

THESIS FOR THE DEGREE OF DOCTOR OF PHILOSOPHY

**Up close and personal:**

How relational dynamics in founding teams are shaped by the context of  
entrepreneurship

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### **Abstract**

Despite increased interest in the phenomena of team-based entrepreneurship, we still don't know why some teams are more effective than others in their entrepreneurial pursuits. In fact, scholars acknowledge that we have yet to get a firm grasp on what teams 'are' in this unique work context, not least because their emotional and relational dynamics remain understudied. This thesis argues that in order to open this black box of interpersonal processes, we need to acknowledge that these are not your typical 'work-team' relationships. Rather, the extreme experience of entrepreneurship extends to extreme *relational* experience of team members. Just as entrepreneurs shake up the status quo with their fresh perspectives and new ideas, the uncertain, unstructured, emotional context of entrepreneurship shakes up the status quo of what we expect of team member relationships at work. Thus, if we hope to understand these teams and how they work together, we need new thinking and new theories that get at the heart of these extreme work relationships.

This thesis consists of five papers and uses a mixed methods approach to examine how relational dynamics in founding teams are shaped by the context of entrepreneurship. The setting for the research is a university incubator in northern Europe where founding teams are accessed prior to incorporation, and often prior to team formation. The thesis puts forth a theoretical model that posits four main interconnected findings: (1) team member relationships act as a stand-in for organizational structures, (2) the context demands close relationships, (3) close relationship models such as the family fit to study and understand relational dynamics, and (4) the interaction context calls for interpersonal courage, intimacy, and a willingness to be vulnerable. Together the papers show that the emotionality of entrepreneurship stems not only from the characteristics of the context, but from the relationality of this unique kind of teamwork.

The thesis contributes to the entrepreneurship literature by challenging and shifting the way we see and study teams in this context, suggesting fresh perspectives and possible ways forward. In doing so, the thesis adds richness and depth to our understanding of this emotional and inherently social phenomenon, while shedding light on why some teams may fail while others stay the course.

**Keywords:** *founding team, new venture team, close relationships, trust, family theory, entrepreneurship*

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## Appended papers

This thesis is based on the following papers:

**Paper 1:** Nowell P., & Timmermans, B. (2018). Organizational Perspective on Entrepreneurship. In R. Turcan & N. Fraser (Eds.), *The Palgrave Handbook of Multidisciplinary Perspectives on Entrepreneurship* (pp. 125-146). Palgrave Macmillan. Retrieved from [https://doi.org/10.1007/978-3-319-91611-8\\_7](https://doi.org/10.1007/978-3-319-91611-8_7)

**Paper 2:** Karlsson, T., & Nowell, P. (2020). Entrepreneurship education: Team composition in known worlds and new frontiers. *Entrepreneurship Education and Pedagogy*, Retrieved from <https://doi.org/10.1177/2515127420905890>

**Paper 3:** Williams-Middleton, K., & Nowell, P. (2018). Team trust and control in new venture emergence. *International Journal of Entrepreneurial Behavior & Research* 24(4), 882-910.

**Paper 4:** Nowell, P., & Brattström, A. (2020). *Trusting a team when you do not trust its members: a process model of trust emergence in new venture teams*, presented at the Academy of Management Conference, Boston USA, Aug 2019

**Paper 5:** Nowell, P. (2021). *The promise of family theory in understanding emotional and relational dynamics in new venture teams*, presented for the “Venturing Together” new venture team scholar network in September 2020, and BI Norwegian Business School in December 2020.

Other papers by the author:

Lundqvist, M., Williams-Middleton, K., & Nowell, P. (2015). Entrepreneurial identity and role expectations in nascent entrepreneurship. *Industry and Higher Education*, 29(5), 327-344.

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Pamela Nowell

Oslo, May 2021



# 1. Introduction

On par with marriage and parenthood, founding a company together can require an intimacy that we rarely see ‘at work’. The aforementioned endeavors test our relational capabilities because they are deeply personal, highly emotional, incredibly social, and by nature filled with uncertainty, vulnerability, and constant change. In these activities people forge the very path they walk on *together*, and as a result engage in difficult, but also potentially rewarding relational work. This work includes a willingness to be vulnerable, to be open to mutual influence and interdependence, to have tough conversations and be wrong, and to show awareness of and concern for one’s own and others’ emotions. In these relational contexts we need to show up over and over again, without armor, committing to each other and the process even when the path and outcome are unclear.

While entrepreneurship scholars recognize this deeply personal (Wiklund, Nikolaev, Shir, Foo, & Bradley, 2019) and emotional (Baron, 2008) nature of the entrepreneurial process, bringing in concepts such as grief (Shepherd, 2003), passion (Cardon, Wincent, Singh, & Drnovsek, 2009), parenthood (Cardon, Zietsma, Saparito, Matherne, & Davis, 2005), and extreme emotional experiences (Baron, 2008; Cardon, Foo, Shepherd, & Wiklund, 2012), this work largely takes the perspective of the individual entrepreneur, passing over the foundational interpersonal relationships that are at the very core of most new ventures (Francis & Sandberg, 2000; Kamm, Shuman, Seeger, & Nurick, 1990; Klotz, Hmieleski, Bradley, & Busenitz, 2014; Knight, Greer, & De Jong, 2020; Lazar et al., 2020; Ruef, Aldrich & Carter, 2003). This gap is noteworthy as teams matter to the success of a venture (Eisenhardt, 2013), and the dynamics that are set in play early on have long-term consequences for a team and venture’s development as it grows into a larger organization (Beckman & Burton, 2008; Boeker, 1989). Despite the recent interest in new venture teams (as evidenced by over 150 publications on the topic in the past 10 years, see Knight et al., (2020) for a review of the literature), we are still lacking firm conclusions in terms of what makes some teams more effective than others when launching a new venture (Eisenhardt, 2013; Klotz et al., 2014; Knight et al., 2020; Lazar et al., 2020). There is a long way to go before we have a clear understanding of how and why some teams fail in entrepreneurship while others succeed (Knight et al., 2020).

Part of what’s missing is a clear understanding of how a team’s interpersonal interactions and the quality of their relationships are shaped by, and unfold, in the context of entrepreneurship. Likewise, how these relationships influence success or failure over time (Blatt, 2009; Knight et al., 2020). This ambiguity is due in part to a lack of conceptual clarity around what a team *is* in this context (i.e. it’s ‘defining ingredients’), but also the need for a more nuanced understanding of the relational context in which they work (Knight et al., 2020). While scholars have recognized that new venture teams are distinct from other

kinds of work teams and organizational entities, the rationale centers mostly around ‘business’-oriented factors; i.e. more autonomy in decision making, more influence over their organizations, fewer substitutes or blockers of leadership, more ownership, and more ‘skin in the game’ (e.g. see Klotz et al., 2014; Knight et al., 2020). However, while this may be the case, this thesis posits that entrepreneurs also face unique and meaningful *emotional* and *relational* dynamics in their work together as they forge the very path they walk on. The purpose of this thesis is to address this gap in our knowledge and examine how relational dynamics in founding teams are shaped by the characteristically unstructured, uncertain, and highly emotional context of entrepreneurship. In doing so, I shed light on why some teams fail while others stay the course and add richness and depth to our understanding of this incredibly emotional, inherently social, and deeply human phenomenon.

## 1.1 Outline of the thesis

This thesis is organized as follows. Chapter 2 provides conceptual clarity regarding definitions and lays groundwork for the theoretical perspectives taken throughout the thesis. Chapter 3 outlines methodological considerations, and Chapter 4 provides a summary of the appended papers. Chapter 5 discusses the findings and contributions of the appended papers. Finally, Chapter 6 discusses limitations, avenues for future research, and possible ways forward.

## 2. Literature Review

### 2.1 What is a founding team?

Teams within entrepreneurship literature have been conceptualized in a variety of ways. A recent literature review by Knight et al., (2020) argues that the lack of a well-developed paradigm is why scholars have so far struggled to paint a coherent picture for why some teams are more effective than others in developing their ventures. In fact, Knight and colleagues identify 23 different root-terms used to describe a new venture team, including for example, ‘start-up team’ (e.g. Franke, Gruber, Harhoff, & Henkel, 2008), ‘founding team’ (e.g. Beckman, 2006), ‘entrepreneurial team’ (e.g. Kamm et al., 1990), and ‘new venture team’ (e.g. Klotz et al., 2014). There are likewise a multitude of definitions for what these teams are and who is considered to be a team member. Paper 1 of this thesis, the book chapter titled *Organizational Perspective on Entrepreneurship*, also addresses this issue, with table 7.1 on page 129 outlining various team terminology and team member identification approaches that researchers have used in empirical studies (Nowell & Timmermans, 2018). This issue is an important one, as a lack of consensus around how researchers conceptualize and operationally define the core, foundational phenomenon of the ‘team’ stifles the systematic advancement and integration of knowledge in this field (Knight et al., 2020; Nowell & Timmermans, 2018). To address this issue, Knight et al., (2020) distill what they call a set of ‘key ingredients’ that make new venture teams unique from other organizational entities – ownership of equity, autonomy of decision making, and entitativity. These authors put forth a multidimensional conceptualization that both acts as an umbrella for these teams, but also defines and differentiates teams based on how they vary across these three continuous dimensions.

While this thesis does not draw directly on these dimensions, the purpose of introducing Knight and colleagues’ framework here is to provide clarity around the kinds of teams studied in this thesis and the conditions they face as they work together. In addition to important differences between new venture teams and other work and organizational teams, there can also be variation in conditions and contextual factors *within* the phenomenon of new venture teams itself, and it is important to provide clarity around these contextual factors in order to be able to compare and contrast across studies. While the papers in the thesis use the terminology ‘entrepreneurial team’ (paper 2) and ‘new venture team’ (papers 3, 4, and 5), the kappa employs the term ‘founding team’ to highlight that the teams in all of these studies are from the very earliest stages of entrepreneurship, with the large majority of the data pre-dating incorporation and even often pre-formation of the team. The teams in this thesis are therefore equated with what Knight and colleagues call ‘initial founding teams’; a subset of new venture teams that are generally high in autonomy, ownership, and entitativity and low in formal organizational structures. Roles, norms, and routines in these teams have yet to emerge, and team boundaries are still relatively fluid (i.e. the team is not yet ‘fully formed’ and members

can come and go). As a result of these characteristics, founding teams are likely to face a larger degree of uncertainty, novelty, change, emotionality, and lack of organizational structure than for example top management teams in established small and medium enterprises (also under the umbrella of ‘new venture team’) (Knight et al., 2020). The findings in this thesis therefore apply *when the dial is turned up* on what we typically think of as characteristic of entrepreneurship and new venture teamwork (i.e. uncertainty, novelty, a lack of structure, emotionality).

