



LUND UNIVERSITY

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# The Effect of High-Velocity Environments on the Team Dynamics in New Ventures

The Role of Strong & Weak Ties, Conflicts and Decision-Making  
Procedures while Coping with Challenges

By

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# Abstract

In today's society people are influenced by technological developments. Technology changed the consumer's behavior, but also the way companies evolved over time. Nowadays, technology is accessible for everyone, which leads to fast changing environments with a lot of competition. There are limited studies that focus on teams of new ventures in comparison to the lone entrepreneur. However, there are only a few studies that explain how the new ventures of today, and especially their founding team, are affected by the rapid changes in their high-velocity environment. The aim of this research is to provide new insights into team dynamics theory from an angle of high-velocity environments. This master thesis answers the following research question: "*What challenges do the founders of New Venture Teams face in high-velocity environments and how do they cope with these challenges?*"

In order to answer this research question, the authors used a qualitative research approach. Three new ventures are studied within this paper, that are operating in a high-velocity environment. Several different themes were codified both theoretically and empirically derived. The data and findings are discussed together with previous theories of high-velocity environments and team dynamics. The findings show that the social relationship among the team members from before starting the venture has a big impact on how they overcome their challenges. Secondly, open communication and honesty are key to create a shared mindset with the co-founder, which is crucial in a time where teams often work from a distance.

**Keywords:** *high-velocity environments, team dynamics, founding teams, new ventures, entrepreneurship, strong and weak ties, decision-making process, conflicts*

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# 1. Introduction

Technology evolves faster and faster, changing the conditions of the industries rapidly, making all businesses work hard to follow. Firms have to adapt and adjust continuously, in order to be on the same page with their ever-changing environment (Duane Ireland & Webb, 2007). Teams need to adapt to their constantly changing environment, in order to succeed as a company. The success of a new venture is often a reflection of its team's abilities (Ensley et al. 2003).

There are many studies that are focusing on entrepreneurial teams and their consistency, performance, cohesiveness and conflicts. There has been very little exploration into the exact relationships of team members, or the order of occasions that lead to team building (Schjoedt & Kraus, 2009). The majority of the studies focus on the individual's characteristics of an entrepreneur (the lone entrepreneur) and not on the team as a whole. Kamm et al. (1990) identified this gap in the knowledge and studies of entrepreneurial teams. Entrepreneurial teams can be defined as "*two or more individuals who jointly establish a business in which they have equity (financial interest)*" (Kamm et al. 1990, p.7).

Considering that the majority of startups are founded by teams and not individuals, it is surprising that previous researchers didn't show interest in this topic (Beckman, 2006). More current research supports the identified gap mentioned by Kamm et al. in 1990. After 16 years, Foo et al. (2006) argue that entrepreneurial teams are an area quite neglected in terms of research. The more up-to-date research has focused on heterogeneity and on team characteristics, or other surface-level attributes (Boeker, 1999). Chandler et al. (2005) and Schjoedt & Kraus (2009) observed that there is still a need for additional research on entrepreneurial teams and the way entrepreneurial teams respond and alter to the outward and inward environment.

Inspired by this call for need, we realized how interested we are to discover the effects of the outward environment of new ventures, and the effect it has on the inward environment, with a focus on the founders of the team. Specifically, the case of the high-velocity environment triggered our mind. Does the rhythm of the environment affect the team

members? How so? How does the environment alter the relationship of the founders? Considering that a high-velocity environment can have a significant effect on the individual's psychology, we got motivated to identify whether it affects the founding team as well (Eisenhardt, 1989).

Within this study, we focus on the founders of a new venture. The authors assume that the founders are the ones who need to make fast decisions, which have an effect on their strategy or the way they will adapt to the environment.

## **1.1 High-velocity environments as a context**

There is a broad definition of what can be considered as a high-velocity environment. Within this study, we define high-velocity environments as “environments where changes in demand, competition, and technologies are so rapid and discontinuous that information is often inaccurate, unavailable, or obsolete” (Eisenhardt, 1989, p. 544). The ones that adapt and keep up with the rate of the environment are usually successful or at least competitive in their market, in comparison to the ones that don't (McCarthy et al. 2010).

Based on the previous discussions, we reflected on the identified gap, as well as the lack of research on entrepreneurial teams and our interest in high-velocity environments.

Therefore, we formulated the following research question: “*What challenges do founders of New Venture Teams face in high-velocity environments and how do they cope with these challenges*”.

## **1.2 Aim and objectives of this research paper**

The aim of this research is to get to know better how founding teams respond to challenges that come from the external environment. We assume that the environment affects the founders of the team since they need to make decisions at a faster pace. The ventures need to change rapidly to survive in their environment (Gordon et al. 2000). Thereby, we want to analyze if and what the effect is on the team dynamics among the founders.

This paper shows new insights about how the founders of new venture teams react to the high-velocity environment that they are operating in. There is currently no clear overview available on how founding teams and their dynamics are affected by this factor.



The novelty of this study is that it aims to cover an angle of entrepreneurial dynamics which is unrepresented by the available literature: the *team's* perspective, especially in relation to the high-velocity environment. As mentioned before, the majority of studies have focused mainly on lone entrepreneurs, thus we desire to research the area of entrepreneurial teams. We will try to analyze the findings with the sole purpose of getting a deeper understanding, expanding the knowledge on this specific topic in regards to the high-velocity environment.

### **1.3 Outline of the thesis**

Following the introduction, we will present the theoretical framework with key theories on sub-topics that are relevant for this research. After the theoretical framework, the methodology of this research is introduced. It contains our research approach, design, sampling selection, criteria and the methods we have used to get the most useful information out of the collected data. Finally, we show the limitations of this research. The last chapters contain the collected data and results. Out of this data, the findings are summarized, and an analysis is formed and discussed with literature. Conclusions and suggestions for future research are shown in regards to answering the research question.

## **2. Theoretical Framework**

This chapter contains an overview of relevant academic literature. The selected literature is on the topics of high-velocity environments, decision-making processes, new venture teams and the internal dynamics, as well as an examination of the main factors that influence a team: the social relationship within them and their conflicts. We evaluate how team outcomes can be linked to external factors of the industry that they operate in. Finally, a conclusion has been drawn with our key findings, which lead to the purpose of our research.

### **2.1 High-velocity environments**

A wide number of industries can be considered as operating in high-velocity environments. Our interest lies in the internal processes that companies undergo as an outcome of their external environment.

#### **2.1.1 Competitors**

The reason behind the speed of these environments is the number of players that constitute it. Companies in all industries have several competitors to compete with in many areas, like product, price, promotion, place and people (Burns, 2014). They need to keep their game up, in order to face the challenges from the industry. Especially firms with powerful competitors, have to astonish their customers. Many opportunities arise for them every day, but they have to evaluate how fruitful and profitable they will be, or even if they are worth the energy and finance to realize. Besides, until the time some opportunities are evaluated for their worth, they may have already been out of reach or have expired (Bhide, 1994).

#### **2.1.2 Technology**

The development of technology has changed our today's society. Consumer behavior changed dramatically, nowadays customers order more and more products online (Farber, 2016). Besides that, we see a high variety of suppliers to choose from, which leads to an information overload. We argue that companies evolved and innovated in every aspect of their activity because of this changing environment.

Technological changes and competitive markets can have an effect on new ventures. For example, looking at the fashion industry, it's a high competitive market that is changing all the time. In order to survive, a company needs to respond rapidly to new techniques that can be valuable for the industry. Only in this way they can create a competitive edge in the market. Companies are looking all the time for new strategies in order to beat the competition (Bhardwaj & Fairhurst, 2009).

These high-velocity markets are typically characterized by high growth and high investments requirements (Slater, 1993). Furthermore, this powerful, ongoing change in the markets is now considered normal for the companies. It's the result of a mass of circumstances, together with international competition and rapidly changing industrial proficiencies, where change is an omnipresent and increasingly tough task that firms currently have to cope with (Duane Ireland & Webb, 2007).

## **2.2 Decision-making procedures in high-velocity environments**

According to Eisenhardt (1989), technical change and competition lead to rapid decision-making, which leads to pressure. The speed of the decision-making has an effect on the performance of a new venture and the strategy behind the decision-making process. When teams need to make a fast decision, they use more information than slow decision makers (Eisenhardt, 1989). On the other hand, Goll & Rasheed (1997) discuss that in a dynamic environment, information is not available, and future cannot be predicted, but comprehensive operations are quite stiff. Therefore, a slow but deeply informative decision-making process is not appropriate for this environment (Goll & Rasheed, 1997). Baum & Wally (2003) argue that rapid decision-making is more critical in powerful markets since there are a variety of options and secondly, by trying and failing firms can get access to more practical information.

