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PERFORMANCE AND DECISION MAKING: HOW DIFFERENT ARE TEAM START-UPS AND THE LONELY HEROES? (INTERACTIVE PAPER)

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INTERACTIVE PAPER

PERFORMANCE AND DECISION MAKING: HOW DIFFERENT ARE TEAM START-UPS AND THE LONELY HEROES?

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Principal Topic

Entrepreneurs make a series of decisions in order to explore and pursue opportunities they have identified (Cuhna, 2007). Decision making is a central part of teamwork (Glaser, 1996) and teams are believed to perform better and more effectively in decision making than individuals (Conrath, 1966).

A decision making process leading to superior performance depends on how information is perceived and processed (Dahlin et al., 2005; Gibson, 2001). Team size influences the diversity of teams’ perspectives, furthermore each member increases access to information sources through education, experience or social contacts. Teams are, therefore, able to collect more information on a broader range of functional areas (Dougherty, 1992). Teams are able to explore information more in-depth due to their increased ability to exchange and discuss information, leading to a more profound understanding of implications of their decision alternatives (Gibson, 2001). These decisions can have a positive effect on venture performance (West, 2007). This is especially true for start-ups in complex, unstable and dynamic markets (e.g. IT industry) that demand a broad grasp of the environment and a deep understanding of the relevant components.

Method

The start-up simulation was conducted as an experiment. It is computer-based and allows participants to enter over 4000 decisions. The participant starts a business in the IT industry, with the possibility to generate revenues in several areas. We use multiple linear regression to analyze the effects of teams on performance mediated by decision making. We apply a multiple simultaneous mediation approach (Preacher and Hayes, 2008) with decision range, depth, speed and information use as mediator variables. This allows us to draw conclusions on the indirect impact of teams on performance through decision making.

Results and Implications

Our study shows, as expected, that teams tend to perform better than single players. Furthermore they differ in decision making. While teams need more time for decisions and restrict these to a narrower range, their decision characteristics are positively linked to firm performance. Differences in the number of decisions made seem to be time dependant. While investors usually scrutinize demographic factors of entrepreneurial teams, our research indicates that decision making should also be taken into consideration.

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