

## **ENTREPRENEURIAL TEAM TROIKA: A CALL ON INTEGRATIVE RESEARCH OF TRUST, CONFLICT AND DIVERSITY**

*Equipe empreendedor Troika: Uma chamada em pesquisa Integrativa relacionada a habilidades sobre confiança, conflito e diversidade.*

**Mohammad Saud Khan**

Victoria University of Wellington, New Zealand

**Email:** saud.khan@vuw.ac.nz

**Abstract:** During the last four decades entrepreneurship research has established itself as a legitimate area of enquiry, which requires a concentrated and coordinated effort towards studying the context in entrepreneurial activity. In doing so, it is understood that entrepreneurial teams form the core of most start-ups at some point of their new venture journey. Furthermore, three crucial aspects of this vital unit of analysis (entrepreneurial team) are trust, conflict and diversity which shape the ultimate success of a firm. This paper presents a contextually developed research agenda based on a critical evaluation and synthesis of findings from literature pointing towards an integrative approach of viewing the three topics viz a viz team entrepreneurship.

**Key words:** Team, Entrepreneurship, Trust, Conflict, Diversity

**Resumo:** Durante as últimas quatro décadas, a pesquisa em empreendedorismo tem se estabelecido como uma área legítima de investigação, o que requer um esforço concentrado e coordenado para o estudo no contexto na atividade empreendedora. Ao fazer isso, entende-se que as equipes empreendedoras formam o núcleo da maioria das start-ups em algum momento de sua nova caminhada. Além disso, três aspectos cruciais desta unidade vital de análise (equipe empreendedora) são a confiança, o conflito e a diversidade que moldam o sucesso final de uma empresa. Este artigo apresenta uma agenda de pesquisa desenvolvida contextualmente com base em uma avaliação crítica e síntese de achados da literatura apontando para uma abordagem integrativa de visualização dos três tópicos vis a vis a equipe empreendedora.

**Palavras chave:** Equipe empreendedora, Confiança, Conflito, Diversidade.

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## OVERVIEW

For a long time, the general notion in entrepreneurship was to only focus on the single entrepreneur as the person who strives through economic, social and other factors to achieve venture success. However, with time the realization of entrepreneurship as an exceedingly social phenomenon involving more than one person has grown (Ruef et al., 2003). This meant that the ‘entrepreneur’ was also being acknowledged as a plural entity, namely an entrepreneurial team (Cooney, 2005). The present paper reviews, analyses and presents focused directions on investigating teams in an entrepreneurial context, from a combinatorial perspective of trust, conflict and diversity. It builds the case by highlighting the importance and what of entrepreneurial teams, followed by contextual scrutiny with research questions for an integrative approach within this domain.

## WHY IS ENTREPRENEURIAL TEAM RESEARCH IMPORTANT?

Several reasons lead to the above mentioned recognition of entrepreneurial teams. A substantial amount of new firms have been seen to be founded and/or led by two or more individuals, comprising of entrepreneurial teams (Schjoedt et al., 2013). Specifically, it has been seen that many innovative high-tech start-ups are founded by entrepreneurial teams (Francis and Sandberg, 2009). In addition, team startups are found to perform better than solo entrepreneurs in numerous dimensions (Chandler et al., 2005). They are seen to be more successful in terms of higher revenues, net income and market capitalization (stock price x no. of common shares outstanding) (“IPO,” 1989). Entrepreneurial teams have a significant impact on the subsequent performance of a newly established firm (Carland and Carland, 2012), are more likely to be the founding ingredient of high-growth firms (Cooney, 2005), and can also have a strong effect on a firm’s survival (Schjoedt et al., 2013). Venture capitalists generally prefer to base their funding decisions after assessing the experience and skills of the entire team, rather than a single individual (Kamm et al., 1990). As seen above, team founders can benefit extensively in terms of impacting firm level outcomes.

On the flip side, entrepreneurial teams pose their own set of unique challenges. It is quite likely that entrepreneurial teams struggle when it comes to some interpersonal processes for e.g. conflicts (Ensley and Pearce, 2001) because of the close attachment to the venture. Moreover, entrepreneurs quite often become entrepreneurs to enjoy autonomy and freedom of decision making. If such like expectations are dented in terms of unmet interpersonal experiences, team members are quite likely to exit the team (Shrivastava and Rao, 2010). It is important to realize that after all an entrepreneurial team is a collection of personalities resulting in a cumulative composition that functions under high uncertainty. Entrepreneurship research regarding team composition (viz a viz diversity) and its impact on founding team’s performance remain divided and inconclusive (Chowdhury, 2005, Klotz et al., 2014, Cantner et al., 2010).

