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Equity distribution in entrepreneurial teams: Distributive justice, team processes, and team stability

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Abbreviations

AMJ   Academy of Management Journal

B2B   Business to business

B2C   Business to consumer

BA   Business angel

BEST study   Building entrepreneurial success teams study

CEO   Chief executive officer

CTO   Chief technology officer

e.g.   exempli gratia (for example)

et al.   et alii (and others)

EXIST   German federal government grant (Existenzgründungen aus der Wissenschaft)

FAQ   Frequently asked questions

FTE   Full-time equivalent

i.e.   id est (that is)

INT   Interviewer

Abbreviations

IPO	Initial public offering
IQ	Intelligence quotient
IT	Information technology
l.	Line
LED	Light-emitting diode
MBA	Master of Business Administration
NDA	Non-disclosure agreement
p.	Page
PSED	Panel Study for Entrepreneurial Dynamics
SD	Standard deviation
SEO	Search engine optimization
SME	Small and medium-sized enterprise
TMT	Top management team
TUM	Technische Universität München
US	United States
VC	Venture capitalist

Abstract

This dissertation develops a dynamic model of the consequences of entrepreneurial teams' equity distribution. Drawing on a multiple case study approach and data on eight entrepreneurial teams observed over six and a half months, perceived justice of equity distribution emerged as a key variable influencing important entrepreneurial team processes and team stability. High perceived justice triggered team attraction, whereas low perceived justice triggered team repulsion. Both processes mutually influenced each other and influenced team stability. These relationships were contingent on the presence of external stressors (family-work conflict and investor conflict) and satisfaction with venture performance. I discuss the implications of my study for research on entrepreneurial imprinting, justice, exit, rewards, social interactions, as well as the founder-investor and family-work relationships.

Keywords: equity distribution; firm ownership; entrepreneurial team; distributive justice; team attraction; team repulsion; team stability; team member exit

Zusammenfassung

Das Ergebnis dieser Dissertation ist ein dynamisches Modell, das die Auswirkungen der Anteilsverteilung in Start-Up Teams beschreibt. Die Arbeit basiert auf einem multiplen Fallstudienansatz bestehend aus acht unternehmerischen Teams. Primär- und Sekundärdaten wurden über den Zeitraum von sechseinhalb Monaten erhoben. Im Rahmen dieser Dissertation wurde die *empfundene Verteilungsgerechtigkeit* (in Bezug auf die Anteilsverteilung) als die Variable identifiziert, die maßgeblich soziale Interaktionsprozesse im unternehmerischen Team sowie die Teamstabilität beeinflusst. Ein hohes Maß an empfundener Verteilungsgerechtigkeit führt zu gegenseitiger Zuneigung bei den Teammitgliedern. Hingegen hat ein geringes Maß an Verteilungsgerechtigkeit gegenseitige Abneigung zur Folge. Beide Prozesse beeinflussen sich dabei gegenseitig und zudem auch die Teamstabilität. Die identifizierten Zusammenhänge sind dabei abhängig von externen Stressfaktoren (insbesondere Konflikt zwischen Familie und Arbeit, und Konflikt mit Investoren), sowie von der empfundenen Zufriedenheit mit dem Unternehmenserfolg. Im Rahmen dieser Arbeit werden zudem die Implikationen für verwandte Forschungszweige aufgezeigt.

Schlagwörter: Anteilsverteilung; Eigentum; Gründerteams; Verteilungsgerechtigkeit; Zuneigung; Abneigung; Teamstabilität; Fluktuation in Teams

1 Introduction

The **_entrepreneur_**, who is defined as _"an individual who establishes and manages a businesses for the principal purposes of profit and growth"_ (Carland, Hoy, Boulton, & Carland, 1984, p. 358), plays a central role in our economy (Teal & Hofer, 2003). Entrepreneurs contribute to society by creating jobs (Malchow-Møller, Schjerning, & Sørensen, 2011), by increasing upward mobility (Ruef, Aldrich, & Carter, 2003), and by developing innovative products and services (Cliff, Jennings, & Greenwood, 2006; Davidsson & Wiklund, 2001). The establishment of new ventures also increases market competition and thus enhances an economy's efficiency and effectiveness (Brüderl, Preisendörfer, & Ziegler, 1992). As such, entrepreneurial activities are an important driver of economic growth (Baumol & Strom, 2007; McGrath, 1999).

However, establishing a successful new venture is by far not a trivial endeavor (Brush, Manolova, & Edelman, 2008). In fact, entrepreneurial activity is characterized by uncertainty regarding the market, the business model, and the external environment (McKelvie, Haynie, & Gustavsson, 2011; McMullen & Shepherd, 2006; Townsend, Busenitz, & Arthurs, 2010). Furthermore, young start-ups tend to lack legitimacy, also referred to as the "liability of newness" (Stinchcombe, 1965), and often face constrained access to financial resources (Kotha & George, 2012) and human capital (Brüderl et al., 1992; Ucbasaran, Westhead, & Wright, 2008). As a result, the chances of failure are high (Shane, 2009; Wiklund, Baker, & Shepherd, 2010). While the reported failure rates of

new ventures diverge quite significantly (Yang & Aldrich, 2012), and range from 33 percent (Romanelli, 1989) to 80 percent (Nystrom & Starbuck, 1981) within five years of founding, it can still be concluded that failure is an important aspect of new venture creation (Mantere, Aula, Schildt, & Vaara, 2013).

Based on the high chances of failure and the uncertain returns of entrepreneurial endeavors (Carter, 2011; Hall & Woodward, 2010), entrepreneurs are often depicted as courageous heroes, both in the popular press (Nicholson & Anderson, 2005) and in academic research (Dimov, 2007). This has led to "the notion of the entrepreneur as a lone hero, battling against the storms of economic, government, social, and other environmental forces before anchoring in the harbour of success" (Cooney, 2005, p. 226). However, over the past years, scholars have repeatedly stressed that this romantic perception of the single entrepreneur stands wide apart from reality (Hanlon & Saunders, 2007). In fact, the perspective of the individualistic entrepreneur simply ignores the fact that a substantial number of ventures are created by ***entrepreneurial teams*** (Klotz, Hmieleski, Bradley, & Busenitz, in press), which are defined as *"two or more individuals who have a significant financial interest and participate actively in the development of the enterprise"* (Cooney, 2005, p. 229).

Over the past two decades, an increasing amount of entrepreneurial research has been conducted in the team context (Klotz et al., in press). Overall, research is in agreement that the entrepreneurial team is an important determinant of a start-up's success (e.g., Kamm, Shuman, Seeger, & Nurick, 1990; Lechler, 2001; Maschke & zu Knyphausen-Aufseß, 2012), and investors often report that the quality of the entrepreneurial team is one of their predominant investment criteria (Cyr, Johnson, & Welbourne, 2000; Zacharakis & Meyer, 1998). Despite this shared notion, there are still essential team aspects of the entrepreneurial undertaking that have yet to be addressed in academic research (Klotz et al., in press), or as Schjoedt and colleagues noted: "relative to their importance, there are

still considerable gaps in our knowledge about the dynamics of new venture and family business teams" (Schjoedt, Monsen, Pearson, Barnett, & Chrisman, 2013, p. 2).

The purpose of this thesis is to contribute to the research on entrepreneurial teams by exploring the consequences of the distribution of equity among the co-founders of a new venture, which represents one specific blind spot of entrepreneurial team research (Hellmann & Wasserman, 2011). This is particularly surprising, since equity ownership is the predominant financial reward of entrepreneurship (Hall & Woodward, 2010). Thus, I speculate that it may potentially play a major role in explaining entrepreneurial behavior. In my research, I will specifically investigate how the distribution of equity affects the social interaction processes in the entrepreneurial team as well as the team's stability.

In the following, I will first provide a brief overview of the entrepreneurship research domain and the role entrepreneurial teams play within this field (Chapter 1.1). Then, I will introduce the topic of entrepreneurial equity distribution (Chapter 1.2) and subsequently derive the research questions that guide this thesis (Chapter 1.3). Thereafter, I will briefly describe the data set and the methodology of this thesis in Chapter 1.4. Finally, I will provide an overview of this thesis' structure in Chapter 1.5.

1.1 Entrepreneurial teams in the context of entrepreneurship research

Compared to other disciplines, entrepreneurship is a rather young field of research, but it has received significant research attention over the past few decades (Aldrich, 2012; Landström, Harirchi, & Åström, 2012). To this day, researchers still disagree what constitutes entrepreneurship (Rauch, Wiklund, Lumpkin, & Frese, 2009). In general, a widely used definition is that of Venkataraman (1997), who suggested that ***entrepreneurship***

is *"a scholarly field [which] seeks to understand how opportunities to bring into existence 'future' goods and services are discovered, created, and exploited, by whom, and with what consequences"* (p. 120). In that sense, entrepreneurship comprises two fundamental aspects—opportunities and the individuals discovering, creating and exploiting them.

To address the research questions in the context of entrepreneurial opportunities and entrepreneurs, entrepreneurship research has developed in many sub-fields across different scientific disciplines, such as economics (Baumol, 1968; Hellmann, 1998; Kaplan & Strömberg, 2003), psychology (J. R. Baum, Frese, & Baron, 2007; Hisrich, Langan-Fox, & Grant, 2007), and sociology (Bowman, 2007; Ruef et al., 2003). Research has also delved into different business disciplines, such as management (Hitt, Ireland, Camp, & Sexton, 2001; Patzelt, zu Knyphausen-Aufseß, & Nikol, 2008) and finance (Hellmann & Puri, 2002; Lerner, 1995). Given that entrepreneurship is not an isolated academic discipline (Shane, 2003), but rather stands at the intersection of different research fields, this domain is naturally characterized by diversity; hence, there is an ongoing struggle to establish a coherent theory of entrepreneurship (Gartner, 2001; Gartner, Davidsson, & Zahra, 2006).

Early research in entrepreneurship has examined individual entrepreneurs, and in particular their traits and personalities that distinguish them from non-entrepreneurs (Landström et al., 2012). As such, early entrepreneurship research has largely focused on the individual entrepreneur in a static state, an approach which researchers started to criticize in the late 1980s (e.g., Gartner, 1988). As a consequence, following a ground-breaking article of Kamm et al. (1990) on the importance of entrepreneurial teams, a new stream of research was established that shifted the attention from the entrepreneur towards the entrepreneurial team. In addition, research increasingly started to assume a process-based view of entrepreneurship (e.g., Clarysse & Moray, 2004), and also started to integrate the social context of entrepreneurs and entrepreneurial teams (e.g., Welter, 2011).

With regard to the research on entrepreneurial teams, a number of substantial insights have been generated over the past decades on how different new venture team inputs affect team processes, as well as team and venture outcomes (Klotz et al., in press). In particular, researchers have examined the new venture team inputs of prior experience (e.g., Amason, Shrader, & Tompson, 2006; Eisenhardt & Schoonhoven, 1990; Hmieleski & Ensley, 2007; Lester, Certo, Dalton, Dalton, & Cannella, 2006), social and human capital (Baron & Tang, 2009; Brinckmann & Hoegl, 2011; Grichnik, Brinckmann, Singh, & Manigart, in press; Y. L. Zhao, Song, & Storm, 2013), and team structure (Kroll, Walters, & Le, 2007; Sine, Mitsuhashi, & Kirsch, 2006).

However, even though entrepreneurial team literature has considered different input factors, it has so far failed to pay due attention to entrepreneurial equity distribution (Kotha & George, 2012). ***Entrepreneurial equity distribution*** is commonly referred to as *the allocation of fractional ownership among the co-founders (and potentially other stakeholders) of a new venture* (Hellmann & Wasserman, 2011; Kotha & George, 2012), and represents the predominant reward for entrepreneurs (Hall & Woodward, 2010). This thesis attempts to contribute to filling this gap by exploring which consequences entrepreneurial equity distribution has for the social interactions within the team and for the stability of the team. The following section will describe the topic of entrepreneurial equity distribution in more detail.

1.2 Entrepreneurial equity distribution

"There are thousands of issues that a startup has to deal with. Equity, the distribution of shares in the company, is the nuclear issue. The X-ray issue. The one that opens things up right to the core. Rolly and I had sweated and toiled and struggled together on this company. But we could work together all we wanted, for as many days and nights and months and years as we liked. Until it came right down to discussing equity in hard numbers, our actual forward going percentages of ownership, we did not really know each other's mind" (Ashbrook, 2000, p. 163).

Tom Ashbrook's reflection on the early days of his internet start-up, homeportfolio.com, illustrates that the distribution of equity among a venture's co-founders is a far-reaching, emotionally-laden decision for the entrepreneurial team. This is hardly surprising, given that equity ownership represents the primary economic reward entrepreneurs receive in return for their efforts and investments into the development of the venture (Hall & Woodward, 2010). As the split usually takes place within the first weeks of the venture's foundation (Wasserman, 2012), Hellmann and Wasserman (2011) refer to the distribution decision as "the first deal" made by the entrepreneurs (p. 1).

However, while there has already been an early call for research on the antecedents and outcomes of equity distribution in entrepreneurial teams (Kamm et al., 1990), there has been a remarkable paucity of academic studies on this topic (Hellmann & Wasserman, 2011). This is surprising in light of the extensive literature in the corporate context on ownership (Pierce, Kostova, & Dirks, 2003) and rewards (DeMatteo, Eby, & Sundstrom, 1998; Freedman & Montanari, 1980), the central importance of financial gains in entrepreneurial motivation (Shepherd & DeTienne, 2005), as well as the interest to understand how entrepreneurs' decisions made at venture foundation leave an imprint on its later development (Beckman, Burton, & O'Reilly, 2007; Gruber, MacMillan, & Thompson, 2013; Milanov & Fernhaber, 2009).

The recent theorizing and empirical work on equity distribution has predominantly focused on the *antecedents* and the *process* of equity distribution (Hellmann & Wasserman, 2011; Kotha & George, 2006, 2012). Specifically, it has been found that prior start-up experience of the co-founders is related to unequal equity splits, while prior social ties among the co-founders are related to equal equity splits (Kotha & George, 2006). Similarly, Kotha and George (2012) found that entrepreneurs with prior start-up and industry experience retained more equity for themselves than entrepreneurs without such experience. Finally, Hellmann and Wasserman (2011) added that heterogeneity with regard

to founder capital investment, prior founding experience, and idea generation are also related to unequal equity splits.

In contrast, to the best of my knowledge, only Hellmann and Wasserman (2011) have so far investigated the *consequences* of equity distribution on venture outcomes. The authors found that an unequal equity distribution has a favorable impact on a company's valuation during the first round of equity financing. Hellmann and Wasserman (2011) attributed this to two different effects—a *stakes effect*, which reflects that teams expecting a greater future payoff are likely to put more effort into equity negotiations; and a *negotiator effect*, which reflects that entrepreneurs willing to engage in equity negotiations are likely to be better entrepreneurs as they potentially negotiate harder with their suppliers and customers.

To date, however, little is known about the consequences of equity distribution for entrepreneurial teams' **social interaction**, which refers to *the verbal and non-verbal interchange among entrepreneurial team members* (Lechler, 2001; W. E. Watson, Ponthieu, & Critelli, 1995). Neither is there much information on its impact on **entrepreneurial team stability**, which I define in accordance with Slotegraaf and Atuahene-Gima (2011) as the *absence of pre-mature team member exit and/or intentions to leave the team*. This, in turn, is crucial as both social interactions in entrepreneurial ventures and entrepreneurial team stability affect venture performance (Bamford, Bruton, & Hinson, 2006; Ensley, Pearson, & Amason, 2002; Kroll et al., 2007; West, 2007). In the following, I will briefly summarize the most important findings to date in the fields of social interactions and entrepreneurial team stability, and then derive the open research questions, which I will address in this thesis.

First, scholars have examined the *social interactions* within entrepreneurial teams, in particular conflict, trust, as well as communication patterns. Specifically, a number of studies have analyzed conflicts in new venture teams and found that conflict is more

likely to occur in heterogeneous teams (Beckman et al., 2007; Chowdhury, 2005a). Other scholars differentiated between task and relationship conflict, and revealed that while task conflict has a positive impact on a team's shared strategic cognition and subsequent venture performance (Ensley & Pearce, 2001; Ensley & Hmieleski, 2005), it also induces relationship conflict (Ensley & Pearce, 2001), which in turn has a detrimental effect on venture performance (Ensley & Pearce, 2001; Ensley & Hmieleski, 2005). In addition, Blatt (2009) investigated the role of trust in a theoretical study and proposed that the development of communal relational schemas (i.e., caring about one another's needs) and contracting practices can help entrepreneurs overcome the challenges of newness they face (Blatt, 2009). Finally, Foo, Sin, and Yiong (2006) studied communication patterns in entrepreneurial teams and found that open communication and social integration in new venture teams predicted team viability and team satisfaction. However, while important groundwork has been done, much remains to be explored what shapes entrepreneurial team processes and what the outcomes of these team processes are (Klotz et al., in press; Schjoedt et al., 2013).

Second, a separate research stream has examined *entrepreneurial team stability*, or more precisely, entrepreneurial team member exit. A variety of *antecedents* of entrepreneurial team member exit have been suggested. For instance, some scholars have argued that founder succession is part of an organization's life cycle and occurs when entrepreneurs are no longer able to meet the changing demands of a developing venture (Boeker & Karichalil, 2002; Boeker & Wiltbank, 2005). Moreover, firm performance has been suggested as an antecedent, even though research is not conclusive in this respect. While some research has suggested that *low* performance drives founder exits (Fiet & Busenitz, 1997; Schefczyk & Gerpott, 2001), others conversely have propagated that *high* performance drives founder exits (Wasserman, 2003). Furthermore, researchers have also analyzed individual- and team-related variables as antecedents and found that team member heterogeneity (Hellerstedt, Aldrich, & Wiklund, 2007), different levels of prior

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entrepreneurial experience (Ucbasaran, Lockett, Wright, & Westhead, 2003), and larger team sizes (G. N. Chandler, Honig, & Wiklund, 2005) are positively associated with team member exit. Finally, some research has examined the *consequences* of team member exit, even though the findings have not been conclusive. Some studies reported a positive effect of team stability on firm performance (He, 2008; Kroll et al., 2007; Nelson, 2003), while G. N. Chandler et al. (2005) suggested that team member exits may be beneficial for start-ups in a more advanced development stage. In essence, while a number of antecedents and consequences have been suggested, it still remains unclear, above all, how team processes and team stability are interlinked (Wennberg, Wiklund, DeTienne, & Cardon, 2010). In this research, I will thus attempt to make this connection. In the following section, I will derive the research questions of this thesis.

1.3 Research questions

As outlined in the previous section, important groundwork has been done in the areas of entrepreneurial equity distribution, social interactions in entrepreneurial teams, and entrepreneurial team stability. Nevertheless, in each of these three areas of research, there have been repeated calls for a more comprehensive understanding of the respective phenomena, since there are comparatively few empirical and theoretical works in these areas to date (e.g., Blatt, 2009; DeTienne & Cardon, 2012; Kotha & George, 2012; Schjoedt et al., 2013; Wennberg et al., 2010). Figure 1 summarizes some of the most recent calls for research.

Furthermore, team research scholars in established organizations (Ilgen, Hollenbeck, Johnson, & Jundt, 2005), and more recently also in entrepreneurship research (Klotz et al., in press), have articulated the need to consider mediating mechanisms (team processes and emergent states) and moderating factors, as opposed to limiting the research

scope to inputs and outputs, in order to develop a more comprehensive understanding of the phenomena in the team context. Finally, given the importance of entrepreneurship for our economy (Teal & Hofer, 2003), gaining a better understanding of above mentioned phenomena seems highly relevant for practice. This is especially true as equity distribution represents an important input factor, which may shape entrepreneurial team processes and affect team stability, and which may thus ultimately turn out to be a critical factor influencing entrepreneurial success.

i **Equity distribution (incl. ownership, reward, control)**	▪ Schjoedt et al. (2013): "[…] the **area of compensation and rewards** […] **remains an understudied topic in need of research.**" (p. 10) ▪ Kamm et al. (1990): " […] **the impact of ownership arrangements upon** not only **interpersonal relationships among team members**, […] **deserves exploration.**" (pp. 11-12) ▪ Vyakarnam (2005): "**What is the influence of share ownership on the** business unit and the **team?**" (p. 247) ▪ Kotha & George (2012): "**Ownership distribution may lead to informal hierarchies** in new ventures with flat structures; this informal hierarchy may influence coordination of activities in the new venture. **Future studies** could examine the **influence of ownership distribution** in **enabling and hindering coordination of activities** in a new venture." (p. 541)
ii **Distr. justice**	▪ Roberson (2012): "**Little attention** has been given to the operation of **justice in self-managing teams**, a relatively **understudied context in the justice literature**" (p. 696) ▪ Whitman (2012): "Another shortcoming stems from the lack of studies examining the **process** of **how justice climate affects outcomes**. To get a better understanding of what is inside the '**black box,**' we echo the calls […] for researchers to conduct more studies at the **unit level** that **focus on cooperation, conflict, cohesion, and other process variables that might mediate the justice–performance relationship**" (p. 786)
iii **Social interactions (entre-preneurial teams)**	▪ Schjoedt et al. (2013): "Although there is a well-developed management literature on **organization behavior** and **human resources**, these topics have **not received comparable attention** in the **entrepreneurship literature**" (p. 1) ▪ Blatt (2009): "The framework I have presented also raises many questions that present an opportunity for future investigation. […] one key question concerns **antecedents to communal schemas** and contracting practices." (p. 546) ▪ Welter & Smallbone (2006): "**Trust building** is an **under researched topic**, both in other disciplines and in this special issue as well. At the most, the emergence of trust is tackled indirectly, but **existing research** so far **has mainly focused on the forms and elements of trust.**" (p. 471)
iv **Team exit**	▪ Ucbasaran et al. (2003): "First, **studies need to explore the processes leading to EFT turnover**. For example, how does **conflict (affective and functional)** between team members impact on EFT turnover? To what extent do **different levels** of **power** of **different equityholders** affect their ability to enforce exit of partners? [...]" (p. 122)

Figure 1: Summary of recent calls for research
Source: Own illustration

With reference to the research calls laid out in Figure 1 and taking into account the above-mentioned need to consider mediating mechanisms and moderating factors and their practical relevance, this thesis intends to make a significant contribution to the research in these fields by answering three major questions:

1. How does entrepreneurial equity distribution affect the social interaction processes within the founder team?

2. How does entrepreneurial equity distribution affect the stability of the founder team?

3. What are the contingent factors (moderating factors) influencing the above relationships?

To address the outlined research questions and to theorize on the topic, I draw on research in the fields of entrepreneurship and management as well as social and organizational psychology. Thus, this thesis aims to generate a deeper understanding of entrepreneurial equity distribution and its consequences, to develop new theory around social interaction in entrepreneurial teams, and to provide new insights into antecedents of entrepreneurial team member exit.

1.4 Data set and methodology of the thesis

This research study is part of the Building Entrepreneurial Success Teams (BEST) project at the Entrepreneurship Research Institute at Technische Universität München. Under the leadership of Professor Dr. Dr. Holger Patzelt and Professor Dr. Nicola Breugst, our operational project team (composed of Florian Bernlochner, Anna Roth, and myself) researched 64 entrepreneurial teams between May 2011 and September 2012. The participating teams were recruited from five incubators and five entrepreneurship centers in the greater Munich area. The objective of the BEST research project was to gather empirical evidence on the collaboration of entrepreneurial teams in a longitudinal, multi-method research design. While the project scope comprised a variety of topics, one of the central elements has been the distribution of equity in entrepreneurial teams, which represents the core topic of this thesis.

My study on entrepreneurial equity distribution is a qualitative, exploratory research study. Given that no comprehensive understanding of the consequences of entrepreneurial equity distribution exists so far, fieldwork and grounded theory are "more likely to generate novel and accurate insights into the phenomenon under study than reliance on either past research or office-bound thought experiments" (Brown & Eisenhardt, 1997, p. 2). Moreover, as Eisenhardt and Graebner (2007) point out, "a major reason for the popularity and relevance of theory building from case studies is that it is one of the best (if not the best) of the bridges from rich qualitative evidence to mainstream deductive research" (p. 25). Accordingly, I employ a qualitative, longitudinal multiple case study approach to explore inductively the equity distribution topic. Consistent with most case studies (e.g., Davis & Eisenhardt, 2011; Maurer & Ebers, 2006; Scarbrough, Swan, Amaeshi, & Briggs, in press), my major source of data is 34 semi-structured interviews with the co-owners of eight entrepreneurial ventures, which I followed over the period of six and a half months. Chapters 3 and 4 of this thesis provide more detail on the research setting and methodology of this study. The next section contains an overview of this thesis' structure.

1.5 Structure of this thesis

This thesis is divided into eight chapters. After the introduction in this chapter, I proceed by presenting the theoretical context for this study in Chapter 2. In particular, I will introduce the literature on equity distribution (Chapter 2.1), entrepreneurial teams (Chapter 2.2) and team turnover (Chapter 2.3) to provide the reader with a theoretical frame of reference for my research study.

Subsequently, I will describe the research setting in Chapter 3. As mentioned above, this study is part of the BEST research project at Technische Universität München, which has

been conducted by two fellow researchers and myself. To embed my sample and research setting in the overall project, I will provide a general overview of the project's scope and execution in this chapter. I will summarize the project's research design in Chapter 3.1 and then outline our recruiting approach in Chapter 3.2. Chapter 3.3 describes the study's sample, and Chapters 3.4 and 3.5 offer a brief summary of the contents of the qualitative and quantitative methods employed in this project. Chapter 3.6 will briefly outline the BEST team workshop, which has been a primary incentive for participating teams, while Chapter 3.7 will recapitulate how our research team administered this comprehensive research project.

In Chapter 4, I will introduce the methodology used in this study. I will present a brief introduction into why I selected this research strategy (Chapter 4.1); I will then provide an overview of the exploratory case study design used in this research (Chapter 4.2). In Chapter 4.3, I will outline how I ensure validity and reliability in this thesis, and then illustrate the sampling approach and provide details on the selected cases in Chapter 4.4. Chapter 4.5 contains information on the data collection, while Chapter 4.6 deals with the approach employed for coding and analyzing the data.

I will then present my findings in the form of eight individual case studies in Chapter 5. For a frame of reference, I will first provide the definitions of all variables that have emerged from the data as important for the subsequent analyses in Chapter 5.1. Subsequently, I will report each individual case in a sequential approach in Chapter 5.2 to Chapter 5.9. For each case, I will start with a short company profile to provide a brief introduction to the team and venture context. This is followed by a structured case description. Finally, I will examine the insights in the within-case analysis.

The analysis across the eight cases follows in Chapter 6, in which I will analyze and synthesize the most remarkable patterns that have emerged out of the data. Specifically, I will focus on the perceived justice of equity distribution (Chapter 6.1), the relationship

between perceived justice of equity distribution and team attraction (Chapter 6.2), the relationship between perceived justice of equity distribution and team repulsion (Chapter 6.3), the interaction between entrepreneurial team attraction and repulsion (Chapter 6.4), and the relationship between team attraction, repulsion and team stability (Chapter 6.5). Thereafter, I will analyze the impact external stressors (Chapter 6.6) and satisfaction with venture performance (Chapter 6.7) have on aforementioned relationships.

Subsequently, I will discuss the findings and embed them in the theoretical context in Chapter 7. First, I will summarize the results and relate them to the original research questions in Chapter 7.1. Second, I will describe my contributions to the literature in Chapter 7.2 and point out the implications for practice in Chapter 7.3.

Chapter 8 concludes this thesis, with the results and contributions being summarized in Chapter 8.1. In Chapter 8.2, I will describe the limitations of this study, and in Chapter 8.3 I will suggest avenues for future research on this topic.

2 Theoretical foundations

The theoretical context of this thesis consists of the topics entrepreneurial equity distribution, entrepreneurial teams and team turnover. While my study follows an inductive multiple-case study approach, I deem it necessary to embed my empirical research, which will be presented in the Chapters 5 and 6 of this thesis, in the extant literature. To do so, I provide a brief (non-comprehensive) review of each literature stream (equity distribution, entrepreneurial teams and team turnover) in the following sections.

2.1 Equity distribution: financial reward, ownership, and power

One of the first decisions made in an entrepreneurial team is the distribution of equity among the venture's co-founders (Hellmann & Wasserman, 2011). At first sight, the distribution decision may merely seem like any other strategic decision taken by the entrepreneurial founder team. Yet, when considering the individual elements that are tied to the decison outcome, its fundamental importance and far-reaching nature become more evident. First, in entrepreneurial ventures, equity stakes are the most substantial, and in the case that no salaries are paid, even the only financial reward entrepreneurs receive for their efforts (Hall & Woodward, 2010). Second, the distribution of equity decides over the initial ownership arrangements in the company (Wruck, 1989), which

is usually non-retractable unless shares are sold to another party for an individually negotiated price (Kotha & George, 2012). Third, equity distribution also allocates power and control to the individual co-founders (Fee, 2002; Hellmann, 1998; Keltner, Gruenfeld, & Anderson, 2003; Shepherd & Zacharakis, 2001).

Given this, it is puzzling that to date the topic of entrepreneurial equity distribution resembles a "black box" (Hellmann & Wasserman, 2011, p. 1), which has been only rudimentarily addressed by scientific research. The small research body on equity distribution that exists, provides some insights into its *antecedents* (Hellmann & Wasserman, 2011; Kotha & George, 2006, 2012), its *process* (Hellmann & Thiele, 2011; Wasserman, 2012), and its financial *consequences* (Hellmann & Wasserman, 2011). In the following I will briefly summarize the insights derived from these five research studies with an equity distribution focus.

To the best of my knowledge, Kotha and George (2006) were the first to systematically investigate the *antecedents* of entrepreneurial equity distribution. The authors postulated that the dilemma of equity distribution can be reduced to two fundamental problems: the difficulty to ex-ante estimate the value of individual contributions (the valuation problem), and the risk that individuals may be unwilling to adequately contribute to the venture after having been assigned their equity share (the "free riding problem" as termed by Olson (1965)). Based on a data set comprising 816 individuals from the US-based Panel Study for Entrepreneurial Dynamics (PSED), Kotha and George (2006) showed that prior start-up experience is related to unequal splits, likely because more experienced entrepreneurs are ex-ante able to more accurately estimate the value of individual contributions. Moreover, the authors found that prior social ties are related to equal splits, which, according to the authors, might be due to the fact that in these circumstances affective commitment between the individuals is more important than a rational interpretation of resource contributions and that in these situations free riding

is less likely to occur.

Recently, Kotha and George (2012) examined the process of resource mobilization, including the *antecedents* of equity distribution to individuals outside the venture team that help entrepreneurs in the early start-up phase. Again, the authors based their research on a PSED sample consisting of 611 entrepreneurs in the United States. Similarly to their earlier research, Kotha and George (2012) found that entrepreneurs with prior start-up experience and entrepreneurs with prior industry experience retained more equity for themselves than entrepreneurs without such experience. Additionally, the authors found that entrepreneurs whose helper network consists of a higher proportion of family ties over professional ties retained less equity for themselves.

Extending the focus on the antecedents as reported by Kotha and George (2006, 2012), Hellmann and Wasserman (2011) examined both *antecedents* and *consequences* of equity distribution in a recent working paper. Based on a data set comprised of 1,476 founders in 511 entrepreneurial ventures from the US-based CompStudy survey, the authors found that heterogeneity with regard to prior founding experience, founder capital investment, and idea generation are related to an unequal equity distribution. Further the authors found that heterogeneity in these three criteria also determine the size of the respective share premium received. Hellmann and Wasserman (2011) also investigated the speed of the negotiation surrounding the split and found that 47% of all teams agree on an equity split within a day or less, and that teams splitting equally tend to reach a quicker agreement. Finally, the authors found that an unequal distribution has favorable effects on the company valuation in the first rounds of equity financing due to a *stakes effect* (teams that expect a greater future payoff are likely to put more effort into equity negotiations) and a *negotiator effect* (entrepreneurs willing to engage in equity negotiations are likely to be better entrepreneurs as they potentially negotiate harder with their suppliers and customers).

Additionally, Hellmann and Thiele (2011) investigated in a conceptual working paper the role of ownership contracting among co-founders. The authors proposed that a trade-off exists between upfront versus delayed contracting. In particular Hellmann and Thiele (2011) pointed out that delayed contracting may be more appropriate in situations when the value of resources is uncertain, while delayed contracting also brings along the risk of individuals appropriating the business idea and starting their own ventures.

Finally, Wasserman (2012) recently provided predominantly practical advice for entrepreneurs regarding the distribution of equity, while some of the advice was based on scientific research. In particular, the author laid out potential reasons for the timing of the equity distribution (early versus delayed distribution), criteria to consider for deriving the actual equity split (past and future contributions, opportunity cost of the co-founders, as well as founder motivations and preferences), and the problems associated with static and non-contingent equity distributions (i.e., contracts that do not specify individual contributions that have to be met to qualify for a pay-out). Since allocated equity usually cannot be taken back (Kotha & George, 2012), Wasserman (2012) recommends founder teams to adopt *vesting schedules* (cf. Hellmann, 1998), which pre-define milestones over a specific time frame, and which must be achieved in order to qualify for full equity allocation. Overall, Wasserman's practice-oriented publication underscores the high relevance of the topic for entrepreneurship practice.

In summary, the small body of research on equity distribution provides us with a solid understanding of the *antecedents* of equity distribution (prior experience, social ties, idea contribution, founder capital investment, opportunity cost and founder preferences), and how the distribution *process* typically looks like. Moreover, we can gather an initial understanding of the *consequences* of equity distribution from the research by Hellmann and Wasserman (2011), which suggests that an unequal distribution has favorable effects for the company's valuation in the first rounds of equity financing. To date, however,

we know little about the consequences of equity distribution for the social interaction within and stability of the entrepreneurial team. This has been stressed in early calls for research (e.g., Kamm et al., 1990) and repeated more recently (Kotha & George, 2012; Schjoedt et al., 2013), which underscores the fact that the consequences of equity distribution have so far been insufficiently researched. In the following, I will disaggregate the associated components of entrepreneurial equity distribution (financial reward, ownership, as well as power and control), and briefly review the current state of research in the entrepreneurship domain. I will further draw on research in established organizations to provide additional insights into the respective subject matter.

First, scholars typically subsume under the ***financial rewards*** of entrepreneurship the three elements *net profit, drawings and capital gains* (Carter, 2011). While researchers tend to agree on above definition, so far limited empirical understanding exists regarding financial reward allocation and its consequences for the individual entrepreneur and the entrepreneurial team (Carter, 2011; Hamilton, 2000). Part of this may be attributed to the difficulty in data collection and the fact that entrepreneurial rewards are often multi-faceted and subject to change over time (Carter, 2011; G. N. Chandler & Lyon, 2001). Yet, part of it may also be based on the notion that non-pecuniary rewards like autonomy and independence are important motivating factors in entrepreneurship (Birley & Westhead, 1994; Douglas & Shepherd, 2002; Lange, 2012). While the latter are arguably central elements of the entrepreneurial mindset, a significant proportion of entrepreneurship literature is based on the premise that financial rewards represent the primary motivator for engaging in entrepreneurial activities (Baumol, 1990; C. A. Campbell, 1992; Shepherd & DeTienne, 2005).

When we turn our attention to research in established organizations we find that financial reward allocation represents a central element in organizations due to its consequential effects on behaviors and organizational effectiveness (Freedman & Montanari, 1980;

Lawler & Cohen, 1992). In particular, research has shown that rewards may affect the motivation of team members (Lawler, 1981), interdependence and coordination within groups (Tjosvold, 1986), quality of the group process between team members (Shea & Guzzo, 1987), affective commitment and work performance (Kuvaas, 2006), and voluntary turnover intentions (J. D. Shaw & Gupta, 2007; M. L. Williams, McDaniel, & Nguyen, 2006). Moreover, Siegel and Hambrick (2005) found in a research study on top management teams (TMTs) a negative relationship between horizontal pay disparities, i.e., differences in pay among TMT members, and firm performance. Given this, taking up recent research calls (e.g., Kotha & George, 2012; Schjoedt et al., 2013) for a better understanding of the individual- and team-level consequences of the predominant financial reward in entrepreneurship seems an interesting and promising effort.

Second, the outcome of the initial equity distribution directly determines the initial ownership structure of the new venture. **Ownership** is commonly defined as "*a rightful claim to property*" (Rousseau & Shperling, 2003, p. 555), and has been called a multi-dimensional construct, since it "operates both as a formal (objective) and a psychologically experienced phenomenon" (Pierce, Rubenfeld, & Morgan, 1991, p. 124). Formal ownership is associated with a control right that gives owners the permission to assert control over the property (e.g., to take possession or sell the firm's assets) (Rousseau & Shperling, 2003), and the right to appropriate the firm's residual earnings (Amit, Glosten, & Muller, 1993; Hansmann, 1988). In contrast, psychological ownership relates to the feeling of possessiveness (Pierce et al., 2003), the "sense of ownership" (Avey, Avolio, Crossley, & Luthans, 2009, p. 173) that may even exist in absence of formal ownership (Pierce, Kostova, & Dirks, 2001).

Ownership in the context of entrepreneurial firms is in several ways distinct. Foremost, initial ownership arrangements are typically subject to significant uncertainty and thus founders often find it difficult to arrive at an initial equity split (Wasserman, 2012). This

is also due to the aforementioned fact that the initial allocation of ownership among the founders of a new venture frequently takes place within one month of founding (Wasserman, 2012). As a consequence, the involved parties are required to make the allocation decision well before the economic value of the undertaking as well as the individual contributions may be determined (Alvarez, 2007; Alvarez & Parker, 2009; Wasserman, 2012). Hellmann and Thiele (2011) referred to to this phenomenon as the risk of *"'tying the knot' too early"* (p. 1), before it is clear what value each individual adds to the venture.

Then, once the knot is tied, ownership generally tends to be relatively concentrated among a few owners in the new venture (Boeker & Wiltbank, 2005; D. Miller, Le Breton-Miller, & Lester, 2011), particularly in the case of venture-capital backed start-ups (Arthurs & Busenitz, 2003; Sapienza & Gupta, 1994). Not infrequently, founders hold large ownership stakes, which provide them with significant influence over firm matters (Nelson, 2003). Since owners are oftentimes simultaneously the managers of the firm (Garg, 2013; Jensen & Meckling, 1976; D. Miller et al., 2011) principal-agent conflicts between owners and managers, according to which the goals of the two parties conflict and it is expensive for owners to verify the actions of managers (Eisenhardt, 1989a), tend to be somewhat less of a concern in entrepreneurial settings.

Finally, given the dynamic environment and the need for capital, ownership changes are quite frequent in young ventures. Oftentimes, entrepreneurs start their ventures with their own money (Schwienbacher, 2007) or tap resources from socially-related helpers (Kotha & George, 2012). As these resources tend to be limited, new ventures frequently require external financing in the early stages of their venture development (Shane & Cable, 2002). While the majority of ventures are bank financed (De Bettignies & Brander, 2007), (private) equity financing from outside investors (e.g., venture capitalists or business angels) represents an important funding source for many ventures (Fairchild, 2011;

Garg, 2013). Whereas bank financing leaves entrepreneurs full control of the venture, equity financing allocates partial ownership to the equity investor (De Bettignies & Brander, 2007). This phenomenon of ownership change is usually referred to as *dilution effect*, because the entrepreneurs' initial share of ownership decreases (Cable & Shane, 1997; Wruck, 1989). The dilution effect is typically significant in the first rounds of financing. For instance, Bruno and Tyebjee (1985) reported in a study of 179 high-tech companies an average equity share of 31.5% passed on to the venture capitalist (VC) in the first round of financing while Hand (2007) found an average dilution effect of 46% during a Series A financing round of biotechnology ventures. Similarly, Arthurs and Busenitz (2003) suggested a VC equity share in the range of 40% after the initial round of financing, even though the authors did not provide empirical evidence. In the course of these financing rounds, conflicts occasionally arise between the negotiating parties (typically entrepreneurs and VCs) over the pricing of equity (Forbes, Korsgaard, & Sapienza, 2010).

In addition to these specific characteristics of entrepreneurial ownership, extant entrepreneurship research has also started to consider the *consequences* of the ownership distribution. For instance, Boeker and Karichalil (2002) found that founder ownership reduces founder turnover, arguably also because the associated "power and influence [...] permit founders to better protect their own positions as a new venture evolves" (p. 825). Additionally, Colombo, Croce, and Murtinu (in press) showed that the number of owner-managers in Italian high-tech ventures positively influenced firm performance. While these studies represent some groundwork in entrepreneurship research, Kotha and George (2012) recently called for a more comprehensive understanding of the topic: "[o]wnership distribution may lead to informal hierarchies in new ventures with flat structures; this informal hierarchy may influence coordination of activities in the new venture. Future studies could examine the influence of ownership distribution" (p. 541). I address Kotha and George's research call in this study, by examining the effects of ownership distribution in the entrepreneurial team context.

Third, the distribution of equity also allocates power and control within the founder team. In absence of research on power and control in the entrepreneurship domain, we turn to social psychology research in established organizations. Here **power** is commonly defined as *the relative ability of an individual to influence others* (Keltner et al., 2003; van Kleef et al., 2008). Research on power and control outside of the entrepreneurship domain has shown that power dispersion, i.e., power differences between the different team members, shapes social perceptions and behavior in team settings (Keltner et al., 2003). For instance, it has been found that those in power show less compassion when others are suffering (van Kleef et al., 2008), and that power also increases the social distance between high- and low-power individuals (Lammers, Galinsky, Gordijn, & Otten, 2012). Therefore, "understanding the impact of team-held power on intra-team interactions and performance may be critical to understanding how to create effective organizational teams" (Greer, Caruso, & Jehn, 2011, p. 116). Especially since oftentimes no formal structures or official hierarchies in entrepreneurial founder teams exist (Blatt, 2009), considering the distribution of equity as a source of power dispersion in entrepreneurial teams seems a promising and very relevant approach.

The key insight from extant literature with regards to equity distribution and its associated components (reward, ownership and power) is that the equity distribution event is material and that its outcome is likely to have substantial effects on the social interactions in entrepreneurial teams. Even though important insights can be gathered from these related research strands, no comprehensive understanding exists regarding the effects of entrepreneurial equity distribution on the individual- and team-level, as evidenced by the repeated calls for research (e.g., Kotha & George, 2012; Schjoedt et al., 2013). This lack of understanding provides additional support for the inductive, exploratory research design chosen in this thesis. In the following section, I will continue my brief literature review focusing on entrepreneurial teams.

2.2 Entrepreneurial teams

> "History loves the notion of the sole innovator: Thomas Edison (light bulb), Steve Jobs (Macintosh), Henry Ford (Model T), Anita Roddick (The Body Shop), Richard Branson (Virgin Airlines). History is wrong. Successful companies are started, and made successful, by at least two, and usually more, soulmates. After the fact, one person may come to be recognized as 'the innovator', but it always takes a team of good people to make any venture work." (Kawasaki, 2004, p. 10)

Above quote by Guy Kawasaki underscores an essential point: even though entrepreneurship is often reduced in the public eye to one individual founder, the success of a start-up is largely dependent on a team of individuals (Lim, Busenitz, & Chidambaram, 2013). Whereas Steve Jobs represents the figurehead of Apple, his co-founder Steve Wozniack is arguably an equally important part of Apple's success story. And the same also holds true for other less prominent entrepreneurial team members of prominent start-ups (e.g., Sheryl Sandberg of Facebook).

In the entrepreneurship literature, the entrepreneur has traditionally also been described "as a lone hero, battling against the storms of economic government, social, and other environmental forces before anchoring in the harbor of success" (Cooney, 2005, p. 226). Only more recently has entrepreneurship research paid particular attention to teams (e.g., Eisenhardt, 2013; Lim et al., 2013; Moroz & Hindle, 2012; Morris, Kuratko, Schindehutte, & Spivack, 2012). This is not surprising, given that studies point out that the majority of entrepreneurial firms are composed of two or more individuals (Ruef et al., 2003). In fact, Beckman (2006) recently even reported that close to 90 percent of her sample of entrepreneurs consisted of teams of individuals and not solo entrepreneurs. These examples provide support for the argument that the single focus on the individual entrepreneur is rather outdated and that the entrepreneurial team also requires significant research attention (e.g., Schjoedt et al., 2013).

Admittedly, a considerable amount of research on groups and small teams exists, in

particular also on corporate TMTs that seem, at first sight, to be relatively similar to entrepreneurial teams. At the same time, entrepreneurial teams are structurally different from corporate TMTs in a number of ways (Klotz et al., in press). First, entrepreneurial teams and their tasks differ from those of corporate management teams because they face the liabilities of the venture's newness (Stinchcombe, 1965) and the associated high failure risk (Schjoedt et al., 2013). Second, unlike corporate TMTs, entrepreneurial teams also own a substantial part of the venture's equity (Huovinen & Pasanen, 2010) and thus carry a significant proportion of the venture's idiosyncratic risk (Hall & Woodward, 2010). Third, entrepreneurial teams typically do not operate in established organizational structures but rather are in the process of creating such structures (Blatt, 2009). Fourth, their substantial ownership, as well as the absence of authority figures, provides entrepreneurial teams with more freedom regarding strategy formulation and execution than corporate management teams (Blatt, 2009; Boeker, 1989), and they have significant say how their team should be expanded or developed (Ruef et al., 2003). As a consequence, the development of a venture is substantially influenced by the entrepreneurial team and its members (Harper, 2008), and the quality of the team is a major funding criterion for investors (Cyr et al., 2000; MacMillan, Siegel, & Narasimha, 1985; Zacharakis & Meyer, 1998). Due to all aforementioned differences, entrepreneurial teams require their own and distinct stream of research—an argument which is backed by the notion that "behavioral theories meant to be applied to established organizations do not always transfer well into entrepreneurial firms" (Schjoedt et al., 2013, p. 1).

In essence, entrepreneurial team research has developed along two research strands, which will be briefly reviewed in the following. The first stream of entrepreneurial team research has investigated how the team's composition affects the development of the team and the venture. To begin with, new venture teams are often composed of homogeneous members in terms of gender, age, and ethnicity (Ruef et al., 2003). This homogeneity has been associated with higher team stability (G. N. Chandler et al., 2005; Ucbasaran

et al., 2003). Moreover, teams benefit from homogeneity particularly in early development stages, while heterogeneity in terms of team members' functional and educational backgrounds is negatively related to sales growth, profitability, and market performance (Amason et al., 2006). However, research has also shown that new ventures profit from teams which are more heterogeneous. For example, entrepreneurial teams with a more heterogeneous functional background are more likely to achieve, and tend to raise more money in, an initial public offering (Beckman et al., 2007; Beckman & Burton, 2008; Zimmerman, 2008). Additionally, Foo et al. (2006) pointed out that member diversity in educational backgrounds was beneficial to team viability[1]. Recently, Hmieleski and Ensley (2007) further contextualized the debate by integrating two additional variables, environmental dynamism (stable vs. unstable environments) and leadership styles (empowering vs. directive leaders) in their research. The authors found that in dynamic environments heterogeneous teams with directive leaders and homogeneous teams with empowering leaders performed best, while in stable environments heterogeneous teams performed best with empowering leaders and homogeneous teams with directive leaders. This finding illustrates that the debate whether and under what circumstances homogeneity/heterogeneity with regards to team composition is beneficial is still ongoing.

Moreover, studies have also studies additional aspects of entrepreneurial team's composition. For instance, scholars have examined the size of the entrepreneurial team and shown that larger teams tend to add fewer new members to the team (Ucbasaran et al., 2003), form more alliances with other firms (Eisenhardt & Schoonhoven, 1996), and acquire more capital from investors (J. A. Baum & Silverman, 2004). Additionally, research has also studied formal team roles and capabilities in the new venture team. In particular, Foo et al. (2006) analyzed the role of the team leader in new ventures and found that teams with a distinct leader enjoyed high team satisfaction. And more recently Brinck-

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[1] Team viability is defined as the "*team's capacity for the sustainability and growth required for success in future performance episodes*" (Bell & Marentette, 2011, p. 279)

mann and colleagues found that new venture team's external financing competence is positively linked to employment growth, while its competence in financing through operations is related to employment and sales growth (Brinckmann, Salomo, & Gemuenden, 2011).

The second stream of entrepreneurial team research has focused on attitudes, team processes and social interactions, in particular conflict, trust, communication patterns and team formation. First, studies have addressed the role of team conflict and argued that conflict is more likely to develop in heterogeneous than in homogeneous entrepreneurial teams (Beckman et al., 2007; Chowdhury, 2005a) and that it is negatively associated with team decision making speed (Eisenhardt, 1989b). Further, while task conflict has a positive impact on the team's shared strategic cognition and subsequent venture performance (Ensley & Pearce, 2001; Ensley & Hmieleski, 2005), it also induces relationship conflict (Ensley & Pearce, 2001), which in turn has a detrimental effect on venture performance (Ensley & Pearce, 2001; Ensley & Hmieleski, 2005). Second, recent theoretical work has also focused on the role of trust in entrepreneurial teams and proposed that the development of communal relational schemas (i.e., caring about one another's needs) and contracting practices can help overcome the challenges of newness faced by entrepreneurs (Blatt, 2009). Third, Foo et al. (2006) studied communication patterns in entrepreneurial teams and found that open communication and social integration in new venture teams predicted team viability and team satisfaction. Finally, studies on the assembly process of entrepreneurial teams show that resource seeking and interpersonal attraction (Forbes, Borchert, Zellmer-Bruhn, & Sapienza, 2006), trust and shared values (Cruz, Howorth, & Hamilton, 2013), and the availability of personnel (Clarysse & Moray, 2004) are important antecedents to team formation.

In summary, the key insight from the two streams of entrepreneurial team literature is that team compositions and their effects on the venture differ substantially, and that

these differences explain, partly, the processes and performance of entrepreneurial teams and their ventures. Although extant work has provided important insights, "there is still much we do not know, and there has been a lack of concerted effort to develop a theory that applies to the specific circumstances and contingencies facing entrepreneurial or family business teams" (Schjoedt et al., 2013, p. 3). I suspected that grounding the theorizing in data on how the equity distribution among team members as an important contingency affects the entrepreneurial team's social interactions would enable myself to generate additional insights. In the following section, I will continue my brief literature review focusing on team turnover.

2.3 Team turnover

It has widely been acknowledged that in established organizations, the composition of the top management team shapes a company's strategy and affects its performance (Beckman & Burton, 2008; Finkelstein & Hambrick, 1996; K. Y. Williams & O'Reilly, 1998). While little empirical evidence exists, several scholars have argued that this relationship also holds true in entrepreneurial firms (Kamm et al., 1990; Schjoedt et al., 2013) or may even be more pronounced than in the corporate context (Daily & Dalton, 1992b; Daily, McDougall, Covin, & Dalton, 2002; Rowe, 2001). However, especially in young founder teams, team composition is often dynamic (Cooper & Bruno, 1977; Timmons & Spinelli, 2009). Specifically, research has found that team composition evolves over time as team members are added and replaced in the course of the venture creation journey (G. N. Chandler et al., 2005; Cooper & Daily, 1997; Ucbasaran et al., 2003). Therefore, research on team turnover in entrepreneurial firms is arguably of particular relevance.

In entrepreneurial team studies, **team turnover** is typically defined as "*the departure of existing team members (i.e., exit) and/or the introduction of members to the team*

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(i.e., entry)" (Ucbasaran et al., 2003, p. 108). Oftentimes, studies also differentiate between *voluntary turnover* (i.e., an individual voluntarily quits) and *involuntary turnover* (i.e., an individual is dismissed or his contract is terminated) (see Batt & Colvin, 2011; Hausknecht & Trevor, 2011). In this study, I am particularly concerned with *voluntary team member exit*[2] among the entrepreneurial founder team. In the following I will draw on corporate TMT and entrepreneurial team literature to briefly review the existing research on the *antecedents* and the *consequences* of team turnover.

In corporate TMT research, several *antecedents* to team turnover have been suggested. In particular, different researchers have found a positive relation between team diversity and turnover (Amason & Sapienza, 1997; Boone, van Olffen, van Witteloostuijn, & De Brabander, 2004; Jackson et al., 1991; Wagner, Pfeffer, & O'Reilly, 1984; Wiersema & Bird, 1993). Others have shown that the company's environment has a direct influence on TMT turnover (Tushman & Romanelli, 1985; Virany & Tushman, 1986; Wiersema & Bantel, 1993). For instance, Wiersema and Bantel (1993) reported a positive relation between environmental complexity and environmental instability and turnover and a negative relationship between environmental munificence[3] and team turnover. Another stream of research suggests that financial performance is inversely related to TMT turnover (Denis & Denis, 1995; Wagner et al., 1984). Moreover, Keck and Tushman (1993) showed that CEO succession often leads to subsequent turnover in the top management team. Finally, pay dispersion has been related to turnover among top management team members (Messersmith, Guthrie, Ji, & Lee, 2011).

In entrepreneurship research, three overarching *antecedents* of entrepreneurial team turnover have been suggested—life cycle, firm performance, as well as individual- and team-related factors. They will be portrayed in the following. First, there is a widespread notion in

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[2]In this study, the terms *team member exit* and *team member departure* are used interchangeably. This is in accordance with extant literature (Ucbasaran et al., 2003).

[3]Environmental munificence refers to the extent to which the environment's capacity permits organizational growth (Wiersema & Bantel, 1993) .

entrepreneurship literature that entrepreneurial turnover, in particular the initial replacement of the original founder team, is an essential element of the venture creation journey (Boeker & Karichalil, 2002). Assuming an organizational *life cycle* perspective (A. D. Chandler, 1962; Quinn & Cameron, 1983), scholars point out that firms move through various stages of growth, in which the inherent demands and challenges are fundamentally different and thus require different skills from firm leaders (Boeker & Wiltbank, 2005; Hanks, Watson, Jansen, & Chandler, 1993). According to the argument, the entrepreneurial firm eventually outgrows its entrepreneurs' managerial capabilities and thus requires replacement by experienced professionals (Aldrich, 1999; Boeker & Karichalil, 2002; Hambrick & Crozier, 1985; Rubenson & Gupta, 1996). Jayaraman and colleagues share this notion and explicitly state that "[a] founder's ongoing involvement in general management activities may be decreasingly valuable or even detrimental to a company's success as the firm grows" (Jayaraman, Khorana, Nelling, & Covin, 2000, p. 1216). Among others, Hellmann and Puri (2002) have referred to this founder substitution as a "professionalization" process (p. 169), which is often triggered by venture capitalists (Bruton, Fried, & Hisrich, 1997; Khanin, Baum, Turel, & Mahto, 2009; Polat & Wadhwa, 2008).

Second, in addition to the natural life cycle succession, firm performance has also been suggested as an antecedent of entrepreneurial turnover. However, research findings on the performance-entrepreneurial turnover relationship (Boeker & Wiltbank, 2005; Fiet & Busenitz, 1997; Hellerstedt et al., 2007; Schefczyk & Gerpott, 2001; Wasserman, 2003) have not been conclusive. In line with corporate TMT literature (Denis & Denis, 1995; Wagner et al., 1984), on the one hand, some research has found a relationship between low levels of actual performance and founder team turnover (Fiet & Busenitz, 1997; Schefczyk & Gerpott, 2001). On the other hand of the spectrum, Wasserman (2003) reported a positive relationship between firm success and founder-CEO turnover. While Hellerstedt et al. (2007) did not find a relation between venture performance

and subsequent team departures, Boeker and Wiltbank (2005) analyzed the connection between firm growth and turnover empirically and found a U-shaped relationship between venture growth and TMT changes (both high growth and low growth firms have high TMT turnover), as well as an increase in TMT changes for teams with venture capital ownership. Lastly, the CEO succession literature (Wasserman, 2003) reports that the rate of founder succession increases in case critical milestones (i.e., the development of the first product and successful fund raising) are successfully met.

