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COOPERATION OR COMPETITION?
FAULTLINE THEORY AND
COLLABORATIVE EFFORTS OF
ENTREPRENEURIAL GROUPS IN
MICROCREDIT (SUMMARY)

Matthew Grimes
University of Alberta, Canada USA

Emily Hunter
Baylor University, USA

Steven W. Bradley
Baylor University, USA, steve_bradley@baylor.edu

Hana Milanov
Technische Universität München, Germany

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COOPERATION OR COMPETITION? FAULTLINE THEORY AND COLLABORATIVE EFFORTS OF ENTREPRENEURIAL GROUPS IN MICROCREDIT

Matthew Grimes, University of Alberta, Canada USA
Emily Hunter, Baylor University, USA
Steven W. Bradley, Baylor University, USA
Hana Milanov, Technische Universität München, Germany

Principal Topic

Cooperating with potential competitors is generally understood as counterproductive, and yet with the increased spread of business incubation and group-based lending to micro-entrepreneurs, such cooperative dynamics within the context of potential competition are increasing. We explore whether faultlines within groups negatively affect group and members outcomes and whether members’ willingness to cooperatively share information reverses the relationships between group differences and those outcomes. This study has the potential to contribute to and extend existing research on entrepreneurial competition and cooperation as well as broader research on group diversity.

Method

We collected the data for this study from Nairobi, Kenya in 2011 as a part of a broader cross-country data collection of microcredit entrepreneurs. Given the group literature suggests a minimum of 80% of responses in a group (Sparrowe, Liden, Wayne & Kraimer, 2001), our final sample consists of 25 microcredit groups with 249 respondents (83 males and 153 females). Within these groups, the response rates averaged 94%.

Results and Implications

In this study we drew upon faultline research to investigate the effects of group member diversity on group cohesion and member-firm performance within the context of competition. We hypothesized that the negative relationship between group faultlines and both group cohesion and member-firm outcomes would be attenuated by group members’ willingness to cooperate by sharing information. Surprisingly we found that not only did group members’ willingness to cooperate by sharing information with one another attenuate the negative effects of diversity on cohesion and firm outcomes, they actually reversed the direction of the relationships in question. In other words prominent diversity within groups can be beneficial rather than deleterious to group cohesion and member-firm outcomes when those members have a greater orientation towards cooperation.

CONTACT: Steve Bradley; steve_bradley@baylor.edu; (T): 254-710-3921; (F): 254-710-1093; Baylor University; Waco, TX 76798-8006