Bachelor thesis on:

Entrepreneurial Team Formation

Kian Moini
5796296
Abstract

This research sheds light on entrepreneurial team formation. Specifically, it is researched: if (1) entrepreneurs choose team members that best fit the team, rather than the best possible candidate they can attract; (2) rational and on psychological needs based reasoning are opposite of each other; (3) rational and on psychological needs based reasoning effect the network among which team members are sought; and (4) if rational and on psychological needs based reasoning effect for which reasons team members are picked. To gather data, both a quantitative (48 responses) and a qualitative (5 responses) questionnaire are used. The results reveal that entrepreneurs take both functional and team fit into account when picking their team members, but the results do not allow to conclude whether or not rational and on psychological needs based reasoning are opposite of each other. Correlation analysis suggests, however, that entrepreneurs, who reason rationally, go for both functional and team fit, and choose their team members in a wide network. Entrepreneurs relying on their gut feeling, on the other hand, do not. If gut feeling outweighs rational reasoning, cooperation - on both a professional and a personal level is found to be a major criteria. The qualitative findings highlight the role of trust in the entrepreneurial team formation process.

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Team-formation by entrepreneurs

1. Introduction

Founding and developing new ventures confronts entrepreneurs with a great variety of challenges. These challenges are not only complex, but also require expertise in very different areas such as technology, management, juristic matters, and human relations. The logical concluding thought is that entrepreneurship is better suited to a team, covering these fields of expertise, than to an individual. As John Doerr, one of the industry's most renowned venture capitalists, puts it, "teams win" (cf. Malone, 1997). Hence, there is a growing interest in studying team-formation of entrepreneurs.

The formation of entrepreneurial teams has been characterized as being random and difficult in earlier literature (Silver, 1983). Indeed, once formed, there are many dimensions in which a team must succeed such as the interpersonal relationships among the members of the team, the common understanding about mission and goals, the common understanding about the structure of the team, the creation of constructive conflict, and the continuous evaluation of team performance (Vyakarnam et al., 1998).

However, despite facing these challenges, not only the proportion of team ventures is nowadays high in many industries (Lechler, 2001), but the entrepreneurial team is found to be the most important factor for professional investors to decide to enter a company (Cyr et al., 2000) - for good reason. Many studies such as the ones of Mangelsdorf’s (1992) and Obermayer’s (1980) show that the profitability and survival of the firm are positively related to team ventures and that investing in teams of entrepreneurs, rather than in sole entrepreneurs, leads to higher returns on average. Mangelsdorf's (1992) furthermore found that almost 60 per cent of America's 500 fastest-growing private companies started with two or more partners. In Obermayer’s (1980) study only 30 per cent of the firms he studied, which were founded by individuals, reached an annual sales volume of $6m, whereas nearly 70 per cent of firms founded by teams reached this level. In the Netherlands, 18 per cent of solo start-ups, but only 13.5 per cent of team start-ups were registered as terminated within 6 years (Stam and Schutjens, 2005).
Firm performance is either directly or indirectly affected by team formation and the consequent team characteristics such as team size (Leary and DeVaughn, 2009), resource availability (Stam and Schutjens, 2005), team heterogeneity (Ensley, 1998), and social interaction within the team (Lechler, 2001). Furthermore, it is critical that all team members are focused on the same vision of the venture's mission. This requires each founder to be able to align his or her compelling interests with the venture’s mission (Francis and Sandberg, 2000). As for the importance of these variables, team performance strongly depends on team composition (Beckmann et al., 2007). Most entrepreneurial teams are found to emerge from existing relationships such as friends, relatives and/or associates from former employers or educational institutions though (Bird, 1989). This raises the question whether or not entrepreneurs reason rationally when forming a team. Finding the answer to this question contributes to current literature by filling a current gap (Forbes et al., 2006), by adding to the understanding of reasoning for entrepreneurial team formation, by giving entrepreneurs an incentive to critically view their reasoning prior to the team formation process, and by giving directions for future research. The process of team formation, if well understood, could therefore increase the foresight of probability of the ventures’ success.

In order to derive this contribution by answering the research question, the following covers first, a review of current literature on the topic; second, a theoretical framework regarding entrepreneurial team formation is introduced, based on which the propositions of this research are derived; third, an explanation of the research methodology used; fourth, the results of the research; fifth, a discussion of findings; sixth, a section with limitations and suggestions for the direction of future research; seventh, a conclusion.

2. Literature Review

The literature gives a diverse picture of what makes a person an entrepreneur. As Gartner (1989) argues, and sufficient for this research, the term entrepreneurship refers to the creation of new organizations. This makes any person who creates a new organization an entrepreneur. An entrepreneurial team would then be two or more persons creating a new organization. Or following Forbes et al. (2006), an entrepreneurial team is a group of people involved in the creation and management of a new venture. Cooney (2005: 229) defines an entrepreneurial team more specifically as ‘two or more individuals who have a significant financial interest
and participate actively in the development of the enterprise’. Stam and Schutjens (2005) define an entrepreneurial team as a group of entrepreneurs with a common goal which can only be achieved by appropriate combinations of individual entrepreneurial actions. These definitions highlight the importance of two factors: active participation and cooperation in the creation of a new venture, and a shared interest/common goal.

The value added by multiple entrepreneurs launching a team compared to sole entrepreneurs is easily derived. The building of a new venture requires the gathering and harnessing of materials, energy, information and personnel - and teaming up helps to supply the new venture with those resources (Kamm and Nurick, 1993). The advantage of the team that is attributed to new ventures becomes very apparent in venture capitalists’ investments (Cyr et al., 2000). Venture capitalists see diverse and complete knowledge such as technical, managerial, market familiarity and financial control abilities, which derive from team heterogeneity (Liao et al., 2009), as crucial to the success of a firm (Chandler and Lyon, 2001). Human resources, which cover these skills, therefore tend to be closely interrelated with financial resources (Vanaelst et al., 2006).

This apparent advantage of teams over sole entrepreneurs is explained by several authors by reference to the resource-based view (Barney, 1991). According to Barney (1991), the firm’s success depends more on internal factors than on external factors. The underlying discussion is that of firm homogeneity (outside-in) versus firm heterogeneity (inside-out). According to supporters of the outside-in view, such as Michael Porter (1980), firm’s resources are perfectly transferable, which leads to firm’s homogeneity in terms of resources. Barney (1991), however, argues that a firm’s resources are not perfectly mobile, which makes firm’s resources heterogeneous. Here, resources are the main criteria for a firm’s success. This highlights the importance of team members as resources - especially since people are seen to be the strategically most important resources (Grant, 2002). Obviously, an entrepreneurial team has more human resources than sole entrepreneurs.

Especially in the early stage of the new venture, certain human resources, which depend on the size and composition of the team, determine a new ventures success; high flexibility and an organization that is little bound by complex unlearning processes which hamper innovation (Knight and Cavusgil 2004). The consequence of such an innovative culture in an entrepreneurial team is the creation of knowledge, which leads to capabilities, and then to competences and routines. The result is superior performance in the global market
(Knight and Cavusgil, 2004). Thus, according to the resource-based view, teams, especially in their early stage, have an advantage over sole entrepreneurs.

People’s knowledge and skills are their direct resources, their indirect resources are often not less important though (Johannisson 2000). The background and the tangible resources of the entrepreneurial team are found to be one of the main factors that influence the growth of a new venture (Stam and Schutjens, 2005). Thus, the external resources and competencies the entrepreneurial team may acquire through their network significantly add to their input. Since the network increases with the number of entrepreneurs, a team of entrepreneurs have a larger external resource base than sole entrepreneurs do. Consequently, team performance strongly depends on the resources that come with the team and therefore depends on team composition (Beckmann et al., 2007).

Team composition, depends on the process of team formation. Thus, the process of team formation significantly affects resource composition and strategic choices, and therefore venture performance (Vanaelst et al., 2006). If well understood, the process of team formation could therefore significantly increase the foresight of probability of the ventures’ success. This, however, needs much more insight than current literature covers (Forbes et al., 2006). So far, very little research has focused on the reasons for which entrepreneurs come together to create a new organization (Kamm and Nurick, 1993; Kamm et al., 1990).

Most research on entrepreneurial new ventures is focused on the period after the firm has opened its doors for business (Bamford et al. 2004) - even though research on entrepreneurship by nature involves the study of beginnings (Forbes et al. 2006). Furthermore, it is found that the advantages of an entrepreneurial team are the greatest in the very early stage of a new venture when compared to a sole entrepreneurship venture (Stam and Schutjens, 2005). It thus makes sense to research the early processes by which entrepreneurial teams are formed. The aim of this study is therefore to shed more light on team formation of entrepreneurs in the very early stage. Specifically, it is researched whether entrepreneurs choose their founding partners for rational, or for psychological reasons.

The literature agrees with Forbes et al. (2006), that there are two general explanations for how a team finds its members; the first one sees team formation as a rational process, driven by economic and instrumental reasoning; the second sees team formation as an additional process driven by interpersonal attraction, mainly within the social network.
The first explanation can therefore be categorized as rather resource-based reasoning; team members are added according to the team’s desire to fill particular human resource needs. Kamm and Nurick (1993) proposed a decision-making model which is built on this assumption. Here, team members systematically and rationally self-assess the team’s resources to fill existing gaps with other peoples’ input - who the ideal partners are, then always depends on the team’s needs and resources. The process of identifying and teaming up with potential partners is therefore intended rational and aims to find team members with capabilities and resources that heterogeneously best fit the other member’s resources and capabilities (Forbes et al., 2006).