Third, another stream of entrepreneurship research has looked at individual- and team-related variables as potential team turnover antecedents (Burton & Beckman, 2007; G. N. Chandler et al., 2005; Hellerstedt et al., 2007; Ucbasaran et al., 2003). In particular, Ucbasaran et al. (2003) found that a difference in prior entrepreneurial experience is related to team member exit and Chandler and colleagues found support for a relation between a larger team size and higher TMT turnover (G. N. Chandler et al., 2005). Moreover, Hellerstedt et al. (2007) suggested that team heterogeneity in terms of age, industry experience and type of education is positively related to turnover among the entrepreneurial founder team members. Further, research has examined the effects of imprinting, i.e., the extent to which conditions at the time of founding have an enduring effect (Boeker, 1989; Stinchcombe, 1965), on team turnover. In particular, Burton and Beckman (2007) reported that imprinting effects of the predecessor (in particular, if the predecessor had an atypical background) have an impact of subsequent turnover probability of the incumbent position holder. Finally, Vanaelst et al. (2006) suggested, based on their case study of academic spin-outs, that affective conflict may be a driver of entrepreneurial team turnover.

With regards to the *consequences* of turnover, research has not been conclusive whether managerial and founder turnover is beneficial or detrimental for organizations (Haveman & Khaire, 2004). For instance, some corporate TMT research has stressed the benefits of

TMT turnover (Cho, 2006; Denis & Denis, 1995; Tushman & Rosenkopf, 1996; Virany, Tushman, & Romanelli, 1992). In particular, it has been pointed out that the replacement of top management team members leads to a broader environmental scanning (Cho, 2006) and improves company performance (Virany et al., 1992). Denis and Denis (1995) also found performance improvements, but only for involuntary turnover. Tushman and Rosenkopf (1996) found that CEO succession has positive performance effects in stable environments but negative ones in case of turbulent environments. However, other research in the TMT context has not been as positive (Cannella & Hambrick, 1993; Krishnan, 2009). For instance, it has been found that TMT turnover following acquisitions had a negative impact on firm performance (Cannella & Hambrick, 1993). Moreover, Krishnan (2009) argued that "turnover may send negative signals to key stakeholders such as customers, investors, and government agencies that the firm lacks stability at the top level" (p. 1184).

Similar to the corporate TMT context, there have been mixed findings in entrepreneurship research, whether the *consequences* of turnover are beneficial or not. A set of studies show that team stability (i.e., the absence of team member exit) may be beneficial for firm performance. For instance, Nelson (2003) found, rather contrary to life cycle theory, that founder CEOs received a higher price premium at the initial public offering (IPO) compared to non-founder CEOs. Similarly, He (2008) found that firms with founder CEOs showed a higher performance than those with professional CEOs. And Kroll et al. (2007) showed that post-IPO venture firms with a large share of original new venture TMT members performed better than those with TMTs composed of outsiders.

In contrast, other studies in entrepreneurship research that focused exclusively on CEO succession did not find a performance difference between firms with founder-CEOs and firms with non-founder CEOs (Daily & Dalton, 1992a, 1992b; Jayaraman et al., 2000; Willard, Krueger, & Feeser, 1992). And yet another study showed that, under certain

circumstances, turnover may in fact be beneficial for firm performance (G. N. Chandler et al., 2005). In particular, Chandler and colleagues found that for start-ups that have reached a more advanced development stage, departures from the founder team will be more positively correlated with performance. At the same time, the transition itself is far from trivial, exemplified by the remark of Wasserman (2003) who called the substitution of a founder by a professional manager "maybe the most critical succession event in the life of most firms" (p. 151). This notion is backed by empirical studies. For instance, Kim and Aldrich (2004) analyzed the consequences of team turnover and found it being associated with a higher likelihood of organizational failure. Haveman and Khaire (2004) also reported a higher likelihood of organizational failure, which is being intensified by the ideological zeal of the departing founder. Finally, G. N. Chandler et al. (2005) found that team turnover has a negative performance effect in dynamic environments. In essence, the variety of findings summarized above indicates that the debate over the benefits derived from stable/unstable team compositions in the entrepreneurial venture team is still ongoing.

One key insight from the team turnover literature is that while turnover plays a prominent role in entrepreneurial teams (Timmons & Spinelli, 2009), only limited understanding exists what actually drives entrepreneurial turnover and how the underlying process looks like (Ucbasaran et al., 2003). For instance, Wennberg et al. (2010) recently pointed out that:

> "[...] future research should be careful to disentangle exit of entrepreneurs from their firm vs. exit of the firm itself. Such work should consider both the type of exit as well as the human capital and behavioral aspects of the entrepreneur that lead to such exits. We hope that this study will encourage additional work in this area." (p. 374)

This call by Wennberg and colleagues underscores the promise of work in this area of research, and highlights the importance of understanding the behavioral components that

lead to entrepreneurial exits. In the following chapter, I will now introduce this study's research setting.

3 Research setting

> "The dominance by many researchers employing short-term quantitatively based works has put the focus on medians and averages, frequently at the expense of longitudinal studies on individuals or teams" (Cooney, 2005, p. 227).

This chapter provides an overview of my thesis' research setting. In Section 3.1 I will describe the research design of the **B**uilding **E**ntrepreneurial **S**uccess **T**eams (BEST) project, which we set up, in light of above criticism by Cooney (2005), as a longitudinal research study. In Section 3.2 I will lay out the recruiting process of the sample, which I will subsequently portray in Section 3.3. Section 3.4 outlines the components of the interview rounds, whereas Section 3.5 gives insight on the content and layout of the quantitative surveys. In Section 3.6, I will give a brief overview of the team workshops. Finally, Section 3.7 describes the administration of the research process.

3.1 BEST research design

While the roots of entrepreneurship research date back almost one century to the writings of Joseph Schumpeter and Frank Knight (Low & MacMillan, 1988), it was not until the early 1990s that the academic research community started to expand its focus from the single entrepreneur to the entrepreneurial team (Cooney, 2005). Influential works by Kamm et al. (1990) and Gartner, Shaver, Gatewood, and Katz (1994) noted that

"the 'entrepreneur' in entrepreneurship is more likely to be plural, rather than singular" (1994, p. 6) and called into being a new era of entrepreneurship research. This has subsequently manifested itself in a multitude of research on various aspects of the entrepreneurial team, ranging from team composition (e.g., Chowdhury, 2005a; Ucbasaran et al., 2003) and collective decision-making (West, 2007) to studies related to team and venture performance (e.g., Ensley et al., 2002; Hmieleski & Ensley, 2007). At the same time, comprehensive, multi-level, multi-method, and longitudinal team research has so far been sparse, if not inexistent (Cooney, 2005). For instance, G. N. Chandler and Lyon (2001) found in a 10-year analysis of entrepreneurship research studies that only 11% were multi-level, and only 7% employed a longitudinal design. Moreover, as Schindhutte and colleagues pointed out: "[...] relatively little is known regarding how individual entrepreneurs actually experience the [entrepreneurial] process. Few insights are available regarding the sensory and emotional elements that come into play within the entrepreneur as the venture takes form and evolves" (Schindehutte, Morris, & Allen, 2006, p. 349).

Being aware of this shortcoming, the Entrepreneurship Research Institute at Technische Universität München (TUM) under the leadership of Professor Dr. Dr. Holger Patzelt and Professor Dr. Nicola Breugst has called into life a large-scale research project titled **B**uilding **E**ntrepreneurial **S**uccess **T**eams (BEST) that comprises these aforementioned elements: (i) comprehensiveness (i.e., a broad spectrum of constructs), (ii) multi-level perspective (i.e., constructs across different levels), (iii) longitudinal design (i.e., over a time span of multiple months with several points of measurement), and (iv) multiple methods (i.e., a combination of qualitative and quantitative elements). The operational project team has been composed of three researchers at TUM's Entrepreneurship Research Institute: Florian Bernlochner, Anna Roth and myself.

Over the period of 17 months, between May 2011 and September 2012, our team empirically researched in a methodologically multifaceted way 64 entrepreneurial teams

from the greater Munich area. The main focus of the research was to gather empirical evidence among entrepreneurial teams on a broad array of constructs and their inter- play—a selection of them I will investigate in this thesis. The constructs encompass four different levels of perspective: the individual entrepreneur, the entrepreneurial team, the entrepreneurial venture, as well as the venture's environment. The advantage of a multi-perspective design in entrepreneurship research has been put forward by Davidsson and Wiklund (2001) who stress that "valuable knowledge can be obtained on different levels of analysis and we hope that they can inspire future research" (p. 82). Recent theoretical discussions have also assumed this point of view (see Welter, 2011; Zahra & Wright, 2011). Table 1 provides an overview of the different levels in our research and exemplifies some of the constructs, which are central to the BEST study as a whole, and to my thesis in particular.

Level of analysis	Quantitative surveys	Semi-structured interviews
Individual	• Entrepreneurial self-efficacy (Kickul, Gundry, Barbos, & Whitcanack, 2009) • Stress (Parker & DeCotiis, 1983) • Job satisfaction (Brayfield & Rothe, 1951) • Affect (Watson & Clark, 1994)	• Personal motivation • Personal vision • Personal role and contributions to the team and venture
Team	• Task conflict (Jehn, 2001) • Relationship conflict (Jehn, 2001) • Team identification (Mael, 1992) • Decision quality (Amason, 1996) • Trust (McAllister, 1995) • Information sharing (Bunderson, 2010) • Workload sharing (Campion, 1993)	• Conflict • Team cohesion • Interpersonal trust • Team communication • Team functions and team work • Team stability • Decision-making
Venture	• Perceived performance (Higashide, 2002) • Sales growth (Chandler, 1992)	• Business idea generation and development • Satisfaction with venture performance • Share distribution
Environment	• Environmental dynamism, environmental hostility (Green, Covin, & Slevin, 2008) • Environmental heterogeneity (Miller & Friesen, 1982)	• Business environment / competitive situation • Access to capital

Table 1: Levels of analysis and exemplary constructs
Source: Own illustration

The operational work of the BEST research project commenced in the fall of 2010. Until April 2011, our team conceptualized the details of the BEST study and prepared the

launch of the empirical research phase. At the very outset of the project's conception, we defined a number of meta research questions to guide our research process. This process was supported by regular discussions with Professor Dr. Dr. Holger Patzelt and Professor Dr. Nicola Breugst, and by a review of extant literature in entrepreneurship, management and psychology[4]. The meta research questions that informed the conception of our study were the following:

- How do young entrepreneurial teams develop in the early stage of their joint effort? How are team tasks, team roles and the environment perceived by team members?

- How do structures develop in young entrepreneurial teams? What are the relevant psychological processes that can be observed?

- How does the interplay between the collective entrepreneurial team and the individual entrepreneur look like?

With these overarching research questions serving as guiding lights, we scoped the research design for our project. We chose a mixed research design with quantitative and qualitative elements over a period of roughly 17 months (May 2011 to September 2012) including 4 comprehensive online questionnaires, 26 weekly online questionnaires, 2 in-person interviews and, selectively, follow-up interviews, as well as an individual four to five hour team workshop for each participating team at the end of our data collection cycle. A few months after the team workshop we sent out an additional comprehensive online questionnaire to capture the workshop's impact. The analyses of the team workshop and the quantitative data set are part of the dissertations of my BEST team members, Florian Bernlochner and Anna Roth.

The predominant part of the data collection (i.e., the questionnaires and the interviews) took place between May 2011 and January 2012. Thereafter, we conducted individual

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[4]The journals screened were the following: Journal of Business Venturing, Entrepreneurship Theory and Practice, Strategic Entrepreneurship Journal, Academy of Management Journal, Academy of Management Review, Administration Science Quarterly, Journal of Applied Psychology, Annual Review of Psychology, Psychological Bulletin, and Psychological Science

team workshops between February and April 2012 and some selected follow-up interviews in the spring and summer of 2012. We closed the data collection period with the final comprehensive online questionnaire following the team workshops in September 2012. Details regarding the BEST timeline can be found in Figure 2.
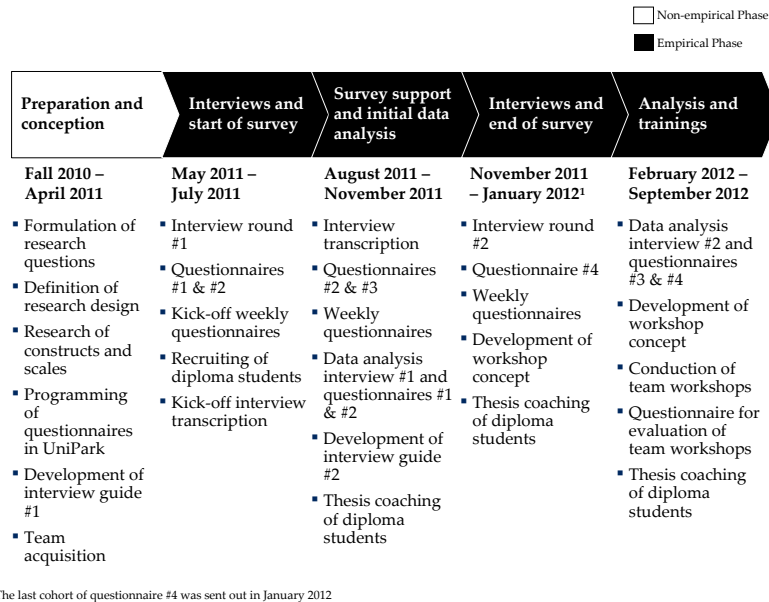
Figure 2: BEST timeline
Source: Own illustration

In the upcoming sections I will provide more detail about the conduct of the BEST project, starting with the recruitment of the BEST teams in Section 3.2.

3.2 Recruiting of BEST teams

When we crafted our project scope in the fall of 2010, we set ourselves the aspiration to sign up 50 start-up teams for the BEST study and retain at least 25 of them until the end of the research period. Our goal setting was grounded in the fact that we wanted to generate a compelling data set that would allow us to derive results that could

be generalized beyond the scope of our study. At the same time, we faced two main obstacles. First, our research design required regular face-to-face interactions with the participating entrepreneurs. Thus, we had to restrict our sample geographically to the greater Munich area. Second, we aspired to obtain detailed and continuous insights into the teams, i.e., we intended to observe them in weekly intervals. As a consequence, we required a considerable and continuous time commitment of the participants over the six and a half months long study period. Since entrepreneurs typically face time constraints due to long working hours (Astebro, 2012), it became clear to us that we had to put significant effort into the recruiting of potential participants.

Before starting the recruiting process, we sequentially defined the criteria for participation in the BEST study. First, we defined which ventures/teams would be eligible for participation. Second, we defined which individuals (i.e., which team members of the eligible teams) would be allowed to participate. The participation criteria for ventures/teams and individuals are summarized in the following.

With regards to the venture/team-level participation criteria, we followed Cooney (2005) who defined an **entrepreneurial team** as "*two or more individuals who have a significant financial interest and participate actively in the development of the enterprise*" (p. 229). In line with extant research (Coviello & Jones, 2004; Lechler, 2001; McDougall, Oviatt, & Shrader, 2003), we defined that the participating venture must have been founded no longer than six years prior to the start of the BEST study (i.e., before May 2005). As we intended to measure several items that required that the participating teams had undergone certain team processes, we defined that the team members must have **joint work experience** of at least six months prior to the start of the study. This definition of joint work experience is in line with that of Eisenhardt and Schoonhoven (1990) who specified in a study of semiconductor start-ups that *executives who had worked together for at least six months* had joint work experience. We allowed start-ups from any industry

to participate, since we did not intend to restrict our analyses on particular industries. At the same time, we defined that all participating companies must serve a business and not a social entrepreneurship purpose, in order to have a comparable sample of start-ups.

With regards to the individual-level criteria, we only considered the individuals of the start-up's core team to participate, because it was our intention to generate distinct insights into the workings of entrepreneurial founder teams (as opposed to the start-up company as a whole). In the BEST study, we define **core team** in line with Ensley et al. (2002). Accordingly, a **core team member** *has to meet two of the following three criteria. Either, the team member is a co-founder of the company*[5] (Kamm et al., 1990), *currently holds an equity share of 10% or more* (Carland et al., 1984; Kamm et al., 1990; Roure & Maidique, 1986), *or is involved in strategic decision-making* (Gartner et al., 1994; Stewart & Watson, 1999). We ensured during our recruiting process that all participating individuals fulfilled two of the above three criteria.

At the outset, we crafted a meticulous project plan for the recruiting phase. Also, we set up a recruiting master list that contained all recruiting channels (i.e., our target incubators and entrepreneurship centers), all teams in the respective channels[6] including their contact details, the responsible in the project team for the introduction, as well the recruiting status.

We then prepared a visually appealing, four page information booklet to support the recruiting process. Figure 3 gives a snapshot of the booklet. The booklet included a description of the BEST project, its conduct, an overview of the research team, as well as the concrete incentives offered to participating teams. We deliberately spelled out the incentives for the teams, as we assumed that this would increase the participation rate

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[5]Since teams are often not complete at the time of founding, we followed the definition of G. N. Chandler and Hanks (1998) and also included those as co-founders who became part of the team within two years of founding.

[6]With the restriction that we could not get full transparency in every recruiting channel

among the start-ups. The incentives we offered, amongst other minor benefits, included an individually tailored feedback session at the end of the BEST study, and the opportunity to conduct semester-long project studies with business students at Technische Universität München.

Figure 3: BEST booklet
Source: Own illustration

Regarding recruiting channels, we decided to limit ourselves to five incubators (Münchner Technologiezentrum, Innovations- und Gründerzentrum Biotech Martinsried, b-neun Media & Technology Center, gate Garching Technology and Entrepreneurship Center, and Existenzgründerzentrum Ingolstadt) and five entrepreneurship centers (Unternehmer-TUM, Strascheg Center for Entrepreneurship, LMU Entrepreneurship Center, MUC-Center, and Friendsfactory) from the greater Munich area. Start-ups from incubators and entrepreneurship centers are particularly appropriate for our study, because incubators are designed for ventures which have recently begun to exploit new business opportunities (Rice, 2002) and thus are likely to be still run by the founding team. We purposely excluded investors and other minor sourcing channels to draw from a homogeneous target

list of start-up companies. Further, we restricted ourselves to a confined geographic area to be able to conduct our interviews in-person, and to minimize sample variation due to environmental factors (e.g., business climate, political context) (Zott & Huy, 2007). 289 companies were based in above mentioned incubators and entrepreneurship centers at the beginning of our recruiting process in March 2011.

Prior to the sample recruiting process, Professor Dr. Dr. Patzelt and Professor Dr. Breugst, with the support of the operational project team, introduced the BEST study to the managing directors of above incubators and entrepreneurship centers, and asked for their support in the recruiting process. From March to July 2011, we then contacted all of the 289 companies in the target incubators and entrepreneurship centers mainly by telephone cold-calls but also through personal introductions on the companies' premises. We used a telephone guideline (see also Appendix A1), which we constantly refined and improved, to be as succinct and convincing as possible. To professionally handle the most frequent questions we received, we collected our answers in a frequently asked questions (FAQ) document, an excerpt of which is depicted in Appendix A2.

Of the 289 companies that we contacted, only 129 were reachable and met our aforementioned participation criteria. The remaining companies did not fulfill all of our criteria (94 companies) or were not reachable via telephone, despite repeated attempts (66 companies). Of the 129 companies that met our criteria, we were able to convince 67 start-ups to participate (51.9%). Three companies withdrew their commitment prior to the beginning of the BEST study, leaving us with 64 start-ups that started the BEST study. Figure 4 provides an overview of the BEST recruitment funnel.

The 64 participating companies (consisting of 161 participating founding team members) reflect a 49.6% participation rate (of the 129 companies that met our participation criteria). This is significantly higher than in other entrepreneurship studies, which we take as a sign of proof that our effort in the sample recruiting phase has paid off. As a

289

94

66

129

62

67

3

64

| Identified potential companies | Screen-outs[1] | Not reachable via telephone | Companies meeting selection criteria | Declined to participate | Accepted to participate | Dropouts before beginning of study | Starting teams for BEST |
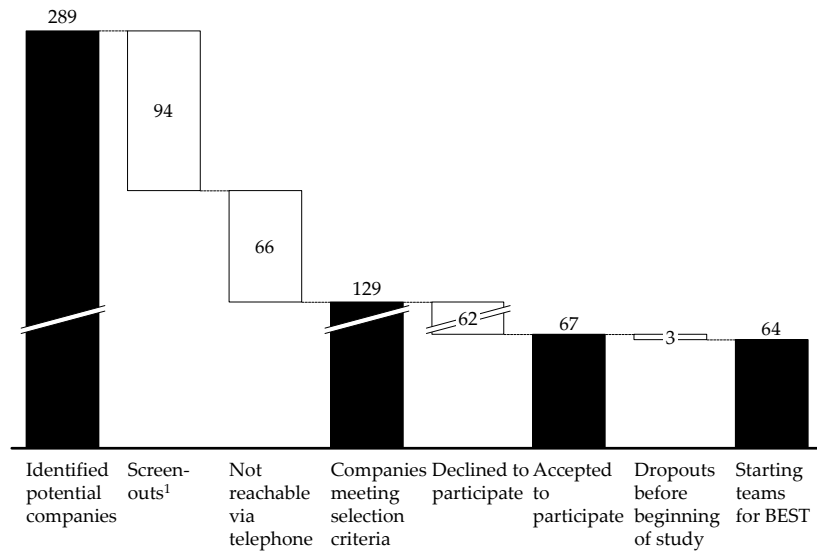
1 Start-up consisting of one single founder (37), subsidiary of a larger company (19), older than 6 years (38)

Figure 4: BEST recruitment funnel
Source: Own illustration

comparison, Bartholomew and Smith (2006) found in an analysis of response rates in entrepreneurship survey studies published in leading entrepreneurship journals[7] an average response rate of 27%. We thus consider our participation rate of 49.6% as satisfactory.

Some teams urged us during the recruiting process to assure them complete confidentiality in the course of the research process. We responded to this concern either by verbally assuring that all data was treated confidentially and was accessible by the research team only, or, if the team showed signs of doubt or mistrust, signed non-disclosure agreements (NDAs) with the respective start-up teams.

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[7]Entrepreneurship Theory and Practice and Journal of Small Business Research

3.3 BEST sample description

The start-ups participating in the BEST study feature a diverse set of industry back-grounds. Companies from service industries as well as computer hard- and software companies account for the majority of teams, 39% and 33% respectively. 6% of the participating start-ups are from the sciences, 6% come from e-commerce, and 2% are consumer goods companies. 13% of companies classified themselves as coming from other industries and 2% did not provide us with any information on their industry.

Almost two thirds (64%) of the entrepreneurial teams were founded later than 2009 or had not even been founded at the inception of the BEST study[8] (see Figure 5). The entrepreneurial teams that had not been founded at the outset of the BEST study (7 teams, equivalent to 11% of the study's sample), could not report some firm-level variables we enquired in our surveys (e.g., satisfaction with venture performance or sources of financing) and these teams also did not qualify for my thesis' case study, since they had not yet undergone their official (i.e. contractual) distribution of equity [9]. 14% of the start-ups were founded in 2008, 2% in 2007 and 5% in 2006. Two companies (3%) were founded in 2001 and one company (2%) was founded in 2000. Even though the latter three companies did not fulfill our participation criteria, we allowed them to participate in the BEST study, but we controlled for this peculiarity in subsequent quantitative analyses. 11% of companies denied us information on their founding year or the participating team members provided us with conflicting answers. The average age of the participating start-ups was 2.3 years (SD = 2.6) at the inception of the study. This is lower than for other entrepreneurial team studies. For instance, Hellmann and Puri (2002) report a mean age of 6.7 years, Hmieleski and Baron (2009) report an average firm age of 4.3 years (SD = 1.4), while the median age of the ventures in a study by West (2007) is 3.3 years at the

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[8]At the time of the first comprehensive questionnaire, filled out between May and July 2011

[9]In all of the teams that had not been founded yet, discussions about the prospective equity distribution had already been taken place or non-contractual agreements had already been made

study's inception. At the same time, it underscores that we observed *early-stage start-up teams*[10] in the BEST study.
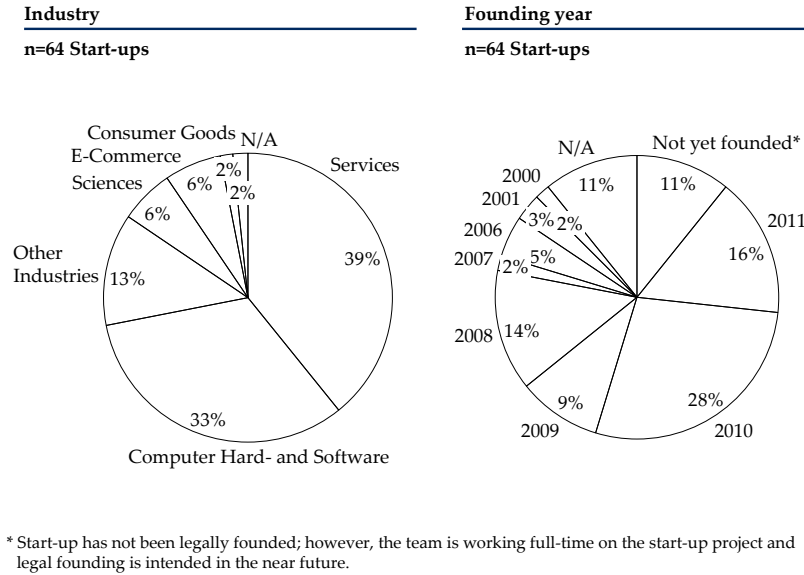
Figure 5: BEST sample: industry and founding year
Source: Own illustration

As per Figure 6, approximately half of the companies were recruited from Unternehmer-TUM, the entrepreneurship center of Technische Universität München and gate Garching, an incubator in the outskirts of Munich. 16% of the companies are based at Münchner Unternehmer Center (MUC-Center), and 13% are from Münchner Technologiezentrum (MTZ). The remaining 22% come from LMU Entrepreneurship Center (LMU EC), Strascheg Center for Entrepreneurship (SCE), b-neun Media & Technology Center (b-neun), Friendsfactory, Innovations- und Gründerzentrum Biotech Martinsried (IZB), and Existenzgründerzentrum Ingolstadt (EGZ).

As shown in Figure 6, more than three quarters of the teams (84%) had 10 or less full-time equivalent employees (FTE) at the beginning of the BEST study, 13% had more than 10

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[10]Littunen and Hyrsky (2000) refer to start-ups within the first three years of their operation as as being within their "early entrepreneurial stage" (p. 44)

FTE and 3% of the start-ups did not provide us with this information. On average, the start-ups employed 6.1 FTE (SD = 10.9). Other entrepreneurship studies report higher employee figures for their companies under analysis. For instance, the average company in a study by West (2007) employs 165 individuals, while a study by Ensley and Pearce (2001) reports a median of 49.5 employees. Combined with the young company age, this underlines the fact that during the BEST study, we observed start-up companies in a very early stage of their development.

Incubator / Entrepreneurship center

n=64 Start-ups

Number of employees*

n=64 Start-ups

IZB EGZ
Friendsfactory
b-neun
SCE
LMU EC
MTZ
MUC-Center
UnternehmerTUM
3%
3% 3% 2%
5%
6%
13%
16%
33%
17% gate Garching

More than 10 FTE N/A
3%
13%
5-10 FTE 17%
67%
Less than 5 FTE
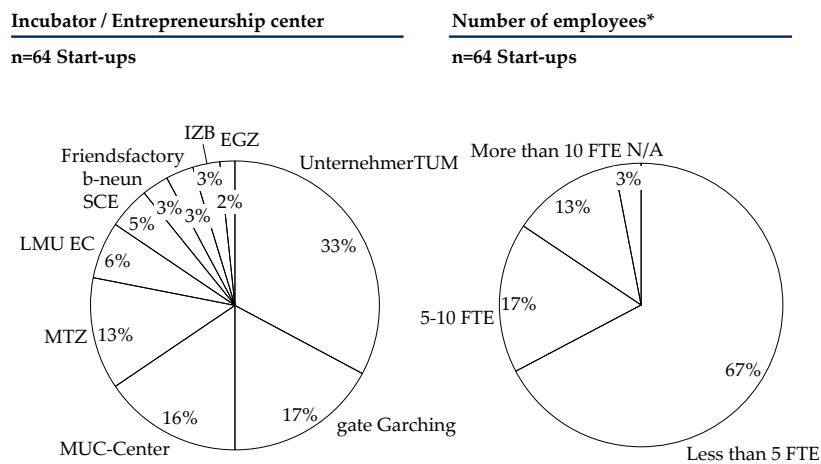
* Including the founding team; FTE=Full-Time Equivalents

Figure 6: BEST sample: incubator and number of employees
Source: Own illustration

As depicted in Figure 7, the start-up teams consist mainly of two (59%) or three (31%) members. 8% of the participating start-ups have 4 team members and a mere 2% are composed of 5 team members. The average team size in the BEST sample is 2.5 (SD = 0.7). This is in line with other entrepreneurship research studies. Eisenhardt and Schoonhoven (1990) examined teams in the semiconductor industry, where team sizes ranged from one to seven people, with an average of three founders. Similarly, the teams in the sample of Chowdhury (2005a) consisted on average of 2.2 team members. A study

by Ensley and colleagues had an average team size of 2.6 (Ensley, Hmieleski, & Pearce, 2006), while Beckman and Burton (2008) reported an average teams size of 2.8 members.

The majority of participating start-ups have prior founding experience. In 67% of the start-ups at least one team member in the founding team is a *serial entrepreneur* (Westhead & Wright, 1998), an entrepreneur with prior start-up experience. In contrast, 31% of the start-ups are rookie teams, in the sense that they are exclusively composed of *novice entrepreneurs* (Westhead & Wright, 1998), who do not have any prior founding experience. 2% of the teams did not provide us with information on their prior founding experience. The distinction between teams composed of novice and teams composed with serial entrepreneurs may be relevant for subsequent analyses, as the two groups have been found to differ in terms of opportunity identification (Ozgen & Baron, 2007; Westhead, Ucbasaran, & Wright, 2005), their comparative optimism (Ucbasaran, Westhead, Wright, & Flores, 2010), and venture performance (Parker, 2013).
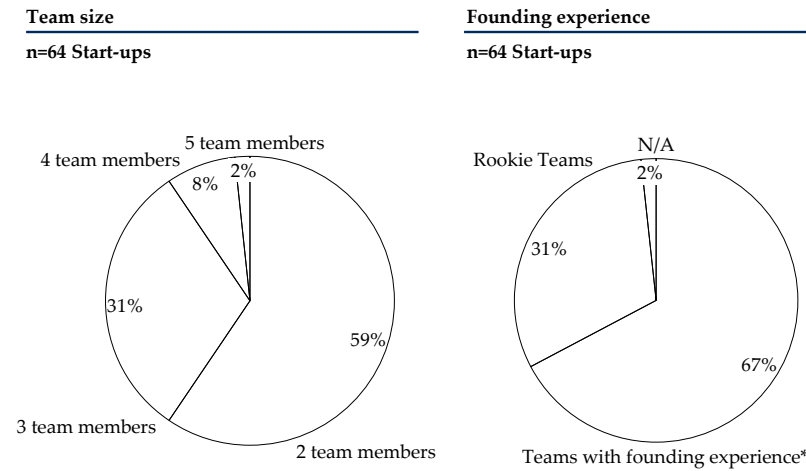
Figure 7: BEST sample: team size and founding experience
Source: Own illustration

As per Figure 8, 92% of the participating founders are male, underscoring a clear gender imbalance that is reflective of entrepreneurship teams in general (V. K. Gupta, Turban, Wasti, & Sikdar, 2005; Kelley, Singer, & Herrington, 2011). This seems comparable, even though somewhat higher than the female early stage[11] entrepreneurial activity of 4.3% reported for high income countries by the Global Entrepreneurship Monitor 2007 Report on Women and Entrepreneurship (Allen et al., 2008).

As per Figure 8, most entrepreneurs participating in the BEST study are still of young age. 52% are 30 years or younger, 29% are between 31 and 40 years old, and 12% are 41 years and older. 7% of the participants did not provide us with their age. On average the participating founders were 32.5 years old (SD = 8.6).

Sex

n=161 Participants

Age
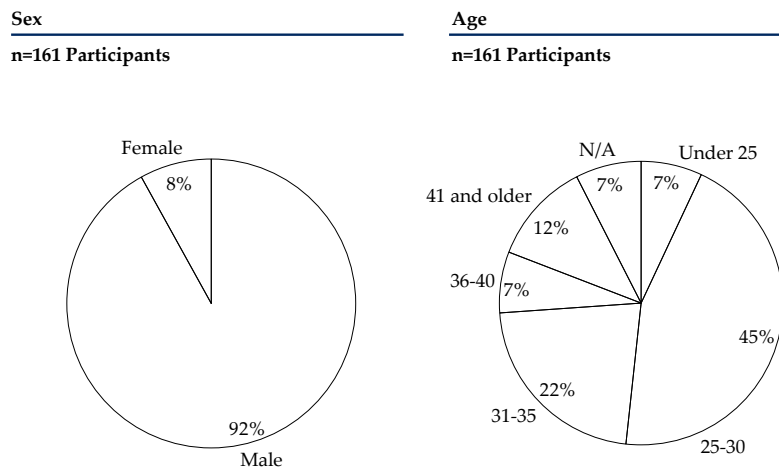
n=161 Participants

Figure 8: BEST sample: sex and age of founders
Source: Own illustration

As outlined in Figure 9, the participating entrepreneurs are well educated. 56% of participants hold a diploma or master's degree, and 11% a doctoral degree as their highest

[11] *Early stage* is defined in the Global Entrepreneurship Monitor as within 42 months of founding (Allen, Langowitz, & Minniti, 2008)

degree of education. 9% of the participants have a high school degree and 9% a bachelor's degree. 4% have completed an apprenticeship and 5% hold a different degree. An additional 7% of the participants did not provide us with information on their academic background.

As depicted in Figure 9, engineers dominate the BEST sample with 29% of participants, ahead of entrepreneurs with a business background (22%). Natural scientists rank third with 14%, while only few participants have a background in the social sciences (3%), law (2%), teaching (1%) and medicine (1%). A further 21% claim to have backgrounds in other disciplines.
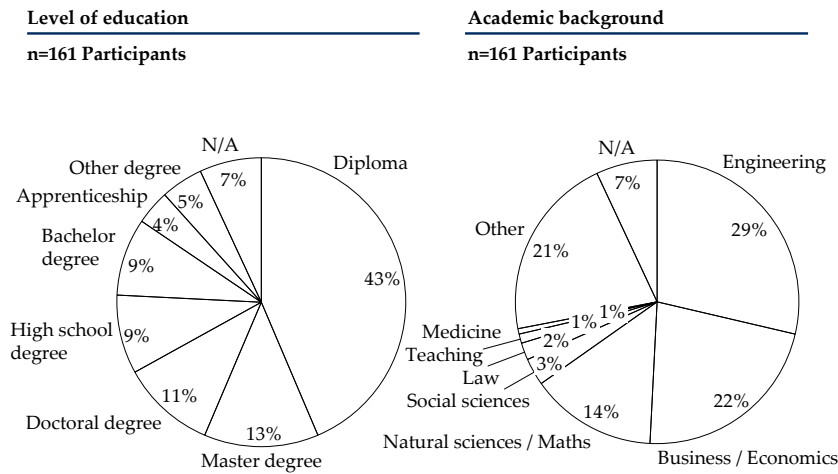
Figure 9: BEST sample: education and academic background
Source: Own illustration

Given the young age of our participating 64 start-up companies and the associated rather high risk of firm failure (Cressy, 2006), as well as the significant time commitment required for participating in the BEST study, we expected that we would lose as much as half of the participating companies over course of the six and a half months, be it for

unforced reasons (other priorities for the start-up team) or forced reasons (e.g., team or venture failure, successful exits). However, only 9 companies prematurely dropped out of the BEST study. Additionally, four participating team members prematurely exited their respective teams and thus dropped out of our study. Thus, we ended the BEST study with 55 start-up companies (86% of the original sample) and 128 team members (80% of the original sample). Therefore, our attrition rates are 14% on the team level and 20% on the individual level. These attrition rates are better than the median attrition rate of 27% reported in a meta-analysis of 48 field studies in organizational behavior and industrial psychology (Goodman & Blum, 1996). Figure 10 provides a detailed break-down of the sample development during the BEST study.
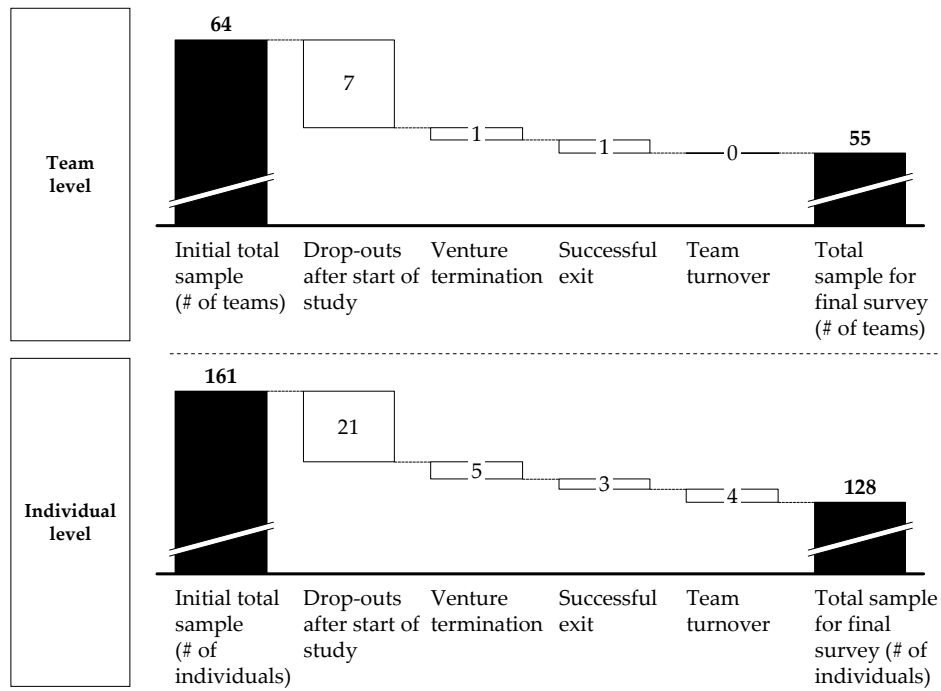
Figure 10: BEST sample development
Source: Own illustration

To achieve this satisfactory result we took a number of measures. First, we tried to be upfront to all participating teams, in terms of what would be required when and

in what way. Second, we invested a substantial amount of time to build trust during our in-person interview sessions with the participants. In particular, we promised the interviewees to keep the information confidential and offered the team to sign a NDA. Third, we managed our teams very closely during the six and a half months (this will be explained in more detail in Section 3.7). And fourth, we explicitly communicated to the teams, that constant participation over the entire study period was a necessary precondition to receive the individualized team feedback workshop at the end of the BEST study.

3.4 BEST interviews

In the course of the BEST project, we conducted two rounds of semi-structured, individual interviews with each one of the participating team members. In total, we carried out 278 interviews, which equates to over 224 hours of audio material and over 3000 transcribed pages of interview text[12].

The first interview took place between May and July 2011. It was the intent of the first interview to gain an overarching perspective of each start-up company, its team and its individual team members, and to simultaneously establish a foundation of trust between the interviewer and the interviewee. We conducted the second round of interviews between November 2011 and January 2012. In the second interview, we aspired to deepen our understanding of the start-up team in specific focus areas (e.g., how does the team make strategic decisions, how are conflicts handled among the co-founders). I will provide additional details on the content and conduct of the two interview rounds in the methodology chapter (Chapter 4) of this thesis.

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[12]Due to the drop-outs in the course of the BEST study period, we did not interview each individual twice. Also, we interviewed a few selected individuals for a third and, in one instance, a fourth time for specific analysis purposes. Further details regarding the selective follow-up interviews will be provided in Chapter 4.

During the conception phase of the BEST study (in the fall of 2010), we also conducted four pre-study interviews with entrepreneurs from the entrepreneurship center of Technische Universität München, UnternehmerTUM. Pre-study or pilot interviews are also applied in other qualitative research studies in entrepreneurship (e.g., Uzzi, 1997). The intention of the pre-study interview was to empirically explore potentially relevant topics for our study and to practice the conduct of scientific interviews. The latter is recommended by interview methodologists (e.g., Rubin & Rubin, 2005). We carried out the pre-study interviews in person, in a semi-structured interview format. The interviews lasted approximately 30 minutes and addressed three topics: (i) the entrepreneurial team's interactions, (ii) the development of intra-team relationships over time, and (iii) the individual entrepreneur's definition of success. The interviews were recorded on audio tape and field notes were taken by the researcher. In the aftermath, the insights from the interviews were discussed intensively among the BEST research team. Through our discussions, complemented with a comprehensive literature review in the major journals in social and organizational psychology, management science and entrepreneurship, the topics for the BEST study started to emerge.

3.5 BEST surveys

The quantitative part of the BEST study is composed of four comprehensive and 26 weekly online questionnaires. Our data collection period spanned over 28 weeks or approximately six and a half months. We grouped our teams in nine different cohorts (i.e., groups of participating teams), to adjust for the different starting dates of the teams. The first cohort of teams received the first questionnaire in early May 2011 and the last questionnaire at the end of November 2011. The last cohort started in mid July 2011 and finished at the end of January 2012. Each cohort represented a weekly shift in between these starting and end dates.

We scoped our research in a longitudinal way, since researchers have pointed out the importance of temporal aspects in theory building in general (George & Jones, 2000; Mitchell & James, 2001), and entrepreneurship in particular (Bird & West, 1997; Davidsson, Low, & Wright, 2001). At the same time, the majority of entrepreneurship research is carried out with cross-sectional research designs (G. N. Chandler & Lyon, 2001; Lichtenstein, Dooley, & Lumpkin, 2006). Against the backdrop of the infrequent employment of longitudinal designs in entrepreneurship research, despite its arguable advantages, we opted for a longitudinal research design.

Our four comprehensive questionnaires consisted of both repeated and one-time scales. Constructs that were assumed to be relatively stable over our 28 week survey period (e.g., team demographics, and environmental dynamism) were only recorded once, while potentially more volatile constructs (e.g., team identification, and team workload) were measured in multiple intervals. Of the constructs that were measured multiple times, some were measured twice, while others were measured three or even four times.

In order to have identical time intervals between the different interventions, the comprehensive surveys were each sent out 9 weeks after the prior survey had been sent to the entire team. Thus, we sent out the online surveys in weeks 1, 10, 19 and 28 of our study, while the specification of *week 1* or *week 10* varied from cohort to cohort. The exact definition of the time lag (i.e., the 9 weeks), which we set in the BEST study, does not follow a specific theory. Rather, we tried to optimize the trade-off between sufficient measurement points for a longitudinal design and ample attractiveness for potential start-up companies to participate over the entire study period. This approach is in accordance with research practice: "normally the lag between measurements is chosen because of convenience not theory, since theory rarely specifies the exact length of the causal lag" (Kenny, 1975, p. 894).

Since the survey was predominantly taken by German-speaking start-up teams[13], we translated all scales into German, using a back-and-forth translation procedure as recommended by Brislin (1970) for translating surveys across different languages. The method recommended by Brislin is also frequently applied in cross-cultural entrepreneurship research (see Antoncic & Hisrich, 2004; Kaufmann, Welsh, & Bushmarin, 1995; Manolova, Eunni, & Gyoshev, 2008). We applied the method as follows. First, a German native speaker who has a fluent command of the English language translated the original English scales into German. Then, an English native speaker who has a fluent command of the German language translated the scales back into English. Finally, we compared the original and the back-translated versions of the scales and there were no substantial differences between them.

We closed prior surveys once a new survey had been sent out. To ensure high participation rates, we followed up with participants individually, prior to survey closure. As we were also interested in certain constructs, which we expected to be quite volatile even on a shorter time span (e.g., affect and conflicts), we incorporated these constructs in a short weekly online questionnaire. 26 of them were sent to the participants each Friday and took approximately 10 minutes to complete. The weekly surveys always contained the same set of questions, in order to acquire a comparable data set and to simplify the process for the participants, whereby we hoped to increase the participation rate.

To derive the constructs and scales, which we wanted to include in our study, we followed a sequential, four step approach. First, we defined the meta research questions that guided our research (see Section 3.1). Second, against the background of our meta research questions, we conducted a comprehensive literature review in the major journals in social and organizational psychology, management and entrepreneurship. Third, through frequent interactions within the operational project team, as well as meetings

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[13]We provided the option for English-speaking participants to answer the questionnaires in English.

with Professor Dr. Dr. Holger Patzelt and Professor Dr. Nicola Breugst we identified and selected the relevant constructs for the BEST project. Finally, for all the selected constructs, we conducted a comprehensive literature search in the aforementioned journals (see Section 3.1) to select the most appropriate scales four our research. For choosing the scales we defined three selection criteria: (i) a Cronbach's alpha coefficient larger than 0.7 (Nunnaly, 1978), (ii) published in a major journal, and (iii) frequently cited. In case we had several appropriate scales to choose from, we opted for the scale with less items, in order to shorten the time commitment of the participants. We also decided in our project team, whether we wanted to include a construct in the questionnaire or cover it in the interview. Figure 11 provides a schematic overview of how we derived the constructs and scales for the BEST study.
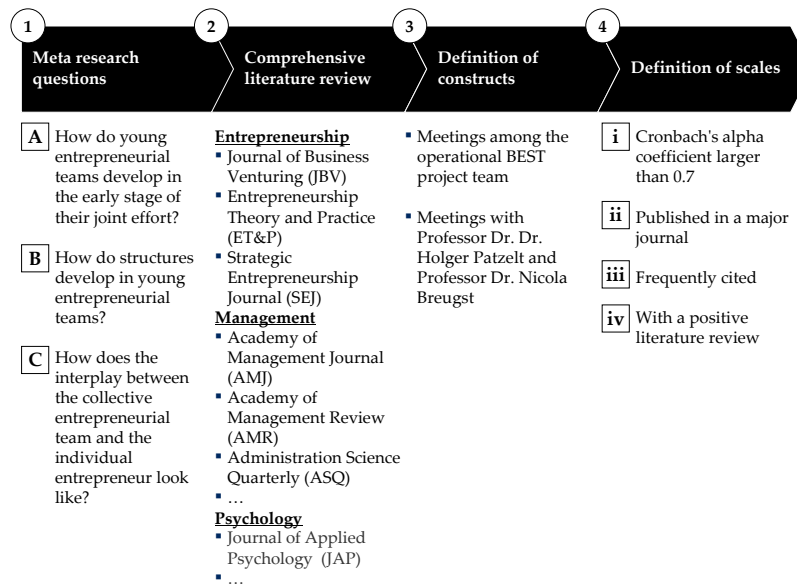
Figure 11: Process for derivation of constructs and scales
Source: Own illustration

Once we had decided on the final set of constructs to be included in the quantitative survey, we allocated these to the different questionnaires. Constructs, which we assumed to vary over the six and a half months time frame were allocated to multiple question-

naires. All environmental variables (e.g., environmental dynamism (Green, Covin, & Slevin, 2008)) were only measured once, as they were assumed to be stable over the BEST research period. Demographic information was measured only in the first comprehensive survey. To keep the questionnaires to a minimum length, short scales were included where possible and appropriate (e.g., a short version of the Positive and Negative Affects Schedule (PANAS) scale (D. Watson, Clark, & Tellegen, 1988) to measure emotional experience was applied in the weekly questionnaire).

3.6 BEST team workshop

As part of the BEST study's incentives, each participating team received the offer to participate in a personalized team feedback session at the end of the data acquisition cycle. 39 of the 55 teams (70.9%) that completed the BEST project signed up for their individual workshop. We held the sessions, team by team, between the end of February and the end of May 2012. Each training session was conducted by two trainers (all of them members of the operational BEST project team[14]). In preparation of the workshops, all trainers were trained in a *train-the-trainer workshop* conducted by our team member Anna Roth. The team workshops were held either at TUM's Entrepreneurship Research Institute or on the company's premises, and each lasted approximately four to five hours.

The overall aim of the workshops was to increase the awareness of the participating teams regarding different team-related topics (e.g., how to handle relationship conflicts), and to develop concrete measures for improvement in the workshop setting. Specifically, the workshops were structured in three content blocks. As an introduction to the workshop, we played back our overall impressions from the interviews through a *gallery-walk*[15].

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[14]In addition to the researchers from the operational project team (Florian Bernlochner, Anna Roth, and myself), two further researchers (Matthias Ballweg and Daniel Schmelzer) from the Entrepreneurship Research Institute helped us facilitate the workshops

[15]We collected anonymized quotes across all interviews to reflect the overarching messages, which we

Thereafter, we provided team-specific feedback from the quantitative surveys (selected scales only) and facilitated a structured discussion about the results and their implications. Finally, the workshop team decided on one or two focus topics, for which the team developed concrete measures to improve the issues going forward. In September 2012, we sent out a comprehensive online questionnaire to the workshop participants to capture the effectiveness of our team workshops.

3.7 BEST administration

From the outset of the BEST study we were aware of the project's complexity. Therefore, we put in place a number of measures: we clearly assigned responsibilities in the project team, we put in place the necessary IT infrastructure, we set ourselves professional management guidelines, we held frequent team meetings, and we recruited bachelor and master students at Technische Universität München to work on this large data set together with us. With regards to the responsibilities, we divided up the 64 teams equally among our three-member project team. Each project team member had full responsibility for his/her teams throughout the entire BEST study. In our definition, *full responsibility* encompassed the following tasks:

- Scheduling and conducting the two rounds of interviews

- Corresponding with the project team and answering questions regarding the project (e.g., the questionnaires, the interview, and the team workshop)

- Following up with the team or a respective team member, when a questionnaire had not been answered on time

- In case the start-up team showed interest: supervising the team's project studies

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heard repeatedly in interviews and displayed them on large whiteboards. The workshop participants walked from whiteboard to whiteboard, read the different quotes and discussed the insights with their team members.

- In case the start-up team showed interest: adding the company's logo to the BEST website

We also made an effort to set up a collaborative controlling mechanism to handle our project. We set up a joint excel-based project tracking list, which contained all the relevant information along the process funnel, from the different recruiting steps to the finalization of the BEST study. In particular, we listed detailed information about all of the 289 potential start-ups that were contacted, and we listed and frequently updated detailed information about all participating 64 start-up companies, as well as detailed information about all participating 161 start-up team members.

We managed our project tracking list via a virtual team room, to which only our project team had access. This way, we were able to ensure version control of our tracking list, since sometimes we simultaneously worked on our shared work file. We also used the virtual team room to exchange interview audio files and transcripts among the project team. Moreover, the virtual team room served as a backup storage for our collected data.

In addition to the use of IT, we saw a clear need for a close yet candid management of the participating team members. To increase the motivation of the teams we frequently stressed a number of themes. First, we made the teams aware of their contributions to a large and important scientific project as well as the importance of the project towards the doctoral degree of the respective BEST team member. This created a sense of responsibility and commitment for continuing the project. Second, we stressed that the participation of the project would, in the future, also help other start-up teams to better deal with team-related issues. Third, we made sure that the teams experienced the team-related questions in the questionnaires and interviews as relevant, so that they were looking forward to the team workshop at the end of the BEST study. We also asked in the second interview if they saw need for improvement in specific areas. Fourth, we constantly stayed in touch with our teams throughout the BEST project (e.g., we

met the teams for lunch, we granted them access to our professional networks). We also answered emails and responded to phone calls immediately, i.e. we made sure that they felt treated well. Moreover, we set up a professional website (www.best-studie.de) as well as a project specific email address (team@best-studie.de). Last but not least, adding the participating team's logo to our website also created a sense of *being part* of the BEST project.

Particularly during the conception, preparation and data collection phases of the BEST project we had a close collaboration among the operational BEST project team. In weekly team check-ins by telephone or in person, and in regular team meetings we synchronized on our activities, resolved issues, brainstormed about the next steps, or simply took the time to share our experiences with the project team. This collaboration meant that we moved forward at the planned pace, as we redistributed workload in order to speed up certain processes. We also frequently interacted with our supervisors, Professor Dr. Nicola Breugst and Professor Dr. Dr. Holger Patzelt, to keep them in the loop on the study's progress and to receive their valuable input.

4 Research methodology

> "A major reason for the popularity and relevance of theory building from case studies is that it is one of the best (if not the best) of the bridges from rich qualitative evidence to mainstream deductive research" (Eisenhardt & Graebner, 2007, p. 25).

This chapter outlines the research methodology of my thesis. In Section 4.1, I will provide some background on the method applied in this study, drawing on methodology research and studies with comparable designs. In Section 4.2, I will detail the case study design and in Section 4.3, I will outline how I ensured validity and reliability in this research study. The sampling approach and the cases are laid out in Section 4.4. Section 4.5 provides information on the data collection, and Section 4.6 is concerned with the approach of coding and analyzing the data.

4.1 Research method

At the outset of a scientific study, a researcher typically faces the choice between a quantitative and a qualitative research design. Several authors have acknowledged the confusion among the research community about what elements constitute quantitative and qualitative research (e.g., Bryman, 1984; Morgan & Smircich, 1980; J. K. Smith & Heshusius, 1986). Some have offered a rather simplistic differentiation: quantitative research is numeric, qualitative non-numeric (Cassell, Buehring, Symon, & Johnson, 2006).

However, based on previous theorizing on these research approaches (e.g., Guba & Lincoln, 1994; Patton, 2002), such a reduction is rather superficial, even though it might be "for the interest of pragmatism" (Cassell et al., 2006, p. 162). In contrast, it seems beneficial to get a broader perspective in differentiating between the two. Quantitative and qualitative research are each based on fundamentally different world views, or *paradigms*, that differ in their interpretation of what constitutes valid research (Guba, 1990). While various classification schemes for research paradigms exist (Ponterotto, 2005), quantitative research is typically based on a *positivst* world view, whereas qualitative research is based on a *constructivist* or *interpretivist* perspective of the world (Guba & Lincoln, 1994). Both research methods and their underlying paradigms are briefly outlined in the following.

Quantitative research has its roots in natural science (Dilthey, 1977) and has been championed, amongst others, by Karl Popper in the 1930s (Popper, 1994). His philosophy of science, according to which a researcher has to deduce hypotheses from existing theory and subsequently try to falsify them, is the underlying principle of quantitative research (Locke, 2007). It is further built on the assumption that "reality consists of a world of objectively defined facts" (Henwood & Pidgeon, 1992, p. 98). In contrast, qualitative research traces back to the human sciences where the quest for *understanding* physical events is the guiding principle (Dilthey, 1977). As opposed to the positivist assumption that only one objective reality exists, the constructivist assumes that "reality is socially created" (Morgan, 1980, p. 609), that each person subjectively perceives a different reality. To reconstruct reality, the investigator interacts with the object of study, which also stands in opposition to the distant observation of positivist inquiry (Guba & Lincoln, 1994; Ponterotto, 2005). Further, qualitative research is typically performed *inductively*, which means that it starts with data collection to allow the theory to emerge from the data (Glaser & Strauss, 2008). In this tradition, Denzin and Lincoln (2011) characterize qualitative research as an approach, which is interpretative and which covers phenomena

in the environment in which they naturally occur.