Therefore, the above discussion signifies the research stream of entrepreneurial teams in three primary ways:

- 1) Numerous innovative high-tech startups are started and run by entrepreneurial teams.
- 2) Entrepreneurial Teams have a lasting effect on a young start-up in several ways.
- 3) The social endeavor of teamwork surfaces distinct scenarios in terms of managing interpersonal processes and team composition.

As a result, there is compelling evidence that highlights the important role of entrepreneurial teams for the development of start-ups (Schjoedt et al., 2013), and hence makes this under researched subject (Klotz et al., 2014) a rewarding candidate for fruitful investigation.

### **ENTREPRENEURIAL TEAM AS A UNIT OF ANALYSIS**

Before embarking on such a journey it is essential to clarify the core concept of entrepreneurial teams. The definitional debate on entrepreneurial teams has been on going. Therefore, the different perspectives taken by authors become important to understand. An early description of the concept came from (Kamm et al., 1990), who suggested that two or more individuals who jointly establish a business and hold equal financial interest constitute an entrepreneurial team. This explanation was taken further when an aspect of engagement and commitment (Katzenbach and Smith, 1993) was added to it. As a result, an entrepreneurial team was being viewed as a team having a shared commitment to their venture (Cooper and Daily, 1997). However, the idea of shared commitment was vague and not discussed explicitly by the authors, which opened doors for further deliberations. In this regard, Katzenbach and Smith (1993) suggested accountability whereas Kamm and Nurick (1993) argue shared ownership as being a form of shared commitment. Two more perspectives are seen in literature regarding entrepreneurial teams. They are seen as the people who are at executive positions during the launch of a new venture (Eisenhardt and Schoonhoven, 1990). On the contrary, other scholars view an entrepreneurial team as one which exploits future opportunities through a process of creative and proactive search for opportunities. Looking at the above standpoints on entrepreneurial teams it has been recently suggested that "... any definition that goes beyond the number of members and their common but possibly unequal concern for a small set of superordinate goals, which are themselves subject to negotiation, is really seeking to distinguish effective teams rather than teams" (Schjoedt et al., 2013 p. 3-4).

Consequently, a broad definitional approach on entrepreneurial teams is suggested, as consisting of two or more individuals who hold shares in the firm, work actively in the venture and have influence upon the strategic decision-making within the venture (Almer-Jarz et al., 2008), during the early phase (Schjoedt and Kraus, 2009) of the development of the venture. The term 'hold shares in the firm' is used to acknowledge that it is very seldom that all members of the team have equal financial stakes. 'Work actively' eliminates those team members who only invest in a venture and are not involved in the daily operations (silent partners). Moreover, as the definition mentions 'individuals' it rules out banks, venture capitalist firms and other forms of financial institutions. 'Strategic decision making' means those decisions that are politically sensitive, complex and involve deliberation from the core team members. A team in the 'early phase of the development of the venture' reiterates a vital aspect of entrepreneurial team description by reminding that a team could be at the pre-startup, just started or has been in the market for a few years. Moreover, entrepreneurial teams are acknowledged as a dynamic and fluid entity, which has prospects of changes in membership at various stages. Hence, the above explanation details a lucid and encompassing answer to the question of 'what is an entrepreneurial team?'