The second explanation is related to socio-psychological needs of people (Bird, 1989). Here, team members rather want to see their own characteristics and skills than heterogeneity in the partner. According to Ruef et al. (2003) this stems partly from peoples’ drive for relational trust and similarity of characteristics such as gender, ethnicity, and occupation. Bird (1989) also argues that most entrepreneurial teams emerge from existing relationships such as friends, relatives and/or associates from former employers or educational institutions. The importance of friendship regarding team formation is confirmed by Kamm and Nurick (1993) who state that the relationship between the partners takes a major role in entrepreneurial team-formation, and also by Chandler and Hank (1998) in who’s research all venture’s team members knew each other as coworkers or family members. The reliance on personal ties rather than on technical or functional completeness is not to underestimate. It often leads to an improved alignment of the team’s needs, values, beliefs, and goals - and therefore may positively affect the venture’s performance (Bird, 1988). As a matter of fact the company’s survival is threatened, if partners dislike or distrust each other - which often develops from conflicting goals and values (Francis and Sandberg, 2000). Such psychological reactions, which mostly derive from experiences (Kathari and Ng, 2000) are often called gut feeling or intuition (Zajonic, 1980). Thus, gut feeling is here defined as a cognitive conclusion based on previous experience and emotional inputs (Burke & Miller, 1999) and is therefore for the purpose of this research seen as the equivalent to psychological needs.

According to some literature these two explanations, however, are not mutually exclusive (e.g. Aldrich and Kim, 2007). Kamm and Nurick (1993), despite highlighting the rational team formation process, acknowledge that socio-psychological issues play a part in
member selection. Entrepreneurs choosing partners for interpersonal attraction, on the other hand, can still search instrumentally for partners (Alrich and Kim, 2007). Whether the team is built regarding to resource-based, or psychological reasoning, or on both, its success often depends on several team characteristics (Vyakarnam et al., 1998).

Team characteristics that either directly or indirectly influence the new venture’s performance are variables such as (1) team size (Leary and DeVaughn, 2009), (2) resource availability (Stam and Schutjens, 2005), (3) team heterogeneity (Ensley, 1998), (4) previous start-up experience (Leary and DeVaughn, 2009), (5) prior joint-team experience (Vyakarnam et al., 1998), (6) a shared vision (Francis and Sandberg, 2000), and (7-9) social interaction within the team (Lechler, 2001).

Team size is seen to have both positive and negative effects (Ensley et al., 2002). The number of entrepreneurs in the team has an impact on the availability and quality of resources and widens the external network (Stam and Schutjens, 2005). In large teams, on the one hand, members can specialize and can therefore take decisions based on a good basis of knowledge and experience, and do so more quickly (Ensley et al., 2002). On the other hand, larger teams can create more discussion, slowing down the decision-making process (Ensley et al., 2002). Also, teams, especially of bigger size, can lead to inefficient communication and personal conflict (Lechler, 2001). Furthermore, team size influences other variables such as team heterogeneity and team completeness, and because teamwork is found to positively influence productivity, it also influences satisfaction (Strubler and York, 2007).

Resource availability is, for this research, considered regarding the availability of money to invest, and the team member’s access to an external network, as the literature highlights their importance (Bird, 1989). Bird (1989) found that the possession of money to invest is a major attraction factor for potential team members as it increases the potential for the venture’s success. However, as mentioned earlier, firm’s internal resources, such as available investment and competences (following paragraph), are not its only resources that are decisive for its success (Johannisson, 2000). First and foremost, the availability of external networks, which may enhance the venture’s growth, is found to be of great importance to new ventures (Stam and Schutjens, 2005).

Team heterogeneity has been found to have great influence on firm performance (Ensley, 1998; Stam and Schutjens, 2005). Especially the functional completeness of the
entrepreneurial team, which is achieved by adding team member’s heterogeneous functions, is a predictor of the new venture’s success (Francis and Sandberg, 2000). Beckman et al. (2007) furthermore argue that team members with heterogeneous experiences in working for many different employers and different areas (also Leary and DeVaughn, 2009) tend to achieve better outcomes and do so faster. Beckman et al. (2006) explain that with each person’s unique ideas, learned skills, and contacts derived from previous experiences.

Previous start-up experience has been found to enhance the successful launch (Leary and DeVaughn, 2009), the survival and the sale of new ventures (Delmar and Shane, 2006). This comes, as Delmar and Shane (2006) argue, from an organization’s need to learn new roles, to have routine in coordinating all sorts of activities, and the need for social ties to key stakeholders. Even more importantly though, previous start-up experience provides information about crucial issues such as opportunity identification and evaluation, resource acquisition, and firm organizing. This is summarized by Delmar and Shane (2006) as overcoming the liabilities of newness.

Previous joint team-experience is positively related to performance (Leary and DeVaughn, 2009). Entrepreneurial teams with previous joint team-experience are found to have a shared understanding, language and vision, which enable them to act quickly (Beckmann, 2006).

Francis and Sandberg (2000) argue that it is critical that all team members are focused on the same vision of the ventures mission. Kamm and Nurick (1993: 22) call it the ‘team members’ compelling interests’. This requires each founder to be able to align his or her compelling interests with the venture’s mission (Francis and Sandberg, 2000), which makes cooperation among the team members more likely (Kamm and Nurick, 1993), and leads to higher team commitment - which is found to positively affect entrepreneurial team effectiveness (Chowdhury, 2005). Vyakarnam et al. (1998) add the importance of aligning founding members’ goals. To increase the probability of the new venture’s success, goals need to be clearly articulated and communicated (Kamm et al., 1990).

The understanding of similarity/attraction is that people are drawn to each others, and therefore interact more with each other, if they have similar beliefs and interests, possess particular abilities and competencies, and like each other (Kamm and Nurick, 1993). Lechler (2001) subdivides social similarity and interaction into communication, cohesion, work norms, mutual support, and coordination. For the purpose of this research, social interaction
focuses on communication and cohesion on both professional and personal level, and on expected affiliation. Communication and cooperation among the team members lead to faster gathering of information and decreases risks of uncertainty in innovative processes (Stam and Schutjens, 2005). The consequent positive social relation within the team can encourage team members to undertake innovative actions by creating a supportive context (Aldrich and Kim, 2007). Affiliation can, according to Francis and Sandberg (2000) have significantly positive effects on mutual trust, greater interaction and cooperation. Furthermore, social similarity significantly influences the likelihood of team venture formation (Liao et al., 2009). In general, social interaction is found to have a positive impact on performance (Lechler, 2001; Lechler and Gemuenden, 2003).

Thus, since team characteristics are found to positively influence team performance, entrepreneurs should pay attention to those characteristics when forming a team. Whether entrepreneurs do so or not is not clear. It is not known, whether entrepreneurs, when teaming up, consciously look for the team characteristics that are empirically proven to enhance a new venture’s success (Vyakarnam et al., 1998). In other words there is a gap in current literature about whether there is a connection between the success factor of teams and the formation of teams. This research therefore addresses the question whether, in the early stage of team formation, entrepreneurs rationally choose their partners taking into account the team characteristics that influence the success of a team.

3. Theoretical Framework

The aim of this research is to shed more light on entrepreneurial team formation. For this purpose, three questions make sense to be addressed prior to the central question: do entrepreneurs choose team members who best fit the team, rather than the best possible candidate they can attract?; is rational and on psychological needs based reasoning opposite of each other?; and does rational and on psychological needs based reasoning affect the network among which team members are sought?

Empirical evidence strongly supports the view that entrepreneurs choose team members for team fit, rather than for functional fit (e.g. Bird, 1989; Ruef et al., 2003; Timmons, 1994). Among the factors that determine the fit and therefore the getting together of team members are likability, proximity, enjoyment of each other’s company, likeness, and complementarity
of characteristics (Bird, 1989). In entrepreneurship this means that team members have to fit regarding their culture, values, norms, and personality (Forbes et al., 2006). This fit is positively related to job satisfaction and performance (Markman and Baron, 2003). The best candidate, however, would still be the brightest one who best complements the team’s skills and functions (e.g. Stam and Schutjens, 2005). In the sample of Chandler and Lyon’s (2001) research, none out of twelve startup teams took functional diversity as major criteria for team member addition. To verify findings that entrepreneurs pick team members who best fit the team rather than the best possible candidate they can attract, proposition one is:

**P1:** Entrepreneurs choose team members who best fit the team rather than the best possible candidate they can attract.