In recent years, qualitative research has become an increasingly accepted methodology in business research. This is exemplified by the fact that Bansal and Corley (2011) note in an editorial interview of the Academy of Management Journal (AMJ) that 11 percent of the articles published in the AMJ between the years 2001 and 2010 were based on qualitative data, compared to approximately 3 percent before[16]. Gephart (2004) gives a rationale for this development: "[qualitative research] provides insights that are difficult to produce with quantitative research", and further, "qualitative research can thus provide bases for understanding social processes that underlie management" (p. 455). The same development holds true in entrepreneurship research—qualitative research designs are becoming more common (e.g., Cope, 2011; Doern & Goss, in press; Keating, Geiger, & McLoughlin, in press; Scarbrough et al., in press). Several scholars support this development (e.g., Blackburn & Kovalainen, 2009; Leitch, Hill, & Harrison, 2010; Perren & Ram, 2004), and Gartner and Birley (2002) explicitly state:

> "It is our opinion that many of the important questions in entrepreneurship are rarely addressed, and that many of the important questions in entrepreneurship can only be asked through qualitative methods and approaches" (p. 387).

In my thesis I make use of a qualitative, inductive research design for three major reasons. First, in absence of an established theory on equity distribution in entrepreneurial teams (Hellmann & Wasserman, 2011), conducting a deductive, quantitative study without well grounded and testable hypotheses does not seem sensible. Edmondson and McManus (2007) refer to such untapped research areas as being in a *"nascent"* state of research (p. 1158). The authors suggest that inductive theory development is the appropriate method for *nascent theory research*, and thus, I argue, for my research study. Second, due to the lack of prior knowledge on the individual- and team-level effects of equity distribution,

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[16]Bansal and Corley (2011) do not disclose what period "before" refers to.

my research questions are formulated more broadly than in established research areas. Since my investigation demands a comprehensive understanding of both social interaction processes taking place in entrepreneurial founder teams and contextual variables, it is essential to get fully acquainted with the research object (the entrepreneurial team). As Weiss (2010) points out, qualitative data are particularly suitable for this undertaking:

> "Qualitative data are apt to be superior to quantitative data in density of information, vividness, and clarity of meaning – characteristics more important in holistic work, than precision and reproducability" (pp. 344-345).

Third, a central element of the constructivist/interpretivist tradition, which I follow in this research, is that new theory should not be created in isolation. This notion is backed by Pfeffer (1982), who stresses that "theory should be consistent with empirical observation" (p. 38), or, as Glaser and Strauss (2008) frame it: "theory should fit the data" and not vice versa (p. 261). This connection with empirical reality allows the development of a testable, relevant, and valid theory (Glaser & Strauss, 2008). Creating robust theory in respect is important, as it is the necessary precondition for subsequent quantitative theory verification (Eisenhardt, 1989b).

Some methodologists like Locke (2007) explicitly dismiss deductive research in the tradition of Karl Popper as inappropriate for theory building. While this view may be legitimate, it has to be stressed that inductive theory building does not represent the antipode to deductive research per se. On the flipside, inductive and deductive research can be seen as complementary methods:

> "In fact, inductive and deductive logics are mirrors of one another, with inductive theory building from cases producing new theory from data and deductive theory testing completing the cycle by using data to test theory" (Eisenhardt & Graebner, 2007, p. 25).

The research focus of my thesis is to explore the effects of entrepreneurial equity distribution on the individual founder, as well as the founder team. The ultimate end

product represents a robust framework that covers the topic of equity distribution with a particular focus on how the distribution affects the social interaction patterns in the entrepreneurial team and the team's stability. The theory which is being developed in this study has not yet been tested with a quantitative research design. At the same time, the theory is crafted with the necessary methodological rigor so that a future quantitative study can corroborate the framework's validity.

4.2 Case study design

The specific qualitative research method employed in this study is that of case studies. In this section, I give an overview of the components of the case study, discuss the major concerns associated with this method. For a comprehensive description of the case study method, I refer to Yin (2009) who provided the following definition:

> "A case study is an empirical inquiry that investigates a contemporary phenomenon in depth within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. [...] [It] copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as a result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as a another result, benefits from the prior development of theoretical propositions to guide data collection and analysis" (p. 18).

Case study-based work has become increasingly common in management research. Eisenhardt and Graebner (2007) point out that papers that build theory from cases are among the most frequently cited in the prestigious Academy of Management Journal (AMJ) and are regularly nominated for the AMJ's Best Article Award (e.g., Walsh and Bartunek (2011), Graebner (2009), Gilbert (2005)). Also in the entrepreneurship domain, multiple case studies are published regularly (e.g., Mair & Marti, 2009; Rice, 2002; Vanaelst et al., 2006).

As per Yin (2009), case studies encompass three different dimensions: (i) type of research purpose (explanatory, descriptive, exploratory), (ii) number of cases (single, multiple), and (iii) number of analysis units (single-holistic, multiple-embedded). In my thesis I make us of an exploratory, multiple and embedded case study design. I will describe my underlying rationale in the following.

As outlined in the introduction of this thesis, the topic of equity distribution has been, despite its arguable importance, so far been largely neglected in entrepreneurship research (Hellmann & Wasserman, 2011). Little is known about individual- and team-level consequences of equity distribution. According to Edmondson and McManus (2007), case studies are particularly helpful to answer the *how* and *why* questions in underexplored areas—when it is essential to comprehensively investigate a research problem. My study intends to uncover *how* equity distribution affects social interactions in the entrepreneurial team and *how* these social interactions affect the entrepreneurial team's stability. Moreover, Welter and Smallbone (2006) regard a qualitative approach to be suited to observe attitudes (e.g., interpersonal trust) and behaviors (e.g., relationship conflict). Therefore, I choose an exploratory case study design for this study.

There are two forms of case study research: the single and the multiple case study method. The latter method is also sometimes referred to as a *comparative* case study (Eisenhardt, 1989b). The single case study focuses on one single case, while in the multiple case study different cases are analyzed and contrasted (Yin, 2009). Single cases are most often used to confirm or challenge a theory, or present a rare or extreme case (Eisenhardt & Graebner, 2007; Yin, 2009). Multiple cases, in contrast, are used to "draw a more complete theoretical picture" by analyzing and connecting individual patterns and thus enable the researcher to "develop more elaborate theory" (Eisenhardt, 1991, p. 620). While each method has its advantages, Yin (2009) explicitly recommends the researcher to choose a multiple case over a single case design if resources allow, since the chances

of a superior outcome are higher. Leonard-Barton (1990) backs Yin's recommendation, arguing that multiple case studies are more robust than single case studies: "multiple case studies on a given topic clearly have more external validity, i.e., generalizability, than does a single case" (p. 258). As I am in the fortunate position to select my cases from our comprehensive BEST study, which comprises 64 entrepreneurial teams, I opt for the multiple case design to compare teams with different equity distributions and interaction patterns.

Regarding the unit of analysis the researcher has the choice between a holistic or an embedded design (Yin, 2009). A holistic design captures the broader nature of a particular phenomenon (here: the entrepreneurial team), while the embedded design also analyzes subunits (here: the individual entrepreneur) (Meyer, 2001). In my thesis I make use of an embedded design. While my primary unit of analysis is the entrepreneurial team, I also consider elements on the individual level (e.g., emotions, attitudes, behaviors), which are, however, analyzed on the team level. Furthermore, I make use of a longitudinal design. This helps to explain how a sequence of events produced a specific outcome over time (van de Ven, 2007), which gives a better view of causality, as well a perspective whether specific variables change over time. Moreover, scholars point out that "dynamics is at the core of entrepreneurship" (Lichtenstein et al., 2006, p. 155), and Bird and West (1997) explicitly stress that "temporal issues uniquely and explicitly characterize the entrepreneurial process" (p. 5). Lichtenstein et al. (2006) therefore suggest that any research that intends to capture the new venture creation process has to feature a longitudinal research design.

The question, whether case studies are an appropriate means to develop robust theory has been intensely debated among the research community (Dyer & Wilkins, 1991; Gibbert, Ruigrok, & Wicki, 2008). In general, three major concerns are brought forward: (i) case studies lack methodological rigor, (ii) case studies provide limited basis for scientific

generalization, and (iii) case studies feature lengthy designs, which "result in massive, unreadable documents" (Yin, 2009, p. 15). However, all three concerns are duly addressed in my thesis.

For the first argument, the concern of lacking methodological rigor, the researcher needs to ensure the identification of research questions, the appropriate design of interview schedules, and pursue a consistent and transparent data analysis (Eisenhardt, 1991; Miles & Huberman, 1994). Moreover, as Yin (2009) points out: "much depends on an investigator's own style of rigorous empirical thinking, along with the sufficient presentation of evidence and careful consideration of alternative interpretations" (p. 127). As outlined later in this section and detailed in subsequent sections of Chapter 4, I attempt to apply the necessary methodological rigor required to create a robust theoretical framework.

The second concern, that the developed theory is not representative due to small sample size and purposeful sampling, is often voiced, but less relevant due to the nature of case study research (Eisenhardt & Graebner, 2007). More so, Patton (1990) argues that the strengths of the multiple case study lie in the purposeful selection of appropriate cases:

> "[The] logic and power of purposeful sampling lies in selecting information-rich cases for for study in depth. Information-rich cases are those from which one can learn a great deal about issues of central importance to the purpose of the research, thus the term purposeful sampling" (p. 169)

The last concern, that case study designs tend to be lengthy may be valid. However, the extensiveness and level of detail typically found in case studies simultaneously represent a main strength of this method, as case studies provide "insights that are difficult to produce with quantitative research" by giving "detailed descriptions of actual actions in real-life contexts that recover and preserve the actual meanings that actors ascribe to these actions and settings" (Gephart, 2004, p. 455).

In addition to the aforementioned concerns, a common misconception about the use of literature in inductive theory building studies is that a researcher must enter the field of research without any prior knowledge (Suddaby, 2006). Most often this notion is based on a misinterpretation of the grounded theory terminology by Glaser and Strauss (2008). On the one hand, inductive theory building research is, in order to avoid an observation bias, commenced without any specific hypotheses to test (Eisenhardt, 1989b). Yet on the other hand, even though the new theory is derived from the empirical data, this does not mean that extant literature can be ignored or deferred to after the data collection (Eisenhardt, 1989b; Suddaby, 2006). In my study, I referred to the extant literature throughout the research period. In the empirical and the early analysis phase, I refrained from getting too immersed in the literature. At the same time, as soon as the initial patterns emerged in the early cross-case analysis cycles, I found it essential to integrate the existing theoretical perspectives, in order to develop robust and relevant theory.

4.3 Validity and reliability

In the following section, I will outline the validity and reliability criteria of scientific research and show how I addressed these criteria to develop a robust new theory on entrepreneurial equity distribution. The quality of an empirical research design is commonly appraised by four criteria (Gibbert et al., 2008). These are also applicable to a case study research design: (i) construct validity, (ii) internal validity, (iii) external validity, and (iv) reliability (Yin, 2009; D. T. Campbell, 1975). Validity, here, refers to whether the researcher measured what he intended to measure, whereas reliability refers to the accuracy and stability of the measurement (Mayring, 2010). My research design is set up in a way that it addresses all four elements in an adequate manner.

First, construct validity is concerned with the correct operational measures for the concepts, which are analyzed in the study. Critics of case study research have argued that case study researchers often do not develop a robust set of measures, and rather rely on their own subjective judgment (Yin, 2009). To counter this criticism and ensure construct validity in a case study, the construct must be defined, and its operational measures must be transparent and in line with other published research (Yin, 2009). Some researchers refer to this as providing a *"clear chain of evidence"* (Gibbert et al., 2008, p. 1468). In my thesis, I define all constructs as well as its operational measures and provide transparency of how the raw data is connected to its synthesized assessment. Further, I also put all operational measures in relation to established operationalizations in extant literature. This is an iterative process, which I repeated several times during the analysis of the data. To further ensure construct validity, Denzin and Lincoln (2011) suggest to triangulate data by using different data sources to capture a particular phenomenon. I address this in two ways. For one, I collect my primary data in separate interviews with all team members and thus receive team- and individual-level information from multiple respondents. For another, I use archival data (e.g., founder interviews and portraits in trade publications, press releases) wherever possible to complement my insights, and thus to further strengthen construct validity. In total, I collected 308 pages of archival data for triangulation purposes.

Second, internal validity refers to the aspect of causal relationships between variables (Yin, 2009). As such, the researcher has to provide "a plausible causal argument, logical reasoning that is powerful and compelling enough to defend the research conclusions" (Gibbert et al., 2008, p. 1466). I address the criteria of internal validity by explanation building during data analysis, thus specifying the types of relationships (i.e., direct, moderating or mediating effects) between the different variables. Also, I make use of pattern matching. In an iterative process, I compare findings from individual cases to an initial proposition before adding more aspects and ultimately multiple cases to the

analysis. Lastly, I refer to extant literature during the data analysis phase to categorize my findings and to adopt an additional perspective.

Third, external validity captures whether the study's findings are generalizable beyond the current case study (Calder, Phillips, & Tybout, 1982). In this context, it is important to distinguish between *statistical* generalization, which is applied in quantitative studies and *analytic* generalization, which is applied in qualitative case studies (Numagami, 1998; Yin, 2009). The latter refers to the generalization made by the researcher from particular observations to the larger population, by distinguishing what is relevant to the entire population versus only to a particular subject (Ayres, Kavanaugh, & Knafl, 2003; Firestone, 1993). Eisenhardt (1989b) argues that case studies consisting of four to ten cases serve as a good basis for analytic generalization. In my thesis, I ensure external validity by the replication of the findings in eight different cases, i.e., a multiple case study design. I also provide a distinct rationale for my case selection, i.e., the sampling approach in Section 4.4.

Fourth, reliability relates to the replicability of the exact case study design with an identical outcome (Denzin & Lincoln, 2011; Mayring, 2010). I addressed the topic of reliability in two ways—through an interrater reliability test and through a detailed case study database. Both is recommended by extant literature to ensure reliability (Yin, 2009), even though interrater reliability is often not reported in management case studies. With regards to the interrater reliability test, I proceeded as follows. First, a fellow researcher (Julia Lingel) at the Entrepreneurship Research Institute at Technische Universität München, who was not involved in the data collection phase, and I independently rated all the coded[17] interview data for the eight cases. After the separate assessment of the first case, we came together for a half-day workshop to compare our assessments, and discuss the differences. Thereafter, we separately assessed the other seven cases. We

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[17]To analyze and assess the interview data, the text was coded, i.e., disaggregated into different content blocks or *codes* (e.g., conflicts, trust). The coding process is described in detail in Chapter 4.6.

again held a full-day workshop to compare our assessments. Overall, we had 91.5 percent agreement; that is for 91.5 percent of the data segments, the two of us independently came to the same assessment (Larsson, 1993). This is in line or even above comparable research studies and significantly more than the 70 percent, which Miles and Huberman (1994) regard as the minimum threshold level. For comparison, Haynie and Shepherd (2011) arrived in their multiple case study of war veterans at an interrater agreement of 91 percent, Scarbrough et al. (in press) reported interrater agreements of 81 and 85 percent for first- and second-order codes, while Kelley and colleagues reported in a corporate entrepreneurship case study an interrater reliability of 70 percent (Kelley, Peters, & O'Connor, 2009). In addition to the reliability test, I also developed a detailed case study data base containing all primary and secondary data used in this research. Thus, I am confident that if the case study would be repeated by a third party the researcher would arrive at the same results.

4.4 Sampling and cases

Sampling, the selection of cases, is a frequent challenge in theory building and often subject to criticism and confusion among researchers and reviewers of academic journals (Eisenhardt & Graebner, 2007; Pratt, 2009), particularly in entrepreneurship where sample sizes tend to be lower than in other management fields (Short, Ketchen, Combs, & Ireland, 2010). In this section, I provide an introduction to the topic of sampling in multiple case studies and give an overview on my chosen sampling approach. Furthermore, I also introduce my final case selection for my thesis.

The sampling process in case studies is of great importance as it tends to influence the outcome of the study (Miles & Huberman, 1994). Quantitative studies are based on *statistical sampling* and thus allow for inferences about a population (Creswell, 2012).

Due to their small sample size, such inferences are not possible from multiple case studies (Numagami, 1998). However, this does not mean that one cannot draw generalizations from case studies (Gibbert et al., 2008). Rather, case studies rely on *theoretical* or *purposeful sampling*[18] through which generalizations are possible from empirical observation to theory (Gibbert et al., 2008; Yin, 2009). Eisenhardt and Graebner (2007) provide a comprehensive definition of the theoretical sampling term:

> "Theoretical sampling simply means that cases are selected because they are particularly suitable for illuminating and extending relationships and logic among constructs. Again, just as laboratory experiments are not randomly sampled from a population of experiments, but rather, chosen for the likelihood that they will offer theoretical insight, so too are cases sampled for theoretical reasons, such as revelation of an unusual phenomenon [...]" (p. 27).

Thus, cases are not chosen for statistical reasons, but with the intention to most appropriately shed light on the object of study. This is the reason why in case studies the sample could be chosen at random, but "random selection is neither necessary, nor even preferable" (Eisenhardt, 1989b, p. 537). Pettigrew (1990) explicitly recommends a purposeful sampling approach that includes the use of extreme cases or *"polar types"* (p. 275). According to him, this facilitates the observation of clearly distinguishable patterns in the data.

In addition to the appropriate sampling approach the researcher of a multiple case study must also decide on the specific number of cases used for his study. Choosing the right number of cases in a qualitative research project is not a straightforward undertaking, as one has to balance additional insights and complexity. As Eisenhardt (1991) points out, it is not per se a matter of quantity:

> "More important, a debate over numbers obscures an essential point. The concern is not whether two cases are better than one or four better than

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[18]The terms *theoretical sampling* and *purposeful sampling* are typically used interchangeably in the literature (Coyne, 1997; Neergaard, 2007)
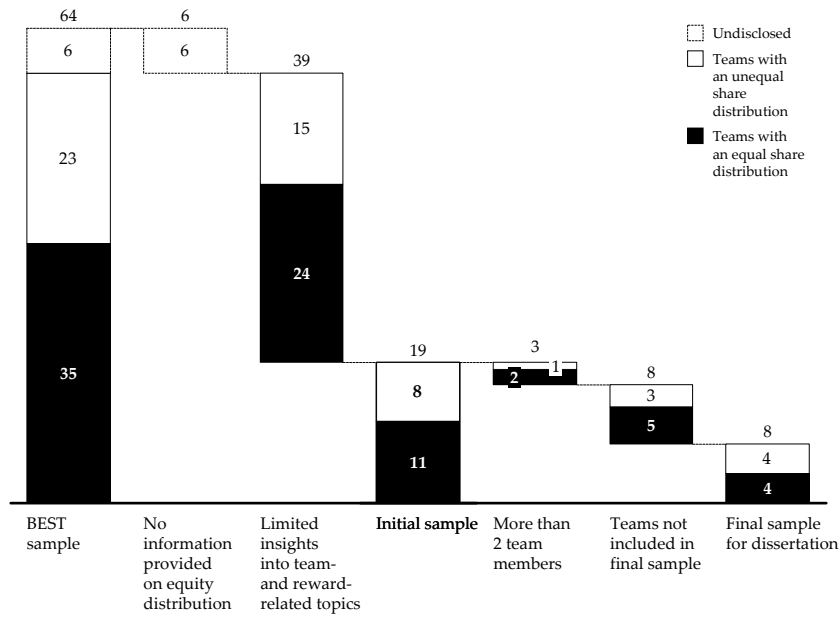
Figure 12: Multiple case study: derivation of sample
Source: Own illustration

three. Rather, the appropriate number of cases depends upon how much is known and how much new information is likely to be learned from incremental cases" (p. 622).

As per Miles and Huberman (1994) I followed a multi-stage theoretical sampling approach in this study. Figure 12 provides an overview of how I derived my sample for the multiple case study in a sequential approach. I will elaborate on this approach in the following.

First, I classified the 64 participating start-ups according to their *equity distribution*, which I derived from the interview transcripts. This was due to the fact that at this early stage of the analysis process, I deemed this variable to be central to answer my broad research questions. The fact that the *perceived justice of equity distribution*, in the course of the research process, emerged as the central variable was unknown to me at this point. Therefore, the perceived justice of equity distribution variable was not relevant for the sampling process. Then, in accordance with stratified theoretical sampling (Miles & Huberman, 1994; Onwuegbuzie & Leech, 2007), I divided the start-ups into two groups:

one group containing 35 start-ups with an equal equity distribution, the other containing 23 start-ups with an unequal distribution. Six start-ups did not grant me insight into their equity distribution and were thus excluded from further sampling. The dichotomization approach I applied is common in multiple case studies in management (see also Barringer & Greening, 1998; Haynie & Shepherd, 2011).

Second, since the goal of theoretical sampling is to consider cases that are "information-rich" (Patton, 2002, p. 169) and thus allow for a maximum understanding of the phenomenon under study, I only considered start-ups that provided me with rich insights into their highly sensitive team- and reward-related issues and processes in multiple rounds of interviews. From the initial BEST sample, eleven start-ups with an equal equity distribution and eight start-ups with an unequal distribution provided detailed and rich enough information; team members of the other ventures were either not willing to talk to us about sensitive internal issues to an extent that I considered necessary to build a reliable theory, or some team members were not willing to participate in all interview rounds.

Third, when I started analyzing the 19 teams which provided rich enough data, I soon realized that those with two team members (16 teams) and those with more than two team members (3 teams) differed substantially in terms of team processes. For example, coalitions formed in some teams with more than two members—a phenomenon that cannot be observed in two-person teams (Jehn, Rispens, & Thatcher, 2010). I therefore considered it impossible to compare teams with two members to teams with three and more members with respect to variance in team processes. Further, it is known that team size impacts the stability of entrepreneurial teams (Ucbasaran et al., 2003), suggesting that it would be difficult to compare teams with different sizes. Moreover, dyadic teams feature less complexity of the processes observed and facilitate the observation of interpersonal relationships at the attitudinal and behavioral level (Cook, 1994). While this

focus on dyadic teams represents a limitation to the generalizability of my results, it is consistent with the observation that many ventures are founded by two individuals. For instance, studies on entrepreneurial teams report team sizes of 2.2 (Chowdhury, 2005a), 2.6 (Ensley et al., 2006), and 2.5 co-founders (Ucbasaran et al., 2003). Thus, I excluded the three teams with more than two team members, reducing the preliminary sample to 16 teams.

In the final step, I made use of maximum variation sampling to get a better reflection of reality and develop a robust model (Creswell, 2012). That is, I contrasted the teams which showed the highest levels of positive and negative facets of the variables of interest. This is consistent with Yin (2009). This focus on *extreme cases* illuminates the core effects associated with equity distribution and thus provides the best starting point to build new theory (Eisenhardt, 1989b; Pettigrew, 1990). In addition, the focus on a finite number of cases provides the opportunity to balance the development of sufficiently textured theory with the amount of data to be analyzed (Brown & Eisenhardt, 1997). In developing the model by analyzing the eight cases, I was able to reach theoretical saturation. That is, when I tried to fit the remaining eight cases with the emerging theoretical model, I did not find any major disagreements with the model such that further modification or extension would be justified. For example, in the data I did not find any additional major social interaction pattern resulting from perceptions of justice between team members.

In the remainder of this thesis I will limit myself to the description and analysis of the eight teams in the final sample, thus excluding the eight additional teams, for which the developed model also holds true. My case study sample size of eight is in line with that of other entrepreneurship theory building studies that build on the multiple case method. For instance, Haynie and Shepherd (2011), Knockaert, Ucbasaran, Wright, and Clarysse (2011) and Hallen and Eisenhardt (2012) made use of 9 cases, Vanaelst et al. (2006) used 10 cases and Zott and Huy (2007) used seven.

#	Founders	Distr. justice	Share split	Cash pay	Industry	Employees[1]	Year founded
Team J1	Anton & Achim	Just	50:50	Equal	Service	4	2009
Team J2	Bernd & Bastian	Just	50:50	Equal	Service	7.5	2010
Team J3	Claus & Chris	Just	50:50	Equal	IT	11	2006
Team J4	David$^\Phi$ & Daniel	Just	90:10	n/o	Service	81.5	2006
Team J5	Emil & Elias	Just	50:50	Equal	Med Tech	5.5	2009
Team U1	Uta$^\Phi$ & Uwe	Unjust	70:30	Equal	IT	2	2010
Team U2	Vicki$^\Phi$ & Valentin	Unjust	55:45	Equal	IT	2	2010
Team U3	Werner$^\Phi$ & Wilma	Unjust	60:40	None	Service	2	2008

Abbreviations:

Φ: Majority owner   [1] As of June, 2011 full-time employees
n/o: not observed
IT: Information Technology
Med Tech: Medical Technology

Table 2: Overview of cases
Source: Own illustration

Table 2 provides details about the eight case ventures. The names of the companies and team members have been anonymized to ensure confidentiality. Teams, in which equity distribution was perceived to be just were labelled J1-J5, and teams in which equity distribution was perceived to be unjust were labelled U1-U3. The team members were given fictitious names, using the same starting letter per team (e.g., the names of the team members in Team J1 start both with the letter *A*).

As can be seen in Table 2 and described above, all eight cases consist of two founding team members. Five teams in the sample consider their equity distribution as just (Teams J1-J5) , whereas three teams consider it as unjust (Teams U1-U3). Four of the teams with a just distribution have an equal distribution of equity (Teams J1, J2, J3, and J5) and one has an unequal distribution (J4). All unjust teams have an unequal equity distribution. To the best of my knowledge, there is no within-team difference regarding cash pay in all eight teams: the founders in six of the teams (Teams J1, J2, J3, J5, U1,

and U2) pay themselves an equal cash salary, one team (Team U3) does not pay any founder salaries and one team denied us the information (Team J4). Thus, the reward (in)equality expressed in the equity distribution is not distorted in any way.

The eight participating teams come from different industries. Three just teams and one unjust team come from the service industry (Teams J1, J2, J4, and U3), one just and two unjust teams are operating in the IT sector (Teams J3, U1, and U2). Team J5 is a medical technology company. At the inception of the study in mid 2011, the average age of the eight companies was 2.4 years (SD = 1.7). This is in line with the overall BEST sample in which the average age of the participating teams was 2.3 years and, as mentioned before, in line with other entrepreneurship studies. The age of the participating team members is on average 32.6 years (SD = 7.9). As the teams are still young start-ups, they naturally have relatively few employees. On average, the case study teams employ 14.4 FTE (SD = 27.3). The standard deviation is relatively high, due to Team J4, which employs 81.5 FTE.

4.5 Data collection

Data collection in qualitative research is not simply a matter of "harvesting" information from the object of study (A. Bryant, 2009, p. 26). Rather, it is the obligation of the researcher to take an active role in the research process and apply the proper data collection methods that serve the purpose of the study (Flick, 2009). The data collection for my multiple case study was extensive and spanned over the period of 9 months from the beginning of May 2011 to the end of January 2012. Some follow-up discussions were held during May and June 2012, extending the entire data collection period to over one year. Figure 13 gives an overview of the data collection period for the individual ventures.

The primary data collection comprised two rounds of interviews at two points in time
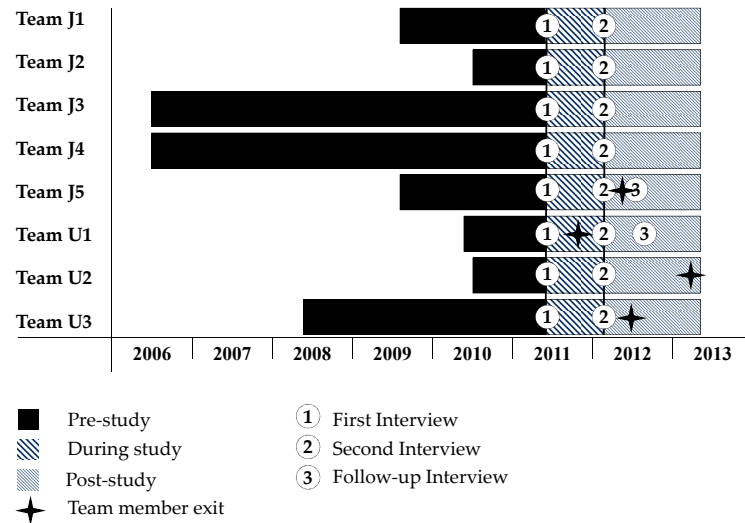
Figure 13: Data collection period for multiple case study
Source: Own illustration

(one during the summer of 2011 and one during the winter of 2011/12) with each of the 16 co-founders in the participating eight start-up teams. I and my fellow researchers in the BEST study conducted 34 interviews[19] with the objects of study, which equates to more than 30 hours of recorded interview material or 394 transcribed, single-spaced pages. More details on the interviews is given in Appendix A3. I will provide more detail on the primary data collection in the following.

We commenced our data collection with one round of semi-structured interviews, which we conducted with each individual co-founder (16 in total). These interviews were set up as one-on-one interviews, in order to increase the chance of unfiltered and independent responses from the interviewees. Research has found that ensuring confidentiality and providing anonymity to informants encourages candor (Glick, Huber, Miller, Doty, &

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[19]One co-founder from Team U1 exited the venture before the conduction of the second interview. Moreover, one team member from team U3 denied us the second interview. We held additional four follow-up interviews after the second interview with teams that experienced a team exit.

Sutcliffe, 1990; C. C. Miller, Cardinal, & Glick, 1997). To this end, we promised the interviewees to keep any information from the interviews confidential, also towards the other co-founder. All interviews were conducted face-to-face by one researcher of the operational BEST project team between May and July 2011. The three main objectives for the first interview were to get to know the participants and build trust, familiarize them with the BEST study and to gain an overarching perspective of the start-up company. Therefore, we started each interview with small talk and a mutual introduction, followed by an overview of the BEST study. We deemed this necessary as the BEST study (as well as this multiple case study nested within BEST) was designed as a longitudinal study and we asked the co-founders to participate in surveys and interviews at multiple times over a period of six and a half months. To provide transparency and manage expectations, we also showed each participant a chart with the required time commitment as well as the specific interactions over the research period. Thereafter, we introduced the broad topics for the first interview and gave the interviewee the opportunity to ask clarifying questions with regards to the BEST study in general or the interview in particular. Then we started with the first interview.

The first interview revolved around three major themes: (i) the background of the team and the business focus, (ii) the individual's perspective on his day-to-day work, the business, and his future career, and (iii) the team's interaction. The interview comprised 24 open-ended questions and typically lasted 50 to 60 minutes, with one interview even lasting more than 75 minutes. Figure 14 gives insight into the interview structure and lists some sample interview questions. The entire interview guide of the first interview is placed in Appendix A4.

We deliberately made use of open-ended questions, due to the exploratory nature of our research, in order to give the interviewees the chance to openly reflect on the topics. As we were talking about sensitive personal, team and venture related issues we deemed it

	Introduction	Team and venture setup	Individual perspective	Team interaction	Wrap-Up
Content/ Sample questions	▪ Mutual personal introduction ▪ Explanation of study setup / time commitment ▪ Explanation of interview structure	▪ What does your company do? ▪ How did you get to know each other as a team? ▪ How is equity distributed among the co-founders?	▪ How would you describe a "successful day" for your startup? ▪ What do you like about your job?	▪ How would you describe your team interaction? ▪ How would you describe the different roles in your team?	▪ Thank interviewee for his/her time ▪ Explain the next steps (surveys and interview)
Rationale	▪ Build personal connection ▪ Be transparent about study setup and time investments to reduce drop-out rate	▪ "Icebreaker questions" to start interview ▪ Get a broad understanding of the venture and the team setup	▪ Understand how the individual views the startup and how satisfied he/she is working for the startup	▪ Get familiar with the perceived team collaboration from different angles (e.g., roles, communication, perception of team members)	▪ Ensure that interviewee has understood the study setup and shows commitment for participation

Figure 14: Interview structure and sample questions of the first interview
Source: Own illustration

most useful to provide the interviewees a platform where they could openly tell about their behaviors, feelings and attitudes. Given my research focus, the use of open-ended question is in line with the recommendation of Edmondson and McManus (2007). The authors state that for research areas in which little is known, open-ended questions are suitable "to learn with an open mind" (p. 1162). Thus, the open-ended questions were a major mechanism for us to focus our research as we progressed in the data collection. To standardize our interview conduct among our operational research team, we closely interacted throughout the interview conception and conduction phase. By frequently sharing our learnings from the interviewing process within our team, we ensured that we developed a similar interviewing style and improved our own interview technique as we progressed in the research. Moreover, we practiced the interview conduct in pilot interviews prior to the start of the data collection phase (see Chapter 3.4).

For our interviews, we used an interview guide containing the interview questions, po-

tential follow-up questions and suggested formulations to bridge between different topics. We did this based on the guidance of Rubin and Rubin (2005) in order to standardize our interview conduct and to be able to listen actively to the interviewee. As per the suggestion of Kvale and Brinkmann (2009), we spent a proper amount of time designing our interview guide. We aimed to design the interview guide in a way that it ensured maximum standardization across interviewers, yet without compromising the flexibility of the researcher to probe on particular subject matters that emerged during the interview. To do so, we separated the interview questions into three separate content blocks and allotted an approximate time frame to each content block. We also categorized each question in one of three categories: A, B, or C. As per our definition, A-type questions were mandatory to be posed in the interview, in the exact wording as per the interview guide. B-type questions also were mandatory to be posed, while the exact wording could differ from the guide. C-type questions on the other hand could be omitted by the researcher in case of time constraints. In the first interview we had 4 A-type questions, 17 B-type, and 3 C-type questions. For each question we noted what themes we expected to hear from the interviewee. This served as a guideline for us interviewers to probe in case we received superficial answers. Also, we followed the suggestion of Rubin and Rubin (2005) and pre-defined potential follow-up questions for the majority of interview questions to get more depth and a broader understanding for the topic under discussion. In line with Rubin and Rubin (2005), we tried to follow up if we were faced with over-simplification of issues, missing information as well as unanticipated new ideas which we deemed relevant for our research focus.

The interviews were recorded on tape and transcribed in writing after the interviews. For the transcription process we were supported by 13 bachelor and master students at Technische Universität München. We as the BEST project team ensured the quality of the transcriptions at all times by handing out a detailed transcription rules manual, providing detailed feedback on the initial transcripts, and making robustness checks on

the final transcripts. We conducted the transcriptions on a level of detail, which allowed us to analyze the content of the data quickly (e.g., by leaving out "uhmms" and "ahhs" that did not change the content of what had been said) yet without omitting information on the interview flow (e.g., disturbances by ringing phones). This procedure is in line with the recommended transcription process in scientific studies (e.g., Gubrium & Holstein, 2002). The transcripts served as the foundation for the qualitative data analysis and interpretation, which I explain in detail in Section 4.6.

The second interview took place between November 2011 and January 2012. In the second round of interviews we interviewed each individual co-founder (14 in total) of the participating teams. One co-founder exited his venture prior to the second interview (Uwe from Team U1) and one additional co-founder (Werner from Team U3) could not be reached for the second interview. The interviews were set-up as one-on-one interviews in a semi-structured interview format. The interviews lasted approximately 50 to 60 minutes with one interview lasting almost 85 minutes. 14 interviews were conducted face-to-face, while two interviews (with both co-founders of Team J2) had to be conducted via telephone, due to the physical absence of the interviewees. While we preferred the interview conduct face-to-face, the selective conduct of telephone interviews was sensible to complete the data collection, since otherwise the interviews could not have been conducted at all. Moreover, telephone interviews are legitimate from a methodological viewpoint (Rubin & Rubin, 2005) and also applied in other social science research studies (e.g., Collewaert & Fassin, 2013).

The objective of the second interview was to deep-dive on three key topics: (i) team- and venture-level developments since the first interview, (ii) the decision-making process among the founder's team, including the decision-making process of equity distribution, and (iii) the handling of different team situations with a particular emphasis on team conflict. The interview comprised 28 open-ended questions. Figure 15 gives an overview
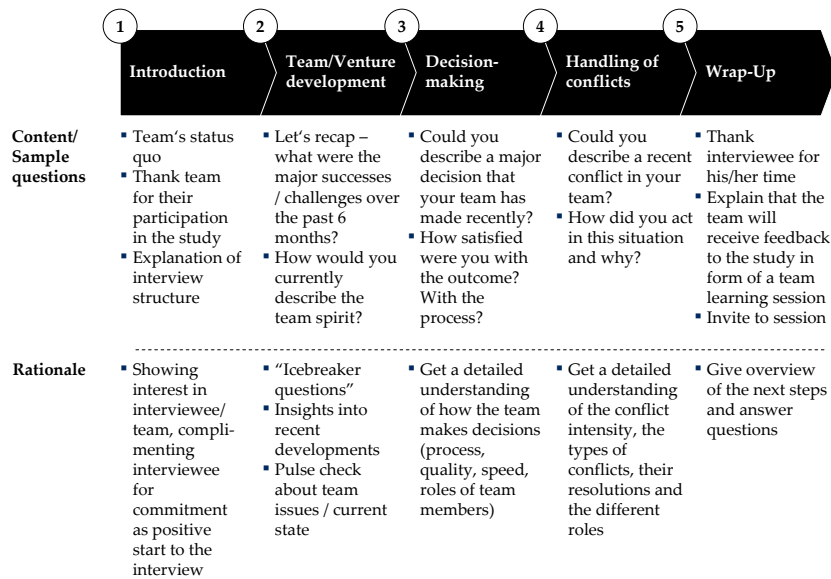
Figure 15: Interview structure and sample questions of the second interview
Source: Own illustration

of the second interview and provides some sample questions. The interviews were also recorded on tape and transcribed in writing after the interviews, to serve as a basis for subsequent data analysis. During all interview sessions, both in the first and second interview, field notes were taken by us interviewers, which were also included in the analysis.

For interview questions on the decision-making process and team conflict, we made use of the *critical incident technique (CIIT)* (Flanagan, 1954), which requires the interviewees to recall a specific situation and retell the unfolding of events. In particular, we asked the interviewees to think about the most important decision made / the most intensive conflict experienced within the past half year, before answering our questions. We probed in case the interviewees did not provide us with concrete examples. Thus, the interviewees linked their answers to a common incident, i.e., they reported the course of events of a specific situation. This technique has been found to reduce recollection

bias (P. M. Podsakoff & Organ, 1986) and provide strong validity and reliability of event descriptions (Motowidlo et al., 1992). CIIT is also frequently applied in qualitative management research studies (e.g., Dasborough, 2006; Pescosolido, 2002; Scarbrough et al., in press). The entire interview guide of the second interview is placed in Appendix A5.

In the process of data coding and analysis it became apparent that selective follow-up interviews would be beneficial, especially in the case that teams had split up. We were able to conduct two additional interviews with both co-founders of Team J5 after the team had separated. We were also able to conduct two follow-up interviews with Uwe, the departing co-founder of Team U1. While the concrete focus topics of the follow-up interviews varied, they were generally used for clarification purposes and explored specific topics that gradually emerged to be the focus of my research. In all four cases, we made use of semi-structured interview guides, like in the first two rounds of interviews.

In addition to the primary interview data, I collected secondary data on the co-founders, the start-up team and the start-up company. The use of archival data is common in multiple case studies in an entrepreneurial or small-business context (see Barringer & Greening, 1998; Rialp, Rialp, Urbano, & Vaillant, 2005) and suggested by methodologists to complement and validate the interview data to build a more solid theory (Yin, 2009). In my multiple case study, I studied the content on the teams' websites, collected trade magazine articles, founder portraits in magazines, and press releases of the ventures. In total, I compiled 308 pages of supplementary data. It has to be noted that I used archival data mainly for triangulation purposes, i.e., to compose a more comprehensive picture of the individual founder, the team and the venture. Nevertheless, some important pieces of information were drawn from archival data. For instance in Team U2, an extensive, 6-page founder portrait in a German weekly magazine revealed important character traits of the majority founder and informed the behavioral dynamics unfolding in the team. Finally, I also used the descriptive statistics (e.g., date of team foundation, industry

of venture, age of founders, professional background of founders) from the first large questionnaire as an additional source of data for my multiple case study.

4.6 Coding and analysis

"Analyzing data is the heart of building theory from case studies, but it is both the most difficult and least codified part of the process" (Eisenhardt, 1989b, p. 539).

While the analysis process in qualitative case studies is not pre-defined step by step, it usually entails an iterative approach consisting of three elements: (i) data coding, (ii) within-case and (iii) cross-case analysis (Eisenhardt, 1989b; Miles & Huberman, 1994; Yin, 2009). To provide a basis for a systematic analysis of qualitative data, the methodology of data coding is commonly used (Miles & Huberman, 1994). Miles and Huberman (1994) provide the following definition for the coding terminology:

"Codes are tags or labels for assigning units of meaning to the descriptive or inferential information compiled during a study. Codes usually are attached to 'chunks' of varying size – words, phrases, sentences, or whole paragraphs, connected or unconnected to a specific setting. [...] Codes are used to retrieve and organize the chunks [...] so the researcher can quickly find, pull out, and cluster the segments relating to a particular research question, construct, or theme" (pp. 56-57).

For the coding of the data, I followed an inductive coding strategy as devised by Corbin and Strauss (2008). This coding strategy is aimed at developing theory inductively from the data, as opposed to deductive strategies that rely on testing prior assumptions (Thomas, 2006). Albeit I had a focus on equity distribution and team processes and a basic knowledge of the related literature, I approached the cases with an open mind and without preconceived propositions to allow the data to speak to me (Suddaby, 2006). I proceeded in an iterative way, i.e., I repeated the coding and analysis steps multiple

times before arriving at a final outcome. Such an iterative procedure is recommended, amongst others, by Miles and Huberman (1994).

As mentioned in the previous section, I started the coding and data analysis with eight teams, representing eight cases. From my research questions and through reading the interview transcripts, I developed an initial coding scheme with 18 categories (e.g., conflict) comprising 50 independent codes (e.g., task conflict, relationship conflict, and process conflict). This represented the broad framework for the initial data coding. For the data coding I used the computer-based qualitative analysis program NVivo (version 9.2) by QSR International. NVivo is a standard software for qualitative research, which is often used in academic studies (e.g., Bandara, Gable, & Rosemann, 2005; Lamertz, Heugens, & Calmet, 2005), and which allows to efficiently allocate chunks of interview text to the respective codes.

With the help of the NVivo software, I then coded each case line by line. The data segments were either allocated to the pre-determined codes or, if no code adequately captured the information, I established a new code. Thus, new categories and codes were added and others were dropped as the coding progressed. After all the cases had been coded, the coding scheme was complete and consisted of 23 categories with 67 independent codes. Among the newly added categories were, for instance, *external stressors*, and additional codes encompassed, for instance, *team stability* and *interpersonal fit*. Finally, all the cases had to be undertaken a final coding session to ensure that all data points had been added to the final coding scheme. The final coding scheme is shown in Appendix A6. I captured some codes relatively broadly (e.g., decision-making), which in effect meant that they were not measurable with one single measure. Thus, I added several measurable sub-codes to the respective code (e.g., speed of decision-making, quality of the decision). Then, for each of the codes or sub-codes, I introduced a three-point scale (equivalent to a low - medium - high scale). To ease comparison across cases I adopted a

color-scheme: red for low, yellow for medium, green for high, purple for different answers within one team, and blue for changing assessments over time (i.e., between the first and second interview). Additionally, I provided definitions and operationalizations per item and scale value.

After the final coding was completed, a fellow researcher and I conducted an interrater reliability test, which I described in Chapter 4.3. As mentioned earlier, we had an interrater agreement of 91.5 percent, which is comparable to other multiple case studies in management and psychology (Haynie & Shepherd, 2011; Kelley et al., 2009). In case of disagreements, we discussed our reasoning, compared and contrasted the data and arrived at an agreement for the final assessment. This approach is also common in multiple case studies in management (e.g., Haynie & Shepherd, 2011; Kelley et al., 2009; Scarbrough et al., in press).

As common in multiple case study research, I conducted the data analysis in two sequential steps. At first, I analyzed each team member and team individually (within-case analysis). Only after I had completed all eight within-case analyses I analyzed the data across cases (cross-case analysis). Eisenhardt (1989b) provides a rationale for this two-step approach:

> "[...] the overall idea is to become intimately familiar with each case as a stand-alone entity. This process allows the unique patterns of each case to emerge before investigators push to generalize patterns across cases" (p. 540).

The within-analysis was done alternately for teams with an equal equity distribution and teams with an unequal distribution with the focus on identifying constructs and relationships that would provide answers to my broadly defined research questions: how does equity distribution affect social interaction processes in the founder team as well as team stability and what factors influence these relationships? At the same time, the constructs and relationships were allowed to emerge without a priori propositions.

Upon finalization of the within-case analysis, I applied the cross-case analysis approach devised by Eisenhardt (1989b) and Yin (2009) with the intention to identify patterns aross cases. This step is important to generate insights that would not have been possible on the individual case-level (Eisenhardt, 1989b). The objective of the cross-case analysis is to develop emergent hypotheses (propositions), which can subsequently be connected with extant literature. While different approaches for cross-case analysis exist, I applied a dichotomization approach in this study as suggested by Eisenhardt (1989b). Accordingly, the four teams with an equal equity distribution were compared to the four teams with an unequal equity distribution focusing on the similarities among constructs and relationships among either group of teams. After noting similarities and differences across cases, I developed tentative propositions, which altered in the course of the analysis process. In the course of the process, it emerged that the perceived distributive justice was more so a predictor of subsequent team processes and team stability than the distribution outcome itself. Therefore, I re-allocated the teams in the two groups and continued the cross-case analysis between the five teams with a perceived just equity distribution and the three teams with a perceived unjust equity distribution. In an iterative process the emergent hypotheses were compared with the evidence from each case. According to Eisenhardt (1989b) "the central idea is, that researchers constantly compare theory and data—iterating toward a theory which closely fits the data" (p. 541). Over time, clear patterns emerged from the data that suggested a new theoretical model of entrepreneurial equity distribution. The outcomes of the within-case analysis will be presented in the following chapter.

5 Case descriptions and within-case analyses

This chapter lays out eight case studies of entrepreneurial founder teams, focusing on the individual- and team-level effects of the distribution of equity among the co-founders of a new venture. The goal of this chapter is to develop a profound understanding of the equity distribution effects through the descriptions and analyses of eight separate start-up teams. Each case is made up of two major parts. The first part is the case description, which comprises a detailed summary of the team and venture setting, "to become intimately familiar with each case as a stand-alone entity" (Eisenhardt, 1989b, p. 540). The second major part is the within-case analysis which analyzes the individual- and team-level effects and thus is the key pre-requisite for the cross-case analysis in the next chapter. It has to be noted that despite the descriptive nature of the case description, this element is still crucial for the entire analysis process. The case description provides context and informs the analysis, therby serving as a frame of reference that enables myself as the researcher to deal with each case's complexity (Miles & Huberman, 1994). Also, the separation of case description and analysis allows the reader to distinguish between descriptive facts and my own analytical contributions and interpretations. Therefore, it is important that both parts are given equal weight in this thesis.

Importantly, I will put a particular focus on the elements that will be essential for the

cross-case analysis, which will follow in Chapter 6. That said, this is not meant as a mere abbreviation of my within-case analysis or even a withholding of important facts. Rather, this within-case chapter represents the final summary of an extensive, iterative analysis process at the end of which a set of central variables emerged, which enhance our understanding of the equity distribution phenomenon. Structuring therefore my within-case description and analysis along these variables, I am convinced that this will foster a richer and more detailed description and analysis of each case and thus provide the reader with a more profound understanding of its essential elements.

In particular, I will focus on the distributive justice of equity distribution as perceived by the individual co-founders, the social interaction processes taking place in the founder team, as well as team stability. The rationale for my focus on the distributive justice perceptions, as opposed to the equity distribution outcome itself, is that my data has shown that the associated justice perceptions affected subsequent social team interactions and team stability much more so than the distribution outcome. Therefore, I will report the equity distribution outcome, but will put a particular emphasis on the description and analysis of the team members' justice perceptions. Moreover, since the social interaction processes represent the heart of the chapter, they will be described and analyzed in detail. For a frame of reference, I will first provide the definitions of all variables that have emerged from the data as important for the subsequent analyses in Chapter 5.1. Subsequently, I will report each individual case in a sequential approach in Chapter 5.2 to Chapter 5.9.

5.1 Definition and operationalization of variables

In this chapter I will provide a brief overview of the definitions and operationalizations of all variables that have emerged from the data as relevant for my within- and cross-

case analyses and ultimately for my model of entrepreneurial equity distribution. Given that my final model is a team-level model and some of the variables are individual-level variables, I will also specify how I aggregated individual-level assessments to a combined team-level assessment.

The first variable that has proven central to my analysis has been the ***distributive justice of equity distribution***. Distributive justice is defined as the *perceived fairness of outcomes* (Deutsch, 1975; Leventhal, 1976). In my research I slightly modify this definition to the context of equity distribution and thus define distributive justice of equity distribution, in absence of an established definition, as the *perceived fairness of the equity distribution outcome*. Importantly, since this is a variable observed at the individual level, I consider distributive justice of equity distribution as high on the team level, if both team members perceive the distribution outcome as fair. If one or both team members perceive the distribution outcome as unfair, the team's distributive justice of equity distribution is considered to be low.

The second variable that is key to my analysis is ***team attraction***. Here, I define team attraction, again in absence of an established definition, as *attitudinal, affective, and behavioral factors within entrepreneurial teams shaping the team's experiences of being an entity with strong common bonds*. From my data it emerged that high *intrateam trust* and high *team cohesion* are crucial indicators for team attraction. I will define these variables in the following. For the assessment of team attraction I used the average of the team-level assessments of intrateam trust and team cohesion.

As described above, the first component of the team attraction variable is that of ***intrateam trust***. Trust refers to "the willingness to be vulnerable to the actions of another party" (Mayer, Davis, & Schoorman, 1995, p. 712) and is comprised of an affective component describing "the emotional bonds between individuals" and "expressions of genuine care and concern for the well-fare of partners" (McAllister, 1995, p. 26) as well as a

cognitive component grounded in competence, responsibility, reliability, and dependability (McAllister, 1995). In short, affective trust reflects "trust from the heart", whereas cognitive trust reflects "trust from the head" (Chua, Ingram, & Morris, 2008, p. 437). Intrateam trust in respect is defined as the *"shared generalized perceptions of trust that team members have in their fellow teammates"* (De Jong & Elfring, 2010, p. 536). An application of an intrateam trust measure is common for studies on trust in team settings (see also De Jong & Dirks, 2012; Langfred, 2004). Importantly, this operationalization of intrateam trust encompasses both the affective and cognitive facets of trust as defined by McAllister (1995). I assessed trust on the individual level and aggregated the individual assessments to the team level using the average of the two individual assessments.

As described above, the second component of the team attraction variable is **team cohesion**. Team cohesion is *"the degree to which members of a group are attracted to one another"* (M. Shaw, 1981, p. 213). Specifically, team cohesion is reflected by (i) interpersonal attraction of team members, (ii) commitment to the team task, and (iii) group pride (Mullen & Copper, 1994). I adopt the definition of team cohesion by M. Shaw (1981) and its operationalization by Mullen and Copper (1994) in my research. I assessed cohesion on the individual level and aggregated the individual assessments to the team level using the average of the two individual assessments.

The third important variable in my model is that of **team repulsion**. I define team repulsion, again in absence of an established definition, as *attitudinal, affective, and behavioral processes entailing entrepreneurial team members' thoughts, feelings, and behaviors connected to drifting apart.* From my data it emerged that high *relationship conflict* and high *social distancing* are crucial indicators for team repulsion. I will define these variables in the following. For the assessment of team repulsion I used the average of the team-level assessments of relationship conflict and social distancing.

As described above, the first component of the team repulsion variable is that of **rela-**

tionship conflict. Conflict is a multi-faceted construct (Jehn, Greer, Levine, & Szulanski, 2008), and research typically distinguishes between task and relationship conflict (Amason & Schweiger, 1994; Amason, 1996; Jehn, 1995). While task conflict refers to disagreements of team members about the content and outcomes of a specific task (Jehn, 1995), relationship conflict is commonly defined as the perception of *"interpersonal incompatibilities among group members, which typically includes tension, animosity, and annoyance among members within a group"* (Jehn, 1995, p. 258). I assessed relationship conflict on the individual level and aggregated the individual assessments to the team level using the average of the two individual assessments.

As described above, the second component of the team repulsion variable is ***social distancing***. The social distance between individuals is commonly defined as *"the degree of reciprocity that subjects believe exist within a social interaction"* (Hoffman, McCabe, & Smith, 1996, p. 654). For my research I operationalize social distancing behavior, i.e., behavior that increases the social distance between two individuals as being comprised of the elements (i) aloofness, (ii) condescension, and (iii) withdrawal, which is in line with Siegel and Hambrick (2005). I assessed social distancing on the individual level and aggregated the individual assessments to the team level using the average of the two individual assessments.

The fourth important variable in my model is that of ***entrepreneurial team stability***. I define entrepreneurial team stability as an *absence of pre-mature team member exit and/or intentions to leave the team.* This definition is in accordance with the team stability definition by Slotegraaf and Atuahene-Gima (2011) in the new product development team context, yet complemented in my study by the intentions to leave element, due to its high predictive quality for actual team member exit (Brigham, De Castro, & Shepherd, 2007; Tett & Meyer, 1993). For the assessment of this variable, the original, dyadic team composition at the beginning of my study provided the basis. Team stability

was considered as high, when neither of the team members exited the team, and as low if one or both team members left, or if there were strong exit intentions.

The fifth important variable in my model is that of ***external stressors***. The sources of stress are commonly referred to as stressors (Beehr & Newman, 1978). Work-related stressors can be disaggregated into two categories: challenge stressors, comprised of stimuli such as high workload and time pressure, and hindrance stressors, encompassing stimuli such as organizational politics and role ambiguity (Cavanaugh, Boswell, Roehling, & Boudreau, 2000). Two external hindrance stressors emerged from my data to impact teams' social interaction patterns: ***family-work conflict*** and ***investor conflict***. Family-work conflict is concerned with the *spillover effects of family conflict to the work environment* (J. R. Edwards & Rothbard, 2000), and thus represents an extrinsic source of stress in the workplace (Greenhaus & Parasuraman, 1987). Investor conflict, on the other hand, relates to *conflicts between investors and entrepreneurs that are carried into the entrepreneurial team* (Collewaert, 2012; Higashide & Birley, 2002). In my study, I subsume family-work conflict and investor conflict under the external stressors variable. External stressors were assessed on the team-level. If either one or both stressors were present, external stressors were considered to be high. If none of the stressors was present, external stressors were considered to be low.

The final important variable in my model is ***satisfaction with venture performance***. In my research I define satisfaction with venture performance as the *perceived satisfaction with the economic performance of the venture*. Given that this variable is measured at the individual level, while my analysis is on the team level I aggregated the individual measures in the following way: I considered satisfaction with venture performance as high on the team level, if both team members were satisfied with the performance of the venture. If one or both team members were dissatisfied with the performance of the start-up, the satisfaction with venture performance was considered to be low.

With the background of above definitions and operationalizations, I will now turn to the within-case analysis of my research. In the following, I will sequentially portray the individual cases, placing a particular emphasis on the description and analysis of the variables defined above.

5.2 The case of Team J1

The objective of this case is to describe the individual- and team-level effects of entrepreneurial equity distribution and the perceived justice thereof at Team J1. To provide some context, I will start with a brief corporate profile of Team J1. Thereafter the case will be described in Section 5.2.1. Finally, I will conduct the within-case analysis of Team J1 in Section 5.2.2. Importantly, I will apply the same structure to each individual case that will follow in the subsequent sections.

Corporate profile

Venture J1 was founded in January 2009 by the co-founders Achim and Anton. It operates in the service business and is headquartered in Munich. The company's original business model was to provide search engine optimization (SEO) services to local small and medium-sized enterprises (SMEs) operating in any industry. In 2011, the company adapted its initial business model by introducing a new line of business (online marketing consulting services to large corporations) and limiting its original service offering to medical doctors.

