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THE SOCIAL CAPITAL OF START-UP TEAMS: TEAM DIVERSITY, EXTERNAL NETWORK NON-REDUNDANCY AND INTERNAL NETWORK CLOSURE (INTERACTIVE PAPER)

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THE SOCIAL CAPITAL OF START-UP TEAMS:
TEAM DIVERSITY, EXTERNAL NETWORK NON-REDUNDANCY AND INTERNAL NETWORK CLOSURE.

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Principal Topic

This research addresses the effect of team diversity, external network non-redundancy and internal network closure on the performance of high-tech start-ups. The diversity in teams results in a wider area of experiences, a greater variety of perspectives and creativity, and in innovative decision-making. Members in such teams will be able and willing to challenge each other’s viewpoints. In the process, diverse teams come up with a variety of solutions, which stimulates effective group discussion and, in turn, results in high-quality decisions. Diverse teams may be also connected to more disperse sets of contacts. These non-redundant network contacts increase the range of the network: a wider circle of information on opportunities, such as potential markets, investors and business ideas, is available to the team. Team diversity and external network non-redundancy may lead to novel information and opportunities for brokerage, but the diversity can hinder effective teamwork. Cohesion among the team members of the start-up improves the communication and the coordination of the activities. They share a common language with similar experiences, beliefs and values that enhances team communication. Team cohesion prevents team members from dysfunctionality and increases the levels of affinity and trust that keep team members more satisfied and keen to be part of such a team.

Method

In this research we analyze the interactions of team diversity, team external network non-redundancy and team internal network cohesion and their effect on the performance start-ups. A theoretical model for studying the early growth of start-ups based on social network theory is proposed. Data are collected from a survey based on 71 start-ups in the Netherlands. The data includes both network and likert-type data. The network data is first analyzed with structural network analysis before it is analyzed along with other data with multi-variate techniques.

Results and Implications

The findings suggest that start-ups that operate in non-redundant networks and are characterised by cohesive teams obtain earlier growth. Diversity, however, does not affect the early growth of the start-up. This would imply that start-up teams benefit more from novel information due to network non-redundancy instead of the team’s diversity in skills and experiences. The findings also imply that cohesion among the team members is important to realise the value of the novel information which is obtained in the external network. The findings suggest that further research to examine the reasons underlying the social capital of entrepreneurial teams is justified.

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