In both strategic and organizational issues (Kathari and Ng, 2000), empirical evidence suggests that decisions are often based rather on psychological preferences/gut feeling/intuition than on rational reasoning (e.g. Aldrich and Kim, 2007). In fact, as Zajonic (1980) argues, all kind of cognitive processing is typically followed by an affective reaction before a decision is taken. Empirical evidence furthermore suggests that of managers especially entrepreneurs rely on gut feeling instead of on rational analysis (Cave and Minty, 2004). The logical consequence is that entrepreneurs chose their partners according to their gut feeling. This is in line with Zajonic’s (1980) findings, which suggest that most people consider their gut feeling whether there is a fit among them and others. This, on experience built, influence on decision taking, is of great importance when judging peoples’ potential (Craig and Lindsey, 2001). According to Kathari and NG (2000), intuitive processes not only challenge rational analysis, but often also lead to superior results. So, gut feeling must be considered an alternative reasoning to rational reasoning (Cave and Minty, 2000). Proposition two therefore is:

**P2:** Entrepreneurs choose team members for either rational reasons, or rely on their gut feeling.

Much research has shown that most entrepreneurs chose their partners among family and friends (e.g. Bird, 1989). That means that entrepreneurs often stick to their direct local
networks instead of increasing their resource base through indirect networks - and therefore do not recruit ‘out-of-cluster members’ (Aldrich and Kim, 2007:12). This has the advantage that team members know each other’s social norms and attitudes (Coleman, 1988), share their identity (Aldrich and Kim, 2007), and can expect their future social interaction relatively accurately (Francis and Sandberg, 2000). Especially family members and domestic partners are a highly probable source of partner(s), because they have many opportunities to share experiences, to observe each other’s reliability and trustworthiness and to discuss the possibility of starting a business together (Aldrich and Kim, 2007). Thus, homophily and familiarity are the main principles that derive from this network-sourcing (Ruef et al., 2003). This leads to Ruef et al.’s (2003) findings that 65 percent of the teams in their research had spouse/partner ties as a basis for team formation. Only 25 percent of teams were at least partly formed through business ties (Ruef et al., 2003). This is consistent with Aldrich and Kim’s (2007) notion that only very few entrepreneurs methodically and rationally analyze their entire personal network. Increasing the resource-base of partners by searching in a wider network increases the probability of creating an optimal resource mix in the emerging team though (Ruef et al., 2003). Thus, it can be expected that entrepreneurs consider the wider network if they rationally choose their team members, and the local network if they chose their team members based on psychological needs. Proposition three a and b therefore are:

P3 a: Entrepreneurs, who rationally form their team, methodically analyze their entire personal and professional network to find team members.

P3 b: Entrepreneurs, who base their team formation on psychological needs, choose their team members among their local network (family and friends).

As mentioned earlier, team formation can most closely be associated with the resource-based view, and psychological needs (Forbes et al., 2006).

The resource-dependence perspective holds that organizations succeed only to the extent to which they have access to, or control over critical resources. The managers’ role is then to make sure that needed resources are under control. Thus, entrepreneurial team formation can be seen as a response to the organization’s future resource needs (Liao et al., 2009). To fully exploit these resources, human capital theory states that human knowledge
and skills should be converted into valuable economic outputs - by optimizing the team’s set of skills and knowledge (Liao et al., 2009), and by creating the capabilities needed to manage complexity and growth (Aldrich and Kim, 2007). Optimizing the team’s set of skills and knowledge should then be the resource-based reasoning entrepreneur’s greatest concern and should therefore score high on (1) team size, (2) resource availability, (3) team heterogeneity, (4) previous start-up experience, (5) a shared vision, and (6) cooperation on a professional level. This would ensure that the costs and problems new ventures face, are counteracted by a balance in decision-making styles, functional expertise, management skills, and experience (Kamm et al., 1990). I, however, suggest, that rationally thinking, entrepreneurs are also aware of the importance of psychological factors. Aldrich and Kim (2007) support this view, stating that, regarding team formation rationally reasoning people can still choose team members they are attracted to. Since the rational process theories of entrepreneurial team formation state that psychological needs are secondary to instrumental ones (Barney et al., 1996), (7) prior joint-team experience, (8) cooperation on a personal level, and (9) social interaction within the team are expected to score lower for resource-based reasoning entrepreneurs though. In other words, entrepreneurial teams have a task-oriented purpose, but entrepreneurs are also aware of the importance of social relations (Francis and Sandberg, 2000). Thus, proposition three a is:

P4 a: Entrepreneurs basing team formation on rational resource-based reasoning score high on variables 1-6, and lower on variables 7-9.

The other main association with team formation is about the inherent human desire for interpersonal attraction and social connection (Liao et al., 2009) - in other words the interpersonal fit (Aldrich and Kim, 2007). Here, people are bound by ties of feelings that evolve from social interactions and not merely as an effect of role incumbents (Francis and Sandberg, 2000). Several studies found that entrepreneurial team members often share similar relationships, personal connections, and backgrounds, and that this tendency can create extremes of homogeneity in the team (Ruef et al., 2003). This homogeneity is, from a similarity/attraction perspective, positively related to the effectiveness of team processes (Vianen and Dreu, 2001), often by creating a supportive context within which innovative actions are encouraged (Aldrich and Kim, 2007).
In addition to the social psychology perspective of similarity/attraction, Ruef et al. (2003) provide, on the basis of homophily, sociology and the study of social networks as an explanation for member similarity. Homophily represents a sociological explanation for why organizations often have employees with similar characteristics (Ruef et al., 2003). Here, the apparent explanation is the probability of contact. People usually socialize in pairs and groups with homophile people. Therefore contact between similar people occurs at much higher rates than contact between dissimilar people.

Together, the processes of homophily, similarity/attraction, and social categorization suggest that when given the choice, individuals will interact with others who are very alike (Burt & Reagans, 1997). These theories consider similarity/attraction processes possible for both ascribed (age, nationality, and gender) and achieved (education, experience, and functional background) characteristics. Similarity/attraction often even leads to entrepreneurs not considering their partners’ capabilities to successfully launch a new business (Kamm and Nurck, 1993). However, even if they choose their partners among their family and friends, entrepreneurs who base their reasoning regarding team formation on psychological needs can still search instrumentally for team members (Aldrich and Kim, 2007). Consequently, it can be suggested that pre-team formation, entrepreneurs, when basing their team formation on psychological preferences, put a lot of emphasize on variables 7-9, but less emphasize on variables 1-6. Thus, proposition three b is that:

P4 b: Entrepreneurs basing their team formation on psychological preferences, score high on variables 7-9, and lower on variables 1-6.

4. Research Methodology

Gartner et al. (1992) acknowledge that the phenomenon of entrepreneurial team formation is one of the least understood areas of entrepreneurship, although it is also acknowledged to be of great importance. The purpose of this study derives from this lack of knowledge and aims to create a deeper understanding of the rational and sociological reasoning behind entrepreneurial team formation.

Entrepreneurship is a multidisciplinary topic (Zahra, 2007). Zahra (2007) argues however, that theories imported from other disciplines are often not applied to the
entrepreneurial phenomenon in an adequate manner. To ensure adequate use of theories, the theoretical framework developed in the previous section includes knowledge derived from entrepreneurial research only, with two carefully chosen exceptions.

To test this framework and gain an intimate connection with empirical reality while developing a testable, relevant, and valid theory, actual data needs to be gathered directly (Glaser and Strauss, 1967). This research is therefore of empirical nature and by testing a theoretical framework, takes a deductive approach.

There are several ways of doing empirical social science research which include, experiments, histories, analysis of archival information, case study, and survey. Each strategy has its advantages and disadvantages (Yin, 2003). Mainly for the advantage to gain a large amount of data in a highly economical way (Saunders et al., 2007), this research follows the survey strategy. As no single technique can claim to be the only and/or best in a certain research (Sieber, 1973) and to gain a deeper insight of the phenomena, data gained from a quantitative questionnaire is supplemented with data gained from a qualitative questionnaire.

Survey-based research has found use in many research fields and is considered to provide generalizable results, if carried out purposefully (Saunders et al., 2007). Many important theories that have emerged through surveys have proven their value. Research on entrepreneurial team formation so far mostly used case study strategy and made use of qualitative research tactics such as interviews. These findings offer in-depth analysis, but make generalization very difficult. Moreover, qualitative research often is biased as interviewee’s responses are relatively subjectively interpreted (Saunders et al, 2007). Survey strategy, on the other hand, allows collecting data that can with the help of statistical measures, be analysed quantitatively and offering unbiased and highly generalizable results (Saunders et al., 2007). Furthermore, survey strategy gives more control over the research process (Saunders et al., 2007). This is of advantage to this research, because a highly structured and controlled research strategy minimizes mistakes. Concluding, the ability of the survey strategy to generate generalizable results, in combination with in-depth insights gained from a qualitative questionnaire are seen to greatly suit the goals and settings of this research.

The unit of analysis is the founding team or lead entrepreneur depending on if the team evolved before the idea, or the other way around. If the team evolved before it was decided what to work on, it was each team members’ decision to team up with the others. If one entrepreneur has an idea and then teams up with others, he is the one who decides whom to
approach and team up with to work on that idea. Who the research addresses is made very clear when the entrepreneurs are approached.

To test the dimensions of interest, a range of operationalized variables, i.a. variables (1) - (9) is given (see attachments for the set of questions). The questions are worked out in co-operation with teaching staff of the University of Amsterdam, tested in a pilot study on a convenience sample, and were then refined with teaching staff and entrepreneurs.

As previously mentioned, quantitative and qualitative questionnaires are used to gather data. In both questionnaires strict confidentiality is assured. Quantitative questionnaires are used for this research because a large amount of information can be relatively easily obtained and the obtained information is largely standardized, allowing for easy comparison (Saunders et al., 2007). It is sent out via email to family, friends, acquaintances, and centers of entrepreneurship in the United States, Australia, Canada, England, Germany and the Netherlands with the request to forward it to people this research applies to. Furthermore, the questionnaire was posted on several entrepreneurship groups on the social networking websites Facebook and Linkedin. A clear explanation of how to administer the questionnaire is given in the head of the questionnaire. The email and postings mention team formation as the topic of the research, but do not specify further to avoid respondents giving predetermined answers. It is furthermore specifically asked not to go back to a previous question and change the answer once a choice is made. In the end of the questionnaire, the respondent is asked if he/she is willing to be interviewed. If the participant states yes, he/she is asked to state his/her name and email address.

