THE ENDURING PARTNERSHIP (SUMMARY)

William Forster
University of Virginia, USA, forsterw05@darden.virginia.edu

Recommended Citation
Available at: http://digitalknowledge.babson.edu/fer/vol28/iss11/3

This Summary is brought to you for free and open access by the Entrepreneurship at Babson at Digital Knowledge at Babson. It has been accepted for inclusion in Frontiers of Entrepreneurship Research by an authorized administrator of Digital Knowledge at Babson. For more information, please contact digitalknowledge@babson.edu.
SUMMARY

THE ENDURING PARTNERSHIP

William Forster, University of Virginia, USA

Principal Topic

This study extends current research on entrepreneurial teams by focusing on the founding partnership early in the venture formation process to better understand the persistence of the founding partnership and to test how its characteristics relate to new venture creation. Entrepreneurship research has shown that larger founding teams impart a performance advantage to their organizations (Chandler, Honig, & Wiklund 2005), but little attention has been given to how the specific number of founders relates to founding team endurance and subsequent firm emergence. Sociological theory has long held that there are significant differences in the ways in which people relate to each other in a dyad than in a triad or any other form of organization (Simmel 1950), and others have said that the most stable and effective complex systems are composed of loosely coupled (Weick 1979), nearly-decomposable subassemblies (Simon 1962). Within the early new venture team the founders are central to firm operation and survival, and the persistence of their relationship and the quality of their personal interactions often contribute to entrepreneurial success (Lechler 2001). This study uses ownership changes in the very early stages of the startup process to investigate the ways in which size of the partnerships change over time and relates the characteristics of the founding partnership to subsequent venture emergence.

Method

This study used data from the Panel Study of Entrepreneurial Dynamics to conduct a cross-sectional, time series analysis on the changes in personal equity holders over the gestation period of the firm. Transition probabilities were calculated that reflected the likelihood that each size of partnership would change size in each period. Additionally, ordinal regression was used to test the strength of the relationship between the characteristics of the initial founding team and subsequent firm emergence (at the six year point of the startup process).

Results and Implications

Results provide substantial support for the superior endurance and effectiveness of founding dyads in contrast both to the sole founder and larger teams. Nascent entrepreneurs who partner with one other individual early in the life of the firm, and especially those who share equity evenly, are both more likely to establish a business and less likely to abandon the startup process than any other number of founding partners. These findings contribute not only to entrepreneurship research, but have practical and pedagogical implications. And perhaps most excitingly, they open a new avenue for theorizing about new venture formation that has important implications for literature streams in sociology, psychology and organizational design.

CONTACT: William R. Forster; forsterw05@darden.virginia.edu; (T) 434-882-2260; University of Virginia, Charlottesville, VA 22906.