## **DISTINCTIVE SETTING OF ENTREPRENEURIAL TEAMS**

Having known the what, one tends to probe the unique context of such teams? Additionally, how do entrepreneurial teams differ from other types of teams? The context in which entrepreneurial teams function indeed presents a distinct scenario. Such teams have to direct their startups through the entire entrepreneurial process, because there are hardly any hindrances or replacements to their leadership (Ensley et al., 2006). So, the team has to direct its efforts in totality towards a wide spectrum of activities for a sustained period of time. Secondly, an entrepreneurial team is mostly confronted with a social situation which is classified as weak; meaning that appropriate behaviour is barely established (Mischel, 1977). So, teams have no information on past performance, trend data or any other type of information which leads to a high level of uncertainty (Busenitz et al., 1997), in comparison to corporate top management teams where the goals, structures and work processes are often well defined. As a consequence, entrepreneurial teams have to set up the entire culture of the firm including the initial recruitment and streamlining of policies and procedures (Staw, 1991). The third differentiating factor is a long term impact of the team's initial decisions on the firm's development (Klotz et al., 2014). This happens, due to a broader latitude and greater discretion in terms of decision implementation as compared to teams in other contexts (Hambrick and Abrahamson, 1995). It is quite often the case that traces of these initial decisions stick to the firm well beyond the entrepreneurial team (Johnson, 2007). Thus, the context of entrepreneurial teams presents a daunting set of challenges, which are quite different from other types of teams functioning at various levels of organizations (e.g top management teams (TMTs) in established firms, project teams). Such a peculiarly uncertain environment puts forth a unique setting to study team dynamics.

## **TROIKA OF ENTREPRENEURIAL TEAMS – TRUST, CONFLICT AND DIVERSITY**

Confronted with the above scenario there are two important team processes, namely trust and conflicts that deserve special care with respect to team management. Trust gains increased importance because the high degree of uncertainty associated with young entrepreneurial teams is quite often bound to create unanticipated situations. Therefore, for teams to successfully navigate their way through these challenges, a trusting behaviour seems to become vital for venture progress. Trust research has caught ample attention within the field of entrepreneurship (Welter, 2012), however it is not known how different forms of trust could influence the functioning of entrepreneurial teams (Li, 2013).

Entrepreneurial teams would mobilize resources including human and social capital especially during early phases of their life cycle. Trust has been identified as a vital determining factor of efficiency in complex organizational systems (Seabright et al., 1992). This is because economic actions are primarily embedded in networks of social relationships. Thus, for entrepreneurial teams it makes sense to optimize resources including human capital, especially during early part of their life cycle. According to the transaction cost perspective, trust reduces opportunistic behavior and in turn lowers governance costs through simplified mechanisms. Such a reduction in governance costs can lead to improved overall performance (Morrow et al., 2004). Efficiency within complex scenarios of coordinated action is only possible when interdependent members work together effectively. Interpersonal trust between such members is seen as a decisive factor (Seabright et al., 1992). Literature puts forth weak and inconsistent direct effects of trust on behavior and performance, and emphasizes to explore the role of trust as an interaction variable especially in team settings (Dirks and Ferrin, 2001), prompting its indirect effect on performance. Research also identifies the moderating role of trust on the relationship between team conflicts and outcomes (Langfred, 2004).

Being a team phenomenon, the level of trust is expected to play a critical role during interpretation processes. Trust implies reciprocating fulfillment of expectations, and so during group discussions can exhibit enhancements or reduction (Zand, 1972). As cognitive trust primarily revolves around competence and responsibility (Cook and Wall (1980)), team members are prepared to use other's knowledge as a basis for further actions (Luhmann, 1979). This could be especially important for innovative entrepreneurial teams because they function in conditions of high uncertainty, ambiguity and risks (Baron, 2006). Such a situation implies extensive discussions and debates among the team members, thereby generating a variety of information. So, task related conflicts can be responsible for creating information but they do not direct how this information is processed. It is argued that cognitive trust helps to process, interpret and act on this diverse information, thereby strengthening the relationship between task conflict and understanding of decisions (Parayitam and Dooley, 2007). Hence, the response on differing viewpoints (possibility of task or relationship conflict) could depend on the level of cognitive or affective trust existing between the team members.

Benevolence and honesty, generally associated with affective trust (Johnson and Grayson, 2005), are expected to exercise critical influence on group members' interpretations of other group members' conflict behavior (Simons and Peterson, 2000). Research contends that 'individuals involved in exchange relationships characterized by trust may be more likely to confront and resolve disagreements because the risk that conflict will permanently damage the interpersonal relationship is lower in the presence of interpersonal trust' (Zaheer et al., 1998, p. 145). Similarly, task conflicts can have a positive outcome but affective trust manifested by previously made relational investments could further strengthen such outcomes. On the contrary, an absence of affective trust could lead to a misattribution of task conflicts as personal attacks. Likewise, the negative consequences of relationship conflict could also vary in strength depending on the presence of affective trust.