Some of the core concepts in this thesis that are worth defining here include entrepreneurship, new venture, new venture team, and founding team. This thesis takes the position that entrepreneurship is the creation of new, for-profit companies (Davidsson, 2005) and is conceptualized as an emergent, dynamic process that unfolds over time as a new venture grows and develops (Davidsson, 2005; McMullen & Dimov 2013; Moroz & Hindle, 2012). A new venture is defined as “*a firm that is in its early stages of development and growth*” (Klotz et al., 2014, p. 227). These companies tend to be establishing organizational processes and procedures, developing and bringing their first products to market, and forming a customer base (Klotz et al., 2014). A new venture team is understood as “*the group of individuals that is chiefly responsible for the strategic decision making and ongoing operations of a new venture*” (Klotz et al., 2014, p. 227), and as previously mentioned a founding team is considered to be a subset or specific type of new venture team (in line with Knight et al., 2020). The founding team in literature is described as consisting of two or more individuals who establish a new venture (Ensley, Carland, Carland, & Banks, 1999; Kamm & Nurick, 1993; Misganaw, 2018; Watson, Ponthieu, & Critelli, 1995) and are typically a relatively small group (Simsek, Jansen, Minichilli, & Escriba-Esteve, 2015). Team membership is often dynamic in founding teams, and members can join after the pre-startup phase (Lazar et al., 2020).

Since the purpose of the thesis is to examine how relational dynamics in founding teams are shaped by the context in which they work, the coming section addresses some of the contextual factors and challenges faced by founding team members as well as what we currently know about relationships in this context. This section also includes a more general discussion of how context shapes relationships and relational dynamics, drawn from literature in relationship science (e.g. see Simpson & Campbell, 2013).

## 2.2 Relationships and the contextual factors of ‘founding’

Context is one of the most important factors in shaping the characteristics and dynamics of any relationship (Simpson & Campbell, 2013). While contextual factors determine relational behavior, they also interact in important ways with other determinants of behavior (Reis, Collins, & Berscheid, 2000). The presence of other people is most influential when behavior is less institutionalized and interactions unconstrained (Francis & Sandberg, 2000), or when the context of interaction provides less structure, more

uncertainty, and less scripts, models or controls for behavior (Clark, Algoe, & Green, 2018; Simpson & Campbell, 2013). In fact, the less structure that exists in a context of interaction, the more room there is for a relationship to grow (and matter) (Regan, 2011).

Scholars have described entrepreneurship in many ways; e.g. as extreme experience (Schindehutte, Morris, & Allen, 2006), a highly emotional process (e.g. Baron, 2008; Cardon et al., 2012; Shepherd 2003), uncertain, ambiguous, dynamic, and changing (e.g. Gartner 1990; Sarasvathy 2009; Schumpeter, 1934), and ripe with novelty and the liabilities of newness (Stinchcombe, 1965). While all organizations grapple with uncertainty, it is compounded in the context of entrepreneurship and new venture teamwork by novelty (Gartner, 1990; Schumpeter, 1934). These teams navigate many ‘news’: new customers, new products, new technologies, new employees, new organizational structures, and new relationships both within the team (with highly interdependent team members) and external to the team with various stakeholders. In addition, these teams operate under the added uncertainty of how, and whether, an organization can in fact be built to develop, produce, and sell a good or service profitably (Cable & Shane, 1997). These characteristics such as uncertainty, ambiguity, a lack of structure, and constant change are what make entrepreneurship so extreme and emotional, and make entrepreneurs more likely to experience stress, grief, and burnout (Stephan, 2018).

There is general agreement that while characteristics such as uncertainty and ambiguity exist throughout the entire dynamic process of venture emergence, they are generally most salient at the earliest phases, when there are the most ‘unknowns’ around for example the market and product/service, the team, and other organizational structures (e.g. roles, norms, processes, routines) that have yet to emerge and formalize (Blatt, 2009; Eisenhardt, 2013; Gartner 1990; Gartner 1993; Sarasvathy, 2009). These early characteristics make founding teamwork a weak social situation in which there are few established norms with respect to appropriate behavior (Klotz et al., 2014; Mischel, 1977). These early characteristics are also acknowledged as what makes entrepreneurship so emotional (Baron, 2008; Cardon et al., 2012). While the basic function of a bureaucracy is to inhibit people’s personal characteristics, relationships, and emotions from entering into an organization’s functioning (Knight et al., 2020; Weber, 1978), there is little bureaucracy in founding teams, and thus relationships, emotions and team members’ personal characteristics play a bigger role as more of ‘who’ team members are shows up and shapes internal team dynamics. While team members in larger organizations may “*intentionally or unintentionally surround themselves in the cloak of institutionalism*” (Dibben 2000, p. 4), lines of communication and decision-making are shorter in founding teams, task delineation is less formalized, and interactions are not obscured or regulated by formal structures, roles, authority, and patterns of behavior. As organizations professionalize and formal structures, roles, and processes emerge, a stronger social situation manifests that constrains and guides behavior

(Knight et al., 2020; Mischel, 1973). Thus, in the beginning, founding teams work in an unstructured interaction context where their interpersonal relationships take center stage and have a big impact on the emerging organization. As time goes on, these relationships likely become less influential as more formal organizational structures emerge to constrain and guide behavior.

Scholars have pointed to the fact that relationships are paramount in early new venture teamwork (e.g. Blatt, 2009; Kamm et al., 1990; Schjoedt, Monsen, Pearson, Barnett, & Chrisman, 2013) and that more research is needed that focuses on how the quality of relationships between founding team members affects a team's ability to build a successful new venture (Blatt, 2009). Relationships both internal and external to the team fill the 'institutional void' that is characteristic of emerging organizations, and this void is more present (and thus relationships more important) in more *"turbulent sectors of emerging markets"* (Miller, Lee, Chang, & Le Breton-Miller, 2009, p. 802). Miller et al., (2009) argued that family businesses are more apt at filling this void as they are already rich in sources of relational capital (trust, identity, and commitment) and place a high value on relationships (as oppose to self-interest). Francis & Sandberg (2000) suggested that friendships are likely to emerge within founding teams on account of the high pressure, great difficulty, high personal and professional stakes, and isolation from other sources of support. These authors argued that friendship impacts a team's stability, and a venture's performance, through establishing functional relational dynamics including commitment, candor, self-disclosure, and trust.

Trust is a particularly relevant concept in the context of founding teamwork considering its links to uncertainty, interdependence, and interaction in general (Mayer, Davis, & Schoorman, 1995; Schoorman, Mayer, & Davis, 2007; Townsend, Hunt, McMullen, & Sarasvathy, 2018). Interpersonal relationships, trust, and uncertainty go hand-in-hand; the need for trust is high when uncertainty is high, while the need for trust is low when uncertainty is low (Möllering, 2006). The sense of impending crisis that can often accompany new venture creation also makes trust relevant as crisis is acknowledged in the literature as a trust intensifier (Dibben, 2000; Mishra, 1996). What's more, trust has been described as directly linked to achieving a sense of ontological security; the 'protective cocoon' which stands guard over the self in its dealings with everyday people and reality (Dibben, 2000; Giddens, 1991). Some scholars have gone so far as to say that there is *"no single variable which so thoroughly influences interpersonal and group behavior as does trust"* (Golembiewski & McConkie, 1975, p. 31). More recently, trust within teams has been shown to have an overall positive impact on team performance, particularly in highly interdependent team contexts (De Jong, Dirks, & Gillespie, 2016). Despite a few exceptions (e.g. Dai, Roundy, Chok, Ding, & Byun, 2016; Zheng, 2012), trust remains largely unexplored in the context of founding teamwork (see Klotz et al., (2014) for a recent literature review on new venture teams that illustrates this). Likewise, despite its perceived importance, little is known about how team trust is initiated and developed in early-stage teams (Fulmer &

Gelfand, 2012). Trust, its role, and how it emerges in founding teams may be overlooked in founding team research as it is largely presumed to already be present, and studied as either an input or mediator (i.e. founders often select for trust, so we know they need it, want it, and it is there). However, trust is both multidimensional and dynamic; the previous context for the relationship may not be relevant to the new venture (Blatt, 2009), and team members with established trust can behave very differently in a new context once a venture gets going, a fact that can damage the development and maintenance of trust (Berscheid & Ammazzalorso, 2001). Trust is multi-dimensional and most often conceptualized as ability, benevolence, and integrity (Mayer et al., 1995). Founders may have established trust along a specific dimension, for example they may trust one another's abilities as former colleagues, however may question one another's commitment or integrity when the relationship is brought in to the 'wild west' of entrepreneurship with its lack of established norms and guidelines for behavior. Conversely, spouses or close friends may have unwavering trust in one another's benevolence and integrity, but in the context of working together, question each other's competence. What's more, previous ties and strong interpersonal relationships are not always optimal as they can limit a team's access to new resources and perspectives, and many founding teams are actually formed between people with limited prior interaction and knowledge of each other (Lazar et al., 2020).

Regardless of whether trust is present at team formation, building strong relationships is *particularly important* in this context, but also *particularly challenging*. Blatt (2009) argues that the more novelty a team faces, the more daunting it is for them to form and sustain well-functioning team member relationships. This is due to the fact that team members lack familiarity with many aspects of their situation and face uncertainty about how to cope with the challenges that arise (Shepherd, Douglas, & Shanley, 2000). The same bureaucratic structures that were discussed above, that constrain action in established organizations, also provide members in established organizations with a sense of not only trust, but identity and commitment that facilitates relationship development and maintenance (Blatt, 2009). Organizations for example facilitate trust by establishing organizational structures such as interaction routines that allow members to demonstrate their trustworthiness and predictability (Nahapiet & Ghoshal, 1998), and establish safeguards such as norms, rules and regulations that further encourage predictability and build trust (McKnight, Cummings, & Chervany, 1998). Organizations have a 'way of doing things around here' that fills members with a clearer sense of obligation, and act as an identification target, which is known to increase trust and decrease people's uncertainty about their place in their social world (Tajfel, 1978). Founding team members are not privy to these uncertainty-reducing organizational structures that act as sources of trust, identification, and commitment, and thus need to source them from their interpersonal relationships. To a large extent, this probably explains why founders tend to choose to work with those they already know, trust, and even often love (Beckman, 2006; Knight et. al., 2020; Lazar et al., 2020; Ruef et al., 2003; Ruef

2010; Schjoedt et al., 2013), rather than working with less familiar others (even when those ‘others’ have more relevant skills and abilities (Schjoedt et al., 2013)). However, this tendency of founders goes beyond the logic that positive relationships and shared prior understanding provide a solid foundation for work together (Knight et al., 2020) – that applies in any teamwork context. Founders in essence need to choose who to ‘marry’, who to ‘have children’ with, or who to ‘go to war with’, and counteract the uncertainty of what they are about to ‘leap’ into with certainty in their interpersonal relationships. As all the things that typically hold a group together and facilitate its functioning are not there (e.g. the aforementioned organizational structures), the relationships and dynamics between founders plays an outsized role.