Qualitative questionnaires are generally used to gather more valid and reliable data relevant to the research question (Saunders et al., 2007). In this case, the aim of the qualitative questionnaires is to get deeper insight and better understanding of the reasoning of entrepreneurial team formation - increasing validity and reliability of the quantitative findings. They are sent out via email individually to each founding entrepreneur/lead entrepreneur of the firm who stated yes in the quantitative questionnaire regarding the question of the willingness to be interviewed. The questions are based on a set of open-ended questions formulated from the analysis of literature reviews in new venture formation and on insights gained from the quantitative questionnaires (see attachments for the set of questions).

The gathering and processing of the data can be divided into four main steps. First, the quantitative questionnaire is distributed through previously stated ways. The objects that are
researched on are in most cases not directly contacted, thus randomizing their range. Altogether 47 usable quantitative questionnaires were returned, which is sufficient to validate findings (Yin, 2003). Second, all received questionnaires are processed and analyzed by (if applicable) reliability analysis, descriptive statistics, correlation analysis, and regression analysis. Third, from the received questionnaires, the ones who stated yes in the question regarding willingness to be interviewed are sent the qualitative questionnaire. Fourth, the responses to the qualitative questionnaire are analyzed to validate the findings of step two and to gain a deeper understanding of the phenomena.

Theory testing demands careful consideration of the phenomenon that is researched, the research questions that need to be answered, and the context of the research (Zahra, 2007). According to Zahra (2007), most entrepreneurial research does not omit a sense of the substance, magnitude, or dynamics of the research context. Neither is the reader told what the researcher observed, felt or thought. The findings of this research are therefore discussed with colleagues first and then presented very transparently.

Pilot Study

To refine the data collection plans regarding both followed procedures and content, a pilot study is conducted with a convenience sample. To develop relevant lines of questions, make sure the quantitative questionnaire is clearly understood and that the qualitative questionnaire leads to the necessary in-depth understanding of the phenomena; the founding members of a three-month old German company and several students were asked to fill in the questionnaire. Additionally, one of the founding members of the German start-up was also asked to fill in the qualitative questionnaire. After the procedure, the participants were asked to discuss the questionnaire, point out ambiguities and give tips for improvement; finally leading to adaptations in formulation of some questions in both the quantitative and the qualitative questionnaires.
5. Results

Sample

The total number of filled in questionnaires (N) is 51, three of which are unusable due to missing answers and one of which is unusable, because the research does not suit the respondent, as he was asked to join the team by somebody else. This left 47 usable questionnaires. Of these respondents, 9 are female and 38 are male. The average age of the respondents is 30.4 years. The countries in which the ventures were started are the Netherlands (16 respondents), Germany (11 respondents), India (7 respondents), United States of America (5 respondents), and Australia, Bulgaria, China, England, Finland, Italy, Romania, and Switzerland (1 respondent each). With 29 respondents stating that the team formation process followed the idea generation process, the majority of respondents are lead entrepreneurs. The year in which the ventures were started ranges from 1984 (outlier) to 2010. The majority of ventures were started very recently with 19 of the respondents having started their venture in 2010 and 12 in 2009.

Reliability analysis

The variables “resources” and “heterogeneity” are measured with several questions. To measure their internal consistency a reliability analysis is conducted. The results show a low Cronbach’s Alpha (0.409) for the questions measuring “resources”. Therefore, the questions regarding accessible network and available investment are taken as separate variables for the rest of the analysis. Cronbach’s alpha for the three questions measuring “heterogeneity” is with a score of 0.674, acceptable. Other indicators such as corrected item-total correlation are also acceptable. However, each of the questions measuring heterogeneity is also taken into account independently for the following analysis in order to understand their respective importance.

Descriptive Statistics

The descriptive statistics of interest to this research are the variables’ mean and their respective standard deviations. The mean is an informative measure of the central tendency of the variable. The confidence interval for the mean gives a range of values around the mean where we expect the mean to be located.
The analysis reveals high scores for many variables, with a minimum score of 3.00. “Cooperation on a professional level” scored highest (mean: 4.28, st. dv.: 0.615) and “local network” scored lowest (3.00, 1.367). The standard deviation is below 1.00 for most variables. By trend, variables with a lower mean have a higher standard deviation and vice versa.

Heterogeneity has a high mean (3.99) and low standard deviation (0.589), whereas “variety in background and experiences” is less important for entrepreneurs than “variety in areas of expertise” and “skills and abilities that complement each other”. Since “I rationally evaluated who would be the best” (3.94) scored slightly higher than “team fit” (3.87), proposition one, that Entrepreneurs choose team members who best fit the team rather than the best possible candidate they can attract is not supported. A significant correlation between “team fit” and “skills and abilities that complement each other” (sign. at the 0.05 level) and findings of the qualitative questionnaire furthermore suggest that team fit and complementary skills and abilities are not mutually exclusive:

“Initially there were the two of us - me and the CTO. We had several years of joint business experience in our own new media agency. We were friends, knew our skills and could trust each other, which was a good foundation to build a new company on. Two other friends were willing to start something new at just the right time and their expertise fit perfectly into the team, one finance person who was going to quit his job and another technician who graduated from university. So one reason was friendship and trust, the other was complementary expertise.”

<table>
<thead>
<tr>
<th>Mean</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rationally expected to be the best</td>
<td>3.94</td>
</tr>
<tr>
<td>Gut feeling</td>
<td>4.06</td>
</tr>
<tr>
<td>Team fit</td>
<td>3.87</td>
</tr>
<tr>
<td>Entire network</td>
<td>3.26</td>
</tr>
<tr>
<td>Local network</td>
<td>3.00</td>
</tr>
<tr>
<td>Number of team members</td>
<td>3.79</td>
</tr>
<tr>
<td>Heterogeneity</td>
<td>3.99</td>
</tr>
<tr>
<td>Previous joint team experience</td>
<td>3.38</td>
</tr>
<tr>
<td>Similar goals</td>
<td>3.96</td>
</tr>
</tbody>
</table>
### Table

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequent professional and personal contact</td>
<td>3.87</td>
<td>0.797</td>
</tr>
<tr>
<td>Cooperation on a professional level</td>
<td>4.28</td>
<td>0.615</td>
</tr>
<tr>
<td>Cooperation on a personal level</td>
<td>3.91</td>
<td>0.686</td>
</tr>
<tr>
<td>Increasing enjoyable social interaction</td>
<td>3.64</td>
<td>0.942</td>
</tr>
<tr>
<td>Willing to join</td>
<td>3.38</td>
<td>0.922</td>
</tr>
<tr>
<td>Available investment</td>
<td>3.21</td>
<td>0.720</td>
</tr>
<tr>
<td>Available network</td>
<td>3.00</td>
<td>1.083</td>
</tr>
<tr>
<td>Variety in areas of expertise</td>
<td>4.02</td>
<td>0.766</td>
</tr>
<tr>
<td>Variety in backgrounds and experiences</td>
<td>3.70</td>
<td>0.858</td>
</tr>
<tr>
<td>Skills and abilities that complement each other</td>
<td>4.23</td>
<td>0.633</td>
</tr>
</tbody>
</table>

### Correlations

Correlation measures the degree of linear relationship between two variables. Correlations important to this research are respectively between “rational reasoning” or “gut feeling” and the remaining variables.

For proposition two that *Entrepreneurs choose team members for either rational reasons, or rely on their gut feeling* to be supported, “rational reasoning” would have to negatively correlate with “gut feeling”. Since the correlation between both variables is insignificant, proposition two is not supported. This result can to some extent be explained by information from the qualitative research. To the question whether the reasoning for the choice of team members was rather rational or rather for psychological reasons such as gut feeling, most respondents stated both.
“Rational reasoning” significantly correlates with “entire network” (sign. at the 0.01 level), which supports proposition three a that *Entrepreneurs who rationally form their team, methodically analyze their entire personal and professional network to find team members.*

“Gut feeling”, on the other hand as predicted, significantly correlates with “local network” (sign. at the 0.05 level). Therefore proposition three b that *entrepreneurs who base their team formation on psychological needs, choose their team members among their local network (family and friends)* is supported.

“Rational reasoning” furthermore significantly correlates with “team fit” (sign. at the 0.05 level), “number of people” (sign. at the 0.01 level), “heterogeneity” (sign. at the 0.05 level), “previous joint team experience” (sign. at the 0.05 level), “frequent private and personal contact” (sign. at the 0.01 level), “cooperation on a personal level” (sign. at the 0.01 level), and “skills and abilities that complement each other” (sign. at the 0.01 level). Contrary to predictions, few variables do not (see table). Proposition four a that *Entrepreneurs basing team formation on rational resource-based reasoning score high on variables 1-6, and lower on variables 7-9* is therefore supported for most variables. Most surprising is that “cooperation on professional level” does not significantly correlate with “rational reasoning”, but “cooperation on a personal level” does.

“Gut feeling” furthermore significantly correlates with “frequent private and personal contact” (sign. at the 0.01 level), “cooperation on a personal level” (sign. at the 0.01 level), “increasing enjoyable social interaction” (sign. at the 0.05 level), and “willing to join” (sig. at the 0.01 level). Surprisingly it also correlates significantly with “the network the new team member has access to”, “varying expertise”, and “variety in backgrounds and experiences”. Proposition four b that *Entrepreneurs basing their team formation on psychological preferences, score high on variables 7-9, and lower on variables 1-6* is therefore supported for most variables.

