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SUMMARY

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Principal Topic

Past research shows that a variety of founding team characteristics, such as team size, average age, years of experience, etc. are positively correlated with new venture performance (Cooper and Bruno, 1977; Eisenhardt and Schoonhoven, 1990). However, these previous studies do not explain why teams with similar experience, age, etc. produce dramatically different results, and they do not explain how founding team characteristics impact new venture performance.

This study examines the impact of founding team on new service venture performance by applying upper echelons theory (Hambrick and Mason, 1984) from a resource-based perspective. From literature and our empirical grounding case studies, we identified three founding team capabilities – marketing capability, market-linking capability and design capability – as the key sources, and we also indentified two positional advantages - scalability and protectability - that a new service venture needs to create to achieve superior performance. We conducted an empirical study to test the theoretical model.

Method

Our initial sample included 1249 new service ventures indentified from the Dun & Bradstreet Corporation database. The data for this study were collected during the first two years of the venture’s creation using mail surveys. The final sample consisted of 372 firms across three industries.

Results and Implications

Our results provide some very important insights into founding team assembly and new service venture performance. First, while both scalability and protectability positively affect venture performance, protectability has bigger impact on performance than scalability. Therefore, it is crucial for a new service venture to protect its offering by innovating or building complex assets. Second, while new service venture founding teams must be capable of designing and marketing their service offerings, our results show founding team market-linking capability, not design capability or marketing capability, is the most important factor for new service venture performance. Therefore, new venture founding teams must have the capabilities of creating and maintaining durable relationships with customers and channel members.

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