Research has shown the value of strong interpersonal relationships in venture creation (e.g. Brannon, Wiklund, & Haynie, 2013; Ruef, 2010; Schjoedt et al., 2013), and that relationships matter for the success of a venture. In fact, Schjoedt et al., (2013) argue that *“relationships among team members are more important for the success of a team than skills diversity, regardless of whether the team is composed of family members or unrelated individuals”* (p. 9). Blatt (2009) argues that relational capital amongst founding team members is likely more important to the success of a venture than human capital, and Kamm & Nurick (1993) argue that *“the relationship (between team members) may take top priority in the beginning, at least”* (p. 18). Research into how team member relationships influence outcomes has focused on such things as cohesion (Ensley & Hmieleski, 2005; Ensley, Pearson, & Amason, 2002), identification (e.g. Gray, Knight, & Baer, 2020), and trust (e.g. Dai et al., 2016; Zheng, 2012), suggesting that when team members feel identified with and connected to each other and the team they are more likely to commit to one another, persist in the face of difficulty and invest a significant amount of time and effort into the venture (Blatt, 2009; Cardon, Post, & Forster, 2017; Gray et al., 2019; Powell & Baker, 2017). Scholars have also shown that the specific relational models (and the accompanying dynamics) that founders have play a role in their success. Brannon et al., (2013) for example showed that founding spousal pairs were more successful in reaching their first sale than founding sibling pairs as they could more easily take on the ‘partnership’ identity. Bird & Zellweger (2018) found that spousal pairs have advantages over sibling pairs in generating firm growth, arguing that spousal pairs perform better as the three facets of relational embeddedness – trust, identification, and mutual obligation (what Blatt (2009) refers to as relational capital) – are more pronounced in spousal teams, providing advantages in terms of how they interact and cooperate over time. This provides meaningful insight into the context of founding teamwork, and what it demands of the relationships of founding team members, something I dig into further in the discussion section of this thesis.

While our knowledge in these areas is building, we still lack a clear understanding of how team member relationships are in fact shaped by the context of founding teamwork, what this context demands of founder relationships, and how founder interpersonal relationships and dynamics influence a team and



venture over time. Knight et al., (2020) argue that a way forward is to take into account the varying contexts and conditions these teams face (i.e. founding teams work in a different relational context (more uncertainty, less structure), and may thus present different findings than for example top management teams in scaling firms or top management teams in established small firms, which presumably work under more certainty and structure since their ventures and teams are more established). This thinking is echoed in Bird & Zellweger (2018), who found that firm age weakened the effects of the advantages of spousal over sibling teams, largely because organizational structures are more established and can act as sources of trust, identity and commitment. Bird & Zellweger (2018) point out that it would *“be interesting to see how much our deliberations on trust, identification, and obligations also apply to non-family entrepreneurial teams, such as former co-workers, friends, or fellow students.”* (p. 29) and that *“it appears promising to explore the social and industrial contexts in which relational embeddedness is particularly valuable (...) under high levels of uncertainty or in the absence of strong formal institutions, relational embeddedness should be particularly valuable for firm prosperity”* (p. 29).

This leads into the research question of this thesis, which aims to build a stronger paradigm of teamwork within entrepreneurship, and answers the above calls to consider how contextual factors (i.e. lack of structure, high uncertainty – the ‘institutional void’) intermingle with relationships in founding teamwork.

### 2.3 Research question

The purpose of this thesis is to examine how relational dynamics in founding teams are shaped by the characteristically unstructured, uncertain, and highly emotional context in which they work. The research question of the thesis is therefore:

RQ: How are relational dynamics in founding teams shaped by the context of entrepreneurship?

### 3. Research Methods

The purpose of this section is to provide an overview of the overall research design used to answer the research question including the rationale for the selected research setting. A more detailed description of the methodologies is available in each of the appended papers.

#### 3.1 Research design

Perhaps the best way to describe this thesis is as an expedition. As the aim was to study relational dynamics in founding teams and how they are shaped by the characteristically unstructured, uncertain, and emotional nature of the context of founding teamwork, the author selected a setting that provided access to early stage founding teams. As new ventures and their teams are not always easily identifiable during emergence (Aldrich, Carter, & Ruef, 2004; Lundqvist, Williams-Middleton, & Nowell, 2015), this kind of research on emerging teams is challenging (Cooper & Daily, 1996; Francis & Sandberg, 2000) and data collection often falls prey to hindsight and outcome bias (Forbes, Borchert, Zellmer-Bruhn, & Sapienza, 2006). As a result, the author selected a research setting where founding teams could be followed over time, and accessed prior to incorporation (and often prior to, or at least during, the actual process of team formation itself). This setting was an incubator at Chalmers University of Technology in Gothenburg Sweden, where teams work full time on their ventures. The empirical setting is described further in section 3.2 below.

There is general agreement within management and entrepreneurship research that nascent theory development calls for open-ended questions examined through qualitative data (Bryman & Bell, 2015). This approach is intended to connect to existing theory while generating meaning and new insights through interpretation. This approach is suitable when little is known about a phenomenon, or when existing theory does not adequately capture or explain phenomena (Bryman & Bell, 2015; Eisenhardt & Graebner, 2007; Edmondson & McManus, 2007). An inductive, largely qualitative approach (with the exception of paper 2, which is a survey-based quantitative study) was selected for this thesis as the researcher wanted to move away from the current input-output perspective dominating new venture teamwork (Klotz et al., 2014; Knight et al., 2020), moving towards a more nuanced, often process based in-depth understanding of relational dynamics. As a result, the researcher immersed herself in the incubator environment for the period of the thesis work and, armed with a set of observations and general knowledge in the topic, collected data and iteratively worked to identify patterns and develop theory (Gioia, Corley, & Hamilton, 2013).

As there has been a general lack of consensus around what a new venture team *is* (Knight et al., 2020), the author took this as her foundational starting point (paper 1), with the insights gleaned from this study feeding into the questions for paper 2 and so on with papers 3, 4, and 5. The thesis research has

therefore been very much of a journey, with section 3.4 further outlining this journey and the path between papers. Section 3.3 below gives a more in-depth description of the methodology used throughout the thesis work.

## 3.2 Empirical setting

### 3.2.1 Qualifying Chalmers as a setting in which to study founding teams

Chalmers has a strong reputation as one of Sweden's premiere entrepreneurial hubs<sup>1</sup> and recently bolstered this reputation by committing 33M USD to investments in early stage new ventures over the course of the next ten years<sup>2</sup>. Two organizations at Chalmers work together to drive these initiatives: Chalmers Ventures AB<sup>3</sup> and Chalmers School of Entrepreneurship<sup>4</sup>. Together these organizations offer incubation and accelerator programs aimed at educating and nurturing entrepreneurs while fostering the development of high tech, high growth ventures. While Chalmers Ventures has various Start-up Camp and Hackathon activities, this thesis concerns the Incubation and Accelerator programs where entrepreneurs are admitted through a two-year Masters program and spend the entire second year of their Masters education developing real-life ventures. Throughout this year entrepreneurs found teams and work full-time on their new ventures in the milieu of an incubator. Teams receive coaching, legal and accountancy advice, office space, and eligibility for up to 40K USD in pre-seed funding. Upon graduation from the incubation program, ventures may apply to the accelerator program. In this program ventures work from their own office space but continue to receive coaching from Chalmers Ventures for roughly 2-3 years and are eligible to receive up to 500K USD in further seed investments. Companies who achieve good value growth, a verified business model, and demonstrate the potential to scale are eligible for additional growth investments. The maximum investment for any one company is 1.7M USD and criteria for investment is a clear connection to Gothenburg and innovative technology within the sectors such as ICT, new materials, environmental engineering, medical technology, or biotechnology<sup>5</sup>. Chalmers Ventures is a for-profit organization and thus takes a percent ownership in return for investments. Companies developed through the Incubation and Accelerator programs are thus considered Chalmers Ventures portfolio companies.

Chalmers is a relevant setting to study founding teams as these kinds of start-ups (usually, but not always high tech) play an important role in the present economy (Liu, Wright, Filatotchev, Dai, & Lu, 2010; Agarwal, Audretsch, & Sarkar, 2007) and are likely to be team-based and multi-disciplinary due to the complexity of activities (Wright & Vanaelst, 2009; Beckman & Burton 2008; Gartner, 1985). Incubators

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<sup>1</sup> <http://www.expressen.se/gt/chalmers-bast-pa-entreprenorskap/>

<sup>2</sup> <http://digital.di.se/artikel/investerar-300-mkr-i-startups-at-chalmers-ventures>

<sup>3</sup> <http://chalmersventures.com/>

<sup>4</sup> <http://www.entrepreneur.chalmers.se/>

<sup>5</sup> <http://chalmersventures.com/money>

are increasingly important in nurturing new ventures (Siegel, Wright, & Lockett, 2007) and are a relevant context within which to study founding teams as they offer many advantages (Amezcuca, Grimes, Bradley, & Wiklund, 2013). Studying teams in incubators grants the researcher a level of access that may be otherwise difficult to obtain. Studying teams in incubators also constrains extraneous heterogeneity, and minimizes variation in a way that allows the researcher to focus on team processes and compare across cases; introducing elements of control that are desirable in both case-study (Eisenhardt, 1989) and survey research (Bryman & Bell, 2015). These factors are also increasingly desirable when studying new venture teams in general (Knight et al., 2020). Examples of other studies that use a similar approach are Hoogendoorn, Parker, and van Praag (2017) who study teams in a university entrepreneurship program and de Mol, Cardon, de Jong, Khapova, and Elfring (2020) who study teams in a single incubator. What's more, management (Langley, Smallman, Tsoukas, & Van de Ven, 2013), team (Mathieu, Maynard, Rapp, & Gilson, 2008) and entrepreneurship (Aldrich, 1999; Van de Ven & Engleman, 2004) scholars alike have called for a move from static to more processual forms of research in order to understand the mechanisms and processes that underlie team dynamics. However, collecting longitudinal data on teams is complex and time consuming (Arrow, Poole, Henry, Wheelan, & Moreland, 2004). Incubator environments provide a cost effective way to sample teams (Ebbers, 2014) and address challenges of identification and access to emerging ventures (Wright & Vanaelst, 2009), providing opportunities to follow teams longitudinally while tapping into multiple sources of data.

As many of the founding teams in this study are, or at one time were students, questions could arise as to whether they are 'real' founding teams developing 'real' ventures facing 'real' uncertainties. While student samples are often used in disciplines such as psychology and organizational studies, entrepreneurship has generally shied away from using student samples as contextual factors are thought to stray too far from the real-life uncertain and ambiguous nature of venture creation. However, the founding teams in this study are considered real founding teams facing real uncertainties for several reasons. First, incubation is an increasingly common way to start a venture (Siegel, Wright, & Lockett, 2007) and programs like Chalmers that combine incubation and education are increasing in numbers across the globe (Ollila & Williams-Middleton, 2011; Lackeus & Williams-Middleton, 2015). Second, the programs at Chalmers are prestigious and competitive, and applicants go through a rigorous application process in order to gain admission. Once admitted, the opportunity to participate comes with real expectations, real money, and real ideas or 'babies' that originate with either the entrepreneurs themselves or through idea partners and inventors. In other words, there is real skin in the game. Third, these founding teams work on their ventures full time for the entire second year of the Masters program, participating in formal lectures on Tuesdays only. Even then, lectures most often address some aspect of venture creation and are therefore directly related. Fourth, for those ventures that survive the first year, positions in the accelerator program are not a

given and teams need to compete to secure a place, thus upping the ante even more. Finally, while some of the teams in this study were student teams at the time of data collection, other teams had already left the incubator and were out developing their ventures in their own office space collecting salaries, hiring employees, negotiating deals with customers, suppliers, investors, etc. Therefore, any argument that these are not ‘real’ ventures is misguided and does not match the realities these founding teams face.