<table>
<thead>
<tr>
<th></th>
<th>Rationally expected to be the best</th>
<th>Gut feeling</th>
<th>Team fit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rationally expected to</td>
<td>1</td>
<td>0.214</td>
<td>0.264*</td>
</tr>
<tr>
<td>be the best</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gut feeling</td>
<td>0.214</td>
<td>1</td>
<td>0.110</td>
</tr>
<tr>
<td>Team fit</td>
<td>0.264*</td>
<td>0.110</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Rationally expected to be the best</td>
<td>Gut feeling</td>
<td>Team fit</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-----------------------------------</td>
<td>------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Entire network</td>
<td>0.359**</td>
<td>0.094</td>
<td>0.319*</td>
</tr>
<tr>
<td>Local network</td>
<td>0.136</td>
<td>0.267*</td>
<td>-0.082</td>
</tr>
<tr>
<td>Number of team members</td>
<td>0.422**</td>
<td>0.176</td>
<td>0.338*</td>
</tr>
<tr>
<td>Heterogeneity</td>
<td>0.313*</td>
<td>0.208</td>
<td>0.250*</td>
</tr>
<tr>
<td>Previous joint team experience</td>
<td>0.290*</td>
<td>0.128</td>
<td>0.086</td>
</tr>
<tr>
<td>Similar goals</td>
<td>0.143</td>
<td>-0.157</td>
<td>0.142</td>
</tr>
<tr>
<td>Frequent professional and personal contact</td>
<td>0.520**</td>
<td>0.408*</td>
<td>0.232</td>
</tr>
<tr>
<td>Cooperation on a professional level</td>
<td>0.079</td>
<td>0.086</td>
<td>0.206</td>
</tr>
<tr>
<td>Cooperation on a personal level</td>
<td>0.416**</td>
<td>0.434**</td>
<td>0.539**</td>
</tr>
<tr>
<td>Increasing enjoyable social interaction</td>
<td>0.026</td>
<td>0.286*</td>
<td>-0.028</td>
</tr>
<tr>
<td>Willing to join</td>
<td>0.120</td>
<td>0.339**</td>
<td>0.129</td>
</tr>
<tr>
<td>Available investment</td>
<td>0.060</td>
<td>-0.022</td>
<td>0.071</td>
</tr>
<tr>
<td>Available network</td>
<td>0.196</td>
<td>0.314*</td>
<td>0.373**</td>
</tr>
<tr>
<td>Variety in areas of expertise</td>
<td>0.176</td>
<td>0.252*</td>
<td>0.150</td>
</tr>
<tr>
<td>Variety in backgrounds and experiences</td>
<td>0.096</td>
<td>0.252*</td>
<td>0.189</td>
</tr>
<tr>
<td>Skills and abilities that complement each other</td>
<td>0.533**</td>
<td>-0.065</td>
<td>0.262*</td>
</tr>
</tbody>
</table>

**Regression analysis**

To find out whether the variables (1) - (9) predict either rational reasoning or gut feeling, a regression analysis is conducted. In other words, it is analyzed which variables of (1) - (9) significantly predict whether an entrepreneur reasons rationally, or if he/she relies on his/her gut feeling when picking team members. For this reason two times three regression
analyses are conducted. Each dependent variable ("rational reasoning", "gut feeling"), is regressed with (independent) variables (1)-(9). The first analysis includes all independent variables (model 1). The second analysis includes all independent variables that had a significance lower than 0.5 in the first analysis (model 2). The third analysis includes all variables that had a significance lower than 0.16 in the second analysis (model 3).

In the model with rational reasoning as dependent variable, the change of F is significant at the 0.01 level for all three models. However only "frequent professional and personal contact", "cooperation on a professional level", "cooperation on a personal level", and marginally significant results "increasing enjoyable social interaction" are significant at the 0.05 significance level in the first model (R Square of 0.633). The second model (R Square of 0.620), excluding highly insignificant variables shows significant results for the variables "frequent professional and personal contact", "cooperation on a professional level", "cooperation on a personal level", "increasing enjoyable social interaction", and marginally significant results for "available investment". The third model (R Square of 0.602) shows significant results for "frequent professional and personal contact", "cooperation on a professional level", "cooperation on a personal level", "increasing enjoyable social interaction", "available investment", and "abilities and skills that complement each other".

Dependent variable: Rational reasoning

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>R Square Change</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.795</td>
<td>0.633</td>
<td>0.437</td>
<td>0.614</td>
<td>0.633</td>
<td>3.228</td>
<td>16</td>
<td>30</td>
<td>0.003</td>
</tr>
<tr>
<td>2</td>
<td>0.787</td>
<td>0.620</td>
<td>0.501</td>
<td>0.578</td>
<td>0.620</td>
<td>5.192</td>
<td>11</td>
<td>35</td>
<td>0.000</td>
</tr>
<tr>
<td>3</td>
<td>0.776</td>
<td>0.602</td>
<td>0.506</td>
<td>0.575</td>
<td>0.602</td>
<td>6.228</td>
<td>9</td>
<td>37</td>
<td>0.000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dependent variable: Rational reasoning</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team fit</td>
<td>0.386</td>
<td>0.388</td>
<td></td>
</tr>
<tr>
<td>Entire network</td>
<td>0.344</td>
<td>0.329</td>
<td></td>
</tr>
</tbody>
</table>
In the model with gut feeling as dependent variable, the change of F is significant at the 0.01 level for all three models. However, only “cooperation on a personal level”, “willing to join”, “skills and abilities that complement each other”, and marginally “team fit” and “available network” are significant at the 0.05 level. The second model, excluding highly insignificant variables shows significant results for the variables “team fit”, “cooperation on a personal level”, “willing to join”, “available network”, “variety in areas of expertise “, and “skills and

<table>
<thead>
<tr>
<th>Dependent variable: Rational reasoning</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local network</td>
<td>0.813</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of team members</td>
<td>0.210</td>
<td>0.13</td>
<td>0.187</td>
</tr>
<tr>
<td>Heterogeneity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Previous joint team experience</td>
<td>0.127</td>
<td>0.121</td>
<td>0.156</td>
</tr>
<tr>
<td>Similar goals</td>
<td>0.539</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequent professional and personal contact</td>
<td>0.018</td>
<td>0.012</td>
<td>0.008</td>
</tr>
<tr>
<td>Cooperation on a professional level</td>
<td>0.040</td>
<td>0.021</td>
<td>0.022</td>
</tr>
<tr>
<td>Cooperation on a personal level</td>
<td>0.019</td>
<td>0.009</td>
<td>0.007</td>
</tr>
<tr>
<td>Increasing enjoyable social interaction</td>
<td>0.052</td>
<td>0.020</td>
<td>0.025</td>
</tr>
<tr>
<td>Willing to join</td>
<td>0.971</td>
<td></td>
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</tr>
<tr>
<td>Available investment</td>
<td>0.228</td>
<td>0.059</td>
<td>0.089</td>
</tr>
<tr>
<td>Available network</td>
<td>0.134</td>
<td>Excluded</td>
<td>0.076</td>
</tr>
<tr>
<td>Variety in areas of expertise</td>
<td>0.577</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variety in backgrounds and experiences</td>
<td>0.688</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skills and abilities that complement each other</td>
<td>0.182</td>
<td>0.086</td>
<td>0.044</td>
</tr>
</tbody>
</table>
abilities that complement each other”. The third model shows significant results for “cooperation on a personal level”, “frequent professional and personal contact”, “willing to join”, “available network”, “variety in areas of expertise “, “skills and abilities that complement each other”, and marginally significant results for “team fit”.

Dependent variable: Gut feeling

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>R Square Change</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.790</td>
<td>0.624</td>
<td>0.423</td>
<td>0.679</td>
<td>0.624</td>
<td>3.109</td>
<td>16</td>
<td>30</td>
<td>0.004</td>
</tr>
<tr>
<td>2</td>
<td>0.785</td>
<td>0.616</td>
<td>0.495</td>
<td>0.636</td>
<td>0.616</td>
<td>5.096</td>
<td>11</td>
<td>35</td>
<td>0.000</td>
</tr>
<tr>
<td>3</td>
<td>0.761</td>
<td>0.579</td>
<td>0.504</td>
<td>0.630</td>
<td>0.579</td>
<td>7.672</td>
<td>7</td>
<td>39</td>
<td>0.000</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Dependent variable: Gut feeling</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team fit</td>
<td>0.065</td>
<td>0.033</td>
<td>0.057</td>
</tr>
<tr>
<td>Entire network</td>
<td>0.992</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local network</td>
<td>0.641</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of team members</td>
<td>0.199</td>
<td>0.181</td>
<td></td>
</tr>
<tr>
<td>Heterogeneity</td>
<td>Error</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Previous joint team experience</td>
<td>0.596</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Similar goals</td>
<td>0.309</td>
<td>0.294</td>
<td></td>
</tr>
<tr>
<td>Frequent professional and personal contact</td>
<td>0.261</td>
<td>0.159</td>
<td>0.042</td>
</tr>
<tr>
<td>Cooperation on a professional level</td>
<td>0.959</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooperation on a personal level</td>
<td>0.017</td>
<td>0.005</td>
<td>0.006</td>
</tr>
<tr>
<td>Increasing enjoyable social interaction</td>
<td>0.717</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Willing to join</td>
<td>0.009</td>
<td>0.004</td>
<td>0.001</td>
</tr>
</tbody>
</table>
### Further findings

The quantitative questionnaire furthermore asks in an open-ended question, if there were other reasons for which the entrepreneur chose his/her team member(s) than the previously answered questions suggest. The few (7) answers suggest that the in this research presented variables cover the reasons for which entrepreneurs pick their team members very well. One factor that was covered only in the theoretical part of this research, and was stated in the answer to this question by a respondent though, is trust: “We had studied together and we had exceptional trust on each other. Kept the people who could not be trusted out even if friends”. This was confirmed by qualitative findings:

“"The experience is great to build up a company with close friends, it emphasizes personal rather than just economic goals. We know we can trust each other and it's probably more likely that all members stick together and survive difficult times instead of leaving the team when the first problems or differences occur.”