When decisions have to be made rapidly, deep research on matters is time-consuming and offers limited value. Therefore, the individuals responsible for the decisions frequently use their intuition from previous experience, since limited fruitful information is accessible (Baum & Wally, 2003). We consider intuition as the ability to get immediate knowledge or perceptions without the obvious invasion of rational thinking (Sadler-Smith & Shefy, 2004). Baum & Wally (2003) promote the notion of using intuition for decisions, without

jeopardizing or neglecting research in that process, which can lead to unfeasible ideas or strategies. Intuitive feelings are unavoidable, but that doesn't imply the same for useful learning from them (Sadler-Smith & Shefy, 2004). Baum & Wally (2003) suggest to experiment and oversee the results of an intuitive decision for the venture and to abort it if it seems disappointing. We suspect that there should be a balance between instinct and rationality, in order for a decision to be successful, a notion supported also by Sadler-Smith & Shefy (2004). As they discuss, "intuition and rationality are two parallel systems of knowing" (p. 88), which means that they are two-folded processes. Therefore, they argue that they are complementary as processes since an individual should have the ability to use each process depending on the demand of each situation.

## **2.3 New Venture Teams**

New Venture is broadly defined as a firm that is in its initial steps of development and progress (Gartner, 1985). New Ventures are usually on the stage of bringing their product or service on the market, analyzing their customer needs and competitors' capabilities while setting some initial organizational structures and positions (Klotz et al. 2014).

A team is defined as a social synergy between two or more entities, that share the same goals, work together to execute organizational related assignments, have separate roles and responsibilities, and together they operate in the same task environment, and in the same managerial system (Kozlowski & Ilgen, 2006). New Venture Teams are referred to a variety of different teams, like "founding teams, entrepreneurial teams or startup teams" (Klotz et al. 2014, p. 214).

We argue that an environment that goes through technological changes and is high competitive, asks for a fast decision-making process within the team. We assume that this can lead to pressure, stress or anxiety for some individuals, which will have an effect on the team as a whole. Teams today are more diverse, dispersed, digital and dynamic than teams of the past (Haas & Mortensen, 2016). They face new obstacles and need to keep the cohesiveness of the team intact in order to work together successfully. Modern teams are sensitive to the problem "us against them" within the team. Nevertheless the development, teams will always have three basic characteristics: a gripping path, a robust structure, and a

supportive setting (Haas & Mortensen, 2016). Haas & Mortensen (2016) mention that this lead to a novel, grave condition of team dynamics: a shared mindset.

Teams often face difficulties, due to lack of communication, to the complexity of the environment and other factors (Bryman & Bell, 2011). However, their path is easier if the members share the same passion and interest, and have the same mentality over their business views, desires and expectations. A number of factors can offset a team's performance, such as a background variety, age, and gender, knowledge diversity, etc. However, if a team shares the same perspectives and interests, it's more likely to overcome their differences and work better as a team (Haas & Mortensen, 2016).

In this study, our focus is on the team that leads, and has an organizational, strategic role, is responsible for the decision-making and the operations, and has a financial stake in the venture; the founding team.

## **2.4 Team Dynamics**

Team dynamics are an important factor for the success of a new venture. As a business grows it will face challenges and problems (Burns, 2014). People have different personalities and everyone is coping with challenges in a different way. When it comes to team dynamics, we usually mean the behavioral affairs between members of a cluster that are assigned associated responsibilities within a corporation. Team members work together to create strategic plans and strive on group satisfaction, aiming for a high performance of the firm (Ensley et al. 2002). Consequently, dynamics are influenced by the roles and tasks of the team and have a straight effect on efficiency and productivity (Wageman, 1995). Since this study focuses on founding teams, team dynamics will be discussed under that lens.

The management of a firm is a collective work of the founding team. The procedures and patterns they follow influence the productivity and performance of the members, and hence the firm's development, although there is limited research done in this area (Klotz et al. 2014). The way the founders interact and behave has an immediate effect on the members of the venture. Studies have shown that conflict has an effect on the members of the team. Given that, affective conflict is associated with negative impact on the team

performance and cohesion (Jehn et al. 1997). Thus, we can assume that the dynamics of the founding team have a big influence on the firm outcome and the cohesion of the team. According to literature, the more effective and structured the dynamics are, the better they affect the growth and the progress of the firm. By the term “effective” we mean that the activities of the team are for their benefit and that all team members communicate and work well with each other, leading to high team performance. A number of studies support our belief, considering that firm outcome is an indication of the characteristics and activities of the top members that are on the top of the organization (Finkelstein & Hambrick, 1997; Hambrick & Mason, 1984).

Personal motives also have an effect on the dynamics. The way each founder perceives the venture and the personal goals he/she has, can change the dynamics of the group. For instance, one may desire a different kind of funding or a different exit route. Diakanastasi & Karagiannaki (2016) discuss how these differences in motives affect the team dynamics, often leading to conflict incidents. Baum et al. (2001) support this view as well, claiming that motivation has a particular outcome in firms’ performance. Differences in skills and background can have an effect on the dynamics, too. Often, founders believe that by the moment they launch, the venture will begin to grow positively due to the people that constitute it. However, they usually forget that it takes time and effort to identify the necessary skills and activities that need to occur, in order for the team to work well together. Dividing the roles in the team is also crucial, in order for the team to function well (Leary & DeVaughn, 2009).

The development of a personal relationship between the team members is an important factor to possess a good work relationship that is effective. This applies for both co-located team members as well as virtual teams (Pauleen & Yoong, 2001).

#### **2.4.1 Social relationships within founding teams**

According to Ensley et al. (2002), teams that remain to work together, get closer to each other and gain more knowledge in each other personalities, skills, and capabilities. They undergo a significant feeling of belonging; manage conflict in a more efficient way than teams with a lower feeling of belonging.

## **Homophily**

Most of the time people that team up to start a business have a lot of similarities. For example, they are in the same age range, nationality, gender, characteristics and so on. This phenomenon of selection in team members based on similarities is called 'homophily' (Ruef et al. 2003). Looking at gender homophily, it is more common that founding teams contain all-male or all-female members than mixed gender teams. Only life partners, also called spouse pairs, have greater gender diversity. Team members with several similarities feel a greater level connection with each other. This can be an interpersonal attraction, trust, and better understanding (Ruef et al. 2003). In contrast to the similarities, some theories state the importance of diversity among team members. Haas & Mortensen (2016) discuss that high-performing teams consist of individuals with different type of skills. Also, diversity in age, gender, and race would lead to more creativity within the team and new perspectives. However, diversity among team members doesn't mean they get along and are able to work together successfully. The authors argue that the ideal situation of diversity and a good relationship is difficult to achieve.

## **Strong & Weak ties**

People naturally tend to be bound by feelings and social relationships. How strong the relationship is between the founders can be defined to a strong or weak tie and strangers (Ruef et al. 2003). In 1973, Granovetter was the first one that brought up the interest into the topic of strong versus weak ties. He states that the strength of a tie is affected by the amount of time the individuals see and meet, the emotional intensity that comes with that, the intimacy, and the mutual benefit that characterizes the tie (Granovetter, 1973). According to Ruef et al. (2003) family members and friends are considered as a strong tie, and acquaintances are weak ties. Family members have a shared identity that goes further than homophily. This makes it for family members easier to discuss many opportunities and possibilities of starting a new business. Aldrich et al. (1997, p. 12) define strong ties as "relationships that are usually of long duration and are based on the principle of implicit reciprocity". The individuals invest both a lot in the relationship and are in contact frequently. Key characteristics of a strong tie are trust and emotional closeness. Weak ties are relationships of a shorter duration and a less frequency of contact. There are more uncertainties and stress among weak ties (Granovetter, 1973). Aldrich et al. (1997) conclude that strong ties are important for the success of a venture.

According to Francis & Sandberg (2000), a strong friendship bond can hold teams together during difficult times. The term friendship can be defined as “strong, frequent, and diverse interdependence that lasts over a considerable period of time” (Kelley et al. 1983, p. 38). In a professional workplace, a social relation among workers is needed. Frequently the bonding among team members develops over time, because of shared interests and shared personal and business goals. “Friendships develop more readily among peers than across hierarchical lines” (Francis & Sandberg, 2000, p. 9). When workers are hierarchically on the same level, it is more likely that friendships will develop more easily than workers that are not hierarchically on the same level. This is a reason why this study focusses on the founders only. According to Francis & Sandberg (2000) relationships among new venture teams are still an underexplored subject within entrepreneurial research.

### **Geographic proximity**

There are many technological possibilities nowadays that make it possible for teams to work from a different place together. “Electronic communication channels are used by organizations to cope in the current dynamic environment of diverse business pressures that are caused by ever-changing technologies and the globalization of business” (Pauleen & Yoong, 2001, p. 191). These communication possibilities reduce the stress of travel costs, but the team's selection of the different channels available needs a considered approach. Geographically distributed teams are also called ‘virtual teams’. To be successful as a virtual team, communication is the key and will tell how good the individuals are in building and maintaining their relationship (Pauleen & Yoong, 2001).

Virtual teams have clear independent tasks and share common goals and interests (Matlay & Westhead, 2005). According to Haas & Mortensen (2016), teams sometimes consider themselves not anymore as a cohesive group but several subgroups. A shared mindset will prevent a team member that works from a distance from feeling ‘left out’. Teams that work from a distance and use a lot of digital communication are called 4D teams (Haas & Mortensen, 2016).

### **2.4.2 Conflicts within founding teams**

We suspect that founding teams are the basis of the ventures, and have struggled to establish their position in the market and stay competitive in it. Burns (2014) discusses



how challenging it can be for a team of more than one founder to manage effectively the team. Consequently, there is a breeding ground for conflict between the team members and cannot be avoided between them. Ensley et al. (2002) argue that “central to the effort to meld talent and ability is the use of conflict” (p.366), giving a more bright side to it.