Incubator programs no doubt provide added support and a safety net for ventures in order to help them make it through nascency, this is in fact their very mandate. Thus, experienced coaches may provide occasional guidance on how to build the business, what to do next, how/where to get financial support, and who/how to hire. The incubator itself may provide direct support in the form of office space, legal advice, and a network of other entrepreneurs among other things. However, while one could argue that these support mechanisms work to reduce uncertainty and provide some measure of organizational structure and embeddedness for teams, the fact remains that these founding teams are partaking in a process of entrepreneurship, the act of new venture creation, which places them within an entrepreneurial context. Incubators can provide support and coaches can give advice based on their knowledge and experience, but uncertainty remains as there is no ‘right’ answer, teams have the ultimate responsibility for strategic decision making, and teams need to decide who, if anyone to listen to. Thus, within an incubator, goals are still ambiguous, and the future is still unpredictable. It may all just seem a little less intimidating and manageable for founding teams than if they were to go it alone.

### 3.2.2. Access to data

Chalmers has provided direct access to team members, as well as documentation on admissions, team formation, team norms, idea selection and development, business plans, learning journals, and venture financial information. Teams are required to submit progress reports and pitch their ventures at intervals, as well as meet with coaches and program personnel for updates and development talks. As a Chalmers researcher, the author has had access to all of this documentation, and can use it to, for example, compare the kinds of norms teams are developing, see how they have selected and prioritized their team members, or how roles are developing over time. In addition to this documentation, the author can meet with program personnel such as coaches, lecturers, and incubator and school managers, to get an external perspective on the team. In terms of team member interaction, the author has been located on the same floor down the hall from the Chalmers incubator. Thus, at any time it has been possible to pop in and talk to teams; simply to sit, observe, and take notes, or arrange more formal meetings or conduct interviews. Thus, as a researcher studying founding teams, the Chalmers environment provides unparalleled access to investigate the earliest stages and dynamics of this understudied and emerging phenomenon.

### 3.3 Case study and survey research

This section briefly describes the rationale behind the methodologies taken in the thesis, however a more detailed description can be found in each of the appended papers.

#### 3.3.1 Case studies

Case studies are “*rich, empirical descriptions of particular instances of a phenomenon that are typically based on a variety of data sources*” (Eisenhardt & Graebner, 2007, p. 25). Case studies are particularly suited for studying dynamic phenomena and collecting multi-level data about how processes unfold and interact over time (Eisenhardt & Graebner, 2007; Langley et al., 2013; Gioia et al., 2013). Case studies provide an opportunity to build theory through the creation of new concepts and propositions (Eisenhardt, 1989; Gioia et al., 2013) and are particularly suitable for studying under- or unexplored phenomena, such as founding teamwork. Founding teams within incubators are particularly suited to case study research as they are easily identified as cases embedded in a larger institutional environment, a factor that as previously described helps to control for heterogeneity between cases. Case study methodology was used in papers 1, 3 and 4.

#### 3.3.2 Sampling cases

In case study research cases are sampled based on the expectation that they will provide new insights about a phenomenon, or because the researcher has good access (Eisenhardt & Graebner, 2007; Yin, 1984). Thus, sampling is not random and theory building is done by comparing cases to each other, or by comparing cases to existing theory (Yin, 1994; Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Gioia et al., 2013). The main criteria for sampling cases in this thesis were that teams had at least two members (Kozlowski & Bell, 2003), originated from the Chalmers Ventures incubator, and that the founding teams would grant significant access. As the nature of inquiry could be perceived as a sensitive subject (e.g. relationship dynamics, trust between team members), it was important that the researcher found cases that were willing to discuss these kinds of matters and be willing to provide multiple sources of data.

#### 3.3.3 Survey data

Survey data was used in paper 2 in order to examine the circumstances under which group value composition helps or hinders new venture performance in new venture teamwork. For this study 118 students in the first year of the Masters program participated in two week-long tasks in teams of 4-7. This study was conducted to see how established team theory behaved in an entrepreneurial setting and looked at the relationship between team composition in the form of Group Value Consensus (Jehn, 1994; O'Reilly, Chatman, & Caldwell, 1991) and performance. While these teams were not yet founding teams *per se* as they were students in the first year of the program, they did participate in tasks that are similar to those

performed by founding teams. Further details of the survey sample along with the procedures for collecting and analyzing the data can be found in paper 2.

It is worth noting that in parallel to the thesis work, the author has been part of a larger three-year multi-method study examining new venture team processes in incubators<sup>6</sup>. While the majority of this survey and case study data is not included in the thesis work, the founding team in paper 4 was in fact part of the larger study, and thus some survey data is used as an extra data source to triangulate findings (the specific data used were the responses for team level trust in the survey). A further description of the data used can be found in paper 4.

### 3.4 The research journey

As previously mentioned, the research in this thesis was very much an expedition, an explorative journey meant to examine relational dynamics in early stage new venture teamwork. The starting point for this research, as discussed in paper 1, was the foundational question of ‘what is a team within entrepreneurship?’. As described in Knight et al., (2020), this is an important question if we are going to synthesize findings of new venture team studies and develop a strong paradigm of team research in entrepreneurship. There has been no clear and coherent answer in literature.

The first insights that came out of **paper 1** were that when you ask team members themselves who they consider to be a part of the team, you get different answers than we do when researchers delimit this construct, i.e. interdependence matters, commitment matters, trust matters, rather than who holds ownership, has a formal role, or has been present since founding. The instability and early-ness of this stage of entrepreneurship also means that while individuals may be coming and going and membership may be ‘flexible’, there were a set of team members that were considered to be ‘core’. These members carried not only the history and identity of the firm, but it’s strategic future. These team members were the ones initially referred to when asked the research question.

These relational concepts of trust and commitment were continually referred to by entrepreneurs in the early work of this thesis, which led the author to look into shared values, a known source of identification and trust in teams (Jehn, 1994). Recent work has also pointed to the role of shared values in developing emotional attachment, trust, and cohesion in new venture teams (e.g. Lazar et al., 2020; Shah, Agarwal, & Echambadi, 2019). At the same time, the unresolved debate around team composition in new venture teams led the author to design the quantitative study in **paper 2** in terms of team composition and performance (should teams be similar or different) where the author tested the relationship between work value consensus in teams and their performance. The teams studied in this paper were not venture teams per se but rather

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<sup>6</sup> [https://www.entrepreneur.lu.se/en/research/new\\_venture\\_teams\\_in\\_an\\_entrepreneurship\\_process](https://www.entrepreneur.lu.se/en/research/new_venture_teams_in_an_entrepreneurship_process)

teams working on shorter term entrepreneurial exercises within an entrepreneurship education. Still, this provided some interesting insights on the role of values in new venture teamwork (in our study value consensus was more important in more traditional, rather than entrepreneurial tasks). This led us to thinking that team composition is not an either/or question, but a both/and question. Thus, whether teams should be homogeneous or heterogeneous in their composition is more of a paradox to manage rather than a problem to solve.

In parallel to these insights, the author began to really grasp what this context of early teamwork is like for its members, and how nascent and novice entrepreneurs respond to this context. This led to the insights in **paper 3** regarding trust, control, and venture viability. It is at this stage of the research process when trust and the unique flavor of interpersonal dynamics of team member relationships in this context began to really emerge. The context for work really was extreme, unstructured, uncertain, and emotional, and the novice/nascent entrepreneurs in the study experienced it as such. This extreme context lent to some extreme dynamics, and the researcher began to realize that this context can act as a magnifying glass: conflicts spiral and are heightened, incredibly strong bonds are forged, emotions are big, and even ambivalence and disassociation can be prevalent. Some teams opted to try to instill control in their teams, likely as a response to the overwhelming uncertainty, however the basic findings of **paper 3** were that those teams that were willing to be vulnerable and go for more trusting as opposed to controlling norms had a better chance at survival.

There may not have been a black and white answer around the role of values in **paper 2**, but the author wanted to revisit the concept of trust since it was so salient for the entrepreneurs in these studies. This led to **paper 4**, where a single case study was done in order to dig into the dimensions, processes, and levels of trust in a team as they unfold over time. The case selected for this study was exemplary and really interesting as a strong partnership relationship developed between two of the founders, and the team had high team level trust despite there being low trust between some individual team members. So, the seemingly contradictory trust dynamics of the team as a whole, but also the unique, intimate dyadic relationship of the partner pair were interesting to study. Studying this team and founding partnership provided a lot of the insights about how a relationship can act as a foundation or a structure for a venture in the instability of the early phases and how the nature of teamwork in this context means that this early phase is characterized by gritty relational work. The partner relationship in this case was much more than just a ‘work’ relationship and led to the thinking that teams do well to roll up their sleeves, put in the work, and get relational. Around this time is when the author started to think that close relationship models and theories (such as family theory as opposed to solely management team theory) could be relevant to help understand the dynamics of founding teamwork.



As previously mentioned, in parallel to the above research processes the author has been part of a larger multi-method study examining founding team processes in incubators around Scandinavia. While this data is not formally included in the thesis research, these experiences studying teams in multiple contexts over time and being a part of this larger research group has provided many thoughtful discussions and insights around the phenomenon. This, combined with the many years thinking about these kinds of teams and immersed in the entrepreneurship literature, led to the development of **paper 5**. Paper 5 is a conceptual paper which suggests that the pervasive effects of the family in entrepreneurship extends to the kinds of relational dynamics that founding teams display, even when these teams are started by non-family members. Thus, the relational model of family itself (made up of close, interdependent relationships where trust, identity, and commitment play a central role) is a suitable model to both understand and study these teams. This paper wraps up the thesis research by laying out a conceptual framework based on what the author has learned about founding teams and the context in which they work, but also a research agenda moving forward.

### 3.5 Limitations

Each of the appended papers in this thesis contains a reflection of its specific limitations as well as possible directions for future research. The purpose of this section is to outline some of the overarching limitations that pertain to the thesis as a whole. One limitation is that this research has all been conducted within the context of the venture incubator at Chalmers University of Technology. This is a limitation as findings may not directly translate to other contexts. As argued earlier, Chalmers is an excellent empirical environment in which to study founding teams, so the trade-off is worthy. The fact that the author is part of a larger research group studying new venture teams at other incubators within Sweden and abroad acts to develop and enrich theorizing as findings can be compared and contrasted across locations. The majority of teams in the research setting of this thesis are made up of young, novice entrepreneurs. While some team members may have experience developing ventures, most are doing this for the first time with some ‘trying it out’ to see if it is something for them. This factor may have implications for some of the findings in terms of for example how team members perceive and react to uncertainty, or how committed they are.

## 4. Summary of Appended Papers

This section briefly summarizes the appended papers and outlines the author's contribution to each paper.

