DISENTANGLING THE EFFECT OF VENTURE TEAM HETEROGENEITY ON VENTURE SUCCESS (SUMMARY)

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SUMMARY

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Principal Topic

There is a general consensus that high-tech start-ups are more often created by groups of people than by individuals (Francis & Sandberg 2000). Moreover, team started businesses account for a disproportionately larger number of fast-growing firms (Bird 1989). Despite its obvious importance to entrepreneurship research, a sizeable gap exists in the normative and empirical literature on the subject of start-up teams (Cooney 2005). As yet, our knowledge about the relationship between team heterogeneity and firm performance is sparse and inconsistent. Heterogeneous teams are regarded as more effective in solving complex, non-routine problems (Chowdhury 2005), while at the same time scholars suggest that homogeneity of venture teams may lead to better outcomes given that team members are more likely to share a common language and knowledge base (Jackson et al. 1991). We add to this burgeoning literature by focusing on the influence of four indicators of a team’s functional heterogeneity on several measures of new venture performance.

Method

Our empirical analysis is based on a random sample of team-founded start-up firms established in innovative industries. We conducted 338 face-to-face interviews with the leading entrepreneur of each team. Data is analyzed using logistic and negative binomial regression models.

Results and Implications

Descriptive statistics hint at two conceptually different dimensions of team heterogeneity. Variety and diversity measure the breadth of a team’s knowledge base, while dissimilarity and substitutability are indicators of the knowledge shared by team members. Empirical results suggest that firm performance in terms of both the number of employees after the first three years of operation and the number of filed patents are positively related to our measure of variety. A more diverse knowledge base seems to matter in the longer run. However, we find that the measures of variety and diversity are negatively correlated with firm survival and the probability to file a patent. In this respect, firms benefit from low degrees of dissimilarity and substitutability, providing evidence for the need of a “common language” within the team. Our study contributes to existing research in that we add to less individualistic oriented theories of the entrepreneurial process and we develop new promising measurement tools of heterogeneity.

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