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The role of team-dynamics in entrepreneurial exit
An exploratory study

Master Thesis Report

M.S. (Siraadj) Salarbux

4148134

M.S.Salarbux@student.tudelft.nl

Graduation committee

First supervisor: Dr Ing. V.E. (Victor) Scholten

Second supervisor: Dr B. (Ben) Wagner

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When comparing themselves, people tend to compare themselves with individuals that have it better or easier. However, for this to be true, logically, the opposite should also be true. The grass always seems to be greener on the other side. However, the original side is the greener opposite when you get to the other side. To formulate this more positively, there is always something to be grateful for. Therefore, I'd like to appreciate some people in my life. These people either directly or indirectly supported me in my academic journey. Be it like guiding me during this thesis or letting me interview them. Aiding me mentally, be it giving me new insights or letting me blow off some steam by, for example, laughter.

To all these people, I would like to say thank you.

I appreciate you.

Executive summary

Entrepreneurial exit can be considered one of the most important moments in the entrepreneurial life cycle. However, within the literature, this importance was only recognized recently. Research regarding entrepreneurial exit went through a few stages; Firstly, the focus was on re-defining entrepreneurial exit and giving it a place in the life cycle. Entrepreneurial exit used to be an event that was associated with failure. Right now, not perse. It's an event with many choices and can be studied on many levels. Within this study, exit will be looked at the level of the entrepreneur. Secondly, the role of the entrepreneur was considered; this includes variables such as intentions and personality traits. Lastly, state-of-the-art research seems to be looking at team dynamics. Currently, the main focus points were on homogeneity within the team. This study is an exploratory research which tries to link team dynamics and entrepreneurial exit. The found connections can be used for further studies.

To achieve this, the main research question for this study is formulated as follows:

How do team-dynamics in technical firms affect the entrepreneur's intention to exit the start-up and the chosen exit strategy?

To answer the research question, a qualitative method was used, namely the comparative case study by using contrasting cases. The case studies are created by conducting interviews with management team members of technological start-ups/scale-ups. This contrast between cases is created by using a quadrant that divides the cases into "entrepreneurial exit incidents" and starting and more developed start-ups/scale-ups. Furthermore, the semi-structured interview is created by doing a literature review. Out of this literature review, multiple propositions were derived, and a conceptual model was formed. Afterwards, the propositions and conceptual model were the guidelines for the interviews. Lastly, the literature review was based on the sub-research questions.

12 case studies were formed, which were analyzed first individually and second cross-case. For the individual analyses, an open code method was used. For the cross-case, axial coding. Lastly, to find something coherent, selective coding was used.

The conceptual model created with the literature cannot be supported by the case studies. However, out of the cross-case analysis, new interesting hypothesis have been formed. Such as 1. The friendship of the founding team and how they met are directly correlated with the homogeneity of the team. 2. Conflict in the early stages most happens because of a lack of entrepreneurial experience and an unclear separation of tasks. Furthermore, homogenous teams are more likely to have an unclear separation of tasks. 3. Conflict in the later stages of the companies is mostly related to different core values between management team members.

Each of these relationships could be interesting for future research, such as how fast certain milestones are reached within a homogenous founding team and a heterogenous founding team. How could this early unclear separation of tasks be improved? This could be a bigger issue for homogenous teams where people have similar skills and interests. Lastly, how could management team members be selected for long-term value and minimal conflict?

Key words: Entrepreneurial exit, Team dynamics, Conflict, Management Team, Executive Team

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Acronyms

E&P – Explorations and Production

ET – Entrepreneurial Team

FT – Founding Team

MT – Management Team

MVP – Minimum Viable Product

VC – Venture Capitalist

1. Introduction

There are multiple models describing the entrepreneurial process such as the one created by Reynolds and White. Their model focuses on the early and emerging phases suggesting that the entrepreneurial process consists of four distinct phases (Marone, 1999):

1. The infancy phase which is a completely new firm
2. The gestation phase is a "pre traction" period. The period that a firm needs to develop before it starts showcasing results.
3. The conception phase is the entire adult phase of the firm.
4. The adolescence phase is an established firm.

Entrepreneurial exit is one of the most important moments in the entrepreneurial life cycle. This is important because this exit can significantly affect the firm, industry and even the economy (DeTienne, 2010). However, as you can see, entrepreneurial exit is not defined in any of the stages of the above entrepreneurial process. Furthermore, these phases have in common: "each phase involves opportunities and unexpected problems that need to be solved", as stated by DeTienne (2010). This is also the case for entrepreneurial exit; for this reason, she proposed that the ending of a business is also part of the entrepreneurial process (DeTienne, 2010). In a later study, she and Wennberg state that "Entrepreneurial exit completes the full cycle of the entrepreneurial process", expressing that "every entrepreneurial entry carries the potential of becoming an entrepreneurial exit" (DeTienne & Wennberg, 2016). This proposition was the basis of new research and made a significant shift in entrepreneurship literature when accepted. This means that state of the art research does not see exit necessarily as a failure anymore (Cefis & Marsili, 2012; DeTienne, 2010; DeTienne & Wennberg, 2016; Pisoni & Onetti, 2018; Wennberg & DeTienne, 2014). Earlier research on entrepreneurship has focused on how people establish, take over, and build their businesses. Therefore, we know little about how and why people exit (Nordqvist et al., 2013). Also, entrepreneurial exit and possible strategies have mostly been studied from the perspective of a single entrepreneur. In contrast, creating a new venture sometimes has multiple decision-makers or founders (Edlund & Kemper, 2019). Additionally, the importance of teams is highlighted because they are more frequently present in high-growth companies where a team member would eventually want to harvest their efforts through exit. Detienne and Wennberg (2014), say that "Viewing exit from the perspective of a team would bring in lots of new theoretical concepts and theories" such as in group dynamics, game theory, and bargaining that could shed light on issues like the importance of financial stakes in a venture, group dynamics in a team and more (Wennberg & DeTienne, 2014). According to interviews conducted by Edlund and Kemper (2019), with part-owners of firms, is that "on a group level individual factors of each member of the group such as age, industry experience, and previous experience with conducting exits, affect each other. This is because some members come from various backgrounds; those with less experience in entrepreneurial exit, trust those with more expertise" (Edlund & Kemper, 2019).

1.1. Definitions

It brings clarity when terms have a clear definition in a certain context which will ultimately help in understanding the concepts and factors better that will be discussed in this thesis.

1.1.1. Entrepreneur

According to Investopedia and the oxford dictionary, an entrepreneur is a person who starts a new firm or business, incurring most of the financial risks and reaping the majority of the gains (investopedia, 2022). The whole process of setting up a business is known as entrepreneurship. There are different types of entrepreneurs, such as lifestyle, growth, serial and social entrepreneur. Some types are described below to give a grasp of the diversity.

➢ Lifestyle entrepreneur**:** Most of the time, this type of entrepreneur owns a small business but has no plans to expand this business beyond providing jobs and income for one or more people, such as friends and family (ULP, 2021).

➢ Growth entrepreneur: Someone who is interested in growing a company. Most of the time, as quickly as possible. This can be done either by a number of employees or in gross profit (Macke, 2019).

➢ Serial entrepreneur: Someone that starts one company after the other. Instead of staying for a longer time at the business, they try to sell it after the business has reached a certain level of maturity. Going to the next business can either mean they sold the previous business, failed it, or for any other reason (Henricks, 2020).

➢ Social entrepreneur: Someone with a passion for social causes. These types of businesses are primarily non-profit. They explore business opportunities positively impacting the community or even the world (Peek, 2020).

1.1.2. Entrepreneurial teams

To define Entrepreneurial teams (ET), the definition of a group should be given first. A group is when two or more individuals interact and are interdependent, who have come together to pursue specific goals (Schjoedt & Kraus, 2009). A team is a special group where the members see each other as a social unit and share the same outcomes. (Schjoedt & Kraus, 2009). Most high-technology start-ups have at least two founders instead of a solo entrepreneur (Lazar et al., 2020).

Keeping the above perspectives in mind, the following definition for ET is used:

> *"An entrepreneurial team are two or more individuals trying to pursue the same business idea and have the same interests in mind. These individuals are involved in the commitment to the venture's future and success, and are considered to be at the management level with management responsibilities in at least the starting phases of the venture. Furthermore, these individuals see each other as a social unit"* (Knipfer et al., 2018; Lazar et al., 2020; Loane et al., 2014; Schjoedt & Kraus, 2009).

This definition of ET emphasizes the social unit and sharing of the outcomes. Note that this definition does not mean that each team member has the same tasks. Tasks are interdependent and can be done by individual members, a combination of members or with external help (Schjoedt & Kraus, 2009). Some definitions state that the ET exists out of the founding members

or at least individuals present during the firm's pre-startup phase. The pre-startup phase is before the goods or services are available to the market (Kamm et al., 1990). The definition used in this thesis does not distinguish between starting phases of team members. However, if a distinguishment needs to be made, the terms founding team and management team will be used. ET's are likely to change in composition over time in terms of ET member entry and exits, which means that ET's are not static (Loane et al., 2014).

1.1.3. Founding teams

A founding team is a group of individuals selected to launch a new business together (definition, 2022a). They either came up with a business plan or idea or were selected by one group member. An alternative to a founding team is an individual starting a business alone, also known as a solopreneur.

1.1.4. Management teams

As a start-up grows, additional roles and expertise might be needed. Putting together a management team to help allocate tasks and responsibilities is critical in growing a business (Indeed, 2021b). In this thesis, the term management team will be used for the entrepreneurial team if it doesn't solely exist anymore out of founders and co-founders.

1.1.5. Entrepreneurial Exit

The definition of entrepreneurial exit depends on the context. In this article, I describe entrepreneurial exit as the process by which the founders and/or management team members leave the firm they helped to form, so they remove themselves from the organisation's principal ownership and decision-making structure to varying degrees.

1.2. Problem context

Research regarding entrepreneurial exit has been centred around the entrepreneur and his development. These findings and development have been described in the literate study. Afterwards, the knowledge gaps are highlighted. Finally, one of these gaps is used for deriving a research objective.

1.2.1. Literature study

Goal setting is a process where a individual thinks about desirable future states and develops a way to achieve these so called goals. Similarly, if the entrepreneur prepares an exit plan in the company's infancy phase, he will be more likely to exit and achieve the desired state (DeTienne, 2010). Keeping this in mind, its logical that Wennberg states that the desire for entrepreneurial exit is likely tied to the entrepreneur's motivation to start a start-up (Wennberg & DeTienne, 2014). Furthermore, it is also worth noting that as the company expands, the entrepreneur develops a psychological connection to it. How deep this connection is, depends on the type of entrepreneur. Some of the types have been described in chapter 1.1.1 at page 8. Some research concludes that the lifestyle entrepreneur has a deeper psychological attachment than other types because they "see the enterprise as an extension of their personality" as stated by DeTienne

(DeTienne, 2010). In a later article, she states, "given the emotional and financial commitment entrepreneurs give to their ventures, exit is often an emotional process that may result in grief" (Wennberg & DeTienne, 2014).

A posthoc follow-up study shows that both the big 5 personality factors and the risk propensity positively correlate with an entrepreneur's intentions. The same study also states that entrepreneurial characteristics such as entrepreneurial experience, industry experience, age and education affect exit intentions (DeTienne & Cardon, 2012). Furthermore, Afrahi and Blackburn believe that the individual elements unique to entrepreneurial exit are quite likely to have been neglected or ignored in empirical investigations. They have employed research based on the psychological disengagement hypothesis that is used to define emotional disengagement as the experience of being emotionally removed from business action. According to this notion, individuals can disengage from their work when resources are limited or when the tasks are repetitive or useless (Afrahi & Blackburn, 2019). This seems like an extreme definition because an individual might be emotionally disengaged with a company but not with entrepreneurship perse. On top of that, they concluded that they could find no mediating effect from emotional disengagement on the company's exit strategy. However, their work has some outcomes that align with the statements of DeTienne, such as that "entrepreneurial experience and firm size directly affect harvest exit strategies". Additionally, they state that "emotions such as self-doubt may cause emotional disengagement, which reduces the intensity of the emotional bond between an entrepreneur and the business, making exit more likely" (Afrahi & Blackburn, 2019). These findings do not directly have high value or relevance to the literature. However, when research can connect the characteristics of an individual to a type of firm exit, this could be highly interesting. Another scholar claims that distinct social networks involving strong (family and close friends) and weak (colleagues, collaborators, and other distant persons) network links may influence an entrepreneur's exit-related intents (Kaciak et al., 2021). To prove this, they created a theoretical framework and conceptual model that states that a founder with solid and relevant ties will choose a stewardship strategy and a founder with few and weak ties will opt for a financial harvest/voluntary cessation strategy. Even though the findings seem likely, the sample size used in the paper was too low. Therefore, further research needs to be conducted.

Most great founders have vision, which is hard to replicate. Short-term cost savings often replace the lack of articulation of vision when replacing such a person after exit. This is why many businesses lose their competitive advantage and super-profits when founders leave (Sethi, 2016). If the founder's concept is not entirely standardized when they exit, the firm may be left dangerously fragile, as it is in its early phases of development. For this reason, sometimes partial exits can be justified so that founders can later exit via a route like IPO or trade sale (Sethi, 2016). In addition, some founders may be concerned about how the firm will be managed if they leave. These concerns are not only for the firm but also because many have developed long-term relationships with employees, customers, and suppliers and may be apprehensive about how these different actors will be managed once they leave (DeTienne, 2010).

1.2.2. Knowledge gaps

Entrepreneurial exit has little literature attached, even though it has significant potential. Based on the literature review, three knowledge gaps can be highlighted. First, the knowledge of

developing an exit strategy early in the firm's life impacts achieving the preferred exit. This proposition is based on goal-setting theory (DeTienne, 2010). However, empirical research yet has to be conducted.

Secondly, the factors influencing an entrepreneur's decision to take a particular exit are still unknown. What changes in the process of deciding on an exit route over time? – This is a massive study because companies need to be monitored/interviewed at some intervals over a time period long enough for decisions to have the potential to change. These companies also need to have certain requirements to make a better comparison between the cases.

Lastly, group dynamics in the entrepreneurial research regarding exit have been neglected. Knowledge is scarce. Exit strategies have primarily been researched from the standpoint of a single entrepreneur, but the formation of a new enterprise may involve numerous decision-makers or founders (Edlund & Kemper, 2019). Furthermore, the relevance of teams is emphasized because they are more typically present in high-growth organizations where a team member may eventually desire to harvest their efforts through leave.

1.3. Research objective

Scholars studied entrepreneurial teams and their formation via a variety of disciplinary lenses. How founders establish an entrepreneurial team to start a new venture has significant consequences for team performance and success (Lazar et al., 2020). This makes understanding entrepreneurial teams and their formation process, member characteristics and the correlating consequences highly interesting. Furthermore, the entrepreneurial team is a crucial factor in investment decisions and growth trajectories since investors often choose investment decisions based on the team (Kamm et al., 1990; Lazar et al., 2020). Venture capitalists rarely consider a business proposal based on the talents of a single individual; instead, the skills and experience of the entire venture team are key (Kamm et al., 1990). Furthermore, according to research, Entrepreneurial teams appear to achieve better than individual entrepreneurs in sales and survival (Smith, 2007).

