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SPECIALIZED KNOWLEDGE IN ENTREPRENEURIAL START-UP TEAMS (INTERACTIVE PAPER)

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INTERACTIVE PAPER SESSION

SPECIALIZED KNOWLEDGE IN ENTREPRENEURIAL START-UP TEAMS

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Principal Topic

In this conceptual work we introduce an explicit, yet basic, analytical framework emphasizing individual knowledge differences in budding entrepreneurs. Here, entrepreneurial activity is characterized by specialized knowledge resources coming together in entrepreneurial teams for startup activity. One can think of such underlying specialized knowledge as having been created and advanced through the division of labor, and call this process the division of knowledge. The basic model predicts that oftentimes entrepreneurial teams will fail to come together due to the very differences in specialized knowledge necessary for entrepreneurial discovery. A lack of confidence between potential team members, in each other, with respect to their specialized knowledge is shown explicitly to cause a breakdown in startup team formation.

Method

We begin with a theoretical definition of specialized knowledge, maintaining a deep concern for realism. The basic fact that each of us has unique knowledge allows for the possibility to seize entrepreneurial opportunity. There does exist a degree of general knowledge that many possess, or common knowledge, however, outside the domain of general knowledge we define specialized knowledge in the paper for our purposes. A resultant straightforward analytical model is then developed, including an easily interpretable two-by-two framework diagram useful for examining the entrepreneurial “go” vs. “no go” decision, entrepreneur negotiations, equity splits, licensing agreements and other startup transactions.

Results and Implications

The framework indicates that challenges created by specialized knowledge differences matter greatly. An important implication is that, in the absence of proper mechanisms for the retention, motivation, metering and monitoring of specialized knowledge, one can expect startup teams to commonly fail to materialize and to miss out on valuable entrepreneurial activity. We see explicitly that confidence in each other’s degree of specialized knowledge matters and is an important determinant for whether or not an entrepreneurial project goes forward. Communication and coordination related to new ideas based on specialized knowledge is difficult, to say the least. Thus, early execution of new production based on teams of individuals with specialized knowledge will depend on factors such as confidence and trust. Empirically, one would expect to see mechanisms arise which foster the development of confidence and serve to mitigate the communication and coordination problems.

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