THE IMPACT OF REGIONAL HUMAN CAPITAL AND SOCIO-CULTURAL INSTITUTIONS ON THE FUNCTIONAL COMPOSITION OF FOUNDING TEAMS (SUMMARY)

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THE IMPACT OF REGIONAL HUMAN CAPITAL AND SOCIO-CULTURAL INSTITUTIONS ON THE FUNCTIONAL COMPOSITION OF FOUNDING TEAMS

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Principal Topic

Scholars have paid extensive attention to the nature of entrepreneurial founding teams. The focus has largely been on the consequences of founding team composition on factors such as firm growth (Eisenhardt & Schoonoven, 1990), mortality (Swaminathan, 1996), the ability to raise equity financing (Beckman et al., 2007), and firm exit (Beckman et al., 2007; Zimmerman, 2008). However, theory on antecedents of founding teams is relatively scant (Forbes et al., 2006). The research that does exist predominantly uses a network lens. For example, scholars have studied the nature of existing network ties, member preferences for homophily, and social capital on the composition of founding teams (Ruef et al., 2003; Aldrich & Kim, 2007). We extend this stream of research by proposing a macro-level explanation of founding team composition. By merging micro-data from the Kauffman Firm Survey (KFS) and the General Social Survey (GSS), we investigate how regional differences human capital and socio-cultural attitudes towards collaboration might together impact the composition of founding teams.

Method

We ran OLS regression models with a cross-sectional dataset that merged data from the KFS, the American Community Survey (ACS), and the confidential data-files of the General Social Survey (GSS). Since all firms in the KFS are founded in 2004, our study uses data from the 2005 ACS and the 2002 GSS to construct our explanatory variables for regional human capital and norms respectively. We used the prior experience data on founders in the KFS to construct an entropy based Shannon index (Yor, 2006; Beckman et al., 2007) that measures the functional heterogeneity of founding teams.

Results and Implications

Preliminary results suggest that our explanatory variables of interest (human capital, socio-cultural norms) have interesting complementary effects on founding team heterogeneity. Our study brings a novel macro-level perspective on the antecedents of founding team composition that has largely focused on firm and individual-level determinants to-date (e.g. Ruef et al., 2003). In doing so, it extends the growing literature linking socio-cultural institutions to entrepreneurship (e.g. Tolbert et al., 2011), and the characteristics of entrepreneurial firms.

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