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Editorial: What is an Entrepreneurial Team?

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Introduction

'It Is Difficult To Clap With One Hand (*gu zhang nan ming*)' is an old Chinese saying which appropriately opens this Special Edition on Entrepreneurial Teams as what follows examines the benefits of having more than one founder for the creation and successful development of an enterprise. Since the seminal work of Birch (1979), many studies have focused on small firms (as their rate of growth can frequently appear more dramatic than that achieved by larger organizations), but team entrepreneurship as an area of study is a more recent phenomenon (Ensley et al., 1999; Kamm et al., 1990). However, over the past 15 years, team entrepreneurship has received increased attention as a body of research builds which suggests that fast-growth firms are more likely to have been founded by entrepreneurial teams.

One of the great myths of entrepreneurship has been the notion of the entrepreneur as a lone hero, battling against the storms of economic, government, social, and other environmental forces before anchoring in the harbour of success. It has been fuelled in the USA by stories of the meteoric careers of individuals such as Andrew Carnegie and John D. Rockefeller. Peterson (1988) believed that this notion was due to the fact that entrepreneurship is enmeshed in culture and since American society 'values' encourage and promote personal and singular achievement, the lone entrepreneur reigns supreme. Blackford (1991) suggested that small business owners are revered because of their symbolism of self-reliant personal independence. The allegory of Horatio Algier (fictional rags-to-riches story) is stronger than the reality as it reinforces the tradition of individualism upon which so much of American edification is dependent. Furthermore, because activities in North America greatly influence international opinion, research agendas, and paradigms, other countries have generally conformed to this interpretation of an entrepreneur.

It is arguable that despite the romantic notion of the entrepreneur as a lone hero, the reality is that successful entrepreneurs either built teams about them or were part of a team throughout. For example, when one considers the success of Apple Computers, the name of Steven Jobs immediately springs to mind.

However, while Jobs was the charismatic folk hero and visionary, it was Steve Wozniack who invented the first PC model and Mike Markkula who offered the business expertise and access to venture capital (Sculley and Byrne, 1988). Additionally, a body of research had begun (Cooper and Bruno, 1977) which suggested that firms founded by entrepreneurial teams were more likely to achieve fast growth than firms founded by lone entrepreneurs. Reich (1987) argued that the time had arrived for entrepreneurship to be reconsidered, for the elevation of the team to the status of hero, and the celebration of the image of multiple founders. But such a request not only moves against mainstream research and writing, it also disturbs deeply held cultural beliefs and perceptions in some countries, since 'real' entrepreneurs are often portrayed as those people who through hard work, innovation, perseverance, and high energy have built considerable personal success and wealth from a base of nothing. Moreover, anecdotal evidence would also suggest that there is a generally held perception that becoming an entrepreneur is beyond the capability of most people, since many believe that they do not possess the characteristics of those entrepreneurs whom the media continually accentuate as typical.

Challenging convention is typically a slow and difficult task, as it is seeking to alter or rebuild the fortified mindset of people. When one examines a review of entrepreneurial history by writers such as Hebert and Link (1982), or a taxonomy of entrepreneurial theories such as by Guzman Cuevas (1994), it is immediately noticeable that much of the work on entrepreneurs since Cantillon has been neatly boxed, categorized, and packaged. Many of these works over the years have followed hackneyed paths already well worn by previous writers and researchers. One could contend that the definition of an entrepreneur has altered little since Schumpeter's (1934) interpretation of an entrepreneur as an agent who implements innovations, or new combinations, in a proactive manner. According to Bygrave (1989, 1993) this lack of originality occurred because inappropriate methodologies and paradigms were used in this relatively new discipline of 'entrepreneurship' (particularly when one compares it to the basic sciences). Without its own paradigms, this discipline would struggle to expand the frontiers of its research. Grant and Perren (2002) similarly argued that while much of the development of entrepreneurship literature has been achieved by drawing on and adapting the theoretical frameworks of disciplines from outside, such diversity of disciplinary foundation does not necessarily result in a diversity of underlying meta-theoretical assumptions within an area. The dominance by many researchers employing short-term quantitatively based works has put the focus on medians and averages, frequently at the expense of longitudinal studies on individuals or teams. Arguably, current research on entrepreneurship primarily offers snapshots of medial individuals and organizations when the interesting stories are in the outliers. While this Special Edition may not attain a quantum leap in thinking, it does seek to offer a constructive alternative to the representation of the entrepreneur as a solitary performer.

