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## DO WE ALL SEE THE SAME FUTURE? THE IMPACT OF ENTREPRENEURIAL TEAM MEMBERS' VISIONS ON TEAM AND VENTURE DEVELOPMENT

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## DO WE ALL SEE THE SAME FUTURE? THE IMPACT OF ENTREPRENEURIAL TEAM MEMBERS' VISIONS ON TEAM AND VENTURE DEVELOPMENT



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### ABSTRACT

Drawing on a longitudinal multiple case study approach and data on 12 entrepreneurial teams this article develops a model of how initially *convergent* or *divergent* visions held by entrepreneurial team members shape opportunity development, team interactions, and venture performance. Although previous work has emphasized the importance of convergent visions for venture performance, we found that both convergent and divergent visions can lead to venture success. More specifically, different *opportunity development patterns* among convergent and divergent vision teams emerged as crucial factors that connected different approaches to success: Successful teams with divergent visions adopted *professionalized decision making* processes, while successful teams with convergent visions needed to be *flexible and open-minded* in their opportunity development. Besides, we show that teams' initially divergent visions can converge over time. We discuss the implications for research on opportunity development, entrepreneurial visions, and entrepreneurial teams.

### INTRODUCTION

Clearly stated entrepreneurial visions—idealized future goals set by leaders and to be realized by the organization (Conger & Kanungo, 1987)—are important for new ventures and have been associated with increased stakeholder commitment and venture success (Baum, Locke, & Kirkpatrick, 1998; Barringer, Jones, & Neubaum, 2005; Bird & Jelinek, 1988). While these studies highlight that entrepreneurial visions are important for the development of entrepreneurial ventures, however, our understanding of entrepreneurial visions is still limited. First, only little research on visions takes the entrepreneurial team context into account although entrepreneurs frequently work in teams to found and run their ventures (Klotz, Hmieleski, Bradley, & Busenitz, 2014). While theoretical work suggests that the lead entrepreneur needs to define the joint vision for the team (Harper, 2008) and that an entrepreneurial team's shared vision increases the team's effectiveness (Ensley, Pearson, & Pearce, 2003), there is a lack of empirical evidence. Second, the impact of entrepreneurial visions on defining elements of entrepreneurship like opportunity recognition and development (Shane & Venkataraman, 2000) has remained understudied although visions as idealized future goals (Conger & Kanungo, 1987) are likely to influence how entrepreneurial opportunities are pursued. Third, besides the argumentation that visions increase stakeholder commitment we only have few insights into the mechanism of how entrepreneurial visions influence venture performance.

Acknowledging our limited understanding of entrepreneurial visions so far, field work and qualitative research is likely to provide us with meaningful insights (Brown & Eisenhardt, 1997). Thus, we relied on a longitudinal multiple case study approach drawing on 12 entrepreneurial

teams which we followed over a period of over 30 months collecting at least two interviews per team member and additional materials (e.g., press material, videotaped team sessions, surveys, website information). Our study provides several new insights. First, although studies on entrepreneurial visions typically stress the importance of vision clarity for venture performance and thus suggest that convergent visions (which provide a clear direction to the entrepreneurial team) would trigger performance, we found that the relationship between vision convergence and success was contingent on moderating factors. That is, teams with convergent visions needed to be *flexible and open-minded* in their opportunity development to be successful. Teams with divergent visions could also be successful if they adopted *professionalized decision making processes*. Second, although existing literature suggests that entrepreneurial opportunities develop over time, this process has typically been attributed to topics like personality traits, social networks and cognitive processes (Ardichvili, Cardozo, & Ray, 2003). We extend this view by showing that teams with convergent visions focused on continuous, narrower step-by-step improvements of their opportunities, while teams holding divergent visions tended to develop their opportunities more radically and open-mindedly. Third, while existing studies often (implicitly) assume that entrepreneurial visions are the starting point of a venture and remain somewhat constant over time, we show that vision convergence can change over time, and therefore entrepreneurial visions need to be understood as a *dynamic concept*.

#### HYPOTHESES DEVELOPMENT

In the following we will briefly highlight important findings of research on managerial visions, opportunity development, and decision making in entrepreneurial teams.