At the inception of the BEST study, the co-founders are approximately the same age (both in their early 30s), and both have a few years of work experience. In particular, Anton has prior experience from an apprenticeship in a local bank, and Achim has

worked abroad as an analyst in an international software company. Looking at the major events that led to the joint founding of the venture, one has to go back almost 30 years. Achim and Anton have known each other and been friends since kindergarten. After high school, Achim and Anton founded their first social entrepreneurship venture during the soccer world cup in Germany—a venture, which the co-founders perceived to be relatively successful, but which eventually dissolved when the two found too little time besides other commitments. When in 2007 Achim leaves the country to join a software company as his first job out of university, the two stay in touch with their joint goal in mind: to eventually start their own company together.

In January 2009 Achim leaves his company with a business idea in the back of his head: to provide SEO services to SMEs. He tells Anton about it, who is instantly convinced, and in January 2009 the two found their joint company J1. Given the bleak market circumstances during the world financial crisis, the two do not find an investor for their new venture. Thus, they start with their own savings and the intention to soon be able to finance themselves through their own cash-flow. Their strategy works: Anton and Achim manage to build their company with internal financing, with one exception in 2010, when Achim has to work as a freelancer for two months in order to pay the company's bills. By mid 2011, J1 employs four full-time employees and faces the fortunate situation that it does not have sufficient capacity to fulfill all customer demands. In this context, Anton and Achim adapt their business model, focusing their core business on one profitable customer segment and adding a second business line, primarily to increase cash flow stability. For the new business line, Achim and Anton also add a third person (Alex) to their founding team[20]. The corporate profile in Figure 16 provides a summary of above descriptions.

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[20]The new team member Alex did not participate in the BEST study

Industry & business model	
Industry	• Service
Original BM	• Search engine optimization (SEO) for local small and medium-sized companies from all industries
Adapted BM	• SEO for medical doctors; online marketing consulting for large corporations

Team composition		
	Anton	**Achim**
Academic background	• Business	• Business
Age (as of May '11)	• 30 years	• 32 years
Prior professional experience	• Apprenticeship in a local bank	• Analyst at a software company
Function in venture	• SEO business (operational)	• SEO business (strategic), online marketing consulting (operational and strategic)
Part of Team	• Since 2009	• Since 2009
Equity share	• 50%	• 50%

Business and team evolution – Key milestones	
1982	• Anton and Achim become friends in kindergarten (their mothers are befriended)
2006	• Anton and Achim found their first social entrepreneurship venture – an international soccer fan club during the soccer world cup in Germany
2007	• Achim joins a software company; the two stay in touch, the joint venture on top of their minds
2008	• Achim intends to leave his company; he sends Anton pre-reads for their planned new venture
1/2009	• Incorporation of J1 including equity distribution
Q2/2010	• Achim works for 2 months as a freelancer for a large media company in order to finance the company
Q1/2011	• Company J1 narrows its industry focus in the SEO business to beauty surgeons due to margins and better cycle fit
7/2011	• Anton and Achim add Alex, a former colleague of Achim at the software company, to their management team

Figure 16: Corporate profile - Team J1
Source: Own illustration

5.2.1 Case description – Team J1

Distributive justice of equity distribution

The co-founders Anton and Achim discussed their distribution of equity during the first days of working together and settled for an equal split. According to Anton the equity split did not involve major discussions and was agreed upon quickly:

> "We decided to found J1 and the process was very simple. Achim and I have known each other since our childhood and we have always shared everything. [...] Achim had much more know-how, while I initially put in a lot of personal commitment and leveraged my personal network. Therefore, we never had a problem with splitting it 50:50. Moreover, Achim is a lot on the road [...]. And I would say he took a lot more vacation than I did. But we never had a discussion about that." (second interview, line (l.) 165-169)

In contrast to Anton's view, Achim's line of argumentation for the equal split is somewhat different. He does not point out the individual contributions of the co-founders, but rather

brings in a consequential perspective on the split:

> "[...] to most people I cooperate and work with, I offer a 50:50 split. There are no arguments against it. [...] At the end of the day it is a partner whom you must trust 100%. So in this context, it is important that no envy arises and that the partner remains 100,000% motivated. And I think it is in the best interest of the company, when each co-founder gets an equal share." (second interview, l. 224-233)

Achim and Anton both retrospectively view their equity distribution as fair. More specifically, when being asked in the second interview in December 2011 about the fairness of their equity distribution, both agree that the split was fair at the time of the distribution in mid 2009 and that they still regard it as fair in December 2011. In this context, Achim also points out that they considered the fairness aspect in their distribution process, stating: "We tried to develop a fair model. I mean, how can you justify why one person should get 49% and the other 51%?" (second interview, l. 297-299). Anton reinforces this point: "We just said that we would always share everything [...] and thus, at the end of the day, it is always fair" (second interview, l. 178-182).

Social interaction processes

Achim and Anton have split their responsibilities in the venture. Anton runs the SEO side of the business, while Achim is responsible for the consulting arm of J1. The nature of the two jobs is quite different. Anton's is very operational and interactive, as he has to manage many different clients at a time. This means that he spends a fair part of his day with his clients on the phone. To cope with this operational task, he is supported by the four full-time employees and occasionally by interns. Achim on the other hand conducts projects with large companies on an ad-hoc basis. Thus, he is focused more on one project at a time and the content of the projects is more strategic compared to the operational business under Anton's control.

Despite the different characteristics of the business lines, the two co-founders manage their overall business jointly. Both feature the same job title (*company director*[21]) but Achim takes on more of a CEO role: "by law we are equal company directors. But if you are talking alpha and beta animals, I am most likely the alpha animal" (first interview, l. 167-168). This is underscored by the fact that Achim is in charge of external relations, often speaking as the company representative at conferences and public gatherings. The two co-founders discuss and decide all strategic decisions together, even though Achim acknowledges that he "prepares and thinks about all strategic decisions beforehand" (first interview, l. 162-163). With regards to the informal roles the two co-founders take on, Anton summarizes it as follows:

> "Achim is the brain and I am the heart of the company. [...] We often compare it to good cop and bad cop – he simply plays the more distanced part and I play the more empathetic part." (first interview, l. 370-374)

The relationship between the founders Achim and Anton is characterized by mutual trust. Achim stresses that he has "absolutely 100% trust" in Anton and that he expects Anton to have "100% trust" in him as well (first interview, l. 529-531), while Anton elaborates that he is very open in his communication with Achim and not hesitant to discuss any topic with him (first interview, l. 362-367). Even more, Anton underscores that he still regards Achim "more as a friend than a business partner" (second interview, l. 171-172). According to both co-founders, the ambiance in the team is harmonious and relationship conflict a rare phenomenon. Achim voices that "in the two years, we have *never* had a major disagreement" (first interview, l. 182-183; emphasis added), while Anton confirms "we have *never* had a larger problem within the team, that is between Achim and myself" (first interview, l. 349-350; emphasis added).

Also, it became apparent during the interviews that the workplace of Team J1 is laden with positive emotions and that fun at work plays a central role. Anton reflects that

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[21]Translation of the official German title *Geschäftsführer*

"having fun with the team, having fun with Achim, just having a good atmosphere" (first interview, l. 195-196) is something he associates with a successful day at work, so he concludes that "actually every day is a successful day" (first interview, l. 198-199). Achim confirms that by looking at the broader team: "it is very important, that everyone comes to work and has fun" (first interview, l. 303). While both display an array of positive emotions about their work, the source of these emotions is somewhat different. Anton largely draws the emotions from positive customer interactions in the SEO business, while Achim gains his positive spirits from consulting large corporations or holding speeches at large conferences. At the same time, Achim points out that he is inspired by the passion Anton has for his job and that he would expect Anton to say something similar with regards to his job attitude (first interview, l. 529-532).

In contrast, negative emotions are only rarely found at J1. In response to the question what he dislikes about the venture, Achim answers: "there has not been a day where I thought 'Oh no, I have to go to work again.' [...] If I dislike something here, I am in the position to change it" (first interview, l. 370-378).

The co-founders Achim and Anton have a strong sense of belonging together as a team. Anton states that:

> "With Achim, I have found the absolutely perfect partner, whom I would not give away for anything in this world, if I am honest. [...] my vision is, that will remain a team forever. If we start new projects, we start them together. [...] We just want to achieve everything together. That is also *our* vision. [...] We also agreed that in case one of us will get ill, the other one will care for him and things like that." (first interview, l. 257-292; emphasis added)

Moreover, Achim and Anton make it clear that they regard themselves as a well-functioning team. Both see this grounded in their complimentary interests. Anton reflects: "We are very different types of persons, but we complement each other really well. Achim likes exactly the things, I do not like so much" (first interview, l. 262-264). Achim states: "Anton is the service fanatic for our medical doctors and he wants to push this [business].

I have much more fun consulting [large corporations]" (second interview, l. 102-104). Moreover, Anton and Achim make an effort to share their work load evenly and help each other out. Accordingly Anton points out in the first interview: "[...] if I have spare capacity, I would be the last to say 'I cannot take this over from you'. That would be no problem. It is the reason why we are a team" (first interview, l. 365-367).

Entrepreneurial team stability

The co-owners of Team J1, Achim and Anton, are very content with their venture and team performance. Anton states: "we are super happy and super satisfied with the development of our company and we have received a lot of positive external feedback and support" (first interview, l. 411-413). Similarly, Achim points out: "I have to say, I am really shocked, what happened to us recently. In a positive way. This is crazy. Next spring alone I am speaking on 6 conferences. [...] It is unbelievable how we are developing" (second interview, l. 404-408). Moreover, the team has "the luxury to turn down many customers [because we do not have spare capacity]" (Anton, second interview, l. 26-27).

Despite their harmonious team atmosphere, the co-founders still experience a minor conflict when Achim starts a relationship with a student worker without informing his co-founder. However, a few weeks later the issue resolves, when Achim tells Anton about the incident. In the second interview Achim is very explicit that this was a rare occurence and that he feels bad for running over his partner:

> "So somehow I told him on a party, but that was a few weeks later. I felt really uncomfortable, because he is a very good friend and my business partner. One should tell something like this. [...] Otherwise, we talk very openly." (second interview, l. 361-367).

Overall, Team J1 seems to be very stable with regard to its original team composition.

In fact, as cited above, Anton even stresses that it is his personal vision to remain a team with Achim forever (first interview, l. 288-290). Moreover, the team adds an additional TMT member in the summer of 2011 to further strengthen their team in a new business area and thus to create a new platform for future venture growth.

5.2.2 Within-case analysis – Team J1

In this section, I will analyze the case of J1 with a focus on distributive justice of equity distribution and subsequent social interaction processes and team stability. As stated above, the co-founders of J1 split their equity equally during the first days of working together in January 2009. Both Achim and Anton consider their equal equity distribution as fair, both at the time of the distribution and when being asked about their current perception, in December 2011. This means that the equity split and its associated high distributive justice perceptions can be regarded as a precursor of individual- and team-level developments that manifest themselves after the distribution had taken place. This consequential perspective is underscored by Achim's comment, which he makes in connection with the agreed upon equal split: "[a]t the end of the day it is a partner whom you must trust 100%. [...] it is important that no envy arises and that the partner remains 100,000% motivated" (second interview, l. 224-233). Here, Achim directly links equity distribution to key facets of teamwork: trust, motivation, and avoidance of envy.

In Team J1, the just distribution of equity seems to have a beneficial effect on individual- and team-level developments, in particular on the social interaction processes in the founder team. During the interviews, Achim and Anton make it very clear that positive emotions dominate their team environment. Also, I could personally feel the warmth and positivity when I visited the team's office and observed how the two co-founders conversed with and treated each other. This positive emotional atmosphere is exemplified in the interviews by the use of positive terminology when the co-founders talk about their work

and team environment. Themes like *fun at work* and *fun with the team* (e.g., Anton, first interview, l. 78, 195, 226; Achim, second interview, l. 84, 521, 527), *happiness* (e.g., Anton, first interview, l. 411, 418), *pride about achievements* (e.g., Anton, first interview, l. 413, 418), *great team spirit* (e.g., Anton, second interview, l. 49, 59) and *passion at work* (e.g., Achim, first interview, l. 529, 531) are plentiful and used numerous times during the interviews of both co-founders.

With regards to the element of intrateam trust, Achim and Anton are very explicit that their relationship is grounded on mutual trust. Part of this can be explained by their long friendship since their early childhood. Nevertheless, Achim also stresses that the equity split itself is an underlying building block of mutual trust (second interview, l. 224-231)—in case of J1 a positively reinforcing one. The two co-founders provide an array of examples, from which one can deduce their mutually high levels of trust. For instance, each of them manages his individual business line, without the other one interfering (Anton, first interview, l. 128-138), which can be regarded as an indication of high trust levels. Moreover, the two communicate very openly, also about personal matters, which also signals high intrateam trust. In fact, the only time Achim is hesitant about informing his partner about his romance with an employee, he is very apologetic and regrets that he did not share it with Anton from the outset (Achim, second interview, l. 361-372).

Moreover, Achim and Anton are a very cohesive team. They explicitly stress that they are friends and not mere business partners (Achim, second interview, l. 366), making it very clear that they both have a high regard of each other. Even more, Anton is convinced that he and Achim belong together for good, thus creating the allusion of a happily married couple. This close relationship is also underscored by the fact that their business and social activities are closely interwoven; they play beach-volleyball after work or go together on a week-long sailing trip. This arguably fosters the very strong team spirit, which is explicitly stressed by Anton (second interview, l. 49, 59) and Achim

(second interview, l. 99-101). Lastly, the two co-founders show a clear commitment to the team task. In particular, they cooperate closely, despite each of them being in charge of a relatively separate business line. An area where this might be exemplified is the strategic decision-making process in the team. The two discuss and and decide all strategic issues jointly and both have an equal say. However, Achim prepares all decisions before Anton is included, thus having arguably a larger influence on the decision outcome than if they would jointly prepare the decision. At the same time, I argue that it is positive that they have clear responsibilities in this process, and that these responsibilities are based on skill and interest. For instance, Anton explicitly calls Achim the brain of the company and does not seem unsatisfied that Achim is the team's mastermind. While this way Achim arguably has a greater say in the team's decisions, I deem the process very efficient, not least because both co-founders are very satisfied with it and thus a good example of the team's cooperative approach. Moreover, Achim also explicitly states that he is inspired by Anton's passion for the job, which is an additional sign of proof that the two are very committed to the team task.

Additionally, it becomes evident from the co-founders' statements that the mutually high perceptions of trust and cohesion reinforce each other and also that these high perceptions of trust and cohesion reduce the level of relationship conflict. For instance, Anton describes in the first interview, how their shared experience helped Anton and Achim to build a strong, trustful relationship without any major relationship conflicts, and how mutual trust is the underlying mechanism for their joint commitment to the team task as well as positive team spirit found in Team J1:

> "[...] we have experienced quite a lot together, I have to say. That also helped us form a strong bond and I think, that is the reason why we never had real problems in the two years we have been leading this company. I mean in our team we had no problems at all, and in our company we had smaller problems, which we solved together. It is important to have a partner in whom you can trust 100%, which is a bit more difficult for people whom you have known only for one or two years. We said to ourselves: 'we want to do

> this together'. [...] If you want to implement something in our venture, you can do so. And you see the results after a short time. That really is a lot of fun! In that case, you are happy to work long hours and you don't mind extra hours." (l. 68-79)

In contrast, negative social interactions are hardly to be found at Team J1. Relationship conflict is scarce at J1, in fact both co-founders stress that they never had a relationship conflict during their time of collaboration (Anton, second interview, l. 222-225; Achim, first interview, l. 349-350).

Finally, my assessment that the team appears very stable in its team composition[22] is largely related to its positive social interactions. Still, two additional factors may be considered. First, the shared positive view on the team's and venture's performance makes their unity and stability even more resilient. Both co-founders are very vocal about their satisfaction with their progress and success and even show great pride in recent developments. For instance, Anton proudly lists the prestigious companies that asked them for a consulting engagement (second interview, l. 8-10), and Achim reporting on the size of the conferences at which he spoke (second interview, l. 524-531). Second, the team has hardly been impacted by external stress factors, given their clear commitment to a good work life balance, which Anton emphasizes numerous times during the first interview. Even the minor incident of Achim's liaison with a student worker, which he does not disclose for several weeks before eventually informing Anton, does not cause any inner-team conflict.

In summary, J1 is a team with a perceived just equity distribution, featuring positive social interactions in the form of high team attraction (high intrateam trust and high team cohesion that are mutually reinforcing) and low team repulsion (low relationship conflict), as well as high team stability. This relationship is supported by a low level

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[22]I apply the definition of team stability, which I outlined in Chapter 5.1 of this thesis. Thus, when talking about team stability I only consider premature departures from the team, whereas I am agnostic towards additions to the founder team.

of external stressors (very little family-work conflict) and high satisfaction of both co-founders with the success of the venture.

5.3 The case of Team J2

Corporate profile

Venture J2 was founded in 2010 by the co-founders Bernd and Bastian. It operates in the service business and is headquartered in Munich. J2 provides an online career platform, on which small and medium-sized companies (SMEs) can advertise job postings and woo recruits.

The co-founders have known each other since 2004 when they started their business studies together at the same university. After university, the two work for two years in management consulting but eventually loathe the long hours and quit. As they are discussing job opportunities one evening, they jointly develop the idea for an own venture. In the following days and weeks the two craft a business plan and apply for the German federal government grant *EXIST Gründerstipendium*[23]. They are successful in their undertaking and in July 2010 they found, with the backing of the one year-long EXIST Gründerstipendium, their company J2. The two hire a software developer, Benedikt, and start building their team—at first with freelancers and interns, but gradually also with some full-time employees. Despite the extensive development work ahead of them, Bernd is very intent from the beginning to have a close and direct customer exchange. Through these discussions Bernd and Bastian gradually find out that they are facing a *chicken-and-egg problem*: without an active user base their platform will not be relevant for their customers (i.e., the SMEs) and without content from the SMEs they will not

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[23] *EXIST Gründerstipendium* is a one-year long scholarship for young founder teams.

Industry & business model	
Industry	▪ Service
Original BM	▪ Employer branding platform of small and medium-sized companies (SMEs) ▪ Target customer: SMEs ▪ Target user: Students, young professionals
Adapted BM	▪ Recruiting platform for SMEs ▪ Target customer: SMEs ▪ Target user: Students, young professionals

Team composition		
	Bernd	**Bastian**
Academic background	▪ Business	▪ Business
Age (as of May '11)	▪ 28 years	▪ 28 years
Prior professional experience	▪ Management consultant	▪ Management consultant
Function in venture	▪ Marketing	▪ Sales
Part of Team	▪ Since 2010	▪ Since 2010
Equity share	▪ 50%	▪ 50%

Business and team evolution – Key milestones	
2004-08	▪ Bernd and Bastian study together at University of Mannheim
2008-10	▪ Bernd and Bastian work as strategy consultants in Munich
2010	▪ Bernd and Bastian have the joint idea for J2, while discussing job opportunities at German SMEs
2010-11	▪ Financing by federal government grant "EXIST Gründerstipendium"
7/2010	▪ Incorporation of J2 including equity distribution
7/2010	▪ Benedikt joins the team as first FTE in IT
10/2010	▪ Based on market feedback, team adapts original business model to generate sufficient traffic on the platform in order to become attractive for target customers
Q1/2011	▪ J2 signs a media cooperation with a TV news station
4/2011	▪ J2 launches its first monetizable service
7/2011	▪ J2 secures seed financing round through Business Angels
12/2011	▪ Team prepares first larger financing round

Figure 17: Corporate profile - Team J2
Source: Own illustration

get any traffic from users. About six months after the two started developing their original service platform they decide to change course – despite initial skepticism in their development team. Instead of providing a branding platform for SMEs, J2 now follows a sequential strategy: first build up a SME database (largely free of charge for SMEs) to build traffic and then switch the model to a recruiting platform once the traffic is in the aspired range.

In December 2010, J2 launches its SME database web service and, supported by a media cooperation with TV news station, quickly gains traction in terms of usage figures. About half a year later, the co-founders switch to the second stage of their strategy and introduce their first monetizable service. By the end of May 2011, the site already features 800 job postings. As competition intensifies, the two co-founders decide in late 2011 to start their search for a larger financing round in order to gain more market share. The corporate profile in Figure 17 provides a summary of above descriptions.

5.3.1 Case description – Team J2

Distributive justice of equity distribution

Bernd and Bastian distributed the ownership of their venture in the summer of 2010. The two co-founders decided quickly and rather spontaneously on a 50:50 split. Bernd reflects:

> "[...] we did not not even discuss it. We were at the solicitor and when we filled out our form, we did not even discuss this [the equity distribution] but rather, how we would write our company name ((laughs)). It was 50:50. No question about it." (second interview, l. 144-146)

Similarly, Bastian points out that the equal split was clear and did not even need to be explicitly discussed or negotiated:

> "Pretty simple: we founded our company together and each of us got half. There were no discussions or anything like that. It was clear."
> *INT: Does that mean that it was not a decision in itself?*
> "No. It was clear from the beginning that Bernd and I would be awarded half." (second interview, l. 160-162)

Not surprisingly, both co-founders regarded their split as fair at the time of the distribution in July 2010. This view had not changed when the co-founders were asked about their current justice perception of the equity split in the second interview in December 2011 (Bastian, second interiew, l. 162-165; Bernd, second interview, l. 147-148).

With regards to the equity distribution it has to be noted that Bernd and Bastian also regard the full-time software developer Benedikt as part of their core management team. Upon his joining of J2 in July 2010, Bernd and Bastian offer him to become a co-owner of the company. However, he declines, preferring to receive a continuous salary from J2. Therefore, Benedikt has been largely excluded from the within-case description and analysis. He also did not take part in the BEST study.

Social interaction processes

In their venture, Bastian and Bernd have split their responsibilities based on personal strengths. Bernd is in charge of the marketing side of the business (B2C), while Bastian controls the sales side (B2B)[24]. Bastian reflects on their assignment of responsibilities: "It was clear that I will do B2B sales, because I am more the sales guy, the presenter. But also because I had more firm contacts. [...] On the other hand, [...] Bernd is a very good networker. He knows many people and this is important in marketing, in oder to get connected" (first interview, l. 93-98). At the same time, Bastian concedes that splitting responsibilities was not straight forward: "Assigning responsibilites was generally not easy, because we studied the same and thereby it was not obvious where the differences between Bernd and I were." (first interview, l. 103-105). Not only do Bastian and Bernd have clear responsibilities, they also explicitly discussed the interpersonal roles, which they take on in the team. According to Bernd: "he is the good guy and I am the bad one ((laughs)). Really, that's how it is" (first interview, l. 418). This is confirmed by Bastian: "I am the good guy and he is the bad guy ((laughing))." (first interview, l. 269). Both see this separation of responsibilities as a natural one. Bernd states: "Bastian simply is a more cooperative person and I always push that things get done, because I know that we have a lot to do" (first interview, l. 421-423). Similarly, Bastian points out: "It makes sense from our natural dispositions. I am more the moderator, the one who creates harmony, and I cannot easily be hard on people. Bernd can do that a lot better. But it is not that we decided: 'you do it this way and I that way'. It rather established itself." (first interview, l. 269-272).

The two co-founders have known each other and were befriended well before their joint undertaking. Still, they point out that they had to communicate frequently and rather carefully in their initial phase of working together at J2: "In the beginning it was more

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[24]Core team member but non-shareholder Benedikt is responsible for the IT development

difficult [to split responsibilities], because we really had the feeling that we have to discuss it with the other one. However, that decreased over time. Now I hardly discuss something with him that is not strategically important [...] For me personally, it was not easy [to split responsibilities], because I am sometimes very perfectionistic [...] However, there is no other way and it works fantastically." (Bernd, first interview, l. 226-228; l. 239-242). Bastian adds an additional dimension to this issue: "[...] Bernd and I are very perfectionistic and want to sign off everything." (first interview, l. 127-129). While this has been a phenomenon of the initial months of working together they have overcome this challenge by now: *INT: Did it work, stopping [to be perfectionistic]?* "Yes, it worked, even though it has taken a long time" (Bastian, first interview, l. 130-131). Whereas Bastian and Bernd were rather insecure regarding their individual authority during the initial phase of working together, the two co-founders have been very open and proactive about their interpersonal feedback from the very beginning:

> *INT: How would you describe the feedback culture at J2?*
> "That is something we have learned very well in consulting. We won't be stingy with feedback." [...]
> *INT: How exactly do you give feedback in the founder team?*
> "If someone observes something he directly gives feedback. For us this is rather characteristic. If we are sitting somewhere and have a chat, even in a private setting, we give each other feedback." (Bernd, first interview, l. 406-414).

The co-founders of J2 describe their team as very harmonious and as one in which very few interpersonal conflicts take place:

> *INT: What has been your largest conflict in recent months?*
> "((Long pause)) The only thing that I can think of spontaneously was a situation in which responsbilities were neglected. [...] But this was not really a conflict. But I told him [Bastian] that it was my area and that I have a better perspective on the subject [...]. And that was the end of it. It was simply a misunderstanding. He thought that I did not have enough time to answer the email so he answered it himself. [...]"
> *INT: Does that mean you never had a larger conflict, one that got more emotional or spanned over a few days?*

> "No, luckily not. I mean this the least you have to get right. If *this* does not work it will be hard to survive as a start-up." (Bernd, second interview, l. 167-199)

While Bastian concedes that he argues with Bernd regularly, the discussions always remain content-based and never shift to a personal level: "When two dominant personalities have to agree on something it is always difficult. [...] We discuss, we argue, but it does not get personal." (first interview, l. 280-282). In general, the mood at J2 is very positive and energetic, despite the every-day hectic pace that is typical of many start-ups. When being asked about his favorite part at work, Bernd reports: "There are many nice things happening here. I could tell you what motivates me most—it is the team. Everyone stands 100% behind this thing. This is fantastic" (first interview, l. 294-295). Similarly, Bastian points out: "[...] we now have 10 people who are standing behind our business, full of excitement" (first interview, l. 71-72). At J2, Bernd and Bastian introduced a regular happening in the larger team to increase the team's unity—the "5-o'clock-song" (Bernd, first interview, l. 383-399). Bernd explains the concept as follows: "It really is not a meeting. We just go together into the editorial room, everyone grabs a coffee and listens to a song. [...] It does not have a work-related function, but only that we all see each other once a day" (first interview, l. 394-397). At the same time, Bernd stresses that while he and Bastian aspire the team's commitment to the venture, a life outside of the venture exists: "As opposed to other founders, we don't want to be married to our company and sit in the office all night long." (first interview, l. 278-279). Moreover, at multiple points during the interviews, Bastian and Bernd highlight that they regard themselves as a well-functioning team. Bernd's following comment exemplifies this:

> "Our collaboration is very productive, because we are so different. [...] I think, we complement each other perfectly in this respect. Bastian is a lot more willing to roll up his sleeves than I am. He wants to get things done, while I am the one who has a vision, who contemplates about what we are actually doing. I think that it would work neither without him nor without me." (first interview, l. 361-365)

Similarly, Bernd illustrates that the co-founders have a strong commitment to the team task, when he describes the co-founders approach to information exchange and decision-making:

> *INT: How do you typically discuss important topics?*
> "We usually have really short discussions ((laughs)). We have a point of view, discuss the pros and cons and then decide. [...] You have to know, that I have an excellent and cooperative business partner. He is very cooperative by nature and that's why it is very easy" (first interview, l. 373-376).

Entrepreneurial team stability

In Team J2 there are no signs of instability discernible. As described above, the team is very harmonious and cohesive. Furthermore, the co-founders show strong commitment to their venture, exemplified by the fact that the two do not plan to leave the venture pre-maturely. For instance, Bastian describes his personal vision in the first interview:

> *INT: How would you describe your personal vision?*
> "My vision is that in 2-3 years, J2 is a profitable, well-run company with 20 employees who are having fun, and who are treated well in the sense that they are paid more than in an average start-up. [...] That is my ideal vision, paired with the fact that I can lean back a little in terms of operational involvement. Of course, I will still work operationally, [...] but not 5 days a week for 12 hours. [...] I do not dream of an exit within the next 1-2 years with the intention to become a multi-millionaire. [...]" (l. 209-223)

Moreover, both co-founders are satisfied with the success of their venture. Bastian points out in the first interview that he is fond of the larger team's commitment to the venture and the positive market feedback:

> "How do you measure success? Most obviously in the team, when you realize that you suddenly have 10 people, who are standing behind this [venture] with pride. That is one thing. The reassurance we receive in the market, that we have companies paying for our service [is another indication]. [...] Companies come to us, or I ask them whether they have already received an

application. [If they confirm] That is the ultimate proof" (first interview, l. 70-77).

Bernd has a similar perspective, and reports that J2 has had successful media mentions, as well as strong customer take-up rates:

> "We had our first success as we won over a national TV station as a cooperation partner. I mean, this is cool. Then we had a few newspapers writing about us, which was also very good. Another success is that we now have an editorial team [...] I think that was our biggest success. And our user figures are on the rise which is another success. And we had success cases in our sales area, where we won over our first customers" (first interview, l. 168-175).

5.3.2 Within-case analysis – Team J2

As outlined above, Bastian and Bernd distribute their equity without any formal discussion or negotiation process in July 2010, a few months into their joint undertaking. Both see the equal distribution as fair and the determination of the split as an easy task, part of which is attributed to the fact that their venturing was done among equal partners: "I think there may be problems, if there is a younger [founder] and an older one, if there are more than two founders, or if the time investment into the venture differs." (Bernd, first interview, l. 247-249). At J2, the split perceived as fair among the co-founders seems to have a positive influence on the social interactions within the team. In the following, I will outline the different effects.

First, the level of intrateam trust in Team J2 is medium in the beginning, but increases to a high level in the course of the co-founders' collaboration. From the outset of their working relationship the two co-founders show signs of affective trust, arguably also due to their prior friendship. This is exemplified by their unconditional sharing of personal and professional concerns. For instance, Bernd mentions that the two give each other

feedback all the time, both in professional and private settings (first interview, l. 406-414). At the same time, the two co-founders admit that they had to go through a phase of adaptation in the initial weeks of working together, especially since their previous consulting jobs were in a hierarchical team context and in an environment in which no mistakes were allowed to be made. As a consequence, both co-founders feel the need to double-check the work from their partner in this early phase of collaboration (Bernd, first interview, l. 226-228; l. 239-242). This suggests that the level of cognitive trust between the two is not fully developped from the beginning. Rather, as the relationship evolves and the reciprocation of trustful behavior between Bernd and Bastian continues, cognitive trust increases to a high level. As a result, Bastian acknowledges that the two trusted each other in their area of work after a few months of collaboration (first interview, l. 130-140).

Second, from the data it is quite evident that Bernd and Bastian are a very cohesive team. Bastian and Bernd show a strong sense of unity and strive to extend this unity to the broader team, which is exemplified by the introduction of the daily 5-o'clock-song. The fact that Bastian receives written feedback from J2's employees outlining the employees' happiness and excitement is further proof of this tight relationship. Within the founder team, I consider the fact that Bastian and Bernd still spend as much time together outside of the venture as before as another sign of proof that the founders are very close and cohesive. Moreover, both stress multiple times during the interviews that they consider themselves as friends (Bernd, second interview, l. 183; Bastian, second interview, l. 221-227). Also, the co-founders report in their interviews that they are very satisfied with their cooperation. When being asked what he considers improvement areas for collaboration within the founder team, Bastian answers that he does not see any (second interview, l. 269). Moreover, they repeatedly emphasize that they see their independent working modes as advantageous, while both founders are also happy with the joint decision-making and direction-setting process. Bernd underscores that with

his argument of equal partners: "[...] we always decide on a level playing field" (second interview, l. 160). The co-founders Bastian and Bernd also clearly state that positive valenced moods and emotions are commonly found in their team. Both of the co-founders express enthusiasm and excitement for their team, their work and their venture. Also, the two exude other signs of positive affect. For instance, Bernd is proud of the reach and relevance of J2: "[...] we won over a national TV station as a cooperation partner. I mean, this is cool. [...]" (first interview, l. 169). Similarly, Bastian is proud of their individual achievements. "What I also like is that, if it will work out, we have built this thing on our own from scratch" (first interview, l. 177-178). In summary, Bernd and Bastian therefore fulfill all criteria that are typically associated with high team cohesion: high interpersonal attraction, significant team pride, as well as a strong commitment to the team task.

Moreover, it becomes apparent from the data that the development of trust and cohesion mutually reinforce each other over time. In the first interview, Bernd reflects on the initial months of working together and reports how the initial difficulty in splitting roles due to the lower level of trust faded once common routines and high levels of attachment increased the level of trust between the co-founders:

> "In the beginning it was more difficult [to split responsibilities], because we really had the feeling that we have to discuss everything with the other one. However, that decreased over time. Now I hardly discuss anything with him that is not strategically important [...] For me, personally it was not easy [to split responsibilities], because I am sometimes very perfectionistic. [...] However, there is no other way and it works fantastically." (first interview, l. 226-228; l. 239-242)

Third, relationship conflicts are very rare at J2. This is illustrated by Bernd, who, when being asked to report the most severe conflict present in the founder team during the past six months, recites a story in which two founders had a minor misunderstanding regarding an email—a situation that resolved within minutes (second interview, l. 167-193). At

the same time, the co-founders point out that they have content based arguments, and thus a high level of task conflict (Bastian, first interview, l. 280-282). A reason for the team's harmony, despite the frequent task conflicts, may be the strong trust base which ensures that task conflicts remain on the content level and do not get personal. Bernd regards the absence of relationship conflict as an important pre-disposition for start-up survival drawing the causal connection between relationship conflict and venture failure (second interview, l. 181-183).

The stability of J2's founder team is high. While significant part of it may be attributed to the positive and close social interactions, two additional factors enhance this relationship. First, the team does not seem to be affected by family-work conflict, which is hardly surprising given the team's focus on work-life balance: "[a]s opposed to other founders, we don't want to be married to our company and sit in the office all night long." (Bastian, first interview, l. 278-279). Second, both co-founders are very satisfied with the success of their venture. In fact, the satisfaction with their performance represents a source of their team pride, and thus for their cohesive appearance, also beyond the core founder team.

In summary, J2 is a team, in which both co-founders perceive their equity distribution as just, and which features positive social interactions in the form of high team attraction (initial medium intrateam trust that increases to high intrateam trust over time and high team cohesion; both factors mutually reinforce each other) and low team repulsion (low relationship conflict), as well as high team stability. This relationship is supported by a very low level of family-work conflict and a high satisfaction of both co-founders with the success of the venture.

5.4 The case of Team J3

Corporate profile

Venture J3 is a Munich-based IT company, which was founded in August 2006 by Claus and Chris. The business model of J3 is the provision of a digital security technology to corporations from diverse industries, with a particular focus on the automotive industry. The two co-founders are both are 29 years old at the inception of our BEST study. Claus has a background in business, while Chris has an engineering degree. Co-founder Chris is a serial entrepreneur, as he founded an IT start-up at the age of 18, which he operated for six years alongside his engineering studies.

The evolution of the venture J3 begins in the fall of 2004 at a local incubator, in which the offices of Chris' former start-up are located and where Claus attends a business plan seminar. In this seminar Claus and a few fellow team members develop the idea of a digital key that could replace the ordinary, physicial keys, which today are being used to operate cars and open office doors. At the incubator's Christmas party in 2004, Claus meets Chris and tells him about the idea. Chris catches on and soon joins Claus and a few other project team members to pursue project J3. First Chris splits his time between his own company and the new project, but soon realizes the full potential of J3 and sells his company to concentrate exclusively on J3. By this time, all other team members, except for Claus have left the project to pursue their studies. Claus and Chris are successful from the start and receive a wide range of innovation awards, the prize money of which they use to finance their first two years of operations. In the fall of 2007, J3 receives its first external funding by a German venture capital fund. Shortly after, J3 enters a strategic partnership with a major European automotive supplier, which shows great interest in its technology. In 2010, J3 finally launches its first products aimed at customers from the IT and facility management industries. In the summer of 2011, J3

Industry & business model	
Industry	• Information Technology (IT)
Business model	• Security solutions for IT and facility management; in particular digital keys for mobile phones • B2B & B2C

Team composition		
	Claus	**Chris**
Academic background	• Business	• Engineering
Age (as of May '11)	• 29 years	• 29 years
Prior professional experience	• /	• Owned and operated a start-up for six years
Function in venture	• Managing Director (Commercial)	• Managing Director (Technical)
Part of Team	• Since 2006	• Since 2006
Equity share	• 50%	• 50%

Business and team evolution – Key milestones	
2004/05	• Claus and some other student colleagues develop an idea for a digital key chain for cars in a business plan seminar at a local incubator
12/2004	• Claus gets to know Chris at the christmas party of the incubator
Q1/2005	• Chris catches on to the idea, joins Team J3 – first in part time, in addition to his other start-up, and after a few months full-time
8/2006	• Incorporation of J3 including equity distribution
3/2007	• J3 receives the award for „The multi-media innovation of the year" by the German Federal Ministry for Economics and Technology
9/2007	• J3 receives financing from a German venture capital fund
2008	• Strategic partnership with a leading automotive supplier
2010	• Market entry with different security products in the areas of IT and facility management
7/2011	• Strategic investment in J3 by a leading automotive supplier

Figure 18: Corporate profile - Team J3
Source: Own illustration

attracts a sizeable investment from their strategic partner, which helps the venture to finance further market entries as well as additional product developments. The corporate profile in Figure 18 provides a summary of above descriptions.

5.4.1 Case description – Team J3

Distributive justice of equity distribution

The co-founders of company J3 distributed their equity equally at the time of their incorporation in August 2006: *INT: How did you distribute your company shares?* "Equally, 50:50." (Claus, first interview, l. 58-59). While I do not have any further information regarding the equity split, a number of references in the interviews provide additional context. For instance, Claus reports in the first interview:

> "[We work] in partnership. Absolutely balanced, equally weighted. I would not say that one of us dominates. [...] For me, an equal treatment is important in the founder team. The fit has to be there, both interpersonally but also decision-wise. You must have the same goal. You must have trust." (l. 157-160; l. 189-190)

Moreover, Chris states: "[In the contract] we are treated absolutely equally. [...] In the end, we have the opinion that it is better for the firm to have 'functioning' directors who pull together in the same direction" (second interview, l. 82-88). In essence, these statements allude that both team members have high perceptions of justice regarding their equity distribution.

Social interaction processes

During the interviews with Claus and Chris it became apparent that the two have an open and trustful work relationship. For instance, Claus describes in the first interview how the two founders communicate with each other:

> "We have been sitting in one room for five years and do a lot together. A lot of the things just occur naturally. We are also very open to each other. If I give him feedback, he does not take it the wrong way." (first interview, l. 221-224)

Above observation is in line with Claus' characterization of their team collaboration:

> "[Our team work is] In partnership. Absolutely balanced, equally weighted. I would not say that one of us dominates. We discuss the different topics. And by now we know each other very well. [...] It works very well. We approach topics with very different perspectives, which I consider to be very healthy." (first interview, l. 157-160)

Moreover, Chris illustrates a vivid example of how the co-founders mastered a difficult situation that probed their mutual trust. Chris describes Claus' and his reaction to a call from their VC investor, in which they were asked to split responsibilities and to accept

a performance-based compensation scheme, which intended to favor one co-founder over the other:

> "Claus and I talked very openly the entire time. [...] We then built our joint perspective, and I think we were successful to avoid a wedge being jammed between us [by our investor]" (second interview, l. 92-96)

In addition, there are little signs of relationship conflict between the two co-founders. Claus underscores this by reflecting on their most significant team conflict that had taken place during the past months:

> *INT: What was the most significant team conflict in the past months?*
> "[...] We surely faced challenges regarding the status of our financing negotiation. [...] Otherwise I would not say that we had larger problems or anything similar in the team."
> *INT: Were you totally aligned on how you would proceed with your financing round or did you have different perspectives?*
> "No, we did not have entirely different perspectives. There was maybe the one or the other negotiation tactic proposed but in the end we have reached jointly the goal. I would not call it as something bad." (second interview, l. 78-89)

The team spirit, in contrast, is very good at J3. Claus reports: "[The team spirit is] Fantastic. Especially due to the new office there is sort of an upbeat mood. Growth has set in, new employees are on board – we are starting to get traction" (second interview, l. 22-23). Chris shares this perception: "[The team spirit is] very good. Very good. We have just made a step forward with our move to the new office. Especially with regards to myself and Claus, because we now have separate rooms. That obviously changes our collaboration significantly – but it is interesting at the same time." (second interview, l. 37-39).

Entrepreneurial team stability

The co-founders of Team J3 have a long-term time horizon, when they talk about their involvement in their current venture. For instance, in the first interview, Chris reports on his vision for the next 10 to 20 years:

> *INT: What is your vision for your company? When I come back in 10, 15 or 20 years from now and I ask you what the current status is – what would you tell me?*
> "I would tell you that we were successful establishing our products in the market, that we really built a brand that has really found its place [in the market]. [...]. That is my goal" (l. 184-188)

Furthermore, the two co-founders are very content with the success of their venture. Claus shows this through the following confident remark:

> *INT: In your perspective, what were the most important successes for your venture so far?*
> ((Pause)) "How many should I tell you about?" ((laughing)) (first interview, l. 17-18)

This confidence and satisfaction is not surprising when one looks at the awards the venture has won over the past years, the financing it received from a large venture capitalist and a leading automotive supplier, as well as the significant media coverage J3 has enjoyed. Claus highlights this at the end of the first interview:

> *INT: If you would start all over again, what are the things you would do differently?*
> "I think that more or less I would almost do everything exactly the same as we did it. Because we either had just so much luck or it was simply darn good." (first interview, l. 295-296)

As a result, the team composition in Team J3 seems very stable. In the interviews and secondary material, there is no indication for instability regarding the current team set-up.

5.4.2 Within-case analysis – Team J3

The equity split, which is perceived as just by the co-founders of Team J3 seems to provide a beneficial setting for subsequent social interactions among the two founders. In particular, the team enjoys high team attraction and low team repulsion, and the stability of its entrepreneurial founder team seems to be high. In the following I will provide more details that explain these assessments.

First, Claus and Chris have a trustful work relationship and thus a high level of intrateam trust. This is, for instance, highlighted by the open communication culture present in Team J3. Claus reports that the co-founders are "very open to each other" (first interview, l. 222). Moreover, the fact that upon open feedback the partner "does not take it the wrong way" (Claus, first interview, l. 223-224) shows that the co-founders seem to have a high level of trust. An additional situation, which underscores the high level of intrateam trust is the conflict the two face with their VC investor. Upon the VC's assault-like request to adjust the salary terms and responsibilities, the two do not act egoistically but actually stuck together and aligned their views before responding with a unified voice (Chris, second interview, l. 82-106).

Second, the level of cohesion between the co-founders is high. In particular, both Chris and Claus report a very good team spirit (Claus, second interview, l. 20-23; Chris, second interview, l. 36-39) and show great pride in their achievements (e.g., Claus, first interview, l. 17-18), manifested also in the multitude of prizes the team has been awarded. Moreover, both co-founders hold each other in high regard, frequently talking about each other's strengths (e.g., Claus, first interview, l. 278-284). Finally, the co-founders show a clear commitment to the team task, underscored by a story from Chris, in which he describes the dedication and hard work he and Claus put in to finalize the second financing round (second interview, l. 19-35).

Third, the level of relationship conflict in Team J3 is low. Even though we probed in the interview via the critical incident technique, Claus and Chris could both not provide us with an exemplary situation, in which they had an interpersonal conflict. In fact, Claus ultimately recites a factual discussion (i.e., a task conflict), during which he had a different perspective than Chris regarding how to pursue with the financing round (second interview, l. 78-89). Overall, I did not get any indication from the interviews and through the additional material that many relationship conflicts take place within Team J3.

Based on the positive social interactions between the two co-founders described above, the high stability of Team J3 does not come unexpected. The positive relationship between Team J3's positive social interaction and its stability seems further to be strengthened by two factors. On the one hand, both co-founder's are very satisfied with the success of the venture (e.g., Claus, second interview, l. 187-198; Chris, second interview, l. 445-453). On the other hand, the team is not adversely impacted by external stressors. While Team J3's VC interfered in their team collaboration, the high levels of trust and cohesion in the founder team provided a sufficient buffer for the founder team, so that no relationship conflict within the team could emerge.

In summary, J3 is a team with a perceived just equity distribution, featuring positive social interactions in the form of high team attraction (high intrateam trust and high team cohesion) and low team repulsion (low relationship conflict), as well as high team stability. This relationship is supported by the high satisfaction of both co-founders with the success of the venture. While investor-conflict is a phenomenon found at J3, it does not compromise the positive social interaction patterns or challenge the team's stability, since the positive social interactions among the co-founders seem to buffer the adverse effects.

5.5 The case of Team J4

Corporate profile

Venture J4 is a Munich-based service company, which was founded in August 2006 by the sole founder David. Approximately one year after foundation, David asks Daniel to join his venture, and in early 2011 Daniel also becomes co-owner of Venture J4 with a minority share of 10%. J4 offers IT and engineering consulting services to large and medium-sized companies. The two co-owners David and Daniel are 37 and 39 years old at the inception of the BEST study. Both have had work experience prior to J4: David worked for five years in an engineering consultancy, while Daniel worked several years as a software consultant. David has a background in business, while Daniel is a trained lawyer.

The story of Venture J4 begins in early 2006. David, who has been jobless for roughly two years, takes on a new job as a software consultant. At this company he meets Daniel—a friendship between the two begins. Even though David quits the job after only a few months, he stays in contact with Daniel and tries to convince him to join his new endeavor—Venture J4. Even though Daniel likes the idea, he has just given his employer the commitment to work in the United States for one year. Thus, Daniel sheds his summer holidays to support David in his initial weeks of setting up J4 and promises to discuss the option to join J4 upon his comeback to Germany. In the fall of 2007, Daniel returns and joins as J4's Head of Sales. J4 is a success story from the start. By the end of 2008, roughly two years after founding, J4 already employs 18 people and generates revenues of two million euros. In 2011, David retreats from the operational business and Daniel is put in charge of all operations and oversees the now more than 80 employees. The corporate profile in Figure 19 provides a summary of above descriptions.

Industry & business model	
Industry	▪ Service
Business model	▪ IT and Engineering Consulting Services to SMEs and large companies

Team composition		
	David	**Daniel**
Academic background	▪ Business	▪ Law
Age (as of May '11)	▪ 37 years	▪ 39 years
Prior professional experience	▪ 5 years in a engineering consultancy	▪ Several years in a software consultancy
Function in venture	▪ Managing Director	▪ Head of Sales
Part of Team	▪ Since 2006	▪ Since 2007
Equity share	▪ 90%	▪ 10%

Business and team evolution – Key milestones	
Q1/2006	▪ David works for a few months at the same company as Daniel – they meet there and stay in touch after David's departure
Q2/2006	▪ Unhappy with corporate life, David decides to open up a engineering consulting company, similar to his first employer
8/2006	▪ Incorporation of J4 by David only
Q3//2006	▪ Daniel joins the team of a temporary basis, before he follows an offer by an industry player to go to the US for one year
Q3/2006	▪ J4 starts bootstrapped with 30,000 EUR from David's family and 10,000 EUR debt
Q4/2006	▪ J4 wins their first account
Q3/2007	▪ Daniel returns from the US and joins J4 on a full-time basis
2008	▪ J4 already employs 18 people and has revenues of more than 2 million EUR
2010	▪ J4 wins the Entrepreneur of the Year Award from a local bank
Q1/2011	▪ David gives 10% of ownership to Daniel
Q2/2011	▪ J4 already employs 80.5 FTE generates revenues of more than 8 million EUR

Figure 19: Corporate profile - Team J4
Source: Own illustration

5.5.1 Case description – Team J4

Distributive justice of equity distribution

David is the sole founder of the company in August 2006. His partner Daniel joins the company roughly one year later as the venture's Head of Sales, while Daniel already serves as David's sparring partner at the outset in the summer of 2006. It is not, however, until early 2011 before David allocates 10 percent of ownership to Daniel:

> *INT: How did you split your company's equity?*
> "Approximately two months ago, I allocated Daniel 10% of the company. Before that I owned everything." (first interview, l. 100-103)

Daniel confirms the 90:10 split and suggests that he made the proposal for the highly skewed equity distribution:

> "By now I am heading the sales department and am 10% owner of the company. No decision is taken without the other one, meaning without me or David. Even though we also handled it this way even though we did not document that in writing [...]" (first interview, l. 61-64)

Later in the interview Daniel also shows that he perceived the equity split as fair:

> *INT: How did you come to allocate it 90:10? How did you come to an agreement?*
> "Well, I had already envisioned that when I returned from the US. I also proposed it [this equity split] to him, because it was completely a new playing field for me. I wanted to start all over again, and do what I like doing. I said to David: 'In the future, I am willing to become co-owner of the company'. He appreciated my perspective, but we never talked about it again in greater detail. He referred to it now and then, said that it would be an option, and then last year, when we really took of [with our business], he initiated the topic again, and we implemented it. So it was his idea and David has a very generous character. [...] He surely wanted to show his appreciation that the past years went so well and also get my commitment to stay with J4. And that's why we did it this way." (first interview, l. 65-85)

Social interaction processes

The co-owners Daniel and David collaborate closely in their day-to-day work and exhibit a great amount of mutual trust. Minority co-owner Daniel describes the team collaboration as follows:

> *INT: How would you describe the collaboration between you and David?*
> "Very effective, efficient, very professional. We look at each other and know what the other one thinks and know then what to do. Our collaboration works blindly. We always have the well-being of the company in the back of our head, and therefore also the well-being of the other one. There is nevery anything that is done without the other – 100% open communication, 100% trust and also a very friendly but very professional way of interacting." (first interview, l. 289-293)

David has a similar perception of their team collaboration, and specifies that the two have an open communication culture and rather harmonious work relationship:

> *INT: How would you describe the collaboration in the founding team?*
> "Very good, very friendly, very partnership-like. At the beginning it was a little tense, because I was a bit too harsh to him, because there was a lot at risk for the company and maybe because I also did not have the best leadership qualities (i.e., how to best criticize someone). [...] In our private life, we have been friends beforehand and that has remained despite the conflict in the beginning. Therefore, if there is anything coming up we discuss it openly and honestly. It works very well, there is little to criticize." (first interview, l. 306-317)

Consistent with above elaborations, there are generally little interpersonal conflicts in the team. On the other hand, majority owner David somewhat confines this notion, as he points out that some relationship conflict took place in the initial months of their collaboration. However, he largely attributes this to his own inadequate communication style and further reports that there have been very little interpersonal conflicts since:

> [Referring to these conflicts] "I blamed him for doing something this way or the other way. Or sometimes I did not say anything and then eventually I made a dumb remark. That led to a bad atmosphere."
> *INT: Did that change over time?*
> "Yes, it got better and better. I also worked on my own style. I realized by myself that it was not ok, but I could not influence in that very moment. It just crept over me." (first interview, l. 320-326)

This is confirmed by his partner Daniel, who points out in the second interview: "No, we never had any [conflicts] between the two of us" (second interview, l. 114-116).

The two co-owners are also very cohesive, showing a high regard of and great respect towards their team member. For example, when David is being asked about his partner's contribution to venture success he states:

> "Everything that is related to execution is 100% his contribution. He and the team do a fantastic job. You have to say it is ingenious how Daniel does it. With regards to the strategic input: it all comes from my side. He is not really good at that. But, again, everything operational: I could not do it any better." (second interview, l. 163-165)

His colleague Daniel also shows great admiration for his co-founder, in particular for his efficient and meticulous working style:

> *INT: When you look at David: what inspires you?*
> "He is super quick. That inspires me. He is so unbelievably quick in doing his work and he does so little mistakes. That is something, I am definitely not as good at as him." (first interview, l. 431-434)

Entrepreneurial team stability

The two co-owners Daniel and David show high stability in their team composition. In fact, both team members are satisfied with the current team setup and they both underscore that they see themselves part of J4 in the next five to ten years. Daniel states:

> *INT: What is your personal vision for yourself for the next 5-10 years?*
> "[...] By then I will, together with David, dedicate myself to the management function of J4 [as opposed to a very operational job profile today]. David will begin to do so already this year. I will be responsible for HR, sales and marketing. This will be my role. [...] This is where I see my role. I can envision to grow old with this company" (first interview, l. 273-284)

Similarly, David reports that J4 will be moving to new offices in a year from now and that his long-term vision is to be one of the leading IT-services companies in Bavaria or even in Germany:

> "Next year in May we are moving to a larger office on a business campus near Munich, also because we have reached our limits in our current office space. In principle, we do not have any more space here for additional employees. [...]"
> *INT: What is your personal vision for J4 for the next 5-10 years?*
> "[...] that we become one of the leading IT-services companies in Bavaria. [...] I think that in five to ten years, we will be a known IT/engineering-services company in Germany" (first interview, l. 128-130; 249-261)

Additionally, both co-founders are satisfied with the success of J4. Majority owner David points out why he is satisfied with the venture's performance:

> "Last year we won the founder award for the best start-up from Munich, you can see the trophy here ((points at trophy)). [...] Other success indicators are, that we have grown steadily, financed completely with our own equity, we do not have any debt, our performance indicators develop very well and the feedback from customers and employee is good. In a nutshell, these are the points where we see that things are going pretty well." (first interview, l. 41-46)

Daniel has a similar perspective about the success of J4:

> "We have grown steadily, also in the crisis year of 2009 we grew, and in other years we grew very strongly. That for sure is a big success. We now have round about 81, 82 employees – that is our biggest success. And of course, even though it is not success but public acknowledgement, our winning of the Munich founder award 2010. [...]"
> *INT: Did you experience any failures?*
> "No not any, I have to admit. We had a difficult year in 2009, where we had to fight [...]. Otherwise there have not been any setbacks that I can think of. [...] No we did not have any failures." (first interview, l. 32-49)

5.5.2 Within-case analysis – Team J4

The co-owners Daniel and David have a highly skewed equity distribution: David possesses 90% and Daniel only 10%. Nevertheless, both co-owners hold the perception that this equity distribution is fair. Unlike other teams with an unequal equity distribution in my sample (see below), a uniform perception of distributive justice can be found in Team J4 and no detrimental conflicts or discussions take place regarding the ownership distribution and its associated privileges (e.g., control, decision rights, official position titles). This feature of distributive justice is closely linked with the fact, that I observe positive social interactions, and high team stability among the co-owners of J4.

First, the team members Daniel and David show a large amount of interpersonal trust. This is exemplified in their close and "partnership-like" collaboration (David, first interview, l. 310), their open communication, their explicit mentioning of the "100% trust" they have in each other (Daniel, first interview, l. 293; David, second interview, l. 173-174), and their friendship also outside of the venture (David, first interview, l. 310-317).

Second, the elements that are typically associated with high team cohesion can be found in Team J4. In particular, both are very vocal about their appreciation and esteem of their respective partner. For instance, David attributes 100% of the operational success of the company to Daniel's work (second interview, l. 163-165), while Daniel also looks up to David in many respects (first interview, l. 433-434). Moreover, the co-owners show a great amount of team pride. For instance, Daniel proudly mentions the Munich founder award in his interview (first interview, l. 35-40), while David even proudly presents the trophy (first interview, l. 41-46). Finally, Daniel and David show a clear commitment to the team task. This is exemplified, for instance, by the split of operational and strategic team tasks according to personal strength.

Third, relatively little relationship conflict takes place in Team J4. Whereas in the beginning the team had interpersonal conflicts, it improves significantly over time, and in the second interview, minority-owner Daniel even claims that the two "never had any [conflicts]" (l. 114-116). Also, David provides a rationale for the interpersonal issues they had in the initial months of collaboration, which he sees in his lack of leadership qualities and his short-tempered nature. His determination to work on both deficiencies may explain the fact that relationship conflicts were no longer observable during the time of the BEST study, which points to a very harmonious team relationship.