What is an 'Entrepreneurial Team'?

While Reich (1987) proposed that entrepreneurship be reconsidered with the team as hero, a number of other writers saw matters differently. Shaver and Scott (1991) were of the opinion that while team entrepreneurship is important, a single person is still required in whose mind all of the possibilities come together, who believes that innovation is possible, and who has the motivation to persist until the job is done. Casson (1982) saw the entrepreneur as someone who specializes in taking judgmental decisions about the coordination of scarce resources. Therefore, an entrepreneur is a person – not a team, or a committee, or an organization – since only individuals can make decisions. Timmons (1994) and Ensley et al. (2000) balanced such an issue by arguing that within a team there will exist a lead entrepreneur who creates the vision and then gathers others about them who share that dream. In-depth qualitative research by Grant (1993) offered evidence to support the notion that commercial prosperity was optimized when the lead entrepreneur and the venture team possessed a variety of financial, experiential, mental, and emotional resources. A number of other writers (Harrison and Leitch, 1995; Kamm and Aldrich, 1991; Vesper, 1990) have also discussed the advantages of combining talents to create and advance an enterprise. These benefits included pooling financial and physical resources, spreading risk and anxiety, increasing the stock of skills and expertise available, and compensating for individual weaknesses. However, one of the key challenges to probing the issue of entrepreneurial teams is in determining what constitutes a team. While Bird (1989) offered the thought that there was some depth of research concerning entrepreneurial teams, she did point out that it was relatively sparse and largely anecdotal.

One insight into entrepreneurial teams came from authors such as Belbin (1981, 1994) and Katzenbach and Smith (1993) who examined management teams from the perspective of organizational behaviour. They investigated various elements within the structure of management teams, while rarely venturing to examine how teams might have been formed outside of the organization. Meanwhile, books on work groups (Napier and Gershenfeld, 1993) predominantly investigated group dynamics within the company. Although the analysis of teams occasionally moved outside of the work environment, and into areas such as sport (Carron, 1980; Feltz and Lirgg, 1998), studies on teams consistently failed to offer innovative insights into team formation in new venture creation. Stewart's (1989) work on team entrepreneurship was offered as a celebration of collective entrepreneurship but it simply examined holistic strategies within an existing organization, while Eisenhardt and Schoonhoven (1990), Chandler and Hanks (1998), Ensley et al. (2002), and Shepherd and Kruger (2002) similarly considered top management teams interchangeably with entrepreneurial teams within the context of corporate entrepreneurship, an issue which is considered in more detail in this Special Edition by Vyakarnam and Handelberg. Meanwhile, writers such as Kamm and Aldrich (1991) and Hansen (1995) sought to understand the relationship between founders, team size, and social networks, Cooper and Daily (1997) noted how teams changed over time, while others examined how firm performance and entrepreneurial teams related to issues such as friendship (Francis and Sandberg, 2000), the factors associated with member entry and exit (Ucbasaran et al., 2003), cultural diversity (Bouncken, 2004), and networking abilities (Witt, 2004).

The concept of entrepreneurial teams arguably begins most earnestly with Kamm et al. (1990) who highlighted that teams are significant to researchers and entrepreneurs in two ways: (1) they occur more frequently in new venture creation than the entrepreneurship literature leads one to expect, and (2) they affect the firm's performance. Given that entrepreneurship literature reflects the myth of the entrepreneur as a lone actor, a sizeable gap thus existed, and continues to exist, in the normative and empirical literature on the subject of entrepreneurial teams. Kamm et al. (1990) identified six key questions that they believed needed to be addressed. These included queries on what the relationship was between the new business concept and the entrepreneurial team, where the individuals or groups might look for partners to work with, and what their criteria were for selecting partners. While other studies had dealt with issues such as work teams and management teams, this work by Kamm et al. (1990) was one of the first to question how a group of people came together prior to establishing an enterprise. It sought to offer a structure to the process and the psychological patterns of those involved. This work was later followed by Ensley et al. (1999) who examined the existence of entrepreneurial teams in greater detail. While Kamm et al. (1990) highlighted a number of studies that had been carried out regarding the level of existence of entrepreneurial teams, many of these focused not on the merits of entrepreneurial teams but on the obstructions that they faced.