Research on managerial visions often explores (charismatic) leadership in established organizations (e.g. Conger and Kanungo, 1987; Berson, Shamir, Avolio, and Popper, 2001). In this context, stating a *clear vision* is often a part of being an effective leader (Larwood, Falbe, Kriger, & Miesing, 1995). Besides being sufficiently clear, visions need to be strong to inspire followers (Berson, Shamir, Avolio, & Popper, 2001). However, as organization size matters for the effects of visions (Berson et al., 2001), the effects of visions in very small and young firms are not sufficiently understood. In particular, our understanding of entrepreneurial visions in a team of leaders, i.e. the entrepreneurial team, is very limited.

The opportunity development process “represents both a dynamic, iterative, and a socially embedded view of how entrepreneurial opportunities reach their final form” (Dimov, 2007, p. 714). Andries, Debackere, and Looy (2013) suggest that *focused commitment* and *simultaneous experimentation* are two approaches of business model development: the first enhances initial growth, whereas the latter enhances long-term survival. Although opportunities are socially embedded (Dimov, 2007), research on opportunities often neglects the group or organizational level (Dutta & Crossan, 2005). To date, it is unclear how entrepreneurial opportunities are developed in a team of entrepreneurs.

Research on entrepreneurial decision making often relies on the individual level, (Shepherd, Williams, & Patzelt, 2015) despite the importance of the team context (West, 2007). Compared to corporate management teams, entrepreneurial teams have more strategic freedom (Ruef, Aldrich, & Carter, 2003) which might trigger different viewpoints with respect to the vision for the venture in a team. Further entrepreneurial teams are also confronted with unclear internal structures (Blatt, 2009) which might impact team decision making on how to develop an entrepreneurial opportunity in line with potentially differing visions. Yet, studies need to explore these aspects.

Based on these research gaps, our empirical study aims to answer the following research question: How do entrepreneurial teams' initial visions, and specifically potential divergences across team members, shape the development of opportunities, teams, and ventures?

### METHOD

We used a longitudinal multiple case study approach (Eisenhardt, 1989), which is suitable for addressing open ended "how" questions (Edmondson & McManus, 2007). Following the teams over 30 months allowed us to study sequences of events and their outcomes over time (Van de Ven, 2007). From a list of 289 ventures located in business incubators in a European metropolitan area, 64 teams agreed to participate in our study. Two rounds of semi-structured interviews with each team member were conducted and, allowing for triangulation, data were enriched by follow-up interviews, surveys, field notes, and additional material (e.g. press material, ventures' websites, videotaped team sessions). We eliminated all cases with insufficient information on the venture's vision or on opportunity development after the first interview. Finally, we carefully selected 12 entrepreneurial teams: seven teams with convergent visions (i.e. all team members share a common idealized goal for the venture's future; teams C1-C7) and five teams with divergent visions (i.e. at least one team member names a different idealized goal for the venture's future; teams D1-D5).

For analyzing the 59 interviews of the 12 selected teams and the additional data we followed an inductive approach (Corbin & Strauss, 2008) using the software NVivo for data coding. An initial coding scheme was defined and constantly refined in an iterative process (cf. Miles & Huberman, 1994). To ensure maximum interrater reliability, the assessment was applied by two independent coders (the initial agreement of 88% was satisfying; cf. LeBreton & Senter, 2007, unclear cases were discussed until agreement).

### RESULTS

Although the importance of vision clarity for venture success is emphasized in literature (e.g. Bird & Jelinek, 1988), we found no clear performance differences between teams with convergent and divergent visions, but cases of venture success and failure in both groups to a similar extent. Exploring these venture performance patterns in more detail, we found differences in opportunity development for teams with divergent versus convergent visions.