**Paper 1:** Nowell P., & Timmermans, B. (2018). Organizational Perspective on Entrepreneurship. In R. Turcan & N. Fraser (Eds.), *The Palgrave Handbook of Multidisciplinary Perspectives on Entrepreneurship* (pp. 125-146). Palgrave Macmillan. Retrieved from [https://doi.org/10.1007/978-3-319-91611-8\\_7](https://doi.org/10.1007/978-3-319-91611-8_7)

Abstract: Nowell and Timmermans argue that relational characteristics such as rich and frequent interaction, interdependence, commitment, and shared social identity are crucial when conceptualizing, defining, and operationalizing 'the team' in the emergent, uncertain context of new venture creation. What 'the team' is, its conceptualization, boundaries, and definitional understanding, as well whom we categorize as team members are examples of the questions addressed. Emergent findings demonstrate that members who are not necessarily part of the core of founders and owners are often classified as team members and, in addition to entry and exit, team member mobility includes movement within the organization in terms of core, operational, and supportive tiers. The authors call for a more inclusive, dynamic, and relational understanding of the team within the context of entrepreneurship. This paper contributes by showing that team structure, in the form of team boundaries, roles and membership is much more dynamic and interactive than currently captured in upper echelons, organizational or team-based entrepreneurship literatures. *Both authors of paper 1 contributed equally to the conceptualization and writing of the paper, with the thesis author taking sole responsibility for data collection and analysis.*

**Paper 2:** Karlsson, T., & Nowell, P. (2020). Entrepreneurship education: Team composition in known worlds and new frontiers. *Entrepreneurship Education and Pedagogy*, Retrieved from <https://doi.org/10.1177/2515127420905890>

Abstract: This article is about entrepreneurial teams and addresses specifically the relationship between group value consensus and performance. The paper contributes to previous research on teams in three ways. First, this study addresses the effectiveness of team composition in two different tasks. By doing so, it lends insights into how to compose entrepreneurial teams for improved outcomes. Second, we look specifically at how value composition impacts team performance. Third, we investigate designed teams in a quasi-experimental setting as opposed to organically formed teams commonly found in other team composition studies. Our study finds that value heterogeneity is beneficial to external tasks while detrimental to internal tasks. *The thesis author is the second author of this paper, and contributed to the conceptualization of the paper, development of the data collection instrument, data collection and treatment, and paper writing.*

**Paper 3:** Williams-Middleton, K., & Nowell, P. (2018). Team trust and control in new venture emergence. *International Journal of Entrepreneurial Behavior & Research* 24(4), 882-910.

Abstract: The purpose of this paper is to investigate the ways in which new venture teams consisting of nascent entrepreneurs initiate trust and control during venture emergence. Dimensions of trust and control are developed into an analytical framework applied to 56 documented team norms. Coding detects frequency of trust and control dimensions. Supplementary data triangulate findings and explore follow-on effects in team dynamics and venture emergence. Teams prime their dynamics through use of trust and/or control language in documented norms. Priming is seen to influence entrepreneurial perseverance during venture emergence, stemming either directly from team dynamics, or indirectly from key shareholder relationships or environmental conditions. Exploration of trust and control during venture emergence emphasizes soft-skills critical to entrepreneurial perseverance and venture success. Team norms can be designed to prime toward trust or control and can be indicative of teams' sensitivity to external factors, enabling evidence for intervention. *The thesis author is the second author of this paper, having contributed to the conceptualization of the paper, development of the analytical framework, data collection and analysis, and paper writing. The thesis author took a secondary role in the revise and re-submit process.*

**Paper 4:** Nowell, P., & Brattström, A. (2020). *Trusting a team when you do not trust its members: a process model of trust emergence in new venture teams*, presented at the Academy of Management Conference, Boston USA, Aug 2019

Abstract: In this paper we engage in an inductive study of trust dynamics in new venture teams asking: *how can new venture team members trust their team if they lack trust in individual team members?* We follow a new venture team between 2013-2017, collecting rich data at both the individual and team-level of analysis. Our findings reveal how even if members of a new venture team both need and want for trust, it might be that they cannot fully trust one another. We also uncover novel mechanisms, explaining how team members develop trust in their team even though they do not trust all individual team members. For research on new venture teams, our findings move the current conversation forward by showing how new team members learn to function together, despite weak initial team compositional characteristics. For team trust research, we show how trust in a team is not merely the aggregation, median or mean of trust in individual team members but holds an element of reflexive judgment. *The thesis author is the lead author of this paper. Both authors contributed to the conceptualization of the paper and development of the interview guide. Data collection and analysis was conducted by the thesis author, who also took a lead role in writing the paper. The paper has been developed since presented at the Academy of Management conference in Aug 2019.*

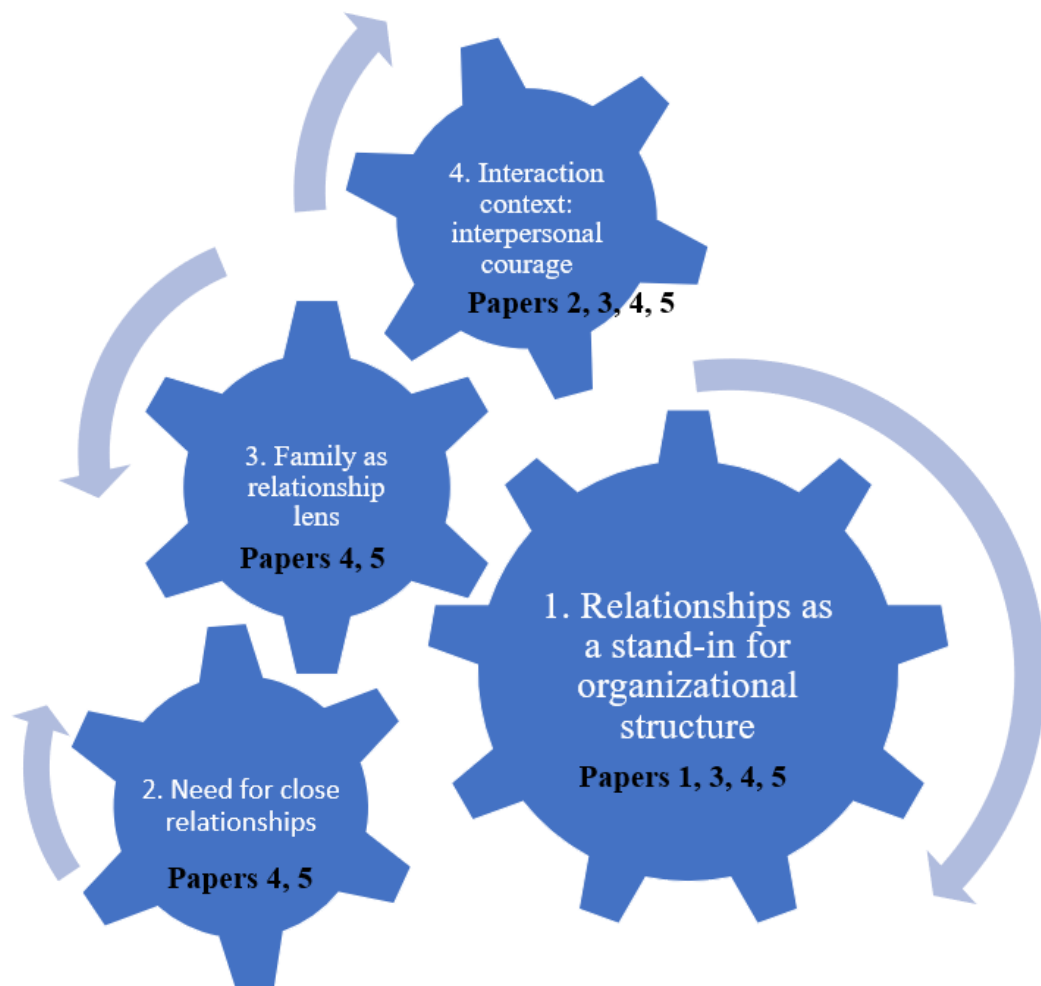
**Paper 5:** Nowell, P. (2021). *The promise of family theory in studying the emotional and relational dynamics of new venture teams*, presented for the “Venturing Together” new venture team scholar network in September 2020, and BI Norwegian Business School in December 2020.

Abstract: This conceptual paper introduces Family System Theory as a relational lens and framework for studying new venture teams in order to capture the emotional and relational dimensions of their work together. Four of Family System Theory’s eight interlocking concepts (differentiation of self, triangles, nuclear family emotional process, and emotional distancing) are applied to new venture teams in order to illustrate how the stress of the entrepreneurial context (lack of structure, uncertainty, high emotionality) plays out in the interpersonal relationships of team members. The paper outlines a new angle for studying new venture teams and shows how this perspective has much to offer in terms of addressing unresolved debates, providing new answers to old questions and asking entirely new and relevant questions in new venture team research. *The thesis author is the solo author of this paper. The paper has been presented at two research seminars. First, in September 2020 for the “Venturing together” network, a cross-disciplinary network of new venture team scholars led by Isabell Stamm and Nicola Breugst. Second, for the department of Entrepreneurship and Strategy at BI Norwegian Business School in December 2020.*

## 5. Discussion

The purpose of this section is to summarize and discuss the contributions of the appended papers in relation to the research question. The research question was: *How are relational dynamics in founding teams shaped by the context of entrepreneurship?*

This section is organized around an emerging theoretical model (figure 1) that consists of four main interlocking ideas around how relational dynamics in founding teams are shaped by the characteristically unstructured, uncertain, and highly emotional context of entrepreneurship. These four ideas are formulated as propositions in the discussion below, with each paper in the thesis linked to one or more of the propositions.



**Figure 1. Theoretical model illustrating how founding team member relationships and relational dynamics are influenced by the context of entrepreneurship**

**Proposition 1: Team member relationships in founding teamwork act as a stand-in for organizational structures**

The central idea in this thesis is that in the context of founding teamwork, team member interpersonal relationships act as a stand-in for the organizational structures that are missing in a new venture context. As these structures typically guide behavior and act to reduce uncertainty, foster trust, predictability, and a sense of shared identity and commitment within an organization, team members need to source these from their interpersonal relationships. Relationships serve different functions in our lives, and these functions are largely determined by context (Regan, 2011). In the context of founding teamwork, where organizational norms, role structures, processes, routines, and regulations have yet to emerge, team member relationships act as the scaffolding through which an organization can be created. Relationships and relational capital (i.e. trust, identity, commitment (Blatt, 2009)), thus act as a stand-in for structure until more formal structures can be established. Over time, as organizational structures emerge, and ventures professionalize and bureaucratize (i.e. the brick and mortar), relationships and their socioemotional processes become less critical and less influential to a venture (however still important) as their structural, uncertainty reducing function is replaced by organizational routines and standards. This idea links to the earlier discussion in the literature review regarding professionalization and formalization, and how relationships, individual characteristics, and emotions play a bigger role in shaping an organization's functioning before formal structures emerge (Knight et al., 2020; Mischel, 1977; Weber, 1978). As previously mentioned, organizations counteract uncertainty by having clear norms and structures - they serve as identification targets, provide interaction routines that build trust, and make obligations and expectations clear (Blatt, 2009). While these structures are lacking in founding teams, relational capital is still necessary, and even critical – so the source of it needs to be team member interpersonal relationships, rather than organizational structures. Thus, just as emotional bonds, intimacy, and close relationships evolved to promote the kind of cohesiveness and cooperation needed to shelter and protect family members (Bowen, 1978), founding teams, lacking the protective cocoon of a larger organization, need strong interpersonal relationships in order to weather the storm of entrepreneurship.

As a clarifying analogy, think of societies that have strong vs. weak social systems, and the role that family ties and relational bonds play in these societies. The strong social systems of Scandinavian countries for example work to free individuals from familial bonds and obligations, making them more independent, and building trust between citizens by having predictable and trustworthy processes and patterns of interaction. The weaker and less trustworthy social systems in countries such as Poland or Latvia for example mean that family bonds are more important and provide the foundation (or lack thereof) for a prosperous life. Interpersonal trust here is not facilitated through a larger, trustworthy system, but rather

gained through repeated interactions with individuals in interpersonal relationships. Thus, when supportive structures are lacking, people look to their relationships to counteract uncertainty and build a supportive foundation.