Similarly, keeping in mind the interdependence of team members in a complex and volatile setting of new venture creation, it is inevitable that conflicts will emerge (Amason, 1996). Owing to the fact that entrepreneurial teams are the sole decision makers of the firm, it affords them varied environments to observe and embrace different strategic postures, thereby making conflicts even more ubiquitous within such teams (Mitroff, 1982). The manner in which intra team conflict impacts their performance becomes exceedingly important as the performance of such teams directly determines the competitiveness and sustainability of the young firm (Amason, 1996). Quite surprisingly, there is scarce knowledge on how different dimensions of conflict might relate to the performance of entrepreneurial teams.

Viewing the above laid emphasis on trust and conflicts, it is also paramount to note that the relationship of entrepreneurial team diversity and performance remains an unresolved debate (Klotz et al., 2014). This ambiguity is partly attributed to an unrefined examination of the diversity construct (Harrison and Klein, 2007) which has mostly been a mere aggregation of various characteristics, to create an index of diversity. Such a methodology makes it nearly impossible to compare findings on diversity as the results are inconsistent, weak or both. Therefore, it has been suggested that a more fine grained strategy is necessary, that delineates investigation of different forms of diversity (Klotz et al., 2014). In this regard, Harrison and Klein (2007) have presented a holistic and encompassing typology of diversity that addresses the need for enhanced theoretical and empirical rigor. In addition, it is argued that an examination of specific diversity types should incorporate appropriate interactions in terms of contextual variables. Dovetailing the earlier discussion on the importance of trust and conflicts within entrepreneurial teams, it seems vital to understand the interplay of diversity effects viz a viz trust and conflicts.

Entrepreneurship has frequently been explained from a behavioral perspective for e.g the creation of new organizations (Gartner, 1989), recognition and exploitation of opportunities (Shane and Venkataraman, 2000), active management and/or expressed intention (Stewart and Roth, 2001). Furthermore, personality traits which are explained as propensities to act (McCrae and Costa, 1990) and dispositions to exhibit (Caprara and Cervone, 2000) are contended as predictors of entrepreneurial behaviour (Rauch and Frese, 2000). The reason being, that personality traits can only influence behaviour if a situation allows their expression (Mischel, 1968). Therefore, an entrepreneurial scenario which is primarily characterized by weak norms, high autonomy and ambiguous information permits the expression of personality traits (Hattrup and Jackson, 1996). This point of view was further validated after a Meta analytic review by Rauch and Frese (2007), which concluded that reliable theory building of entrepreneurship necessitates the inclusion of personality traits. Additionally, it is argued that a better understanding of venture creation and venture success requires the study of specific or proximal personality traits (Baum and Locke, 2004) rather than broad personality traits such as the Big Five.

Summing up the above discussion, three major areas of enquiry (that are intertwined) which possibly hold the framework of such teams necessitate deeper investigation.

- “What is the impact of various types of trust, conflicts and their interactions on entrepreneurial team performance?”
- “How should the concept of diversity be conceptualized and analyzed within entrepreneurial teams?”
- “How do proximal personality traits interact with emergent states of trust and conflict to influence entrepreneurial team performance?”

The **first** question acknowledges the inherent intricacies of uncertain decision making in startups by examining trust and conflicts as two contextually relevant team processes. Moreover, the above variables gain further significance as working at the initial stages of a startup in a high-tech environment could create a peculiar social setting amongst team members. The focus lies on viewing trust and conflicts as multi-dimensional aspects to better understand how entrepreneurial teams could improve their effectiveness and efficiency (performance). The **second** question calls for a synthesis and review on diversity as applied to entrepreneurial teams, the theories behind them and their respective operationalization for small entrepreneurial teams. The **third** question provides insights with respect to examining specific entrepreneurial personality traits at a team level of analysis (Klein and Kozlowski, 2000). This is seen essential as personality characteristics that are central to being entrepreneurial for individuals (Rauch and Frese, 2007), might operate differently for an entrepreneurial team. Moreover, given the dynamic entrepreneurial team context it is called for to reveal the effects of changes in team composition using affect based mechanisms (Klotz et al., 2014).