#### Vision convergence and opportunity development

Our data revealed the teams holding convergent visions and teams holding divergent visions developed their opportunities differently. The seven teams with convergent visions developed their idea typically in a series of small improvements (Chris, C3: "only small improvements after launch"), tended to stick to their initial plans like C1 (Anna: "we always wanted to do this [...] doing it now is just earlier than expected"), and were focused on one industry and/or product (Ben, C2: "we had this offer from a major automobile company, but this was not the industry we wanted to focus on – so we rejected it"). In contrast, the five teams with divergent visions followed a more proactive, more radical, and more open-minded way compared to teams with convergent visions. Typical opportunity development patterns included "questioning and re-thinking everything following a greenfield approach" (Bart, D2), changes of the business model after "reassessing everything" (Albert, D1) and discussing "major changes of the product" (Dave, D4). Thus in our sample, opportunity development followed different patterns depending on the teams' vision convergence. Therefore, we propose:

*Proposition 1: The more convergent the visions within an entrepreneurial team, the higher the likelihood that the team follows a narrow, focused, and less open-minded opportunity development approach (as opposed to a broad, flexible, and more open-minded opportunity development approach).*

### **Opportunity development and venture performance**

Exploring these opportunity development patterns further we found different explanations why teams with divergent and convergent visions were successful or failed. While existing theoretical work suggests that teams with convergent visions should be more successful than teams with divergent visions (Ensley et al., 2003; Harper, 2008), we derived important insights by studying the counter-intuitive teams, i.e. failing teams with convergent visions and successful teams with divergent visions, in more detail.

A closer look at the failing teams with convergent visions revealed that they were *too focused, even narrow minded* in their opportunity development. For three out of four failing teams with convergent visions the main reason for failure was the early focus on one partner exclusively and the high dependence on this partner. In these cases the teams did not manage to react flexibly enough to difficult situations. For example, team C6 was struggling with the partner for some months already but did not try to overcome this dependency. Similarly, Eric (C5) stated: "There is no stress – we are just waiting [for an answer by the partner]." This answer was crucial for the venture's survival, but instead of approaching potential new partners or adapting their opportunity in a flexible manner to reduce partner dependency, the team stayed focused on this one partner and waited passively. Also team C7's failure was dependent on one partner. When negotiating the contract, the partner requested liability clauses and copy rights not acceptable for the entrepreneurial team. Consequently, the partnership failed, but the team had no (client and partner) alternatives leading to the decision to stop the venture. One out of the four convergent vision team failures was not related to a partner issue, but also to being too focused and narrow-minded. Team C4 fine-tuned minor details of their opportunity concept over months *before* market launch, and thereby neglected that there would have been a need to adapt the opportunity more substantially to attract investors. In contrast to these failing teams with convergent visions, the successful teams holding convergent visions were sufficiently broad in their opportunity development and adapted it whenever necessary. For example, team C1 faced difficulties with its service business and consequently decided to introduce a new product line which was planned for a later point of time when founding the company. This flexibility regarding launching time was important for their later success.

We found that only teams with professionalized decision making processes managed to transform divergent views about the future into successful choices for the venture. For example, Bastian from team D2 described that "discussing strategic visions was not easy for the founder team [...] because everyone fought for his perspective," but "the best argumentation always wins". Team D3 stressed the rationality of their strategic decisions and the focus on facts rather than emotional aspects, summarized by Carl as "engineer-thinking." In addition to aspects of rationality, comprehensive preparation and documentation emerged as important elements of professionalized decision making. For example, team D2 (rather untypical for new ventures) prepared every major decision by writing a decision proposal, which then was discussed in the management meeting while a team assistant was taking notes and documenting adjustments to the initial proposal. Further, the inclusion of external feedback was typical for the professionalized

decision process of successful teams with divergent visions. For example, team D1 included investors' and coaches' feedback into their decision to change their business model completely (Alex, D1). Whereas for successful teams with divergent visions a professionalized decision making process was typical, failing teams with divergent visions acted less professionally. While team D4 described their decision making as "spontaneous, without preparation and basically gut decisions" (David), team D5's decision making was characterized by only short conversations and discussions, often via phone, mixing emotions with rational arguments and no documentation of decisions. Interestingly, both D4 and D5 were aware that they would need better decision making processes, but did not manage to increase professionalism. Based on the above, we propose:

*Proposition 2a: The more narrow-minded the opportunity development of entrepreneurial teams holding convergent visions, the higher the likelihood of failure.*