This study aims to address one of the abovementioned gaps in the literature review. Therefore, the primary goal of this research is:

To find a connection between team-dynamics and entrepreneurial exit

The study is of exploratory nature, which means that the goal is to either formulate a problem, clarify the concept and/or form hypotheses. This research can give relevant insights to different actors such as policymakers, incubators, coaches, and entrepreneurial teams, showcasing scientific relevance. These insights can assist in compiling teams and predicting start-up success outcomes. Furthermore, it is essential to notice that the influences can come from different levels of which team dynamics is one of them. Other variables are the entrepreneur itself and the company.

1.4.   Research questions

To achieve the objective of this thesis, a main research question is required. In addition, a series of subquestions is necessary to guide the research. The responses to these subquestions will provide the information needed to answer the main research question and achieve the research objective. To scope down the research, only technical firms will be looked at. This is because technology companies are known for their high growth potential. Therefore, the **main research question** is:

How do team-dynamics in technical firms affect the entrepreneur's intention to exit the start-up and potentially the chosen exit strategy?

Both team-dynamics and entrepreneurial exit have been researched separately. However, not simultaneously. entrepreneurial exit has mostly been researched from the angle of a single entrepreneur and therefore, not yet from the angle of a team. However, it is essential to know what current literature tells about exit and the entrepreneur's intentions and options. For that reason, sub-question 1 has been formed. Furthermore, team dynamics has been researched for different topics which are not perse entrepreneurship related. To find a connection between entrepreneurial exit and team dynamics, entrepreneurial teams need to be defined, which is done in sub question 2. Furthermore, literature for both entrepreneurial exit and team dynamics needs to be understood before a linkage can be made, as is the purpose of sub-question 3. To completely answer sub question 3, the question can be split up into knowing which team variables exists and which exit intentions exist. The literature can be used to come up with an initial connection between the two terms. However, an additional source, such as in this case, interviews, is needed to answer this research question. Altogether, the main research question can be decomposed into the following **sub-research questions**:

1. What are exit options an entrepreneur can consider?
2. What do we know about entrepreneurial teams
3. Which team variables and dynamics influence exit intention?

Conducting literature research can aid in solving sub-research questions 1 and 2. Afterwards, the literature research can be utilized to come up with propositions and a conceptual model. These are then used to produce an interview. The results of the interviews will be utilized to address sub-research question 3.

1.5.   Thesis outline

This section discusses the format in which the thesis is structured.

Chapter 1: Provides definitions of terms that will be used a lot throughout the thesis, and outlines the scope of the thesis, and the problem context by providing a literature study and knowledge gaps, a research objective and the research questions.

Chapter 2: Describes the research design and methods. It also describes the limitations and the validity. Furthermore, the interview protocol and literature search are discussed.

Chapter 3: Provides a literature review on team dynamics and entrepreneurial exit. It has been structured in a way to create different topics. The literature review has been used to come up with propositions and a conceptual model, which are both addressed.

Chapter 4: This chapter elaborates on the gathered qualitative data. The interviews have been translated into case studies which are being displayed and compared.

Chapter 5: Compares the gathered qualitative data and addresses the different propositions and the conceptual model derived in chapter 3.

Chapter 6: Extends on the study's implications, limitations, and future suggestions. It also addresses the research topic posted in Chapter 1. Attempting to summarize and complete the research.

1.6.   Extra information

Within the appendix, the complete case studies can be found. These case studies contain some extra information provided by the entrepreneur, which is not perse discussed in the thesis but could be interesting knowledge. For example, each case study concludes with advice the entrepreneur would like to give other entrepreneurial teams.

2. Methods and Research Design

This chapter describes the research methods that will be used and is decomposed into strategy, its limitations and a design of the research

2.1. Strategy

According to Yin, choosing a research strategy consists of 3 conditions; "the type of research question posed, the extent of control an investigator has over actual behavioural events and the degree of focus on contemporary as opposed to historical events" (Yin, 2002). Furthermore, the main research question is a "how" question, and the event's behaviour cannot be controlled. Also, the event – entrepreneurial exit – can be considered contemporary. As a result, the **comparative multiple-case study** is the preferred technique for investigating a current occurrence in a real-life setting, especially when boundaries and context are unclear (Yin, 2002). This is a combination of depth interviews and case analyses. Other popular methods for exploratory research are literature searches and focus groups. Literature searches will be used to form the basis of the interviews and create questions. A focus group is a research strategy that uses group interaction to obtain data. The group is made up of a limited number of people who have been carefully chosen to discuss a particular issue. This is usually used to investigate how people think and behave and to share insights on specific topics and questions (B2B international, 2022). However, on the topic of entrepreneurial exit and conflict where no clear ground layer is established regarding team dynamics, it might be better to use a method that can be done anonymously. Furthermore, gathering a group of people in high functions at a specific time and place might bring some complications in terms of flexibility.

A multiple case study means that multiple cases are considered and compared with each other in contrast to a single case study where a single holistic view is analysed. The case studies are very valuable for understanding and describing how context affects an event's success, in this case, the effect of team dynamics in entrepreneurial exit, as well as how to customize this to the unique situation to achieve the desired outcomes (Goodrick, 2014).

Additionally, the choice for **contrasting cases** has been made instead of similar cases. The decision has been made because the research is of an exploratory kind. **Exploratory research** is a flexible type of research in which questions are being researched on which little precedent information is known yet (Merkus, 2022).

Sub research questions 1 and 2 can be answered by conducting **literature research**. This can be used to create **propositions** and a **conceptual model**. In turn, these are used to create an **interview** which will be translated into a case study. Finally, the interview outcomes will be used to answer sub-research question 3. Ultimately leading to answering the main research question. Also, coming up with follow-up studies will be an essential part of this thesis.

2.2. Limitations

Such as every strategy, the comparative case study approach comes with its limitations:

- Researchers bias: the subjective feeling of the researcher might influence the case study.

- The volume of data, together with time constraints, can impact the depth of the analysis.
- Time-consuming and expensive.
- Data is gathered from limited subjects, and it's difficult to prove that the findings will be generalizable (Arsalan, 2018; McLeod, 2019).

A countermeasure has been considered for each of these limitations to minimize the obstructive effects. Researchers bias can be limited by creating a good research plan and design, which will be shown in the next section. Furthermore, an awareness of potential bias in every step of the process is needed. This even includes the strategy selection and therefore also chapter 2 of this thesis (Indeed, 2021a). Because of the low volume of data in contrast to time and expenses, it's difficult to generalize the interview outcomes and findings. Therefore, suggestions for further research will be made instead of generalising the results.

2.3. Research Design

It is typical for multiple-case studies to link cases with empirical data. Empirical data comes from research, in this case, interviews (Bradford & Gordon, 2022). Yin shares a model for multiple-case designs, which will be used and is shown in Figure 1. First, the sub-research questions 1 and 2 will be used to guide the case study/interview questions, develop theory and select cases. Next, the questions and theory will be used to create propositions, which are statements that call attention to something that should be investigated and are within the scope. Propositions, in contrast to hypotheses, do not have to be testable or measurable since propositions can be seen as a concept (Clay, 2018). Each case will have an individual report which will later be compared. Finally, the gathered data can be compared using "pattern matching", where parts of the case will be linked to the theoretical propositions and the conceptual model (Yin, 2002). Also, The cross-case analysis will be used to answer sub-research question 3. Ultimately, the main research question will be answered, and potential future research will be suggested.
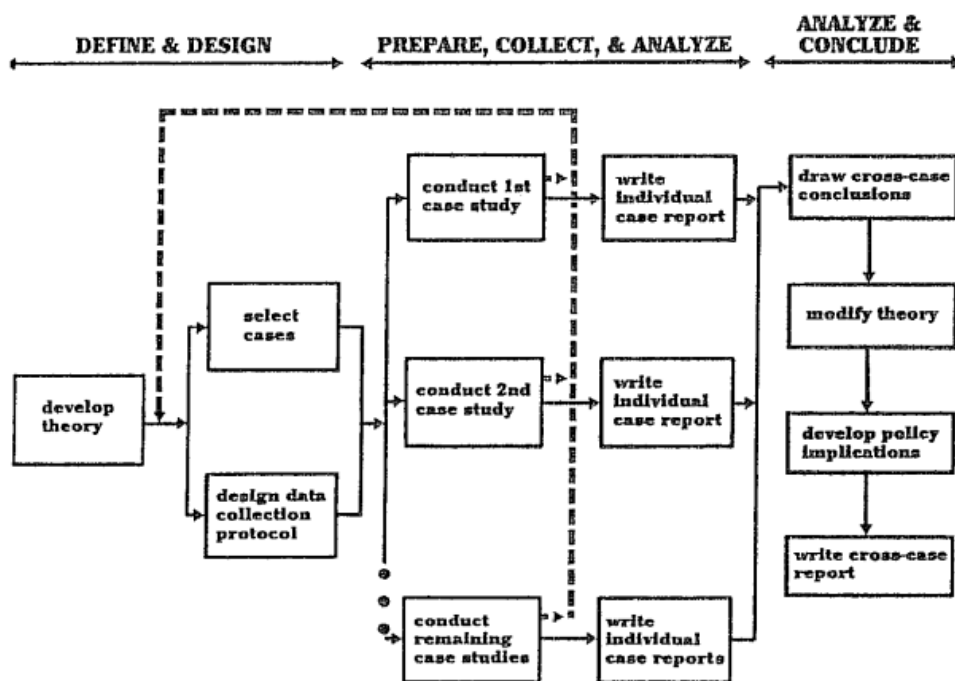
Figure 1 - Research method for multiple-case studies (Yin, 2002)

2.4. Validity and reliability

It is critical to put any research design to the test. However, these tests have always probed a question for qualitative researchers. Therefore, The credibility of qualitative research is determined by;

- How the study is designed and the data is analysed (Karmilla Kaman & Othman, 2016).
- Multiple data collection principles are employed to ensure that data is reliable and valid (Karmilla Kaman & Othman, 2016).
- Maintaining a chain of evidence. According to Yin, four specified tests also serve as a framework for evaluating the quality of major case studies: construct validity, internal validity, external validity, and reliability (Yin, 2018).
- Triangulation of information enhances research validity and reliability (Yin, 2018).

Keeping above points in mind, multiple sources of evidence are used to develop propositions and conceptual models. Using multiple sources ensures **construct validity**. Afterwards, the propositions are used to come up with interview questions. Furthermore, the derived conclusions from data analyses must be valid. In qualitative data analysis, validity refers to the extent to which study findings properly represent the acquired data (internal validity) and can be generalized (external validity). There are multiple qualitative research techniques to obtain such validity. For case studies, pattern matching and explanation building are well used for **internal validity** – "finding a robust explanation of why a particular state of affair exists" (Mills et al., 2013). Furthermore, to ensure **external validity**, the theory is compared with the empirical outcomes of the case studies. Allowing analytic generalization if two or more incidents are proved to support the same proposition (Yin, 2002). Lastly, "there can be no validity without reliability. A demonstration of validity is sufficient to establish **reliability**" (Karmilla Kaman & Othman, 2016).

The above strategy described how the literature research and data analysis could be considered valid and reliable. However, another factor is the reliability and validity of the interviews. To ensure interview reliability, the following measurements are taken:

- One-on-one interviews
- Interviews with interviewees that have direct knowledge of the topic
- Interviews with interviewees that have decision-making influences
- Using a semi-structured interview to ensure the same type of questions.
- Using open questions for freedom in answering.
- Give interviewees the questions beforehand, so they are not caught by surprise.
- Interviewees are kept completely anonymous.

2.5. Literature Search

To get a grasp of the literature in the field of entrepreneurial exit and team dynamics, the following keywords have been used in the search process.

(Entrepreneurial Exit) AND (strategies OR strategy OR intentions OR options)

(team dynamics OR Friendship) AND (entrepreneurship OR exit)

Above keywords were the main keywords used. Other search query variations have also been used, including the keywords free riders, team formation and conflict. For each paper, at least the

abstract was read. If considered relevant, the research findings were read to confirm the relevance. Afterwards, the complete paper was analysed and put into an annotated bibliography. In this bibliography, each chapter of the paper is summarized and colour coded. The following code has been used: definitions, entrepreneurial exit intentions, entrepreneurial exit strategies, the mention of entrepreneurial teams and entrepreneurial exit, Team formation, friendship, team dynamics and free-riders. The search query method gave a solid foundation of the literature. However, logically these papers have been cited and been cited by other papers. Therefore, backward and forward snowballing was used to find more information and create a coherent research basis. The Snowball approach involves locating a single article and then continuing forward, "forward snowballing," to discover where that paper was referenced, or backward, "backward snowballing," to see what citations that paper utilized to develop its argument (Rosado, 2020). Both Scopus and Google Scholar were used for searching papers.

2.6.   Interview Protocol

This section describes how the semi-structured interview is created, how prospects are selected and how the results are coded. Furthermore, the interview questions are created out of the literature findings. The literature findings are split into logical topics which in turn help in creating a coherent story. Out of these findings, propositions and a conceptual model are made. These propositions were leading for the interview questions that can be seen in Appendix B: interview questions.

2.6.1.   Interview application selection

The interview applicants were selected for being in the management team of a technology start-up or scale-up. The younger start-ups needed to show potential in the form of awareness in the market, doing well in start-up competitions or having founders that are well connected. Furthermore, the quadrant displayed in Figure 2 is used. Ideally, having equal interviews of each quadrant with a minimum of 2 cases per quadrant. The y-axis is the amount of entrepreneurial exit within the company, Which is meant to separate companies that either had an exit in the entrepreneurial team or not. The X-axis shows the founding date where the centre is put at 6 years. Lastly, the letters represent the case studies. As a result, young start-ups are divided into more settled start-ups and/or scale-ups. This differentiation might make finding a contrast between different cases more plausible.
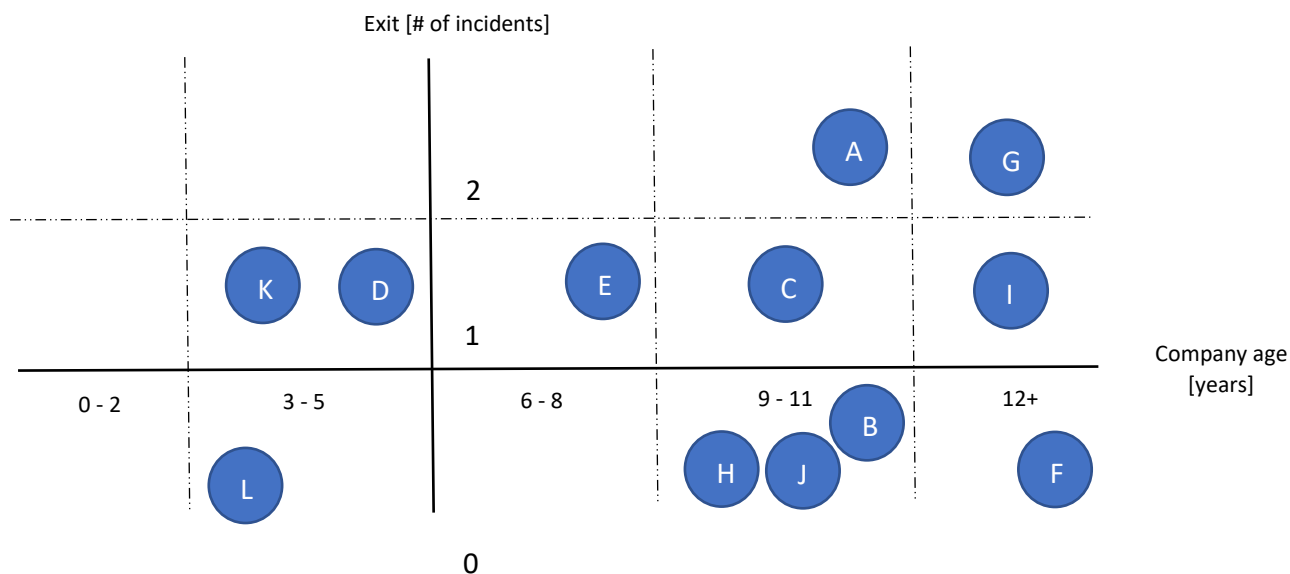
Figure 2 - interview selection quadrant

2.6.2. HREC

According to TU Delft guidelines, when conducting human research such as interviews, HREC approval is needed. This approval includes a risk planning session and a plan to minimize risk. Furthermore, potential risks should be communicated to the interviewee (TU Delft, 2022a). In the case of this thesis, this has been done verbally and in the form of a consent form, as can be seen in Appendix A: Code of Conduct. In this consent form, the interviewees' consent to have seen and understood the risk, to participate in the interview, and to approve the session being transcribed and voice recorded. Lastly, they agree with how the data is stored, used and published.