### **Cognitive and Affective Conflict**

Conflict is a normal part of the team’s nature. However, in order for teams to be effective, teams have to find a way to manage it and transform it in a way so it produces the best and not the worst of the members’ involvement (Amason et al. 1995). Conflict can happen in two states: the cognitive and the affective (Jehn, 1997). Cognitive conflict happens when individuals fixate on essential differences of viewpoints and try to promote team performance (Amason et al. 1995). We argue that cognitive conflict arises as team members observe, associate, and settle their diverse opinions, and by encouraging innovative thinking, team members can have honest communication that can lead to original results for the future of the venture.

On the other hand, affective conflict is when personal and affiliation issues between the members are defined by friction, annoyance and personal clashes in the team (Jehn, 1997). When affective conflict occurs, the quality of the outcome declines, as well as the engagement of the members, since they no longer desire to be associated with the group’s activities (Amason et al. 1995). It is easy to assume that it’s more useful to teams to create and sustain an internal environment that promotes cognitive conflict and condemns affective conflict. When a decision needs to be made fast, there is no room for conflicts; conflict resolution is crucial because a conflict can limit the speed of a decision.

## **2.5 Conclusion**

Entrepreneurship is presently experiencing a vital transformation that mirrors the fast and fundamental changes that are upsetting the global marketplace. Uncertainty is a common characteristic that occurs in new venture creation, and yet, teams have to make decisions either way. Within this study, we will analyze more if the social relationship within the founders is affected by the changes and uncertainty of high-velocity environments.

We consider that the relations between the founders are affected by their environment. When outward issues such as task setting or the phase of growth are changing in fast rhythms, it adds extra pressure on the team to alter their procedures, to meet those demands. Hence, the dynamics of their relationship are prone to be influenced by the uncertainty and the demands of the external environment. The environment that we are focusing on within this study requires hard working teams; ones that pay attention to the changes and reinvent their structures and agendas in order to not be left behind. It is essential for these teams to pursue constant research on their market and the customers, in order to keep up with the needs that arise and adapt successfully.

The relationship among the team members plays an important role in the success of a new venture. There is more uncertainty among team members that are bound through weak ties. Since there is a lot of uncertainty in a high-velocity environment, we argue that a strong tie would be preferable in order to overcome those challenges. However, a team's relationship can develop over time, especially among members that are hierarchically on the same level. Co-founders have a good opportunity to develop a stronger relationship which can be beneficial when operating in the high-velocity environment. The technological developments in a high-velocity environment go hand-in-hand with the evolution of virtual teams. Teams that are geographically distributed show a result from the digital possibilities nowadays. Therefore, building a strong relationship from a distance asks for more effort from the team members, but is crucial in order to survive as a company within a stressful environment.

In today's high-velocity environments it's essential for ventures to resolve their differences on their matters in a positive and effective way. Distance and diversity, change in communication and the environment tend to create conflicts within the team members; having a common mental process is the solution to this problem. In addition, a rational conflict appears to rally strategic decision-making since it enables the discussion of information among the team associates. Therefore, we argue that there is not much room for affective conflict within teams that are operating in high-velocity environments, since this can affect the decision-making process, leading to slow or no progress. Thus, we consider essential the value of conflict, as long as it's cognitive, leading to effective and progressive outcomes, a notion also supported by Eisenhardt (1989).

## 3. Methodology

This chapter is aimed to present the selected research method of this study. Firstly, we will elaborate on the chosen method approach, and move to the design of the research. We will continue with the sampling procedure and the selected topics, an overview of the chosen companies and the reasons for selecting them. We finish the chapter with the data selection and which coding method we used to analyze the data. Finally, the chapter states a briefing of the limitations of our study.

### 3.1 Research approach

In order to answer the research question - *“What challenges do the founders of New Venture Teams face in high-velocity environments and how do they cope with these challenges?”* - we used a qualitative interviewing method as the form of our research. Qualitative research focuses on words instead of numbers, which is the case with a quantitative research method (Bryman & Bell, 2011).

We chose qualitative interviews because of the ability to show the views and perspectives from the interviewees (Yin, 2011). We wanted to understand and analyze conversations, interactions and incidents that have been taken place. For this method, it is crucial to audio record the interviews, because our interest goes beyond the specific words in a conversation (Yin, 2011). This explains also our choice to interview all members involved in the team. An interview approach offers the opportunity to get a deeper insight than the variable-based interactions of quantitative research (Silverman, 2006). We interviewed the founders of the company, in order to get a good examination of how the new ventures developed over time while facing the challenges from the high-velocity environment. Qualitative interviewing is one of the most used techniques since it combines the perks of pre-structured interviews and open-ended questions and conversation channels (Bryman & Bell, 2011).

Furthermore, we strongly believe that a qualitative method assists the purpose of our research: *“Qualitative research covers contextual conditions - the social, institutional and environmental conditions within which people’s lives take place”* (Yin, 2011, p. 8). According to Yin (2011), these contextual conditions may strongly influence human

beings and their events. Meaning that this is a useful method to discover how the high-velocity environment context is affecting the team.

### **3.2 Research design**

By adopting this method as our approach, this academic work aimed to explore more angles and to improve our current knowledge on teams in challenging environments. Furthermore, its intention is to open the dialogue for further research on the topic, ideally by investigating more companies that operate in high-velocity environments.

In order to achieve this knowledge, we set up this research on a comparative study of three founding teams and collected information on certain topics on team dynamics. A comparative study includes two or more cases with contrasting situations and focuses on finding the comparison between them (Bryman & Bell, 2011). The data was gathered from March to early May 2017. We believe that this procedure assisted our study in the best way possible since we were able to investigate, explore and reflect on behaviors associated with the founding teams, in relevance to incidents that were affecting them due to external factors, separately from a time variable (Bryman & Bell, 2011).

To answer the research question, it was important to find interviewees who were able to reflect on their own situations. During the pilot study, we discovered that for some individuals it is difficult to reflect and talk openly about incidents that affected the team. Thus, we tried to find teams that were open about to their own experiences. In order to gain their trust, we secured that their information would not be transmitted to the other team member. This affected the way we formulated our interview questions and our approach, in terms of not revealing to the interviewees that we were aware of certain incidents or opinions that were previously discussed with the other member of the team. Bryman & Bell (2011) discuss the importance of communicating ethic codes to the participants.

We tried to do as many as possible interviews in physical form. After we realized the sensitive aspect of the interview as a process, we tried to make them feel as comfortable as possible. This is due to the fact that we wanted them to feel secure, in order for them to freely and openly express their opinion and private thoughts. Consequently, we invited them for informal meetings, offering them a cup of coffee/tea to help them relax and feel

safe. However, some founders were not working from the same location, which means that we needed to do some interviews via Skype. We were aware of this situation from the beginning since it's a result of the technological possibilities that occur within working teams nowadays; working together from a distance (Pauleen & Yoong, 2001).

Furthermore, in order to avoid any negative associations with the companies, the founders, and their team members, we secured their anonymity by changing the company name and all the mentioned people's names by fictional ones (Bryman & Bell, 2011). We argue that in that way we can present unbiased findings and our results will cause no harm to the interviewees and their companies. We used creative names for the companies and made up the names for the people through our imagination. We consider that it is beneficial for both parties, the authors, and the interviewees if we don't reveal the real names. Mutual benefits for the participants and the researcher will encourage the participants to actively collaborate with the research (Bryman & Bell, 2011).

### **3.3 Sampling and subjects**

For the purpose of this paper, we decided to conduct semi-structured interviews with the selected teams (Bryman & Bell, 2011). We identified through our personal and academic network a number of companies that are operating in the desirable for our research environment. We contacted them through email, Facebook and/or through phone, and set dates to conduct the interviews. The companies we approached were specifically selected in terms of operating in high-velocity environments. Our aim was to have at least three solid case examples of entrepreneurial founding teams, because of our desire to have a deep focus and the need of understanding all the details of what happened, taking into consideration the perspective of all team founders (Bryman & Bell, 2011). We formulated several selection criteria for the companies we approached:

- Founded within the past five years
- A minimum of two founders
- Operating in an industry where the environment changes rapidly and can be considered as a high-velocity environment

To discover if the teams fulfilled the criteria we set, we needed to interview at least one of the founders, in order to see if their company was a good candidate for our research. This led to situations where we had to interview a person more than one time, after deciding if this information was useful or not.

The companies we approached are Stark, Paperplane, and Happy Color. We had the first round of interviews with Sam de Groot and Martijn Janssen, the founders of Paperplane on Tuesday, March 21st. We had the first round of interviews with Stark on Wednesday, March 20th (Andy Matthews) and Monday, April 3rd (Fred Williams). We interviewed the founders of Happy Color (Elin Bengtsson and Filippa Andersson) on Thursday, April 20th. All founders agreed to be recorded during the interview, so the authors could further analyze and reflect on the given answers. After the first round of interviews, we felt that there were some interesting incidents with Paperplane and Stark that we wanted to know more information about. Therefore, we decided to ask the founders for the second round of interviews. We've had a second interview with Fred Williams from Stark on April 24th. Unfortunately Andy Matthews was not available for a second interview, but we feel that we gathered a lot of information out of the interview with Fred Williams. On May 2nd we've had a second interview with both the founders of Paperplane on the same day.

