exploit, and in either case, the opportunity can change over time. Entrepreneurs must assemble resources in order to create a successful venture, and before they acquire those resources, they must first know what resources are needed. Because, by definition, founders can only be added to a venture before the venture becomes operational, pragmatically adding partners to secure specific resources can only be done if the opportunity is salient and those resource needs are known early and are relatively stable.

\[ H4: \text{Firms formed to exploit particular salient opportunities are likely to have larger founding partnerships.} \]

Quantitative Data and Analysis

In the second phase of this study, we use data from a large scale, nationally representative dataset to test the hypotheses derived from the qualitative phase.
Data

This study uses data from the National Panel Study of Entrepreneurial Dynamics (PSED). The PSED was chosen because it studied nascent entrepreneurs in the process of creating new organizations, and contained questions in each wave of the study that reflect the number of founders before the sampled businesses became operational. Within this dataset, it was necessary to eliminate some observations as there are some known problems with the PSED data which need to be corrected (Shaver, 2006), and not all observations in the PSED included ownership information. The final sample included 476 ventures of which 247 were founded by more than one person (52%). The majority of the partnerships (176, 71%) were dyadic and only 71 (29%) had more than two founders. Sampling weights were recalibrated as to maintain the generalizability of the data.

Method

We used sequential logistic regressions to model first the choice of whether to partner or not, and then the choice as to remain a dyad or to bring in additional partners. Logistic regression is a common method used for binary choice dependent variables and is relatively free of restrictions (Tabachnick & Fidell, 2007). By using two equations in sequence, we were able to both understand the variables that contribute to partnering, and then, given that an entrepreneur partners, to understand the number of others with whom he or she partners.

Dependent Variables

The dependent variables for each model are based on the number of founders the business was projected to have. If a person had or was expected to have an equity interest in the business once it became operational, that person was counted as a founder. The count of founders at the last reported contact determined the number of founders for this analysis. For the first analysis, a partnership was coded if there was more than one founder, and for the second, a large partnership was coded if there were more than 2 founders.

Independent Variables

Partner Availability: To measure the extent to which potential partners are available to the entrepreneur in the environment, we turned to the answers to two questions: “I have no trouble making and keeping friends” and “I consider myself a loner” (reverse scored). The combined answers to these questions serve as a proxy for social network size given that extraversion is strongly correlated with social network size (Stefanone & Jang, 2007). The larger one’s social network, the more potential partners with whom they are likely to come into contact with on a normal basis.

Perceived Environmental Uncertainty: This self-reported measure of perceived environmental uncertainty is based on previous work done by Matthew and Human (2004) and on responses in the PSED to the question “Considering economic and community context for the new firm, how certain are you that the new business will be able to accomplish each of the following…?” The scale used in this study included eight items measuring the perceived financial and competitive uncertainty and included continuations of the question to target such areas as “…obtain start-up capital?” and “…attract employees?” This item has an overall Cronbach’s Alpha of 0.76.

Technological Intensity: We utilized Allen and Stearn’s measure of technological intensity (2004). Their measure captures whether or not the company will pursue a new invention, the
priority of research and development, and the self-reported characteristic of being “high tech.” Specifically, this measure is a summation of the binary answers to three questions: (1) “Were the products and services to be provided by your new business available in the marketplace five years ago?” (this item was reverse coded) (2) “Will spending money on research and development be a major priority for this new business?” and (3) “Would you consider this new business to be high tech?”

Opportunity Saliency: The saliency of the opportunity was operationalized as the answers to two questions: (1) “Which came first for you: the business idea or your decision to start some kind of business?” and (2) “Has the business idea or opportunity changed very much since the beginning or is it pretty much the original concept?” An idea was considered more salient if it came first and has not changed much, and the responses were normalized before being combined into a single item.

RESULTS AND DISCUSSION

Both models were highly significant (P < .001) and Hosmer-Lemeshow goodness-of-fit tests confirmed the adequacy of each model’s fit to the data. All hypotheses except for H4 and H5 were strongly supported. H4 was not supported because there is a negative relationship between perceived environmental uncertainty and the propensity to partner. Results confirm the availability of suitable partners is a constraint in partner formation and perceived environmental uncertainty is negatively related to partnering behavior. Ventures that are highly technical and have a high degree of saliency in the opportunity are more likely to be associated with larger founding partnerships.

CONCLUSION

Results show that personal attraction and support as well as rational resource-seeking occur in new venture partnerships. Contrary to existing theory, however, there seems to be a pecking order in the partnership process. First, entrepreneurs look to partner for personal reasons, and then, only after they have another to help co-create the enterprise, does rational resource-seeking behavior appear. Results also indicate that (a) the availability of potential partners and (b) the level of perceived uncertainty in the environment influence the establishment of founding partnerships. Higher availability of partnership candidates and lower environmental uncertainty are both associated with higher propensities to partner. Also, larger partnerships are the result of resource-seeking behavior and are more likely to occur in ventures that pursue stable, high-technology opportunities.

Instead of simply both existing within the partnership, it appears as if the first and primary need of the entrepreneur is to have another to offer support in a very personal manner, which is necessarily the same instrumental support economizing theory might suggest. Once the first partner is on board, only then do more calculating resource-acquiring needs take center stage. The results from this chapter point to a hierarchical basis for partner selection in which social needs are fulfilled before instrumental ones. Theoretically then, both motivations can exist within the same organization, but the social could be considered primary.