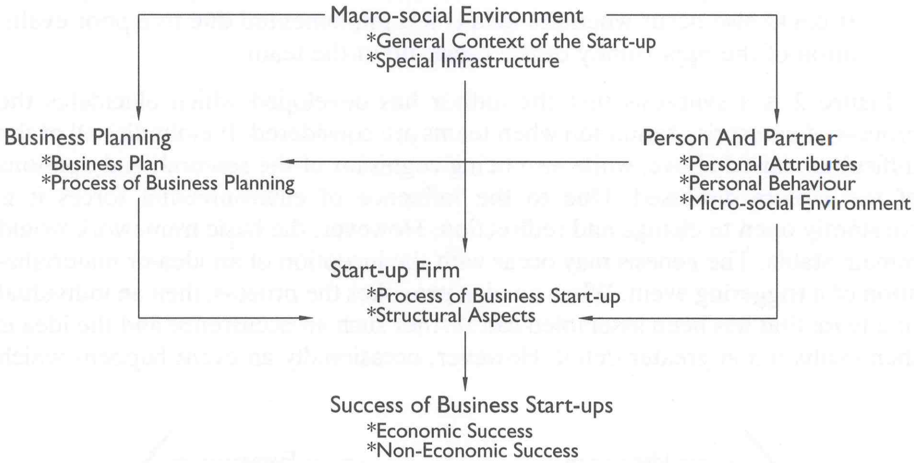
It is without doubt that the clarity of purpose and reading of this Special Edition would be aided by a lucid definition of entrepreneurial teams, but given the paucity of research into teams already mentioned, there are few existing definitions on which to build. The most frequently employed definition is that by Kamm et al. (1990), who suggested that an entrepreneurial team is two or more individuals who jointly establish a business in which they have equal financial interest. These individuals are present at the pre-start-up phase of the firm, before it actually begins making goods or services available to the market. However, two substantive elements of this definition are subject to disagreement: (1) the inclusion of the term 'equal' financial interest, where a more open interpretation of financial interest is required instead, and (2) the focus on 'pre-start-up', because an individual could possibly become a team member at any point in the maturation of the firm. The definition should additionally concentrate on new venture creation rather than on team development within an established organization. Therefore, this article proposes that an entrepreneurial team be defined as 'two or more individuals who have a significant financial interest and participate actively in the development of the enterprise'. The purpose of 'significant financial interest' is in recognition of the fact that only sporadically would all partners have *equal* financial interest. It also eliminates those who have invested small sums of money, as they are unlikely to be critical constituents of the team. It additionally recognizes that financial interest may be the result of 'sweat equity' rather than capital funding. However, the question of what constitutes 'significant' remains undefined and should only be considered within a specific context. The intent of the phrase 'participate actively' was designed to eliminate sleeping or silent partners (i.e. those who invest capital but do not involve themselves beyond seeking a return on their investment). Moreover, the definition excludes venture capital firms, banks, and other investment institutions since it is only concerned with individuals. A final point of note to the definition is that it was with regard to 'the development of the enterprise'. This acknowledges the dynamic nature of the enterprise and accedes to the prospect that team members can join (or leave) at any stage of the maturation of the firm. Therefore, the definition is not restricted to pre-start-up but embraces the concept of entrepreneurial teams as fluid and evolutionary.

The definition proposed here possesses flexibility in both the number of people being members of the team, and how and when they might join the team. It additionally is elastic in the level of financial interest an individual might have in the company since such a figure is always likely to be variable. Finally, the definition reaffirms the dynamic nature of firms through its assertion of an enterprise developing over time. However, later articles in this Special Edition will offer alternative interpretations of the term 'entrepreneurial team' and instead of reaching consensus, this edition has actually broadened the argument.