Additionally, it becomes apparent from the data that above social interaction processes are closely connected. In particular it seems that the high levels of intrateam trust and team cohesion are positively reinforcing each other and this high level of team attraction

(in the form of intrateam trust and team cohesion) buffers incidents of team repulsion (here: relationship conflict). For instance, David stresses that the interpersonal conflicts, which the two had in the beginning were digested quickly due to their strong personal relationship and friendship. Further, he points out that their high level of trust is the reason for an open communication culture in the team, which in effect reduces the likelihood that interpersonal conflicts even emerge (first interview, l. 310-317). Furthermore, based on the positive social interactions in Team J4, it is not surprising that the stability of the founder team is high. This link is supported by the co-owners' shared satisfaction with the success of Venture J4.

In summary, J4 is a team with a highly skewed equity distribution, which, however, is perceived as just by both co-founders. The team features positive social interactions in the form of high team attraction (high intrateam trust and high team cohesion) and low team repulsion (low relationship conflict). These interaction patterns are not present in isolation but rather seem to be closely interwoven and mutually reinforce each other. Further, the positive social interactions in Team J4 seem to trigger high team stability. Above relationships are supported by both co-founders' high satisfaction with the success of the venture.

5.6 The case of Team J5

Corporate profile

Venture J5, which was founded in April 2009 by the co-founders Emil and Elias, is a medical technology company headquartered in Munich. J5 provides a software for ultrasound diagnostic imaging, and thus has a customer base predominantly consisting of university hospitals. The co-founders Emil and Elias are 27 and 30 years old at

the inception of our BEST study. Both have had some work experience during their studies through a variety of internships. However, neither of the two has founded his own venture prior to J5 nor has worked permanently. Elias studied computer science and physics, while Emil has a degree in business.

The evolution of Venture J5 sets out in early 2008, when Emil and Elias meet for the first time in a local entrepreneurship club. The two get along well and decide to found a company together after they have finished their studies. They approach their endeavor systematically, crafting a long list of 140 different ideas with the intention to eventually pick out the one to pursue. At the same time, Elias conducts a project at a local heart center where he gets into contact with current ultrasound practices and sees the deficiencies in operating and analyzing with state of the art ultrasound equipment. Intrigued by the finding, he and Emil throw their long list over board and from now on jointly pursue Venture J5.

At first, everything goes according to plan. They craft a business plan and secure themselves seed financing through the government grant EXIST Gründerstipendium. Months later the two persuade an experienced business angel to invest in J5 and act as a door opener in discussions with potential clients. In the fall of 2010, J5 closes their first financing round with a German venture capital fund, which provides the co-founders with a solid financial basis to continue their software development. Moreover, in the summer of 2011, J5 is being granted legal permission to sell its software to clients. Approximately at the same time, the tide turns for their management team. Emil and Elias increasingly experience clashes between themselves and Emil also has constant rows with their business angel Mr. Ecclestone. After months of negative social interactions, Emil quits in early 2012. Elias continues on his own and adds a replacement soon after Emil's departure. The corporate profile in Figure 20 provides a summary of above descriptions.

Industry & business model	
Industry	▪ Medical Technology (Med Tech)
Business model	▪ Software for ultrasound diagnostic imaging ▪ Customers: Clinics and research institutes with ultrasound scanners

Team composition		
	Emil	**Elias**
Academic background	▪ Business	▪ Computer Science, Physics
Age (as of May '11)	▪ 27 years	▪ 30 years
Prior professional experience	▪ Diverse internships	▪ Diverse internships
Function in venture	▪ CEO	▪ CTO
Part of Team	▪ 2008-1/2012	▪ Since 2008
Equity share	▪ 50%	▪ 50%

Business and team evolution – Key milestones	
2007	▪ Emil and Elias meet for the first time at a local entrepreneurship club
2008	▪ Emil and Elias decide to found a company together – they create a list of 140 ideas
2008	▪ Elias does a project for with a heart center – he and Emil develop the idea for J5
4/2009	▪ Incorporation of J5 incl. equity distribution
4/10-3/11	▪ J5 receives EXIST Gründerstipendium
Q3/2010	▪ The team receives support by business angel Mr. Ecclestone
10/2010	▪ J5 receives financing by a venture capital fund
8/2011	▪ J5 receives permission to introduce their software to the market
2011-12	▪ Several renowned university clinics in Germany, Switzerland and UK purchase the software of J5
Q1/2012	▪ Emil leaves the company after severe clashes with Elias and business angel Mr. Ecclestone; Elias continues with the venture
Q2/2012	▪ J5 adds a new managing director as a replacement to Emil
7/2012	▪ J5 receives financing by a venture capitalist

Figure 20: Corporate profile - Team J5
Source: Own illustration

5.6.1 Case description – Team J5

Distributive justice of equity distribution

Co-founders Emil and Elias split their equity shares evenly. Elias describes the rationale for the distribution outcome in the first interview and stresses that he perceives the equal equity split as fair. Moreover, he points out that he considers the equal split to be key for both co-founders motivation and venture commitment and that their decision to split equally has so far been a good one:

> *INT: How did you split the shares among the two of you?*
> "We established from the beginning that both of us earn the same and have the same equity stake. And that we do not track exactly how many hours each of us has already invested, what each of us exactly does. It should more or less be ok. From my viewpoint [...] it is important that everyone is totally motivated and standing behind this. And that it is not the company of one

of us and the other one merely chips in, but we have to stick it out through thick and thin."
INT: So you think it was fair to split it equally?
"Yes, and it has proven great so far. Also regarding decisions. Your weight in decisions obviously depends on you shares, so we have to find a compromise. Neither of us can overrule the other one." (first interview, l. 93-109)

Emil confirms the equal split of ownership: "Elias and I have the majority of the shares [the rest is distributed among investors] [...]" *INT: So you and Elias have an equal amount of shares?* "Yes, we have an even distribution" (first interview, l.125-138). At the same time, Emil does not reveal at any point during his three interviews whether he perceives the equity split as fair. I speculate, however, that he shares Elias' distributive justice perception, especially since Elias was the provider of the idea and thus would be the one who could have potentially argued for a larger equity share.

Social interaction processes

In Team J5 the nature of social interaction changes significantly over time. In the first interview co-founder Elias describes a close and positive collaboration in the founding team, yet also clearly indicates that the two co-founders are determined to make progress in their venture's development:

> *INT: How would you describe the collaboration in the founding team?*
> "Our team collaboration ((Pause)) direct, honest exchange, aiming to arrive together at a consensus both from a content and an emotional perspective. Also that we kick each other's rears that the topics which we are each responsible of, are progressing. [...]"
> *INT: What is your secret of success in collaboration?*
> "Our secret of success is that we know about each other's work and then control and challenge it. Our work outcomes are not independent, but are complementary." (first interview, l. 253-271)

In contrast, in a follow-up interview conducted after Emil's venture exit, Emil reflects on his past six months working for J5 thereby stressing that the situation, over time, changed

for the worse. In particular he describes a deterioration in the team constellation, and the finger-pointing after the venture performance started to worsen:

> "I don't exactly know when it started, but I think it was approximately the past half year when things got worse. I just did not like the company and the environment any more. This had two reasons. One was that the [team] constellation got worse. [...] First everything was fine, but then, when venture success stayed away, the question was: who is guilty? And more or less, they [the other co-founder and the business angel] passed on the blame to me [...] At the end of the day I also started to get my doubts, whether it is the right business model, the right team, whether we missed something in the beginning why this could not work." (follow-up interview, l. 45-57)

In a later comment in the follow-up interview Emil provides more clarity on his perception of a worsening team constellation. Specifically, he reports that Elias started to intervene in his area of responsibility and acting towards him as if he was his superior:

> *INT: Did your team collaboration change over time?*
> "It definitely developed and in this sense also changed. The final cut was that Elias started to interfere in my business area. That was for the point to say – I cannot do this anymore. No matter what I did he controlled it. In the end, he acted like he was my boss." (follow-up interview, l. 58-63)

An additional example of the significant deterioration in the team's social interactions can be found when comparing Emil's perceptions of team collaboration in the first interview, with his perceptions in the second interview. In the first interview he points out the team's effectiveness in getting things done, and he also shows great admiration for his co-founder Elias:

> "I think the secret of our success is our speed. We have managed to accomplish many things in a really short time. We also demand of our employees that they go the extra mile, also on the weekend. [...]"
> *INT: What inspires you about Elias?*
> "He probably has an IQ of 170. What I can learn from him, what inspires me, is his extremely broad knowledge, his innovativeness, his skill to connect the dots, to build something new in his mind. [...] He grasps things very fast. I will never be able to do something like that." (first interview, l. 409-412; l. 502-511)

However, this changed entirely by the time of the second interview. By then, Emil reports a mediocre team spirit, he points out the deficiencies of Team J5 and he also portrays a feeling of isolation:

> "In the short term, the team spirit is not so great. This is simply because of the tense fundraising situation. In the medium-long term I think that one has to create a better team out of the individual people. We are still missing the situation that each team member has the innate drive to improve the situation. For example, we make a dry run and we only get blurred pictures. None of the team members sees that it looks like rubbish. When I then go to visit the customer, he obviously tells me that it is useless. No one here understands the problem. [...] I am the only one driving to the clients" (second interview, l. 12-27)

In Team J5, relationship conflict has been relatively low at the beginning, but it increases significantly over the time frame of my study. In the first interview, Emil states that the co-founders have some conflicts that are also carried out in an emotional tone, yet that they never drift off to a personal level:

> "Our collaboration is consensus oriented. That means that only rarely someone decides something without the other person knowing. If that happens, then it is conflict oriented. That means that we really argue emotionally. That happens sometimes. It is not that we avoid conflicts. Sometimes it is emotionally laden, but never personal in the sense that someone calls the other one an idiot. That has never happened." (first interview, l. 359-365)

In the second interview, a few months before the team split up, his co-founder Elias draws a different picture. Specifically, Elias recites in great detail and in equal annoyance a number of relationship conflicts that took place recently:

> "In the past few months we had many small conflicts. One time, Emil exploded because I was 'too late' at my desk. He personally defined what 'too late' meant. I mean, he leaves really early in the evening while I sometimes sit in the office until late at night. [...]"
> *INT: How do you react to such accusations?*
> "I defend myself. I tell him that I am here more often. I also told him that he oftentimes left early to look at apartments or wait for his new kitchen to be

installed. He then replied that people usually get vacation when they move. [...]"
INT: How do these situations usually resolve?
"They do not really resolve. Maybe we agree that we want to be more punctual going forward. Emil then says that we should be here early on Mondays. I then ask him, 'why on Mondays?' [...]" (second interview, l. 403-419)

Entrepreneurial team stability

Co-founder Emil pre-maturely exits the team in the fall of 2011. In a follow-up interview after his exit he lays out the motives for his departure, explicitly stressing the deterioration of the social interactions within the team, as well as the critical role of their business angel Mr. Ecclestone. He further points out that the worsening of the team situation led him to question the undertaking of J5 more broadly:

> *INT: What were the reasons for you to exit J5?*
> "I don't exactly know when it started, but it think it was approximately the past half year when things got worse. I just did not like the company and the environment any more. This had two reasons. One was that the [team] constellation got worse. Not only with my co-founder Elias, but also with our business angel Mr. Ecclestone. First everything was fine, but then, when venture success stayed away, the question was: Who is guilty? And more or less, they passed on the blame to me. [...] At the end of the day I also started to get my doubts, whether it is the right business model, the right team, whether we missed something in the beginning why this could not work." (follow-up interview, l. 40-57)

While in above statement Emil alludes that he took the decision to quit the venture on his own, he concedes in another statement during the interview that Elias also asked Emil to leave the venture. Thus he suggests that both co-founders independently had the idea that Emil should quit. Importantly, however, Emil argues that Mr. Ecclestone played a key role in Elias' decision to induce Emil's departure:

> "It has been a development that he had taken the decision to continue on his own. He did not take this decision consciously. I think it was also because Mr.

Ecclestone pushed for it. It was more or less an impulse decision." (follow-up interview, l. 252-254)

This statement is mirrored, to some extent, by his co-founder Elias, who points out that he in discussions with the investors and in particular with Mr. Ecclestone came to the decision to ask for Emil's departure:

> *INT: What were the events that led to Emil's exit?*
> "[...] I thought about how we can actually continue with our company and the fundraising round [in which we were in the middle of]. I put the necessary precautions in place, and won a relative of mine as an investor. Retrospectively, this would not have been needed but it just supported us and injected trust. I talked it through with our investors and also with Mr. Ecclestone, and we agreed to have a joint talk with Emil and tell him that it does not make sense anymore. And then I told Emil that I just do not see a chance to collaborate any longer and that we have to find a way to go separate ways."
> (follow-up interview, l. 181-193)

5.6.2 Within-case analysis – Team J5

The two co-founders split their equity equally and both co-founders regard the split itself as fair. Initially, in the eyes of the co-founders, this just distribution seems to be beneficial for the social interactions and stability of the founder team. In the first two years of collaboration, Emil and Elias act as a relatively close founder team, displaying medium to high levels of team attraction and low to medium levels of team repulsion. The situation, however, changes drastically after the experienced business angel Mr. Ecclestone joins J5 and soon becomes very operationally involved in the business. From that point onwards the situation worsens from a social interaction perspective. Over time, the level of team repulsion gradually starts to rise, while team attraction is on decline. As a consequence, Emil exits the venture approximately one year after Mr. Ecclestone's entry. In the following, I will provide a more detailed analysis of the change in social interaction processes and team stability.

Before Mr. Ecclestone joins J5, Elias and Emil have a relatively trustful relationship. Elias describes their collaboration as "direct, honest exchange", which aims at a "consensus from a content and emotional perspective" (first interview, l. 257-258). This perspective, which suggests a high amount of intrateam trust, is somewhat contained by Elias' comment that the two feel the need to "control each other" (first interview, l. 270). The co-founders also act as quite a cohesive team. In the first interview, Emil exhibits his high regard for Elias, referring to his "IQ of 170" and that "he is so unbelievably quick in doing his work" (l. 505-511). Similarly, Elias reports that he could imagine founding another venture with Emil in the future (l. 101-102). The two co-founders also show some pride for their venture, referencing the successful financing round and the renowned investor which they have attracted (Emil, first interview, l. 65-79). In addition, both co-founders also show a great commitment to the team task, working very long hours (Elias, first interview, l. 166-170), and demanding the same from their employees (Emil, first interview, l. 409-412), as well as having high ambitions for the venture (Emil, first interview, l. 297-299).

Importantly, the development of trust and cohesion in Team J5 seems to be intertwined and the variables mutually reinforce each other over time as evidenced by Elias' elaboration on their initial year of working together:

> "During the first year we shared an office, we did a lot of things together. When one of us had a telephone call, the other one listened in. When one of us did some online research, the other one dragged along. We collaborated very closely in the team. [...] After half a year, we really started to separate ourselves, to work separately. [...] "We established from the beginning that both of us earn the same and have the same equity stake. And that we do not track exactly how many hours each of us has already invested, what each of us exactly does. It should more or less be ok. From my viewpoint [...] it is important that everyone is totally motivated and standing behind this. And that it is not the company of one of us and the other one merely chips in, but we have to stick it out through thick and thin." (first interview, l. 85-100)

Above quote shows, that their level of trust increased over time, as they spent time

together and got used to their work routines, before feeling comfortable enough splitting their work. Further, it illustrates that the two co-founders showed commitment to the team task ("standing behind" their venture) and have high regard for each other ("it is not the company of one of us and the other one merely chips in, but we have to stick it out through thick and thin"). Further, Elias and Emil have relatively few relationship conflicts prior to Mr. Ecclestone's involvement. While the two, arguably also due to their high aspiration level for their venture, do not avoid conflicts, these conflicts "never get personal" (Emil, first interview, l. 359-365).

Once Mr. Ecclestone joins J5, the situation changes. Since the team gives Mr. Ecclestone the mandate to play an active role in the onboarding of potential clients, he soon becomes a central figure in their business, thus severely influencing the nature of the formerly dyadic co-founder relationship. As Emil points out: "You cannot call Elias and myself the team. Mr. Ecclestone was always part of the game. There always was this external influence" (follow-up interview, l. 190-191). Also Elias acknowledges the change in team dynamics: "[...] each new person in a leading position changes the entire dynamic. [...] It is already difficult enough to march in the same direction when there are only two people" (second interview, l. 125-127). Initially, Emil is very satisfied with the additional help he receives from Mr. Ecclestone (Emil, first interview, l. 146-150). Soon, however, he becomes more critical, as Mr. Ecclestone increasingly intervenes in his area of responsibility, therewith frequently sparking interpersonal conflicts between Emil and Mr. Ecclestone and creating a tense team spirit (Emil, second interview, l. 60-63).

As a consequence the social interactions between Emil and Elias begin to change as well. Interpersonal conflicts between the two co-founders increase, and the trust and cohesion in the co-founder team start to dwindle. Around the same time, Elias finds out about some mistakes Emil made in the due diligence materials, which leads to a further erosion of cognitive trust (Elias, follow-up interview, l. 116-123). Elias therefore increasingly

interferes in Emil's area of responsibility checking upon the accuracy of his work, which in effect is the cause of additional relationship conflict (Emil, follow-up interview, l. 59-60). Consequently Emil becomes more and more frustrated with the team situation, and starts losing his commitment to the team task (Emil, follow-up interview, l. 40-57). Even more so, Emil feels that blame is being passed on to him (Emil, follow-up interview, l. 51-52), which accelerates his withdrawal behavior. The fact that Elias feels that Emil involves him less and less in decisions (Elias, follow-up interview, l. 57) is another sign of Emil's aloofness and the social distancing behavior that increasingly becomes apparent in J5 in the fall of 2011. In early 2012, Elias loses the patience and decides to ask Emil to quit, despite the fact that J5 is in the middle of a round of fundraising. Since Emil also had the plan to exit, in part due to his dissatisfaction with the success of the venture, the decision is made swiftly and Emil exits the venture a few weeks later.

In summary, J5 is a team with a perceived just equity distribution, featuring significantly changing social interaction patterns and team stability. Prior to Mr. Ecclestone's joining, the team features relatively positive social interactions in the form of medium to high team attraction (medium to high intrateam trust and high team cohesion) and low to medium team repulsion (low to medium relationship conflict), as well as medium to high team stability. However, a few months after Mr. Ecclestone's entry, the situation has changed. By then, the team features increasingly negative social interactions in the form of low team attraction (low intrateam trust and low team cohesion) and high team repulsion (high relationship conflict and high social distancing), as well as low team stability. The intensity of the investor-related conflicts paired with Emil's increasing dissatisfaction with the venture success accelerate Emil's exit in the beginning of 2012.

5.7 The case of Team U1

Corporate profile

Venture U1 was founded in 2010 by the co-founders Uta and Uwe. U1 operates in the IT sector and is based in Munich. The venture's original idea was a light-emitting diode (LED) advertising sun-blind, multiple hundred square meters in size and intended to be installed on the outside of large office buildings. When U1 found itself unable to sell a single one product after one year of trying, the co-founders changed their product specification to a small LED advertising sun-blind with less than five square meters in size and devised a new target group: small retailers.

The two co-founders have backgrounds in architecture (Uta) and electrical engineering (Uwe) and started their venture right out of university. At the same time, an age difference between the two exists: Uta is 32 years old while Uwe is only 25. The evolution of the idea, the team and the venture commenced in the year 2007. During that year, Uta, an architecture student at a local university, writes her diploma thesis on the topic of LED modules. The concept developed in the thesis is subsequently published in an architectural trade magazine, which in effect creates some awareness in the market. Out of the blue, about one and a half years later, she receives a quote to produce what she described in her thesis: a LED advertising sun-blind. While she is unable to realize the request, it starts Uta's thinking about the option of founding an own venture. When Uta makes the final decision to give it a try, she looks for members to join the team. A few weeks later the core founder team is complete: Urs, an architecture graduate whom she knows from university and Uwe, an engineer, whom she is introduced to by a fellow student.

In early 2009 the three apply successfully for the government grant EXIST Gründerstipendium and only shortly later start working on project U1. A few months into the

Industry & business model	
Industry	▪ Information Technology (IT)
Original BM	▪ Product: Large LED advertising sun-blinds (multiple hundred m²) ▪ Target customer: large corporations ▪ Sales approach: via architects, designers
Adapted BM	▪ Product: Small LED advertising sun-blinds (<5 m²) ▪ Target customer: small retailers ▪ Sales approach: direct selling

Team composition		
	Uta	**Uwe**
Academic background	▪ Architecture	▪ Electrical engineering
Age (as of May '11)	▪ 32 years	▪ 25 years
Prior professional experience	▪ /	▪ /
Function in venture	▪ Marketing, Sales	▪ Technical solution
Part of Team	▪ 2008	▪ 2009-10/2011
Equity share	▪ 70%	▪ 30%

| Business and team evolution – Key milestones	
2007	▪ Diploma thesis by Uta on LED modules
2008	▪ Market interest for solution: idea for U1 by Uta
2009	▪ U1 starts as 3-person team (Uta, Uwe and Urs)
2009-12	▪ Financing by government grants (EXIST, FLÜGGE)
2010	▪ Urs quits the team over diverging job attitudes and troubled communication
2010	▪ First customer order for big 300 m² solution fails due to budget constraints
2010	▪ Learning from this failure, teams develops idea further, now offering a smaller solution
8/2010	▪ Incorporation of U1 including equity distribution
2010-2011	▪ Turndown for financing by various VCs, BAs
2/2011	▪ Installment of first paid solution in Munich
9/2011	▪ Teams completes second installment; the project causes enormous team pressure
10/2011	▪ Uwe quits the team; Uta continues with the venture „because I believe in it" (Uta, I2)

Figure 21: Corporate profile - Team U1
Source: Own illustration

project, Urs leaves the team after hefty and continuous conflicts with Uta on diverging work attitudes and troubled communication. Uta and Uwe continue, with Uta being in charge of marketing and sales, while Uwe pushes ahead the technical development. In 2010, the team has to deal with several defeats, ranging from a lost customer order shortly before realization and the turndown for financing by various venture capitalists and business angels. Due to the fact that the team is unable to sell its originally intended product it amends the specifications and now offers a smaller solution. This shift in business model proves successful when the team is able to make its first two paid installments in early 2011 and fall 2011, respectively. However, in fall 2011 Uwe abruptly quits the team, leaving Uta alone with her undertaking. Nevertheless Uta continues with Venture U1, as she states: "[b]ecause I believe in it" (second interview, l. 373). The corporate profile in Figure 21 provides a summary of above descriptions.

5.7.1 Case description – Team U1

Distributive justice of equity distribution

Uta and Uwe decided on their equity split upon their founding in August 2010. At this point, they had already worked together for roughly one year. After some discussions and negotiations the two arrive at a 70:30 split in favor of Uta. Uta gives the following rationale:

> "We decided on the split early on. The background was that I had been working on the topic a lot longer and also that I had been investing in the earlier patent. And there were learning effects as well, some of them associated with monetary investments. So before our incorporation in August [2010] last year [...] ((hesitant)) [...] it is currently 70:30." (first interview, l. 182-186)

Uwe provides more clarity on the contents of the discussions leading up to the equity distribution. In particular, Uwe points out that Uta harshly rejected his suggestion for the split and that his determination to continue the project gave him no joice other than agreeing to her proposal:

> "We settled on 70:30. I joined the team later and essentially it was Uta's idea. Back then, we had a discussion about the split. Uta said pretty swiftly that she would under no circumstance accept a 60:40 split, which I had envisioned. However, I deeply wanted to continue this project and therefore we agreed on 70:30." (follow-up interview, l. 59-63)

Further, Uwe points out that his soft negotiation style impacted the final distribution, despite his concerns about a potentially inadequate return for himself:

> "We had our discussions, of course. At the end of the day it was upon me to accept and acknowledge Uta's accomplishment [...]. I am more the soft negotiation partner, not the tough guy who says: 'my way or the highway' [...]. My argument was also that I did not want to found a company and sacrifice so much time with almost nothing in return. At the end of the day you need motivation to achieve something." (first interview, l. 158-172)

While Uta does not reveal how fair she perceived the outcome of the distribution, it can be assumed that she regards the distribution as fair, since she suggested the 70:30 split from the beginning. Uwe in contrast, envisioned a different split prior to the negotiation and therefore did not consider the split as fair at the time of the distribution:

> "At first I was somewhat disappointed, especially because of the large discrepancy. It was less about having 30% or 35%. But if I am trying to remember, I think that I was disappointed. But over time, because the business model got stuck, it was less about how many percent one had. One did not want to waste his thoughts on it." (follow-up interview, l. 64-67)

Still, Uwe's view on the distribution outcome does not turn more favorable over time. When being asked about his time commitments for the venture during the first interview (about seven months after the equity distribution), Uwe indirectly sheds some light on his current fairness perception:

> "At the end of the day the 'return' for me has to be there. By now, I am sincerely questioning that [return]." (first interview, l. 206-207)

Social interaction processes

Uta and Uwe only gradually start getting to know each other during the initial months of working together. As a result, the two start off with a relatively low level of interpersonal trust that seems to become even more subdued in the light of Uwe's above mentioned disappointment with the unequal equity split. At the same time, Uwe acknowledges in the first interview that the level of interpersonal trust between the two has improved compared to the outset, even though it remains still relatively low for a closely collaborating team of founding peers:

> *INT: Is there a particular communication pattern that has become common in your team?*

"It has become more open, a lot more open. [...] Also, because you [learn] how to phrase [criticism] that the other person does not get hurt. [...] It is always a trade-off, how you say something. I mean, since we have this formal hierarchy it would be frontal criticism and would just rock the boat too much" (first interview, l. 409-420).

Nevertheless, the level of interpersonal trust between Uta and Uwe crumbles in the months following the first interview. Uwe reflects in the third interview, after he left the company:

INT: What did you learn from your team collaboration?
"From my perspective, the most important things are trust in the team and the belief in the team. And that this belief is also upheld. The moment this starts to to go into pieces, it is a very dangerous moment for the venture."
INT: How do you do that?
"At the end of the day you have to show the other that you have trust in her, even in times of defeats or difficult times in general. Even though I know that this is difficult."
INT: Did you have the feeling that Uta did no trust you anymore?
"Yes, mutually. I did not trust her anymore and she did not trust me."
INT: What was the cause for that?
"There were many moments during our time together that were not optimal. In the end, I don't think there was one concrete cause for it." (follow-up interview, l. 219-232)

Uta shares Uwe's perspective that she eventually came to a point, where she did not trust Uwe anymore: "I realized that it was too late and that I should have started controlling him much earlier. I relied upon him controlling himself." *INT: Then the trust was entirely gone?* "I don't think [there was any more trust]" (second interview, l. 269-273).

The work relationship between Uta and Uwe is also defined by regular relationship conflicts between the two co-founders. When being asked about the characteristics of their team collaboration Uta states in the first interview: "I am a critical person. I criticize [Uwe] openly, even though it may haunt the person for a while. It neither helps me nor the other person, if I don't do that" (first interview, l. 373-376). Uwe voices a similar perspective: *INT: Do you sometimes have the situation that there sort of is conflict in*

the air, but neither of you verbalizes it? "No that is not a problem for us, since I work with someone who is pretty good at raising issues if she does not like something" (first interview, l. 324-330). In the course of the time, Uta and Uwe have a severe relationship conflict that dominate their social interactions. Uwe reports:

> *INT: How would you define the team spirit, the atmosphere in your team, from mid 2011 [the time of the first interview] until your exit?*
> "In mid 2011 we had a conflict, actually we had a larger conflict and directly afterwards we had a small break of one, two weeks, because I was on vacation. Thereafter it was better, but our level of trust was severely shattered after this conflict and starting in mid September, October the relationship was tense. That means a trustful work [relationship] was not possible"
> *INT: What was the conflict about?*
> "The conflict was about a project, the installation of our product. We had some delays, which led to accusations between the two of us. It would have worked out if it had not eventually gotten personal" (follow-up interview, l. 2-12).

The interpersonal attraction between the two co-founders is relatively low from Uwe's vantage point. When being asked what inspires him about Uta, he answers "I would say her very, very direct way [of communicating]" (first interview, l. 336), and, commenting on the Uta's team role he stresses "Uta is the oftentimes the driver, the one who is pushing and sees when something does not work – and who then can get really, really angry" (first interview, l. 353-354).

Over time Uwe's view on his co-founder seems to worsen. In retrospect, Uwe provides a rather harsh characterization of Uta:

> "She has a very strong personality with a very concrete perspective of how things should go. In my perspective this left oftentimes little room for another strong leadership personality, which we had needed, besides her. Towards other people she was not very sympathetic. That means, if she did not like a small thing in a person, she more or less did not care for the other person any more. And this characteristic made it very difficult to integrate other persons in the company."
> *INT: These are tough statements. To me this does not sound like: 'In the future, I could imagine founding another company with Uta'...*

"Yes, you are right." (follow-up interview, l. 327-336)

In line with Uwe's perspective on Uta, his commitment to the team task deteriorates over time:

> "Like I said, Uta and myself were very different. Uta always had clear perspectives of how things should go. In the first one and a half years I trodded down her course, due to my inexperience coming right out university. In the back of my mind I was already questioning whether this will be successful, but I said to myself: 'let's see'. From my experience, I more and more often said: 'The way you want to pursue here, will go into nirvana'. For her that was oftentimes difficult to accept, and she often did not accept it at all. This made our entire collaboration inefficient." (follow-up interview, l. 45-52)

While Uta did not realize the creeping process of Uwe's detachment from the team task, she has a different explanation for his loss of motivation to push the company forward:

> *INT: Did you see him losing motivation over time?*
> "I don't think necessarily over time. I mean, in the end he told me. But in the meantime, I did not realize it. What I can imagine is [...] we worked together in one room for a long time. [...] [and then we split rooms] And my feeling is, that I lost the connection to Uwe through this physical separation. I could blame myself or not. I am not sure if a co-founder always needs the driver in his proximity to not lose his motivation. You may argue about it. But I think, this was somehow the trigger." (second interview, l. 165-179)

Moreover, Uta acknowledges in hindsight that she failed to build a strong connection to her co-founder, which she sees as elementary for Uwe's premature exit:

> "We talked about business, about U1 [...]. We rarely talked about private matters. [In the beginning] we had long car drives to potential customers. There we talked a little in this [private] direction. But then, we eventually split and I conducted the customer visits on my own, while he stayed in the office. [...] Eventually we were missing this connection. Because, if you are driving to Berlin and back, spend 8 hours together, you have a different communication level than when you are sitting in the office. That is why, I think this was a missing link. I could blame myself or not that I did not establish such a link, even though we already worked together for three years."
> *INT: In which situations did you realize that this link was not so good anymore?*

"I realized it too late. I think I did not see the signs." (second interview, l. 197-213)

Entrepreneurial team stability

In Team U1, co-founder Uwe leaves the company prematurely in the fall of 2011. When he is asked for the reasons of his exit, he states:

> "We worked almost 3 years on project U1 and the overall development was not as one had imagined. That was one side. On the other side, we had trouble [finding an investor], where I also lost faith that we would eventually find one. And in the team a lot of things went wrong, hypothetically also because of the absent progress. [...] It was roughly 50% that I had lost faith in the project, and 50% that I had lost faith in the team" (follow-up interview, l. 15-19; 51-52)

For Uta, his decision to exit comes out of the blue: "He must have made the decision to leave a lot earlier. But I did not know about it. About one month ago we were together in the office and he told me in passing that he will start an internship in South Korea next year, to which he applied during the summer. This was a shock for me. It was unexpected" (second interview, l. 14-17).

When talking about his exit Uwe also refers to his dissatisfaction with the venture's success, which encouraged him in his decision to exit the venture:

> "I mean, this is speculation, but it might be that if our venture had performed better, we would still be working together [...] For me the entire venture came to a point, where from my point of view, it did not make any more sense to continue. I had, when I came to see her [to tell her that I would quit] the feeling that in her heart she felt very much the same. [...] It was roughly 50% that I had lost faith in the project, and 50% that I had lost faith in the team." (l. 33-34; 117-119)

This, however, stands in contrast to Uta, who stresses that she is relatively content with the performance of U1: "We managed to finalize our second installation, which was

challenging. [...] But we made it. And since, we have been in discussions with business angels and investors, and with some of them we even moved forward in the process, which is good" (second interview, l. 6-9). Moreover, Uta continues with venture U1 after Uwe's exit, providing the following reason for her persistence: "[b]ecause I believe in it" (second interview, l. 373).

Finally, the stability of the founder team is somewhat influenced by family-work conflict. According Uta, Uwe's girlfriend is not satisfied with his long working hours and therefore urges him to quit the venture: *INT: So you imagine that Uwe's girlfriend pressured him to quit U1?* "Yes. It was often a topic of discussion that he threatened his relationship, because of the long working hours" (second interview, l. 136-139).

5.7.2 Within-case analysis – Team U1

As outlined in the case description, Uta and Uwe split their equity unequally—70% of the company is allocated to Uta, 30% to Uwe. While Uta is likely to perceive the split as fair, Uwe is dissatisfied with his minority stake. Uwe's feeling of distributive injustice seems to have a detrimental impact on the social interactions in the founder team. His comment that he sincerely questions the "return" for himself (first interview, l. 206-207) underscores his dissatisfaction with his reward share, and also explains the co-founders' social interaction patterns. In particular, the co-founders feature a relatively low level of team attraction, whereas the level of team repulsion is high. As a consequence, the stability of the co-founder team is rather low and roughly one year after U1's incorporation Uwe abruptly exits the venture. In the following I will lay out my analysis of the social interaction processes in Team U1, followed by the analysis of the team's lack of stability.

First, Uwe and Uta possess only a rather low level of trust in each other. Unlike other entrepreneurial founders that operate as peers, Uwe alludes that the two do not have

an open relationship and do not communicate on eye's level. Specifically, he suggests that their communication style "has become more open, a lot more open" (first interview, l. 412) only to add shortly thereafter that direct communication towards his co-founder "would rock the boat too much" (first interview, l. 420), also due to "the formal hierarchy" (first interview, l. 419) in the founder team. Over time the level of trust even decreases, as Uwe highlights in the third interview. According to him, there was not "one concrete cause" (follow-up interview, l. 232) for the (further) deterioration of their mutual trust but it rather was a continuous process. While Uta does not hesitate to communicate directly, she still acknowledges that her level of cognitive trust in Uwe deteriorated over time, and even concludes that she should have trusted him even less from the beginning: "I should have started controlling him much earlier [...] I don't think [there was any more trust]" (second interview, l. 269-273). Moreover, the fact that the two co-founders make no attempt whatsoever to build a personal relationship underscores the fact that the level of affective trust is only minor at Team U1.

Second, the level of cohesion between the two co-founders is relatively low. Uwe is very explicit that he does not have a high regard of his team member, when he states that Uta "has a very strong personality", "leaves no room besides her", and "was not very sympathetic" towards other people (follow-up interview, l. 327-336). Moreover, Uwe shows a rather low commitment to the team task exemplified by the fact that he does not push back with resolution on Uta's unilateral decisions, even though he thinks they "go into nirvana" (follow-up interview, l. 45-52). This may partly be explained by the fact that Uwe increasingly questions his return out of the venture in general (first interview, l. 206-207). In addition, Uwe does not make any statement from which one could infer that he is proud of the team or its achievements. Rather, Uwe is very vocal about the team's failures (first interview, l. 96-107), whereas he only points out the technical realization when being asked about the venture's biggest successes since founding. The low level of cohesion exuded by Uwe is mirrored in similar terms by Uta, when she acknowledges that

she never managed to build a strong connection to Uwe (second interview, l. 203-207).

Third, the social interactions in Team U1 are also characterized by high levels of relationship conflict. Throughout the interviews, both Uwe and Uta reference numerous occasions in which interpersonal conflicts took place—oftentimes sparked by Uta's emotional nature. Uwe gives an example in the first interview when he refers to a fight after a joint meeting with a potential customer, after which the two were "angry at each other" and only "talked a bare minimum" over the next two days (first interview, l. 145-147). In the follow-up interview, Uwe sheds light on a larger conflict that occured shortly after the first interview, which "had gotten personal", involved "accusations" of who was responsible for the delay of the installation. He further describes that the consequence of this conflict was that the Uwe did not talk to Uta for two weeks, and that after the conflict "a trustful work [relationship] was not possible" anymore (follow-up interview, l. 2-12). The element of low interpersonal trust between the two co-founders may play an important role in the evolution of these conflicts as the existence of interpersonal trust oftentimes acts as a buffer for conflicts to turn from task-based to interpersonal (Simons & Peterson, 2000).

Fourth, there are different signs of social distancing found in Team U1. For instance, Uta shows signs of aloofness, when she states in the second interview that she "lost the connection through the physical distance" (second interview, l. 203-204). Moreover, Uwe shows signs of withdrawal, when he is on and remains absent from the office for two weeks and does not correspond with Uta during this time (follow-up interview l. 2-12).

Importantly, there is evidence in the data that above social interaction processes are not happening in isolation. Rather, its individual elements seem to be mutually reinforcing each other. For instance, Uta reports in the second interview that she "lost the connection" to Uwe (l. 176-177), which is indicative of a decrease in mutual trust and a sign of aloofness. Uta continues one sentence later that this lost connection was the "cause"

for his lost motivation (l. 178-179), indicating his deteriorating commitment to the team task and thus a decrease in team cohesion.

The increasingly weak social interactions (i.e., low team attraction and high team repulsion) in Team U1 appear to have a detrimental impact on the team's stability. Eventually, Uwe exits the team in the fall of 2011, because he has "lost faith" in the project and in the team (follow-up interview, l. 51-53). Given their low level of interpersonal attraction and trust it is not surprising that Uwe does not inform Uta about this major decision until the very last moment and only on a sidenote—in fact only a few months before he intends to leave the country for an internship abroad. Such a short notice may also be regarded as a revenge for the injustice in the initial equity distribution and certainly also exemplifies his lack of interest in the post-exit success of the venture in general and of Uta in particular.

When regarding the drivers of his exit, two additional factors come into play. One is explicitly mentioned by Uwe in his retrospective interviews three and four: the lack of venture success in his point of view. Uwe has been relatively sceptical of the venture's performance from the outset, and this scepticism increases with the regular defeats on the investor and market front. As Uwe already points out in his first interview: "[during the past 9 months] we experienced failure on the sales side, the technical side and on the financing side. [...] It is hard to differentiate, what the biggest, the second biggest and the third biggest failure was. Currently, each defeat hurts similarly" (first interview, l. 98-100). Additionally, Uta speculates that external stressors in the form of family-work conflict may have accelerated his departure. Accordingly, Uwe's girlfriend had a negative perspective of Uwe's involvement in the venture, which may have been an additional pressure point and thus an additional booster in his exit decision.

In summary, U1 is a team with a perceived unjust equity distribution, featuring negative social interactions in the form of low team attraction (low intrateam trust and low team

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cohesion) and high team repulsion (high relationship conflict and high social distancing), as well as low team stability, manifested through Uwe's venture exit. These relationships are supported by Uwe's unilateral dissatisfaction with the success of the venture, as well as medium to high external stressors (medium to high family-work conflict in the case of Uwe).

5.8 The case of Team U2

Corporate profile

The Munich-based Venture U2 was founded as an information technology company in the fall of 2010 by the three co-founders Vicki, Valentin and Victor. The company's original business model was an online platform offering fitness courses to customers who do not have time or do not want to go to a local gym. In the fall of 2010, upon receiving negative customer and investor feedback, U2 adapts its business model. Instead of directly streaming the courses to interested users, U2 now offers a white label software solution for local gyms to stream their fitness courses to its members.

The two co-founders Vicki and Valentin are approximately of the same age at the inception of the BEST study: Vicki is 28 years old and Valentin 27. Vicki has a Master of Business Administration (MBA) and prior experience from working for different local start-ups, whereas Valentin has a bachelors degree in computer science and no work experience. The evolution of the venture starts in early 2009, when Vicki has her first baby and is no longer able to go regularly to her local gym. Dissatisfied with the situation, Vicki actively looks for possibilities to solve the issue and apply it in a new venture setting. Shortly before Christmas 2009, Vicki stumbles across a blackboard posting at a local university—the student colleagues Valentin, Victor and Volker are looking for a

co-founder with a background in business. After initial meetings Vicki persuades them to alter their initial idea (providing live streams from night clubs) and apply it to the fitness context. The four make the decision and soon kick off project U2, immediately initiating the search for capital and executing the programming of the streaming platform. Shortly after the start, Volker leaves the project. The three remaining project members continue and apply successfully for the government grant EXIST Gründerstipendium, which secures project financing for the initial year. In the fall of 2010, the incorporation takes place. However, the new venture struggles with its idea—potential customers, partners and investors are highly critical. Therefore, the team decides to shift course and adapt the business model towards a white-label software solution. The simplification of the business model pays off—the venture soon lands its initial trial customer for a test of U2's prototypical software. On the team front, however, things do not go as smoothly. After a four months long dispute between co-founders Vicki and Victor over his, in Vicki's eyes, inadequate work ethic, Victor leaves the venture in April 2011. In the following months, U2 has some successes, even though it still does not have a marketable product. Most notably, the venture is chosen to present at a prestigious entrepreneurship competition in Barcelona, where it also receives valuable feedback from leading global investors. Additionally, a large German weekly magazine publishes a founder portrait of co-founder Vicki in the fall of 2011. However, the success is not long lived. After the end of my study, in the spring of 2013, U2 closes its operations. The corporate profile in Figure 22 provides a summary of above descriptions.

5.8.1 Case description – Team U2

Distributive justice of equity distribution

Upon incorporation, the remaining three co-founders split their equity unequally. Vicki received 40 percent, while Victor and Valentin received 30 percent of the equity shares.

Industry & business model	
Industry	▪ Information Technology (IT)
Original BM	▪ Independent online platform: live streaming of fitness courses ▪ Target customer: people who do not have time or do not want to go to a local gym
Adapted BM	▪ White-label software solution for local gyms for live streaming of fitness courses ▪ Target customer: Local gyms that do not have the IT know-how for streaming services of their physical courses

Team composition		
	Vicki	**Valentin**
Academic background	▪ Business	▪ IT
Age (as of May '11)	▪ 28 years	▪ 27 years
Prior professional experience	▪ Working for start-ups	▪ /
Function in venture	▪ Managing director, marketing & sales	▪ IT, Technical development
Part of Team	▪ 2010-2013	▪ 2010-2013
Equity share	▪ 55%	▪ 45%

| Business and team evolution – Key milestones	
2007-2009	▪ Vicki is working for different local start-ups
3/2009	▪ Vicki develops the idea of a remote gym, via an internet live stream
12/2009	▪ Valentin, Victor and Volker put up a blackboard post at a local university „Looking for co-founder with business knowledge" – Vicki calls them up
1/2010	▪ The four decide on their original business model and start programming the webpage and the hunt for investor capital
Q1/2010	▪ After 2 months, Volker leaves project U2
2010-11	▪ U2 receives EXIST Gründerstipendium
9/2010	▪ Incorporation of U2 incl. equity distribution
Q3/2010	▪ U2 adapts business model, due to poor customer and investor feedback
4/2011	▪ Victor leaves the venture, after a 4 months long team conflict
4/2011	▪ U2 is invited to pitch @ Global Entrepreneurship Competition in Barcelona
10/2011	▪ Large German weekly publishes a founder portrait of Vicki
04/2013	▪ U2 closes its operations

Figure 22: Corporate profile - Team U2
Source: Own illustration

When Victor leaves, however, the founding contract is adapted and the equity shares are up for redistribution. After some negotiations between Vicki and Valentin, the shares are again split in favor of Vicki—Vicki now holds 55 percent and Valentin 45 percent.

In the negotiation Vicki pushes to get 60 percent ownership and concedes Valentin an additional 5 percent in an, in her perspective, act of generosity. According to her, the current 55:45 split is only moderately fair. In her argumentation she invested more than Valentin since she committed herself full-time to the project from the outset, while Valentin initially had a part-time job on the side:

> "I have more shares than Valentin, may because I am company director. I have more shares than Valentin because I am working in sales. [...] Valentin worked part-time until we received our scholarship [EXIST Gründerstipendium]. I was engaged full-time in the project, I just invested a lot more. [...] We now have 55:45 and initially I wanted to have 60:40. But Valentin was disappointed, he felt pressured. Then I talked to him. I persuaded him that there is no pressure, that I am as dependent on him (because he is the developer)

as he is on me. But I had a lot more risk, because I did it full-time [from the start]. I lost my complete salary from company X [Vicki had a job offer from company X]. [...] Valentin earned money on the side the entire time and I did not earn any money, just to build up U2. That's what I explained to him and he agreed. Then I surprised him in the last second. Maybe half an hour before our solicitor's appointment I wrote the solicitor that he should change the 60:40 to 55:45. That was good. Since then he knows that I value him and those 5%." (first interview, l. 243-264)

Initially, co-founder Valentin perceives the distribution of equity to be fair to some degree, as he agrees to Vicki's line of argumentation that she brings more to resources into the company than him:

INT: *How did you come up with your share distribution?*
"Vicki always argued that she brings more resources into the company. She claims to have a lot of business knowledge and contacts. She has a lot more contacts, also global ones. That gives her a competitive edge compared to a pure developer that has no idea about business. You also see that in how she wrote the business plan. This is the reason why we won business plan challenges. It is all connected and therefore I found it ok."
INT: *So you evaluated who brings what to the party?*
"Exactly." (first interview, l. 78-88)

However, in the second interview, his – with some reservations – perception of distributive justice gives way to a very explicit injustice perception:

"Acquaintances and friends of mine all say that I should have more stakes than her, because she joined the boat [later]. I'd just say half, half of the shares would be appropriate. And she has the opinion that she should have an additional 5% [to the current 55%] and that she was so 'generous' and gave me 5 %."
INT: *How do you evaluate this 'generosity'?*
"I think nothing of it." (second interview, l. 135-141)

Social interaction processes

As outlined in the above paragraph, Vicki received the majority of equity after Victor's exit. Moreover, Vicki also managed to push through that she is the sole company director

of venture U2, while Valentin only carries the CTO title, yet without the legal rights associated with the company director post. This level of hierarchy between the two co-founders is reflected in their daily interactions. Vicki reflects on her openness towards Valentin:

> "Yes, of course there are many things [I have not yet talked about with my co-founder]. But I just try to avoid conflicts. [...] There are many things that I keep quiet about. [...] You cannot talk about everything." (second interview, l. 404-408)

Vicki's reluctant communication style is mirrored, as she observes, by the tight-lippedness of her co-founder:

> "Valentin is very reserved. Sometimes I do not know what he thinks. Sometimes I come up with an idea and he looks at me like this [she makes an expressionless face]. He takes his time for decisions. That is why sometimes I perceive my communication to be a bit dictatorial. This is because I always have a lot of feedback [for him] and he is very reserved." (first interview, l. 530-533)

Valentin acknowledges that Vicki's perception is accurate, and also that she behaved rather controlling, especially in the early days of their collaboration:

> "I don't always communicate everything to her. That's why she sometimes thinks that I do not do one thing or another. But that is actually not the case."
> *INT: So you still get the job done?*
> "Yes."
> *INT: Does she exactly want to know what you are currently doing?*
> "It is not as it used to be. Overall the atmosphere has become more relaxed. It used to be a bit stricter."
> *INT: How did it use to be?*
> "She always wanted to know everything to the last detail. She asked me: ((Imitates Vicki's voice)) 'Did you do this, did you do that?"' (first interview, l. 324-334).

While Vicki claims to try to avoid conflicts with her co-founder, they experience nevertheless a large amount of interpersonal conflicts. In the first interview, majority owner

Vicki reveals how often conflicts take place in their team and how these usually play out:

> "We fight less than once per week."
> *INT: Once per week...But at least 1-2 times every 2 weeks?*
> "Yes, but it also goes by quickly. A few minutes and then it is OK again."
> *INT: What are the fights usually about?*
> "If I abstract it, it is usually about that you thought you could depend on the other [and could not]. Usually I fight more than him. This is also more due to my nature. Because I thought I could depend on him and then things came differently. Because of communication issues and misunderstandings we have fights. But then we discuss it and after a few minutes it is solved and ok again. Last time we were at the tax lawyer and something was wrong with a document. And I was pissed. But ok, five minutes later I was ok again."
> (first interview, l. 535-547)

Additionally, when asked how they decided about their actual equity distribution, she reflects on the ongoing conflict about their unequal equity distribution even after the venture was founded:

> "We had a short fight. Ok, it was not really short. It actually went on for a relatively long time and we wasted our entire resources [on it]. We fought about it for some weeks and then we put it to the side. During this conflict period we had two consulting sessions with our coaches and discussed it at a founder seminar." (second interview, l. 130-134)

Valentin also provides his perspective on their continuously occuring equity split conflicts. Specifically, he shows frustration with her communication style and suggests that his introversion paired with Vicki's seemingly strong extraversion leads to a situation where the conflicts about their equity distribution somehow cannot get settled and thus occur over and over again:

> *INT: From your perspective, how should Vicki generally behave in these discussion [on your share split]?*
> "I don't know. It sort of always escalates. Maybe I should bang my fist on the table some time. But I think, I am just too calm for this part. I am not the explosive guy who somehow goes berserk."
> *INT: Is she also looking for harmony?*

> "I mean it is really difficult, because she always talks so much. If it is about something, where she has to defend herself, then she talks and talks and talks and you cannot say anything to her. It is like a wall. A speaking wall."
> *INT: Is the conflict currently settled?*
> "Basically, we have this friction, which is ever present. Sometimes it disappears, but eventually it comes back again" (second interview, l. 193-205)

As a consequence, it does not surprise that Valentin characterizes Vicki as an egoistic, power-obsessed person. To illustrate his characterization he references the situation where Vicki initiated a 6-page founder portrait in large German weekly magazine that portrayed her as the important company founder and mentioned Valentin only on a side note:

> "Her official goal is to push the company forward [...] But she does not only have this company goal, there is also a personal side to it. She is sort of on an ego trip. There are these situations over and over again, for instance this magazine article [in a large German magazine], which was more or less only about her and I was only mentioned once on a side note. Then she holds more shares in our company and therefore wants to be the sole company director. We had a fight about that, too. I asked her back then why I could not also become company director and she threatened me, that if she was not the sole director, she would leave the team. Such things come up over and over again." (second interview, l. 114-123)

And Vicki confirms Valentin's suspicion on her own way, by valuing her own contribution to the venture success significantly higher than that of her co-founder:

> *INT: On a scale from 0 to 100: who has which contribution to the success of your venture?*
> "I often thought about it myself. I would, of course, allocate more percentage points towards myself, just because I put more emphasis on sales. By now I see how irrelevant the technical part is for the success of our start-up. Unfortunately. If you cannot sell it, it is only something 'nice', but not relevant for the success of the start-up. Therefore, I would allocate 75% to myself." (second interview, l. 282-290)

Entrepreneurial team stability

While Team U2 has had team exits prior to our research period, Vicki and Valentin still are part of Team U2. However, Valentin is very explicit that he considers exiting the team himself in the near future:

> "I have often been at a point, where I thought, should I gun down [our venture] or should I go into stealth mode and just stop working. Then she could do what she likes. At the end of the day, the company would go down the drain. I was close to making this come reality. But eventually, I came to think differently of it. It was probably just at the moment when success set in. These are always moments, when I think to myself: what is next? It's like in a game. You reach the next level and you could stop and start a new game. If we hadn't reached the next level, everything would have gone differently." (second interview, l. 181-189)

In above statement, Valentin already alludes that his satisfaction with the success of the venture is a major buffer for his postponed exit decision. He also exudes this satisfaction at other points in the interview: "The largest success was that our product has been successfully implemented at a partner's site. [...] Besides this, we had this magazine article, where I got a raw deal. But all in all it [the article] was positive. We also got positive feedback from people. We got awareness from the article and therefore we got into contact with other companies that are in the same sphere" (second interview, l. 4-17)

An additional factor for the still intact team composition seems to be the fact that the team is only affected in a minor way by external stressors. In particular, I find family-work conflict to be relatively low in Team U2. Co-founder Vicki provides a rationale, by giving insight into her own work ethic, which is also shared by her husband:

> "The sister of my husband stayed at our house over Easter. She said: 'Why doesn't every European get vacation for the royal wedding of Prince William and Kate?' My husband and I couldn't understand her reaction, because both of us love what we do." (first interview, l. 387-390)

Still, being a young mother, Vicki's frequent absence from work represents one form of family-work conflict, that has, negative implications for their team spirit and their level of cohesion. In the second interview, Valentin reports:

> *INT: "How would you currently describe the team spirit?"*
> "It is currently a bit difficult, I think. Because it does not represent the team spirit you would envision for a young company. My vision is, that you work together on a project, together in one room, and motivate each other and also work into the night. In our case it is just difficult, because the team [i.e., Vicki] now has two kids, which requires a regular schedule. [...] In principle, I could work until midnight. She could do the same, but we cannot do it together, because she has kids to supervise and take care of. That's why it is not the team spirit I would like to have." (second interview, l. 32-42)

5.8.2 Within-case analysis – Team U2

Vicki and Valentin have agreed on an unequal equity split upon their founding in fall 2010—Vicki holds 55% of the shares and Valentin holds 45%. However, both co-founders are not fully satisfied with the split. Valentin perceived the split as rather unfair at the time of the split, and his perception of distributive injustice increases continuously over time. Vicki, on the other hand, is not fully satisfied either. She initially envisioned a 60% share for herself in the venture, but then allotted an additional 5% to Valentin "to show him some appreciation" (Vicki, first interview, l. 264). Over time, Vicki becomes more and more convinced that she should own more than the 55% she holds, since she sees herself a lot more valuable for the venture than Valentin (Vicki, second interview, l. 282-290), whereby her feeling of injustice increases as well. The co-founders injustice perceptions seem to be a decisive influencing factor with regards to the social interaction patterns between the two co-founders, as well as their team stability. In particular, the co-founders have a relatively low team attraction and high team repulsion. The stability of the team is rather low, while Valentin's satisfaction with the success of the venture is the reason that he persists with the venture, despite his explicit withdrawal intentions.

In the following I will provide a more detailed analysis of the social interaction patterns and the factors associated with the team's stability.

First, the level of interpersonal trust between the two team members is low. This is exemplified by the fact that both Vicki and Valentin are hesitant to share information openly. While Vicki likens her behavior to a "family" situation, where "you cannot talk about everything" (second interview, l. 408) it underscores the low level of trust found in the team. An additional example of the low intrateam trust in Team U2 is that Vicki does not inform Valentin about the large founder portrait in a large German weekly magazine until it is actually released. Moreover, Vicki's focus on control and her suspicion towards her co-founder (Valentin, first interview, l. 333-334; 356-357) also signal a low level of intrateam trust.

Second, the level of cohesion between the two co-owners is low. I base this assessment on a number of observations. First, the two team members each do not have a high regard of each other. Rather, Vicki states that her co-founder suffers from an "inferiority complex" (second interview, l. 148), while Valentin suggests that Vicki is "on an ego trip" (second interview, l. 117). Second, particularly Valentin does not exude a lot of group pride or team spirit. Particularly, he considers the team spirit "not very strong" (second interview, l. 253) and also does not promote the founder portrait of Vicki (Vicki, second interview, l. 237-240), which is an unusual behavior for a founder given the sizeable PR campaign in a prestigious magazine. Third, Valentin can be regarded, despite the work he puts in, not considered to be fully committed to the team task. This assessment is based on the fact that he played repeatedly with the thought of pulling out and letting the entire venture go down the drain (Valentin, second interview, l. 181-184).

Third, the relationship between Vicki and Valentin is characterized by many relationship conflicts, partly triggered by the different justice perceptions around their ownership split. Vicki reports in the first interview that the two co-founders "fight less than once

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per week" (l. 535-536), a level, which is significantly higher that most of the other start-up teams observed in this study. In the second interview, Vicki then refers to a clash over equity shares, which went on for 6 weeks, and on which the team "wasted" their "entire resources" on it (l. 130-145).

