PARTNERSHIPS AND PERFORMANCE: A MIXED-METHODS, LONGITUDINAL STUDY OF FOUNDING PARTNERSHIPS' EFFECTS ON NEW VENTURE PERFORMANCE (SUMMARY)

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Principal Topic

This study extends research on new venture teams and firm performance by examining the effects founding partnerships have on new firm performance. Even though founders are theoretically distinct from the other members of new venture teams and are likely to have unique impacts on their organizations, research relating to teams in the new venture context has mostly focused on new venture teams broadly defined. Using the theoretically narrow definition of the founding team originally proposed by Kamm and her co-authors (1993; 1990), this study teases apart the performance impacts specifically attributable to multiple founders and to the varying sizes of founding partnerships for technology and non-technology companies.

Methods

Because little is known about the specific relationship between founding partnerships and firm performance, I developed grounded theory using an inductive, multiple case research design (Yin, 2003). In total, I interviewed 26 founders of new ventures in partnerships of varying sizes. I tested my theory using quantitative methods and the data from the Kauffman Firm Survey. Specifically, I modeled the effects of founding partnerships on revenues and profits using Mixed Effects Multilevel Modeling techniques and data on over two thousand new firms over a six year period of time.

Results and Implications

Results showed that founding partnerships impact revenue generation and profit in nuanced ways. Even after controlling for firm fixed effects and for the impacts of investors, founding partnerships were positively related to revenue for all types of firms. In addition, founding partnerships of more than two entrepreneurs were especially advantageous for generating profits in technology based firms.

This paper contributes to the literature by showing that partnerships have impacts on firm performance which are distinct from the more broadly conceived and studied “new venture team”. In particular, it shows that dyadic and larger partnerships have differential impacts on new firm performance and emphasizes how fit in regards to partnership size and firm technological intensity are important for new ventures. Finally, this study confirms that founding partnerships are a distinct subset of the entrepreneurial team and that they affect new ventures in ways previously overlooked. Additional research is needed to better understand the founding partnership phenomenon.

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