Team Venture Creation

Many writers have noted that to better understand the term 'entrepreneurial team', it is important to also understand the nature of team venture creation. The issue of team venture creation was slowly examined within entrepreneurship literature using theories from other disciplines. Bird (1989) drew on social psychology, and using a combination of concepts such as dyads and small groups, identified five key stages through which a team proceeds: attraction, bonding, projection, conflict, and development. Katz (1993) investigated the issue of organizational emergence through group formation. Instead of seeing group development proceed in an orderly manner, he suggested that its progress is more dependent on time and task demands than on stages of development. A framework that deals specifically with venture formation by teams is the Kamm and Nurick (1993) model. It presupposes that the process of enterprise creation occurs in stages with the idea coming first and then the implementation. During the idea stage, an individual or a group may recognize an opportunity within the context of their social networks and determine whether the concept should be further developed. The implementation stage requires decisions regarding the supply of resources, the inducements used to attract partners, and team maintenance. Feedback loops offer the possibility of reviewing or renewing earlier choices. This conceptual framework follows an a priori sequence of transitions and is useful when considering selection and recruitment decisions regarding team members. It additionally offers insights about the conception, gestation, and birth of firms established by entrepreneurial teams. Clarysse and Moray (2004) found that the development of the entrepreneurial team is interrelated with the life cycle stages of the venture and therefore it takes time for a founding team to find its role as experiential learning processes occur, while Birley and Stockley (2000) believed that any gaps between competences required by the firm and possessed by the team would emerge over time.

Muller-Boling (1993) offered another model (Figure 1), and believed that the success of venture teams was dependent upon four factors: macro-social environment, person and partner, business planning, and start-up firm. Muller-Boling recognized the growing number of venture team start-ups and their increasing importance, but bemoaned the lack of empirical evidence on this subject area. His model is based upon research of the individual components, each of which only fleetingly considered teams within the data analysis.



Source: Muller-Boling (1993)

Figure 1. Conceptual Framework for Venture Team Start-ups

While few models specifically dissect the formation and maturing of entrepreneurial teams, enough work exists to offer guidelines that signpost the primary requirements in developing such a theoretical construct. Three dimensions that need to be distilled are clearly identified in the literature: the idea, the team and the implementation of the idea. However, each dimension holds difficult questions:

1. The Idea – when does the idea come into existence? There are two possibilities. The first is that the idea is conceived by an individual before the formation of the team, in which situation does the idea belong to the individual or the group? And does the individual undertake the research and evaluation with or without a team? Perhaps it was through the team that the idea was brought to fruition. The second possibility is that the idea is created and developed by the team and has been conceived for the specific purposes of the team. In such a circumstance then it was an event that brought the team together as opposed to an idea.

2. The Team – much depends on whether the team came into existence before the idea was formulated or afterwards. If the idea was formed first by an individual then that person would be the 'lead entrepreneur' who will make the initial decisions on the composition and behaviour of the team. Cachon (1990) identified four types of team compositions: Husband and Wife, Family Related, Partners, Short-Term Partners. If the team was formed to initiate an idea then timing becomes more difficult to pin down. If there are any separations, to whom does the idea belong since there is likely to be a lead entrepreneur?
3. The Implementation of the Idea – the implementation of the idea will incorporate commercialization and control. The business evaluation and the resources required should have been dealt with at this stage of the process. It could also occur when the idea is not implemented due to a poor evaluation of the opportunity or the break-up of the team.

Figure 2 is a synthesis that the author has developed which elucidates the process of enterprise formation when teams are considered. It embodies all of the difficulties raised above, while also being cognisant of the research and opinions of the writers discussed. Due to the influence of environmental forces it is constantly open to change and redirection. However, the basic framework would remain stable. The genesis may occur with the inception of an idea or materialization of a triggering event. When an idea provokes the process, then an individual or a team that has been assembled can further such an occurrence and the idea is then evaluated in greater detail. However, occasionally an event happens which