Another factor that the qualitative questionnaire highlights is that it is more fun to work in a team and that there are opportunities to learn from each other:

“"So, teaming up provides professional AND economic advantage. And a social reason: it's less of a 'solo-company'. There's a bit more fun and there is a sparring partner to cooperate: you learn more.”

Other reasons to team up are rather specific such as: “My partner was and is my customer. I deliver the specific work for him”, or “Both girls who joined my company wanted to retrain from mortgage adviser to full financial/pension adviser and I am training them to do that alongside their existing work”.
As most important reasons, for which the team members were chosen, again confirming the mutual exclusiveness of team fit and functional fit, respondents to the qualitative questionnaire stated:

“Expertise, a balanced team (two tech, two business guys), founding your own company with friends and expecting a good atmosphere, lots of fun.”


“- Proven professionalism in the many years we know each other (in creative talent, financial and management skills)
- Better service to clients
- Friendship/mutual trust and respect”

6. Discussion

One can argue that a complex decision-making process such as team formation can not be researched on by quantitative analysis. The results of this research, largely being in line with the theoretical framework drawn from the literature, prove differently though. In the following, these findings are illustrated and discussed.

The first dimension analyzed is the distinction between choosing the best and brightest candidates, and the ones who best fit the team. According to the findings of this research, team fit seems to be slightly less relevant than picking the rationally best candidate. The small difference does not allow making sound conclusions though. Furthermore, these findings disagree with most current literature, which can have two obvious reasons. First, against findings in the current literature, entrepreneurs pick the candidate who they rationally expect to be the best, rather than the one who best fits the team. Second, self-administration of the questionnaire and ambiguity of the entrepreneurs have lead to wrong results. The first explanation is in line with the decision-making model introduced by Kamm and Nurick (1993), after which the entrepreneur performs a systematic self-assessment of its resources and compares this with the ideal inventory of resources. However, the results from this research are not as valid and reliable as those gained from in-depth interviews. The very big majority of current literature in this topic uses in-depth interviews to gain deep insights - and these findings mostly suggest that entrepreneurs rather chose for team fit than for functional fit (e.g. Bird, 1989). This not only makes sense according to most existing empirical evidence, but also from an “opportunistic adaption” (Bhide, 2000: p. 25) perspective. Entrepreneurs usually do not have the resources to plan everything through and chose the best opportunities.
Instead they start something and then adapt to unanticipated events and opportunities (Bhide, 2000). Entrepreneurs often can not attract the best and brightest - do not even have the chance to pick them - because the best and brightest are attracted by large multinationals that offer according salaries and benefits, and a relatively certain and attractive career path (Bhide, 2000). In other words the most qualified professionals want to work with the best in their field, and the ones that have proven to be such are the globally leading firms in that field (Quinn et al., 1996). Opportunistically adapting, however, means that an entrepreneur’s resources are limited, not that his/her ability to reason is. The results of this research show, that entrepreneurs chose their partners for rationale. Opportunistic adaption can thus be seen as being based on opportunistic logic (Bingham and Eisenhardt, 2008).

A further result is that entrepreneurs, besides one outweighing the other, do not pick their team members either for functional fit, or for team fit. The correlation between both variables, and the qualitative results suggests that they are not mutually exclusive - which is in line with findings of Aldrich and Kim (2007). If the partner was rationally chosen, this makes sense because, theoretically, the best performing team would be the one in which the candidate complements the team’s skills and abilities and fits well into the team (Forbes et al. 2006). In other words a rationally thinking person would knowing about the advantages of both, take both functional and team fit into consideration; which is supported by the significant correlation between rational reasoning and both functional fit (“skills and abilities that complement each other”) and team fit.

This also partly explains why rational and on psychological needs based reasoning do not correlate, even though the distinction between choosing partners for functional fit and for team fit is very closely related to the distinction between rational and psychological needs based reasoning (Bird, 1989). If rational reasoning is the determining factor, many team-related variables are considered, as the findings of this research also show. If gut feeling is the determining factor it relies on experience and not reasoning for functional and team fit (Kathari and Ng, 2000). A further explanation for a non-significant correlation between rational and on psychological needs based reasoning is that gut feeling, or intuition, is central to every person in all kind of decisions (Kathari and Ng, 1997), but outweighs rational reasoning only for some people and not for others - making a clear distinction then becomes very difficult. This also explains why both reasoning score high on average, confirming
Kathari and Ng’s (2000) findings that many entrepreneurs rely on a mix of rational reasoning and gut feeling.

According to Aldrich and Kim (2007) entrepreneurs look for team members in the wide, or the local network depending on whether they reason rationally, or based on socio-psychological needs. These findings are confirmed by the results of this research. The significant correlations between rational reasoning and entire network and gut feeling and local network, suggest that rationally reasoning entrepreneurs consider all the people they know, whereas psychologically reasoning entrepreneurs stick to their local network when searching for team members. This correlation makes sense, because rationally thinking people need to take a wide range of people into account to meet the optimal team-composition. If the person is relying on gut feeling however, more experience made with people in the local network suggests that gut feeling about people in the local network is stronger and more likely to be positive. Bird’s (1989) findings furthermore suggest that picking team members among the local network is prevalent.

The results show that on average entrepreneurs consider many variables when picking their team members. Most important to them seem to be cooperation on a professional level, team heterogeneity, cooperation on a personal level, and similar goals. The results thus highlight the importance of cooperation on both a professional and personal level. This makes sense not only because the better cooperation the better the business’ development (Stam and Schutjens, 2005), but also because if cooperation would not be expected to be high, there is not much sense in teaming up. Cooperation especially on a professional level is the essence of team work (Jones and George 1998). The qualitative findings further highlight the role of trust in the entrepreneurial team formation process, which is confirmed by Ruef et al.’s (2003) research.

Lastly it is analyzed if and which of the variables predict either rational reasoning or gut feeling. The regression analysis yields different results than the correlation analysis. According to the regression analysis entrepreneurs consider frequent professional and personal contact, cooperation on a professional level, cooperation on a personal level, increasing enjoyable social interaction, available investment, and abilities and skills that complement each other if they rationally pick their team members. If gut feeling is the prevalent reasoning, cooperation on a personal level, frequent professional and personal contact, willing to join, available network, variety in areas of expertise, skills and abilities that
complement each other, and (with marginally significant results) team fit seem to decide which candidate is chosen. The inter-correlations between many independent variables make it difficult to derive at a reasonable regression though, which makes these results unreliable. Furthermore, results disagree to a very large extent with the theoretical framework, and therefore with current literature. For the low reliability, the results of the regression analysis are not discussed further, but definitely offer a new perspective for research: the interaction between different variables in the team formation process of entrepreneurs.

7. Limitations and future Research

Limitations

The methodology chosen is believed to best suit the goals and settings of this research. However several limitations need to be acknowledged. First, and foremost, validity and reliability are limited due to the mainly quantitative approach. The questionnaire is self-administered and no time limit is given. This might have lead to respondents answering with subjectively optimal answers rather than stating how the decision really took place, or it might have lead to the misunderstanding of some questions. Furthermore, the variables are tested mostly with one question each only. Even though the questions are very clearly formulated, testing each variable with more questions would have increased validity and reliability and might have lead to different results.

Second, differences in regions, industries and sectors are not taken into account and the sample size is relatively small. As the data comes from several countries and industries, the results are generalizable to some extent. However, there might be a difference in results for entrepreneurs from different countries or industries which due to the too low number of respondents from each country/industry could not be accounted for. A bigger sample size would lead to higher generalizability.

Third, the research might not have taken all topic-relevant issues into account. There might be more explanations than rational or psychological needs based reasoning, or other variables that entrepreneurs take into account when picking their team members (trust being one). This limitation comes from both a literature review that might have missed relevant theories and a lack of current literature on this topic.
Fourth, since the entrepreneur is not accompanied during the team forming process, the respondents have to think back to when and how they took their decision, which they might do wrongly and biased. This probably partly explains the average minimal score of 3.00. The goals and settings of this research therefore suggest a longitudinal research that accompanies entrepreneurs from the very early stage.

**Future Research**

This research has filled a lack in current literature, but has also raised further questions. Especially the insignificant findings for the distinction between rational and gut feeling based reasoning yield a very interesting and yet little examined topic. Not only psychology but also management theories suggest that gut feeling plays an important role in decision taking. It has not been researched particularly yet how, in entrepreneurial team formation, rational reasoning and gut feeling together lead to a decision. Neither, which teams - the ones built rather on rational reasoning or the ones that are built rather on psychological needs - are more successful in terms of longevity and the venture’s growth and profit.

The differing results between correlations and regression analysis furthermore need deeper understanding. The interaction between the variables that are considered by entrepreneurs when they pick their team members is difficult to analyze from a methodological point of view, but future research should take this challenge and address this issue.

Of further interest would be whether certain categories such as gender, industry, and the region in which the new venture is operating influence results. Doing research that aims to find out the difference in one of these dimensions at the time could do this.

