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SUMMARY

EFFECTS OF OWNERSHIP STRUCTURE ON NEW VENTURE TEAM RECRUITMENT AND TEAM CHARACTERISTICS

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 Principle Topic

Using the concept of ‘imprinting’, one of the key theoretical perspectives used in understanding the origin and evolution of firms, this paper examines how different ownership structures (founder-controlled versus investor-controlled) influences the channels used to recruit core team members and shape team characteristics and team tenure in young and growing entrepreneurial firms. Founder-controlled firms are those with majority share owned by founders/founding team and private investors; Investor-controlled firms are those with majority share owned by venture capital or corporate investors. These two groups utilize different channels (different types and strength of network ties, and market) to acquire their core team members. The respective type of ownership structure, along with the external conditions of environmental uncertainty, also influence on team characteristics such as size, functional diversity, team tenure and tenure diversity.

Method

Our sample firms consist of 45 Singaporean new ventures in the technology sector, with average age of 6 years. Data are being collected through interviews and on-the-spot survey with top executives of firms, using structured questions to capture position by position the information on the members of their core team, and measures for tie strength and environmental dynamism from extant literature. Controlled variables are firm size, firm age, and environmental uncertainty.

Results and Implications

This study represents one of the few efforts in examining the organizational and environmental factors in making entrepreneurial core teams what they are, by focusing on the effects of firm ownership structure and its interaction with environmental dynamism on core team recruitment and composition. Our findings suggest that founder-controlled firms use more direct and stronger ties for their core team members, while core teams in investor-controlled firms tend to be more diverse. Environmental uncertainty leads to larger team size, but not necessarily a more diverse team. Theoretically, this contributes to an enhanced model of the upper echelons perspective by including antecedents to team composition/characteristics. By examining the respective effects of ownership structure and environmental uncertainty on core teams, we tease out the specific effects of internal organizational context versus external environmental conditions. An understanding of how ownership structure can influence the choice of their core team members, and the subsequent team composition, can be a useful reference for entrepreneurs making strategic choice in acquiring resources for growth.

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