2.6.3. Interview coding

The interviews are translated into case studies. Since the interviews are semi-structured, the case studies can be created under the same subjects. Namely, introduction, team structure, team formation, team homogeneity, "decision-making, network ties, and friendship", "team size and free riders", and entrepreneurial exit. Also, a bonus topic has been added, which are the final thoughts of the entrepreneurs. Here they provide advice for other entrepreneurial teams by stating what they have learned regarding team dynamics.

First, **open coding** is used to analyse the results of the interviews. Open coding is a frequent used method in the first stage of qualitative research analysis and is frequently used as the first coding pass in Grounded Theory. This method will divide the data into discrete chunks and marked with "code". This possibly opens insights into new theoretical possibilities (Corbin & Strauss, 1990). The used code can be found in Appendix C: Interview Code.

Secondly, for the cross-case analysis that can be found in section 4.2, **axial coding** is used. Axial coding can be seen as a second step in open coding. In qualitative research, this involves reading over the open code and the data to determine how the code might be categorized. These categories can be analysed (Delve, 2022).

Lastly, Selective coding is used in the reflection of this thesis. Here, it is tried to connect the different categories and form a single core category.

3. Literature Review

The objective of this chapter is to find state-of-the-art knowledge about entrepreneurial exit and team dynamics. The findings do not necessarily need to link above named topics directly but are meant to generate propositions and a conceptual model. These in turn, will be used to create an interview.

3.1. Theory and propositions

In this section, the theory is directly followed by the corresponding propositions. Furthermore, the theory is divided into parts used for the conceptual model displayed in section 3.2 on page 28. Afterwards, in section 3.3, the propositions are listed again for clarity.

3.1.1. Team formation

Entrepreneurial teams are formed endogenously, which means that they are formed organically instead of being exogenously assigned (Jung et al., 2015; Lazar et al., 2020). This means that entrepreneurs select both the business idea and its founding partners. Research in the 2000s believed that many entrepreneurs start out a venture alone and along the way ask for help when needed (Ruef et al., 2003). However, currently it is recognized that new ventures are often started by ETs (Backes-Gellner et al., 2006, 2015; Chen et al., 2020; Ensley et al., 2002; Kamm et al., 1990; Knipfer et al., 2018; Smith, 2007). Team formation is a topic that is highly relevant because of the strong correlation between corporate success and ventures created by teams (Henneke & Lüthje, 2007; Klotz et al., 2013; Lazar et al., 2020; Loane et al., 2014; Schjoedt & Kraus, 2009). The creation of a venture is highly complex in the sense of this process being unstructured because there are many different variables. The mechanisms regarding team composition remain vaguely understood due to a lack of representative sampling of FTs and ETs, success bias among researchers and restrictive focus on theorized mechanisms of group compositions (Kamm et al., 1990; Ruef et al., 2003). Furthermore, another reason for technological start-ups to start as a team is because more skills than a single individual is likely to possess is needed, making it necessary that individuals combine their strengths in teams in order to effectively launch a firm (Kamm et al., 1990). As a result, a venture's success is frequently a reflection of its team's ability to combine skill and abilities in a creative and coordinated manner (Ensley et al., 2002). According to Forbes (2006), member addition in entrepreneurial teams can be explained in two ways. The first one sees member addition as a logical process driven by economic and instrumental concerns. The other sees it as a process driven by social networks and interpersonal attraction such as friendship (Forbes et al., 2006; Smith, 2007). Currently studies show contradicting outcomes on the above views (Forbes et al., 2006). For example, Leung (2003) claims that firms depend nearly entirely on strong and weak ties to hire team members. While from the first perspective, An entrepreneur assembles a team of individuals to lower the risks involved with obtaining vital resources and to strengthen the venture's capabilities which should always be the underlying reasoning (Smith, 2007). The two sets of principles do not contradict one other. Teams can still seek for members instrumentally within the confines of interpersonal attraction. Similarly, given the restrictions of resource-based demands, teams might nevertheless select 'attractive' individuals.

***Proposition 1:** if a certain minimum skill and expertise level is reached, first impression becomes the dominant decision factor in Management Team member addition.*

According to Aldrich & Kim (2007), ETs are formed within localized groups and are unlikely to benefit from "small world networks". Small world networks is a term used by network theorists, where is argued that even if a person has a small network, he or she can reach any other person in a maximum of six steps. A person with a small network mostly has connections that are formed in a local network such as friendship circles, workplaces and the neighbourhood instead of random people among the entire population (Aldrich & Kim, 2007). This in turn, means that these small networks are mostly of a homophily nature (Ruef et al., 2003). Because people with similar features are more likely to know one another, tending to create even more dense clusters where individuals know each other (Aldrich & Kim, 2007). This tension of finding ET members can be expanded exponentially by taking strategic action.

***Proposition 2:** Management team member addition mostly happens within the Entrepreneurial Teams network.*

***Proposition 3:** Making/Keeping the Management Team heterogenous or homogenous is considered important during team member addition.*

3.1.2. Team structure

Task-relevant expertise includes factors such as functional abilities, industry experience, past start-up experience, network links, and educational background (Jung et al., 2015). Jung (2015) observed that ET members are assigned to specific hierarchically ordered work roles based on their expertise and status cues. Furthermore, in homogenous teams, status cues are even more of an important decision factor (Jung et al., 2015). Founding team members frequently have overlapping skills, making assigning task roles difficult. Additionally, the first occupants of task positions have a long-term impact on venture outcomes making a good allocation of tasks even more critical (Jung et al., 2015). Furthermore, while distinctive task positions can be created based on the founding team members, there is often not much room to deviate from traditional positions such as CEO, CFO and COO, since these need to exist for accountability and legitimacy reasons (Jung et al., 2015). According to status characteristics theory, different personality traits affect performance expectations, which can be used to allocate tasks within the group. Personal attributes that have been connected with task competence are referred to as "status characteristics" in theory (Jung et al., 2015).

***Proposition 4:** Conflict likely occurs during task assignments when team members have overlapping skills.*

***Proposition 5:** When team members have overlapping skills, some are assigned roles that do not fit their expertise and/or interests.*

At a new venture's start, ETs frequently struggle with balancing simultaneous tasks and team challenges. The way teams shape their teamwork is critical in leveraging success throughout the pre-founding period (Knipfer et al., 2018). Furthermore, ETs work with a high amount of uncertainty and sometimes even with a lack of routines, standard procedures and structural teamwork. This is especially difficult since ETs operate in a dynamic environment marked by fast-changing conditions and intense competition (Knipfer et al., 2018). To create effective teamwork,

a good leadership is required to guide the learning so each member can expand its expertise (Knipfer et al., 2018). Next, a learning system should be developed and the right team should be built (Lazar et al., 2021). Leary states that "ETs where the CEO is strongly embedded into the team" has a higher chance to venture success. To even strengthen this claim more, they state that no team member should hold more than 10 per cent equity of the firm (Leary & DeVaughn, 2009). Furthermore, research undertaken from the standpoint of senior management has consistently demonstrated a strong association between a good relationship between the ET and business success (Ensley et al., 2002). Furthermore, teams with a wide range of experience receive VC and achieve IPO faster than teams with a narrower range of prior experience (Klotz et al., 2013). If experience is important to a team's success, we would expect lead entrepreneurs to look far and wide for competent individuals, leveraging existing bridges to go beyond local clusters or building new bridges if none exist. A well-qualified stranger might be even be preferred over a less-qualified person in your own network (Aldrich & Kim, 2007). However, according to research, adding strangers to a MT nearly never happens (Aldrich & Kim, 2007).

Proposition 6: Management Team Members are always added through the own network.

3.1.3. Team homogeneity

According to Lazar, the complexity surrounding problem-solving that many businesses face requires a heterogenous ET in terms of experience, knowledge, skills and abilities. Additionally, to a certain extent, homogeneity is needed for members to effectively work together (Lazar et al., 2020; Ruef et al., 2003). Furthermore, according to a study conducted by Aldrich and Carter (2003), where they tested five mechanisms through which group formation occurs. Namely, homophily, functionality, status expectations, network mechanisms and ecological considerations, they found strong support for homophily on the basis of ethnicity, occupation and gender. However, a homogeneous team does not necessarily mean only the before-mentioned variables. A homogeneous team consists of individuals with similar ascriptive characteristics such as their points of view, life experiences, skills, demographics and talents as is one of the definitions according to an online definition dictionary (definition, 2022b; Ruef et al., 2003). The tendency towards homophily is especially obvious in technological founding teams where a significant amount of time and resources is needed. Gender is one of the most extensively researched ascriptive variables influencing homophily.

Beckman states that homophily teams with broadly experienced members are more likely to succeed because they attract more experienced executives and develop more complete structures (Beckman & Burton, 2008). In homophily teams it's less likely for cognitive and affective conflict to occur which ultimately results from good intentions and a lack of understanding which might happen in a heterogeneous team (Ensley et al., 2002). However, the findings of Leary suggest that it depends on what kind of experience the members have. Regarding industry experience its better to have less experience than more because knowledge can depreciate over time and in some circumstances too much knowledge can cause tunnel vision (Leary & DeVaughn, 2009). In contrast to prior founding experience, having more experience results in a higher chance of venture success (Leary & DeVaughn, 2009). Additionally, industry experience in combination with functional diversity, is negatively correlated with team member changes (Klotz et al., 2013).

In contrast to the positive statement regarding homogeneity, Jung states that founding team members with correlating expertise makes allocating tasks more difficult. This in turn, has a long-

lasting effect on venture outcomes even way in the future (Jung et al., 2015). On top of that, Ruef states that many functional theories argue that diversity among team members is essential (Ruef et al., 2003). This diversity is especially regarding characteristics such as leadership skills and experience (Henneke & Lüthje, 2007; Ruef et al., 2003). As team heterogeneity increases, venture performance decreases (Klotz et al., 2013). Furthermore, according to Visintin, having a differentiation within the team between academic and non-academic profiles demonstrates excellent levels of growth performance (Visintin & Pittino, 2014). Heterogeneity in members can lead to duality in the ET composition, which may stimulate debates positively and encourage learning and problem solving (Ensley et al., 2002; Visintin & Pittino, 2014). The free interchange of ideas, objective evaluation of alternatives, and rigorous contrasting of viewpoints generate conflicts from which creative ideas and solutions arise(Ensley et al., 2002). Therefore, it is logical to believe that team formation methods would result in lower levels of team heterogeneity on average because it is expected to have people of various educational backgrounds in the same team. Additionally, if a team formation process has an investor with input, a greater likelihood exists that knowledge gaps are filled to construct a functionally balanced team (Henneke & Lüthje, 2007).

> **Proposition 7:** *Homogenous teams are more likely to have strong bonds between team members than heterogeneous teams.*

3.1.4. Decision-making, Network ties and Friendship

There are many decision-making structures, such as the founders being voting partners, jointly responsible for important decisions, and one of the founders being the boss. According to Chen, a founding team should employ a decision-making structure that directly or indirectly defines the team's beliefs about market entry and eventual exit (Chen et al., 2020).

Relations in the ET, such as friendship, can help during the formation of management teams for the venture, improving early performance. In this case, the friendship is highly likely to be an important instrument in the decision-making processes, improving the team's effectiveness in solving complex problems and ultimately improving firm performance (Francis & Sandberg, 2017). On the other hand, Personal relationships inside a company are frequently considered as a source of contention, and emotion is viewed as a universally destructive factor (Francis & Sandberg, 2017). Furthermore, in current research, friendship and similar relationships are considered a dichotomous variable, which means that there is either a relationship or not, even though these relationships come in many forms and qualities.

ETs of new firms are often created from friendship, thereby improving early success and performance. In general, management literature has considered friendship as a binary variable, whether someone is or is not a friend of another (Francis & Sandberg, 2017). As the entrepreneurial team continues to function and fill up positions regarding marketing, finance, production etc. to complete the top management, friendship facilitates decision-making processes that improve the team's efficacy in handling "wicked" challenges and, as a result, the venture's performance (Francis & Sandberg, 2017). However, friendship facilitates not only "wicked" problems but also general decision-making and operational decisions in business development, such as recruiting (D'hont et al., 2016). A "wicked" challenge is an issue that is difficult or impossible to address mostly of social or cultural nature, typically due to its complexity and interconnectedness. Wicked issues lack clarity in their goals and solutions and are constrained

by real-world restrictions that impede risk-free attempts to solve them (Wong, 2021). Francis claims that not only does friendship correlate positively with firm success during the formation process of the ET but it increases firm performance in general (Francis & Sandberg, 2017). However, Zolin et al (2008) state that having strong ties within the ET has both positive and negative consequences. They discovered that selecting ET members based on strong links boosted the founder's capacity to adjust the team member's job function but created challenges when it came time to ask the team member to exit the ET (Zolin et al., 2008). According to D'hont (2016), a strong tie is defined by "the amount of time, the emotional intensity, the intimacy and reciprocal services" (D'hont et al., 2016). Kuvaas et al. (2012) did an exploratory study to find the connection between social leader-member relationships and economic relationships. In other words, friendship versus strictly work-related. Their study with data from 552 followers and 78 leaders found a positive correlation between a social leader-member relationship and the corresponding organizational and work performance of the "follower" (Kuvaas et al., 2012). These advantages stem from the emotive elements of these interactions, which include trust, empathy, and compassion. However, also comes with potential threats because friendship is a difficult concept in business (Ingram & Zou, 2008). Furthermore, strong network links might be stressful, especially if there is a lack of experiences linked to knowledge transfer (Kaciak et al., 2021).