**8. Conclusion**

The aim of this research was to shed more light on entrepreneurial team formation. This has been achieved by finding out in how far entrepreneurs consider functional and team fit, if there is a distinction between rational reasoning and relying on the gut feeling, if this distinction determines among which networks potential team members are sought, and which factors are important for entrepreneurs when picking team members. Findings and limitations of results furthermore suggest many approaches for future research.
9. References


10. Appendix

10.1 Email to centers of entrepreneurship:

Dear Sir or Madam,

I am a final year business student at the University of Amsterdam working on my bachelor thesis. My research aims to shed light on entrepreneurial team formation.

I need entrepreneurs to fill in a short (takes less than 6 minutes) questionnaire for my research - and it would be great, if you could get me in touch with them.

So, I would very much appreciate if you would do me the favor to forward the following text to entrepreneurs my research applies to.

In any case thank you very much for your time.

Best regards,
Kian Moini

Dear entrepreneur,

I am a final year business student at the University of Amsterdam working on my bachelor thesis. My research aims to shed light on entrepreneurial team formation - hence I am contacting you as entrepreneur.

It would be great, and very much appreciated, if you would spend a few minutes to read this email, see if this research applies to you, and then either take the short questionnaire, and/or forward this email to somebody you know this research applies to.

If one of the following conditions applies to how you started your organization, I hope you may spare about 6 minutes to participate in my research:

1. You first teamed up with my team members and then figured out which business idea you would bring to life.
2. Or, you had a business idea and then approached other people to join you in a team. So if you were approached by someone else about their business idea and joined their team you unfortunately don't suit this research.

I would highly appreciate your support for my research and a few minutes for a questionnaire.

To do so, just follow this link: http://qtrial.qualtrics.com/SE?SID=SV_0Cj1dVXHD3F9QrO&SVID=

If there is anything you would like to know before participating, please do not hesitate to contact me under K.Moini@student.uva.nl.
With many thanks in advance,
Yours sincerely,
Kian Moini

10.2 Questionnaire

Thank you very much for taking your time for my research!

This questionnaire will shed light on entrepreneurial team formation.

When completing the questionnaire, please remember the following points:
- There are no right or wrong answers, so please do not give an answer you think makes most sense
- Be as discerning and honest as you can
- Please ensure that you respond to all of the statements

There is no time limit, but you should work as quickly as you can. Most people take less than 5 minutes to complete the questionnaire.

Participation in the study implies that you give your consent to participate and for your answers to be used for research purposes. Of course, all your responses will remain confidential at all time, and no identity and/or data information from this questionnaire will be shared with a third party.

In case of any questions with regard to this research please do not hesitate to contact me on K.Moini@student.uva.nl.

Again, thank you very much for being part of this research!

With best regards,
Kian Moini

Ps.: You would do me a great favor, if you would forward the email you received about this research to people you know this research applies to.

Q2: Gender
- Male
- Female

Q3: Age

The following questions deal with the (once) new venture.
Q7  What came first? The team or the idea? So, did you first team up and then develop a business ideas, or did you first have an idea and then approached possible partners?
   - First team, then idea
   - First idea, then team
   - Idea generation and team formation happened at the exact same time (for example: you were sitting in front of a computer with friends, trying to come up with a survey, then came up with the idea of an online tool for surveys and decided to develop this idea together)
   - None of the above. I got approached by somebody with an idea and joined his/her team

Q4  Please describe your product/service in one sentence (in English, German, or Dutch). Example: We offer an online tool to make and distribute online surveys.

Q5  Please state the country you started the new venture in.

Q28  Please state the year in which the new venture was founded.

Q27  How many people made up the founding team of the new venture?
   - 2
   - 3
   - 4
   - 5
   - 6
**Q8**

**When I thought of who to team up with, ...**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neither Agree nor Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I chose my partner(s) according to who I rationally expected to be the best candidate</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>I relied on my gut feeling</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>I evaluated who would best fit the team</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>I considered all the people I know</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>I only considered my family, my close friends, and other people I have a lot of contact with (such as close colleagues)</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>I had a specific number - an amount - of people in mind that should make up the final founding team</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>I considered how much investment (money, time...) the new team member could make available for the new venture</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>I considered the network the new team member has access to</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>I chose people that vary widely in their areas of expertise</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>I chose people that have a variety of different backgrounds and experiences</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>I chose people that have skills and abilities that complement each other</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>I considered the previous venture start-up experience of the candidate</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>I considered whether I had previous joint-team experience with that person</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>I chose people that I expected to have goals very similar to mine</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>I expected to frequently talk with the other team members about both work and private issues</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
</tbody>
</table>
Q31
If there was a specific reason to team up with your partner(s), which was not covered in the previous statements, please state it here (in English, German, or Dutch).

Q30
To gain a deeper understanding of the phenomena that is researched here, I will conduct interviews with one person/organism of those filling out this questionnaire AND ticking yes in the following question. This interview will take less than 30 minutes and could be taken either in English, or German. If you would be willing to be interviewed, please state yes in the following question. If you state no, the subsequent questions do not apply to you. In any case, thank you very much for your time!

Q6
Would you be willing to be interviewed?

- Yes
- No

Q26
If you stated yes in the previous question, please state your email address (absolute confidentiality is ensured, this information only serves for a possible contact for an interview).

Q1
If you stated yes in the question regarding the possible interview, please state your name, and that of our company (absolute confidentiality is ensured, this information only serves for a possible contact for an interview).
### 10.3 Overview subjects

The columns state the gender (1 = male, 2 = female), age, product/service, the country and year in which the business was founded, and the company name - which only was stated if the subject also stated to be willing to be interviewed. Boldly highlighted company names infer that the respective entrepreneur responded to the qualitative questionnaire.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Age</th>
<th>Product/Service</th>
<th>Country</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>29</td>
<td>Repowering of biogas plants for upgrading and greed feed-in of biomethane</td>
<td>GER</td>
<td>2007</td>
</tr>
<tr>
<td>1</td>
<td>38</td>
<td>We create, develop and produce cross media graphic design solutions</td>
<td>NL</td>
<td>2009</td>
</tr>
<tr>
<td>1</td>
<td>22</td>
<td>We offer marketing services to businesses in Italy as brokering agents with the target 18-25</td>
<td>IT</td>
<td>2010</td>
</tr>
<tr>
<td>1</td>
<td>29</td>
<td>Organize parties and offer (starting) DJs the opportunity to profilate themselves</td>
<td>NL</td>
<td>2008</td>
</tr>
<tr>
<td>1</td>
<td>27</td>
<td>We enable biogas feed-in</td>
<td>GER</td>
<td>2008</td>
</tr>
<tr>
<td>1</td>
<td>40</td>
<td>grafische vormgeving</td>
<td>NL</td>
<td>2009</td>
</tr>
<tr>
<td>1</td>
<td>27</td>
<td>We are specialized in enforcing compensation and reimbursement rights associated with missed, delayed or canceled flights.</td>
<td>NL</td>
<td>2009</td>
</tr>
<tr>
<td>2</td>
<td>24</td>
<td>We thought of developing a students-guide-students tour in Amsterdam</td>
<td>NL</td>
<td>2010</td>
</tr>
<tr>
<td>1</td>
<td>44</td>
<td>We are specialized in enforcing compensation and reimbursement rights associated with missed, delayed or canceled flights.</td>
<td>AUS</td>
<td>2008</td>
</tr>
<tr>
<td>1</td>
<td>50</td>
<td>We developed navigation systems for tunnel boring machines</td>
<td>GER</td>
<td>1994</td>
</tr>
<tr>
<td>2</td>
<td>40</td>
<td>We are a FMCG company, distributing Agri products though our distributor network</td>
<td>IN</td>
<td>2010</td>
</tr>
<tr>
<td>1</td>
<td>31</td>
<td>We offer Business Consulting Solutions</td>
<td>IN</td>
<td>2008</td>
</tr>
<tr>
<td>2</td>
<td>39</td>
<td>We offer a platform for social innovators</td>
<td>NL</td>
<td>2006</td>
</tr>
<tr>
<td>2</td>
<td>18</td>
<td>We promote Finnish design and art via social media and events</td>
<td>FN</td>
<td>2010</td>
</tr>
<tr>
<td>2</td>
<td>33</td>
<td>We do pension reviews along with other financial solutions.</td>
<td>ENG</td>
<td>2009</td>
</tr>
<tr>
<td>1</td>
<td>50</td>
<td>We are a FMCG company, distributing Agri products though our distributor network</td>
<td>NL</td>
<td>2010</td>
</tr>
<tr>
<td>1</td>
<td>26</td>
<td>A simple system that helps you save energy!</td>
<td>IN</td>
<td>2010</td>
</tr>
<tr>
<td>2</td>
<td>23</td>
<td>We offer products, which simultaneously support climate protection projects and reduce co2 emissions</td>
<td>GER</td>
<td>2010</td>
</tr>
<tr>
<td>1</td>
<td>22</td>
<td>We are a FMCG company, distributing Agri products though our distributor network</td>
<td>IN</td>
<td>2010</td>
</tr>
<tr>
<td>1</td>
<td>25</td>
<td>Patient specific products</td>
<td>NL</td>
<td>2010</td>
</tr>
<tr>
<td>1</td>
<td>35</td>
<td>online fitness service</td>
<td>US</td>
<td>2009</td>
</tr>
<tr>
<td>1</td>
<td>23</td>
<td>Event management</td>
<td>IN</td>
<td>2009</td>
</tr>
<tr>
<td>2</td>
<td>45</td>
<td>Crowdfunded product reviews and recommendations focussed around narrow product verticals (i.e. dogs, babies, golf, etc.)</td>
<td>USA</td>
<td>2009</td>
</tr>
<tr>
<td>1</td>
<td>55</td>
<td>We offer quality children's summer sports programs in Shenzhen China.</td>
<td>China</td>
<td>2010</td>
</tr>
<tr>
<td>1</td>
<td>21</td>
<td>My business focus on reducing the cost spent by universities in communication with students</td>
<td>USA</td>
<td>2009</td>
</tr>
<tr>
<td>1</td>
<td>34</td>
<td>We started IT service company.</td>
<td>IN</td>
<td>2002</td>
</tr>
<tr>
<td>2</td>
<td>23</td>
<td>We offer a fancy and organized kit with the most essential cosmetic, care and functionality products, which prevent women from their personal emergencies in daily and business life.</td>
<td>NL</td>
<td>2010</td>
</tr>
<tr>
<td>1</td>
<td>29</td>
<td>Just One Bucket Of Water</td>
<td>IN</td>
<td>2010</td>
</tr>
<tr>
<td>1</td>
<td>47</td>
<td>We offer concept identification services</td>
<td>IN</td>
<td>1996</td>
</tr>
<tr>
<td>1</td>
<td>26</td>
<td>Online tool to connect therapists w patients over videoconference</td>
<td>USA</td>
<td>2009</td>
</tr>
<tr>
<td>1</td>
<td>23</td>
<td>Business platform for everyone that is or wants to be an entrepreneur - working together, doing business and an automated business administration combined!</td>
<td>NL</td>
<td>2009</td>
</tr>
<tr>
<td>1</td>
<td>25</td>
<td>Our business offers design, production and delivery of patient specific implants for the replacement of parts of the human skeleton.</td>
<td>NL</td>
<td>2010</td>
</tr>
<tr>
<td>2</td>
<td>24</td>
<td>We offer an online housing exchange platform for erasmus students</td>
<td>NL</td>
<td>2009</td>
</tr>
<tr>
<td>1</td>
<td>23</td>
<td>We offer consultancy for the financing of start-ups (business plans, possible investors etc.)</td>
<td>GER</td>
<td>2010</td>
</tr>
<tr>
<td>2</td>
<td>21</td>
<td>Private equity fund</td>
<td>NL</td>
<td>2010</td>
</tr>
<tr>
<td>1</td>
<td>22</td>
<td>We invest with a medium-term horizon</td>
<td>USA</td>
<td>2010</td>
</tr>
<tr>
<td>1</td>
<td>27</td>
<td>We offer bank services to facilitate customer’s daily work with their finances</td>
<td>CH</td>
<td>2001</td>
</tr>
<tr>
<td>1</td>
<td>29</td>
<td>We offer an online tool to start quick polls and trend all the numbers in your life: <a href="http://graph.me">http://graph.me</a></td>
<td>GER</td>
<td>2008</td>
</tr>
</tbody>
</table>
12.4 Email to entrepreneurs who stated that they are willing to be interviewed:

