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COGNITIVE SHORTCUTS AND NEW VENTURE TEAM FORMATION: UNDERSTANDING THE IMPACT THAT CONTEXTUAL FACTORS HAVE ON FOUNDING VALUABLE TEAMS (SUMMARY)

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Principal Topic

Effectively identifying and recruiting valuable team members are very important decisions that a founder makes when starting a new venture. The time consuming nature of this process encourages the use of cognitive shortcuts rather than extensive research to reach a conclusion concerning how valuable potential team members will be to the venture. Though cognitive shortcuts have been examined in the literature, we still know very little concerning the contextual factors which encourage such behavior and the impact that the use of cognitive shortcuts has on team formation and startup success.

We argue that environmental uncertainty, market feedback, and industry competitiveness promote the use of cognitive shortcuts when selecting a new venture team and adversely influence assessments of co-founder value. We outline the factors which encourage the lead founder to make decisions based on the social attractiveness of potential team members rather than objective skill based criteria. In addition, we develop theory explaining when these shortcuts will be most impactful on the venture's future success.

Theory/Method/Hypotheses

Using the resource dependence view, perspectives on social capital, and aspects of entrepreneurial cognition we examine the lead founder's cognitive characteristics and also explore the impact that environmental characteristics have on a founder's susceptibility to cognitive biases. We test our hypotheses by examining team formation decisions of 142 lead entrepreneurs. We examine the impact that cognitive shortcuts have on the overall value of the formed team, as well as the venture performance following team selection.

Implications

Our inquiry provides a contribution to the literatures on entrepreneurial cognition and new venture team formation. We present a unique understanding of new venture team formation and early-stage new venture dynamics. We describe the negative impact that cognitive shortcuts have on new venture team formation. This study is unique in that we examine cognitive shortcuts taken during the initial struggles and challenges faced by the lead founder. Additionally, we examine the impact that these shortcuts have on both the value of the team which is formed and the startup success.

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