<b>Company</b>	<b>Number of founders</b>	<b>Years of operating</b>	<b>Industry</b>
Paperplane	2	~1 year	Online/Tech
Stark	2	3	Sports Apparel
Happy Color	2	~1 year	Healthcare

*Table 1: Interviewed companies*

### **3.3.1. Paperplane**

Paperplane designs online software for the Hotel Industry in order to increase direct bookings. More than a year ago they acknowledge that many customers use travel agents or websites like Booking.com to make a hotel booking. However, they discovered that most of the people first visit the hotel website before making the booking. This showed opportunities for more direct bookings. Right now they are providing an online chat tool

programmed into hotel websites. The aim is to assist and answer any questions of the online customers. Recently, they changed their strategy to expand in other industries. We selected Paperplane because they are operating in a high-velocity environment with competitors popping up every day. They are in the middle of the technological changes and new innovative tools, which made them an interesting case for our research.

### **3.3.2. Stark**

Stark offers high-quality aesthetic gym, fitness & bodybuilding clothing, branded in-house and delivered straight to the end customer. They endured to this process out of necessity, while they were trying to launch their own fitness brand. They offer the customers premium quality at an affordable price, extracting the hustle of the uncertainty of the product if the customer ordered straight from an Asian supplier without having knowledge on the designs and the fitting of the garment. We selected Stark because the founders have known each other since they were a child, which makes them a team with a strong tie. The industry that they are operating in contains a lot of competition, but because of previous challenges from competitors, they niched their company into a specific approach. Also, we were curious to see how they respond to the shift from physical selling to online selling.

### **3.3.3 Happy Color**

Happy Color was founded in 2016 by Elin Bengtsson and Filippa Andersson. Their vision is to make innovative healthcare products that bring joy, efficiency, and comfort by using color and design. They believe that the healthcare environment is way too dull and complicated and therefore they aim to offer simple and colorful solutions to the small problems with big impact. Happy Color is an interesting case for our research since they are a team of female entrepreneurs, which makes it interesting to see if males and females react differently. Also, they are operating in a high-velocity environment with many big players within their market, making it a challenge for small new players to enter this market.

## **3.4 Data collection**

After implementing an in-depth review of the previous academic literature on team dynamics and on high-velocity environments and their characteristics, we collected data and topics that would assist us in investigating the occurring situation in founding teams.

We used as a research tool a formulated interview guide (*See Appendix A for the interview guide*). We interviewed the founding teams and after collecting the data, we analyzed them and reflected on them. After that, we interviewed a few people again; the ones that we felt that were useful and critical for our research topic (*See Appendix B for the interview guide of the second round*). Lastly, we analyzed the final data and present our findings, conclusions, and implications for future research in the last chapter of this study.

We analyzed the results along the way, to decide if the findings were useful for our research. We adjusted the questions for the second round to the results after reflecting on them, in order to re-interview the people with our latest and updated questions. We transcribed every interview carefully since we cannot rely on notes and are not able to remember all the details of a conversation (Silverman, 2006). Much information on a deep level was provided by the interviewees, which meant we had to carefully look at every word they said and interactions we observed. Studying the recorded tapes makes it possible to focus on the details that were provided by the interviewees (Silverman, 2006).

For our interview guide, we followed a structure of several topics. In this way, all our interests would be covered. The main subjects of our interview guide contain:

- General questions about the development of the company, background of the team member etc.
- Relationship with co-founder(s)
- Observations concerning their external environment and pains they experienced
- Decision-making processes
- Conflicts

Inspired by the Gioia method (2013), we divided our data in several orders of themes. We divided them in the angle of more aggregated data towards more specific and narrow data, using the Gioia method in a loose way. We first started with matching the data to the theoretically derived themes mentioned above. After this, we selected second level codes that were empirically derived through the interviews, which were useful to make a structured analysis of the findings. The second higher conceptual level helped us to sort the data and organize it (Yin, 2003). When we felt that we've been missing information about some critical concepts, we made sure we could gather more information during the



second round of interviews in order to capture the missing information among the themes. Within the transcriptions we filtered the data by dividing them into thematic and perceptual categories, giving to the data different colors as a coding method (Yin, 2003).

<b>Theoretically derived</b>	<b>Empirically derived</b>
Challenges from the environment	<ul style="list-style-type: none"> <li>- The Unicorn of the Market</li> <li>- Technological Communication Channels</li> <li>- The Digital Nomad Lifestyle</li> </ul>
Decision-making process	<ul style="list-style-type: none"> <li>- The (New) Chaos Theory</li> <li>- Ties Affecting the Process</li> </ul>
Relation to strong and weak ties	<ul style="list-style-type: none"> <li>- The “We” and the “Weaker”</li> <li>- Common Grounds</li> </ul>
Conflicts within the team	<ul style="list-style-type: none"> <li>- Cognitive over Affective Conflict</li> <li>- Grasping the Atmosphere</li> <li>- The Winner of the Game</li> </ul>

*Table 2. Coded themes*

### **3.5 Limitations**

Qualitative research offers a number of benefits and has been proven to lead to satisfactory results; however, we understand that this research has a few limitations, due to the selected method and design.

The limitation of this research lies in the complexion of the method. For this paper, we used a comparative study approach, as mentioned earlier. We interviewed three companies, conducting interviews that in total lasted around 11 hours. It was essential for us to focus on this limited number of ventures, and on the founding teams because we wanted to go deep into the dynamics. We are aware that a few companies and interviews cannot give a generalized conclusion about all new venture founding teams (Bryman & Bell, 2011).

Moreover, we argue that it was beneficial for us the fact that we were familiar to a point with some of the people that we interviewed. The notion of familiarity with the people that took the interviews made the interviewees more open and more eager to respond to our questions. However, we feel that it is possible that on certain topics they avoided the truth or avoided elaborating. It's a fact that interviewees can be unwilling to share their experiences or be sincere when answering during the interview (Denscombe, 2007). Nevertheless, we tried to keep the interviewees and the essence of the interview as unbiased and impersonal as we could.

Additionally, the selected approach (one-sided approach) of this research suggests a bias. This indicates that our findings are dependent on the opinion of the founders, rather than dependent on a broader picture, excluding experiences and details of, for instance: business growth, marketing strategies and sales progress that affected the firm and hence the founding team. In addition to this, the lack of statistical data in this research makes it not possible to generalize our findings. However, the qualitative character of our research will offer compound data that can be further analyzed. Due to the time limit of this paper, we were not able to study more cases and explore this area of interest.

## 4. Empirical Findings

In this chapter, we present the results of our qualitative research. The findings are structured under each relevant topic that was theoretically derived. We start with some general information about our cases and their background. After that, we present the findings of how they handle challenges from the environment, and how their decision-making process looks like. Finally, we present the findings related to their social relationship. We will describe any discovered conflict and how they coped with them.

### 4.1 Background findings

The purpose of this section is to summarize and shortly present the background of the interviewees. Below, we present a table with information, which contains their main characteristics.

Information	Paperplane		Stark		Happy Color	
Name	Sam de Groot	Martijn Janssen	Fred Williams	Andy Matthews	Filippa Andersson	Elin Bengtsson
Gender	Male	Male	Male	Male	Female	Female
Age	25	28	26	26	26	24
Educational Background	Industrial Design	Hotel Management	Sports and Exercise Science	International Business and Economics	Engineering	Engineering
Professional Background	Interface Designer/ Application Developer	Sales	Food Delivery	Store Assistant, Food Delivery	None	None
Country of Birth	The Netherlands	The Netherlands	UK	UK	Sweden	Sweden
Ties between the founders	Weak		Strong		Weak	

Table 3. Interviewees and their Characteristics

As seen in table 3, the selected teams are constituted by both genders, in the age of 24 to 28. The members come from the same country between their own teams; both members of Paperplane come from the Netherlands, both members of Stark come from the UK and both members of Happy Color come from Sweden. All interviewees have a different educational background, such as Industrial and Hotel Management, Sports Science, International and Business Economics and Engineering. Most of the interviewees have a different professional background, in relation to their current profession, which gave an interesting twist to our analyzing process. Two of the interviewees didn't have a professional background at all. The relationship between the founders of Paperplane is considered weak since they didn't know each other for long when they teamed up, whereas the relationship between the founders of Stark is considered strong, since they knew each other for more than 10 years when they teamed up and were already close friends. The relationship between the members of Happy Color is also considered weak since they knew each other from before for around 5 years, but besides being classmates, they didn't have more social interactions.

## **4.2 Coping with challenges from the environment**

### **Paperplane**

At this moment Paperplane is not making any sales, but still piloting their product/service to potential clients. Janssen and De Groot are very different in coping with the challenges from the external environment. De Groot is the more relaxed person of the team and Janssen is feeling more stressed. De Groot thinks it's good that there is a lot of competition:

*“For me competition is not a translation to pressure, it's just proof that there is a market”  
(De Groot, 2017).*

On the other hand, Janssen sees the threats coming from the environment. He feels that they need to do more research on what is exactly going on in the industry and what the competitors are doing. Right now he feels that they are neglecting the facts a little bit, which makes them uncertain about how the environment looks like.