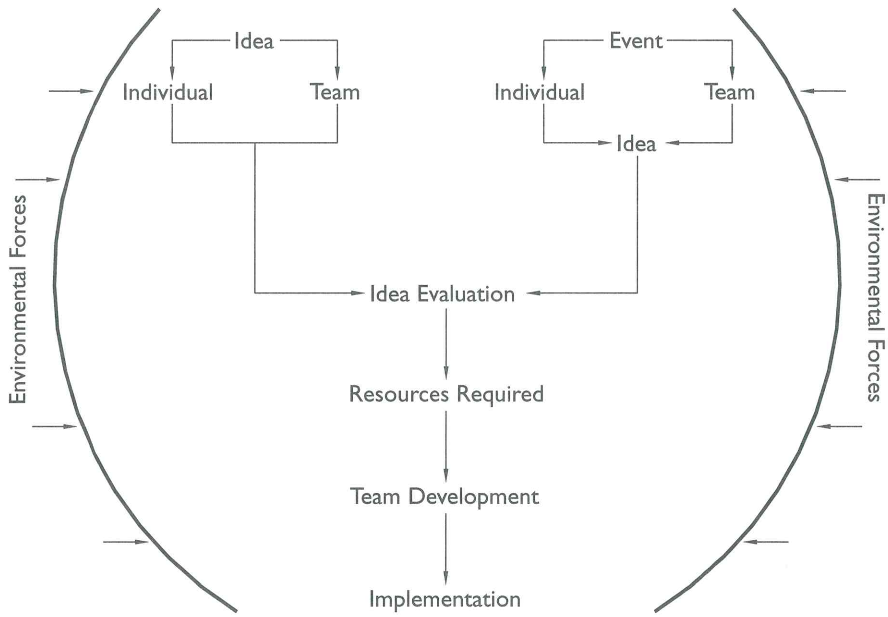


Figure 2. Process of Enterprise Formation

propels an individual or an assembled team to commit themselves to beginning an enterprise, and they go in search of the idea, which is then evaluated. The procedure then flows through a moulding of required resources, the development of the team, before launching with the implementation of the business.

Because of the dearth of models on team venture creation, Figure 2 is a theoretical construct offering the author's viewpoint on how entrepreneurial teams might create a venture. It draws on work from Muller-Boling (1993) and Kamm and Nurick (1993) to more recent writers such as Newbert (2005) so as to distil the process that a team might go through when establishing an enterprise. However, it is not necessary for a new venture to follow this process step-by-step. For example, the resources may be gathered in tandem with the development of the team. This latter stage is the deliberate enhancement of the original founding members either through the growth of the individuals' abilities, the introduction of additional members where weaknesses exist, or through the employment of qualified personnel into salaried positions. Furthermore, the gathering of resources and the development of the team would frequently be incomplete when the idea is implemented. However, the issues of resources, complementary team, and opportunity evaluation must have been addressed in some form before the business has been started, even if it has not been carried out in a conscious or formal fashion.

Special Edition on Entrepreneurial Teams

While the introduction to entrepreneurial teams given above offers an assured definition of what they are, the concept of entrepreneurial teams means different things to different people and this Special Edition explores some of these varying perspectives. In this collection of articles specializing on entrepreneurial teams, Vyakarnam and Handelberg adopt the term entrepreneurial team as referring to both founding teams and top management teams of new ventures, Neergaard examines entrepreneurial teams from the perspective of social network theory, Matlay and Westhead focus on virtual teams, while Clarkin and Rosa analyse entrepreneurial teams within the context of franchising. What is particularly noticeable from these articles is the extent of the diversity in opinion as to what is an 'entrepreneurial team' and how it operates to best effect. It was initially considered that this Special Edition would finally offer a common understanding of entrepreneurial teams, but instead it has made the debate more fervent. The Special Edition offers readers the opportunity to explore the reasoning behind these differing opinions and will enable a better informed assessment of entrepreneurial teams in future years. The Special Edition is a benchmark publication regarding this topic upon which those who follow can build.

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Four Themes of the Impact of Management Teams on Organizational Performance

Implications for Future Research of Entrepreneurial Teams

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This article draws together accumulated research regarding top management teams with the more general literature of work on small groups, and adds detailed interpretation, thereby contributing to the literature on founding/management teams of new ventures. Prior TMT (Top Management Team) research has commonly linked demographic variables to team effectiveness. However, a growing understanding of the effects of teams on organizational performance suggests that besides team demographic variables, more fine-grained variables concerning team and individual processes have to be taken into account in order to better understand the link between entrepreneurial teams and organizational performance. Drawing on a large body of literature, four themes are proposed to illuminate these links in new ventures: resources, structural and process effects of teams, task leadership, and the effects of team members' personal integration into the task process.

KEYWORDS: entrepreneurial teams; organizational performance; top management teams

Introduction

Studies on top management teams (TMT) have confirmed the link between management team and organizational performance, especially in high-velocity conditions (Eisenhardt and Schoonhoven, 1990; Finkelstein and Hambrick, 1990; Hambrick and D'Aveni, 1992; Michel and Hambrick, 1992; Murray, 1989). Management teams are also linked to organizational innovation (Bantel and Jackson, 1989), strategy (Michel and Hambrick, 1992), and strategic change (Wiersema and Bantel, 1992). However, despite accumulating evidence about