## CONCLUSION

This critical call builds a case for focused research on the intricate relationship of trust, conflict and diversity within entrepreneurial teams. It paves way for several insightful contributions to the three main stream areas of entrepreneurship, strategic management and organizational behaviour literature.

Firstly, it would advance our knowledge on two essential processes of trust and conflicts as multi-dimensional constructs within the context of entrepreneurial teams. It reiterates the significance of interpreting the above mentioned processes from different perspectives of mind and heart. Unlike most work on these variables, this review attempts to model how interpersonal trust and conflicts within young, entrepreneurial teams shapes their effectiveness and efficiency. Such an analysis of simultaneously looking at the two performance dimensions provides a wide horizon on performance which is quite often seen as either one of them.

Another crucial aspect of this work is addressing the complexities of diversity. It contributes as a first step towards creating a diversity typology of entrepreneurial teams based on a systematic framework. It also provides a platform for further investigations of different diversity types within entrepreneurial teams to capture divergent and convergent ideas and hence integrate the findings more easily. In addition, the theoretical insights provided by Harrison and Klein (2007) regarding diversity are based on strong theoretical foundations. However, a theory can only be strong when it is closely coupled to empirical observations (Lawrence, 1997, Marrow, 1969). Therefore, this paper critiques the theoretical view on diversity as applied to entrepreneurial teams but also calls for an empirical test to see, if the proposed effects of diversity hold true in the context of entrepreneurial teams. The idea of integrating trust and conflict as multiple dimensions alongside diversity supports the recent concern by researchers that there is a great need to incorporate the neglected affect-based constructs within entrepreneurial team research (Klotz et al., 2014). Likewise, when it comes to managing the hazards of conflict it is observed that less diverse teams could be an answer, arguing that a new venture context provides the ingredients to test synergistic impact of theories on conflict and diversity.

There are two ways in which the current call is timely and contributes to strategic management literature. As entrepreneurial teams are usually at an early stage of the startup, their influence will not only impact the immediate strategy of the firm but is likely to continue for a long time in the future (Beckman and Burton, 2008). Thus, an increased understanding of the initial conditions of trust, conflict and diversity in entrepreneurial teams could help strategy researchers gain deeper insights on developing competitive advantages within high-tech firms. Secondly, in comparison to top management teams (TMTs) in more established organizations, such entrepreneurial teams (characterized by weaker situations) are expected to have a more direct bearing on the firm's outcomes (Hmieleski and Ensley, 2007). Therefore, such a context provides a clearer situation to investigate diversity theories and interpersonal processes of trust and conflicts, which could aid strategy development and implementation of new tactics (Carpenter et al., 2004).

The research conducted on entrepreneurial teams also contributes two fold to the field of organizational behaviour (OB). In terms of dispositions (for e.g positive affect), entrepreneurial team members are seen to exhibit extreme characteristics (Baron et al., 2012). This happens because the entrepreneurial process is troubled with uncertainty and chances of failure are high (de Meza and Southey, 1996). Moreover, the entrepreneurial teams are largely found in a technology intensive environment which further adds a dimension of uncertainty (Vanaelst et al., 2006). Such a peculiar scenario of entrepreneurial teams embodies a population of outliers to test team dynamics in comparison to earlier team samples which are largely representative of a general population. Furthermore, most research examining uncertainty in teams within OB research has concentrated on laboratory experiments and utilized either student samples or other types of team samples (project, lower level teams etc). Consequently, an endeavor on the lines of this paper supplements earlier findings and enriches ecological validity on the above addressed aspects, from OB literature but within actual entrepreneurial teams.

Finally, this work puts forth several practical implications for teams of entrepreneurs, investors and policy makers. Useful insights on how differences within personalities of entrepreneurial team members can shape the degree of effectiveness and efficiency are discussed. Moreover, trust and conflicts which are seen as interpersonal processes having milder implications could actually be primed within entrepreneurial teams to affect firm level outcomes (such as resource utilization and eventual quality of work output). From an investor's point of view, this project offers insights on how such "softer issues" (termed quite often in the field) and entrepreneurial team composition could provide essential clues on funding decisions of startups. Lastly, policy makers could profit from a macro perspective on a fruitful functioning of innovative high-tech startups. This can lead to the development of a policy framework with support programs (e.g yearly planned workshops on emphasizing specific types of interpersonal processes) targeting specialized needs of young entrepreneurial teams.



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