*“I am afraid that we don't consider enough the industry and the changes that happen in there. I believe that we need to take it more into consideration” (Janssen, 2017).*

De Groot has a second company that he is currently running which is profitable; this makes him not only relying on the success of Paperplane. On the other hand, this is Janssen's only 'job' at the moment. The fact that Paperplane is not making sales yet, gives him a lot of pressure when it comes to personal financial matters. De Groot believes that as soon as the company is making sales, it will make him feel more like they have to cope with responsibilities. Out of protection and privacy reasons, we will not mention how Janssen is currently financing himself.

During the second round of interviews, Paperplane reached the point where they were paying salaries to some of their employees. Janssen is receiving now (from May 2017) his first salary. He mentioned that this is a relief for him. Also, they are changing the strategy of their company. They want to go back to the beginning and find out again what problem they actually need to solve. Right now they feel like they are too generic and will compete with big players. They have to stay niche in order to be able to compete within this environment. De Groot feels that they have never been able to test their product fully, so that's why he doesn't want to draw conclusions yet that this product is not filling the gap. They have some disagreements on this point; more about the strategy change in chapter 4.3 Decision-making process and 4.5 Conflicts.

### **Stark**

This company is in a good position that they are profitable and making good sales at the moment. However, they are coping with some challenges regarding the technological developments nowadays versus their own goals. Most of their sales are achieved by direct sales.

*“An old-school salesman going there and talking. One-to-one with the owner of the gym, which is very old-fashioned. Especially due to the technological advances in the recent years” (Williams, 2017).*

The founders of Stark want to be flexible location wise and have more freedom. To achieve this kind of lifestyle, they would need to do more sales online. They would like to shift to e-commerce but it's not possible for them yet, because their customers are mostly older men over 50 years old. Williams feels like they might need to start targeting different customers in order to be able to set-up more online sales.

*“They’re older and not very accustomed with technology so it does work better and the sales pipeline is shorter and gets the sale quicker” (Williams, 2017).*

The founders targeted a niche as a company, as a result of a previous big challenge with a competitor. In their first year, there was a company that saw what they were doing and imitated it and copied them. The competitor offered samples for 2.99 pounds, while Stark was offering samples for 10.99 pounds. They panicked in this situation and made a fast decision regarding their pricing. They changed their pricing to compete with this competitor. Today, this competitor does not exist anymore.

*“We stuck to our brand and that’s why we are here today because we focused on our brand” (Williams, 2017).*

Matthews feels that in a difficult situation like this their friendship and trust level is beneficial. They have become better over time in supporting each other on a deeper level. They believe they have always done really well to re-balance the other person. An interesting turn of events occurred during the second round of the interviews. The founders recently came across a direct competitor on a social media account. After conducting a small research, they discovered that Williams actually has met this competitor a few months ago. Right now, this company is working with 4 old customers of Stark, who stopped the deal with Stark and made new ones with this company. As Williams mentioned, these particular customers use to ask for a reduction in the price frequently.

*“These clients were looking for cheaper or asking for 10% discount, they are not clients that we want. They are clients that don’t value what we do, we don’t want them” (Williams, 2017).*

At the moment, in order to fight the competition, Stark focuses on building a stronger relationship with their existing clients, as well as acquiring bigger clients, that value the quality over the price. Right now Stark has one big client that has a lot of buying power, they are 80% of their revenue stream. They are aware that this is a big risk for their company, this lead to a situation that they see them as a ‘bonus’. They want to offset this

risk by targeting smaller clients, so they can spread out the risk. Matthews is quite concerned about this situation. They are trying to do everything to keep this client. For example, this client asked for a hoodie, and at that moment Stark didn't have hoodies in their collection, but because of their buying power they decided to order hoodies and provide this client with this. They are hesitant to say that they treat this client different than the other clients, but it is true.

*"I think about this every day when my head hits the pillow" (Williams, 2017).*

### **Happy Color**

The main challenge that Happy Color is facing is that they have to compete with the big players within the healthcare industry. Although they believe that they really have a unique product, the hospitals prefer buying from the companies that they already buy from.

*"We haven't found a bracelet like this. Usually, they use tape to attach the tubes, so this is quite different from just a strap. I think it's quite unique the product we have" (Andersson, 2017).*

It is sometimes frustrating that they have to prove themselves, but they try to prepare themselves as much as possible. They talk a lot with professionals from the hospitals to find out how they could enter the market. Bengtsson is a little bit more stressed than Andersson. Andersson thinks she can help Bengtsson to get positive again. She mentioned that she has two little sisters and knows how to deal with this.

*"Some days I think that it is the best product and some days I get a bad e-mail and then I get negative very easily. I am sometimes a bit up and down" (Bengtsson, 2017).*

They are both not really stressed about financial matters at the moment, even though they are still in the testing phase and not selling yet. They were able to attract many grants, which makes it possible for them to work on this company.

They were aware of the fact that this product is easy to copy. But Bengtsson still is afraid sometimes that someone will come up with something similar or better, especially because it is so difficult for them to enter the market.

*“We are trying to protect our product so that no one can make a too similar product. So we have a design patent, so no one can make a bracelet that looks just like ours”*  
(Bengtsson, 2017).

### **4.3 Decision-making processes**

#### **Paperplane**

Janssen and De Groot have a policy to discuss openly and honestly every matter that affects their business. Recently they had a difference of opinion on whether to change their strategy in the market; whether to stay focused on the industry they are currently operating in, or explore other applicable industries as well.

De Groot discussed that they had completely different views, so they would discuss every day, sleep on it and reflect, and discuss again the next day. Janssen had his reservations on the matter, but De Groot eventually pointed out that as a company they need to identify next stations for their progress. Therefore, they shifted their strategy about their position in the market, which took months to be made as a decision.

There was one significant incident that occurred. During a conversation among their employees, the founders had a big disagreement, and while they were speaking in English until that time, they switched to Dutch to avoid making it obvious that they were having a disagreement. The employees didn't get “fooled” from this switch and expressed their annoyance on this situation. Janssen and De Groot realized that it was a bad decision of the moment, and after that, they decided to always communicate in English among their employees, and if they have a disagreement, they discuss it afterward when they are in private. As Janssen (2017) mentioned, they realized it's not polite to discuss in a different language in front of their employees. Thus now, they stick to English when they are all together.

One interesting finding during the second round of interviews was the decisions the founders took relating to the investment. Right now, Janssen receives a salary, while De Groot doesn't. They decided to provide salary through this investment, only to the founder that didn't have an alternative source of income. Meanwhile, De Groot got a different cut



of the shares. They came up with this decision after a few months of discussions, and when they discussed what this investment means to each one. It was a time-consuming discussion and was based on numbers, as they discussed. They reached a point where they realized that they need to compromise to go forward as a team.

*“There were some other options but, based on calculations we both took a step forward and decided to do it. I mean, this is not the kind of things that we get to be stubborn”*

(Janssen, 2017).

This investment decision was a hot issue for the founders, as they revealed. They share the mindset that for great decisions, they need to convince each other, which led to discussions that lasted 4 months. They started discussing this option in July 2016, until they decided to go for it in October 2016. De Groot discussed how he understood that it was of major importance to find a solution on this topic, since without the investment, and therefore the option for salary for Janssen, he would be now the only founder of Paperplane. And as he interestingly added, two founders are better than one, which made him eventually agree on Janssen’s desire to obtain the investment.

After several events that occurred, Paperplane is changing its strategy in the market. They are contacting as many people as they can, and mainly big clients; they present the tool they have and offer the opportunity to co-create it and customize it in their needs. They are forcing themselves towards that goal for the upcoming three months, and mention that if it won’t work out, they will take a step back and try to identify a different goal. They will try to be more a consultancy assistance to the bigger clients and redefine their tool to their requirements.

### **Stark**

Williams and Matthews have a very simple and non-formal way when it comes to their decision-making process. They use a computer software to divide everyday tasks and issues that need to be discussed, and they set Skype meetings once a week to discuss face-to-face the ones that are more important or critical.

Matthews discussed that they don’t have an official procedure for the Skype meetings. One of them will present the case, and the other one will either agree and it’s finalized or they

will discuss it further until they reach a decision that they both agree on. Williams mentioned that they use Skype for bigger, more expensive decisions, whereas if it's just stuff that can be delegated they don't feel the need to talk.

One big decision that they had to make eventually is the target customer they were pursuing. Initially, their target customer was the middle-aged, old-fashioned, gym owner that could be approached only by direct techniques. Right now they are targeting younger, more up-to-technology gym owners, that can be approached online; the ones that tend to buy products through the internet. Of course, they haven't reached a point where they can target only the second type of customer; they still need every sale they make. However, they try to shift their focus on more updated customers. This decision was a big one for Stark since it was essential to their business model and to how they identify themselves as a brand. Both founders mentioned that they had a long-time discussion over this topic, and came to that decision based on two factors: their aim for growth and profitability, and the lifestyle they desire to follow. Consequently, they had to change their target customer and focus more on the ones that have more evolved attributes.