Fourth, there are different signs of social distancing behavior evident in Team U2. In particular, Vicki shows a range of condescending behaviors. For instance, she suggests that Valentin has an "inferiority complex" (second interview, l. 148), and that it would be very important for Valentin to take part in a project management training (first interview, l. 560-561). Moreover, Valentin shows clear signs of aloofness, which Vicki also notices when he characterizes him as "reserved" and that she does "not know what he thinks" (first interivew, l. 530-533). Finally, Valentin also provides examples of withdrawal behavior, when he states that he oftentimes thought of leaving the venture (second interview, l. 181-184).

Importantly, the different social interaction patterns observed in Team U2 are not happening in isolation, but rather the individual elements seem to be intertwined. For instance, Vicki reports that Valentin is "very reserved" and does not communicate openly, which results in "communication problems" that then lead to inner-team conflicts (first interview, l. 530-544). This causal chain highlighted by Vicki underscores the fact that the low level of trust and high level of social distancing in effect spark new relationship conflict.

Due to the poor social interactions in Team U2, the stability of its team composition is medium to low. Two co-founders already exited the venture prior to the BEST study, and also in these cases conflict and weak social interactions were a dominant driving force (Vicki, first interview). Moreover, Valentin is very explicit that he has repeatedly been on the verge of pulling the plug and leaving the venture. The most important element that prevented this from happening was the success of the venture, as Valentin points

out in the second interview, where he likens his persistence to a game, where, when you are intent to quit but reach the next level you just continue playing (second interview, l. 184-189). Thus, Valentin remains part of Team U2 for the time fram of my study. However, in April 2013 Valentin finally leaves the venture due to interpersonal differences with Vicki.

In summary, U2 is a team in which both co-founders perceive their equity distribution as rather unjust. This perception of injustice triggers negative social interactions in the form of low team attraction (low intrateam trust and low team cohesion) and high team repulsion (medium relationship conflict in the beginning and high relationship conflict at the end of the study and high social distancing). Importantly, the social interaction patterns observed are closely interwoven in the sense that they mutually influence and reinforce each other. The negative social interactions seem to trigger medium to low team stability, manifested through Valentin's withdrawal intentions. Valentin's persistence with the team seems to be largely due to his personal satisfaction with the venture success.

5.9 The case of Team U3

Corporate profile

Venture U3 was founded in June 2008 by the co-founders Werner and Wilma. U3 is a company in the service sector and headquartered in Munich. U3 operates a web portal for families, featuring information on family events in the greater Munich area. U3 generates revenues through the sale of advertising space to interested B2B clients. The two co-founders Werner and Wilma are 53 and 48 years old at the inception of our BEST study, and both have significant work experience. While Werner worked for more than 20

years in a media company, Wilma has been working as an editor and book author, both self-employed and at different companies. Werner has a background in Politics, whereas Wilma has a teaching degree. The story of Venture U3 starts in 2008, when Werner and Wilma, who live in the same neighbourhood, meet by chance on a birthday party. The two sympathize and Werner points out to Wilma that "we have to start something together" (Wilma, first interview, l. 117). A few months later, Werner asks Wilma if she wants to join him in an undertaking to develop a family radio station in Munich. She generally likes the idea and with some modification to Werner's idea (i.e., changing from a radio station to a website with some broadcast functionalities), they start working together in the summer of 2008. Werner takes charge of the programming of the website, while Wilma starts working on the content. However, it is not until the summer of 2010 that the website of U3 goes live. In the initial months the user figures seem to develop strongly, while customer demand remains sluggish—it is rarely sufficient to cover the one room office space in a local incubator. Several attempts to employ sales agents on a provision-basis fail. Still, Wilma is drowning in work, trying to create the best content she can to drive site usage. When in the summer of 2011 the team realizes that due to a conceptual measurement mistake it has greatly exaggerated its user figures the team hits rock bottom. The tension between Wilma and Werner increases continuously until shortly before Christmas 2011, Wilma is determined to leave the venture. In March 2012 she quits, while Werner continues on his own. The corporate profile in Figure 23 provides a summary of above descriptions.

5.9.1 Case description – Team U3

Distributive justice of equity distribution

Werner and Wilma split their equity shares unequally. Werner receives 60% ownership, and Wilma 40%. Werner points out that the inequality largely stems from the fact that

Industry & business model	
Industry	▪ Service
Business model	▪ Local web portal for families with kids ▪ Monetization through advertising

Team composition		
	Werner	**Wilma**
Academic background	▪ Social sciences (Politics)	▪ Teaching degree
Age (as of May '11)	▪ 53 years	▪ 48 years
Prior professional experience	▪ Worked over 20 years for a television company	▪ Worked over 20 years as a an editor and book author
Function in venture	▪ IT	▪ Content production
Part of Team	▪ Since 2008	▪ 2008-3/2012
Equity share	▪ 60%	▪ 40%

Business and team evolution – Key milestones	
Q1/2008	▪ Wilma gets to know Werner on a children's birthday party – the two are more or less neighbors
Q2/2008	▪ Werner has an idea for a new business, a family radio, for which he is looking a journalist and editor -- Wilma
6/2008	▪ Incorporation of U3 incl. equity distribution
Q2-3/2010	▪ Website goes live; Radio Family has its first advertising accounts, however only on a single campaign basis
2010-11	▪ U3 tries out different sales agents on a freelancer basis – none of them is able to significantly drive sales
2010-3/12	▪ Due to slow customer pick up, Wilma has to work on the side to make a living and to hedge herself against a potential failure
Q1/2011	▪ U3 has to turn down job applicants as revenues barely cover the monthly rent for the office space and the server
Q3/2011	▪ U3 realizes that it has greatly exaggerated its user figures due to a measurement mistake – instead of assumed 30,000/month they only have 750/month
3/2012	▪ After significant team conflicts, Wilma leaves U3

Figure 23: Corporate profile - Team U3
Source: Own illustration

he provided the idea and did all the pre-work:

> *INT: How did you split the ownership of U3?*
> "I have 60% and she has 40%."
> *INT: How did you come up with this distribution?*
> "I had the idea and did all the pre-work. Wilma joined [a few weeks] late. At that time, we already had a website provider. And everything that refers to the work before the official start, I all did it on my own. Also the content."
> (first interview, l. 49-54)

Wilma confirms the unequal split and points out that she was only moderately satisfied with it. In addition she tries to retrospectively make sense of the unequal split by citing his additional contribution to their venture:

> *INT: How did you split your shares?*
> "Do we have to say it? It is not equal. I have a bit less. That is something where I think, well ok ((Pause)) but then, it was his idea." (first interview, l. 188-191)

Social interaction processes

In Team U3, minority owner Wilma voices her low feeling of interpersonal trust towards Werner several times during the interviews: "I have the feeling that I have to control everything. I have to watch, if he does it, if he did it and if he also did it right." (second interview, l. 382-384). She also illustrates that her trust in co-founder Werner was actually decreasing because Werner had not been truthful in some occasions:

> *INT: How much trust do you still have in him?*
> "It has become less I have to admit [...] He once told me that he needs a new computer and that he wants to buy it from company funds. He then bought the most expensive Apple computer, a huge thing [...] so when the Apple broke one day, the old computer was suddenly back again." (second interview, l. 303-310)

In Team U3, relationship conflict is present but somewhat subdued, in large parts due to the harmony seeking nature of minority owner Wilma:

> *INT: How would you describe your feedback culture?*
> "The fiercest thing I say is: 'that was not so good'. This is the ultimate, otherwise I am always positive, always." (first interview, l. 468-473)

Nevertheless, Wilma describes occasions of destructive relationship conflict:

> "We once came back from lunch and the [other co-founder's] dogs 'changed' our office, I don't want to say 'destroyed'. But it definitely looked different. [...] Also one of the dogs has flatulence. This adds to the intoxicated atmosphere [in the office]. I thought that I will die from gasification. That is eventually a real strain. [...] He [the other co-founder] always tells me that I do not like his dogs and that I should not talk to the dogs in such a disrespectful manner. He also asks me why I dislike his dogs." (second interview, l. 94-103)

Moreover, Wilma explicitly shows her frustration with their social interactions:

> "The downside is that I have to do everything. I often have the feeling that there simply is no appreciation [from his side] for me. When I tell him that

everything is getting too much for me, he answers that I should just do less. Of course you can just say it like that. But you need arguments to market your site [to successfully run the business]." (second interview, l. 351-354)

Entrepreneurial team stability

Based on their challenged social interactions, it is little surprising that Wilma strongly considers her exit in the second interview in December 2011. At first, she only alludes to a potential exit: *INT: Will you then, in the future, control everything he does?* "I probably have to. I have to if I like it or not, if there is a future. Currently I am very annoyed." (second interview, l. 431-432). Then, upon being asked directly by the interviewer she is more explicit:

> *INT: What do you currently think? Is there a future for the two of you?*
> "With regards to our joint collaboration: not very likely. He does not realize at all how dramatic the situation is. We have financial reserves to pay the rent until February then it is over. I also told him that I will not put any more money in. There just is no substance to it any more. [...] I would have to talk to Werner about the task sharing. But he will then tell me that he does not have more time. I will then have to counter that it does not work for me under these conditions. I will bite the dust. I have always pushed so hard under the expectation that it will eventually get better." (second interview, l. 433-451)

Shortly after the second interview, in March 2012, Wilma exits Team U3. In addition to the poor social interactions with her co-founder Werner additional factors were evident to accelerate her decision. The first is the low satisfaction with the success of U3:

> "We have financial reserves to pay the rent until February then it is over. I also told him that I will not put any more money in. There just is no substance to it any more. Due to our google search results [that lowered their estimated site visitors from 30,000 per month to 750 per month] the conditions deteriorated disastrously. [...] When I have to wait for 5 years until it works, I am retired. I am working until I am dead – for what? I have set myself the goal that we at least have one cooperation until year

end and that we have some money left over for next year, that we stand on solid ground. That we break-even and have a few hundred Euros next year for advertising and that we can also purchase so external texts. That we get some head space. But I currently see a perspective for that." (second interview, l. 435-455)

Moreover, Wilma reports of some private conflict she has with her husband over her involvement at Venture U3:

INT: What will now happen in the next few days?
"[...] Let's see that everything goes well at home. My husband is already furious because I am so involved in these venture issues. He would love me to quit today instead of tomorrow. And my kids are now teenagers, so the climate is not so good." (second interview, l. 531-535)

5.9.2 Within-case analysis – Team U3

The unequal equity split among the co-founders of Team U3, which is perceived as only moderately fair by minority co-founder Wilma, does not seem to provide a beneficial setting for subsequent social interactions among the two co-founders. In particular, the team exhibits relatively low team attraction and high team repulsion. As a consequence, the team's stability is low, and the team ultimately witnesses the exit of co-founder Wilma. In the following I will analyze the social interaction patterns in Team U3, as well as the factors associated with the team's instability.

First, Wilma and Werner do not have a trustful work relationship. Rather, Wilma feels the strong need to control Werner's work (Wilma, second interview, l. 382-383), which is indicative of rather low cognitive trust. Considering that Werner and Wilma are neighbours and that the two every day spend leisure time in the car driving to work, they show very little, if any, signs of affective trust in the interviews. Werner further displays untrustworthy behavior, when he purchases an expensive computer from the already depleted company funds on the false premise that his old computer had broken down

further (Wilma, second interview, l. 305-310), which further undermines the already low trust levels in their relationship. Wilma also explicitly states in the second interview the level of trust in Werner "has somehow decreased" (l. 303-304).

Second, the level of team cohesion is remarkably low. Despite Wilma's great effort, Werner does not show any appreciation for her work (second interview, l. 351-352), which indicates a low interpersonal attraction between the co-founders. In addition, Werner characterizes their relationship as him being "the chauvinist" and Wilma being "the slave" (Werner, first interview, l. 163). Further, Werner does not show any commitment to the team task, exemplified by his comment to Wilma "to just do less" (Wilma, second interview, l. 353), when she is no longer able to cope with all the tasks at hand. Moreover, Wilma reports that Werner "does not take care of IT [his area of responsibility] in way that he should be doing it", which is further proof of his low commitment to the team task. Finally, in contrast to other founder teams, both Wilma and Werner do not exhibit any team spirit or pride for their venture. For instance, Werner does not list any successes of the venture when being asked (Werner, first interview, l. 15-19) and Wilma is particularly disillusioned of their service offering, when she hears that due to a measurement error they greatly overestimated their relevance in their service offering and that they in fact have virtually no internet traffic (Wilma, second interview, l. 344-358).

Third, the team has to cope with a range of relationship conflicts, despite the fact that Wilma seems to do everything to avoid personal clashes: "[t]he fiercest thing I say is: 'that was not so good'. This is the ultimate, otherwise I am always positive, always." (Wilma, first interview, l. 464-466). In particular, Wilma reports in great detail relationship conflicts induced by Werner's intolerable behavior in the office (e.g., by insisting on bringing his dogs) (Wilma, second interview, l. 93-104).

Fourth, there are also a variety of social distancing behaviors evident in Team U3. For instance, Wilma provides an example of Werner's condescending behavior: "He sees

himself as the chief. He says that he had the idea and that he is responsible for the big picture. And I do the editorial part. He thinks that this is something of less importance." *INT: Something that just has to be done?* "Yes, if I exaggerate it, the 'chicken shit'." (second interview, l. 282-283). Moreover, Wilma also shows some distancing behaviors in the second interview: "I told him [Werner] that I will not invest any more money in this venture. If he makes any investments, I will tell him that I will not support this. I do not see the substance in it" (second interview, l. 564-565).

Interestingly, the social interaction patterns observed in Team U3 are not happening in isolation. Rather, they seem to be closely linked and actually reinforce each other. For instance, Wilma reports that Werner misled her by buying a new computer from the company funds even though his old computer was still working perfectly. This in effect caused a relationship conflict between the co-founders, in which Werner accused Wilma of not showing full commitment to the team task, given that she is writing children books instead of doing work for the venture (Wilma, second interview, l. 303-330). This example illustrates a *vicious circle* of deteriorating social team interaction, in which a decrease of intrateam trust sparks relationship conflict, which then leads to a further reduction in team cohesion.

As a consequence of poor social interactions, the team's stability is severely challenged. Moreover, two additional components are an amplifier for the team's instability. First, both co-founders are not satisfied with the success of the venture and Wilma is very explicit that she will not make any more investments into the venture (second interview, l. 564-565). Second, Wilma is also strained by a family-work conflict, which she reports in the second interview: "I just want to have some leisure time again and some space to breathe. I haven't read a book in a really long time. In essence, I am overstrained. I cannot remember anything any more and it is just too much for me. So much stress. This is real stress and I do not expect this to get better any time. [...] My husband is

very upset and somehow I can understand him" (l. 482-486). Ultimately, Wilma exits the venture in March 2012.

In summary, U3 is a team with a perceived unjust equity distribution, featuring negative social interactions in the form of low team attraction (low intrateam trust and low team cohesion) and high team repulsion (medium relationship conflict in the beginning and high relationship conflict at the end of the study and high social distancing). The social interaction patterns are in respect intertwined and mutually reinforce each other, resembling a *vicious circle* of deteriorating social team interaction. Further, the negative social interactions in the team seem to trigger low team stability, manifested in Wilma's exit from the venture. Above relationships are supported by both co-founders' dissatisfaction with the success of the venture, as well as medium to high external stressors (in the form of family-work conflict).

6 Cross-case analysis and proposition building

In the previous chapter, I identified unique patterns regarding the relationship between the perceived justice of entrepreneurial equity distribution, social interactions and team stability. The main purpose was to familiarize the reader with the cases and detect patterns in the individual settings. This, however, is not sufficient to conclude whether individual patterns that emerged from one or a few cases are also relevant to other cases. To ameliorate this shortcoming, this chapter is concerned with the comparative analysis of patterns across the eight cases (see Table 3). In particular, I will focus on the perceived justice of equity distribution (Chapter 6.1), the relationship between perceived justice of equity distribution and team attraction (Chapter 6.2), the relationship between perceived justice of equity distribution and team repulsion (Chapter 6.3), the interaction between entrepreneurial team attraction and repulsion (Chapter 6.4), and the relationship between team attraction, repulsion and team stability (Chapter 6.5). Thereafter I will analyze the impact of external stressors (Chapter 6.6) and satisfaction with venture performance (Chapter 6.7) on aforementioned relationships. The objective of this chapter is to derive a set of propositions, which will provide the frame of reference for the contributions to the literature in Chapter 7.

In the following, I will first outline the perceived justice of equity distribution as a central

#	Category/Sub-cat.	Team J1	Team J2	Team J3	Team J4	Team J5	Team U1	Team U2	Team U3
13	**Equity distribution**	EQ (50:50)	EQ (50:50)	EQ (50:50)	UEQ (90:10)	EQ (50:50)	UEQ (70:30)	UEQ (55:45)	UEQ (60:40)
14,15	**Distributive justice of equity distribution**	H	H	H	H	H	L	M* L**	M-L
27,29, 34,39	**Team attraction**	H	H	H	H	M* L**	L	L	L
29	(i) Intrateam trust	H	M* H**	H	H	M-H* L**	L	L	L
27,34,39	(ii) Team cohesion	H	H	H	H	M-H* L**	L	L	L
24,33	**Team repulsion**	L	L	L	L	M-L* H**	H	H	M* H**
24	(i) Relationship confl.	L	L	L	L	M-L* H**	H	H	M* H**
33	(ii) Social distancing	L	L	L	L	M-L* H**	H	H	M* H**
66,67	**External stressors**	L	L	M-H	L	H	M-H	L	H
66	(i) Investor conflict	n/a	n/a	M-H	n/a	H	n/a	n/a	n/a
67	(ii) Family-work confl.	L	L	n/o	n/o	n/o	M-H	L	H
54	**Satisfaction with venture success**	H	H	H	H	MIXED	MIXED	H	L
38	**Team stability**	H	H	H	H	M* L**	L	M-L	L

Abbreviations:
EQ: Equal   UEQ: Unequal   (XX:XX): Dyadic share split   H: High   M-H: Medium-High   M-L: Medium-Low   L: Low
n/a: not applicable   n/o: not observed   * Beginning of study   ** End of study
MIXED: different perceptions between the two team members

Table 3: Overview of all case assessments
Source: Own illustration

variable of my model of entrepreneurial equity distribution. Thereafter I will unpack the differences in terms of social interactions and team stability between teams with a just equity distribution and teams with an unjust equity distribution.

6.1 Perceived justice of equity distribution

Perceived justice of how the venture's equity is distributed among team members emerged from my data as a key variable to explain variance in social interaction processes across entrepreneurial teams. More generally, in situations of personal relevance people tend to compare themselves with others in terms of their abilities, performance, and outputs (Festinger, 1954). These social comparison mechanisms could be at play in entrepreneurial teams, and potentially be even more pronounced than in ordinary organizations, due to the uncertainty present in entrepreneurial teams (Harper, 2008), as well

as missing inner-organizational reference points due to the absence of formal structures (Blatt, 2009). Entrepreneurs' equity ownership represents an important financial reward (Hall & Woodward, 2010), suggesting that its distribution within the team is of great personal relevance for the entrepreneur and leads to social comparison processes within the team. Team members who believe that their equity ownership in relation to their contribution to the venture is equal to the other members' ownership in relation to the others' contribution perceive the distribution as fair, i.e., distributive justice as high. In contrast, those who believe that their equity ownership in relation to their contribution to the venture is lower than the other members' ownership in relation to the others' contribution perceive the distribution as unfair, i.e., distributive justice is low (Adams, 1963; Cropanzano, Bowen, & Gilliland, 2007). Table 4 provides an overview of quotations from the case team members of this study about perceptions of distributive justice.

My data illustrate that team members of five out of the eight case teams perceived that equity was fairly distributed among them. More specifically, all teams where equity was distributed equally between the two members (J1, J2, J3, J5) perceived high levels of distributive justice. A representative example of these teams is Bastian's statement (J2): "Pretty simple: we founded our company together and each of us got half. There were no discussions or anything like that." (second interview, l. 160-161). Both members of Team J3 highlight the importance of "equal treatment" (Claus, first interview, l. 189). Remarkably, also both members of one of the teams with an unequal distribution (J4) perceived their distribution to be fair albeit it was highly unequal (90:10). In this case, perceptions of justice were based on the different input of both team members into the venture since foundation. While majority owner David founded the company in the first place, minority owner Daniel joined later and was first working as a paid employee in the venture before he became more involved. Daniel commented:

> "I offered it to him [to take 10%]. [...] I told him: 'I am willing to become a
> co-owner of the company.' And he acknowledged it and did not talk about it

Team	Level	Statements from first (I1), second (I2) and follow-up (FI) interviews
J1	H	*Anton (I2):* "We decided to found [our venture] and the process was very simple. [...] Achim had much more know-how, while I initially put in a lot of personal commitment and leveraged my personal network. Therefore, we never had a problem with splitting it 50:50. Moreover, Achim is a lot on the road [...]. And I would say he took a lot more vacation than I did. But we never had a discussion about that."
J2	H	*Bernd (I2):* "[...]we did not even discuss it [the equity distribution]. We were at the solicitor and when we filled out our form, we did not even discuss this [the equity distribution] but rather, how we would write our company name (laughs). It was 50:50. No question about it." *Bastian (I2):* "Pretty simple: we founded our company together and each of us got half. There were no discussions or anything like that. It was clear." *INT: Does that mean that it was not a decision in itself?* "No. It was clear from the beginning that Bernd and I would be awarded half."
J3	H	*Claus (I1):* "[We work] in partnership. Absolutely balanced, equally weighted. I would not say that one of us dominates. […] For me, an equal treatment is important in the founder team." *Chris (I2):* "[In the contract] we are treated absolutely equally. In the end, we have the opinion that it is better for the firm to have 'functioning' directors who pull together."
J4	H	*INT: The 90:10 share split, how did you settle on it? Daniel (I1):* "I had targeted that when I came back from the US [and joined the company in 2007]. I offered it to him [to take 10%]. […] I told him: 'I am willing to become a co-owner of the company'. And he acknowledged it and did not talk about it anymore. Now and then he said that it could be a valid option, and last year, he brought it up again and told me that he wanted me to become co-owner. And so, we have realized this. Actually, he brought it forward as his idea and David is really very, very appreciative and very, very generous."
J5	H	*Elias (I1):* "We established from the beginning that both of us earn the same and have the same equity stake. And that we do not track exactly how many hours each of us has already invested, what each of us exactly does. It should more or less be ok. From my viewpoint, I don't know what Emil's view is, it is important that everyone is totally motivated and standing behind this. And that it is not the company of one of us and the other one merely chips in, but we have to stick it out through thick and thin." *INT: So you think it was fair to split it equally?* "Yes, and I think it was good that we have an equal say and have to come to a consensus, and not just overrule the other one."
U1	L	*INT: How did you come up with your share split? Uwe (I1):* "We had our discussions, of course. At the end of the day it was upon me to accept and acknowledge Uta's accomplishment [...]. I am more the soft negotiation partner, not the tough guy who says: 'my way or the highway' [...]. My argument was also that I did not want to found a company and sacrifice so much time with almost nothing in return. At the end of the day you need motivation to do achieve something." *Uwe (I1):* "We settled on 70:30. I joined the team later and essentially it was Uta's idea. Back then, we had a discussion about the split. Uta said pretty swiftly that she would under no circumstance accept a 60:40 split, which I had envisioned. However, I deeply wanted to continue this project and therefore we agreed on 70:30." *Uwe (I1) [referring to his current view on the split]:* "At the end of the day the 'return' for me has to be evident. By now, I am sincerely questioning that [return]."
U2	M* L**	*INT: How did you come up with your share distribution? Valentin (I1):* "Vicki always argued that she brings more resources into the company. She claims to have a lot of business knowledge and contacts. She has a lot more contacts, also global ones. That would give her a competitive edge compared to a pure developer that has no idea about business. You also see that in how she wrote the business plan. This is the reason why we won business plan challenges. It is all connected and therefore I found it ok." *INT: So you evaluated who brings what to the party?* "Exactly." *Valentin (I2):* "I'd just say half, half of the shares would be appropriate. And she has the opinion that she should have an additional 5% [to the current 55%; i.e. 60% in total] and that she was so 'generous' and gave me 5 %." *INT: How do you evaluate this 'generosity'?* "I think nothing of it." *Valentin (I2):* "For me it is about the symbolic value. I co-founded the company, was part of it from the beginning and I just cannot see that I have fewer shares […] I just see 50:50 as fair. Not only as fair, but also as a way to avoid conflicts. Each of us has half and nobody has to get angry that he has less and nobody has to be happy that she has more."
U3	M-L	*INT: How did you split shares in the company?* *Wilma (I1):* "[…] It is not equal. I have a bit less. That is something, where I think, ok, I am not so happy with. But then, it was his idea, and then I have to accept it."

Table 4: Perceived justice of equity distribution

anymore. Now and then he said that it could be a valid option, and last year, he brought it up again and told me that he wanted me to become co-owner. And so, we have realized this. Actually, he brought it forward as his idea and David is really very, very appreciative and very, very generous." (first interview, l. 67-76)

Thus, Daniel appreciated David's offer to become a minority co-owner, and he also acknowledged David's seniority in the interview: "Of course, David was much more experienced [...] and I was absolutely 'wet behind the ears'." (first interview, l. 24-25).

In contrast, members of teams U1, U2, and U3 perceived the unequal equity distribution to be unjust and this view typically increased over time. For example, in the first interview, minority owner Uwe (U1) described how his negative, but accepting view on the team's equity distribution right after it was negotiated deteriorated over the course of time. First, he stated that he had tried to accept the unequal split: "We had our discussions, of course. At the end of the day it was upon me to accept and acknowledge Uta's accomplishment" (first interivew, l. 158-159). However, in the same interview he also explicitly voiced his current dissatisfaction with the distribution: "At the end of the day the 'return' for me has to be evident. By now, I am sincerely questioning that [return]" (first interivew, l. 206-207). In Team U2, minority owner Valentin initially had a moderate distributive justice perception at the beginning of the study:

> "Vicki always argued that she brings more resources into the company. [...] You also see that in how she wrote the business plan. This is the reason why we won business plan challenges. It is all connected and therefore I found it ok."
> *INT: So you evaluated who brings what to the party?*
> "Exactly." (first interview, l. 80-88)

In contrast, in the second interview, Valentin explicitly described the distribution to be unfair: "I'd just say half, half of the shares would be appropriate. And she has the opinion that she should have an additional 5% [to the current 55%; i.e., 60% in total] and that she was so 'generous' and gave me 5%." *INT: How do you evaluate this 'generosity'?*

"I think nothing of it" (second interview, l. 137-141). Thus, in my sample perceived justice of equity distribution varied across teams, but also within teams perceptions of distributive injustice tended to increase over time. The remainder of this chapter explores the impact of team members' perceived distributive justice on social interactions within and the stability of entrepreneurial teams.

6.2 Perceptions of distributive justice and entrepreneurial team attraction

From the analysis of the data, clear differences emerged between teams with a just equity distribution among its members and those with an unjust equity distribution with respect to both "social processes" and "emergent states" (Marks, Mathieu, & Zaccaro, 2001, p. 357). While **social processes** refer to *cognitive, verbal and behavioral activities (e.g., relationship conflict)*, **emergent states** represent *attitudinal, motivational, cognitive and affective states (e.g., team cohesion)* (Marks et al., 2001). Therefore, emergent states are inputs to and thus shape social processes but do not describe the process itsself (Marks et al., 2001). Specifically, the data revealed that the team members' perceived justice of equity distribution had a strong impact on *team attraction* (for a definition of the team attraction variable, please see Chapter 5.1). High *intrateam trust* and high *team cohesion* emerged as crucial indicators for team attraction in my data. In the following two sections, I will provide a brief theoretical background for the constructs *intrateam trust* and *team cohesion*, before outlining the results from the cross-case analysis.

6.2.1 Equity distribution and intrateam trust

Trust between team members facilitates general information exchange (Talaulicar, Grundei, & Werder, 2005), and complex knowledge sharing (Chowdhury, 2005b), and it also

enhances team performance (De Jong & Elfring, 2010). These effects of trust are particularly important in situations characterized by risk and uncertainty (Gulati & Sytch, 2008), such as those faced by entrepreneurial teams (Harper, 2008). In contrast, limited understanding exists what actually builds interpersonal trust in an entrepreneurial team (Blatt, 2009). In corporate settings, the antecedents of trust have often been related to the characteristics of the involved parties, particularly the trustor's general trust propensity and the trustee's trustworthiness (Colquitt, Scott, & LePine, 2007; Mayer et al., 1995). Additionally, behavioral variables have also been suggested as antecedents, such as communication by the trustee (Butler & Cantrell, 1994) and diverse leadership behaviors (Dirks & Ferrin, 2002). Research in established organizations has also shown that corporate reward structures have a strong influence on the development of trust between co-workers (Ferrin & Dirks, 2003; Tjosvold, 1985), and that perceptions of distributive justice influence the development of trust (e.g., Aryee, Budhwar, & Chen, 2002; Cohen-Charash & Spector, 2001; Colquitt, Wesson, Porter, Conlon, & Ng, 2001; Colquitt, LePine, Piccolo, Zapata, & Rich, 2012).

These findings are potentially relevant for this study given that equity distribution is the major financial reward for entrepreneurs (Hall & Woodward, 2010) and thus entrepreneurs' distributive justice perceptions are likely to be related to the equity distribution outcome. Therefore, similar to the consequences of corporate rewards and distributive justice perceptions in established organizations, perceived justice of equity distribution might also influence trust within the entrepreneurial team. Moreover, justice signals to employees how trustworthy an organization is (Whitman, Caleo, Carpenter, Horner, & Bernerth, 2012). Likewise, perceived justice of equity distribution might reflect team members' perceptions of their co-founder's trustworthiness.

Table 5 provides an overview of the trust levels within the entrepreneurial teams in my sample. From the interviews it became apparent that there were high trust levels in the

teams which perceived distributive justice to be high (J1 to J4), and that these high levels were stable or even increased over the time frame of the study. Team J5 represents an exception to this pattern and its specific situation will be discussed later.

For instance, Achim from Team J1 stated that an equal equity distribution is an important prerequisite for generating and maintaining trust in any working relationship: "To most people I cooperate and work with, I offer a 50:50 split. There are no arguments against it. [...] At the end of the day it is a partner whom you must trust 100%" (second interview, l. 224-233). Given the importance Achim placed on maintaining a trust-based relationship in the founder team, it is interesting to note that Achim explicitly stated in the first interview that he had a reciprocated and trust-based relationship with his co-founder Anton: "I have absolutely 100% trust in Anton. [...] [and] I would expect that Anton also has 100% trust in me" (first interview, l. 529-531). The high trust between Anton and Achim is also reflected by a field note taken several months after the second interview when I met the team again for a business lunch and learned that Anton and Achim had started to co-invest in local business start-ups and, further, by the fact that the two regularly go off-shore sailing together—an activity which requires a significant amount of interpersonal trust (Achim, first interview, l. 399-400). In J2, Bernd conceded that high levels of trust between him and his co-founder developed over time but were not necessarily present right when the venture was founded:

> "In the beginning it was more difficult [to split responsibilities], because we really had the feeling that we have to discuss it with the other one. However, that decreased over time. Now I hardly discuss anything with him that is not strategically important [...] For me, personally it was not easy [to split responsibilities], because I am sometimes very perfectionistic. [...] However, there is no other way and it works fantastically." (first interview, l. 226-228; l. 239-242)

In Team J3, Chris illustrated in the second interview how the co-founders mastered a difficult situation that probed their mutual trust. Chris described the reaction of Claus

Team	Level	Statements from first (I1), second (I2) and follow-up (FI) interviews
J1	H	*Achim (I1):* "I have absolutely 100% trust in Anton […] I would expect that Anton has also 100% trust in me." *Achim (I2):* "To most people I cooperate and work with, I offer a 50:50 split. There are no arguments against it. [...] At the end of the day, it is a partner whom you must trust 100%."
J2	H	*Bernd (I1):* "In the beginning it was more difficult [to split responsibilities], because we really had the feeling that we have to discuss everything with the other one. However, that decreased over time. Now I hardly discuss something with him that is not strategically important […] For me personally, it was not easy [to split responsibilities], because I am sometimes very perfectionistic […] However, there is no other way and it works fantastically." *INT: How would you describe the feedback culture at J2? Bernd (I1):* "That is something we have learned very well in consulting. We won't be stingy with feedback." *INT: How do you exactly give feedback in the founder team?* "If someone observes something he directly gives feedback. For us this is rather characteristic. If we are sitting somewhere and having a chat, even in a private setting, we give each other feedback."
J3	H	*Chris (I2):* [Upon the investor telling them that they will have to split responsibilities clearly and pay will be performance-based in each area] "Larry and I talked very openly the entire time." *INT: Did you talk in confidence?* "Yes. We then build our joint perspective and I think we were successful to avoid a wedge being jammed between us [by our investor] […] We acted in concert." *Claus (I2):* "We have been sitting in one room for 5 years and have done a lot together. A lot of the things just occur naturally. We are also very open to each other. If I give him feedback, he does not take it the wrong way."
J4	H	*Daniel (I1):* "[Our team collaboration is] Very effective, efficient, very professional. We look at each other and know what the other one thinks and know then what to do. Our collaboration works blindly. We always have the well-being of the company in the back of our head, and therefore also the well-being of the other one. There is never anything that is done without the other–100% open communication, 100% trust and also a very friendly but very professional way of interacting." *David (I1):* "[Our team collaboration is] Very good, very friendly, very partnership-like. At the beginning it was a little tense, because I was a bit too harsh to him, because there was a lot at risk for the company and maybe because I also did not have the best leadership qualities (i.e., how to best criticize someone). […] If there is anything coming up we discuss it openly and honestly. It works very well, there is little to criticize."
J5	M* L**	*Elias (I1):* "Our team collaboration ... [I would describe as] direct, honest exchange, aiming to arrive together at a consensus both from a content and an emotional perspective. [...] Our secret of success is that we know about each other's work and then control and challenge it. Our work outcomes are not independent, but are complementary." *INT: What were the events that led to Emil's exit? Elias (FI):* "[…] He was in charge of the finance function. We wanted to do a fundraising round pretty early but he postponed it […] eventually, we ran out of cash […] additionally, he was very arrogant towards our employees […]. Also, Emil lied several times to our business angel, Mr. Ecclestone." *INT: How did your collaboration change over time?* "In many ways the collaboration did not change much. What changed, however, was that we always immediately started arguing […]. Maybe there was also a bit more distrust towards the other person. I do not know, whether this was reciprocal, but from my side there was distrust [in Emil]. I challenged everything. […] Also, if all the facts he presented to me were accurate"
U1	L	*Uwe (I1):* "you [learn] how to phrase to not to hurt the other person. […] It is always a trade-off, how you say something. I mean, since we have this formal hierarchy it would be frontal criticism and would just rock the boat too much." *Uwe (FI):* "From my perspective, the most important things are trust in the team and the belief in the team. The moment this starts to go into pieces it is a very dangerous moment for the venture. […]"*INT: Did you have the feeling that Uta did not trust you anymore?* "Yes, mutually. I did not trust her anymore and she did not trust me." *INT: What was causing that?* "There were many moments in our venturing phase that were not optimal and I do not think there was one particular causal factor."
U2	L	*Vicki (I1):* "Valentin is very reserved. Sometimes I do not know what he thinks. Sometimes I come up with an idea and he looks like this [makes an expressionless face]. He takes his time for decisions that is why sometimes I perceive my communication to be a bit dictatorial. This is because I always have a lot of feedback and he is very reserved." *INT: Are there any topics, which you have not yet talked about with your co-founder? Vicki (I2):* "Yes of course, there are many things. But I just try to avoid conflicts. […] There are many things that I keep quiet about. It's like in a family–you cannot talk about everything."
U3	L	*Wilma (I2):* "I have the feeling that I have to control everything. I have to watch, if he does it, if he did it and if he also did it right." *Wilma (I2):* "I often ask him what he is currently doing and then he gets mad…He feels that he is being controlled […] *INT: How much trust do you still have in him?* "It has become less I have to admit […] He once told me that he needs a new computer and that he wants to buy it from company funds. He then bought the most expensive Apple computer, a huge thing […] so when the Apple broke one day, the old computer was suddenly back again"

Table 5: Perceived justice of equity distribution and intrateam trust

and him to a call from their VC investor, in which they were asked to split responsibilities and to accept a performance-based pay scheme which could favor one co-founder over the other:

> "Claus and I talked very openly the entire time. [...] We then built our joint perspective, and I think we were successful to avoid a wedge being jammed between us [by our investor]" (second interview, l. 92-96)

Finally in Team J4, co-founder Daniel described the team collaboration as:

> "Very effective, efficient, very professional. We look at each other and know what the other one thinks and know then what to do. Our collaboration works blindly. [...] There is never anything that is done without the other – 100% open communication, 100% trust and also a very friendly but very professional way of interacting." (first interview, l. 289-293)

Indeed, the only team with an equal equity distribution but lower levels of trust between team members was J5. The level of trust was relatively high at the beginning of the BEST study, but it declined during the six and a half month time frame. While in the first interview co-founder Elias described the collaboration in the founding team as: "[...] direct, honest exchange, aiming to arrive together at a consensus both from a content and an emotional perspective" (first interview, l. 257-258), in a follow-up interview conducted after his co-founder Emil had left, he reflected on the past six months:

> "Maybe there was also a bit more distrust towards the other person. I do not know, whether this was reciprocal, but from my side there was distrust [in Emil]. I challenged everything. [...] Also, if all the facts he presented to me were accurate." (l. 78-81)

Thus, it appears that a higher perceived justice of equity distribution facilitates the development of trust, but that this effect does not appear automatically and there might be factors that facilitate or diminish its development or persistence over time. I will discuss Team J5's special situation below.

The high levels of trust in teams J1-J4 are in contrast to the low levels of trust in teams U1, U2, and U3. For example, Vicki illustrated the low level of trust present in Team U2: "Yes, of course there are many things [I have not yet talked about with my co-founder]. [...] There are many things that I keep quiet about. [...] You cannot talk about everything" (second interview, l. 404-408). In Team U3, Wilma mentioned that she has "to control everything" and stated that her trust in co-founder Werner had even decreased because he had not been truthful in some occasions (see Table 5). Similarly, in a follow-up interview after Uwe had left team U1, he reflected that:

> "From my perspective, the most important things are trust in the team and the belief in the team. The moment this starts to go into pieces it is a very dangerous moment for the venture. [...] I did not trust her [co-founder Uta] anymore and she did not trust me." (l. 219-229)

6.2.2 Equity distribution and team cohesion

Cohesion is an extensively researched topic in group research, as it has been found to have important group and organizational level outcomes (Greer, 2012). Several studies have linked cohesion with team behaviors (Bettenhausen, 1991), satisfaction and turnover (O'Reilly, Caldwell, & Barnett, 1989), as well as performance (Beal, Cohen, Burke, & McLendon, 2003; Chiocchio & Essiembre, 2009; Mullen & Copper, 1994). At the same time, researchers have pointed out that the concept of cohesion varies in different contexts (Pescosolido & Saavedra, 2012). In entrepreneurship, it has been argued that group cohesion is of special importance due to the uncertain nature of the entrepreneurial task (Ensley et al., 2002). Zahra (2012) analyzed the impact of cohesion on organizational learning in family firms, and Ensley et al. (2002) found a relationship between TMT cohesion and venture growth. At the same time limited understanding exists regarding the antecedents of cohesion (Kozlowski & Ilgen, 2006). In Table 6, I report evidence that for the case ventures in my study, a just distribution of equity was associated with

higher cohesion among entrepreneurial team members, while an unjust distribution was associated with lower levels of cohesion.

Team J1 is an example of a highly cohesive team in my sample. Co-founder Anton mentioned high interpersonal attraction towards his partner, a clear commitment to the team task, and a strong team spirit:

> "With Achim, I have found the absolutely perfect partner, whom I would not give away for anything in this world, if I am honest. [...] My vision is that we will remain a team forever. If we start new projects, we start them together. [...] We just want to achieve everything together. That is also our vision. [...] We also agreed that in case one of us will get ill, the other one will care for him." (first interview, l. 257-292)

In Team J3 co-founder Claus described their team spirit as "fantastic" (second interview, l. 22) and their team work as "absolutely balanced, equally weighted" (first interview, l. 157) where neither "one of us dominates" (first interview, l. 157). In the first interview, his co-founder Chris described the team's positive development since they have started the company "I would say that today we work together better than ever. We are more aligned than ever with respect to our goals" (l. 122-123). Bernd from J2 also demonstrated a strong sense for the team task and high levels of interpersonal attraction, describing his co-founder as "an excellent and cooperative business partner" who "is very cooperative by nature and that's why it is very easy" (first interview, l. 375-376). The J2 co-founders developed a climate of cohesion through a daily informal happening in the coffee kitchen, entitled the "5 o-clock song", where the founders and their employees come together to listen to a song and chat informally. Bastian proudly described this ritual meeting as exemplification of "[a team of] 10 people who are standing behind this [venture] with lots of excitement" (first interview, l. 71-72). Another field observation I made during the interviews was that both Bastian and Bernd repeatedly started an answer with "my co-founder has probably already told you this" or "my co-founder will probably also tell you this", which indicated high alignment as they felt certain to agree

Team	Level	Statements from first (I1), second (I2) and follow-up (FI) interviews
J1	H	*Anton (I1)*: "With Achim, I have found the absolutely perfect partner, whom I would not give away for anything in this world, if I am honest. [...] my vision is that we will remain a team forever. If we start new projects, we start them together. [...] We just want to achieve everything together. That is also our vision. [...] We also agreed that in case one of us will get ill, the other one will care for him." *Achim (I2)*: "There is nothing I do not share because I want it to remain confidential. For instance, it happens often that one gets job offers. But we tell each other about it, also because we are certain that we do not want to leave. And I am pretty sure this holds also true for Anton [laughs]."
J2	H	*Bernd (I1)*: [Referring to the daily '5 o-clock song', during which all employees gather in the coffee kitchen at 5 pm and catch up on personal and professional matters]: "It really is not a meeting. We just go together into the editorial room, everyone grabs a coffee and listens to a song. [...] It does not have a work-related function, but only that we all see each other once a day." *Bastian (I1)*: "[...] we have [a team of] 10 people who are standing behind this [venture] with lots of excitement." *INT: How do you typically discuss important topics? Bernd (I1)*: "We usually have really short discussions [laughs]. We have a point of view, discuss the pros and cons and then decide […].You have to know that I have an excellent and cooperative business partner. He is very cooperative by nature and that's why it is very easy."
J3	H	*Claus (I2)*: "[The team spirit is] fantastic. Especially due to the new office there is sort of an upbeat mood." *Claus (I1)*: "I would not say that one of us dominates. We discuss the different topics. And by now we know each other very well. [...] It works very well. We approach topics with very different perspectives, which I consider to be very healthy." *Chris (I1)*: Our teamwork has made a huge development. I would say that today we work together better than ever. We are more aligned than ever with respect to our goals."
J4	H	*David (I2)*: "Everything that is related to execution is 100% his [Daniel's] contribution [to the success of the venture]. He and the team do a fantastic job. You have to say it is ingenious how Daniel does it. With regards to the strategic input: it all comes from my side. He is not really good at that. But, again, everything operational: I could not do it any better." *INT: When you look at David: what inspires you? Daniel (I2)*: "He is super quick. That inspires me. He is so unbelievably quick in doing his work and he makes so few mistakes. That is something I am definitely not as good as he is."
J5	H* L**	*Emil (I1)*: "We have managed to accomplish many things [together] in a really short time. We also demand of our employees that they go the extra mile, also on the weekend. […] [Elias] probably has an IQ of 170. What I can learn from him, what inspires me, is his extremely broad knowledge, his innovativeness, his skill to connect the dots, to build something new in his mind. […] He grasps things very fast. I will never be able to do something like that." *Emil (I2)*: "In the short term, the team spirit is not so great. This is simply because of the tense fundraising situation. In the medium-long term I think that one has to create a better team out of the individual people. We are still missing the situation that each team member has the innate drive to improve the situation. For example, we make a dry run and we only get blurred pictures. None of the team members sees that it looks like rubbish. When I then go to visit the customer, he [Elias] obviously tells me that it is useless. No one here understands the problem […] I am the only one driving to the clients"
U1	L	*Uwe (FI):* "She has a very strong personality with a very concrete perspective of how things should go. In my perspective this left oftentimes little room for another strong leadership personality, which we had needed, besides her. Towards other people she means that, if she did not like a small thing in a person, she more or less did not care for the other person any more. And this characteristic made it very difficult to integrate other persons in the company." *INT: These are tough statements. To me this does not sound like: 'In the future, I could imagine founding another company with Uta'...* "Yes, you are right." *Uwe (FI):* "The most important things are trust in the team and the belief in the team. The moment this starts to go into pieces it is a very dangerous moment for the venture. […] *INT: Did you have the feeling that Uta did not trust you anymore?* "Yes, mutually. I did not trust her anymore and she did not trust me." *INT: What was causing that?* "There were many moments in our venturing phase that were not optimal and I do not think there was one particular causal factor."
U2	L	*Valentin (I2):* "Her official goal is to push the company forward […] But she does not only have this company goal, there is also a personal side to it. She is sort of on an ego trip. There are these situations over and over again, for instance this magazine article [in a large German magazine], which was more or less only about her and I was only mentioned once on a side note. Then she holds more shares in our company and therefore wants to be the sole company director. We had a fight about that, too. I asked her back then why I could not also become company director and she threatened me, that if she was not the sole director, she would leave the team. Such things come up over and over again." *Vicki (I2):* "I often thought about it myself. I would, of course, allocate more percentage points towards myself, just because I put more emphasis on sales. By now I see how irrelevant the technical part is for the success of our start-up. Unfortunately. If you cannot sell it, it is only something 'nice', but not relevant for the success of the start-up. Therefore, I would allocate 75% to myself."
U3	L	*Wilma (I2):* "The downside is that I have to do everything. I often have the feeling that there simply is no appreciation [from Ian's side] for me. When I tell him that everything is getting too much for me, he answers that I should just do less. Of course you can just say it like that. But you need arguments to market your site [to successfully run the business]." *Werner (I1):* "[Feedback we give each other is] Content-based and personal feedback. Both at the same time. I am the chauvinist, and she is the slave."

Table 6: Perceived justice of equity distribution and team cohesion

with each other even with respect to difficult topics. Finally, David, majority owner of J4, also highlighted the team's high interpersonal attraction, as well as their appreciation of each other's strengths:

> "Everything that is related to execution is 100% his contribution. He and the team do a fantastic job. You have to say it is ingenious how Daniel does it. With regards to the strategic input: it all comes from my side. He is not really good at that. But, again, everything operational: I could not do it any better." (second interview, l. 163-165)

Again, J5 was an exception among teams with a just distribution of equity. At the beginning of my study, co-founder Emil still indicated high levels of cohesion:

> "We have managed to accomplish many things [together] in a really short time. [My co-founder] probably has an IQ of 170. What I can learn from him [...] He grasps things very fast. I will never be able to do something like that." (first interview, l. 409-412; l. 502-511)

However, this changed entirely by the end of my study when he reported:

> "In the short term, the team spirit is not so great. This is simply because of the tense fundraising situation. In the medium-long term I think that one has to create a better team out of the individual people. We are still missing the situation that each team member has the innate drive to improve the situation. [...] When I then go to visit the customer, he obviously tells me that it is useless. [...] I am the only one driving to the clients." (second interview, l. 12-27)

The example of J5 indicates that even though high distributive justice perceptions are generally associated with higher cohesion, some entrepreneurial teams cannot maintain interpersonal attraction and commitment over time (despite perceptions of high distributive justice). Again, this difference can be explained by team J5's specific situation which I will detail below.

For the teams low in perceived distributive justice, my data revealed a different pattern—team cohesion was low already at the beginning of the study and further deterio-

rated over time. For instance, Wilma from U3 highlighted the low interpersonal attraction she perceived from her co-founder and his low commitment to the team task with the consequence that she has "to do everything" and there is "simply is no appreciation [from his side] for me." (second interview, l. 351-352). Similarly, in Team U2 the situation was characterized by low cohesion as illustrated by Valentin's view on his co-founder Vicki as being on "sort of on an ego trip. [...] she threatened me, that if she was not the sole company director, she would leave the team. Such things come up over and over again" (second interview, l. 114-123). Valentin's perceptions are consistent with a six-page long article about the venture in a large national magazine which mentioned Valentin only once in a side note while it featured Vicki heavily as "the lead entrepreneur", who stated in this article: "This is my firm, only I am capable of doing it." Thus, not only in her interactions with Valentin, but also for the public, Vicki wanted to present herself as the (only) key person of the venture, indicating little commitment to and low attraction within the team.

Finally, low interpersonal attraction was also present between Uwe and his co-founder Uta in Team U1, while the level of attraction further deteriorated over the course of the study. In the first interview, Uwe made critical statements about his co-founder, yet they still contained some positive aspects: "It helps me to have a sparring partner [...] I mean, she listens attentively. And now and then she also gives some input that sometimes is meaningful and sometimes not" (l. 112-116). In contrast, in the follow-up interview after Uwe's exit, he harshly described Uta as a "very strong personality with a very concrete perspective of how things should go" and which "left oftentimes little room for another strong leadership personality [...] besides her," and in addition that "towards other people she was not very sympathetic", which "made it very difficult to integrate other persons in the company" (l. 237-334).

Interestingly, for most high distributive justice teams intrateam trust and cohesion ap-

peared to be intertwined and mutually reinforced each other to build strong team attraction. For example, for Elias (J5) high justice was closely connected to both high trust and high team cohesion (see Table 4):

> "We established from the beginning that both of us earn the same and have the same equity stake. And that we do not track exactly how many hours each of us has already invested, what each of us exactly does. It should more or less be ok. From my viewpoint [...] it is important that everyone is totally motivated and standing behind this. And that it is not the company of one of us and the other one merely chips in, but we have to stick it out through thick and thin." (first interview, l. 94-100)

Mutual reinforcement of developing trust and cohesion over time was particularly obvious in Team J2 whose co-founder Bernd commented:

> "In the beginning it was more difficult [to split responsibilities], because we really had the feeling that we have to discuss everything with the other one. However, that decreased over time. Now I hardly discuss anything with him that is not strategically important [...] For me, personally it was not easy [to split responsibilities], because I am sometimes very perfectionistic. [...] However, there is no other way and it works fantastically." (first interview, l. 226-228; l. 239-242)

Even if it was difficult for Bernd at the beginning to split responsibilities with his partner Bastian, the team spent a lot of time together, developed common routines and high levels of attachment resulting in high trust between the partners. In contrast, in Team J5, I observed a mutual erosion of trust and cohesion—lower levels of trust reduced team cohesion which, in turn, reduced the trust the team members had in each other (more details in the subsequent sections).

In sum, the impression emerged from the data that within teams perceiving high justice of equity distribution attraction was, on average, higher than within teams perceiving low justice of equity distribution and that the individual elements, intrateam trust and team cohesion, were mutually reinfocing each other. My data and the argumentation above suggest the following:

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Proposition 1: In entrepreneurial teams, high perceived justice of equity distribution triggers team attraction. Specifically, high perceived justice triggers the development of a mutually reinforcing relationship of intrateam trust and team cohesion.

6.3 Perceptions of distributive justice and entrepreneurial team repulsion

Consistent with a lack of team attraction, for teams with low perceived justice of equity distribution I observed substantial *team repulsion* in team members' descriptions of their team, their partner, and their interaction (for a definition of the team repulsion variable, please see Chapter 5.1). In my data, team repulsion was evident by the team members' descriptions of *relationship conflict* and *social distancing* behaviors within the team. In the following, I will provide a brief theoretical background for the constructs *relationship conflict* and *social distancing*, before outlining the results from the cross-case analysis.

6.3.1 Equity distribution and relationship conflict

Research has shown that conflict is a multi-faceted construct (Jehn et al., 2008). Typically it is distinguished between task and relationship conflict (Amason & Schweiger, 1994; Amason, 1996; Jehn, 1995). While in research task conflict has frequently been found to be beneficial, since it facilitates innovativeness and improves decision quality (De Dreu, 2006; Eisenhardt & Schoonhoven, 1990), relationship conflict has, with some exceptions (e.g., Breugst, Patzelt, Shepherd, & Aguinis, 2012), predominantly been associated with less effective group functioning (Amason, 1996). In particular, relationship conflict is known to diminish team satisfaction (De Dreu & Weingart, 2003), and decision quality (Amason, 1996), and to increase team members' turnover intentions (Bayazit & Mannix, 2003).

Entrepreneurship research has recently made advances on conflicts between investors and entrepreneurs (Collewaert & Fassin, 2013; Higashide & Birley, 2002), and conflict within venture boards (Forbes et al., 2010). Moreover, Ensley and Pearce (2001) found that relationship conflict in new venture teams is negatively related to cohesion. From research in established organizations I can deduce that relationship conflict in corporate settings often emerges from perceptions of inequity (e.g., Kabanoff, 1991; Ren & Gray, 2009; Wall & Nolan, 1986). Thus, it appears that the distribution of equity among entrepreneurial team members might also trigger the development of relationship conflict. Table 7 provides evidence that for teams with low justice perceptions relationship conflict was high, whereas for teams that perceived justice to be high, relationship conflict was low.