Proposition 8: *Conflict is less likely to occur when management team members have strong ties, such as friendship*

Proposition 9: *When conflict occurs at entrepreneurial teams with strong ties, this is more likely to result in an exit of a member.*

3.1.5. Team size and Free riders

According to Backes-Gellner et al. (2015), adding people to the ET follows an inverted U-shaped pattern (Backes-Gellner et al., 2015; Shrivastava & Pawan Tamvada, 2011). The Inverted-U Theory illustrates the relationship between pressure and performance. Furthermore, they argue that when strong social ties connect team members, there is a pressure effect which may lead to more effort per team member (Backes-Gellner et al., 2015). The advantages of creating a team include a broader range of skills and abilities and a larger network, which should better equip the ET to deal with the problems thrown at them (Backes-Gellner et al., 2015). The downside is that a greater coordination is needed and that the ET may run into serious incentive problems (Backes-Gellner et al., 2015). Therefore, there is probably an optimum team size; whereafter performance goes down when more people are added to the team. These reduced efforts result in less than optimal use of resources which in turn results into reduced firm performance. In the literature, this phenomenon is called free-riding (Backes-Gellner et al., 2015; Wang et al., 2014). Unless there are adequate incentives, teams are always severely impacted by the free-rider problem. Furthermore, the lack of effort and coordination within the ET can also be an immense problem (Wang et al., 2014). Using the definition of Investopedia, The free rider problem is "the burden on a shared resource that is created by its use or overuse by people who aren't paying their fair share for it or aren't paying anything at all." (investopedia, 2020). The free rider problem increases with team size (Hakenes & Katolnik, 2018). According to research by Wang et al. (2014), appointing a good team leader can make the ET work harder, especially if this team leader is naturally optimistic. However, on the other hand, having optimistic team members might increase the free-rider problem in teams (Wang et al., 2014). Hakenes and Katolnik (2018), second that

outcome with their research, stating that free riding is diminished when other team members are "overconfident". However, this only works if there are sufficiently strong complementary team members and that the team is sufficiently large (Hakenes & Katolnik, 2018). This finding is consistent with prior research, which found that overconfidence may contribute to entrepreneurial failure and that increasing the number of team members can improve the efficacy of cross-corporate teams (Hakenes & Katolnik, 2018). Furthermore, teams that are bigger than the ideal team size and teams that are in disharmony are more likely to have entrepreneurial exit from entrepreneurial teams (Shrivastava & Pawan Tamvada, 2011). The optimal team size can be found, using the synergy theory that puts the positive impact of firm performance and team ownership in contrast with the negative impacts of a large team size regarding productivity (Shrivastava & Pawan Tamvada, 2011). Backes-Gellner et al. (2006), presents a theoretical model that has been tested on a set of nearly 800 start-ups in Germany. The model shows that there is a correlation between team size and the free rider effect, but also between team size and the peer pressure effect (Backes-Gellner et al., 2006). The peer pressure effect is the opposite of the free rider effect where team members are feeling pressured to do more work because other are also working hard. Their research concludes that for starting teams a size of three gives maximum individual effort. However, they can't explain why individual effort decreases whenever a fourth or a fifth person is added to the team (Backes-Gellner et al., 2006). Note, that this does not mean that the ideal team size consists out of three members.

> ***Proposition 10:*** *team members in a homogenous team are more likely to feel like they are free riding because of overlapping tasks and sometimes doing tasks outside their expertise.*

> ***Proposition 11:*** *Free riders are less likely to have the intention of early voluntary exit.*

> ***Proposition 12:*** *Large management teams are more likely to encounter free rider problems.*

3.1.6. Team dynamics

Every team consists of individuals with varying strengths, limitations and areas of expertise in both homogenous and heterogenic groups (Barron, 2022; Rallybright, n.d.; Schoss et al., 2020). A key element affecting team chemistry and cohesiveness was identified as a lack of relevant skills and background. Some founders are so enthusiastic about their concept that they include the first individuals who accept it on their starting team. However, in order to cope with risks and establish a viable company, the team must have complementary abilities (Diakanastasi et al., 2018). Team dynamics are present in everyday interactions, shared work and collaborative team endeavours. These factors impacting team behaviour can also be psychological (Barron, 2022; Rallybright, n.d.; Schoss et al., 2020). Also, Individual and team affective processes are increasingly being recognized as major drivers of corporate decision-making processes but also the organisation's behaviour and its performance (Drnovsek et al., 2009). Among other organisational processes linked to performance are effective decision-making, creativity and leadership (Barron, 2022; Drnovsek et al., 2009). Models that consider the effects of team diversity on team performance point out that diversity seldom affects performance directly. The impacts are mostly coming as a result of collective passion or mediated by team conflict. Conflict mostly comes from a clash of interest, values or action and can be further divided into affective, cognitive and process conflict.

The former two are also known as relationship and task conflict (Drnovsek et al., 2009). Most of the time, with relationship conflict, the ET spends more time and energy addressing the conflict than the task (Drnovsek et al., 2009). According to Schoss et al. (2020), task conflicts, as the name says, impact task-related team efficacy. However, it may also lead to relationship conflicts that directly impact team satisfaction. They also note that team satisfaction does not have a direct correlation with team efficacy (Schoss et al., 2020). Achievement motivation and leadership are important features of ET members that encourage motivation, but they are also the most significant sources of task conflict (Schoss et al., 2020).

It's quite tough to maintain team balance, especially with the pressure that most ET are facing. Communication is an important predictor of team performance. However, in the current era, where a lot of communication happens online, communication is not always face-to-face. This results in communication with a lack of facial expression, body language and hearing the tone of something is said. Misunderstanding can happen if team members cannot convey their opinions effectively, and complications or conflicts may arise (Diakanastasi et al., 2018). Another cause for conflict is not well-defined roles within the ET. Some tasks might be done double or not right. Other tasks might not be done at all. This results in a non-functional organization that potential consumers might not trust (Diakanastasi et al., 2018).

3.1.7. Exit options and strategies

When a venture goes from a start-up stage to a growth stage requiring professional management and delegation, founders can be replaced by professional managers. This change often occurs when the company outgrows the founders' knowledge (Boeker & Karichalil, 2017). The founder's departure rate is influenced by the firm's size and growth. Other constraints include the founders' engagement as owners and board member, including their positions within the firm and functional duties (Boeker & Karichalil, 2017). However, growth isn't the only reason for exit, and manager buy-out isn't the only option. DeTienne and Wennberg (2014) identified at least five exit routes, with "72% of those being sales, 14% ending in a management buy-out, 9% turning into public listings and 5% ending in a merger" (Wennberg & DeTienne, 2014). Extrapolating this information, they also state that at least seven different exit strategies can be formed. DeTienne and Wennberg (2014) state that these strategies are culturally unique and its more than likely that more creative exit strategies will be developed. Furthermore it is important to distinguish between voluntary and involuntary exit strategies (Wennberg & DeTienne, 2014). The impacts of the chosen exit strategy may be seen on several levels, beginning with the entrepreneur, the deserted firm, and moving up to the local (competitors and industries), regional, and national levels (Kołądkiewicz & Wojtyra, 2016). As stated in the introduction, the level of focus in this thesis will be upon the individual and will be conducted at the firm level.

Since there are so many exit options and strategies, a good starting point to research this phenomenon is by looking at the process from a higher level. As DeTienne et al. argues, "exit strategies are less well researched because the actual exit is a measurable event that can be captured empirically, but an exit strategy is a future-oriented intention that can evolve over time which makes it complicated to measure" (DeTienne et al., 2015). Together with McKelvie and Chandler, DeTienne (2015) developed a typology of entrepreneurial exit strategies by looking at exit from this higher level. The typology consists out of three exit categories: financial harvest, stewardship, and voluntary cessation. They used exit strategies known from the literature, such

as IPO, acquisition, independent sale, employee buy-out, family business transfer, liquidation and discontinuance, and classified these in the above named higher level typologies (DeTienne et al., 2015). Around the same time, Koladkiewicz and Wojtyra (2016) aimed to categorize exit plans into two types: those that ensure the company's ongoing operation (in the same or a different market) and those that result in the company's economic oblivion (Koładkiewicz & Wojtyra, 2016). This means that you have company liquidation on one side and all other exit possibilities on the other. DeTienne's reasons for distinguishing between stewardship and financial harvest are autonomy, motivation by extrinsic rewards, founding team size, general firm size and innovativeness, all possible variables for exit intentions (DeTienne et al., 2015).

One of the most focused exit options in research is the exit by acquisition. Where Lemley argues that exit is pathological and leads to concentration in the tech industry, which reinforces the power of dominant firms (Lemley Mark & McCreary Andrew, 2019). He points out that Market dominance has been seen as an issue in the IT sector by academics and policymakers across the political spectrum, and many solutions have been presented. Breaking up the tech giants has been recommended by presidential candidates. Conservative lawmakers have recommended controlling them in the same way that natural monopolies were managed in the past. European officials appear to force the corporations to comply by fining them. This issue results in slower technology diffusion and tech giants buying up promising start-ups only to shut them down (Lemley Mark & McCreary Andrew, 2019). Results that might not be the founding entrepreneurs' intentions.

3.1.8. Exit variables

Only 45 percent of the 2004 Inc. 500 CEO's – the CEOs of the 500 privately-owned companies in the United States as identified by Inc. magazine – say they started their companies with an exit strategy in mind (DeTienne, 2010). It is essential to notice that in the entrepreneur's eye, exit and failure are two distinct concepts. To support this claim, lifestyle entrepreneurs are used as an example because their goal is not profit related but rather to stay in entrepreneurship. In this case, treating exit as an indication of failure would contradict the philosophy of these types of entrepreneurs (Wennberg & DeTienne, 2014). In other words, treating exit equal to failure is falsified.

Staying in the market is a must for a company's success. Traditionally, the chance of survival (as opposed to exit has been used to measure business success in industrial economic research. On the other hand, management studies emphasize firm exit as a part of an overall strategy. Firm-specific variables such as **mode of entry, age and size**, impact the decision to close a business or sell it out to another company (Cefis & Marsili, 2012). According to DeTienne and Wennberg, "the desire to leave a start-up is likely tied to the entrepreneurs' **motivation** at start-up" (Wennberg & DeTienne, 2014). Companies set on a course at founding which changes, later on, could be either costly or difficult to achieve. This suggests that early patterns of organizing may limit the choices of future strategic activities that companies could consider. This claim contradicts what DeTienne said in one of her earlier works, where she proposed that as the firm grows, more options are available for exit (DeTienne, 2010). However, in this same article, she wrote, "further research needs to be conducted on what conditions cause an entrepreneur to choose a particular exit and how determining an exit route changes over time" (DeTienne, 2010).

What is going on in the company's environment (independent factors), **globalization**, **changes in the balance of power** and **changes in the institutional and regulatory domain** might all have a role in de the decision-making of the exit strategy (Kołdkiewicz & Wojtyra, 2016). Cefix and Marsili research states that in general, the ability of a firm to **innovate** is an important determinant of its exit decision (Cefis & Marsili, 2012). Depending on the motive, such an event may be perceived as the selection on the part of the entrepreneur of a further career or as the gathering of the fruits of the current investment – i.e. invested time, money, and energy (Kołdkiewicz & Wojtyra, 2016). DeTienne and Cardon completed a posthoc follow-up study to compare actual exits to entrepreneur exit intentions using 6 different exits; 70% did what was intended, 9% went for IPO instead of acquisition and 21% liquidated instead of going into their reported path (DeTienne & Cardon, 2012).

3.1.9. Exit intentions

There are several ways to describe entrepreneurial success. The most prevalent definition of success is measuring a firm's economic performance using metrics such as sales growth and profitability (Lindblom et al., 2020). However, success can differ per person, and therefore, researchers do not only look at these objective measures but also at subjective measures such as exit intentions (Lindblom et al., 2020). This thesis focuses on voluntary entrepreneurial exit of a team member rather than forced exit. However voluntary comes with its own volitional range. For example, exit is considered extremely voluntary if the entrepreneur exits the firm as a consequence of a well-paid offer to sell the firm or take an outstanding alternative job elsewhere. It is considered less voluntary if the entrepreneurial exit is due to ill health or family concerns (Leroy et al., 2015). Furthermore, new team members help to strengthen shared cognition which in turn causes team members to exit when affective conflict occurs (Vanaelst et al., 2006). According to Kaciak et al. (2020), Three elements influence behaviour intention: "perceived behavioural control, attitude toward the behaviour, and subjective (social) norm" (Kaciak et al., 2021). An individual's confidence in its ability to perform is called perceived behavioural control. The degree to which an individual has an opinion about the favourable and unfavourable behaviour is the attitude towards the behaviour. The perceived social pressure to engage or not engage in the behaviour is referred to as the subjective norm (Kaciak et al., 2021). When considering exit as a career option, the emphasis turns to the importance of owner traits in the exit process. According to the findings of Battisti and Okamuro (2010), the owner's qualities have a substantial impact on the exit timeline. However, the exit strategy, on the other hand, is dependent on the entry mode of the entrepreneur (Battisti & Okamuro, 2010). According to Lindblom et al. (2020), the optimism of the entrepreneur is directly positively correlated with entrepreneurial success. And entrepreneurial success is correlated with the exit intentions (Lindblom et al., 2020).

Another typical cause for an entrepreneur's exit is retirement (Battisti & Okamuro, 2010; Morris et al., 2020; Wennberg et al., 2010). Retirement is defined as "the exit from a significant organizational position or professional path adopted by persons beyond middle age, with the purpose of diminished psychological commitment to work thereafter." (Morris et al., 2020). Another reason is when conflict happens within the team or with the investor affecting either the team member or the investor's intention to exit (Collewaert, 2012).

3.2. Conceptual model

A quantitative conceptual model or framework can help grasp the causal or correlational patterns of linkages between ideas, observations, concepts, and other aspects (Merkus, 2021). On top of that, the literature study in section 3.1 has been divided into multiple categories. Furthermore, the categories in the literature already contain potential correlations between the categories within the text. These have been highlighted with lines in Figure 3.
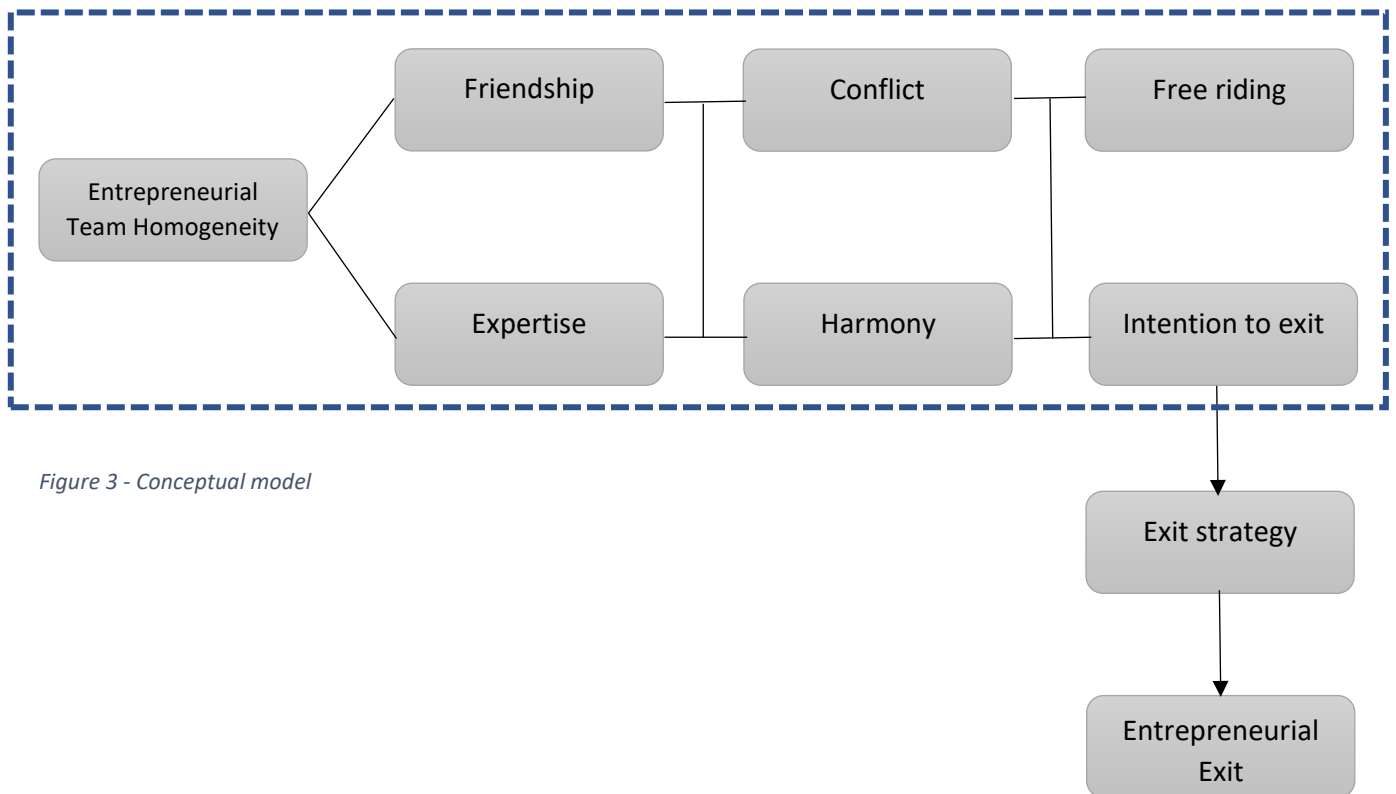
Figure 3 - Conceptual model

The conceptual model displayed in Figure 3 shows that there might be a connection between the team's homogeneity and the friendship and expertise levels within the team. The ratio between friendship and expertise in the team might influence the amount of conflict or the overall harmony. In this case, harmony means a lack of conflict. Also, conflict can be healthy and unhealthy, which in turn can escalate. Furthermore, the conflict state of the team can be reasons for free riding and entrepreneurial exit intention. Lastly, when there is an intention to exit, this translates into coming up with an exit strategy and ultimately leading to an entrepreneurial exit.