The results show that perceived uncertainty decreased the chances of partnership formation; a conclusion exactly opposite to recent theory based on a more instrumental, theoretical foundation (Harper, 2008). Perhaps this finding can be explained through a more detailed look at the relationship between the entrepreneur and uncertainty; in the context of entrepreneurship the way in which the entrepreneur bears perceived uncertainty may be different from other actors. In his
seminal work on uncertainty, Knight defined the entrepreneur as the bearer of uncertainty (Knight, 1921). The relationship between the entrepreneur and the uncertainty of the environment may not follow the standard path as set forth by Harper (2008), but may be more complex especially when it comes to partnering. When an entrepreneur enters into a partnership with another, he or she not only needs to desire to partner him or herself, but also needs to convince the other person to partner with him or her. Even if one founder might be willing to bear high degrees of uncertainty, other partners may be less amenable to the idea, especially in circumstances of high uncertainty. Furthermore, if an entrepreneur were to see the environment as highly uncertain, he or she would need a very high level of confidence to believe his or her business could thrive in such an environment (Camerer & Lovallo, 1999).

And finally, this analysis highlights that, in the entrepreneurial context, the number of partners is a reflection of the characteristics of the partnership, and confirms the uniqueness and primacy of the dyadic founding partnership (Forster, 2008). Results could also explain why the majority of partnerships are dyadic as the lack of partnership candidates within local social networks make finding one’s first partner difficult, and only after that crucial first step is taken can an entrepreneur employ a more calculated partnering algorithm.

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### Table 1: Descriptions from New Venture “Road War Inc.”

<table>
<thead>
<tr>
<th>Will</th>
<th>Luka</th>
<th>Jamie</th>
</tr>
</thead>
<tbody>
<tr>
<td>visionary, social, passionate</td>
<td>experienced, steady, reserved</td>
<td>experienced, effective, persistent, passive-aggressive</td>
</tr>
<tr>
<td>quiet, analytical, serious, visionary</td>
<td>outgoing, energetic</td>
<td>experienced, wealthy, energetic, effective</td>
</tr>
<tr>
<td>focused, smart, opinionated</td>
<td>steady, generous</td>
<td>self-aware, visionary</td>
</tr>
</tbody>
</table>

### Table 2: Descriptions from New Venture “High Tech Co.”

<table>
<thead>
<tr>
<th>Garth</th>
<th>Drew</th>
<th>Stan</th>
</tr>
</thead>
<tbody>
<tr>
<td>receptive</td>
<td>friendly, receptive, trustworthy, attentive</td>
<td>formal, technical</td>
</tr>
<tr>
<td>aggressive, analytical, passionate, approachable, smart, impatient</td>
<td>conservative, passionate, organized</td>
<td>knowledgeable, collegial, (versus friendly), technical</td>
</tr>
<tr>
<td>(no opinion)</td>
<td>(no opinion)</td>
<td>technological, experienced</td>
</tr>
</tbody>
</table>
Table 3: Descriptive Statistics and Correlation Matrix

<table>
<thead>
<tr>
<th>Variable</th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership</td>
<td>789</td>
<td>0.56</td>
<td>0.50</td>
<td>0.00</td>
<td>1.00</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Larger (3+) Partnership</td>
<td>426</td>
<td>0.29</td>
<td>0.46</td>
<td>0.00</td>
<td>1.00</td>
<td>0.40</td>
<td>-0.08</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of Partner Candidates</td>
<td>525</td>
<td>3.64</td>
<td>0.86</td>
<td>1.00</td>
<td>5.00</td>
<td>0.15</td>
<td>0.04</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Uncertainty</td>
<td>525</td>
<td>2.35</td>
<td>0.68</td>
<td>1.00</td>
<td>4.57</td>
<td>-0.15</td>
<td>-0.08</td>
<td>-0.12</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technological Intensity</td>
<td>726</td>
<td>1.00</td>
<td>0.91</td>
<td>0.00</td>
<td>3.00</td>
<td>0.01</td>
<td>0.17</td>
<td>-0.04</td>
<td>0.02</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Opportunity Saliency</td>
<td>525</td>
<td>-0.32</td>
<td>1.49</td>
<td>-2.17</td>
<td>2.09</td>
<td>-0.03</td>
<td>0.13</td>
<td>-0.11</td>
<td>0.07</td>
<td>0.06</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Table 4: Sequential Logistic Regression Results

Dependent Variable = Decision to Partner

<table>
<thead>
<tr>
<th>Availability of Partner Candidates</th>
<th>0.315***</th>
<th>0.120</th>
<th>-0.038</th>
<th>0.188</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Uncertainty</td>
<td>-0.422***</td>
<td>0.148</td>
<td>-0.278</td>
<td>0.227</td>
</tr>
<tr>
<td>Technological Intensity</td>
<td>0.065</td>
<td>0.112</td>
<td>0.559***</td>
<td>0.171</td>
</tr>
<tr>
<td>Opportunity Saliency</td>
<td>-0.002</td>
<td>0.067</td>
<td>0.304***</td>
<td>0.113</td>
</tr>
<tr>
<td>_cons</td>
<td>-0.023</td>
<td>0.610</td>
<td>-0.613</td>
<td>0.893</td>
</tr>
</tbody>
</table>

Number of observations 476 247
Pseudo R2 0.031 0.088

Note: *** p<0.01, ** p<0.05, * p<0.1