*Propositions 2b: The more professionalized the decision making process of entrepreneurial teams holding divergent visions, the higher the likelihood of success.*

### **Vision stability over time and opportunity development**

Our data revealed that one team (D1) showed a more complex pattern between the visions in the team and opportunity development. More specifically, at the beginning of our study the vision of the (initially) three members diverged, however, after one team member's exit, the remaining team members' vision converged. Being a team with divergent visions (before the team member exit), D1 showed the same open-minded and broad opportunity development patterns like successful teams with divergent visions. In this case, the team developed a second business idea which had been identified coincidentally while working on the initial idea. As described above for successful teams with divergent visions, D1 also showed professional decision making processes. For example, when confronted with investors' feedback that the new idea was far more interesting than the initial one, the three team members evaluated the situation rationally and professionally and decided to pursue the new idea. After one team member had left the venture and the team members consequently had convergent visions, interestingly, the opportunity development became more focused and less open-minded and showed the typical patterns for successful teams with convergent visions, as described above. Based on this observation, we propose:

*Proposition 3a: The extent to which entrepreneurial teams' visions are convergent (divergent) can change over time.*

*Proposition 3b: The likelihood of a change in the extent to which entrepreneurial teams' visions are convergent increases with team member exit.*

## **DISCUSSION & IMPLICATIONS**

### **Theoretical implications**

The findings of this study contribute, first, to work on entrepreneurial visions (Barringer et al., 2005; Baum et al., 1998) by integrating the entrepreneurial team context. Extending theoretical arguments on how convergent visions in entrepreneurial teams can positively impact venture success (Ensley et al., 2003; Harper, 2008), we show when convergent visions within a team are beneficial or detrimental for performance. That is, in contrast to previous studies, our findings emphasize that vision clarity (i.e. vision convergence in the team) can even be negative for entrepreneurial ventures if the team becomes too focused and narrow-minded in developing the

entrepreneurial opportunity they pursue. In addition, our findings reveal that visions that used to be divergent among team members can become convergent upon team member exit. This result emphasizes the dynamic nature of entrepreneurial teams' visions and how these visions depend on the (changing) composition of the team.

Second, the study contributes to the opportunity development literature by identifying vision convergence in entrepreneurial teams as a crucial factor explaining opportunity development patterns. While Gielnik, Frese, Graf, and Kampschulte (2012) showed that divergent thinking *at the individual level* can impact how entrepreneurs develop creative ideas, we found that divergent visions *at the team level* can help to adopt a broader and more open-minded approach for opportunity development. We also found that being too focused and narrow-minded in their opportunity development is a major risk for teams with convergent visions. These findings emphasize that for understanding the impact of entrepreneurial visions on the development of new ventures, it is critical to consider the appropriate level of analysis.

Finally, we add to research on entrepreneurial teams, especially on entrepreneurial imprinting (Burton & Beckman, 2007) by showing that the level of vision convergence within entrepreneurial teams early in the team's history shapes opportunity and venture development. While a recent study emphasized the role of a team's "social imprinting" on venture development with respect to how ownership of the venture is allocated among team members (Breugst, Patzelt and Rathgeber, 2015), our work draws attention toward vision convergence and their effects on teams' reactions to environmental challenges and internal processes.

#### **Limitations, future research, and conclusions**

As for all research that is case based and uses a small sample size, the generalizability of our findings is limited. Thus, future research should apply large-scale approaches to test our model. Moreover, in our study we did not look deeper into the individual initial vision formation at venture start. For example, it would be interesting to see if there is a relationship between initial similarities between the founders or prior joint experiences and vision convergence.

To conclude, our inductive study offers new insights into entrepreneurial visions by showing that both, teams with convergent and teams with divergent visions can be successful. We show how these different visions lead to different opportunity development patterns: Teams with convergent visions need to be sufficiently open-minded and flexible in their opportunity development, while teams holding divergent visions need to establish professionalized decision making processes. Moreover, we show that vision convergence is dynamic. We hope that our study stimulates further research on visions in entrepreneurial teams.

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