Teams J1, J2, J3, and J4 experienced particularly low levels of relationship conflict. For example, co-founder Achim of J1 stated that: "in the two years [we have worked together], we have never had a major disagreement" (first interview, l. 182-183), and his co-founder Anton confirmed: "I honestly have to tell you that we never had a major issue within the team." (first interview, l. 349-350). When asked about the occurence of emotional conflict, J2 co-founder Bastian stated that: "No, luckily not. [...] If this does not work it will be hard to survive as a start-up" (second interview, l. 198-199), and his co-founder Bernd emphasized that their relationship is linked to low conflict levels and friendship (see Table 7). In Team J3, co-founder Claus described a situation where the team disagreed on their financing strategy as the largest conflict during the past half a year, which indicated overall harmonious team collaboration:

> "We surely faced challenges regarding the status of our financing negotiation [...] Otherwise I would not say that we had larger problems or anything similar in the team. [...] [Even in this case] we did not have entirely different perspectives. There was maybe the one or the other negotiation tactic proposed but in the end we have reached jointly the goal. I would not call it as something bad." (second interview, l. 82-89)

Team	Level	Statements from first (I1), second (I2) and follow-up (FI) interviews
J1	L	*Achim (I1):* "In the two years [we have worked together], we have never had a major disagreement" *Anton (I1):* "I honestly have to tell you that we never had a major issue in the team, that is between Achim and myself"
J2	L	*Bernd (I1):* "We have also become very good friends. […] I think with a person, whom you don't know or hardly know the barrier to say something right in his face is a lot higher. Maybe he takes it the wrong way and then you got a conflict. And if you are befriended and better able to judge the other person it is easier, because you know that he takes it the right way. And if things go wrong you can talk about it and the problem is solved" *INT: Does that mean you never had a larger conflict, one that got more emotional? Bastian (I2):* "No, luckily not. I mean this is the least you have to get right. If this does not work it will be hard to survive as a start-up"
J3	L	*INT: What was the most significant team conflict in the past months? Claus (I2):* "[...] We surely faced challenges regarding the status of our financing negotiation […] Otherwise I would not say that we had larger problems or anything similar in the team." *INT: Were you totally aligned on how you would proceed with your financing round or did you have different perspectives?* "No, we did not have entirely different perspectives. There was maybe the one or the other negotiation tactic proposed but in the end we have reached jointly the goal. I would not call it as something bad."
J4	L	*Daniel (I2):* "No, we never had any [conflicts] between the two of us." *David (I1):* "[Our team collaboration is] Very good, very friendly, very partnership-like. At the beginning it was a little tense, because I was a bit too harsh to him, because there was a lot at risk for the company and maybe because I also did not have the best leadership qualities (i.e., how to best criticize someone). […] *INT: How did these conflict play out?* "I blamed him [Daniel] for doing something this way or the other way. Or sometimes I did not say anything and then eventually I made a dumb remark. That led to a bad atmosphere." *INT: Did that change over time?* "Yes, it got better and better. I also worked on my own style. I realized by myself that it was not ok, but I could not influence it in that very moment. It just crept over me."
J5	M* H**	*Emil (I1):* "Our collaboration is consensus oriented. That means that only rarely someone decides something without the other person knowing. If that happens, then it is conflict oriented. That means that we really argue emotionally. That happens sometimes. It is not that we avoid conflicts. Sometimes it is emotionally laden, but never personal in the sense that someone calls the other one an idiot. That has never happened." *Elias (I2):* "In the past few months we had many small conflicts. One time, Emil exploded because I was 'too late' at my desk. He personally defined what 'too late' meant. I mean, he leaves really early in the evening while I sometimes sit in the office until late at night. […] [In such situations] I defend myself. I tell him that I am here more often. I also told him that he oftentimes left early to look at apartments or wait for his new kitchen to be installed. He then replied that people usually get vacation when they move. […] [These situations] do not really resolve."
U1	H	*INT: How would you describe the collaboration in your team? Uta (I1):* "I am a critical person. I criticize [Uwe] openly, even though it may haunt the person for a while. It neither helps me nor the other person, if I don't do that." *Uwe (FI):* "In mid-2011 we had a conflict, actually we had a larger conflict and directly afterwards we had a small break of one, two weeks, because I was on vacation. Thereafter it was better, but our level of trust was severely shattered after this conflict and starting in mid-September, October the relationship was tense. That means a trustful work [relationship] was not possible." *INT: What was the conflict about?* "The conflict was about a project, the installation of our product. We had some delays, which led to accusations between the two of us. It would have worked out if it had not eventually gotten personal."
U2	M-H* H**	*Vicki (I1):* "We fight less than once per week. *INT: So you fight every other week?* "Yes. […] it is usually about that one thought one could depend on the other. Usually I fight more than him. This is also more due to my nature. Because I thought I could depend on him and then things came differently. Because of communication issues and misunderstandings we have fights." *INT: Can you describe me the decision-making process of how you decided to stay with the initial 55:45 split? Vicki (I2):* "Yes, I mean we did not make a decision, because nothing changed. We had a short fight. Ok, it was not really short. It actually went on for a relatively long time and we wasted our entire resources [on it]. We fought about it for some weeks and then we put it to the side."
U3	M* H**	*Wilma (I1):* "The fiercest thing I say is: 'that was not so good'. This is the ultimate, otherwise I am always positive, always." *Wilma (I2):* "Moreover, Ian has two dogs he always brings into the office. The absurd thing is that the dogs don't like each other and so we have some distraction." *INT: He brings the dogs?* "Yes. [...] We once came back from lunch and the dogs 'changed' our office, I don't want to say 'destroyed'. But it definitely looked different. [...] Also one of the dogs has flatulence. This adds to the intoxicated atmosphere [in the office]. I thought that I will die from gasification. That is eventually a real strain. [...] He always tells me, that I do not like his dogs and that I should not talk to the dogs in such a disrespectful manner. He also asks me why I dislike his dogs." *Wilma (I2):* "[We pitched some new products] But we got a few turndowns. I then thought we may offer a smaller quantity. But then he was already grumpy, because it is way too small and I'd always be panicky. […] I often ask him what he does and then he gets grumpy"

Table 7: Perceived justice of equity distribution and relationship conflict

Consistently, the members of Team J4 also reported rather low relationship conflict. While co-founder David acknowledged some conflict in the initial months of their collaboration, he largely attributed it to his own communication style which he had improved since:

> "[Referring to these conflicts] I blamed him for doing something this way or the other way. Or sometimes I did not say anything and then eventually I made a dumb remark. That led to a bad atmosphere. [...] it got better and better. I also worked on my own style. I realized by myself that it was not ok, but I could not influence in that very moment." (first interview, l. 320-326)

His partner Daniel confirmed in the second interview: "No, we never had any [conflicts] between the two of us." (l. 114-116).

Similar to the earlier described patterns of team attraction, the only team with high distributive justice which stood out was J5. In this case, relationship conflict was not very high at the beginning, but it developed within the team over the time frame of my study. While in the initial interview Emil described their collaboration as "consensus oriented," (l. 359) but indicated that "[i]t is not that we avoid conflicts. Sometimes it is emotionally laden," (l. 363-364) in the second interview, briefly before the team finally split up, his co-founder Elias recited in great detail and annoyance a number of substantial relationship conflicts that took place recently (see Table 7).

In contrast, members of low distributive justice teams described intense and substantial relationship conflicts. Whereas some team members explicitly connected conflicts with the unjust equity distribution, interestingly, it appeared that conflicts about the equity distribution had a ripple effect and over time extended to other topics with respect to the venture and the team. For example, when asked how they decided about their actual equity distribution, Vicki (U2) admitted that the issue was an unresolved conflict within their team:

> "We had a short fight [about the equity distribution]. Ok, it was not really short. It actually went on for a relatively long time and we wasted our entire resources [on it]. We fought about it for some weeks and then we put it to the side." (second interview, l. 43-46)

Additionally, Vicki and her co-founder Valentin described a variety of interpersonal conflicts. Vicki stated in the first interview that they "fight less than once per week" (l. 535-536); however, she also admitted that this meant that they had a conflict every other week. Moreover, conflicts were aggravated by the aforementioned magazine article which featured Vicki extensively and mentioned Valentin only once on a side note. Evidently, conflicts became more general and involved hurt feelings. Whereas Valentin complained about the article being unfair and confirming his view of Vicki's "ego trip" (second interview, l. 117), Vicki highlighted the fact that it was a personal portrait about her as a female entrepreneur and that Valentin should have been satisfied about the side note mentioning him (second interview, l. 328-340). Even at the end of the study, these issues had not been resolved in the team and developed into a smoldering conflict. For example, Vicki complained that when another magazine asked for a venture portrayal, Valentin sent her an e-mail and asked "to make sure that the public will realize that he [Valentin] is also involved in the firm." (second interview, l. 356-357).

In Team U1, Uwe recalled a specific and substantial relationship conflict in the follow-up interview after his exit:

> "In mid 2011 we had a conflict, actually we had a larger conflict and directly afterwards we had a small break of one, two weeks, because I was on vacation. [...] In mid September, October, the relationship was tense. [...] which led to accusations between the two of us." (l. 3-16)

Finally, in Team U3, relationship conflict was present but somewhat subdued, in large parts due to the harmony seeking nature of co-founder Wilma who emphasized that "[t]he fiercest thing I say is: 'that was not so good'. This is the ultimate, otherwise I am always positive, always." (first interview, l. 468-473). Nevertheless, Wilma described

episodes of destructive relationship conflict (see Table 7). In general, a clear difference with respect to the experience of relationship conflict between teams high and low in distributive justice emerged from the data.

6.3.2 Equity distribution and social distancing

Another variable that emerged from the data as an important indicator of team repulsion was the occurrence of social distancing behaviors including aloofness, condescension, and withdrawal (Siegel & Hambrick, 2005). Research has found that perceptions of low justice in organizations trigger employees' reduced interest and effort in their work, withdrawal from work, and turnover intentions (Cole, Bernerth, Walter, & Holt, 2010; Hausknecht, Sturman, & Roberson, 2011; Si & Li, 2012). Further, individuals who earn less than their colleagues tend to show decreased collaboration, lower satisfaction, and higher turnover intentions (Pfeffer & Langton, 1993), while "those who receive more may respond with condescension, aloofness, and social distancing from their seemingly less worthy counterparts" (Siegel & Hambrick, 2005, p. 263). Table 8 provides evidence that the team members with low perceived justice of equity distribution showed some aloofness (i.e., they appeared cold and detached when speaking about their co-founders), and tended to withdraw from team interactions and the venture. These reactions were particularly strong when majority owners made condescending statements about their co-founders.

For instance, when reflecting on the time frame of the study in the second interview, U1 majority-owner Uta described that an increasing social distance between her and co-founder Uwe had developed: "My feeling is that I lost the connection to Uwe through the physical distance [they split rooms]" (l. 176-177), which in hindsight she regretted and stated that she "should have been demanding to go for a beer at least once per week." (l. 391). On the other hand, however, she also had a "personal conviction that

Team	Form	Statements from first (I1), second (I2) and follow-up (FI) interviews
J1		<No evidence>
J2		<No evidence>
J3		<No evidence>
J4		<No evidence>
J5	Aloofness & withdrawal	*Emil (FI):* "I don't exactly know when it started, but I think it was approximately the past half year when things got worse. I just did not like the company and the environment anymore." *Emil (FI):* "I did not trust him [Elias] anymore to be able to develop the technology in a way that we could start selling." *Emil (FI):* "[...] the [team] constellation got worse. [...] First everything was fine. But after we did not have any success, it was about who is responsible. The question was: Who is guilty? And more or less, they [Elias & the business angel] passed the blame on me [...] At the end of the day I also started to get my doubts, whether it is the right business model, the right team" *Elias (FI):* "He started to involve me less and less in certain decisions. I had the feeling that we came to an agreement with respect to a certain topic and then he turned out to act in a completely different way." *Elias (FI)* [accusing Emil of lying to him and their business angel]: "[Emil] said that there was no appointment on a specific day, even if there was an appointment. [He] said that he had sent an e-mail before an event even if he had sent it out afterwards and even if that had just happened a couple of days ago."
U1	Aloofness & withdrawal	*INT: What do you find inspiring in Uwe? Uta (I1):* "OK... [Pause]. Could you pose this question more concretely?" *INT: What are characteristics that you value highly and potentially try to emulate?* "I think his calmness. He is calmer than I am." *Uta (I2):* "I have the personal conviction that one should not ask his business partner about his private matters. [...] My feeling is that I lost the connection to Andrew through the physical distance [they split rooms] [...] What I would have done differently: I should have been demanding to go for a beer at least once per week." *Uwe (FI):* "The process was basically like this: I have suggested the possibility that I might want to quit. I did not approach her and said 'I quit.' In this moment, Uta was tremendously hurt and then reacted in an offending and really nasty way."
U2	Condescension & aloofness	*Vicki (I1):* "Valentin played the project manager role in his last company. He aims at having a leading role in our company. [...] Currently I still find some dissatisfaction in him. It is, for example, very important to take part in a project management training. Also that he gets the feeling to get ahead. His role has developed in the sense that I showed him oftentimes, that he can have what he wants. If he continues to learn a bit more and does something about it. [...] I think he would have preferred if we both were company directors. But he accepted it this way, too [that Vicki is the sole company director] I think he knows, deep in himself he knows that he is not ready for it yet" *Vicki (I2):* "I think Valentin has a minority complex. But I don't know why. I mean he is good in what he does. We are founders. There are many things we can be proud of. I just think that it is not my fault, but that it is something personal." *INT: So you think that it is not your fault? Does that mean he exhibits this complex in different settings, too?* "No. I mean, I am very tolerant and cautious. I don't think that it is my fault." *INT: If you would have to allocate your individual contributions to the success of the startup on a scale from 0 to 100 percent – what would you say? Vicki (I2):* "I often thought about it myself. I would, of course, allocate more percentage points towards myself, just because I put more emphasis on sales. By now I see how irrelevant the technical part is for the success of our start-up. Unfortunately. If you cannot sell it, it is only something 'nice', but not relevant for the success of the start-up. Therefore, I would allocate 75% to myself." *Valentin (I2):* "I have often been at a point, where I thought, should I gun down [our venture] or should I go into stealth mode and just stop working. Then she [the co-founder] could do what she likes [and we would not have conflicts about it anymore]. [...] I was close to making this come reality."
U3	Condescension & withdrawal	*Wilma (I2):* "He sees himself as the chief. He says that he had the idea and that he is responsible for the big picture. And I do the editorial part. He thinks that this is something of less importance." *INT: Something that just has to be done?* "Yes, if I exaggerate it, the 'chicken shit'." *Wilma (I2):* "I told him [Werner] that I do not invest money anymore. If he makes any investments, I will tell him that I will not support this."

Table 8: Perceived justice of equity distribution and social distancing

one should not ask one's business partner about private matters." (l. 199-200). In Team U2, majority owner Vicky complained about her co-founder's withdrawal behavior and lack of enthusiasm already in the first interview (see Table 8). Moreover, in particular in the second interview Vicky provided a variety of examples of her condescending stance towards Valentin and claimed that he suffered from an "inferiority complex" (l. 148). Upon the question how she would allocate the respective contributions of the two co-founders in terms of company shares, she showed little acknowledgement and respect for Valentin's work:

> "I would, of course, allocate more percentage points towards myself, just because I put more emphasis on sales. By now I see how irrelevant the technical part is for the success of our start-up. Unfortunately. If you cannot sell it, it is only something 'nice', but not relevant for the success of the start-up. Therefore, I would allocate 75% to myself." (second interview, l. 283-290)

Social distancing behaviors were also obvious in Team U3, as indicated, for example, by minority owner Wilma's feeling to be treated in a condescending way by co-founder Werner:

> "He sees himself as the chief. He says that he had the idea and that he is responsible for the big picture. And I do the editorial part. He thinks that this is something of less importance."
> *INT: Something that just has to be done?*
> "Yes, if I exaggerate it, the 'chicken shit'." (Wilma, second interview, l. 282-283)

In contrast, in interviews with members of high distributive justice teams I did not find similar condescending statements. However, in a follow-up interview after he had left the team, co-founder Emil of Team J5 detailed how his aloofness to the venture developed: "I don't exactly know when it started, but I think it was approximately the past half year when things got worse. I just did not like the company and the environment anymore" (follow-up interview, l. 45-47). Again, this statement indicated that Team J5 is an

exception to the overall pattern identified in my data.

The variables indicating team repulsion showed a similar interdependence as those indicating attraction. In particular, in teams with low distributive justice perceptions, relationship conflict and social distancing behavior occurred concurrently and appeared to intensify each other. For example, Team U2 had relationship conflicts because minority owner Valentin felt treated in a condescending way and because Vicki had difficulties to accept his withdrawal behavior. This combination appeared to be particularly destructive because teams had less social interactions due to social distancing, and the few interactions they had were "contaminated" by relationship conflict. Similarly, minority owner Uwe who left Team U1 during the period of the study described how his withdrawal behavior and intention to quit the venture resulted in serious conflicts with his co-founder:

> "The process was basically like this: I have suggested the possibility that I might want to quit. I did not approach her and said 'I quit'. In this moment, Uta was tremendously hurt and then reacted in an offending and really nasty way." (follow-up interview, l. 37-40)

Thus, the overall impression emerging from the interview data is that there is a difference in team repulsion between teams with higher perceived justice of equity distribution and teams with lower perceived justice of equity distribution, and that J5 is a special case in my sample. My data and the argumentation above suggest the following:

> *Proposition 2: In entrepreneurial teams, low perceived justice of equity distribution triggers team repulsion. Specifically, low perceived justice triggers the development of a mutually reinforcing relationship between relationship conflict and social distancing behavior.*

6.4 Interaction between entrepreneurial team attraction and repulsion

The pattern emerged from my data that high perceived justice of equity distribution increased team attraction and prevented repulsion while low perceived justice triggered repulsion and diminished attraction. Indeed, I identified a mutual and negative relationship between attraction and repulsion in the data. That is, lower team attraction entailed higher repulsion, which further reduced attraction, and vice versa. For example, in the interview after his exit, Uwe (U1) described the reduction in intrateam trust after a larger conflict: "our level of trust was severely shattered after this conflict and [...] the relationship was tense. That means a trustful work [relationship] was not possible." (follow-up interview, l. 10-12). Likewise, Vicki (U2) explicitly connected lower levels of trust and the smoldering conflicts with her co-founder Valentin. She explained that she could not talk with him about many topics, leading her to withdraw from the team task: "I just try to avoid conflicts. [...] There are many things that I keep quiet about. It's like in a family – you cannot talk about everything." (second interview, l. 404-408). Furthermore, she showed disappointment and criticized Valentin's incorrect work which indicated low team cohesion and led to even more conflicts: "Usually I fight more than him. [...] Because I thought I could depend on him and then things came differently" (first interview, l. 542-546).

Moreover, Team J5 – despite high perceived justice of equity distribution – experienced a substantial decrease of attraction and a connected increase of repulsion. Over the time frame of the study, both team members described a decline in trust and cohesion which led to an increase in conflicts and social distancing, which further diminished trust and cohesion. For example, in an interview after Emil's exit, Elias described that over the last six months he had developed "distrust" (follow-up interview, l. 79) and finally "challenged everything" (l. 80) Emil did, leading him to condescending behavior and accusing his

co-founder of lying: "[Emil] said that there was no appointment on a specific day, even if there was an appointment. [He] said that he had sent an e-mail before an event even if he had sent it out afterwards" (l. 67-69). At the same time, he complained about Emil's social distancing: "He started to involve me less and less in certain decisions" (l. 56-57). As a result of Emil's behavior, Elias' trust further eroded. Simultaneously, Emil reported that during the time frame of the study he started "not [to] trust him [Elias] anymore to be able to develop the technology in a way that we could start selling" (l. 84-85), and he described a variety of resulting conflicts and enhanced aloofness to the venture: "I just did not like the company [...] anymore" (l. 46-47). Overall, my data revealed that an increase in team repulsion led to lower levels of attraction which, in turn, further enhanced repulsion. The data and the argumentation above suggest the following:

> *Proposition 3: In entrepreneurial teams, low perceived justice of equity distribution triggers the development of a mutually reinforcing relationship between low attraction and high repulsion.*

6.5 Attraction, repulsion, and team stability

As outlined in Chapter 2.3 of this thesis, the composition of the start-up team may have performance implications (Beckman et al., 2007; He, 2008; Nelson, 2003), and is thus of particular relevance. At the same time, no common agreement exists among entrepreneurship scholars, whether a stable team composition (i.e., no pre-mature[25] exits from founder team members) (e.g., He, 2008) or an instable team composition (i.e., pre-mature exits from founder team members) (e.g., Beckman et al., 2007) is more advantageous for venture performance outcomes.

Another stream of research has focused on the drivers of entrepreneurial team mem-

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[25] *Pre-mature* here means before the collective team's exit in form of a trade sale, IPO, or venture closure (see also De Clercq, Fried, Lehtonen, & Sapienza, 2006)

ber exit (i.e., team instability). For instance, in-team differences with respect to prior entrepreneurial experience (Ucbasaran et al., 2003) as well as affective team conflict (Vanaelst et al., 2006) have been suggested as antecedents of team member exit. With regards to the latter, it appears that teams' social interaction processes in the form of team attraction and team repulsion might also trigger or inhibit *entrepreneurial team stability* (for a definition of the entrepreneurial team stability variable, please see Chapter 5.1). I will outline the results from my cross-case analysis in the following.

My data showed that the erosive interplay of low attraction and high repulsion is difficult to stop. Even if the study was conducted over the time frame of six and a half months only, three of the four teams showing this negative pattern split up (U1, U3, J5), and one co-founder of the other team was seriously considering to leave (U2). In fact, Team U2 disintegrated 17 months after the second interview in April 2013. In all these cases, the co-founders who exited the team attributed this decision to a substantial extent to problems within the team.

For example, in a follow-up interview after his exit, Uwe of U1 stated: "[...] in the team a lot of things went wrong [...] [My decision to quit was based on the fact] that for about 50% I had lost faith in the project and for 50% I had lost faith in the team." (l. 51-52). He detailed that his first suggestions to quit the venture resulted in severe relationship conflicts with his co-founder Uta who "reacted in an offending and really nasty way" (l. 37-40). He further specified that "in the end this reaction caused it [quitting the venture]" (l. 40-41). Moreover, Uwe showed substantial social distancing. He described a three-month long "exit process" (l. 43-44) which escalated in the final exit decision followed by a complete breakdown of communication and social isolation. When we as the research team tried to contact Uwe immediately after his exit for a follow-up interview, we realized that he had isolated himself from his former social life, deleted all his accounts in social networks, changed his phone number and e-mail address, and had

gone abroad (to a different continent) for a substantial amount of time. Only six months later we were able to conduct the follow-up interview, where he explained his behavior by the deteriorating team interaction at the time the team split up. He did not want to hear about any news from his co-founder Uta and the venture, and he was sure that Uta would "no longer want to talk with [him] to avoid negative emotions running high" (l. 149).

In Team U3, minority owner Wilma left the venture two weeks after the second interview. In that interview, she stated that future joint collaboration with her co-founder is "not very likely" (l. 434). She complained about her co-founder Werner's lack of responsibility and commitment: "Now, Werner is on holidays again at a 'dead spot.' He does that several times per years. So, I am again completely on my own" (l. 535-536), which also indicated that the cohesion in the team had considerably weakened and that her co-founder showed withdrawal behavior. Indeed, Wilma appeared to have already distanced herself from the venture at the time of our interview. For example, she stated "I told him [Werner] that I do not invest money anymore. If he makes any investments, I will tell him that I will not support this" (l. 564-565).

Describing reasons for his exit from J5, Emil also mentioned a decrease in intrateam trust and cohesion, and he detailed:

> "I don't exactly know when it started, but I think it was approximately the past half year when things got worse. I just did not like the company and the environment any more. This had two reasons. One was that the [team] constellation got worse. [...] First everything was fine, but then, when venture success stayed away, the question was: who is guilty? And more or less, they [the other co-founder and the business angel] passed on the blame to me [...] At the end of the day I also started to get my doubts, whether it is the right business model, the right team, whether we missed something in the beginning why this could not work." (follow-up interview, l. 45-57)

Obviously, Emil felt accused by his co-founder indicating that he perceived this behavior

as condescending. In turn, he experienced less trust and cohesion with respect to his team which triggered his withdrawal from the team.

Finally, in the second interview Valentin (U2) commented on his severe intentions to withdraw from the team and leave:

> "I have often been at a point, where I thought, should I gun down [our venture] or should I go into stealth mode and just stop working. Then she [the co-founder] could do what she likes [and we would not have conflicts about it anymore]. [...] I was close to making this come reality." (l. 181-184)

In contrast to these cases, all of the teams with high team attraction as well as few indications of repulsion continued working together. I did not find any evidence in my data that members of these teams had intentions to exit. In contrast, the team members highlighted their close ties to the team and their commitment to the venture. For example, Achim, one co-founder of J1, stated in the second interview that they frequently got job offers from other firms, but that they were open about this "because we are certain that we do not want to leave" (l. 377-378). Based on the above, I propose:

> *Proposition 4: In entrepreneurial teams, high perceived justice of equity distribution triggers team stability through the development of a mutually reinforcing relationship between high team attraction and low repulsion.*

6.6 Impact of external stressors

In recent years, stress in the workplace has become an increasingly important phenomenon (Wallace, Arnold, Edwards, Frazier, & Finch, 2009). The sources of stress are commonly referred to as *stressors* (Beehr & Newman, 1978). Work-related stressors can be disaggregated into two categories: *challenge stressors*, comprised of stimuli such as high workload and time pressure, and *hindrance stressors*, encompassing stimuli

such as organizational politics and role ambiguity (Cavanaugh et al., 2000). While challenge stressors have been found to have positive effects on job satisfaction, commitment, and turnover intentions (N. P. Podsakoff, LePine, & LePine, 2007), hindrance stressors have been found to be detrimental for workers and organizations (Cavanaugh et al., 2000; Wallace et al., 2009). Entrepreneurs are exposed to multiple hindrance stressors (Pollack, Vanepps, & Hayes, 2012; Uy, Foo, & Song, 2013), both from internal (e.g., conflicting work roles, high work load) and external sources (e.g., family-work conflict, economic stress) (Ensley, Pearson, & Pearce, 2003; Pollack et al., 2012). In comparison to ordinary internal work stressors, external stressors are arguably even more deleterious in nature, since they are largely beyond the entrepreneur's control (Pollack et al., 2012). Two external hindrance stressors emerged from my data to impact teams' social interaction patterns: *family-work conflict* and *investor conflict* (for a definition of the family-work conflict and investor conflict variables, please see Chapter 5.1). I will outline the effects below.

First, with regards to investor conflict, even if perceptions of justice were high in Team J5, the team experienced a decrease in attraction and an increase in repulsion over the course of the study. The team members described a variety of relationship conflicts and one founder (Emil) showed social distancing behavior in the second interview which finally resulted in his exit soon after the study. A closer look at this team revealed that it was repeatedly confronted with an important external stressor triggering deteriorative processes within the team and inhibiting the positive and protective effects of high perceived justice of equity distribution. Specifically, J5 was confronted with the substantial pressure of a business angel who actively participated in internal processes in the venture and its founding team. Co-founder Elias reported about the difficulties of this collaboration:

> "I always find it difficult to bring a third person on board, what you can see if you look at our business angel [...] Each new person that has a leading role

changes the entire dynamics [in the team]. [...] It is already difficult enough to march into the same direction if you are two people." (second interview, l. 120-127)

In particular, co-founder Emil repeatedly described a lack of trust and cohesion between him and Elias, which he attributed to the business angel: "First everything was fine. But after we did not have any success [...] The question was: Who is guilty? And more or less, they [Elias and the business angel, Mr. Ecclestone] passed the blame to me." (follow-up interview, l. 50-53). As a consequence, Emil reported his doubts about the firm and his aloofness to the venture: "I don't exactly know when it started, but I think it was approximately the past half year when things got worse. I just did not like the company and the environment anymore." (follow-up interview, l. 45-47) Emil's view was complemented by Elias' complaint in the interview after Emil's exit how team attraction, in particular in terms of intrateam trust (see Table 8), declined. Moreover, he described Emil's social distancing in the following way: "He started to involve me less and less in certain decisions. I had the feeling that we came to an agreement with respect to a certain topic and then he turned out to act in a completely different way." (follow-up interview, l. 56-58). From these statements, it became obvious that the business angel's pressure on the venture team decreased trust and cohesion between the team members which also resulted in relationship conflicts and social distancing. Finally, this difficult situation escalated and Elias urged Emil to leave the company. Emil reflected on Elias' behavior:

"It has been a development that he had taken the decision to continue on his own. He did not take this decision consciously. I think it was also because [Mr. Ecclestone, the business angel] pushed for it. It was more or less an impulse decision." (follow-up interview, l. 252-254)

My findings are consistent with studies showing that conflicts between entrepreneurs and investors are common (Parhankangas & Landström, 2006) and increase the likelihood of team members' intentions to exit (Collewaert, 2012). These conflicts also are

likely to occur because co-founders tend to have a joint "chemistry" (Forbes et al., 2006, p. 236), thus creating a faultline between the entrepreneurial team and the investor team (Li & Hambrick, 2005; Lim et al., 2013). In fact, Yitshaki (2008) proposed that conflicts between entrepreneurs and investors are an integral part of their relationship and that investor-induced team member replacements can trigger relationship conflicts and distrust in the entrepreneurial team.

Second, with regards to family-work conflict, in Team U1, Uwe's girlfriend complained about his long working hours despite he owned only a minority in the venture. When we asked his co-founder Uta in the second interview if Uwe was also pressured by his girlfriend to leave, she answered: "Yes. It was often a topic of discussion that he threatened his relationship, because of the long working hours" (l. 137-139). Similarly, Wilma (U3) experienced intense family-work conflict:

> "Let's see that everything goes well at home [during Christmas]. My husband is already furious because I am so involved in these venture issues. He would love me to quit today instead of tomorrow. And my kids are now teenagers, so the climate [at home] is not so good." (second interview, l. 531-535)

In contrast, none of the teams which persisted in my study reported any problems with their co-founders, and some even emphasized that their partners' support helps them mitigate the challenges associated with the venture including team conflicts. For example, Vicki (U2) reported that her husband, who is also an entrepreneur, has a similar view of one's working hours: "The sister of my husband stayed at our house over Easter. She said: 'Why doesn't every European get vacation for the royal wedding of Prince William and Kate?' My husband and I couldn't understand her reaction, because both of us love what we do." (first interview, l. 388-390).

My findings that external stressors serve as accelerators of (already existing) negative team interactions are in line with the literature on the detrimental effects of external stressor on employees in the work place (Cavanaugh et al., 2000; Wallace et al., 2009).

Specifically, research on the *spillovers* of family stress to the work environment has found that conflicts and other negative social interactions within the family represent an extrinsic source of stress at work (Greenhaus & Parasuraman, 1987), which can accelerate employees' emotional exhaustion and job dissatisfaction and thereby increase their propensity to leave the firm (Boles, Johnston, & Hair, 1997). Based on the above, I propose:

> *Proposition 5: In entrepreneurial teams, external stressors reduce the positive relationship between high perceived justice of equity distribution and team stability. Specifically, external stressors reduce this relationship through preventing team attraction and triggering team repulsion which leads to a mutually reinforcing relationship between low attraction and high repulsion.*

6.7 Impact of satisfaction with venture performance

Decisions and behaviors of managers and entrepreneurs are heavily impacted by their subjective perceptions of performance, that is, whether the firm's development satisfies their aspirations (Gimeno, Folta, Cooper, & Woo, 1997; Greve, 2002). For example, many entrepreneurs persist with their ventures because their aspirations are met, albeit they underperform from an economic perspective (Gimeno et al., 1997). This is because "high performance relative to the goal results in higher satisfaction" and "validates the owners' investment decisions and their continued involvement in the firm" (Mahto, Davis, Pearce, & Robinson, 2010, p. 988). Further, it is has been found that success can trigger individuals' positive affective experiences (Audia, Locke, & Smith, 2000). From my data the notion emerged that team members' satisfaction with venture performance can help overcome the negative effects of erosive social interactions arising from an unjust equity distribution, thus representing a stabilizing factor for the composition of the venture team.

In Team U2, Valentin repeatedly thought about leaving the team due to the conflicts and interpersonal problems with his co-founder. However, in the end he persisted with the team (at least for the time frame of the study). In the second interview, he reflected about the past six months:

> "I have often been at a point, where I thought, should I gun down [our venture] or should I go into stealth mode. Then she [the co-founder] can do what she wants. [...] But eventually, I came to think differently of it. It was probably just at the moment when success set in. These are always moments, when I think to myself: what is next? It's like in a game. You reach the next level and you could stop and start a new game. If we hadn't reached the next level, everything would have gone differently." (l. 181-189)

In contrast, in other teams with negative social interactions the perception that the venture performs badly appeared to accelerate the detrimental effect of negative social interactions on team stability. For example, Uwe of Team U1 stated in the follow-up interview after his exit:

> "I mean, this is speculation, but it might be that if our venture had performed better, we would still be working together [...] For me the entire venture came to a point, where from my point of view, it did not make any more sense to continue. I had, when I came to see her [to tell her that I would quit] the feeling that in her heart she felt very much the same. [...] It was roughly 50% that I had lost faith in the project, and 50% that I had lost faith in the team." (l. 33-34; 117-119)

While Uwe's first intentions to exit developed from the negative social interactions within the team, the developed perception that the venture performed badly illustrated to him that the team situation was unlikely to improve (or might even get worse), which finally led to his actual exit.

The finding that team members' satisfaction with venture success triggers persistence with the team despite negative social interactions emerging from an perceivedly unjust equity distribution is consistent with studies on the antecedents and outcomes of positive

affect. First, it has been shown that positive affective experiences can provide a "psychological buffer" that helps to overcome difficult and stressful situations (Tsai, Chen, & Liu, 2007) such as those emerging from negative social team interactions. Further, positive affect from perceptions of high or at least satisfactory venture performance can enhance the creativity of entrepreneurial team members (Amabile, Barsade, Mueller, & Staw, 2005; Baron & Tang, 2011) which might lead to more creative solutions to get along in the team and perform effectively despite the difficulties comprised by negative social interactions (e.g., using ways of communication that minimizes the potential of conflicts). Additionally, positive affect motivates entrepreneurs to invest resources such as energy, attention, and time to overcome challenges at work (Foo, Uy, & Baron, 2009) which might include the resolution of difficult interpersonal situations and conflicts (albeit not the underlying cause, i.e., the equity distribution). And finally, it seems reasonable that co-founders are inclined to persist in a perceivedly well-performing venture even despite negative social interactions, given that pre-mature leaving potentially entails a lower financial reward, since it most likely rules out typical high pay-off exit routes like an IPO or a trade sale (DeTienne & Cardon, 2012). Based on the above, I propose:

> *Proposition 6: In entrepreneurial teams, perceived satisfaction with venture success strengthens the positive relationship between high perceived justice of equity distribution and high team stability.*

7 Synthesis and contributions

In this Chapter, I will briefly synthesize the findings of my study and present the resulting model of entrepreneurial equity distribution (Chapter 7.1). Thereafter, I will take these findings and compare them with the literature in Chapter 7.2 to derive my theoretical contributions. In Chapter 7.3 I will report the practical implications of this study.

7.1 Synthesis of results

I motivated this thesis by the limited current theorizing and empirical work on the consequences of entrepreneurial equity distribution. Through a longitudinal multiple-case study of eight founder teams, and the associated within- and cross-case analyses, I was able to detect a set of patterns that led me to the formulation of six propositions. Importantly, while my initial focus at the outset of this study was to explore the consequences of equity distribution, this focus shifted in the course of the case analysis towards the perceived justice of equity distribution. In essence, it emerged from my data that it were the distributive justice perceptions, rather than the distribution outcome itself, that affected subsequent social interactions in the entrepreneurial team, and the team's stability. Thus, in my final model of equity distribution the central variable is distributive justice of equity distribution, and not, as expected prior to this study, the equity distribution

outcome itself. In the following, I will briefly recap my propositions that led me to my model of equity distribution.

My empirical findings show that in entrepreneurial teams high perceived justice of equity distribution triggers team attraction, in the form of a mutually reinforcing development of intrateam trust and team cohesion (Proposition 1). In contrast, low perceived justice of equity distribution triggers team repulsion, in the form of a mutually reinforcing development of relationship conflict and social distancing behavior (Proposition 2). Further, low perceived justice of equity distribution triggers the development of a mutually reinforcing relationship between low team attraction and high team repulsion (Proposition 3). Moreover, my data suggests that high perceived justice of equity distribution triggers team stability through the development of a mutually reinforcing relationship between high team attraction and low repulsion (Proposition 4). Additionally, I find that external stressors, in the form of family-work conflict and investor conflict, reduce the positive relationship between high perceived justice of equity distribution and team stability by preventing team attraction and triggering team repulsion, which leads to a mutually reinforcing relationship between low attraction and high repulsion (Proposition 5). Finally, according to the data, perceived satisfaction with venture success strengthens the positive relationship between high perceived justice of equity distribution and high team stability (Proposition 6).

Based on the formulated propositions, I derived a model that describes the team level consequences of entrepreneurial equity distribution. This model is depicted in Figure 24. In the following section, I will discuss my dissertation's theoretical contributions to research on imprinting effects, distributive justice, founder exit, entrepreneurial rewards, social interactions, founder-investor relationship, as well as family-work conflict.
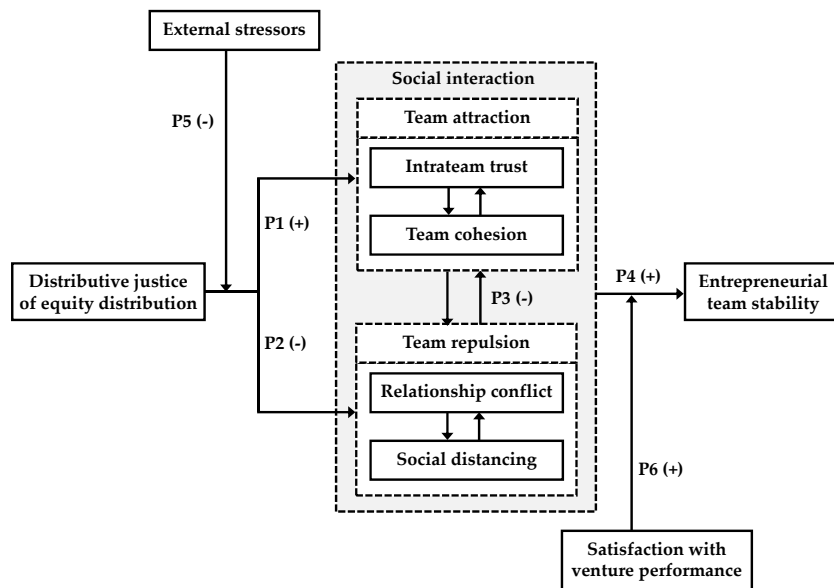
Figure 24: Model on entrepreneurial equity distribution
Source: Own illustration

7.2 Contributions to the literature

This study makes a range of contributions to different research strands. In the following subsections, I will summarize my contributions to the research on imprinting effects (Chapter 7.2.1), distributive justice (Chapter 7.2.2), founder exit (Chapter 7.2.3), entrepreneurial rewards (Chapter 7.2.4), social interactions (Chapter 7.2.5), founder-investor relationship (Chapter 7.2.6), and family-work conflict (Chapter 7.2.7).

7.2.1 Imprinting effects

My thesis contributes to research on *imprinting effects*, which tries to understand how decisions made by entrepreneurs early in the venture's life leave a lasting imprint on its development (P. T. Bryant, in press). The early months of a new venture are critical to

develop a "business platform" which "becomes the potential bedrock on which subsequent practices will be built" and from which "later adaptation may only be possible if a solid foundation is laid at the beginning" (Yang & Aldrich, 2012, p. 479). Current theorizing and empirical work on early imprinting incorporated a venture's first network partner (Milanov & Fernhaber, 2009), the founder's technological expertise (Gruber et al., 2013), position imprints from predecessors (Burton & Beckman, 2007), and financing levels (Beckman et al., 2007). At the same time, the consequences of equity distribution among founding team members have received little attention albeit equity distribution has been described as the entrepreneurs' "first deal" (Hellmann & Wasserman, 2011, p. 1).

The results of this inductive thesis extend current theory of imprinting by considering social interactions within the entrepreneurial team. With a focus on the "social imprinting" consequences of equity distribution, I identified perceptions of distributive justice, rather than actual distribution of equity, to affect dynamics and interactions within the entrepreneurial team and, through these social processes, the team's stability. In particular, perceived justice of equity distribution affected entrepreneurial team attraction and repulsion. Rather than static attraction and repulsion levels, equity distribution imprinted the development of a dynamic social process where, contingent on perceptions of high or low distributive justice, either a "virtuous circle" of intrateam trust and team cohesion (high perceived justice), or a "vicious circle" of relationship conflict and social distancing (low perceived justice) developed. Further, there was a mutual reciprocal relationship between the development of attraction and repulsion. These findings are consistent with recent theorizing on mutually reinforcing relationships in the development of organizational cultures (Shepherd, Patzelt, & Haynie, 2010), and they show that imprinting effects are complex, interdependent, and can change over the life time of a venture. Future theorizing and empirical work should acknowledge potential dynamisms and interdependencies. For example, future research might investigate the dynamic relationship between intrateam trust in the original entrepreneurial team and

the overall "climate of trust" (Fulmer & Gelfand, 2012, p. 1203) that develops in the venture including its employees.

Additionally, my model highlights the important role of contextual factors in shaping imprinting effects and explaining variance across ventures. The integration of contextual factors in entrepreneurial theory development has been explicitly called for recently (Welter, 2011; Zahra, 2007). In my study, even if teams had similar starting conditions, their development did not follow the same path, but was additionally shaped by the team's specific contextual situation. Specifically, venture equity was allocated equally among members of teams J1, J2, J3, and J5, and all team members perceived this distribution as fair. However, while perceptions of high distributive justice triggered team stability through attraction in J1, J2, and J3, external stress imposed upon team J5 by the business angel prevented the development of trust and cohesion, and at the same time triggered relationship conflict and social distancing. This finding emphasizes the heterogeneity of imprinting effects across ventures, which past studies have, given their purpose, rarely acknowledged. It appears that comprehensive theorizing about imprinting needs to acknowledge the specific context of the venture and its team.

7.2.2 Distributive justice

Through my study, I contribute to the literature on justice in the entrepreneurial context. In the entrepreneurship domain, justice research has been relatively scarce, as evidenced by a recent call for research by Roberson and Williamson (2012) that referred to justice research in self-managed teams[26] as "a relatively understudied context in the justice literature" (p. 696). One stream of justice research in entrepreneurship has focused on procedural justice perceptions in the entrepreneur-investor relationship (Busenitz, Moesel, Fiet, & Barney, 1997; Busenitz, Fiet, & Moesel, 2004; Sapienza & Korsgaard,

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[26]Entrepreneurial teams are one form of self-managed teams

1996; Sapienza, Korsgaard, Goulet, & Hoogendam, 2000), while another has examined justice in the context of family firms (Barnett & Kellermanns, 2006; Barnett, Long, & Marler, 2012; Kidwell, Kellermanns, & Eddleston, 2012; De Massis, 2012; van der Heyden, Blondel, & Carlock, 2005). In addition, recent studies have also explored the influence of procedural and distributive justice on interns' intentions to join a venture full-time (H. Zhao, 2013), and, in the corporate entrepreneurship environment, the influence of procedural justice on venture outcomes (De Clercq, Dimov, & Thongpapanl, 2010).

The main insights of the justice research regarding the entrepreneur-investor relationship have been that there is a positive relationship between procedural justice perceptions and venture performance (Busenitz et al., 2004), and that earn-out arrangements[27], industry experience and firm tenure negatively affect justice perceptions of entrepreneurs (Busenitz et al., 1997). From justice research in family firms, the main insights are that nonfamily managers' perceptions of procedural justice are important for their support of intra-family succession (Barnett et al., 2012) and that a negative relationship exists between distributive justice and unethical, success-impeding behaviors by family members and that this relationship is mediated by relationship conflict (Kidwell et al., 2012). Moreover, recent research has shown a positive relationship between interns' perceptions of justice and their willingness to join an entrepreneurial venture (H. Zhao, 2013), and that functional managers' perceptions of procedural justice strengthens the relationship between a firm's entrepreneurial orientation[28] and firm performance (De Clercq et al., 2010).

However, to the best of my knowledge the consequences of perceived justice with respect to an entrepreneurial team's equity distribution have not been analyzed so far.

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[27] Earn-out arrangements are typically put in place by investors as (often hard to achieve) performance targets for entrepreneurs. While positioned as incentive alignment, earn-out targets are often not met by entrepreneurs, who are then negatively affected in form of a lower company valuation during the next round of funding (Busenitz et al., 1997)

[28] Entrepreneurial orientation is defined in this study as "a strategic posture that involves a propensity to be innovative" (De Clercq et al., 2010, p. 89)

Yet, entrepreneurial teams represent an interesting context to analyze perceptions of justice and their consequences because entrepreneurial teams typically make important decisions without the influence of a supervisor or predefined organizational structures (Blatt, 2009). The decision on equity distribution typically involves all team members and depends, for example, on their willingness to compromise and their negotiation skills (Hellmann & Wasserman, 2011). However, even though all team members were involved in the decision in the case ventures, I observed substantial variance in perceived justice across teams and within teams, i.e., perceptions of injustice tended to increase over time. Moreover, I found that perceived justice substantially shaped team processes. High perceived distributive justice represented a beneficial foundation for team interactions. These findings complement Blatt's proposition (2009) that communal schemas and the use of contracting between entrepreneurial team members can help overcome the challenges of novelty to facilitate the development of trust as one important component of the entrepreneurial team's relational capital.

My findings also highlight the importance of contracting in terms of ownership allocation for trust development. However, I provide an important extension by focusing on the perceptions of contents (i.e., whether these contents are perceived as fair) rather than the extent to which contracting is used. If contracts are used but are not perceived as fair, it appears that the development of intrateam trust is severely impaired. Indeed, low perceived justice of equity distribution represented a detrimental foundation for team interactions. According to equity theory (Adams, 1963), individuals who perceive their inputs to be higher than their rewards usually adapt their input (e.g., reduce their work effort) in order to restore justice. In severe instances, employees may even show deviant behaviors (Aquino, Lewis, & Bradfield, 1999) or seek personal revenge (D. A. Jones, 2009).

However, for entrepreneurial teams, rewards are contingent on the joint venture perfor-

mance and a decrease of input or revenge seeking would lead to a decrease in the reward received by the entire team, making diminished effort an inappropriate coping mechanism for team members. Thus, a frustrating "reward dilemma" arises for the team members who perceive that they own not enough of the venture's equity, which leads to powerful destructive processes that perpetuate over time. In my case ventures, I found that these teams experienced increased team repulsion which in two out of three cases led to team member exit (and to severe intentions to quit in the third case[29]). This finding is particularly interesting as entrepreneurs usually show high levels of commitment to their venture (Cardon, Zietsma, Saparito, Matherne, & Davis, 2005); however, perceptions of injustice and the connected increase in team repulsion and decrease in team attraction appeared to counteract commitment. This finding is consistent with the organizational team literature which describes perceptions of justice as "the 'glue' that allows people to work together effectively", whereas injustice is "like a corrosive solvent that can dissolve bonds within the community" (Cropanzano et al., 2007, p. 34). However, even if I found that, on average, higher levels of perceived distributive justice can prevent this negative development, this was not always the case. Thus, my results demonstrate the benefits of distributive justice in entrepreneurial teams, but also the limits of its effects.

7.2.3 Founder exit

Research on founder/CEO exit has shown that their pre-mature departure may result in a decrease in venture performance, and that this effect is more detrimental for smaller than for larger top management teams suggesting that entrepreneurial exit is connected to a loss of social capital for the venture (Bamford et al., 2006; Kroll et al., 2007). Moreover, Busenitz et al. (2004) showed that founder exits induced by venture capitalists are negatively related to firm survival. Given this, it is important to understand drivers

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[29]In the third case (Team U2), the team ultimately dissolved in April 2013, due to severe interpersonal differences

and routes of entrepreneurial exit.

While it has been acknowledged that little research exists on this topic (DeTienne & Cardon, 2012; Wennberg et al., 2010), extant research has still suggested a number of drivers of entrepreneurial exit. First, research found that entrepreneurs' exit from their ventures is influenced by whether the venture's performance meets the entrepreneurs' subjective threshold (Gimeno et al., 1997). Second, Wennberg et al. (2010) found that venture performance is a driver of entrepreneurial exit. Third, Bruton, Fried, and Hisrich (2000) suggested that investors in VC-backed ventures may be a driver of entrepreneurial exit. Finally, specific to the exit of entrepreneurial team members, existing studies suggest that it is associated with heterogeneity of team members' experience (G. N. Chandler et al., 2005; Ucbasaran et al., 2003), while strong prior social ties between the team's members (Francis & Sandberg, 2000; Zolin, Kuckertz, & Kautonen, 2011), and team members' general satisfaction (Brigham et al., 2007) have a negative relationship with entrepreneurial team member exit.

In addition, recent research has also looked at the drivers of entrepreneurial exit under consideration of the particular exit route chosen. Here, Wennberg et al. (2010) differentiated between four exit routes (harvest sale, distress sale, liquidation, and distress liquidation) and found that entrepreneurial experience, age, additional equity investments and having a job outside of the venture influence the choice of exit route taken. Similarly, DeTienne and Cardon (2012) researched the drivers of six different exit routes (IPO, acquisition, family succession, employee buyout, independent sale, and liquidation) and found that entrepreneurial experience, age, educational background, and industry experience influence the chosen exit route.

One shortcoming of the existing literature on entrepreneurial exit has been that studies usually do not differentiate between the exit of an entrepreneurial team member and the exit of the entire firm (i.e., business closure), as evidenced in a recent call for research by

Wennberg et al. (2010). Given that the drivers for the respective exit type are likely to be different, I explicitly made this differentiation in my study and thus focused exclusively on the drivers of individual team member exit.

My model induced from the data suggests that perceived justice of equity distribution can affect exit through team processes, namely team attraction and repulsion and their mutual reinforcing relationship. It appears that entrepreneurs' decisions to exit their venture are not only based on meeting an economic threshold level (Gimeno et al., 1997), but also on meeting a "social threshold" level capturing the minimal acceptable level of negative attitudes to and processes within the team. This is in line with theorizing in the larger organizational context, where it has been shown that low levels of trust induce withdrawal (Colquitt, LePine, Zapata, & Wild, 2011), that an absence of team cohesion leads teams to disintegrate (George & Bettenhausen, 1990; O'Reilly et al., 1989; Wagner et al., 1984), and that interpersonal conflict may lead to "psychological and physical withdrawal" of group members (Jehn, 1995, p. 258).

Moreover, consistent with previous research indicating that some investors actively trigger turnover in entrepreneurial ventures (Bruton et al., 2000; Hellmann & Puri, 2002), I identified how the investor's pressure upon the team can affect attraction and repulsion and, thus, shape the interaction processes within the team such that positive effects of high perceived justice of equity distribution are diminished. Future research on entrepreneurial exit could further explore how attractive and repulsive team processes identified in my study depend on other contextual factors.

7.2.4 Entrepreneurial rewards

My study contributes to the literature on entrepreneurial rewards. To date, research on financial entrepreneurial rewards has been limited to its effects on economic well-being

(e.g., Blanchflower, 2004; Carter, 2011; Hamilton, 2000) and its important role in opportunity identification (Shepherd & DeTienne, 2005). A related stream of research has recently focused on entrepreneurial equity ownership, which represents the predominant and often only financial reward in an entrepreneurial team (Hall & Woodward, 2010). Literature on equity ownership has revealed the criteria that determine the distribution of equity (Hellmann & Wasserman, 2011; Kotha & George, 2006, 2012) and how the distribution outcome affects venture performance (Hellmann & Wasserman, 2011). In contrast, behavioral or attitudinal reward consequences on the individual- and team-level have, to the best of my knowledge, so far not been investigated in an entrepreneurial setting. From research in established organizations we know that financial rewards are elementary to explain attitudes, motivations and behavior in organizations (Baker, Jensen, & Murphy, 2012; Freedman & Montanari, 1980; Lawler & Cohen, 1992), or as Ganster and colleagues put it: "how individuals are rewarded at work is perhaps one of the most salient features of the work environment and can serve as a source of satisfaction, challenge, fulfillment, or a source of uncertainty, mistrust, and perceived inequity" (Ganster, Kiersch, Marsh, & Bowen, 2011, p. 224). Further, TMT studies in established organizations have found that unequal pay among peers, also referred to as *pay dispersion*, leads to negative behavioral dynamics (e.g., increased conflict levels, and lower cohesion) and decreased firm performance (Ensley, Pearson, & Sardeshmukh, 2007; Siegel & Hambrick, 2005).

In my data, I find similar relationships as those suggested in the larger organizational context. In particular, my data suggests that equity distribution in combination with the perceived justice thereof, shapes social interactions in the entrepreneurial team. Yet, importantly, it appears from my data that in an entrepreneurial setting, reward equality or inequality per se is insufficient to explain attitudes and behaviors resulting from financial reward distribution. For instance, Team J4 featured a highly dispersed equity distribution (90 percent for team member David and 10 percent for team member Daniel),

and still showed positive social interactions in the form of high team attraction and low team repulsion. Thus, not only the differentiation between *equality* and *inequality* (i.e., whether the shared reward between team members is distributed equally or not) but also between *equity* and *inequity* (i.e., whether the shared reward between team members is distributed fairly or not) (Trevor, Reilly, & Gerhart, 2012) seems to be relevant. Then, it becomes apparent that individual perceptions of justice (i.e., equity/inequity) related to the reward distribution affect individual- and team-level attitudes and behaviors. As outlined above, in my study high perceived justice of equity distribution triggered high team attraction and low team repulsion, while low perceived justice of equity distribution triggered low team attraction and high repulsion.

Additionally, I extend the existing theorizing on *cooperative rewards* in the larger organizational context (e.g., Beersma et al., 2003; De Dreu, 2007; Johnson et al., 2006; Pearsall, Christian, & Ellis, 2010; Siemsen, Balasubramanian, & Roth, 2007; Wageman & Baker, 1997), by offering insights in an entrepreneurial setting. To the best of my knowledge, this has not been done before, despite the fact that cooperative reward structures are omnipresent in entrepreneurial teams (Hall & Woodward, 2010), and thus arguably provide an interesting study context. In an entrepreneurial setting, the value of the equity shares owned by a team member is contingent on the firm's value (Sahlman, 1990), which in effect is based on firm performance. Thus, equity ownership represents a type of cooperative reward (Deutsch, 1949), a reward which is based on the interdependent effort of the firms' team members (De Dreu, 2007). Deutsch (1949) proposed that the value of cooperative rewards lies in its unifying power, that it creates "perceptions of shared fate, promoting supportive behavior aimed toward the benefit of the group as a whole" (Barnes, Hollenbeck, Jundt, DeRue, & Harmon, 2011, p. 1613). While being a cooperative reward, I find that equity ownership only features typical cooperative reward characteristics (e.g., team cohesion, trust and helping behaviors) (Beersma et al., 2003), if team members perceive the allocation of equity shares as just. In contrast, if

team members perceive the allocation as unjust, my data suggests that teams feature negative social interaction patterns (e.g., relationship conflict) that have been previously suggested to occur predominantly in competitive reward settings (Amason & Schweiger, 1994). This insight is an important addition to the cooperative reward literature, which to the best of my knowledge, has so far not been acknowledged in the literature.

7.2.5 Social interactions

My study also contributes to research on social interactions in entrepreneurial teams. While most start-ups are initiated by entrepreneurial teams (Francis & Sandberg, 2000; Ruef et al., 2003), there has been relatively little research in this domain (Schjoedt et al., 2013), in particular with respect to teams' social interactions (Blatt, 2009). In my study I build on recent research on trust and relational capital in entrepreneurial teams (Blatt, 2009), and Ensley's work (2002, 2005) on new venture team dynamics and offer two overarching insights. First, I find that *perceived justice of equity distribution* seems to be a perpetuating shaping factor for a team's social interactions, arguably driven by *social comparison mechanisms* that induce people to compare themselves with others in terms of their abilities, performance, and outputs in situations of personal relevance (Festinger, 1954). The distributive justice variable has to the best of my knowledge so far not been considered in research on entrepreneurial team dynamics. Second, I find that teams' social interactions in terms of team attraction (intrateam trust and team cohesion) and team repulsion (relationship conflict and social distancing) are inextricably linked and also mutually reinforcing—a finding, which seems congruent to the dynamics found in larger organizational work teams (Cronin, Weingart, & Todorova, 2011; Marks et al., 2001). In the following, I will, despite their inextricably linkage, take each individual social interaction component (intrateam trust, team cohesion, relationship conflict, and social distancing) and outline the respective contributions on a more granular level.

With respect to intrateam trust, we know from studies in established organizations that both financial rewards (Ferrin & Dirks, 2003; Tjosvold, 1982, 1985) and justice perceptions (e.g., Aryee et al., 2002; Colquitt et al., 2013; Frazier, Johnson, Gavin, Gooty, & Snow, 2010; Lewicki, Wiethoff, & Tomlinson, 2005) have an impact on trust. Further we know that trust is a dynamic phenomenon as it may increase or decline over time (Costa, Bijlsma-Frankema, & De Jong, 2009). While trust is particularly important in situations characterized by risk and uncertainty (Gulati & Sytch, 2008), such as those faced by entrepreneurial teams (Harper, 2008), we know little what actually builds interpersonal trust in an entrepreneurial team (Blatt, 2009). This is even more surprising, given that trust has been shown to influence investor's perceptions of post-investment performance (Bammens & Collewaert, in press), which is central to refinancing and thus to venture survival (De Clercq & Sapienza, 2006). In my study, I find that perceptions of justice related to the reward distribution directly influence the level of intrateam trust. In particular, high perceived justice of equity distribution leads to high intrateam trust, while low perceived justice of equity distribution leads to low intrateam trust.