3.3. List of Propositions

For a pleasant reading experience, all the propositions are visible in the format listed below. Note that this thesis does not aim to obtain information for every proposition. But rather to find relevant future research directions. For the same reason, the subsections regarding exit have no propositions. This way, there is more freedom to find a possible correlation between team dynamics and entrepreneurial exit.

3.3.1. Team formation

Proposition 1: *if a certain minimum skill and expertise level is reached, first impression becomes the dominant decision factor in Management Team member addition.*

Proposition 2: *Management team member addition mostly happens within the Entrepreneurial Teams network.*

Proposition 3: *Making/Keeping the Management Team heterogenous or homogenous is considered important during team member addition.*

3.3.2. Team structure

Proposition 4: *Conflict likely occurs during task assignments when team members have overlapping skills.*

Proposition 5: *When team members have overlapping skills, some are assigned roles that do not fit their expertise and/or interests.*

Proposition 6: *Management Team Members are always added through the own network.*

3.3.3. Team homogeneity

Proposition 7: *Homogenous teams are more likely to have strong bonds between team members than heterogenous teams.*

3.3.4. Decision making, Network ties and Friendship

Proposition 8: *Conflict is less likely to occur when management team members have strong ties, such as friendship*

Proposition 9: *When conflict occurs at entrepreneurial teams with strong ties, this is more likely to result in an exit of a member.*

3.3.5. Team size and Free riders

Proposition 10: *team members in a homogenous team are more likely to feel like they are free-riding because of overlapping tasks and sometimes doing tasks outside their expertise.*

Proposition 11: *Free riders are less likely to have the intention of early voluntary exit.*

Proposition 12: *Large management teams are more likely to encounter free rider problems.*

4. Interview analysis

This section describes the findings of the interviews. The interviews have been translated into case studies which can be found in Appendix D: Interview Case Studies. These individual case studies are summarized and analysed in section 4.1 and can be used to get a quick overview. However, the complete case study, which is in appendix D, is used for the analysis. Within the case studies, also the coding can be seen for each category. During this analysis, the open coding method categorises the interview outcomes and makes axial coding possible. The open code options can be found in Appendix C: Interview Code. The cross-case analysis can be found in section 4.2 on page 40, which is created using axial coding. What these coding methods are can be found in section 2.6.3 on page 18.

4.1. Individual case studies

The individual cases are summarized in this section, and basic analysis is given. Finally, the in-depth cross-case analysis is given in section 4.2.

4.1.1. Case A

Company A	
Industry/Sector	Energy
Founded	9-11 years ago
Interviewee	CEO
Management team members	20
Recruitment	Own network based on expertise → values + expertise
Homogeneity	Heterogenous
Active Variables	leadership style, gender, personality (H)
Passive variables	skill level and industry knowledge (H)
Early Separation of tasks	Clear
Early conflicts	None
Team atmosphere	Between friends and work-related
Employees	300
Entrepreneurial Exit incidents	2
Free-rider incidents	0

Case **A** has two founders who met through business in a foreign country. One of the founders had ten years of work experience, while the other was doing his master's Thesis at TU Delft. First of all, the founders have different backgrounds and experiences, which made separating tasks and roles completely clear. Secondly, entrepreneur **A** shared part of his salary to the co-founder in the development phase where they could not have a similar input which shows effort and dedication. These two points might have had an influence on the founders not having any conflict in the early phases. On top of that, the founders are not knowledgeable enough about the other's expertise which possibly minimizes minor conflicts as well.

The heterogeneity in the management team came naturally because it was not friends deciding to work together but people seeing an opportunity and finding the right skills to seize it. Also, the company operates in a few different countries, including South Africa and the Netherlands. Furthermore, it is interesting to see that entrepreneur **A** states the following:

1. Heterogeneity within the management team and the complete company is crucial.

2. During recruitment within the own network, the values and expertise of the participant are looked at.

Also, entrepreneur **A** states that the pool to select potential team candidates is limited and therefore are core values and personality traits used as the main selection criteria. This is the most important driver because the company's goal is to help as many people as possible and not make a profit. Therefore, its employees and management team should have a similar mindset to reach this goal.

One of the co-founders left because the company's business model changed and therefore he had no direct impact anymore. This is a reason that has been seen more and is categorized under the label *entrepreneurial exit* as "*no direct impact*".

Another management team member had to be laid off for reasons that can be categorized under the label *conflict* as "*Does not fit company culture*" and "*lack of communication / social / leadership skills*".

Entrepreneur **A** sees success as happiness which can be quantifiable in numbers of people helped. This seems fitting for an entrepreneur that sets up a company with the sole purpose of helping people in developing nations to get light and electricity at their homes. For this reason, entrepreneur **A** can be considered a social entrepreneur next to a high potential entrepreneur.

4.1.2. Case B

Company B	
Industry/Sector	E&P
Founded	9-11 years ago
Interviewee	Managing Director (Former CEO)
Management team members	4
Recruitment	Recruitment based on expertise → values + expertise
Homogeneity	Homogenous → Heterogenous
Active Variables	gender, skill level and industry knowledge (H)
Passive variables	Geolocation (H)
Early Separation of tasks	Unclear
Early conflicts	Yes
Team atmosphere	Between friends and work-related
Employees	16
Entrepreneurial Exit incidents	0
Free-rider incidents	0

Company **B** has three founders that met each other in a research group. Within this group, they researched a specific technology they eventually brought to market. This collaboration results in a highly homogenous team except in terms of industry knowledge and age. Additionally, the FT had no experience with entrepreneurship. Ultimately leading to unclear tasks, roles and a lot of redundancies. Entrepreneur **B** states that a lot of the early conflict could have been avoided if they had made distinct roles for each other in the early phases of the company. It is possible that the combination of an homogenous team and unclear task separation is a catalyst for early conflict. Having three people in the management team with similar expertise also led to entrepreneur **B** getting a support function within the board. Also, the main reason for having three people within the team was to resolve conflicts easier. This seemed to be true as the many conflicts were ultimately resolved by having the third person as a mitigator. On top of that, entrepreneur **B** gives as tip to get an coach or someone that can give advice as soon as possible.

This advice might be because company **B** could have grown better if the fundamentals of the start-up were taken care of faster. Fundamentals that the founders were not aware of because of the lack of entrepreneurial knowledge, which advisors or coaches could have shared.

Company **B** uses recruitment for new MTM because they operate in a niche industry. This also organically lead to the team being international and heterogeneous. Another key driver for them seems to be the individual growth of the current team. This way, operational and knowledge gaps are filled by existing team members learning new stuff. Logically, an active heterogeneity trait they are looking for is the skill level and industry knowledge. On top of that, they would prefer to have a more diverse gender ratio because, as entrepreneur **B** says: "it's beneficial for the team if there are different manners of thinking within the team". Furthermore, an answer that seems to come back in the niche companies is that a different industry background of employees would be preferred because different industries could have their own way of dealing with similar problems. Interestingly, the niche companies say this because they have to be more innovative with hiring people.

When asking entrepreneur **B** about potential exit he states that he is fully committed to the team and hasn't thought about exit yet. He claims that nobody within the FT has thought about exit. Except maybe the senior partner because he is getting a bit older. He plans to stay until his work has no impact anymore on the firm.

The company resulted from years of technological research by the founders, which may also have invoked some sentimental value. It is their child, and they want to keep feeding it as long as it grows. Even more, entrepreneur **B** states that if you're happy, you're successful.

4.1.3. Case C

Company C	
Industry/Sector	Energy
Founded	9-11 years ago
Interviewee	Managing Director (Former CEO)
Management team members	5
Recruitment	Own network based on education → values + culture + education
Homogeneity	Heterogenous → Heterogenous
Active Variables	*expertise level* (Heterogenous), *vision, goal, work drive (Homogenous)*
Passive variables	*gender, ethnicity, geolocation* (Heterogenous)
Early Separation of tasks	Solo start
Early conflicts	No
Team atmosphere	Between friends and work-related
Employees	35
Entrepreneurial Exit incidents	1
Free-rider incidents	1

Company **C** is founded by a single founder who thought of a simple solution for a widespread problem. Idea validation and a lot of work he has done by himself; however, you need people to grow the company after a while. The first people working in the company were research students of the TU Delft. These students were considered to be the MT.

Entrepreneur **C** states that as long as there is no ego involved, conflict can be considered good and healthy. Later in the interview, entrepreneur **C** states that the MT members are recruited people from other companies with senior experience.

While recruiting the first people, the researchers came from different TU Delft faculty, which was the main decision driver at the start. Later, core values and cultural fit become more important next to education. Entrepreneur **C** came with the analogy that having a team with the same vision and goal but different personal traits and expertise can be seen as pieces of the same puzzle coming together. During the interview, it became apparent that diversity within the team and healthy conflict are key components within company **C**.

Entrepreneur **C** had the ambition to start the company together with a co-founder. However, this co-founder only wanted to opt-in after the idea was validated by entrepreneur **C** winning a start-up competition. Even after winning, the potential co-founder had additional requests without any input himself, nor was it clear what his future input would be. This was a costly lesson for entrepreneur **C** because he gave the potential co-founder more than 50% of the price winning to leave the company alone. However, most likely it was the right decision because in a later phase, this would have cost even more.

Furthermore, the MT members are not founders but people on a career path and relatively young age. According to entrepreneur **C**, it's logical that these people are searching for personal growth elsewhere after some time. Entrepreneur **C** himself moved from CEO position to chairman. The reasons for this shift were family oriented. Within the board, a meeting was held with the outcome of entrepreneur C keeping the shares and taking a step back. There was some conflict, but there was a lot of mutual understanding. Entrepreneur **C** uses the analogy of harvesting your land but not selling it. Right now, he thinks the company can still grow a lot, making selling his shares seem sub-optimal. On top of that, as chairman, he is in charge of the strategic matters within the company. Meaning that he still has a direct influence on the company's growth.

Lastly, as a man with many metaphors and analogies, his vision of success is similar. He states that "success can be interpreted as what the founder has in mind" which can be anything. However, it helps if you can measure it. Therefore, he also states fixed targets and growth.

4.1.4. Case D

Company D	
Industry/Sector	SAAS - Business Support
Founded	3-5 years old
Interviewee	CEO
Management team members	2
Recruitment	Own network based on education → values + culture + education
Homogeneity	Heterogenous → Heterogenous
Active Variables	industry knowledge, educational background (Heterogenous),
Passive variables	-
Early Separation of tasks	Clear
Early conflicts	No
Team atmosphere	Between friends and work-related
Employees	13
Entrepreneurial Exit incidents	1
Free-rider incidents	0

Company **D** is founded by two people that met during business. Entrepreneur **D** had the network and idea, while the co-founder had the technical skills. Furthermore, entrepreneur **D** has a background in marketing and business administration and experience as the general director of a

big organisation. The founders had a clear role distribution in mind before collaboration because of the different backgrounds and expertise. On top of that, the idea is backed by a private investor out of entrepreneur **D**'s network. They also tried to collaborate with a third founder with similar skills and expertise as entrepreneur D. This turned out to be a misfit because this person was less of an go-getter than the other two. On top of that, he brought no new skills to the table and having three managers on a team of 10 people is unnecessary. Currently, the management team does not need additional members as the company is figuring out how to scale up. If new team members are needed, they will look in their own network. For employees, entrepreneur **D** states that an in-house recruiter is optimal. They have tried out multiple strategies, which seems to be the most suitable one. An in-house recruiter is a strategy that is recommended through various interviews as traditional recruiters have a different incentive than the company's well-being.

As the company is young, the only heterogeneous traits they look at are industry knowledge and educational background.

Lastly, entrepreneur **D** has not thought about exit yet. He states that the focus is on building something beautiful. When thinking about it during the interview, he concludes that if the company grows too large, it wouldn't be a perfect fit for him anymore. This is also the point where he considers the company a success. Namely, a business that does not need him anymore for growth.

4.1.5. Case E

Company E	
Industry/Sector	Consumer goods – Hi fi
Founded	6-8 years old
Interviewee	CTO
Management team members	3
Recruitment	Own network based on expertise and cultural fit
Homogeneity	homogenous → Heterogenous
Active Variables	*expertise and skill level* (Heterogenous),
Passive variables	-
Early Separation of tasks	Unclear
Early conflicts	Yes
Team atmosphere	work-related
Employees	20
Entrepreneurial Exit incidents	1
Free-rider incidents	0

Company **E** was founded by two founders who met at TU Delft. As is stated in multiple interviews, a lot of people grow in their roles and learn along the way. This was also the case for company **E**, however, as a start-up evolves, also the roles and responsibilities evolve. According to entrepreneur **E**, it became apparent that not everyone in the MT was suitable at its position anymore. This is a difficult topic to address and also a difficult problem to solve. In one of the cases, this also resulted in an exit.

Entrepreneur **E** got his position in the MT by coincidence. His own decision was to stop entrepreneurship and take a regular job. However, he got an MT offer he couldn't refuse at the job interview. When asked how he would choose future MT members, he states that it won't be necessary anywhere soon. But if they will find additional MT members through their own network. Having expertise and cultural fit as the selection variables.

Out of all interviews, Company **E** is the only one that opts for a completely professional work atmosphere between the MT. However, when asking further, this includes the occasional drinks with the team and showing interest in each other. "it's all part of the professionalism," as entrepreneur **E** states. It is also possible that this is entrepreneur **E's** personal take on the company as the newest MT member.

Since there is a lot of growth potential for the company and entrepreneur **E** himself, he has not thought about exit yet. According to the literature, most founders define success as hitting milestones and growing, which is the same for entrepreneur **E**. The moment that he doesn't have a contributing input to the company that is the time to leave.