The most interesting finding in the second round of interviews was the way the founders discussed and decided to keep the company instead of selling it. There was a point where Stark was going quite well. Both founders took the initiative and read a book over the topic of selling a business. At that point, they shared the desire of selling it. However, Matthews was on a holiday, so Williams was in charge of replying to customers and taking care of the orders. Thus, he observed the daily inquiries and demands for their products and had an epiphany over the matter. Instantly he changed his whole perspective and put all his effort to show this to his co-founder, and convinced him to keep the company and work hard to grow. He showed Matthews that there is a demand and need in the market, and all they needed to change was their attitude and passion over the business; he actually proved his point and convinced him. And as Williams (2017) mentioned, "we never looked back".

### **Happy Color**

During the time of the interviews, Happy Color is waiting for their product trial test. They have sent the products to Swedish university hospitals and are on hold for their feedback and comments. They mentioned that at this point they don't need to take any decisions;

they are working on networking and getting more business advice on how to better launch their product in order to place it on the shelves. In the past, they discussed that often they had to take decisions approximately once or twice per month.

Bengtsson and Andersson work in the same room, in an incubator. Given that, they follow an informal procedure; they just turn to each other, discuss the issue and make a commonly accepted decision. They don't have a particular pattern besides the one mentioned above, they keep it as simple as they can. However, the founders discussed that they believe soon they will have to take more serious decisions when the product will be ready to enter the market. Therefore, they talk to people to get advice on how to develop their decision-making process in a way that will be suitable and beneficial for them.

## **4.4 Relation to strong & weak ties**

### **Paperplane**

Martijn Janssen and Sam de Groot met each other during the master's program at Lund University in 2015. They teamed up with each other because they had mutual interests and liked each other. The fact that they are both Dutch made them feel more connected since they feel like they understand each other better.

*“I have several Swedish friends as well, but Janssen was the first one that I partnered up with” (De Groot, 2017).*

Janssen looked more at the competencies they could bring than De Groot. Janssen has a background in the hotel industry, which is beneficial for their business. Therefore, De Groot is a programmer and the business relies a lot on him. De Groot likes to work from a distance. For example, he recently traveled to Australia for more than two months and did some work from there. He would like to be flexible location wise. However, Janssen recognized some problems with the distance.

*“Paperplane is depended on De Groot, he is the one that has all the knowledge, and if someone has an issue, 9 out of 10 times we must reach Sam” (Janssen, 2017).*

They try to separate friendship and business very strictly. They don't talk about business related issues after working hours. This is not something they made an agreement on but developed naturally over time. The tools they use to communicate are Slack and WhatsApp. However, they try to limit the amount they use WhatsApp but talk about business related issues on Slack. When they are separated, they use different forms of video calling, like Facetime, Skype, Facebook call and even Slack call.

### **Stark**

Williams and Matthews have known each other since they were 3 years old. They both described their relationship as strong with a deep level of trust. They teamed up with each other when they both ended up in their hometown by incidents with nothing going on at that moment, while their friends were all traveling or moved out of the city. They didn't see any downside or real risk in starting a business together.

*“We spent the day together at school, and we got back from school after dinner, like 8 pm, so we literally saw much of each other but hated each other as well. It was kind of like a brother relationship” (Williams, 2017).*

They both agree that they are not good in separating business and friendship. Because they are now from a distance, they communicate a lot through Skype. Often when they have a Skype meeting, they first start off with 15 minutes catching up on a personal level, and after a while, they decide to jump into business related issues. They both don't feel the need to separate business and friendship completely. Because of their long-term friendship, they believe that it's not possible to completely separate both worlds.

*“I rather deal with someone on a personal level as well as professionally” (Matthews, 2017).*

Williams believes that moving away from each other was really good for their business as well their relationship. They used to socialize together and work all day together. After a while, Williams got fed up a bit with seeing his business partner all the time. However, Williams finds it sometimes difficult to communicate from a distance. When they were working in the same room, he could just immediately talk to each other when there was something he was worried about. Now, he realizes that sometimes might not be the right

moment to contact Matthews about issues that are bothering him. It might be not the right timing, like for example Matthews might be with his girlfriend or working on his thesis. He realized that he sometimes unnecessary stressed Matthews out by contacting him at the wrong time. The tools that Stark are using while working from a distance are WhatsApp, Skype, and Facetime. Matthews is moving back in June back to Lund, so they will be operating again from the same place. Williams is excited about this and feels like they needed this break.

### **Happy Color**

Bengtsson and Andersson started their company right after graduation. They have never had a real professional job before but continued working on their university project. They have met during their studies, and have been in the same class for five years. However, they wouldn't describe themselves as close friends even now when they are working together every day.

*"We are friends but we don't really hang out" (Andersson, 2017).*

They teamed up based on the fact that they knew that they work together well. They enjoy working together and always sit in the same room. They have never worked from a distance before. Since they are always together, they don't see a need for a clear task/role division. They work on everything simultaneously.

*"It was natural for us to always work together when there was a course where we decided always to work together. So we knew we work together well" (Bengtsson, 2017).*

## **4.5 Conflicts within the teams**

### **Paperplane**

Janssen and De Groot both consider themselves quite “stubborn”, a word they both used when they described themselves. They admitted that this characteristic often led to irritations, which influenced negatively their mood (De Groot, 2017). De Groot discussed they have conflicts daily, not on major matters, but conflicts between them occur frequently. However, the two founders have two main characteristics that assist in resolving their issues easy: i) they listen to each other and ii) they discuss every matter openly (De Groot, 2017).

Janssen and De Groot have agreed to follow a particular procedure to discuss their disagreements. When they identify a topic that they have different views on, and the early discussions won't lead to consensus, they will take a walk together, or they plan an activity to do together, such as sports. Afterward, when they feel that they lost the tension of the moment, they reflect on the situation and start a new round of discussions until it is settled. As they have discussed, this can take from hours to days, especially on specific hot issues, like recently they had on an external investment proposal.

It was very distinct how much they have incorporated open dialogue in their relationship. They stressed out a lot the fact that they discuss all matters, and that they will even discuss any assumptions they will make, without any concern if it is time-consuming (De Groot, 2017).

One last finding of great importance is that the founders have different power over the decisions to whether they will accept a deal with a client or not. Right now, De Groot has 95% power over the decision they will make, which is not an immediate finding that will lead to conflict, but we suspect it hinders it.

### **Stark**

Stark is an interesting example of a startup, one that we would call “out of the rule”. The founders discussed during the interviews that they have never had a major conflict so far. Williams specifically mentioned that “zero conflicts” occurred up to this day. On the other

hand, Matthews shares the feeling that they had small conflicts on certain topics, but they didn't really have a "fight" over the subject.

Both founders mentioned that they have a particular pattern they follow when they have a disagreement. The usual pattern they follow is, they lay their opinions out, take a step back, think about it and sleep on it. They discussed that they tend to be open and discuss each other's perspective. They are always willing to figure out a solution to a problem and believe that this has nothing to do with their long-term friendship. They argue that it is a personality trait that they share and assists in these sort of situations.

Matthews discussed that usually, they are on the same page, even when they disagree. They mention that they fully listen to each other and both of them are happy to commit to one's point of view. The trust they share for each other makes them act and behave in this way.

*"I can't remember a time where it's been on the opposite spectrum of the decision. Maybe one person is more towards the other solution, but it's never really been a thing"*  
(Matthews. 2017).

It's very interesting the attitude they have over conflicts. The founders discussed that they never let any irritation build over time. As soon as they feel annoyed of a situation, they will reflect on it, and afterward open the subject to the other individual, as rationally as possible. Especially Williams passionately discussed how he finds it silly to spend energy and time on a business, only to blow it because of bad -or even lack- of confrontation. They may have conflicts of interests at times, but they will always work it out without fighting. Even on the one incident of major annoyance that Williams felt towards the work of Matthews, Williams argued that before confronting him, he read a book about dealing with similar situations and winning friends over. Afterward, we felt calm and ready to discuss the matter and simply pointed out the things that needed to be developed by both of them, and Matthews immediately agreed, without the slightest effort to avoid responsibility. Matthews agreed and both of them evolved ever since, according to their sayings.

## **Happy Color**

The founders of Happy Color discussed how they haven't experienced so far any conflicts. They are the only people in the company; therefore it's hard for an incident to occur. They discussed how being only the two of them led to this situation of no conflicts.

*"I can't remember a time that I was mad at Filippa" (Bengtsson, 2017).*

They set their daily tasks in the morning of each day, and they work on them individually; however, they ask for each other's advice on all issues. Consequently, they check their progress all the time, which leaves no ground for irritations and disputes. If they disagree on a topic, they discuss it immediately and move on. Andersson added to that topic that if she feels that Bengtsson doesn't work enough or has less workload, she usually will just give her more tasks to work on.



## **5. Analysis and Discussion**

In this chapter, we analyze the findings and linked them to existing theory. We found similarities and differences between the new venture teams that helped us create the analysis. Through the empirical findings, we have formulated sub-topics related to the main topics that were discussed in Chapter 2. In this chapter, we discuss our findings in regards to the currently available literature.