We know from the literature that trust develops over time (G. R. Jones & George, 1998; Webber, 2008), whereas equity distribution is an event typically taking place in the first weeks of founding (Hellmann & Wasserman, 2011). Paradoxically, still, my data suggests that perceived justice associated with the equity allocation continuously shapes intrateam trust perceptions. This may be explained by a number of factors. Foremost, in situations of personal relevance people tend to compare themselves with others in terms of their abilities, performance, and outputs (Festinger, 1954), and these *social comparison mechanisms* tend to perpetuate over time. Additionally, even though the distribution outcome only materializes at a, likely distant, future date (i.e., once an individual or a collective exit takes place) (Hall & Woodward, 2010), the absolute value of the reward and potentially also the absence of a monthly paycheck seem to induce that equity allocation is continuously, if not permanently, on top of entrepreneurs' minds. This is

highlighted in my data by the continuous discussions on the equity allocation in Teams U1 and U2, and also backed by research that showed that monetary rewards are important for entrepreneurs (Amit & MacCrimmon, 2001). Combined, the social comparison mechanism and the importance of equity allocation explain the continuous shaping of trust perceptions. Besides, the reciprocal nature of interpersonal trust (i.e., trustworthy behavior is typically reciprocated by trustworthy behavior and untrustworthy behavior likewise (Das & Teng, 1998; Ferraro, Pfeffer, & Sutton, 2005)) generates, according to my data, either a positively reinforcing climate of high trust in case both co-founders perceive the equity distribution as just, or a destructively deteriorating climate of low trust, or even distrust, in case one or both co-founders perceive the distribution as unjust. In summary, I find similar patterns of trust building and development like those in established organizations, in the form that rewards and the perceived justice thereof, shape intrateam trust, and that this shaping effect is continuous over time, despite the one-time only reward allocation.

My research further adds to the literature on team cohesion. While team cohesion is an extensively researched subject in small group research (Greer, 2012), and its beneficial effects for team processes and performance outcomes have been shown in meta-analyses for different team types (e.g., Beal et al., 2003; Chiocchio & Essiembre, 2009) and also in studies on (new venture) TMTs (K. G. Smith et al., 1994; Ensley et al., 2002), "there has been relatively little attention to the antecedents of team cohesion" (Kozlowski & Ilgen, 2006, p. 89). My data suggests that high perceptions of justice related to entrepreneurial equity distribution trigger high team cohesion, which to the best of my knowledge, is a novel finding in the entrepreneurship domain. Even more, this relationship between distributive justice perceptions and cohesion has, to the best of my knowledge, also not been shown in justice research in established organizations.

With respect to relationship conflict, we know from research in established organizations

(Kabanoff, 1991; Ren & Gray, 2009) and family firms (Kidwell et al., 2012) that justice violations may be the source of relationship conflict. Similarly, I find in my study that low perceptions of justice related to equity distribution trigger relationship conflict, which, to the best of my knowledge, is a novel insight in the entrepreneurship setting. Similarly, with regards to social distancing, research in established organizations has found that perceptions of low justice trigger employees' reduced interest and effort in their work, withdrawal from work, and turnover intentions (Cole et al., 2010; Hausknecht et al., 2011; Si & Li, 2012). Further, individuals who earn less than their colleagues tend to show decreased collaboration, lower satisfaction, and higher turnover intentions (Pfeffer & Langton, 1993), while "those who receive more may respond with condescension, aloofness, and social distancing from their seemingly less worthy counterparts" (Siegel & Hambrick, 2005, p. 263). In accordance to the theorizing in the larger organizational context, my data suggests low perceived justice of equity distributions triggers social distancing behaviors, which is, again, a novel insight in the entrepreneurship context.

7.2.6 Founder-investor relationship

My study contributes to recent theorizing on the founder-investor relationship and thus takes up Welter's call (2011) to contextualize entrepreneurship research. In many entrepreneurial ventures, equity investors play an important role in the entrepreneurial process (Fried & Hisrich, 1995; Parhankangas & Landström, 2006). This is also because investors tend to have a key influence on the success or failure of a venture (Busenitz et al., 2004; Busenitz, Fiet, & Moesel, 2005; Higashide & Birley, 2002; Sapienza, Manigart, & Vermeir, 1996). Despite being external, investors often become very involved in their ventures by taking control through management changes or assuming operational roles themselves (Lerner, 1995; Sahlman, 1990). However, even though founders and investors can be regarded as one new venture team, oftentimes *faultlines* exist between

the two sub-groups (Lim et al., 2013), partly also because the collaboration is at times characterized by opportunistic behavior (Brettel, Mauer, & Appelhoff, 2013; Shepherd & Zacharakis, 2001; Yitshaki, 2012).

This faultline between founders and investors may be part of the reason why the relationship between investors and entrepreneurs is often conflict-laden (Collewaert & Fassin, 2013; Higashide & Birley, 2002; Yitshaki, 2008). According to Parhankangas and Landström (2006), "tensions and conflicts often arise in this relationship [between venture capitalists and entrepreneurs]—conflicts that, if not solved in a proper manner, could be disastrous for the success of the venture" (p. 774). Given both the importance of equity investors for venture success and the challenging nature of the founder-investor relationship, it is not surprising that a significant amount of entrepreneurship research has been conducted on this dyadic relationship (Lockett, Ucbasaran, & Butler, 2006).

So far, the literature on the founder-investor relationship has yielded some important insights. First, early research has found that procedural justice perceptions shape the nature of the relationship between the entrepreneur and the investor (Sapienza & Korsgaard, 1996). Second, the importance of trust-building already in the pre-investment phase has been recently underscored by Maxwell and Lévesque (in press), who found that entrepreneurs who undertake trust-building behaviors are more likely to receive investment offers from business angels. Third, De Clercq and Sapienza (2006) found that VC's trust in and commitment to the portfolio company, goal congruence and quality of social interactions between the parties are positively related to the VC's perception of venture performance. Finally, Parhankangas and Landström (2006) found that the VC's social environment determines the VC's type of response in case of unmet expectations.

However, only recently has research looked at how the dyadic relationship affects the entrepreneur, or more broadly, the entrepreneurial team. Zacharakis, Erikson, and George (2010) were, to the best of my knowledge, the first to do so and found that task con-

flict between the VC and the entrepreneurs decreases the confidence of entrepreneurs in partner cooperation. And similarly, Collewaert (2012) researched conflict between business angel investors (BAs) and entrepreneurs and found that task conflict increased entrepreneurs' intentions to leave the venture. Both findings are particularly surprising because task conflict has usually been associated with positive outcomes such as higher innovativeness and decision quality (De Dreu, 2006). Even more puzzling, Collewaert (2012) did not find that relationship conflict between BAs and entrepreneurs increased intentions to leave.

The results from my study are closely connected to the works of Collewaert (2012) and Zacharakis et al. (2010), since my study provides insight on how investor-induced conflict affects the social interactions in the entrepreneurial team. However, my findings are somewhat different to the existing research studies. My data suggests that founder-investor conflict represents an external source of stress that accelerates negative social interactions by increasing relationship conflict within the founder team, which then leads to a decrease of intrateam trust and team cohesion (as in Team J5). Yet, if social interactions are strong (as in Team J3), the high levels intrateam trust and cohesion between team members allows them to cope with the stress and avert its negative consequences. Thus, my findings somewhat deviate from those of Collewaert (2012) since in my study relationship conflict between investor and entrepreneurial team indeed triggered negative social interactions (at least in Team J5), which ultimately led to lower team stability and team member exit. Further, my insights are also different from those of Zacharakis et al. (2010). While Zacharakis et al. (2010) suggested that conflict within the entrepreneurial team was the source of entrepreneur-investor conflict, I conversely induce from my data that the relationship conflict between investor and entrepreneurial team represents a source of additional conflict within the entrepreneurial team. Ultimately a large-scale research study should test my findings, and potentially differentiate between founder-VC and founder-BA relationships, as well as between teams with high initial levels of trust

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and team cohesion and teams with low levels of trust and team cohesion, which might be an explanation for the different findings in my research.

7.2.7 Family-work conflict

My study also contributes to the literature on family-work conflict. We know from research that entrepreneurial ventures and the families of the founding team members are inextricably linked (Aldrich & Cliff, 2003; Baron, 2002). For instance, Jennings and McDougald (2007) suggested that "entrepreneurial processes and outcomes are, to a certain extent, incomplete without attention to work-family considerations" (p. 747), while Rogoff and Heck (2003) referred to "family as the oxygen that feeds the fire of entrepreneurship" (p. 559). By all means, entrepreneurship is a time-consuming activity and bound to long working hours (Prottas & Thompson, 2006). Time spent at work cannot be spent with the family (Judge & Colquitt, 2004) and Gutek and colleagues found that the number of hours spent with the family predicted family-work conflict (Gutek, Searle, & Klepa, 1991). It is therefore not surprising that for self-employed, conflict between the work and family domains has been found to be of higher levels than for organizationally-employed individuals (Parasuraman & Simmers, 2001).

In entrepreneurship, the empirical research on the effects of conflict between family and work is still relatively sparse (Jennings, Breitkreuz, & James, 2013), especially compared to the abundance of work done in established organizations (for a meta-analysis see Ford, Heinen, and Langkamer (2007)). The studies that exist have so far yielded some interesting insights. First, Shelton, Sharon, and Eisenman (2008) showed that increased work-family conflict leads to more frequent cash flow problems and poor business management. Second, Jennings and McDougald (2007) suggested an indirect relationship between work-family conflict and business size as a performance indicator. Third, it has also been suggested that work-family conflict could lower the well-being of the

entrepreneur (Shelton, 2006). Fourth, studies recently looked at family-work enrichment and found that family-work effects differ by gender. Powell and Eddleston (2013) found that while female entrepreneurs benefit from family-work enrichment and support in terms of higher entrepreneurial success, male entrepreneurs do not. Similarly, Eddleston and Powell (2012) found that while both family-work enrichment and instrumental support at home were positively related to satisfaction with work-family balance, the effect of family-work enrichment was significantly greater for female entrepreneurs, while instrumental support at home was significantly greater for male entrepreneurs. Finally, it has recently been found that work-family conflict creates strain for the spouse, which is then passed on to the entrepreneur (Werbel & Danes, 2010).

In my data, I extend the insights recently made by Werbel and Danes (2010). In particular, I find a *spillover effect* (Boyar, Maertz, Pearson, & Keough, 2003), wherein stress and negative emotions from family life spill over to the work domain. This is particularly evident in Team U3, where co-founder Wilma explicitly reports that her husband is "furious" about her involvement in the venture, and in Team U1, in which Uwe's girlfriend frequently complained about Uwe's working hours. Thus, I find that the conflict in the family domain spills over to the work domain, where it creates an additional strain for the entrepreneur. However, while Werbel and Danes (2010) only considered the spillover to the individual entrepreneur, I also observe that this external strain represents an additional source of conflict within the entrepreneurial team and may thus represent an accelerator of worsening social interactions within the team. Moreover, I observe a *resource drain* in Team U2, through the frequent absence of co-founder and young mother Vicki, which is an aspect of time-based family-work conflict (J. R. Edwards & Rothbard, 2000), and which creates negative emotions in Vicki's co-founder Valentin. Vicki's frequent absence in respect not only increases the level of negative emotions, but actually lowers the level of the cohesion and reduces the team spirit between the two co-founders, given that Valentin has a fundamentally different perspective of how the co-

founders should cooperate. The latter observation that family-work conflict in the form of resource drain has negative implications for team cohesion and thus deteriorates social interactions has, to the best of my knowledge, not been made in prior entrepreneurship research.

In summary, above shows that my study makes a range of contributions to different strands of the entrepreneurship and management literature. At the same time, my findings also have practical implications for entrepreneurs. I will outline these implications in the following section.

7.3 Implications for practice

In addition to the theoretical contributions outlined in the previous section this study also has implications for practice. The present thesis provides insight into the consequences of entrepreneurial equity distribution. The finding that the perceived justice of equity distribution, rather the distribution outcome itself shapes subsequent social interaction patterns in entrepreneurial teams and affects the teams' stability has practical implications for entrepreneurial teams. Moreover, since my study did not look at entrepreneurial teams in isolation but also incorporated their social context in the form of investors, this thesis also has practical implications for investors. I will present these implications in the following.

First, entrepreneurial teams should consider adopting *mutually perceived justice* as their guiding principle for equity distribution. Admittedly, the distribution of equity can be likened to a salary negotiation in an established corporation, in which rational, personal wealth-maximizing bargaining behavior is common. However, the same behavior may prove short-sighted in an entrepreneurial equity distribution, given that individual wealth-maximization is likely to bring along inequity perceptions among team members.

This in effect may have deleterious consequences, since the empirical evidence from my study suggests that inequity perceptions trigger negative social interactions characterized by high team repulsion and low team attraction, which then ultimately lowers team stability. Therefore, individual wealth-maximizing behavior in this context puts at risk the longer-term social interactions in the entrepreneurial team or, framed differently, refraining from a homo economicus-like behavior represents a relational capital investment in the future relationship of the co-founders. While teams that yet have to decide on their distribution of equity can consider adopting mutually perceived distributive justice as their guiding principle for their upcoming distribution, teams that have previously allocated their equity, may revisit their distribution and discuss in the team setting whether all members perceive the current distribution to be fair.

Second, since entrepreneurial teams tend to distribute equity early on and typically unbound to any contractual obligations (Wasserman, 2012), teams should adopt vesting schedules to increase flexibility and avoid free-rider issues. Especially in situations where team members are not yet very familiar with each other, deviations from expected performance may have severe negative implications for the work relationship. This is because unmet expectations regarding individual contributions may alter justice perceptions with regards to the initial equity distribution and may thus belatedly trigger a deleterious spiral of worsening social interactions. Therefore, it seems beneficial to explicitly define expectations and measurable targets in the initial contractual equity distribution agreement and to specify the cycles during which the initial contract may be subject to review and/or change. In this way, I am hopeful that entrepreneurial teams will forgo the trap of locking in inflexible contractual terms early on in their work relationship that might prove inadequate in hindsight and could trigger inequity perceptions and thus deteriorating social interactions and lower team stability down the road.

Third, investors that tend to become rather involved in the interpersonal relationships

of the founding team members may reconsider their management approach. My study shows that interference in interpersonal matters by outsiders (e.g., investors) may induce additional stress into the founder team, and thus negatively affect the social interactions within the team. Given that this may weaken the team's stability and/or distract the founders' attention from more important business-related tasks, such interference mechanisms may ultimately backfire with lower team stability and potentially, due to worse social interactions, weaker team and venture performance. Depending on the particular context of the investor-entrepreneur relationship, it could therefore be more sensible from the investor's perspective to not getting immersed in interpersonal issues and to rather focus on more clearly value-adding tasks. Importantly, this does not mean that investors cannot make tough calls regarding the team's composition. However, if an investor comes to the conclusion that it would be advantageous to change the team's composition, an open discussion with the team seems more appropriate than, in the words of Chris (Team J3), "trying to jam a wedge" between the co-founders.

In summary, my study makes a range of contributions to practice and extant entrepreneurship literature. Nevertheless, there are a number of limitations that apply to my study that deserve consideration, but which also provide avenues for future research. I will present those in the following chapter.

8 Limitations and avenues for future research

In the final chapter of this thesis I conclude this thesis by briefly summarizing my results and contributions (Chapter 8.1). I will then present my study's limitations (Chapter 8.2) and close with suggesting avenues for future research in Chapter 8.3.

8.1 Conclusions

In this thesis I explored the individual- and team-level consequences of entrepreneurial equity distribution. Despite repeated calls for research (Kotha & George, 2012; Schjoedt et al., 2013), the topic of equity distribution still resembles a "black box" (Hellmann & Wasserman, 2011, p. 1). In my study, I was able to shed light into this black box by observing eight entrepreneurial teams over the time frame of six and a half months, making use of semi-structured interviews. Employing a multiple case study approach and the associated within- and cross-case analyses, I identified several propositions, which I summarized in a model of entrepreneurial equity distribution (see Figure 24). My findings extend current theorizing on entrepreneurial imprinting, justice, exit, rewards, social interactions, and the founder-investor and family-work relationships. In the following I conclude this thesis by briefly summarizing the main results of my study.

The goal of this thesis was to explore how the distribution of entrepreneurial equity affects the social interaction processes in the entrepreneurial team and the team's stability, while also considering contingent factors that affect these relationships. In this thesis, I developed a model of entrepreneurial equity distribution that shows that the perceived justice of equity distribution, rather than the distribution outcome itself shapes the social interaction patterns within and ultimately the stability of the founder team. My empirical findings show that in entrepreneurial teams high perceived justice of equity distribution triggers team attraction, in the form of a mutually reinforcing development of intrateam trust and team cohesion. In contrast, low perceived justice of equity distribution triggers team repulsion, in the form of a mutually reinforcing development of relationship conflict and social distancing behavior. Further, low perceived justice of equity distribution triggers the development of a mutually reinforcing relationship between low team attraction and high team repulsion.

These findings contribute to different strands of research. For instance, I add to the literature on entrepreneurial imprinting (e.g., P. T. Bryant, in press; Gruber et al., 2013; Milanov & Fernhaber, 2009; Yang & Aldrich, 2012), by showing that equity distribution has "social imprinting" consequences, which may, depending on perceptions of low or high distributive justice, trigger the development of either a "virtuous circle" of intrateam trust and team cohesion (high perceived justice), or a "vicious circle" of relationship conflict and social distancing (low perceived justice). Additionally, these findings contribute to the literature on social interactions (e.g., Blatt, 2009; Schjoedt et al., 2013), as I show that perceived justice of equity distribution perpetually shapes key social interaction patterns (intrateam trust, team cohesion, relationship conflict and social distancing behavior) even though the equity distribution event usually takes place in the initial weeks of collaboration. Finally, above findings contribute to literature on entrepreneurial rewards (e.g., Carter, 2011; Hellmann & Wasserman, 2011; Kotha & George, 2012) since they extend the research on the *consequences* of entrepreneurial rewards. In particular, my

research considers behavioral and attitudinal reward effects on the individual- and team-level, and also shows that entrepreneurial rewards only feature the positive characteristics (e.g., team cohesion and trust) that are typically associated with cooperative rewards (Beersma et al., 2003), if all team members perceive the equity distribution as fair.

Moreover, my data suggests that low perceived justice of equity distribution triggers team instability, and thus team member exit through the development of a mutually reinforcing relationship between high team repulsion and low attraction. This finding advances the current literature on founder exit (e.g., Bamford et al., 2006; Ucbasaran et al., 2003; Wennberg et al., 2010) in the sense that perceived injustice of equity distribution, by triggering a "vicious circle" of deteriorating social interactions, may represent an additional driver of entrepreneurial exit that has not been considered to date.

Furthermore, I find that external stressors, in the form of family-work conflict and investor conflict, reduce the positive relationship between high perceived justice of equity distribution and team stability by preventing team attraction and triggering team repulsion, which leads to a mutually reinforcing relationship between low attraction and high repulsion. This finding contributes to the literature strand on the investor-entrepreneur relationship (e.g., Collewaert & Fassin, 2013; Lim et al., 2013), by showing that investors interfering in the interpersonal relationships of the founder team may actually inject external stress into the venture and thus negatively affect the social interactions among the entrepreneurial team members. Above finding further extends current research on the family-work interface (e.g., Eddleston & Powell, 2012; Jennings & McDougald, 2007; Jennings et al., 2013) by showing that family-work conflict may also represent a form of external stress, which, like investor conflict, may negatively influence the social interaction patterns in the entrepreneurial team. Finally, according to the data, perceived satisfaction with venture success strengthens the positive relationship between high perceived justice of equity distribution and high team stability—a finding that goes in line

with the existing literature on persistence (Gimeno et al., 1997; Greve, 2002).

8.2 Limitations

As common in both qualitative and quantitative empirical research studies, there are several limitations. In the following, I will outline the specific limitations that apply to my research study.

First, my study's insights are limited by the relatively small sample size and my theoretical sampling approach. My study's sample size of eight cases is comparable to other multiple case studies in management and entrepreneurship (e.g., Hallen & Eisenhardt, 2012; Knockaert et al., 2011; Vanaelst et al., 2006), and thus sufficient to develop robust propositions (Yin, 2009). Moreover, the theoretical sampling approach I applied is explicitly recommended in qualitative research studies (Eisenhardt & Graebner, 2007; Patton, 2002). At the same time, it is not ultimately certain, to what extent the findings are generalizable beyond the scope of this current research. Rather, a future large-scale empirical research is necessary to statistically corroborate the relationships proposed in this thesis.

Second, even though my longitudinal approach allowed me to get good indications of how events unfolded, I have no final say about causality. In particular, the possibility remains that the sequence of the relationships suggested could in fact be reverse or even that other factors outside the research scope were causal for the observations I made. This is, however, a common drawback of field studies in general (van de Ven & Huber, 1990) and of qualitative case studies in particular (Haynie & Shepherd, 2011). However, it has to be noted that I put in significant effort to ameliorate this shortcoming. First, I ensured that the variables, processes and causal linkages that I derived to build my model were reported as such by the interviewees. Second, I deliberately chose a longitudinal

research design to get a better sense of the sequencing of events, which was helpful, in combination with the reflections of the participants, to draw conclusions of sequential linkages. And third, I also integrated extant theory to support the relationships and causal linkages derived from the data. Nevertheless, a future longitudinal, quantitative study is required to test the causal linkages offered in my model.

Third, my study's insights are limited by the exclusive focus on dyadic teams. In my research, I deliberately selected only dyadic teams to increase comparability (Ucbasaran et al., 2003), disentangle the natural complexities of interpersonal relationships (Cook, 1994), and avoid the peculiarity of coalition building in larger teams (Jehn et al., 2010). Further, the focus on dyads is common in studies on social interactions (e.g., in research on interpersonal trust (Ferrin, Dirks, & Shah, 2006)). While I expect that my findings also hold true for larger teams (see also B. D. Edwards, Day, Arthur, & Bell, 2006), this will have to be validated.

Fourth, my research is subject to self-report bias, which includes social desirability response bias and recall bias. My study is based on individuals' retrospective self-reports on team processes, emotions, attitudes and emergent states, which is common in behavioral research (N. Gupta & Beehr, 1982; C. C. Miller et al., 1997). While difficult to avoid in organizational research, self-reports are subject to self-report bias, most importantly because it is unclear to what extent the subjective perceptions of the respondents reflect reality (N. Gupta & Beehr, 1982). This is largely because "[...] there is no direct means of cross-validating people's descriptions of their feelings or intentions" (P. M. Podsakoff & Organ, 1986, p. 533). As often the case in research based on self-reports, another limitation of this study is social desirability response bias (Arnold & Feldman, 1981). The social desirability response bias reflects "the tendency of individuals to present themselves favorably with respect to current social norms and standards" (Zerbe & Paulhus, 1987, p. 250), which leads to an inaccurate reporting by respondents (Ganster, Hennessey, &

Luthans, 1983). In my study, I tried to mitigate this bias and ensure objective accuracy, by comparing the information received in the interviews with information acquired from other data sources (e.g., the interviews with the co-founder, and archival data). Nevertheless, the social desirability phenomenon certainly limits the insights gained from my study. Moreover, my study is also limited with regards to recall bias. It is well known that people often cannot remember and recall specific situations accurately (Bradburn, Rips, & Shevell, 1987; Tourangeau, 2000). As I rely largely on retrospective self-reports referring to events that lie several months, and in some rare occasions, a few years back in time, these reports are subject to the constraints of individual recall, which in itself represents a limitation of my study. At the same time, it has been suggested that the use of multiple informants, which I make use of in my study, reduce recall bias (Golden, 1992; C. C. Miller et al., 1997), also because they often provide complementary information (Schwenk, 1985).

Fifth, I cannot ultimately suspend that I may have not considered all factors that might be relevant for my proposed model. During the extensive, iterative analysis process, I made a significant effort to inductively consider all relevant individual-, team-, and venture-level variables (see Appendix A6), and found the respective variables depicted in Figure 24 to be relevant for my model. At the same time, there is the possibility that other (latent) factors play a role, which I did not measure and thus did not consider (e.g., personal values or personality characteristics of team members). However, based on my thorough research approach, I am confident to have covered the most essential elements.

Finally, I did not have a comprehensive insight into the concrete reward structures of the teams under study. While this would arguably not have changed my results due to the predominant importance of equity distribution for entrepreneurs (Hall & Woodward, 2010), it would have allowed a novel conception of entrepreneurial rewards, which has been called for in the literature (Carter, 2011). Given above limitations of my study, there

are several avenues for future research, which I will portray in the following section.

8.3 Avenues for future research

There are numerous opportunities for future research that result from this study. Foremost, as a consequence of my case study's sample, the relationships proposed in my model of entrepreneurial equity distribution require testing in a large-scale quantitative study. For example, measures that have been established in the entrepreneurial context on trust (Talaulicar et al., 2005), relationship conflict and team cohesion (Ensley et al., 2002), and distributive justice (H. Zhao, 2013) may be used to test my propositions on a statistical basis. Moreover, I focused only on dyadic teams to increase comparability and disentangle the complexities of interpersonal relationships in larger teams (e.g., coalition building). Future studies should consider larger teams and test whether the findings presented here are also valid in these contexts. At the same time, there are further avenues of research, which I hope to stimulate with this exploratory study. I will outline the most promising ones in the paragraphs below.

First, there are several research opportunities around the untapped topic of entrepreneurial rewards and equity distribution. Research around rewards in established organizations is plentiful (DeMatteo et al., 1998), due to its important influence on a variety of organizational outcomes (Freedman & Montanari, 1980). In contrast, research on entrepreneurial rewards is still in its infancy and has so far addressed only a fraction of arguably very relevant topics. While recent studies (Bengtsson & Hand, 2010, 2011, 2013; Carter, 2011; Hellmann & Wasserman, 2011) have made contributions to the understanding of entrepreneurial financial rewards in general and equity distribution in particular, a more holistic effort seems to be required. Particularly, it would be beneficial to understand how entrepreneurial rewards are typically structured and how rewards develop in the

course of the venture creation journey. Additionally, it would be interesting to explore reward structures and implications on the employee-level, similar to other studies in the entrepreneurship context (e.g., Breugst, Domurath, Patzelt, & Klaukien, 2012), since employee motivation may be an important driver of entrepreneurial success. In general, shedding light on the short- to mid-term performance effects from entrepreneurial rewards on the level of the entrepreneur and/or the employee would significantly contribute to the literature and potentially yield promising practical implications.

Second, several research opportunities exist around the topic of justice in entrepreneurial teams. With the notable exception of studies on procedural justice between entrepreneurs and investors (Busenitz et al., 1997, 2004; Sapienza & Korsgaard, 1996) and a recent study by H. Zhao (2013) on entrepreneurship interns' justice perceptions, there has been a conspicuous paucity of research related to entrepreneurial justice. I am hopeful that my exploration of the distributive justice phenomenon in this study may trigger the interest of researchers to study the peculiarities of the different types of justice (procedural, interactional and distributive justice) in the entrepreneurial context. Scholars studying self-managing teams have reported the particular relevance of the justice phenomenon in self-managing teams, since it represents a driver of attitudes and behavior (Colquitt, Noe, & Jackson, 2002; Roberson & Williamson, 2012). As entrepreneurial teams represent one form of self-managing team, an advanced understanding of justice in entrepreneurship would therefore be of great benefit.

Third, entrepreneurial team stability is a crucial variable for members of an entrepreneurial team as well as for investors (Ucbasaran et al., 2003). However, when I compare the results of my study to findings of the (to the best of my knowledge) so far only study on the consequences of equity distribution for entrepreneurial ventures (Hellmann & Wasserman, 2011), the question emerges whether high team stability based on a just equity distribution among founders is indeed *a good thing*, which I cannot answer with

this study. Specifically, Hellmann and Wasserman (2011) found that an equal distribution is negatively associated with the pre-money valuation at the time of a first round of outside financing. These authors suggest that, first, founders in teams with an unequal distribution are less hesitant to initiate negotiation when the founder stakes are high (*stakes effect*) and, second, *better* entrepreneurs are keen negotiators, both with outsider stakeholders (triggering high valuation) and with each other (triggering allocation of a majority stake to them) (*negotiator effect*). In my study, the teams with an unequal equity distribution, with the exception of Team J4, considered their distribution as unjust, which led to low team stability. In contrast, the teams with an equal distribution all considered their distribution as just, which led to high team stability. Therefore, while my study indicates that an equal equity distribution and the connected perceptions of high distributive justice contribute to the stability of the entrepreneurial team, it could also lead to a lower company value in the view of outside investors (Hellmann & Wasserman, 2011). Indeed, this negative correlation between team stability and venture valuation mirrors previous findings that investors often actively trigger team turnover before closing a financing round because they want to *professionalize* the team by bringing in experienced outside managers (Hellmann & Puri, 2002). At founding, entrepreneurs appear to face a trade-off between triggering team attraction, avoiding repulsing, and reaching team stability by allocating equity equally across founders, versus the probability of achieving a high valuation from investors by deciding for an unequal equity allocation. However, more research is needed to provide more insights on the benefits and drawbacks of an equity distribution that is perceived to be just by all team members and team stability.

Fourth, there are several research opportunities around the interface between family and work in the entrepreneurship context. Research on the faultline between the private and professional life in established organizations is plentiful (e.g., Shockley & Singla, 2011). In contrast, research on work-family topics in entrepreneurship is still at an

early stage of its development (Eddleston & Powell, 2012; Jennings et al., 2013). This is particularly surprising, given that the topic might be even more important than in established settings, since a satisfying work-life balance seems to be more difficult to achieve as an entrepreneur, where working hours are longer (Astebro, 2012), work is more stressful (Prottas & Thompson, 2006) and the monetary benefits may be small (Hall & Woodward, 2010). I am hopeful that my explorations on the role of family-work conflict for the stability of the founder team may trigger the interest of researchers to study this topic in more depth, both in terms of family-work conflict, but also in terms of positive family-work interactions. Scholars may, for instance, explore the family-work effects (both positive and negative) for work-related behavior and ultimately for individual-, team- and venture-related performance outcomes—an area which has in the past received great interest from research conducted in established organizations (e.g., Frone, Yardley, & Markel, 1997).

Finally, several avenues for research exist around the investor-entrepreneur relationship. Recently, there have been advancements to understand the implications of the post-investment investor-entrepreneur relationship for the social interaction patterns in entrepreneurial teams (Bammens & Collewaert, in press; Brettel et al., 2013; Collewaert & Fassin, 2013), which I also hope to complement with this study. Yet still, many questions surrounding this relationship have not been answered to date, despite their arguable importance. For instance, investors oftentimes add or replace members of the management team with outside managers (Forbes et al., 2006). However, it remains unclear to what extent managers that are installed by investors change the social interaction patterns in the entrepreneurial team and how this in turn affects team- and venture-level outcomes. Amongst others, these questions have so far been not addressed by academic research, yet they deserve attention, as they are likely to yield promising theoretical and practical insights.

In summary, the discussion above illustrates that entrepreneurship research is still in its infancy and that there are many opportunities for future research. This thesis is an attempt to add to our understanding of important aspects in the entrepreneurship context: rewards, justice, and entrepreneurial teams. Going forward, I hope that scholars will explore further issues along the exciting journey ahead.

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A1: BEST telephone guide

„Guten Tag, mein Name ist Philipp Rathgeber von der TU München. Ich arbeite als Wissenschaftler am Lehrstuhl für Entrepreneurship bei Prof. Patzelt und rufe an um mich zu erkundigen, ob Ihr Team Interesse hätte an unserem Projekt zum Thema „Erfolgreiche Gründerteams" teilzunehmen.

Ganz grob wollen wir in dem Projekt untersuchen, was die Zusammenarbeit in jungen Unternehmerteams und damit auch das Unternehmen an sich erfolgreich macht.

Da wir nur Teams bestehend aus mindestens 2 Personen untersuchen, eine kurze Frage an dieser Stelle: Besteht denn Ihr Unternehmen aus einem Team, d.h. gibt es mindestens 2 Personen, die gemeinsam Entscheidungen treffen?

Uns ist es natürlich bewusst, dass Sie als Unternehmer sehr beschäftigt sind. Gleichzeitig glauben wir aber, dass die Teilnahme am Projekt für Sie eine tolle Möglichkeit zur Weiterentwicklung Ihres Unternehmens darstellt:

- Sie lernen innerhalb des Projekts einiges über Ihre eigene Zusammenarbeit als Team, d.h. Sie werden besser verstehen worauf es wirklich ankommt in der täglichen Teaminteraktion. Hierzu erhalten Sie nach Projektende von uns eine teambezogene Auswertung der Teamstärken und Verbesserungspotenziale.

- Wir werden gemeinsam mit Ihrem Team in einem maßgeschneiderten Training mit unserem Beraterteam auf Basis der individuellen Ergebnissen konkrete Strategien erarbeiten, wie Sie ihr Team zu einem noch schlagkräftigeren Unternehmerteam entwickeln können.

- Darüber hinaus können Sie sich auf der TUM-Homepage positionieren, haben die Gelegenheit Kontakte zu knüpfen, z.B. im Rahmen eines Networking Events. Außerdem leisten Sie einen Beitrag für die Entrepreneurship-praxis und -forschung.

Was konkret bedeutet eine Teilnahme für Sie? Im Zeitraum von Mai bis Dezember 2011 füllen Sie Onlinefragebögen aus und nehmen an 2 Interviews teil – der individuelle Aufwand dafür beträgt ca. 1 Stunde im Monat.

Wir würden uns wirklich freuen, wenn Sie an unserem Projekt teilnehmen würden.

Haben Sie dazu noch Fragen?"

A2: BEST telephone FAQ document

We used this frequently asked questions (FAQ) document during the recruiting phase to answer the questions of potential study participants:

> FAQ 1: "Wir sind aber kein Start-Up mehr. Was verstehen Sie denn unter einem Start-Up?"

Fall 1, Start-Up ist weniger als 6 Jahre alt: Unter einem Start-Up verstehen wir Unternehmen, die vor maximal 6 Jahren gegründet worden sind. Ihr Unternehmen zählt demnach für uns noch zu der Gruppe von jungen Unternehmen und ist herzlich eingeladen, an der Studie teilzunehmen.

Fall 2, Start-Up ist zwischen 6 und 8 Jahre alt: Unter einem Start-Up verstehen wir Unternehmen, die vor maximal 6 Jahren gegründet worden sind. Bei einem Alter von x Jahren liegt Ihr Unternehmen ja nur knapp über der Grenze. Diese geringen Abweichungen stellen für uns kein Problem dar - bei einer so geringen Abweichung ist Ihr Unternehmen bzw. sind Ihre Mitarbeiter für unsere Studie immer noch sehr interessant. Wir würden uns also sehr freuen, wenn Sie und Ihre Team an unserer Studie teilnehmen würden.

Fall 3, Start-Up ist 9 Jahre oder älter: Unter einem Start-Up verstehen wir Unternehmen, die vor maximal 6 Jahren gegründet worden sind. Wir können zwar kleinere Abweichungen von diesem Wert berücksichtigen, aber mit x Jahren sind sie als Unternehmen schon so weit entwickelt, dass sie sich zu stark von den anderen Unternehmen, die bei uns mitarbeiten, unterscheiden werden. Deshalb können Sie leider nicht an der Studie teilnehmen.

> FAQ 2: "Warum denn gerade / ausschließlich Start-Ups bzw. junge Gründungsteams?"

Wir haben die Studie ins Leben gerufen um gemeinsam mit jungen Unternehmerteams Erfolgsfaktoren der Teaminteraktion herauszuarbeiten und den Teams dadurch bei ihrer Entwicklung zu helfen. Die übergreifende Forschungsfrage ist dabei, welche Interaktionsprozesse in Teams ablaufen und welche Faktoren für den Erfolg in Gründungsteams ausschlaggebend sind. Wir konzentrieren uns auf Gründungsteams, weil wir erstens untersuchen wollen, wie sich Unternehmen in einer frühen Phase entwickeln und bei jungen Start-Ups vermutlich die dynamischsten Entwicklungen ablaufen. Teams, die schon lange zusammenarbeiten, verändern sich oft nicht mehr so stark in Bezug auf die Interaktionsprozesse, weil sie schon eingespielt sind.

> FAQ 3: "Wie sind Sie auf uns gekommen?"

Wir befragen Unternehmen, welche an Gründerzentren in Bayern angebunden sind. Ihr Inkubatorleiter möchte unsere Studie sehr gerne unterstützen und hat uns netterweise Ihre Kontaktdaten zur Verfügung gestellt. Wie hoffen sehr, dass das für Sie in Ordnung ist und Sie unser Projekt ebenso positiv beurteilen.

FAQ 4: "Was wollen Sie denn genau herausfinden?"

Wir haben die Studie ins Leben gerufen um gemeinsam mit jungen Unternehmerteams Erfolgsfaktoren der Teaminteraktion herauszuarbeiten und den Teams dadurch bei ihrer Entwicklung zu helfen. Die übergreifende Forschungsfrage ist dabei, welche Interaktionsprozesse in Teams ablaufen und welche Faktoren für den Erfolg in Gründungsteams ausschlaggebend sind. Genaueres kann ich Ihnen leider zum jetzigen Zeitpunkt nicht mitteilen, weil das eventuell Ihr Antwortverhalten beeinflussen könnte.

FAQ 5: "Werden die Daten mit meinen Wettbewerbern verglichen?"

Die übergreifende Forschungsfrage unseres Projektes ist, welche Interaktionsprozesse in Teams ablaufen und welche Faktoren für den Erfolg in Gründungsteams ausschlaggebend sind. Dafür schauen wir uns im Wesentlichen die Werte über alle teilnehmenden Teams an welche aus verschiedensten Industrien kommen, d.h. wir werden nicht bestimmte Einzelteams miteinander vergleichen. Die einzigen Vergleiche, die wir ggf. machen werden, sind z.B. zwischen Gruppen aus Teams unterschiedlicher Größe oder aus unterschiedlichen Industrien. Darüber hinaus wird von uns nicht bekannt gegeben, welche Unternehmen an der Studie teilnehmen – zu Wettbewerbern werden wir Sie nicht befragen.

FAQ 6: "Wie zeitaufwendig wird diese Studie für uns?"

Wir haben uns bei dem Aufsetzen des Projektes bemüht, den Zeitaufwand möglichst gering zu halten. Der gesamte Zeitaufwand beträgt ca. 1 Std. im Monat über 6 Monate. Sie werden von uns insgesamt auf 6 Monate verteilt 4 umfassendere Fragebögen bekommen, die je ca. je 45 Min. beanspruchen, sowie wöchentliche Kurzfragebögen, die sie in 3-5 Minuten ausfüllen können. Die Fragebögen können Sie online ausfüllen, so dass Sie von jedem Computer darauf zugreifen können. Hinzu kommen noch 2 Einzelinterviews pro Person in Ihrem Team, die ca. 1 Stunde dauern. Dazu werden wir zu Ihnen fahren, Sie müssen dafür nicht reisen.

FAQ 7: "Wie laufen die Interviews ab? Wer würde mich denn interviewen?"

Die Interviews sind Einzelgespräche mit einer Dauer von ca. 60 Minuten. Für das Interview werden wir zu Ihnen kommen, Sie müssen dafür nicht reisen. Des Weiteren müssen Sie für die Gespräche auch nichts vor- oder nachbereiten. Das Interview wird von mir selbst oder einem meiner beiden Kollegen am Lehrstuhl für Entrepreneurship durchgeführt werden.

FAQ 8: "Warum setzen Sie die Studie über einen so langen Zeitraum auf?"

Unsere übergreifende Forschungsfrage ist, welche Interaktionsprozesse in Teams ablaufen und welche Faktoren für den Erfolg in Gründungsteams ausschlaggebend sind. Daher ist es wichtig,

die Entwicklung von Teams über die Zeit zu untersuchen. Dabei kann man z.B. schauen, wie sich bestimmte Teaminteraktionen auf die spätere Leistung auswirken. Wir glauben, dass wir hierzu über ein halbes Jahr gute Beobachtungen machen können. In der wissenschaftlichen Forschung ist eine derart intensive längsschnittliche Forschung sehr selten, so dass wir uns gerade deshalb viele neue Erkenntnisse erhoffen. Daher ist es uns diesen Aufwand auch wert.

FAQ 9: "Wer von meinem Team soll teilnehmen? Muss das ganze Team teilnehmen?"

Unsere übergreifende Forschungsfrage ist, welche Interaktionsprozesse in Teams ablaufen und welche Faktoren für den Erfolg in Gründungsteams ausschlaggebend sind. Daher ist es für uns wichtig, dass wir Teams als Ganzes befragen. Gleichzeitig kann auch unsere Rückmeldung und unser Trainingsangebot Ihnen nur bei der Teamentwicklung helfen, wenn das ganze Team einbezogen ist. Daher ist es für uns und für Sie wichtig, dass das ganze Gründungsteam teilnimmt.

FAQ 10: "Wie läuft die Befragung genau ab?"

Sie werden von uns insgesamt auf 6 Monate verteilt 4 umfassendere Fragebögen bekommen, die je ca. je 45 Min. beanspruchen, sowie wöchentliche Kurzfragebögen, die sie in 3-5 Minuten ausfüllen können. Die Fragebögen können Sie online ausfüllen, so dass Sie von jedem Computer darauf zugreifen können. Es wird Ihnen für jeden Fragebogen eine E-Mail zugesendet werden, in der Sie einfach auf einen Link klicken können. Über die Fragebögen hinaus würden wir mit Ihnen gerne noch 2 Einzelinterviews pro Person in Ihrem Team durchführen, die ca. 1 Stunde dauern. Dazu werden wir zu Ihnen fahren, Sie müssen dafür nicht reisen.

FAQ 11: "Wie wird die Vertraulichkeit der Daten sichergestellt?"

Die Fragebögen werden Sie online ausfüllen, so dass Sie von jedem Computer darauf zugreifen können. Es wird Ihnen für jeden Fragebogen eine E-Mail zugesendet werden, in der Sie einfach auf einen Link klicken können. Sie erhalten von uns einen persönlichen anonymen Code, so dass Sie sich nicht mit Ihrem Namen einloggen, sondern mit diesem Codeschlüssel. Die Daten werden dann statistisch ausschließlich anonymisiert ausgewertet. Es werden keine Rückschlüsse auf individuelle Personen möglich sein und niemand außerhalb des Forschungsprojektes wird Zugriff auf die Daten haben.

FAQ 12: "Kann ich mit meinem Team sprechen und Rückmeldung geben?"

Natürlich können Sie sehr gerne mit Ihrem Team sprechen – es ist uns wichtig, dass Sie alle Lust haben, an dem Projekt teilzunehmen. Soll ich Sie einfach in 2-3 Tagen nochmals anrufen?

FAQ 13: "Werde ich die Ergebnisse der gesamten Studie erfahren?"

Ihr Team erhält nach Studienende eine individuelle Auswertung der eigenen Stärken und Herausforderungen in der Teaminteraktion. Weiterhin werden wir in einem kostenlosen und maßgeschneiderten Training mit uns als wissenschaftlichem Team mit Hintergrund in der Unternehmensberatung diese Stärken und Herausforderungen mit Ihnen besprechen und konkrete Handlungsempfehlungen zur Weiterentwicklung des Unternehmerteams geben. Dabei werden wir gerne auch Ergebnisse der Studie rückmelden, die zu dem Zeitpunkt vorliegen. Es besteht darüber hinaus natürlich die Möglichkeit, die anonymisierten Ergebnisse zu einem späteren Zeitpunkt in wissenschaftlichen Veröffentlichungen nachzulesen.

FAQ 14: "Wie läuft der Workshop ab? Machen wir den Workshop alleine?"

Im Anschluss an die Rückmeldung der Stärken und Schwächen des Teams werden wir in einem kostenlosen und maßgeschneiderten Training diese Stärken und Herausforderungen mit Ihnen besprechen und konkrete Handlungsempfehlungen zur Weiterentwicklung des Unternehmerteams geben. Dabei wird ein Training basierend auf den Herausforderungen gegeben, vor denen Sie als spezifisches Team stehen. Wie genau die Trainings ablaufen werden, steht zum jetzigen Zeitpunkt leider nicht fest, da wir die Trainings nach der Befragung basierend auf den Befragungsergebnissen konzipieren werden.

FAQ 15: "Können wir während der Befragung aussteigen?"

Unsere übergreifende Forschungsfrage ist, welche Interaktionsprozesse in Teams ablaufen und welche Faktoren für den Erfolg in Gründungsteams ausschlaggebend sind. Daher ist es wichtig, die Entwicklung von Teams über die Zeit zu untersuchen. Dabei kann man z.B. schauen, wie sich bestimmte Teaminteraktionen auf die spätere Leistung auswirken. Wenn Sie aus der Befragung aussteigen, werden wir Ihre Daten für die Beantwortung der oben genannten Fragen leider nicht verwerten können. Daher bitten wir Sie herzlich, die Teilnahme nicht abzubrechen. Auch erhalten Sie im Falle eines Abbruches weder Rückmeldung noch Training. Natürlich können wir Sie aber nicht verpflichten, dass Projekt bis zum Ende durchzuführen.

A3: Overview of interviews for this thesis

#	INT	Team	Name	Date	Location	Duration
1	I1	J1	Anton	June 15, 2011	J1 office	53:50
2	I1	J1	Achim	June 15, 2011	J1 office	61:31
3	I1	J2	Bernd	May 6, 2011	J2 office	60:34
4	I1	J2	Bastian	May 6, 2011	J2 office	36:29
5	I1	J3	Claus	June 9, 2011	J3 office	48:06
6	I1	J3	Chris	June 9, 2011	J3 office	67:06
7	I1	J4	David	May 10, 2011	J4 office	44:08
8	I1	J4	Daniel	May 10, 2011	J4 office	51:02
9	I1	J5	Emil	May 13, 2011	J5 office	47:40
10	I1	J5	Elias	May 13, 2011	J5 office	72:28
11	I1	U1	Uta	May 5, 2011	U1 office	64:47
12	I1	U1	Uwe	May 5, 2011	U1 office	64:39
13	I1	U2	Vicki	May 2, 2011	U2 office	69:11
14	I1	U2	Valentin	May 2, 2011	U2 office	54:14
15	I1	U3	Werner	May 25, 2011	U3 office	40:23
16	I1	U3	Wilma	May 25, 2011	U3 office	67:50
17	I2	J1	Anton	December 2, 2011	J1 office	47:15
18	I2	J1	Achim	December 2, 2011	J1 office	57:28
19	I2	J2	Bernd	December 5, 2011	Telephone	39:43
20	I2	J2	Bastian	December 12, 2011	Telephone	32:11
21	I2	J3	Claus	January 27, 2012	J3 office	39:23
22	I2	J3	Chris	January 27, 2012	J3 office	48:33
23	I2	J4	David	December 14, 2011	J4 office	32:59
24	I2	J4	Daniel	December 14, 2011	J4 office	39:09

A3: Overview of interviews for this thesis

#	INT	Team	Name	Date	Location	Duration
25	I2	J5	Emil	November 29, 2011	J5 office	57:23
26	I2	J5	Elias	November 29, 2011	J5 office	84:10
27	I2	U1	Uta	December 14, 2011	U1 office	54:30
28	I2	U2	Vicki	November 25, 2011	U2 office	54:58
29	I2	U2	Valentin	November 25, 2011	U2 office	45:19
30	I2	U3	Wilma	December 21, 2011	Public café	79:30
31	FI	J5	Emil	May 29, 2012	Public café	58:53
32	FI	J5	Elias	July 2, 2012	J5 office	69:07
33	FI	U1	Uwe	May 7, 2012	Public café	48:10
34	FI	U1	Uwe	June 5, 2012	Telephone	22:46
						30:25:25

A4: BEST interview guide: first interview

#	Question
1	At first, I am interested in what your company is doing exactly. Would you please briefly explain that to me?
2	How did the business idea come up? What were the most important steps or events that brought your company to where it is now?
3	Have there been any specific success cases / any specific challenges for you recently?
4	How did you get to know each other as a team?
5	What is the function of the different team members within the company?
6	Did you establish these areas of responsibility from the beginning of your collaboration? Did it change over time?
7	Now that you have described the "functional distribution" within your company: how is this reflected in the distribution of equity among the team members?
8	Taking a look into the future: what will be the most important milestones for your company until end of 2011, and then also from 2012 onwards?
9	How would judge the risks for your company?
10	How does a "successful day" look like for your company, i.e. what needs to happen that by the end of the day you are saying: 'this was a successful day for the company'?
11	What is it that you like the most regarding your work at this company?
12	What is it that you don't like with regards to your work?
13	What do you think you would do if you were not working for this company?
14	Apart from the company: how would you describe your personal vision for yourself?

#	Question
15	How would you describe your personal vision for the company?
16	Would you please describe a typical day as you personally experience it in the company?
17	How much time do you invest in the company? How much time do your team members invest in this company?
18	How would you describe your team interaction in general?
19	What are the things that are really important to you when working together as a team?
20	Do you give each other feedback? How?
21	You have already mentioned your "functional distribution" within the company. Apart from that, how would you describe the different roles within the team?
22	Did these roles change over time?
23	Looking at your team mates: what do they have that inspires you the most? What do you think it is it that your colleagues find inspiring in you?
24	Having made all those experiences now: if you would have the chance to turn back the time and start all over again with your team: what is it that you would definitely keep doing as you did in the past? What is it that you would change?

A5: BEST interview guide: second interview

#	Question
1	Let's start with a recap of the past half year – did you experience particular successes or challenges?
2	How would you currently describe the overall "team spirit"?
3	If you recapitulate the past few months – what was the most important decision you took as a team for your company? For this decision, could you describe the decision-making process?
4	Who played what role in the decision-making process? Was it balanced?
5	How satisfied were you with the outcome of the process?
6	How satisfied were you with the process itself?
7	Had this decision-making process looked the same at the beginning of your team collaboration?
8	In the first interview, we briefly touched upon the distribution of equity. I would be interested in how the distribution process looked like. How did it play out?
9	How satisfied were you back then with the outcome of the equity distribution? How satisfied are you today?
10	After we now talked about 2 specific decisions in your team – do these reflect the "typical" decision-making process in your team?
11	Let us now look at a specific situation, during which you had team conflicts. What was the most significant team conflict over the past months? Could you please describe it to me?
12	How did you act in this situation? Why did you act the way you did? How did you feel?
13	How did your team members act? Why do you think they acted as they did?

#	Question
14	What was your contribution to resolve the situation? What were your team members' contributions?
15	In the future, what would you do differently if such a conflict occurred again? What should your team members do differently?
16	Was this conflict, we just talked about, "typical" for your team?
17	We just talked quite a bit about conflicts. How do you typically continue in the team after such a conflict situation?
18	Is there anything which you have kept to yourself for a while now and have not yet addressed in the team? If so, why?
19	Are there topics where you think twice before you share them in the team?
20	How do you evaluate the individual contributions to the success of your venture? Is that in line with what you had envisioned before you started?
21	Do you have the feeling that the topics your team members handle are in "good hands"?
22	If you think back to a situation where something really went wrong. How did you handle this situation as a team?
23	Is there anything that you learned as a team that you would do differently if it occurred again?
24	What could you do differently as a team to become even more successful? How would you try to achieve this?
25	What would you personally like to do differently? How do you go about achieving this?
26	Is there anything your team lacks? If you could configure your perfect partner – what attributes would he have?
27	A final thought experiment: imagine your team member(s) would not be there any more tomorrow. What would happen?
28	What are you looking forward to most in the upcoming months?

A6: Final coding scheme

#	Category	#	Sub-category
1	Determinants of equity distribution	1	Prior work experience
		2	Prior founding experience
		3	Provider of founding idea
		4	Prior relationship of founders
		5	Starting point of founders
		6	Perceived relative time investment of founders
		7	Monetary investment of founders
		8	Know-how investment of founders
		9	Strength of professional network in industry
		10	Perceived risk & responsibility taken
		11	Perspective (Backward vs. Forward)
2	Distribution process	12	Distribution process
3	Equity distribution	13	Equity distribution
4	Fairness/Justice	14	Perceived fairness (on day of distribution)
		15	Perceived fairness of distribution (today)
		16	Perceived Fairness within the team
5	Strategic decisions	17	Strategic decision-making
		18	Changes in decision making process
6	Motives/Motivation	19	Autonomy

A6: Final coding scheme

#	Category	#	Sub-category
6	Motives/Motivation	20	Learning
		21	Fun
		22	Money
7	Conflict	23	Task conflict
		24	Relationship conflict
		25	Process conflict
8	Communication	26	Way to communicate
9	Team work	27	Description of team members and oneself
		28	Perceived satisfaction with coordination
		29	Intrateam trust
		30	Hierarchy
		31	Assertiveness (decisions/everyday work)
		32	Perceived interdependence of team members
		33	Social distancing
		34	Commitment to team task
		35	Quality of relationship
		36	Identification with the team
		37	Interpersonal fit
		38	Team stability
		39	Team spirit/pride
10	Opportunity recognition	40	Selection process

A6: Final coding scheme

#	Category	#	Sub-category
10	Opportunity recognition	41	Product vs. technology vs. market orientation
		42	Relatedness to prior know-how/expertise
		43	Opportunity development
11	Uncertainty/risk	44	Perceived uncertainty
12	Roles/functions	45	Function in firm
		46	Social roles/characters
13	Plans for future (Personal)	47	Plans for future/goals/vision (Personal)
		48	Alternatives/opportunity cost
14	Plans for future (Venture)	49	Plans for future/goals/vision (Venture)
15	Changes	50	Membership changes
		51	Changes in functions/roles
16	Successes/challenges	52	Successes
		53	Challenges/mistakes/failures
		54	Satisfaction with venture success
17	Learning	55	Learning/reflection
18	Rituals/structure/planning	56	Structure/rituals
		57	Planning
19	Metaphors	58	Metaphors
20	Work-life-balance	59	Satisfaction with work-life-balance
21	Emotions	60	Positive emotions
		61	Negative emotions

A6: Final coding scheme

#	Category	#	Sub-category
22	Corporate/feedback culture	62	Feedback culture
		63	Emphasis on employee satisfaction
		64	Emphasis on team member satisfaction
		65	Emphasis on efficiency
23	External stressors	66	Investor conflict
		67	Family-work conflict

Eidesstattliche Erklärung

Ich erkläre an Eides statt, dass ich bei der promotionsführenden Einrichtung, der Fakultät für Wirtschaftswissenschaften der Technischen Universität München, zur Promotionsprüfung vorgelegten Arbeit mit dem Titel:

Equity distribution in entrepreneurial teams: Distributive justice, team processes, and team stability

am Lehrstuhl für Betriebswirtschaftslehre – Entrepreneurship unter der Anleitung und Betreuung durch Prof. Dr. Dr. Holger Patzelt ohne sonstige Hilfe erstellt und bei der Abfassung nur die gemäß § 6 Abs. 6 und 7 Satz 2 angegebenen Hilfsmittel benutzt habe.

- Ich habe keine Organisation eingeschaltet, die gegen Entgelt Betreuerinnen und Betreuer für die Anfertigungen von Dissertationen sucht, oder die mir obliegenden Pflichten hinsichtlich der Prüfungsleistungen für mich ganz oder teilweise erledigt.

- Ich habe die Dissertation in dieser oder ähnlicher Form in keinem anderen Prüfungsverfahren als Prüfungsleistung vorgelegt.

- Die vollständige Dissertation wurde nicht veröffentlicht.

- Ich habe den angestrebten Doktorgrad noch nicht erworben und bin nicht in einem früheren Promotionsverfahren für den angestrebten Doktorgrad endgültig gescheitert.

Die öffentlich zugängliche Promotionsordnung der Technischen Universität München ist mir bekannt, insbesondere habe ich die Bedeutung von § 28 (Nichtigkeit der Promotion) und § 29 (Entzug des Doktorgrades) zur Kenntnis genommen. Ich bin mir der Konsequenzen einer falschen Eidesstattlichen Erklärung bewusst. Mit der Aufnahme meiner personenbezogenen Daten in die Alumni-Datei der TUM bin ich einverstanden.

München, den 01. August 2013:   ....

Philipp Rathgeber