4.1.6. Case F

Company F	
Industry/Sector	Business Support
Founded	12+ years ago
Interviewee	COO
Management team members	8
Recruitment	Recruitment based on expertise, culture and more variables
Homogeneity	homogenous → Heterogenous
Active Variables	expertise, path network, gender, age (Heterogenous)
Passive variables	-
Early Separation of tasks	Clear
Early conflicts	No
Team atmosphere	Between friends and work-related
Employees	100
Entrepreneurial Exit incidents	0
Free-rider incidents	0

Company **F** is founded by two people that met at university during their studies. They joined Yes!Delft which is a tech incubator with multiple programmes and a healthy ecosystem. Entrepreneur **F** used to work at the incubator and has seen and worked with many different start-ups, giving her unique insights. Also, for company **F**, she started off with a series of small projects, ultimate leading to her role as COO. Hearing this, it's easy to believe that MT member recruitment goes through its own network. However, Company **F** makes use of multiple in-house recruiters to find the right people. This is because it's hard to find the right people, especially if you limit yourself to your own network. The company created management positions based on the strategy they are taking. For this, they also needed people with the right expertise and cultural fit. For the sake of the interview, it's a combination of the two variables, but in reality, it's way more complex. The most important part is that the company is a scale-up which means there are rapid changes. Therefore, new members should be able to adapt easy to new environments and handle the by-coming stress.

Even though the founding members are similar and therefore started the company as homogenous, the management team turned quite fast into a heterogenous team. The variables they actively look at are expertise, path network, gender and age of the participants. Entrepreneur **F** states, "you need different kind of people that can look at the same problem from different angles". This means seeing a problem from different angles gives it a more holistic

perspective. On top of that, she states that people keep on learning on the job. Increasing their expertise or even extending it. Possibly this gives more flexibility if these people also have the scale-up mindset.

Even though the company is rapidly changing and growing, and with that also the roles of the MT members. It is essential to see each department together as one giant team. You can never blame a single department for underachieving or praise them for performing because, in the end, every role is interlined with other roles. Interesting to see is that even with this rapidly changing environment and growth, none of the MT members has made an exit yet. This might be because of the potential the company has.

Entrepreneur **F** comes with a thought regarding exit that is in sync with the literature. Namely, it should always be in the back of your mind. Always look a few years in the future. Also, her definition of success is the one that is used most in the literature; success is growth and hitting set targets.

4.1.7. Case G

Company G	
Sector/Industry	Events
Founded	12+ years
Interviewee	CEO
Management team members	4
Recruitment	Recruitment based on expertise, culture and values
Homogeneity	homogenous → Heterogenous
Active Variables	*education, personal interests, geolocation* (Heterogenous)
Passive variables	-
Early Separation of tasks	Unclear
Early conflicts	No
Team atmosphere	Between friends and work-related
Employees	25
Entrepreneurial Exit incidents	2
Free-rider incidents	0

Company **G** was founded in 2010 by two founders that met through university. They had already decided to build a business together, however, didn't have any ideas yet. By joining an incubator, they developed new insights on the first steps. In the early phases of the company, both founders did everything. There were no clear roles defined. Afterwards, they split it into a technical and a sales aspect. Even though there was no clear role definition, the founders didn't encounter conflict in the early phases.

As the company expanded, the management team expanded. At first, people grew from normal employment functions to leadership positions. But also, the own network and a recruiter are being used. According to entrepreneur **G**, Expertise and cultural fit are equally important. First, people need to understand their job and excel at it to a certain level. Afterwards, core values are added to the recruitment process.

As the founding team started homogenously, the management team can currently be considered quite heterogeneous. This is in terms of gender and nationality. However, these are not traits they actively look at. Heterogenous traits that are actively looked at are education and geolocation.

4.1.8. Case H

Company H	
Industry/Sector	Space & Rocket
Founded	9-11 years ago
Interviewee	Founder
Management Team members	4
Recruitment	Recruitment based on expertise
Homogeneity	homogenous
Active Variables	*path network, skill level and industry knowledge* (Heterogenous) Educational level (Homogenous)
Passive variables	-
Early Separation of tasks	Clear
Early conflicts	No
Team atmosphere	Friends
Employees	10
Entrepreneurial Exit incidents	0
Free-rider incidents	0

Four founding team members founded Company **H** 9 to 11 years ago. They worked together during competition as members of a rocket engineer association. For rocket and space engineering, always a multi-disciplinary team is needed. They decided to start a start-up together for this reason. Also, the projects they worked on were more technologically advanced than what was already on the market. Giving them a slight advantage. This start-up is started as a friend group between people that love what they do. This is also noticeable in the decision-making of the company. They kept the company relatively small and the hierarchy flat. Also, role distribution is clear but not strict. The team leader of the project changes per project, which means that other teammates will occasionally take over the other tasks of the current team leader. In these 9-11 years, there was no need for management team expansion. However, entrepreneur **H** states that the complete team is taken into the decision-making. Therefore, there are still some relevant variables in the recruitment process. Because space and rocket engineering is complex, the educational level needs to be homogenous. However, there are many different niches in the industry. Therefore, path networks and industry knowledge can bring much value if these are heterogeneous. If one person in the team has network connections, everyone has that network connection. Lastly, entrepreneur **H**, states that he assumes that another company will buy them over. Therefore, success is defined as surviving.

4.1.9. Case I

Company I	
Sector/industry	Events
Founded	12+ years ago
Interviewee	Chairman
Management Team members	7 + 3
Recruitment	Recruitment based on expertise → expertise and cultural fit

Homogeneity	homogenous → towards heterogenous
Active Variables	*industry knowledge* (Heterogenous)
Passive variables	-
Early Separation of tasks	Clear
Early conflicts	No
Team atmosphere	Between friends and work-related
Employees	30
Entrepreneurial Exit incidents	1
Free-rider incidents	0

Company **I** was founded more than 10 years ago by two friends who met each other at TU Delft. They decided to work together even before having a business idea. They did not have any entrepreneurial experience. Therefore, they learn on the job. For example, by joining incubators and participating in competitions. The friends have completely different character traits, which made the separation of roles and tasks quite natural. During this time, they experimented with a lot of different recruitment options. However, what is noticeable, is that the market is more difficult than it used to be. Currently, they use an inhouse-recruiter and their own network, which seems to be working best.

Interesting is that they have two layers of management teams. There is a strategic management team of 3 people and an executive management team of 7. The strategic management team is quite homogenous because it exists out of the founders and another person. The executive management team is more heterogeneous. However, that still could be improved. For example, someone from a completely different industry. According to entrepreneur **I,** the company needs to be ready at each moment for you as a founder to leave because if it's dependent on the founders, it's not a company anymore but a proprietorship. Lastly entrepreneur **I** would consider a sales option if a good bid would come by.

4.1.10. Case J

Company J	
Sector/industry	Solar technology
Founded	9-11 years ago
Interviewee	CEO
Management Team members	1
Recruitment	-
Homogeneity	-
Active Variables	-
Passive variables	-
Early Separation of tasks	-
Early conflicts	-
Team atmosphere	-
Employees	10
Entrepreneurial Exit incidents	0
Free-rider incidents	2

Case study **J** is special because the management team exists out of one person. For this reason, most comparisons cannot be made, and this case has been excluded from those tables in the

cross-case analysis. However, it still gives some relevant insights regarding free-riders, team formation, and conflict.

Company **J**, was founded around ten years ago. One of the choices was to join a tech incubator. This incubator had the strict requirement of needing multiple team members. For this reason, through the incubator, two individuals were assigned. The values, vision and input of the three people were not aligned, which caused conflict and, therefore, the exit of the two management team members.

Because of the lack of a management team, the company structure is flat. The relationship with the employees is between friends and work-related. Furthermore, entrepreneur **J**, believes that you should not look actively for heterogeneity within the team. This will naturally happen when you hire to fill a certain gap in the company Lastly, entrepreneur **J** would like to eventually exit in the form of a (partial) buy-out.

4.1.11. Case K

Company K	
Sector/industry	Cybercrime
Founded	3-5 years ago
Interviewee	CEO
Management Team members	3
Recruitment	Based on values and expertise
Homogeneity	homogenous
Active Variables	*education, skill level (heterogeneity)*
Passive variables	*geolocation, ethnicity (heterogeneity)*
Early Separation of tasks	Clear
Early conflicts	No
Team atmosphere	Between friends and work-related
Employees	15
Entrepreneurial Exit incidents	1
Free-rider incidents	0

Company K was founded less than five years ago by three people without any technical knowledge about their product area. They met each other during a university minor and, during this program, created an MVP. This lack of technical knowledge meant they needed to search for a fourth team member early. This happened through the own network, and there was plenty of choice since the technology is quite popular right now.

Heterogeneity is something that they always had in the back of their mind. However, not something they actively pursued in the management team. With entrepreneur **K** as an exception. She had been asked for diversity reasons. Not as a CEO perse, that's a role that she got assigned later. Something interesting is that company **K** noticed that they had a lot of temporary employees. Now they start looking at core values throughout the company, which would enhance company growth and success.

One of the founders voluntarily exited the company to focus more on his studies. Afterwards, entrepreneur **K**, was appointed CEO. The whole team discussed exit together. It's

quite common for their market to be bought by a bigger company. This is because their solution is a sub-solution to a bigger system.

4.1.12. Case L

Company L	
Sector	Recruitment
Founded	3-5 years ago
Interviewee	CEO
Management Team members	3
Recruitment	Recruitment through own network
Homogeneity	Heterogenous
Active Variables	*Educational background, industry knowledge (heterogenous)*
Passive variables	-
Early Separation of tasks	Clear
Early conflicts	No
Team atmosphere	Between friends and work-related
Employees	10
Entrepreneurial Exit incidents	0
Free-rider incidents	0

Company **L** was founded less than five years ago, and the founders met each other through business. The business itself happened at a university as entrepreneur **L**, was searching for paid interns. These interns created the MVP, and collaboration transformed into starting the business together. The separation of tasks was clear as the founders had completely different backgrounds. Furthermore, later they added another person to the management team. This heterogeneity is not something they actively searched for. There was a need for certain expertise, and the heterogeneity was an extra. Furthermore, the most important measure point was the cultural fit. Entrepreneur **L** firmly believes that you should be able to have fun with your colleagues because you spend most of the time together, but you also have to celebrate milestones together.

Finally, entrepreneur **L** would rather stay in the company and reap the benefits unless a good sales opportunity comes through.

4.2.   Cross case analysis

The individual cases have been coded using an open coding structure, as seen in Appendix C: Interview Code. In this section, the individual cases are laid next to each other to find similarities and possible correlations, which is a form of axial coding. The sections, therefore, have a chronological order by looking at the case studies and open code. Each subsection starts with a small introduction on what information is looked at. Afterwards, showing the interview answers in a table and, if possible, in a flowchart. Interview answers that support the claim are grouped and highlighted for clarity and extra context.

4.2.1. How to read the tables and flowcharts

To avoid confusion, this subchapter demonstrates how to read the tables and flowcharts used in this section. Below in Table 1, an example can be seen of a table. On the rows, different cases are displayed and on the columns, the different variables. The cases are always labeled A to L, which are 12 cases in total. However, some cases have no relevant data for a specific analysis. When that happens, the case column is filled with "-" as can be seen for case C. This also translated towards the x/n at the most right column, which is the amount of case hits divided by the sample size. At maximum, the sample size is 12, which is the maximum number of cases. A case hit is simply a certain variable being true for a certain case.

	Case A	Case B	Case C	x/n
Variable 1		X	-	1/2
Variable 2	X		-	1/2
Variable 3	X	X	-	2/2

Table 1 - Example table

In some instances, the tables can be visualised using a flowchart. For example, let's say variable 3 can be divided into variables 1 and 3. This means that the flowchart starts with variable two, which has been the case for case A and case B. Therefore, x/n is 2/2. Furthermore, case A also has variable 2 and case B has variable 1, both having x/n is 1/2. This can also be replicated by multiplying 2/2 * 0.5 = 1/2. This can be seen in Figure 4.
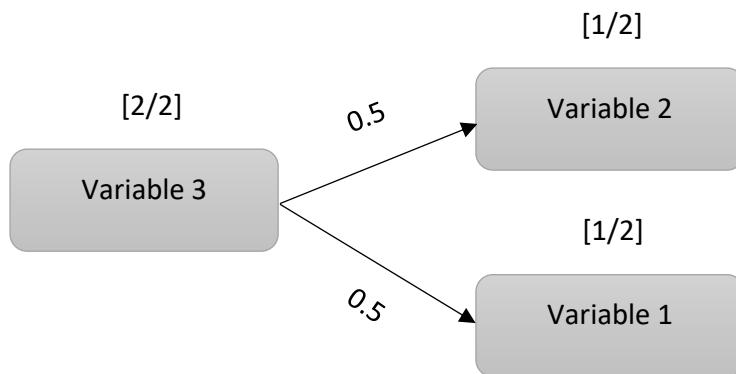
Figure 4 - Example flowchart

4.2.2. Founding team homogeneity

Table 2 Shows if founders met each other through university or business. On top of that, it shows if the founding team considered themselves homogenous or heterogeneous. During this question, the entrepreneurs mostly considered homophily variables such as educational background, expertise and age. Some of them mentioned gender, despite company **K** being the only founding team with mixed genders. No fixed, pre-stated definition was used for the terms homogenous and heterogeneous. As can be seen, two of the cases, case **C** and **J**, are solopreneurs and therefore didn't have any co-founders. For the same reason, the FT corresponding to the solopreneurs cannot be classified as homogenous or heterogeneous. Furthermore, in 7 cases, the co-founders

met through university; in the remaining 3 cases, they met through business. All founders who met through university consider themselves homogenous, and the founders who met through business consider themselves heterogeneous.

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
University		X	-		X	X	X	X	X	-	X		**7/10**
Business	X		-	X						-		X	**3/10**
Homogenous		X	-		X	X	X	X	X	-	X		**7/10**
Heterogenous	X		-	X						-		X	**3/10**

Table 2 - Founder homogeneity and where they met each other

Table 3 displays the Founding Teams that were already friends before starting a business. It shows that none of the heterogenous groups was friends before they started a start-up together and that the homogenous teams, of which all met each other through university, 57% of them were friends before they started. In the remaining 43% of homogenous cases, the founders met each other through research work or course work and did not consider each other friends.

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
Friends			-		X	X	X	X	X	-			**5/10**
Had business idea/technology beforehand	X	X	-	X				X		-	X	X	**6/10**
Homogenous		X	-		X	X	X	X	X	-	X		**7/10**
Heterogenous	X		-	X						-		X	**3/10**

Table 3 – Founding Management Team homophily and being friends before working together

The above-mentioned outcomes are illustrated in Figure 5. This shows that half of the start-ups started off as friends.
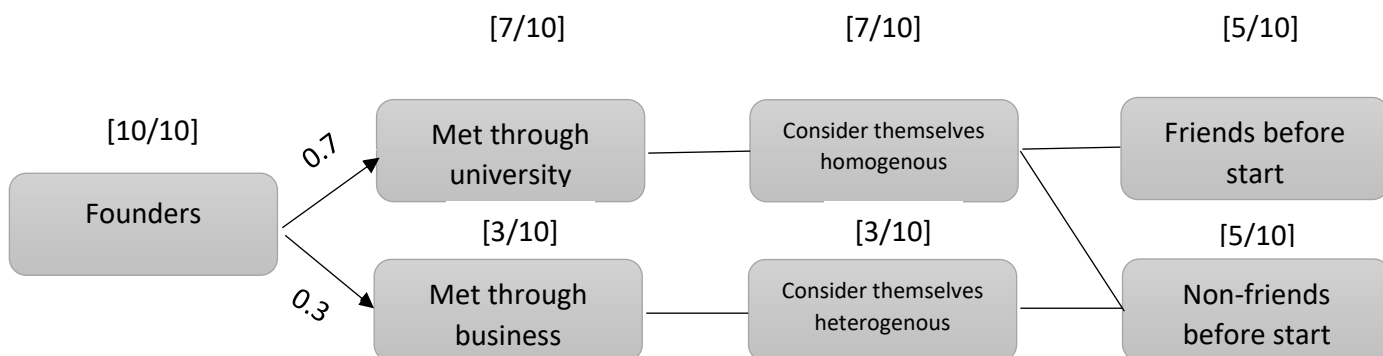
Figure 5 – Founding management team homophily on how founders met and if they were friends before.