### **5.1 Coping with challenges from the environment**

#### **5.1.1 The Unicorn of the Market**

It is interesting to see how most of the new ventures really believe in their product/service. They are aware that they are operating in a competitive market but believe their product is very unique. It can be seen as a strength that entrepreneurs seem to be very motivated and passionate about their own companies, however, it can be seen as a weakness that they will not be prepared when competition heats up. The founders of the new venture teams we've interviewed are entrepreneurs with a high self-efficacy, according to them. They believe they will outperform other entrepreneurs and that their actions will lead to success (Markman & Baron, 2003). We have noticed that the pressure from competitors is mainly dependent on whether the new venture is making sales already or not. Through the interviews, we came to see that the teams' coping mechanism against competitors is -for the majority of them- a constant research on the current situation of the industry and competition. Given the situation, they plan their strategies, try to adapt and outperform them, without harming the growth of the venture. Some strategies may take a while to be applied, as we found out; however, by discussing their issues they try their best for the benefit of their ventures.

#### **5.1.2 Technological Communication Channels**

All the interviewed teams didn't see the technological changes as a threat. Therefore, they are motivated to take the changes as an opportunity to improve their business. For example, because of the technological developments, the teams were able to work and communicate from a distance. All the teams used Slack, WhatsApp and video calls as tools to communicate when they are not together. As mentioned by Haas & Mortensen (2016),

teams that work from a distance use extensive digital communication. However, all the teams mix friendship and business through these channels and are not strictly separating those two aspects. They are aware that this sometimes leads to friction but don't want to separate both worlds completely from each other. "Friendships develop more readily among peers than across hierarchical lines" (Francis & Sandberg, 2000, p. 9). It is no surprise that the new venture teams became closer after working together for a time. This is supported by Ensley et al. (2002), that teams who often work with each other grow closer and learn more about each other's skills, abilities, and personal idiosyncrasies.

### **5.1.3 The Digital Nomad Lifestyle**

The teams take advantages of the technological developments by making it possible to live a 'digital nomad lifestyle'. The digital nomad lifestyle can be described as: "A lifestyle which people have been freed from the constraints of time and location, thanks to the progress of mobile intelligent devices and high-speed communication networks" (Makimoto, 2013). One team is changing their business strategy because their personal lifestyle goals cannot be reached with their current business operations. Also some members of other teams expressed their desire to be flexible and work from a distance. As mentioned by Pauleen & Yoong (2001), changing technologies lead to the globalization of businesses. The findings show that the teams have a positive relation to the technological changes in their environment and are trying to use the new technology as opportunities to work from a distance.

## **5.2 Decision-making process**

### **5.2.1 The (New) Chaos Theory**

It was quite interesting to find out that all teams had no set structure to the way they make decisions. The founders discussed that they follow an informal procedure with their fellow business partner, usually by hopping into the topic and going over it in a loose, fluid manner. The teams discussed that they find it unnecessary to schedule or organize these meetings from before. When an issue arises, they discuss it at that time, although the final decision may take from an hour up to months to be made. Kazanjian & Drazin (1990) also observed a lack of formality in the decision-making process of new ventures; what makes it more interesting is that their sample was small technological companies (with less than

300 employees). Considering our focus, we found a similar pattern, and we also had technologically related companies in our sample. Therefore, based on our findings, we suspect that this absence of formality in decision-making processes is related to the size and growth stage of the venture.

On a different note, all our interviewees discussed that they try to spend as little time as they can on decisions without sacrificing the company's future, and spend more time and effort in their product development and market research. They mentioned that they tend to take small decisions frequently, using the current information they have, in their effort to adapt to their rapidly moving environment. As Eisenhardt (1989) discussed, these firms don't wait to take decisions until they gather all the necessary information. They utilize the available information, delegate, and also use their intuition to finalize their decision. However, there can be more "expensive" decisions, which might take more time to evaluate all aspects before reaching a decision. As Goll & Rasheed (1997) mention, in a high-velocity environment the future cannot be predicted, thus the firms try to make the best decisions they can, wasting as little time as they dare.

### **5.2.2. Ties Affecting the Process**

Based on our findings, we discovered that teams with stronger ties were spending more time on discussing the upcoming decisions, or spent more time while planning their strategies. Moreover, we discovered that teams with stronger ties took more into consideration the feelings of their fellow business partner, and invested more time into trying to see each other's perspective and finding a solution that both founders were satisfied with. As Granovetter (1973) discusses, stronger relationships are characterized by emotional intensity, among other aspects. Based on this, we argue that stronger ties are much more concerned about the effect of the decisions on the friendship, investing more energy in planning strategies and communication more before taking any decisions. As Aldrich et al. (1997) discuss, strong, long relationships are founded by feelings of trust and loyalty, and they provide social support in times of crises and hardship. Based on these theories, we clearly understood why we identified differences in the way the teams communicate and operate their ventures. We saw a distinct difference in the case of Stark, where the founders are bounded by strong friendship ties, taking more into consideration each other's views and feelings while planning their strategies or even when they planned to discuss the venture's development.

## **5.3 Relation to strong & weak ties**

### **5.3.1 The “We” and the “Weaker”**

As stated by Granovetter (1973), the strength of a tie is defined by the amount of time and frequency the individuals spend with each other. However, looking at the empirical findings, we have analyzed that the relationship the individuals had with each other before starting the business plays a significant role in the strength of their relationship.

Based upon the collected data we have shown that long-term friends are in many factors beneficial for the new venture. As mentioned above they can handle challenges better than non-long-term friends. According to Francis & Sandberg (2000), a strong friendship bond can hold teams together during difficult times. Within the empirical data, we discovered that the founding team with a strong tie shared the same views and goals, therefore their answers on our questions were almost identical. The long-term friends are more described from a team's perspective as ‘they’. On the other hand, in the cases of the teams with weaker ties, the opinions of each individual were different, which made it necessary to separate the findings and discuss them individually. Based upon theory from Haas & Mortensen (2016), especially teams that work from a distance need to be clear about the shared mindset (2016). The findings show that the team with a stronger tie shares more the same mindset than the teams with the weaker tie.

### **5.3.2 Common Grounds**

Out of the three founding teams, we interviewed two all-male and one all-female teams, which shows that gender homophily theory by Ruef et al. (2003) is validated in this research. However, within this study we didn't find significant similarities or differences that can be linked to the gender difference between the teams. Besides the same gender, the team members also teamed up with a person that shared their nationality. Team members with several similarities feel a greater connection with each other (Ruef et al. 2003). Based on the findings, we analyzed that the founders of the new ventures prioritize whether they would like to work with another person. Where Ruef et al. (2003) states that individuals often team up based on similarities, Haas & Mortensen (2016) described the importance of a diversity in background within the team, and Ensley et al. (2002) argue that most successful ventures are an outcome of diversity of skills and capabilities. We argue that the relationship of the team members has a greater value for the teams than the

skills that each one can bring into the team. Our findings show that the teams didn't focus on the diversity of skills when teaming up; there was a variety of reasons for their decision to team up, but not the diversity of skills.

## **5.4. Conflicts within the teams**

### **5.4.1 Cognitive over Affective Conflict**

Over the interviews, we identified a pattern in all teams to avoid getting into conflict. All founders discussed how they believe that affective conflict can lead to terrible outcomes, so each team mentioned their "technique" for avoiding it. Given our findings, all teams within this study experience effective conflict, which means that all of them have conflict of interest on several issues, however they communicate it in a way that leaves no space for fights. As De Dreu & Weingart (2003) discuss, cognitive conflict leads in deep and planned processing of the situation. As the authors above mention, this often leads to more successful and creative outcomes. Moreover, Parayitam & Dooley (2009) also discuss how affective conflict leads to higher quality of decisions and positively affect the decision commitment. Based on our findings, we came to similar conclusions, since all teams confirmed that they experience conflict but in terms of an effective disagreement, usually leading to creative discussions and positive outcomes for the venture. It was an unexpected finding for us initially; however after considering that the teams don't experience much stress at their current situation, it seemed more reasonable. Only in the case of Paperplane a few incidents of conflict were clearly identified. They even had one that was on the edge of being affective, as defined by Jehn et al. (1997). The founders tend to experience more cognitive conflict, since they mentioned that they have conflict incidents daily. However, as they discussed, they don't take them personally; they reflect on them and try to work it in the benefit of the firm. In that unfortunate incident of affective conflict, they experienced the repercussions of it, since later on, one of their employees contacted them, feeling insecure about his future in the company and confused of whether he wanted to be part of the company. This is a typical outcome of affective conflict, as discussed by Amason et al. (1995).

### **5.4.2 Grasping the Atmosphere**

Based on the founders' behavior during the interviews, we observed in some cases some signs of reluctance to respond to specific questions. We observed an immediate change in their body language, such as pulling back to their chair, or avoiding eye contact, which are typical signs of a person feeling uncomfortable or tense. Pennycook (1985) discusses how eye contact is a significant aspect of verbal communication, and argues on low eye contact as an indication of a suspicious person, as considered in several Western cultures. There were instances during our interviews, where the difference of opinion of the founders led to an awkward silence, sometimes followed by nervous laughter or dead silence and awkward looks between them. We assume that this finding hints at a difference of opinions of the founders, which they tried to keep hidden from the interviewers. It is quite common phenomenon for an interviewer to doubt the credibility of the given answers, especially when the discussed topics concern feelings or emotions (Denscombe, 2010). However, we don't doubt the validity of the interviews, only particular answers on a specific topic, which was not relevant to our research. We assume that there are topics that some founders had not discussed between them and we brought them up, leading to a tense situation.