Dear XXX,

Thank you very much for having filled in the questionnaire regarding entrepreneurial team formation. Thank you even more for being willing to be interviewed.

I chose a different approach than interviewing you, to save both you and me time and effort. Instead I am asking you to write me a short story (in English, German, or Dutch) of how your venture came into existence. I do not expect you to write a novel. It can be a few sentences, it can also be more - depends on how much time you want to spend on it. It would be great if you could try to answer the following questions:

- How did the venture come into existence (just briefly)?
- For which reasons did you decide who to team up with?
- Did you reason rather rationally (regarding skills, resources,...), or rather for psychological reasons (gut feeling, expected positive personal relationship,...)?:
- Which reasons did you take into account, which were most important to you?
- Would you take the same decision again?
- Why, or why not (please refer arguments to the previous question)?

Again, thank you very much, you helped me a lot with your support!

Best regards,
Kian

The reminder included an example of one of the responses I got so far to show how easily the questionnaire can be filled in.

10.4 Email answers:

Hi Kian,

here are my answers:
- How did the venture come into existence (just briefly)?

The team existed before the venture itself. First we had the idea to start a company, but not THE idea what exactly we should do. We came together more and more often, brainstormed and discussed several business ideas. After we had a top 10, we rated and analyzed these ideas in terms of market potential, time to market, team fit, etc. - and finally decided to realize graph.me.

- For which reasons did you decide who to team up with?

Initially there were the two of us - me and the CTO. We had several years of joint business experience in our own new media agency. We were friends, knew our skills and could trust each other, which was a good foundation to build a new company on. Two other friends were willing to start something new at just the right time and their expertise fit perfectly into the team, one finance person who was going to quit his job and another technician who graduated from university. So one reason was friendship and trust, the other was complementary expertise.

- did you reason rather rationally (regarding skills, resources,...), or rather for psychological reasons (gut feeling, expected positive personal relationship,...)?

Both (see above).

- which reasons did you take into account, which were most important to you?

Expertise, a balanced team (two tech, two business guys), founding your own company with friends and expecting a good atmosphere, lots of fun.

- Would you take the same decision again?

Yes (and no).

- Why, or why not (please refer arguments to the previous question)?

The experience is great to build up a company with close friends, it emphasizes personal rather than just economic goals. We know we can trust each other and it's probably more likely that all members stick together and survive difficult times instead of leaving the team when the first problems or differences occur.

On the other hand it's more you risk than just some money and time - in the worst case I could lose three important friends. Another downside is that criticizing one of your fellow cofounders heavily is easier when it's just business. But all in all I think we handle this quite well and sit together having fun after having had a heated discussion at the flipchart just 15 minutes before. ;-)
- How did the venture come into existence (just briefly)?
It was an initiative that was bought to me by someone I had met. They are from another
country.

- For which reasons did you decide who to team up with?
I decided I could trust them and that the market they were addressing was large enough and
interesting enough to take the risk.

- did you reason rather rationally (regarding skills, resources,...), or rather for psychological
reasons (gut feeling, expected positive personal relationship,...)?
The market portion was rational. The decide on the partner was gut instinct or having no other
choice.

- which reasons did you take into account, which were most important to you?
The opportunity to undertake a new venture - it is interesting to try and learn something.

- Would you take the same decision again?
Yes, it is a recent decision so it is hard to evaluate the result and answer this question with
certainty.

Dave

Dave Thomas, Partner
Rocket Builders
604-603-8630

- How did the venture come into existence (just briefly)? I owned a chain of cosmetic clinics
and was paying wholesale $70 per item. This was placing cashflow strain on my business
and I decided to make my own skincare range to reduce the cost per item. I then decided that
the concept would be so unique that I could sell it to other cosmetic clinics.
- For which reasons did you decide who to team up with? I teamed up with two exceptional
sales staff from the industry, who were based in the two most populous states in Australia.
- did you reason rather rationally (regarding skills, resources,...), or rather for psychological
reasons (gut feeling, expected positive personal relationship,...)? Both. I knew that there was
a major gap in the market and I decided to chase this. However, I just had a great feeling
about the product range and I would not have launched without the gut feel.
- which reasons did you take into account, which were most important to you? Lack of
competition in this segment, the high profit margins currently available, low margins offered
by competitors, poor customer service from competitors.
- Would you take the same decision again? Absolutely. I did not place a foot wrong.
- Why, or why not (please refer arguments to the previous question)?
Babak Moini  
CEO Skinstitute

- How did the venture come into existence (just briefly)?
Our team was founded during an entrepreneurship track at university. When we had our final team we met several times and had brainstorm sessions, during which we came to some ideas but not the final one. We decided to all separateley think about more ideas during the weekend. 2 participants then came up with the final idea and we decided to establish erasmate

- For which reasons did you decide who to team up with?
Most people already had an idea of what they wanted to do, we were the remaining people who just wanted to start from scratch and come up with the idea together.

- did you reason rather rationally (regarding skills, resources,...), or rather for psychological reasons (gut feeling, expected positive personal relationship,...)?
It was rather rational. When deviding the responsibilities we all set together and talked about our skills as well as preferences. Our CEO was kind of a given because he was the one organising all the meetings etc, from day one. The rest of the group discussed why they would like to do a certain task and how they are qualified for it.

- which reasons did you take into account, which were most important to you?
Skills but also a nice atmosphere within the company

- Would you take the same decision again?
Yes, since I am proud of what we have achieved and working together with people that are completely different taught me a lot. For my next company I could say much faster with whom I would or would not like to work together.

- Why, or why not (please refer arguments to the previous question)?
See above.

Leyla Hamzei

Hi Kian,
Sorry, have been very busy. Hope it's not too late... Here are my answers!

- How did the venture come into existence (just briefly)?
Both freelance professionals, we decided we had a lot in common and would have an advantage if we would team up. Also, in the current economic climate, you feel stronger as a team.

- For which reasons did you decide who to team up with?
- proven professionalism in the many years we know eachother (in creative talent, financial and management skills)
- better service to clients
- friendship/mutual trust and respect
- did you reason rather rationally (regarding skills, resources,...), or rather for psychological reasons (gut feeling, expected positive personal relationship,...)?
Rational reasons came first ('added value', skills, businessrelations, management).

- which reasons did you take into account, which were most important to you?
So, teaming up provides professional AND economic advantage. And a social reason: it's less of a 'solo-company'. There's a bit more fun and there is a sparringpartner to cooperate: you learn more.

I can't choose which one is the most important. I guess you want to be stronger and make more money!

- Would you take the same decision again?
Yes.

- Why, or why not (please refer arguments to the previous question)?
We have the results to show it was a good decision. The businessplan tells everything. There's no point in drinking coffee together just for fun if there's no business-advantage.

Good luck!

Pieter