Author reflection on founding team homogeneity

According to the literature, Entrepreneurial Teams, or in this case, Founding Teams, are formed within localized groups because people with similar features (homogenous) are more likely to know each other and create even more dense clusters with each other (Aldrich & Kim, 2007). The literature seems to be supported by empirical data. Each founding team that considered itself homogenous met through university. Heterogenous teams seem to be created when teams meet through business.

Interestingly, there seems to be a contrast between heterogenous and homogenous founding teams. However, what factors could play a role in this contrast? When looking at the case studies, a few possibilities came up:
- How a founding team started which can be split into;
    - Having a technology or idea with business potential.
    - Having no technology or idea with business potential yet.
- The moment in life where the decision to start a founding team happens
- Having friends with a similar interest

"the moment in life" means whether an individual is in university or busy with their professional career. These moments differ between individual expertise/industrial knowledge and network. It is more likely for a university student to have other university students in the network. While someone busy with their professional career had possibly more opportunities to broaden the network with different backgrounds, increasing the chances of building a heterogenous team.

Whenever an individual has a technology or an idea with business potential, a possible next step could be to assemble a team to realize this goal. This team assembly seems to be dependent on the network of the individual. Meaning that a university student is more likely to work together with university student colleagues and other acquaintances. This makes the team more likely to exist out of homogenous members and/or even friends. While someone with an working environment has a different kind of direct network and potentially even has access to colleagues specialized in a different background. Team formation, in this case seems to be mostly expertise-based, which improves the likelihood of heterogeneity, especially If the individual has access to these people.

On the other hand, whenever an individual comes up with the idea to start a business without a concrete idea. The data seems to show that people prefer to work with friend groups and/or people they have a proven record with to function properly in a team.

Interestingly, in the case studies, all founding teams that started out as friend groups decided to work together on a start-up even before having an idea. While the remaining (non-friend) homogenous groups found technology or idea with business potential during their university/research work and then decided to bring it to market. Furthermore, it's noticeable that none of the heterogenous groups started as friends and met through business.

4.2.3. Conflict in the early phases

Table 4 shows details of the FT such as if they were friends before they started, if any of them already have entrepreneurship experience, if there was a clear separation of tasks, and if there was any conflict in these early phases. The interviews entitled 3 cases that encountered conflict in the early phases, namely case **B**, **C**, and **E**. For simplicity, these three cases have been copied

	B	C	E
Friends		X	X
1st company	X	X	X
Early conflict	X	X	X
Unclear separation of tasks	X	X	X

from Table 4 and plotted in a table on the right of this Alinea. Interesting to see is that in these cases that had early conflict; it's the founders' first company, or in other words, they have no prior entrepreneurial experience yet. Furthermore, in all cases, the separation of tasks was unclear. Below, these cases are analysed.

Firstly, Case **C**, labelled with the variable solopreneur in the open code, raises the question of how it is possible to have early conflict as a solopreneur. In the early phases entrepreneur **C** was validating the start-up business model by entering start-up competitions. During this time, he had

a potential co-founder. This potential co-founder would join the management team, if and only if entrepreneur **C** wins the start-up competition as proof of concept. Entrepreneur **C** won the competition, on which the potential co-founder responded with additional requests. At this point, the role of the potential co-founder was not yet defined and the input was non-existent (unclear separation of tasks). This resulted in a conflict that resulted in the founders parting ways before collaboration officially started. As a settlement, the potential co-founder got a bit more than 50% of the competition price money which was an expensive lesson for entrepreneur **C**.

Secondly, case **B** had a lot of conflict in the early phases. Entrepreneur **B** states that the main issue was the unclear roles assigned to each founder. They all had similar expertise but came up with a company structure where two founders would look into commercializing. Commercializing requires a skill set none of the founders had mastered. This, combined with the unclearly defined roles, was the cause of early conflict. Questions such as, "who is doing what?" and "who is going to be the managing director?" were not yet answered. There was a discussion between the founders because one of them was highly interested in the role of managing director which caused entrepreneur **B** to have a more supporting role in the early phases, which lasted half a decade. Again, a supporting role is not a clear defined role. This caused a lot of uncertainty and friction.

Lastly, there is case **E**, in which role distribution did happen. However, not all members had the same responsibilities and tasks for each role in mind which is also a form of unclear separation of tasks. This resulted in one of the team managers being a micromanager instead of delegating tasks, often leading to missing deadlines and/or milestones. Furthermore, even though this specific person was an expert in the technology, he lacked certain soft skills and/or values needed for his position.

Cases **A**, **D** and **L** are being analysed together because they are the only cases with heterogenous founding members / met through business, as seen in Table 2. Furthermore, none of these heterogeneous cases has had conflict in the early phases. Also, they all had a clear separation of tasks, as seen in Table 4. For simplicity, these three cases are also shown in the table on the right. Entrepreneur **A** explains that this lack of conflict might

	A	D	L
Friends			
1st company		X	X
Early conflict			
Unclear separation of tasks			

have been because of the significant difference between the founders. In their case, the work distribution was split between a commercial/financial aspect and a technical aspect. Furthermore, entrepreneur **A** states that they did not understand each other's expertise enough to have any discussion about the topics. A similar explanation is given by entrepreneur **D** and **L**.

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
Friends			X		X	X	X	X	X	-			**6/11**
1st company		X	X	X	X	X	X	X	X	-	X	X	**9/11**
Early conflict		X	X		X					-			**3/11**
Unclear separation of tasks		X	X		X			X		-			**4/11**

Table 4 - FT characteristics in the early stages regarding entrepreneurship experience, conflict and clear separation of tasks

Note that entrepreneur **A** has been left out of Figure 6 because it was not their first company. This means that eleven interviews have been displayed in the figure. Furthermore, the figure displays Table 4 in a flowchart. In Figure 7, a different view of the same data is given. This time, the conflict in the early stages contrasts with the team's homogeneity. It shows that heterogeneous teams have a clear separation of tasks. Mostly likely because of the clear

separation of expertise. It also shows that homogenous teams are more likely to have an unclear separation of tasks.
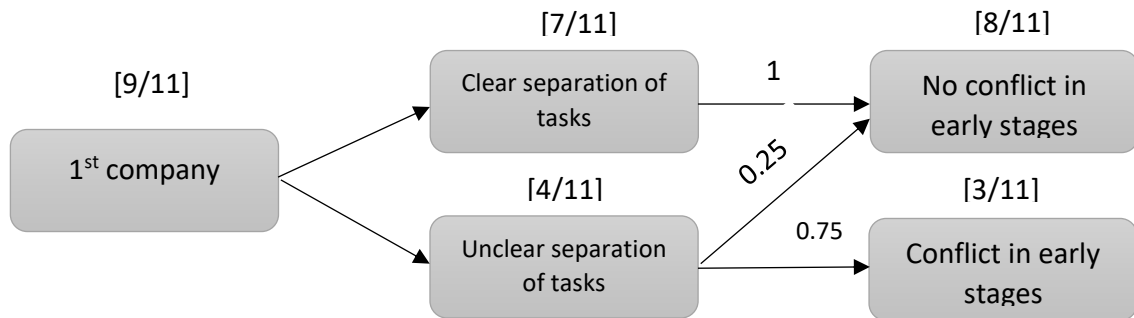
Figure 6 - conflict in early stages compared to the separation of tasks
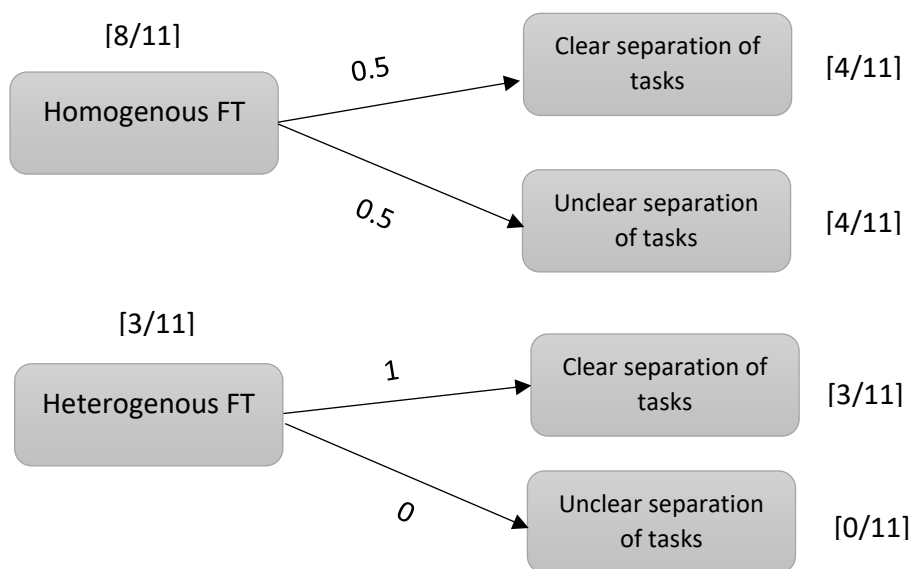
Figure 7 - Frequency of unclear separation of tasks by team homophily

Author reflection on conflict in the early phases

When looking at the data, it seems possible that early conflict is correlated with "an unclear separation of tasks" and "a lack of entrepreneurial experience". However, it seems more likely that conflict directly correlates with an unclear separation of tasks. Furthermore, this unclear separation of tasks could be a by-product of lacking entrepreneurial experience. The reasoning for this thought is that within the different case studies, plenty of cases have a founding team without entrepreneurial experience but not perse an unclear separation of tasks and/or conflict. While on the other hand, whenever a case study has an unclear separation of tasks, the corresponding founding team has no entrepreneurial experience. An exception iscase **H**, which has an unclear separation of tasks and didn't have any occurrences of early conflict. This case is about a group of friends that decided to make their hobby their work. Furthermore, they did not have the intention to grow the company too much. In this case, the unclear role definition is done on purpose because formalities were not needed. Because it is done on purpose, it is also no reason for conflict.

Also interesting is that the unclear separation of tasks only happened in the cases with homogenous founding teams and that two of the three cases were friends. This is interesting

because, according to the literature, homogenous Founding Team members often have overlapping skills, making assigning roles in the MT a bit more difficult and making founders opt for "status characteristics" such as personality traits and performance expectations (Jung et al., 2015). This means that some team members get assigned roles that do not directly fit them, which in the study cases were mostly either commercializing roles and/or undefined helper roles. This helper role assists where needed but does not have specific tasks. Also, the commercializing role is often a role in which individuals with a technical background have close to zero knowledge. Both these roles can potentially lead to the feeling of uncertainty and not belonging, as mentioned in case study **B**.

Another reason for the unclear separation of tasks could be due to differences in the scope and definition of a certain role. This can lead to expectations by other team members, while the specific role is not aware of these expectations. Also, vice versa, it can lead to a specific role, doing tasks that do not belong to that specific role. Which can be fine if nobody else does it. However, it can also lead to duplication and frustration.

4.2.4. Finding management team members

During the interviews was asked how additional management team members are found. As examples within the question, the options through "the own network" and recruitment were given. The answers to this question can be seen in Table 5. Furthermore, entrepreneur **F** states that she wasn't recruited for her role but slowly grew into her role. Before her role as COO, she worked at a start-up incubator, where she had contact with many start-ups. According to her experience, organic growth toward management positions happens for most start-ups.

"Someone gets a new colleague that needs to be trained into his role. This means you have a team of 2 to 4 people, and someone has to inform you how that team is doing. Most of the time, that's the one with the most experience within the team. After a while, you're going to look at who has the best expertise or do we need someone external." – Entrepreneur **F**

Entrepreneur **I** states something similar:

" Educating people with little experience often works better than hiring people with experience because the idea of hiring the perfect fit for a position is often harder than expected. This is often a more fun and cheaper experience even when it takes a bit longer. " – Entrepreneur **I**

These interesting viewpoints brought a new option to the table: "organic growth". Organic growth in the management positions might have also been happening for the other companies. However, since "organic growth" is not explicitly mentioned in the interview questions, it has not been explicitly called as an answer. In the case studies, some slight references can be found in the answers that might indicate organic growth. However, this is not enough to give organic growth a check-mark in Table 5. Therefore, only the companies are mentioned that explicitly mentioned it.

In one of the 12 interviews, company **H**, states that they do not need additional management team members anywhere soon. This is because they also had no need to find any in the past. They started with four people in the founding team, and since they purposely kept the company structure flat, there is no need for additional management team members. For this reason, case **H** has been left out of this specific analysis.

Furthermore, Table 5 displays that eight companies find new members strictly through their own network. Also, one company uses only recruiters, and two companies use a combination between recruitment and their own network. On top of that, three companies have explicitly mentioned that there are management team members that grew organically in their role. In this case, organic growth means that an employee shows potential for promotion to a management position.

Entrepreneur **G**, who uses all three recruitment methods, states that in his experience, the people fit for leadership positions come through 3rd level network connections. They started out as normal functions and were personally picked out by the founders and appointed management team members, which states the organic growth. Something similar happened to Company **F** and **I**.

Company **B** is the only one that strictly uses recruitment. Entrepreneur **B** states that this is because they are specialised in a niche technology, making it hard to find people. For that reason, they solely depend on recruitment and also created a company structure that works completely remote. Therefore, they have employees all over the world.

10 out of 11 companies find potential MT members through their own network. According to entrepreneur **A** this is because recruiter inflates salaries by up to 25%, which is expensive. Also, Entrepreneur **I** mentions that external recruiters have a different incentive. "their goal is to fill positions instead of creating good matches". This indicates that recruiters are more expensive and give fewer quality matches than those searching through the own network.

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
Network	X		X	X	X	X	X	-	X	X	X	X	**10/11**
Recruitment		X				X	X	-					**3/11**
Organic growth						X	X	-	X				**3/11**

Table 5 – Channels to find Management Team Members

Most entrepreneurs have tried out different recruiting methods and have experience with recruiters. Remarkable is that a handful of companies are using in-house recruiters, as can be seen in Table 6. This seems to be by-passing the recruiter problem mentioned above regarding recruiter incentive.

"Having an in-house recruiter seems to be working. Such a recruiter knows about the culture within the company and does not have a different incentive" – entrepreneur **D**

And

"This seems more expensive at first, but it brings in higher quality matches which makes it better." – Entrepreneur **I**

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
In-house recruiter				X		X		-	X				**3/11**

Table 6 - Use of inhouse-recruiter

Author reflection on finding management team members

Finding management team members is a difficult subject because it's also dependent on the job market. The current job market in the Netherlands has the lowest unemployment rate in decades.

Next, there is an increase in job vacancies and more than 160 thousand people claiming unemployment benefits (CBS, 2022). This wasn't the case a decade ago. This means that the answers of companies that started 12+ years ago can be different from the start-ups that started a few years ago.

Table 5 shows that every company except for case study **B** uses its own network. The few companies that have tried other methods are the oldest companies of the bunch. The case studies show that every company starts by searching in its own network. The main reason is, that recruitment companies are too expensive and deliver low-quality matches. This makes sense because the recruiter's incentive is to match as fast as possible, not as good as possible. By searching in the own network, there are a few benefits such as saving on recruitment costs and possibly already knowing an individual's skill level and expertise.