While scholars have shown that most entrepreneurs form teams with individuals they already know and trust (Lazar et al., 2020; Ruef et al., 2003) and have identified the importance of strong interpersonal relationships between new venture team members, such as familial ties (e.g. Brannon et al., 2013; Ruef, 2010; Schjoedt et al., 2013) these studies have not really dug into *why* relationships are so important in this context, why familial ties are so common in entrepreneurship, or how relationships are in these early phases of such an uncertain endeavor. Sure, positive prior experiences create a common understanding that helps team members persist in the pursuit of their goals (Jehn & Shah, 1997; Knight et al., 2020), however this is true in all organizational settings. Rather, entrepreneurs embark on this journey with those they trust most as the context demands it – these relationships will be what organizations are built on and what they will grow from, at least in the beginning. As they say, in this phase ‘the venture is the team and the team is the venture’ (Kamm et al., 1990; Knight et al., 2020; Eisenhardt, 2013). Interestingly, the teams studied in this thesis *were not* generally formed between people with established trust and prior relationships. Rather, teams were generally formed between students who had limited prior experience of one another. *Even so*, relationships played the role of structural, uncertainty reducing stand-ins – thus it isn’t the fact that trust or strong interpersonal relationships are there, and that is why they can act as stand-ins, but that the context demands it, so relationships need to serve this function regardless of whether relational capital is already present (or not). The outsized role of relationships in this context means that team members need to perpetually invest in their relationships and do intensive relational work in order to foster the kind of strength and resilience they need in order to withstand the stressors of entrepreneurship and build their organizations.

The papers that contribute to **proposition 1** are **paper 1**, the book chapter titled “*Organizational perspective on entrepreneurship*”, **paper 3**, the empirical paper titled “*Team trust and control in new venture emergence*”, **paper 4**, the empirical paper titled “*Trusting a team when you do not trust its members: a process model of trust emergence in new venture teams*”, and **paper 5**, the conceptual paper titled “*The promise of family theory in understanding emotional and relational dynamics in new venture teams*”. Similar to Knight et al., (2020), **paper 1** aims to provide clarity around what a new venture team is and who is considered a team member. As there is a lack of structure and formality in early new venture teams, definitional and membership elements that rely heavily on role identification (e.g. CEO) are restrictive as role structures are often unclear in new ventures (Breugst, Patzelt, & Rathgeber, 2015) and job titles can be of little relevance (Nowell & Timmermans, 2018). According to Schjoedt et al., (2013), earlier definitions often ignore important team members that are actually committed to the venture (such as early

employees) as they might not have financial ownership or strategic decision-making power, but their efforts are important as they contribute with crucial resources. As also pointed out in Knight et al., (2020), paper 1 notes that what constitutes a team is most often delimited by entrepreneurship researchers rather than by entrepreneurs themselves. Paper 1 thus takes the approach of asking entrepreneurs directly who they consider to be part of their team, and why, finding that entrepreneurs often point to relational attributes rather than formal structural attributes (such as financial ownership, founder status, or formal role structure) to determine membership. The three teams presented in the vignette in paper 1 had a variety of stakeholders involved in their ventures including full- and part-time employees, founders, non-operational owners, board members, masters and bachelors thesis interns, consultant, and volunteers. However, the ‘team’ boundary, from their perspective, was based on (1) ongoing rich and very frequent interaction and interdependence, (2) a sense of responsibility and involvement in the ongoing strategic decision-making and direction of the venture, (3) a sense of identity as ‘this is us’, being in it ‘together’, and (4) an underlying understanding of commitment – really being ‘in it’. All of these elements reflect the relational dimensions listed earlier, i.e. trust, identification, and commitment, with the source being team member relationships, rather than formal organizational structures. Thus, at the very foundation of what a founding team is lies relationships and relational dynamics and is the collection of people who contribute to the relational capital of a team, as this relational capital is what acts as the early foundation of an organization.

**Paper 3**, the empirical paper titled “*Team trust and control in new venture emergence*” looks at how teams initiate trust and control in their early organizations through norms documents created during the team formation phase of new venture emergence. Formation here refers to the coming into existence, initial structuring, and initial strategic choices of a new venture team (Ben-Hafaïedh, 2017). During this stage teams begin to create their initial structure and outline the norms, roles and interaction patterns that will shape the culture of the emerging venture (Williams-Middleton & Nowell, 2018). Structure here refers broadly to ‘constrain on action’ (Eisenhardt, 2013) and control is considered an important element of creating structures during organizational design (Das & Teng, 2001; Eisenhardt, 1985; Greenwood & Hinings, 1988). Using the Mayer et al., (1995) conceptualization of trust as consisting of three dimensions (ability, benevolence, and integrity) and Eisenhardt’s (1985) framework of control as social, behavioral, and output control, this study coded the norms documents of 56 new venture teams and found that in certain cases, the norms documents were an indicator of whether or not the venture would emerge. While ‘high control’ norms indicated eventual venture termination, ‘high trust’ norms indicated venture perseverance (Williams-Middleton & Nowell, 2018). Early teams often set a course that becomes difficult to change once formalization occurs and organizational structures and cultures are locked in (Eisenhardt, 2013). Turnarounds are rare, and once de-railed, a venture rarely recovers, making these trust/control founding conditions and decisions very consequential (Eisenhardt, 2013). This focus on more trusting as opposed to



controlling norms in early venture emergence illustrates that when relationships take precedence in the beginning, and teams use a trusting as opposed to controlling approach to managing uncertainty (Harper, 2008) and designing their organizations, teams are more equipped to build a solid foundation for venture emergence and are more likely to stick it out in the process.

**Paper 4** is perhaps the clearest illustration of the relationships between founding team members (in this case a partnership between founding members Sam and John) acting as the structural foundation of a new venture. As Sam put it during the second wave of interviews for the study:

*“We (Sam and John) are the corner pillars of the company, and if we are not balanced the company will not be balanced (...) we have such a good relationship, and we have built it from the beginning”.* (Sam, IW2)

Sam and John had little experience of one another prior to team formation, and when their third co-founder left for a new job after only a few months, the pair had to *“explore each other in a new way to see in what way we could work together”* (John, IW1). Over the course of the first few years of founding work they managed to build a relationship that helped counteract the overwhelming uncertainty of the context, as reflected here by Sam in interview wave 1:

*“We were a bit skeptical having two business people, but now we’ve realized it’s two business developers, two people, you need to be two because it would never work to be alone because there are too many decisions to take”.* (Sam, IW1)

The relationship also provided an emotional bond and emotional support that facilitated coping with the lack of familiarity in this stressful context:

*“If I would have been alone in this that would have been super hard, really hard, so we both said that many times during this journey since we’re doing something that we’re not familiar with in terms of our skills, in engineering and stuff like that it’s fantastic to have each other, to bounce ideas off and especially when it comes to stuff like this”.* (Sam, IW2)

As Sam and John grew their organization and added new team members, they wondered how or whether they could or should re-create this bond with new team members, *“We’re in a new phase now, we work a lot on our relationship, but now that’s solid and there’s new people coming in so how do we create the same bond all over?”* (Sam, IW1). The thing is that they probably won’t need to, or perhaps won’t be able to, because it is precisely the conditions of founding that have forged this relationship in the first place. Sam and John’s relationship provides a foundational core, and together, they have established the organizational structures that will help others to counteract uncertainty, feel safe, foster trust and a sense of belonging, and

guide behavior, making the bond between new team members less critical to the overall functioning of the larger whole.

Lastly, **paper 5** contributes to **proposition 1** by comparing the new venture team to a family system and suggesting that family theory in general, and family system theory in particular, be used to study and understand the emotional and relational dynamics of new venture teams. The paper posits that this lens is most useful particularly in the earliest, most uncertain and unstructured phases of entrepreneurship. Families are emotional, human units that much like founding teams face an extraordinary amount of stress and uncertainty together. As they both lack buffering, uncertainty reducing organizing structures, families and founding teams often see that stress play out in the dynamics of their relationships. Much like new venture teams, families are built on a foundation of emotional connection, identification, trust, and love, rather than formal rules, procedures, and regulations. It is precisely these bonds that shelter and protect the family, keeping it together and influencing its functioning. Family members start companies together not only because it is convenient, or because positive relationships are generally good for perseverance, but because these solid relationships provide the foundation for a new venture and members' intuitive shared values and understanding help them manage the uncertainty that lies ahead. However, while many ventures are started by family members or those that already have established relationships, many are not (as in the case of Sam and John above) – and these kinds of foundational relationships matter even in ventures that aren't started by family members or those that already know and trust one another.

This leads to the second proposition of the thesis:

**Proposition 2: Founding teamwork demands close relationships – and the lack thereof is why many founding teams fail**

As the function of relationships in founding teamwork is to provide structure and support, and counteract powerful forces such as uncertainty, ambiguity and constant change, bonds need to be of the strongest interpersonal kind – *close*. This context therefore does not just demand positive relationships, but a specific *type* of relationship – a close relationship. Close relationships occur when individuals invest heavily in their relationships and are dependent on one another to obtain good outcomes and facilitate the pursuit of their most important needs and goals (Finkel & Simpson, 2015). Close relationships are typically defined by high interdependence, intimacy, self-disclosure, openness, candor, and a general feeling of closeness which can be either behavioral, emotional, or both (Finkel, Simpson, & Eastwick, 2017; Simpson & Campbell, 2013). Close however does not mean cozy. Close relationships are multifaceted, multiplex, and are often the relationships that give us the most meaning, but also challenge us the most (Lewicki, McAllister, & Bies, 1998). Closeness leads to a rich texture of experience as people relate to one another

and experience each other in multiple ways. Closeness thus often leads us to more nuanced perceptions of others, as we discover their bad sides in addition to their good. Close relationships have long been identified as a crucial part of resilience, known as the ability to adapt positively when confronted with adversity or stress (Luthar, 2003; Zimmerman et al., 2013). Resilience however is only achievable if relational partners and family members continually invest in relationship maintenance (Afifi, Merrill, & Davis, 2016). With relationship maintenance, relational partners can expand their relationships and adapt in the face of stressful experiences to broaden their perspective, learn something positive, and develop new coping skills (Carver, 1998; Feeney & Collins, 2015; Park & Fenster, 2004). If relational investments are lacking however, relationships that were once a source of inspiration can start to feel depleted, making it difficult to manage future stress and more difficult with time to reinvest in the relationship. This depletion can jeopardize one's relational, and personal health (Afifi et al., 2016).

Francis & Sandberg (2000) argued that close relationships such as friendships are likely to arise in new venture teams on account of the context. Close relationships are particularly important in this context, but also particularly challenging. Close relationship research has shown us that when there are high external demands to a relationship, such as high external or contextual stress, this predicts worse relationship outcomes, especially if the demands exceed partners' individual or combined resources for coping (Finkel et al., 2017). It is very challenging, and requires a lot of maintenance, to sustain a high-quality relationship when confronting acute or chronic stress external to the relationship (Karney & Bradbury, 1995; Karney & Neff, 2015), both of which are characteristic in the entrepreneurial context. While Francis & Sandberg (2000) suggested that close relationships such as friendship will develop, this proposition goes a few steps further. It is not just friendship, but other kinds of close relationship models (such as marriage or other committed unions/partnerships, sibling like relationships, or other familial like relationships) that can develop on account of the context. These close ties are more likely to develop the less structure and more uncertainty there is the context of teamwork. These relationships will likely have varying degrees of emotional and behavioral closeness, but the idea is that they are or become close and feel close to entrepreneurs. This does not mean that entrepreneurs have to start companies with people they already trust but explains why many of them do. It means that these relationships can and likely should develop (even if team members are unknown to each other in the beginning) in order to sustain the team and the venture in the most turbulent times. However, while these metaphors or relational types/models (friendship, marriage, familial relationships) are rarely used by new venture team scholars, despite their relevance in helping us understand the phenomenon of entrepreneurship (Cardon et al., 2005), they are readily used by entrepreneurs themselves in practice (e.g. see Holson, 2015; Perel, 2019a,b).

