



ELSEVIER

Contents lists available at ScienceDirect

Journal of Business Venturing Insights

journal homepage: www.elsevier.com/locate/jbvi

How does heterogeneity in experience influence the performance of nascent venture teams?: Insights from the US PSED II study

Dorina Thiess^{a,*}, Charlotta Sirén^b, Dietmar Grichnik^a^a University of St. Gallen, Center for Entrepreneurship, Institute of Technology Management, Dufourstrasse 40a, CH-9000 St. Gallen, Switzerland^b University of St. Gallen, Global Center for Entrepreneurship & Innovation, Institute of Technology Management, Dufourstrasse 40a, CH-9000 St. Gallen, Switzerland

ARTICLE INFO

Article history:

Received 11 November 2015

Received in revised form

27 March 2016

Accepted 1 April 2016

Available online 15 April 2016

Keywords:

Nascent entrepreneurship

Venture teams

Heterogeneity

Experience

PSED II

ABSTRACT

Experience is a critical factor in the success of nascent venture teams. However, homogeneous experience levels within teams may have drawbacks. This study focuses upon the performance effects of heterogeneities in experience type – management, industry, and start-up experience – for nascent venture teams. Using the representative US-based PSED II dataset including 519 nascent venture teams, we find that balanced experience types (heterogeneities in management and start-up experience) among nascent venture team members led to increased early-stage performance (measured as the expected revenue after the first operational year and the progress in terms of entrepreneurial activities pursued within the first five years of operation).

© 2016 Published by Elsevier Inc.

1. Introduction

Human capital is of the utmost importance for the creation of ventures (Becker, 1962; Dencker et al., 2009; Wright et al., 1994). However, a complete set of knowledge and skills is rarely present within a single individual, and most entrepreneurs establish teams around them (Brannon et al., 2013; Brinckmann and Hoegl, 2011; Schjoedt et al., 2013). In teams, capitalizing on collective knowledge and insights enhances the likelihood of success (Beckman et al., 2007), but teams comprising only highly experienced individuals may also encounter barriers (Groysberg et al., 2011; Shepherd et al., 2003) such as “cognitive lock-in” (Gargiulo and Benassi, 2000, p. 186), which may lead to less innovative output (Wilson et al., 2013) and entrepreneurial activity (Adler and Kwon, 2002).

Using data other than the PSED and concentrating on the founding teams of already established new firms, prior studies have found that broader team experience (i.e., different fields or different environments in which prior experience was collected) leads to increased identification of market opportunities (Gruber et al., 2013), increased ability to attract venture capital and increased ability to complete an IPO (Beckman et al., 2007). Although breadth of experience is important, Watson et al. (2003) noted also that depth of experience (i.e., specialization in a particular task) is a critical advantage for new venture teams. Most entrepreneurship studies utilizing the PSED and related panel study data have focused on individual entrepreneurs, with only a handful addressing nascent venture teams,¹ and they have concentrated mainly on the

* Corresponding author.

E-mail addresses: dorina.thiess@unisg.ch (D. Thiess), charlotta.siren@unisg.ch (C. Sirén), dietmar.grichnik@unisg.ch (D. Grichnik).¹ The lead author reviewed all articles utilizing the various PSED datasets that are listed in the PSED bibliography online (<http://www.psed.isr.umich>).

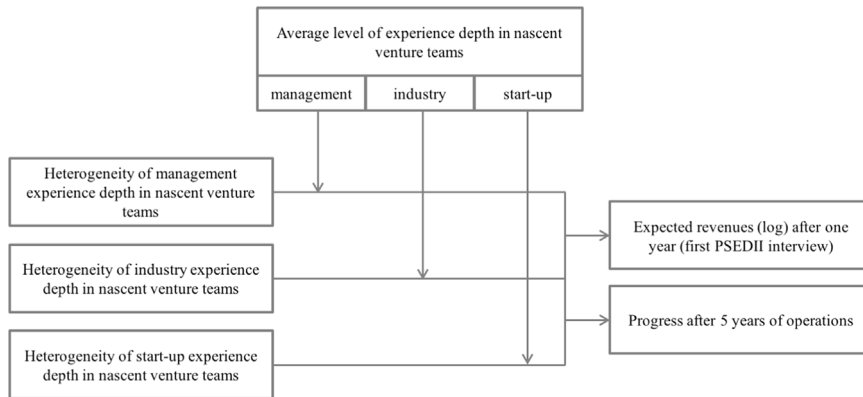


Fig. 1. Research model.