### **5.4.3 The Winner of the Game**

By interviewing teams with strong and weak ties, we were able to see how different socially bonded teams are affected by conflicts. We discovered that teams with weak ties tend to progress slowly after a conflict, even when it was cognitive, and tend to take a long time to confront each other, resolving it in a way that leaves a bitter taste to the people involved. On the other hand, we saw that teams with strong ties tend to confront each other in a rational and objective way, distancing themselves from the topic before discussing it, and after doing some research on how to best resolve it before actually doing it. Day et al. (2003) discuss how people are less scared of confrontation when they are truly aware of their surroundings, including people. Given that, we came to understand how teams with stronger ties are less afraid to communicate and debate on their conflicts, leading to positive outcomes, compared to the ones with weak ties. Ensley et al. (2002) mention that teams which continue to function together, develop together as well, and get a deeper understanding of each other's skills and abilities. We didn't get to identify a similar

finding, which we suspect that would be very interesting to observe in future research by other scholars.

## 6. Conclusion

Our intent with this study was to further investigate the topic of team dynamics and how they are affected by their external environment. This paper specifically focuses on founders of new venture teams instead of lone entrepreneurs. The role of strong and weak ties, conflict and decision making processes were the main topics of this research.

This paper provides additional theoretical details to existing literature, focusing on two major points reflecting on our findings. Firstly, this paper shows the importance of the relationship of the founders at the time they started the venture. There are different patterns and behaviors in the teams where the founders were weakly tied, compared to the ones where the founders were strongly tied socially. This tie had a great impact on the way several incidents were handled and in the way the venture developed. Thinking about the myth of “never doing business with a friend”, we discovered that teams where the founders were long-term friends before teaming up dealt with the business challenges more efficiently than the ones who were just friends or acquaintances at the time they decided to partner up.

Secondly, we discovered that proper communication was the “technique” the teams followed to respond to the challenges from their high-velocity environment. Dialogue is a major part of founding teams’ everyday routine in order to resolve their differences. All interviewees of this paper explicitly stated that it’s the process that helped them evolve over time. Although the majority of the interviewees experienced only cognitive conflict, we realized that through dialogue, the teams managed to get over their challenges and continue growing. Dialogue and constant communication between the founders had a great impact on the venture’s development. The founders of the new venture teams we have studied found and developed a useful procedure to cope with their conflicts, especially considering the fact that conflicts, in general, cannot be avoided in business.

The findings suggest that there are distinct differences amongst the founding teams of new ventures, concerning the way they make decisions, the way they handle conflict incidents, and the effect of the ties between the team members. We assumed that the external environment does have an effect on the founding teams of new ventures. Our assumptions



are validated with this study; however, we found that this doesn't necessarily always affect the team in a negative way. The impact depends on the individuals and the way they react to it. The paper presents the effect of the external environment on the teams to cause them stress, which sometimes had an effect on their interpersonal relationships. It's not necessarily a negative effect. For some teams, this effect can actually bring them closer and make the founders bond more over time. Depending on the life stage of the new venture, founding teams experience pressure from their external environment. This is mainly related to whether the company is making sales or not. The paper shows that a high-velocity environment can have both a positive and a negative effect on the social relationship of the founders of a new venture.

Our advice to entrepreneurs and teams is to be completely honest and open in their communication among each other from the start since it might prevent conflicts and issues in the future. Communicating future goals from the beginning is needed, in order to let the company develop in the same direction. This paper shows that individuals that have known each other for a long time and experienced good and bad times before starting a business are most likely to work better together as a team and overcome challenges from a high-velocity environment, than people who didn't know each other from before starting the venture.

Our advice to policy is to take advantage of the available ground for coaching teams and individuals who are teaming up or looking for new team members. For example, incubators could offer coaching to the team members, encourage them to talk openly, or step in as a mediator to bring up topics to the founding teams that are not brought up easily when they work by themselves.

We believe that our findings on the topics mentioned above provide insights that should trigger future research since most available literature focuses on entrepreneurs and not on teams. The authors invite scholars and colleagues to research more upon this particular finding since we suspect that it might lead to great further findings for the benefit of team dynamics and founding teams.

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# Appendix A

## Interview guide first round

### General

- Describe shortly development of your business (name, age, number of employees, years of activity, location, founders team, a brief on their background)
- Can you tell us shortly about your background? What motivates you to be self-employed
- What has the founder team in common and what are the differences between them? Looking at homophily (gender, age, characteristics, background, values, beliefs)
- Do you have a role/task division between the co-founders? why is it the way it is
- How did you divide the various task/roles between the co-founders? how did you make these decisions ?(looking at your background/experience, if you have a similar background)

### Relationship with co-founders

- How/why did you team up to start a business?
- Known before yes or no (strong ties (family or partner) vs weak ties (friends))
- How strong relationship before (years, intensity)
- How do separate friendship from business?
- Were you in the same location when you started? (geographic proximity)
- Shared personal goals/business goals
- How did your relationship develop over time from starting the business until now?
- How often do you have meetings/see each other/speak to each other
- How do these meetings look like: offline/online meetings/distance
- What kind of tools do you use to communicate?
- Would you like to see some changes within this meeting pattern?



### **Observations concerning their context**

- How much are you affected by the external environment in your firm? Can you give us some examples, and how do you deal with these changes/challenges?
- How much are you affected by potential competitors on the market?
- How afraid are you that someone else will do something similar? Or a new technology will pop up? What kind of pressure/stress gives that? How you handle that?
- How do you deal with all the technological developments and changes nowadays?
- What are your strategies as a team to cope with the technological changes in the industry?
- How do you react to the pressure from the high competition?
- How do you cope with challenges like technological changes?
- What are their feelings when it comes to that (stress, anxiety, passion, etc.)
- What internal processes are needed for coping with their environment (besides psychological, emotions)
- In times of a lot of pressure/stress, how do you handle this? Does your work structure change?

### **Decision-making processes**

- Have you noticed the frequency of the need to make decisions?
- What is the usual procedure you follow for that
- How is the decision made
- What happens if you disagree on the way a matter has to be handled
- Was there any case where on a certain topic was impossible to get an agreement? elaborate
- When making decisions do you often take into consideration the opinion of the staff? If yes, why? If no, what is the reason?
- How do you commonly discuss and negotiate the strategies and/or policies that you want to set for the firm?

### **Conflicts**

- Does the status of your relationship affect whether you will confront the other person or not? If yes, how? (elaborate)
- Do you have a routine or a strategy for overcoming conflicts?

- Did you have any disagreements so far on how to approach or to decide a strategy?  
How did you handle it?
- Where there any conflict incidents in the past? name concrete examples
- How were they handled?
- Do you have any personal strategy to avoid conflicts/problems?
- Was there any time that a conflict had a major influence on the team cohesiveness?
- Is there anything you would have done differently?
- Is there anything else you would like to tell?
- If we have some more questions can we contact you for further information via  
mail, phone?

# Appendix B

## Interview guide second round

### Paperplane

- You've mentioned you had a disagreement before in front of your employees that made the employee express his annoyance when you two had a fight in Dutch in front them? Do you remember what that disagreement was about? (because we need it a concrete example in the conflict)
- You both mentioned that you define yourselves as stubborn. Can you name a recent situation where you both were stubborn and stayed with your own opinion?
- You start getting salaries from this month. How does that feel? Does it lift up some of your pressure? Is it just the two of you or also your employees? Interns?
- Can you describe to us the incidents that occurred until you agreed to accept the big investment?
- Can you describe to us the incidents that occurred until you decided to shift your strategy towards the other industries?
- Was there a decision (or more) that you made based on intuition? (elaborate)
- Which tools do you use to communicate? When you are both in Lund and when you are not in the same place?
- Anything happened in the last two/three weeks we need to know in terms of starting to make sales? Competition? New developments with your service/product?

### Stark

- You want to shift your sales more into e-commerce. So you mentioned you want to target maybe different customers. Have you spoken about this together? Do you want to change the strategy of your business? Those are quite big things, do you agree on this kind of changes?
- Can you describe again the exact situation with the big competitor? What did you discuss with Andy? How did you feel? Did this change the way you look at potential competitors now?
- Which tools do you use to stay in contact from a distance?

- Can you describe the procedure and what happened when you realized that you want to automate more the company in order to follow your desired lifestyle? How did you come to that agreement?
- Was there any incident where you made a decision, but one of you didn't implement it? What was your reaction? How did you handle it?
- Let's say that you have a huge disagreement with Andy on a strategic decision. You talk it over and over, and you settle it. Do you think it will stay in your mind and affect you emotionally for a while? Would you behave differently towards Andy?
- Can you describe what happened when you confronted Andy after you were annoyed with him underperforming? Can you describe the things that occurred? What was his reaction?
- Was there a decision between selling the business and growing? Can you describe what happened?