So, what do we get by seeing relationships as ‘close’? By conceptualizing relationships as close, we can tap into the bounty of close relationship science that exists within psychology and social psychology to understand how team members can thrive through their relationships (Feeney & Collins, 2015). For example, Finkel et al., (2017) in their review of the psychological literature on close relationships distill core principles of close relationships that can be used to guide research on this topic. These include for example the uniqueness of relationships and their emerging patterns, the trajectory of relationships and how they change over time and over contexts, how interdependence and closeness facilitate merging of cognitive, affective, and behavioral patterns over time in partnerships, and how all of these predict relationship outcomes over time. All of these principles have relevant applications in the study of founding teams, as does how stress influences relationship, team, and venture outcomes over time. Studying the first principle – the uniqueness of relationships, links to the unresolved debate around team composition, which has been heavily studied in entrepreneurship literature (Klotz et al., 2014; Knight et al., 2020). Close relationship science shows us that relationship outcomes depend not only on the specific inputs that each partner comes in with, but also on the unique patterns that emerge when partners’ qualities intersect (Finkel et al., 2017). Team composition cannot be understood fully then if not studying how individuals interact and influence each other over time. Thus, for example, two individuals who tend to be low in self-disclosure may disclose a great deal to one another on account of not just the context, but the way their idiosyncratic personal characteristics mesh together (Finkel et al., 2017). This approach looks at the team composition question from interdependence theory (how mutual influence in a relationship unfolds over time) (Kelley et al., 2003), relationship regulation theory (how social interaction regulates emotion and behavior), and mutual commitment theory.

In close relationships, opportunities and motivations for interdependence tend to facilitate cognitive, affective, motivational, or behavioral merging between partners – thus the relational dynamics that we typically study at the group level – cohesion, conflict, trust, can be complemented with the ‘closer’ themes of jealousy, betrayal, commitment, intimacy, and integration between partners. Shepherd (2003) brought in the concept of ‘grief’ to help us understand how the self-employed deal with business failure. This was a relevant lens on account of the emotional relationship between the self-employed and their businesses, and the extent to which a venture can be an embodiment of pride and identity, but also a vehicle to express the self and subjective conceptions of beauty and emotion (Shepherd, 2003). These same contextual factors which make the lens of grief relevant are what make the more intimate, close relationship lens relevant as the same factors that magnify the experience of failure and loss are those that magnify the relationships and interpersonal interactions in founding teamwork.

The papers that contribute to **proposition 2** are mainly papers **4, and 5**. **Paper 4** really digs into the dynamics between a founding pair and shows the extent to which they invest in their relationship and develop multi-dimensional and nuanced trust perceptions and close relationships within the core of their team. As mentioned in proposition 1 above, this founding team, while previously unknown to each other prior to team formation, developed a solid relational core that they themselves describe as the foundation for their venture. This relationship is characterized by both behavioral and emotional closeness as the pair work tightly together and have constant communication about both personal and professional matters, as illustrated in this quote by founding member John in **paper 4**:

*“If you look at my text message feed (...) we have constant contact, both about personal and work-related things and we talk a lot about those issues that we are talking about now. So, we are discussing it a lot which is very comforting (...) we are a team (...) I would never have wanted to do this alone” (John, IW1)*

For the team members that founding members John and Sam *cannot* build close relationships with (e.g. Mike) on account of a lack of trust and shared understanding (despite trying), these members are pushed away from the core into less influential roles through what paper 4 describes as mechanisms of ‘interdependence management’. Close relationships are needed at the core because they are what holds up the growing company. What would a larger organization be without its processes, protocols, and routines? This is what a founding team is without its relationships and relational investments, and a big reason why many founding teams fail (often spectacularly) - because they fail to develop close relationships within their core teams.

Close relationships and emotionally charged relational concepts are relevant because this is an emotionally charged context – love, intimacy, commitment, connection, and when it goes wrong, grief, despair, and divorce. However, close relationships require a big investment and can be difficult to cultivate. Team members might fail to do so because they a) are novices and don’t know the context requires it or what they’re getting themselves into, b) team members are simply too different to develop a strong base of trust and shared understanding, c) the context is simply too stressful and overwhelming, holding negative influence over relationship outcomes, or d) intimacy, self-disclosure and the ability to have difficult conversations are hard to develop, not only at ‘work’, but in our personal lives as well. Marriages, partnerships, friendships, and family relationships can be complicated. Business partnerships even more so with the added pressures that come along with building a company including courting investors, meeting bottom-lines, and speaking to the public, all which add further strain to multi-layered dynamics.

**Paper 5** introduces the family concept and family system theory in particular as a way to conceptualize and study the new venture team using a close relationship lens as, much like a family, the

new venture team acts as an emotional unit of close relationships where underlying, often invisible forces shape its functioning.

This leads to the third proposition of the thesis:

**Proposition three: The family is a useful conceptual framework and relational model for studying relational dynamics in founding teams**

It turns out that ‘family’ *is* pervasive in entrepreneurship (as argued by Aldrich & Cliff, 2003), *even when* the business isn’t started by family members. Typically, families and family ties are common themes in entrepreneurship research due to the prevalence of family relationships among team members in new ventures (Brannon et al., 2013; Ruef, 2010; Schjoedt et al., 2013). However, this proposition suggests using the family concept as a framework for understanding founding teams not because teams consist of family members, but because of the outsized role relationships play in these teams, particularly in the earliest phases of new venture creation. Family and close relationship models are relevant because of the context in which founding teams work. The family and the founding team are two emotional, human systems made up of close relationships that face an extraordinary amount of stress and uncertainty together as a unit. This stress, on account of a lack of structure and buffering mechanisms, often plays out in the dynamics of their interpersonal relationships (Bowen, 1978). What’s more, since families and founding teams lack formal organizing structures, they look to solid interpersonal relationships to counteract the uncertainty that they face in everyday life of building a life/venture together.

Embedded in a family perspective is both couple/partner dynamics and the larger unit of family dynamics. As **paper 5** points out, conceptualizing the team as family accounts for not just the founding partnership (romantic couple) that is at the core of many new venture teams, but for the unfolding tiers and generations of team members that eventually join over time as the venture grows and develops; e.g. the nuclear family (e.g. founders & first hires) and the extended family (e.g. supportive members/helpers, mentors, board members), and considers how emotional and relational dynamics unfold as this unit navigates the stress and uncertainty of life together. For example, as figure 7.1 in **paper 1** illustrates, entrepreneurs organize team membership into multiple tiers: core, operational, and supportive. Core members are those that entrepreneurs first identified as team members – those that are really ‘in’ it and committed (i.e. founders and first employees – the nuclear family), while operational and supportive members were eventually identified as board members, advisors, and interns – the extended family. This idea is further illustrated in **paper 4**, where Sam and John, the founding partnership at the core of their venture very much act as the core couple or partnership, with paralleling intimacy and interaction patterns, that work to manage the dynamics of their first hire and founding inventor.

So, what do we gain by bringing in a family perspective? **Paper 5** outlines how a specific theory within family science, Family System Theory (Bowen, 1978), can be used to address unresolved debates in new venture team research, but also initiate a new line of thinking about relational dynamics in new venture teams that leads to exciting and important new questions about these teams. For example, Table 1 of paper 5 directly compares how 4 of the concepts of Bowen's family system theory play out in new venture teams vs. families. For example, Concept 3, the Nuclear Family Emotional System, describes how external stress plays out within the interpersonal relationships of a family through three basic mechanisms: marital conflict, dysfunction in one spouse, and impairment of one or more children. Applying this lens to founding teams can help us understand how entrepreneurs diffuse the anxiety that no doubt arises on account of the context in which they work; do they shut down (emotionally distance) and avoid difficult conversations, often paralyzing their progress in the process? What is their culture around conflict? How do they fight or have their disagreements and what underlying currents exist, rather than the specifics of what they fight about (i.e. the traditional approach of task vs. relationships conflict)? This approach allows us to start thinking about a team's emotional process, and how these processes influence their ability to effectively develop their teams and ventures. One of the main premises of this theory is that families are constantly balancing competing tensions of connection and differentiation or togetherness and individuality, and that it is the balance of these two that contributes to functional family dynamics. This links to the ongoing debate in new venture team research related to team composition. Rather than focusing on whether teams should be similar *or* different in their compositional variables, family system theory would focus on how teams *manage the tension* of similarity and difference, and how they foster togetherness (which presumably leads to trust, cohesion and shared understanding) but also differentiation and individuality (which presumably leads to creativity and access to novel resources) over time. This relates to **paper 2** of this thesis, which suggests that team composition is not an 'either/or' question, but rather both/and, and a matter of when, how, and under what conditions.

As illustrated in figure 2 of **paper 5**, a family perspective is likely most relevant during the earliest stages of venture inception. As ventures develop and move from the more personal and informal to the more professional and formal, more traditional organizational team and upper echelons (UE) team theory become more complimentary. This does not necessarily make family and close relationship theory irrelevant as the venture develops, but its relevance is likely to change and diminish over time as the organization takes on more traditional and stable structures and patterns of day to day functioning.

Taken together, propositions 1-3 illustrate that the context of interaction for founding teams is a complex, interpersonally demanding one that requires a level of closeness that goes above and beyond what

we typically see ‘at work’. Closeness, however, is a dynamic, emergent state that requires interpersonal courage to attain, and maintain, leading to the fourth proposition of thesis:

**Proposition 4: The interaction context for founding teamwork calls for interpersonal courage, intimacy and a willingness to be vulnerable**

Just as it does for experience and emotion in general (e.g. Baron 2008; Cardon et al., 2012; Schindehutte et al., 2006), entrepreneurship turns up the dial on interpersonal experience in founding teamwork, making it a more complex ‘both/and’ interaction context rather than a more straightforward ‘either/or’ one. Founding teams grapple with the need for *both* intense conflict and harmony (Eisenhardt, 2013), similarity and difference (**paper 2**), solid trust despite the inevitability of distrust (**paper 4**), professionalism and closeness (**paper 5**), and trust and control (**paper 3**). These seemingly contradictory demands mean that teams need to shift from a more traditional focus on control, decisions and solutions, toward a more dynamic, ongoing process of interaction that aims to work through and cope with competing tensions (Handy, 1994; Lüscher & Lewis, 2008; Smith & Berg, 1987; Schad, Lewis, Raisch, & Smith, 2016). Research shows that these kinds of tensions are particularly salient in contexts such as entrepreneurship that are characterized by plurality (e.g. competing demands from stakeholders), change (e.g. conflict between current and future practices), and scarcity (e.g. limited resources) (Smith & Lewis, 2011), and that they can be perplexing, even paralyzing, as individuals and teams feel the tug-of-war from competing demands in their socio-emotional relationships (Fairhurst & Putnam, 2014; Smith & Berg, 1987). While Eisenhardt (2013) suggests that founding teams “*structure quickly and more extensively than might seem comfortable to entrepreneurs*” (p. 813) in order to get traction in accomplishing tasks and avoid being consumed by figuring out what to do, **paper 3** illustrates the importance of building trust and openness into organizational structures from the earliest phases of organizational design. Creating and maintaining organizational structures is likely hard, especially for novices who no doubt go through several rounds of iterations before structures stabilize. Thus, the importance of developing solid relationships while going through this process of establishing structures is crucial. **Paper 5** works to illustrate how we can learn something about founding teams from families, who are in a constant state of managing these kinds of tensions and their seemingly contradictory needs for connection and differentiation, conflict and harmony. Lastly, **paper 4** shows how team members can cope with the complexity of trust/distrust dynamics in their teams by turning the lens on themselves, asking not only ‘do I trust my team (us)’ but ‘do I trust myself to compensate’ for any untrusted dimensions? Thus, team members not only formulate perceptions of others, but of themselves *in relation to others*, and if they readily display a willingness to be influenced, to shape and be shaped, they can navigate the trust/distrust puzzle.