mechanisms that affect team composition (Kim and Aldrich, 2005; Ruef et al., 2003), such as homophily (i.e., the attraction between individuals with shared characteristics such as gender and ethnicity). The question “how does the distribution of experience among team members influence their venture performance once the team has been formed” remains unanswered.

In this study, we focused on the experience distributions of the nascent founding teams and how these distribution properties affected nascent venture performance. We concentrated on heterogeneities in experience depth by examining three experience dimensions—management, industry, and start-up experience—and we expected that balanced levels of heterogeneities in experience among nascent venture team members would have positive performance benefits (measured as the expected revenue after the first operational year of the business and progress in terms of the entrepreneurial activities pursued within the first five years of venture operation). For the very early phase of venture creation, when financial performance data is typically absent, the firms' expected success was evaluated by their founders and their progress in entrepreneurial activities, which have been shown to be valid proxies for nascent venture performance (Brush and Vanderwerf, 1992; Gartner, 2004; Kim et al., 2015; Lichtenstein et al., 2007). We believe that, in nascent venture teams, heterogeneities in experience would provide flexibility in resources, such as information, which would enable ventures to better adapt to changing conditions (Kim and Aldrich, 2005) and, therefore, increases performance. Further, to understand how heterogeneities in experience affected performance across low and high levels of average team experience, we conducted a series of interaction analyses with the average levels of experience. The research model is depicted in Fig. 1.

2. Methods and data

The Panel Study of Entrepreneurial Dynamics II (PSED II), a representative longitudinal dataset of nascent ventures in the United States, was used to test the research model. Of the 31,845 individuals who were surveyed, 1214 were identified as entrepreneurs, who then took part in yearly phone interviews from 2005/2006 until 2010/2011 (Reynolds and Curtin, 2007). The unit of analysis in this study was the nascent venture team. If the respondent indicated others who would share ownership in the venture, they were asked to identify up to five members who would have the highest level of ownership ($n=475$ for expected revenues and $n=519$ for venture progress). Study variables are reported in Appendix A.

3. Results

Table 1 reports descriptive statistics and correlations, and Table 2 reports the results of the hierarchical regression. All VIFs were below the acceptable limit of 5 (O'Brien, 2007); the highest model VIF was 1.84, confirming that multicollinearity did not influence the results. Robust standard errors clustered by industries were applied in all regressions. Models 1 and 4 report the effects of control variables on performance. Models 2 and 5 introduce the direct effects of the heterogeneity indices on performance and show that management experience heterogeneity (Model 2: $\beta=.026$; $p<.05$; Model 5: $\beta=.222$; $p<.01$) and start-up experience heterogeneity (Model 2: $\beta=.258$; $p<.01$; Model 5: $\beta=.671$; $p<.001$) were positively related to performance, while industry experience heterogeneity was not significant in either model (Model 2: $\beta=.027$; $p=ns$; Model 5: $\beta=.005$; $p=ns$).

In Models 3 and 6, we incorporated average levels of management, industry, and start-up experience as moderating variables for the heterogeneity and performance indices to establish whether heterogeneity was dependent upon the average level of experience within the team. Through this analysis, we

(footnote continued)

edu/psed/documentation), a total of 154 articles. Of those articles nine focused on nascent venture teams of which five concentrated on human capital aspects within the teams (Delmar and Shane, 2006; Hopp and Sonderegger, 2015; Muñoz-Bullon et al., 2015; Samuelsson and Davidsson, 2009; Yang and Aldrich, 2014). All of the five studies concentrated on the average level of human capital within the team by treating experience as an average of individual level experiences.

Download English Version:

<https://daneshyari.com/en/article/1019905>

Download Persian Version:

<https://daneshyari.com/article/1019905>

[Daneshyari.com](https://daneshyari.com)