The interpersonal armor typically associated with professional contexts (i.e. ‘keeping things professional’ by not revealing too much, focusing on competence, establishing boundaries, and seeing vulnerability as weakness) is too heavy in the context of founding teamwork. Rather, this kind of armor only gets in the way of coordinating, communicating, and building the kind of bonds that teams need to survive. It takes interpersonal courage to venture into the unknown together, and there is no courage, or connection, without vulnerability (Brown, 2018). Interpersonal courage here is understood as the courage it takes to connect – the willingness to take interpersonal risks, to open up, be seen, and move into conflict and relationship expansion (Jordan, 1990). It takes courage to broach touchy subjects, to wade into difficult conversations, to show up despite not knowing what the outcome will be, and to allow others to witness our vulnerabilities. This kind of closeness is not cozy, but rather quite challenging, and means that we need to be willing to be wrong sometimes and change, be open to others’ influence and lean into growing and evolving together. Entrepreneurs don’t just venture into new and challenging markets or technological territories; they venture into unscripted, intimate, and unknown relational territory as well. **Paper 5** works to illustrate how bringing in family theory and close relational models has much to offer in terms of capturing these aspects of the interaction context of founding teamwork, particularly in the earliest stages of venture inception. As discussed in proposition 3, and illustrated in figure 2 of **paper 5**, the way team members interact is likely to change over time as structures emerge and professionalize, thus concepts such as intimacy or interpersonal courage are more likely to be relevant in earlier stages.

While the above propositions address the research question of how relational dynamics in founding teams are shaped by the uncertain, unstructured and highly emotional context of entrepreneurship, the author also came to realize that influence occurs in the opposite direction as well – that relational dynamics in founding teams influence the context of entrepreneurship. While scholars frame entrepreneurship as an emotional process (Baron, 2008) and an extreme emotional context (Cardon et al., 2012), what exactly makes entrepreneurship so emotional remains somewhat ambiguous (Caron et al., 2012). Scholars point to the close bond typified between venture and entrepreneur (e.g. see Cardon et al., 2005) or the extreme levels of uncertainty and personal risk involved in the process (Baron, 2008). However, this thesis shows that what is happening within the team, within the venture, is also what makes the act, the process of entrepreneurship so emotional; entrepreneurship is so emotional because it is so social, so *relational*. With interaction and interpersonal relationships, close relationships in particular, comes some of our most powerful emotional experiences (Simpson & Campbell, 2013). These interpersonal emotional experiences likely play an important role in the process of entrepreneurship and have the potential to not only shape the trajectory of teams but also influence team and venture outcomes. Thus, inherent in an understanding of entrepreneurship needs to be an understanding of relationships and relationality, further emphasizing the need to take relationships and relational theories more seriously in the study of founding teams.

## 6. Conclusions and Future Research

This thesis maintains that we are currently underestimating and understudying the role of relationships and relational work in founding teamwork. While scholars have largely relied on team theory from organization and upper echelons perspectives, this thesis suggests that in order to better understand emotional and relational dynamics in founding teams a close/family relationship lens be used, particularly in the earliest phases of entrepreneurship. Until we fully grasp the nature and dynamics of these unique relationships, which straddle the boundaries between personal and professional, the answer to why some teams are more effective than others will remain elusive.

The purpose of this thesis was to examine how relational dynamics in founding teams are shaped by the characteristically unstructured, uncertain, and highly emotional context of entrepreneurship. This purpose was addressed by introducing a theoretical model consisting of four main ideas built upon the 5 papers included in the thesis. This theoretical model suggests that in the context of founding teamwork, relationships serve the function of a stand-in for organizational structures which have yet to emerge. As organizational structures work to reduce uncertainty and ease interaction by fostering relational capital (i.e. trust, identity, and commitment), founding teams need to source these directly from their interpersonal relationships. As relationships play a structural role, they need to be of the strongest kind – close relationships - making marriage, partnership, and other family and close relational models relevant for the study of founding teams and their dynamics. These family models are relevant even when teams are started by individuals with limited prior knowledge of each other (i.e. not family members or trusted others), because it is the context that has the ability to both demand and forge these bonds. Founders thus don't just form teams with trusted others because it is convenient, or because positive relationships are good for collaboration, but because they need a scaffolding from which to build their organization. As the company matures and organizational structures emerge, this takes the pressure off relationships, making them important, but less critical and influential to the overall functioning of the organization. While the propositions have not been tested, this thesis argues that an inability to form and maintain these kinds of bonds and close relationships in founding teamwork is one of the reasons that many founding teams fail, or at least are less effective than those who do, as they struggle to provide a solid scaffolding for their organization. As the context of this work turns the dial up on interpersonal experience, these relational successes and failures are often spectacular and emotionally charged, making close relational concepts of love, jealousy, betrayal, and intimacy highly relevant, just as they would be when you talk of close relationships, love, and partnership. Lastly, the ability of founding team members to build and maintain close relationships and navigate the complex context of venture creation rests on developing an interaction culture that is founded in interpersonal courage, intimacy, and a willingness to 'go there' and be vulnerable.

Entrepreneurs thus not only forge uncharted territory in their products, services, and markets, but also in their relational dynamics. Becoming up close and personal, at work.

## 6.1 Future research

Future research for the author will work to develop the emerging theoretical model and propositions in the thesis. Below are some possible avenues for future research. **Paper 5** also outlines several possible ways forward and a list of future research questions.

### *How close relationship theories play out in this context*

While the thesis takes a step in the direction of bringing this perspective in to study founding teams, work needs to be done to understand how and to what benefit these theories can be applied in this context. What is closeness in this context? What are interpersonal courage and resilience in team member relationships? What are relationship maintenance strategies in founding teams and how do these strategies change and unfold over time? How can teams thrive through their relationships? When are relationships and relational work a source of energy in a team vs. a burden to carry? Exploring whether and how team members engage in relationship expansion, lean into conflict, and see vulnerability as a threat or an opportunity for connection are also all interesting areas for future study.

### *How the quality of relationships influences team and venture outcomes*

If closeness is in fact required in and forged by the context of founding teamwork, what kind of closeness plays out in these teams, and what influence do these different kinds of closeness have on team and venture outcomes? For example, closeness can be conceptualized as having behavioral and emotional dimensions (Finkel et al., 2017); are there implications of teams developing one or the other, or both? If so, how do these mechanisms play out? Various intimacy models from close relationships science can also be used to study what intimacy looks like in this ‘extreme’ work context, and what role it plays in venture creation.

Another way to look at the quality of relationships would be to study the relationship capital (Blatt, 2009) or relational embeddedness (Bird & Zellweger, 2018) in a team, both conceptualized as trust, identity, and mutual obligation. Bird & Zellweger (2018) found that spousal founding pairs were more successful in growing their ventures as they were higher in relational embeddedness than sibling founding pairs. Likewise, Brannon et al., (2013) found that spousal pairs reached their first sale faster than sibling pairs because they could more easily take on the identity of entrepreneurial partners. It seems then, that not all close relationship models or forms are equal in founding teamwork; do these findings translate to non-family teams? Do founders that describe their relationship as sibling like or close friend like differ in their

performance to those who have a more committed partner/spousal dynamic? If so, why and how? Are founding teams that have a spousal dynamic richer in relational capital/embeddedness?

Along a similar line, it would be fruitful to know how teams spiral into intense relational and emotional dynamics such as unconditional love, commitment, divorce, or relational apathy. Are there markers along the way, and do family models of emotional processing such as Bowen's Family System Theory fit the context of founding teamwork? If so, how does stress play out in the emotional process of a team (i.e. founder conflict, emotional distancing, family emotional process etc.)

#### *The transition from personal to professional*

Part of the reasoning in the theoretical model of this thesis posits that as organizational structures emerge, relationships will become less critical to, and have less influence over the functioning of the organization. If this is the case, when and how does this transition occur? How do the relational models discussed above (the kind of closeness, the kind of intimacy, the level of relational embeddedness, the 'nature' of founding relationships) imprint on an organization's culture and interaction norms? How do entrepreneurs develop interpersonal courage and intimacy at work, and then transition into more professional interaction routines and culture? Does the core stay personal and close while becoming more professional in the expanding tiers or generations of 'joiners'? In **paper 4** of this thesis, Sam reflected on whether he and John could forge the same kind of bond with first employees as they had developed in their own relationship. Do they need to? Can they? Or is their bond the very result of the conditions they faced together in their partnership?

#### *Contextual considerations*

The theoretical model and propositions put forth in this thesis apply specifically to founding teams (i.e. not necessarily TMTs in scaling companies or TMTs in established SMEs, even those these would also be considered 'new venture teams'). This limitation is considered a strength as Knight et al., (2020) points out that we need to be more specific about the kinds of conditions our findings apply to. As this phase of a venture (earliest, often prior to team formation, often prior to incorporation) is very hard to access, this is considered a strength of this thesis, since it has access to these kinds of teams and has been able to study their dynamics. However, as conditions vary, such as the amount of ownership, autonomy, entitativity, or market/industry factors such as dynamism or volatility, how do these findings play out? TMTs in scaling companies or established small firms likely do not need the same kind of close relationships as initial founding teams as they already have some organizational structures in place to manage uncertainty and ease collaboration. Along a similar line, the entrepreneurs in this thesis are largely novices, trying entrepreneurship for the first time. This adds a dimension of novelty and uncertainty that more experienced

entrepreneurs would not be grappling with. As such, do novices need stronger relationships in the beginning because they aren't as apt or experienced at coping with uncertainty and 'structuring up fast' as Eisenhardt (2013) suggests?

## 6.2 Conclusion

Founders do not have your typical 'work' relationships – not only because many of them are family members, but because the uncertain, unstructured, emotional context in which they work is one in which makes family and close relationship models relevant, even when companies are started by strangers. As founders lack scripts and guidelines for behavior, there is no path to follow. Rather, the path must be forged as they walk, *together*, with their relationships providing the necessary support until more formal organizational structures can be established. This thesis advances founding team research by contributing to the emerging paradigm of what founding teams are and shines light on the function and nature of their relationships and relational dynamics. By doing so, this thesis addresses the growing need for understanding how team member relationships influence an emerging venture over time and why some teams fail while others stay the course.

## 7. References

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