Lastly, the use of an in-house recruiter is done by three companies, which improves the quality of matches but not the price of the recruiter perse. Therefore, even though it's a good alternative, it's not affordable for beginning start-ups. The three companies using this type of recruiter are also some of the older companies in the sample, which might implicate that they are financially more stable.

4.2.5. Management Team Member Recruitment Variables

The entrepreneurs were asked which variable is more important for a new management team member; cultural fit or expertise. Furthermore, they were asked if the answer would be different in the early phases of the company and the current phase. Most entrepreneurs answered by adding a few extra variables, which can be seen in Table 7 and Table 8. As can be seen, seven companies looked solely at expertise in the starting phases, two companies looked at expertise and another variable, and there is one company that solely looked at education.

Entrepreneur **A** states that in the early phases, the focus is mostly on finding people with the right expertise. "You do not have the luxury of choosing between many people, therefore you pick the best.".

At company **F**, collaboration stated project based in which entrepreneur **F** gained experience in the operational side of the business. This ultimately led to her getting a management position within the company. Again, this highlights that there was a need for expertise.

At company **C**, all Management Team members were recruited from TU Delft, and each member came from a different faculty. Therefore, education was an important decision factor.

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
Expertise	X	X		X	X	X	X	-	X	-	X	X	**9/10**
Education			X					-	X	-			**2/10**
Cultural fit							X	-		-			**1/10**

Table 7 - Early phase: Management Team Member recruitment variables

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
Cultural fit		X	X		X	X	X	-	X	-	X	X	**8/10**
Expertise	X	X		X	X	X	X	-		-	X	X	**8/10**
Values	X	X	X		X	X		-	X	-			**6/10**
Education			X					-	X	-			**2/10**

Table 8 - Later phase: Management Team Member recruitment variables

Comment: In Table 8, Company **H** and **J** have been left out in both tables since they don't have the intention to fill up MT slots anywhere soon.

When looking at Table 8 it is interesting to see that all companies that looked at expertise currently still use expertise as one of the decision variables with the exception of company **I**. entrepreneur **I** explains this with the following:

" Educating people with little experience often works better than hiring people with experience because the idea of hiring the perfect fit for a position is often harder than expected." – Entrepreneur **I.**

It becomes clear that cultural fit became a much more important variable. Interesting to know is that during the interview, only the variables "cultural fit" and "expertise" were mentioned in the question statement. This means that the entrepreneurs themselves added the variables "education" and "values" independently. This means that these two variables might have had more votes, if they were mentioned explicitly. One of these explicit mentions is done by entrepreneur **K** and goes as follows:

"So right now, the focus is more on core values, so you get people that want the same for the company as the founders. This is needed to grow more successful as a company" – Entrepreneur **K.**

Author reflection on finding management team member recruitment variables

The data seems to show that most start-ups look solely at expertise in the early phases. The most used reason seems to be that beginning start-ups do not always have the luxury of choosing between many people. Therefore, selecting a certain expertise level as a minimum threshold and selecting the residual applicants on another criterion is difficult. Simply because of the lack of application numbers. So when you have to make a trade-off between company fit and a minimum amount of expertise, most start-ups choose the expertise. Expertise has the pros that short-term results are achieved faster and the con that work atmosphere declines and they potentially fill the role for a short term period. Having the right values has as a pro that the candidate is willing to learn the desired skills and is mostly in for a longer term. The con is that such a candidate needs more time to level up to the required skill level and possibly also needs other resources to acquire this level, such as a supervisor, course material and training time/moments.

In later phases, values and cultural fit were considered the most important factors. However, it is unclear if this comes due to start-ups learning from their previous hires or having more choice. As a start-up grows, positions within the start-up are less risky and could possibly look more appealing. Furthermore, for the start-up self each hire has a marginally lesser impact on the company as before. On top of that, the start-up has proven some resilience in the market, making it more appealing for new management positions.

Whenever a management position voluntarily leaves or whenever lay-of is needed due to different reasons such as not having the same company goals as the other team members. This will always be a huge impact for the start-up. One, it can be a nasty procedure and costly with the need of lawyers. Two, a sudden gap in the company needs to be filled. And three, whenever a managing function is so indifferent, the impact within the company could potentially also be minimal.

4.2.6. Management Team Member Homophily Variables

The entrepreneurs were asked what homogenous and heterogenous variables they deemed important within their management team. Furthermore, a division is made between variables that are searched for actively during the recruitment process of management team members and variables that are nice to have but not actively searched for (passive). These variables can be found in Table 9 and Table 10 and are denoted with P for passive and A for active. Table 9, has the heterogeneous traits and Table 10 includes the traits they would like to keep homogenous within the management team.

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
Expertise	A	A	A		A	A				A			**6/12**
Skill level	P	A			A			A			A	A	**6/12**
Gender	A	A	P			A							**4/12**
Industry-knowledge	P			A				A	A				**4/12**
Education				A			A			A		A	**4/12**
Geolocation		P	P								P		**3/12**
Leadership-style	A			A									**2/12**
Personality	A					P							**2/12**
Path network						A		A					**2/12**
Age						A							**1/12**

Table 9 - Active and passive heterogeneity traits

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
Education			A					A			A		**3/12**
Geolocation							A						**1/12**

Table 10 - Active and passive homogeneity traits

Expertise
6/12 companies see expertise as an important variable and actively search for this. Expertise being an expert skill or knowledge in a particular field. This means that the entrepreneurs would like to have a different kinds of experts within their management team.

Skill level
6/12 companies deem skill level as an important heterogenous trait. Having different levels of skill within your team creates a good learning environment. A skill level is determined mostly by the type of education and training necessary to work in a particular occupation (Canada.ca, 2021). Entrepreneur **B** states that there are big differences between someone trained 30-40 years ago in retrospect to someone freshly out of university.

Gender
4/12 deem gender important, however, one of the four companies states that it will not actively select on gender ratios. The other three companies will actively look for a good gender ratio. According to entrepreneur **B**, it is beneficial to the company if the team has different ways of thinking. This can be on many grounds, but gender ratio is easy to influence.

Industry knowledge
This has been deemed important by 4/12 companies. Industry knowledge is the collection of information and understanding of the complexities of what is happening in certain industries (CFI, 2021). According to entrepreneur **I**, this variable is important because different industries have different solutions on the same problem. Therefore, problems they have can possibly see from a different angle.

Education
4/12 companies actively search for a heterogenous team in terms of education. While 3/12 actively keeps this homogenous. When looking back at the interviews, this might be because the term education is not clearly explained. Therefore, some might have interpreted it as education level while others might have interpreted it as educational background.

Geolocation
This has been deemed important by 3/12 companies. In this case, geolocation is the international location of the subject. Two cases consider geolocation an important variable because of the international work environment. While the third one has the opposite reason, for them it is important that everyone is in close proximity of the office.

Leadership style
A difference in leadership style is important for 2/12 companies. According to entrepreneur **A**, having multiple styles can create a harmonic environment because the bad styles of each leadership style can cancel each other out.

Personality
Two entrepreneurs added personality to the list after a brief pause of thinking. Entrepreneur **A** states that a team with only extroverts or introverts will not function right. He uses a football team with only defenders will never score as an analogy. Lastly, entrepreneur **G** states that it is a major pro if someone can add something different to the team, even if it's a new personal hobby.

Path network
2/12 companies search for team members with a good path network which means that a person is well connected. Entrepreneur **H**, states this is extremely important because there are a lot of small niches within their industry. And if one person within the team knows a person, the whole company gets to know that person. Which is a huge connection potential.

Age
1 of the 12 companies looks at age. Entrepreneur **F** states that they try to make the team as heterogenous as possible because teams function better when it exists out of diverse backgrounds and education.

Some entrepreneurs believe that heterogeneity will automatically follow if you find people for a certain role. For example:

"Diversity can increase productivity and efficiency of the team, however, I would never choose someone for the management team that needs to hit specific heterogeneous variables such as ethnicity. What is important is the way a person thinks and works" – entrepreneur **K**

Also, a homophily thought multiple entrepreneurs share is that the team's goal should be the same. Entrepreneur **C** uses an analogy for this:

> " A team from a similar culture shares common values, paradigms and principles to follow, which makes things easy. Take the sun that is shining as an example. For people with a similar culture, the sun shining will always mean the same. However, this could mean it's too hot and uncomfortable for another culture. While others mean that shining means great and the day is wonderful. There should be a fine balance. Having differences is good, but there should also be a common understanding." – Entrepreneur **C**

Author reflection on management team member homophily variables

Most managers agree that having a heterogenous management team has its benefits. When you look at the data, this is mostly regarding expertise and skill level. The other high-scoring variables are industry knowledge and education. All four variables can look at the same problem and find different solutions. However, heterogeneity in either skill level and industry knowledge. Does this mean that these start-ups want to have a management team mixed with experienced people and total beginners. Information is missing, such as why these start-ups search for this kind of heterogeneity and/or homogeneity. For now, few can be said about management team homophily variables, except that start-ups are searching actively for certain heterogeneous variables.

Another frequently chosen variable is gender. A variable with completely mixed answers. Interviewees had three different opinions about this variable:

1. Actively searching for because this variable is a low hanging, an easy-to-obtain heterogenous variable that can bring different insights to the table and potentially increase company culture.
2. Seeing the benefits of having this heterogenous variable and totally supporting mixed management teams. However, will not actively select on this.
3. Direct no, does not see how having a different gender can impact decision-making. Individuals should have other skills.

The interesting part about this variable is the interviewees have open opinions about it. Which was not perse the case for the other variables.

Entrepreneurs **K** and **C** state that hitting specific homophily characteristics can be nice, however it should not be the decision-making factor. According to them, fitting into the company culture and/or certain core values is more important. The topic of management team selection is interesting and could have its own follow-up study.

4.2.7. Management Team Homophily changes compared to early stages

Table 11 shows the diversity of the founding team members, and Table 12 shows the diversity of the management team in its current state. Company **C** and **J** have been left out of the table because there is no management team. According to these tables, company **H** is the only company that stayed homogenous in its transition from a founder team to a management team. Most likely, because this transition never took place. They are a group of friends that decided to work together in a niche industry where a lot of different backgrounds are needed, namely, rocket technology. The four founding team members are still the management team members. No additional team members have been added.

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
Homogenous		X	-		X	X	X	X	X	-	X		**7/10**
Heterogenous	X		-	X						-		X	**3/10**

Table 11 - Member diversity of the Founding team

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
Homogenous			-					X		-			**1/10**
Heterogenous	X	X	-	X	X	X	X		X	-	X	X	**9/10**

Table 12 - Member diversity of the management team

Table 11 and Table 12 are illustrated in Figure 8 which shows that all heterogenous founding teams stay heterogenous and that most homogenous founding teams become heterogeneous. Interesting, because most of the interviewed founding teams started off as homogenous.
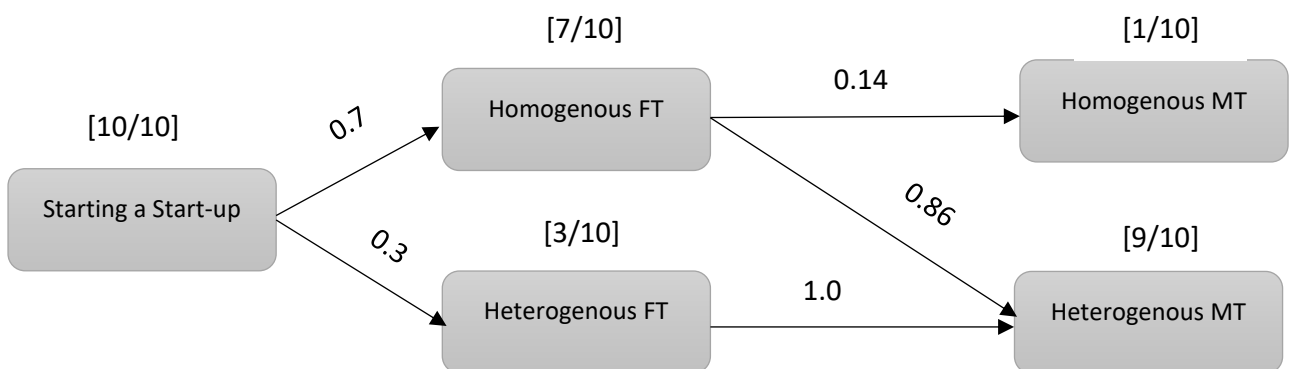

Figure 8 – Homophily transition of founding team to current management team

Author reflection on homophily changes compared to early stages

It is interesting to see that within the case studies, nearly every team makes a transaction towards a heterogeneous management team. This transaction might be natural because more disciplines come into play whenever a company expands. For example, there is always a financial or a sales/marketing aspect within the company, which is an entirely different discipline than the technology aspect. Therefore, whenever you obtain a manager for that specific function, chances are higher that the management team becomes more heterogenous in nature.

Possibly more interesting than the "if" question is how long before a start-up turns heterogenous of nature. And how long before such a start-up achieves certain milestones? This might give insights into whether heterogenous founding teams or homogenous are more effective.

4.2.8. Inter Management Team relations compared to Founding Team

The entrepreneurs were asked if the founding team members were friends before they started working together or if the collaboration was strictly work-related. As can be seen in Table 13, half the founders started as friends, only 10 percent as in-between friends and strictly work-related, and 40% started strictly work-related. The last group found each other through business or a course.

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
Friends			-		X	X	X	X	X	-			**5/10**
Between		X	-							-			**1/10**
Work-related	X		-	X						-	X	X	**4/10**

Table 13 - Relationship between Founding team members

As the company grows, so does the management team. The entrepreneurs were asked how they would describe their inter-team relationship in its current state. Again, a binary option was presented: friends or strictly work-related. Table 14 shows that 82% of the management teams are between friends and work-related. Entrepreneur **E** states that they are strictly work-related and considers networking and doing social drinks with the team as a professional attitude. Company **H**, didn't add any additional management team members. Therefore, the management team still consists out of the original four friends.

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
Friends								X		-			**1/11**
Between	X	X	X	X		X	X		X	-	X	X	**9/11**
Work-related					X					-			**1/11**

Table 14 - Relationship between management team members

Entrepreneur **K** says they are completely different people and most likely wouldn't become friends if it wasn't for working at the same company. However, it's fun working together and the many hours together make them consider each other friends. They need each other and trust each other in business and private matters.

Author reflection on inter management team relations compared to founding team

It is interesting to see that each management team goes to an in-between state. There is one exception case that didn't change their management team and another exception case that states that they are strictly work-related but seem to be more towards in between. Therefore, apparently, it doesn't matter if a management team starts out as friends or not. A certain level of professionalism is needed to become profitable as a company. Management teams spend a lot of time together, for that reason also, the teams that started as strictly work-related translated to the in-between phase. This could be why most management teams opt for cultural fit as an important management team member selection variable.

4.2.9. Free Riders in the Management Team

The entrepreneurs were asked if there were any occurrences of free-riders within the company. A free-rider is a person who gains the same benefits as the others but purposely does less work. Therefore, riding for "free" on the others.

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
Free-riders			X							X			**2/12**

Table 15 - Occurrence of Free-riders in start-up

Company **J** had experience with two free-riders because of the incubator he joined. This incubator forced a "multiple founder rule" upon its members, meaning he was not allowed to be a solopreneur. Through the incubator, entrepreneur **J,** tried to work with two different management team members. According to entrepreneur **J**, these new management team

members had a different vision than him. One of these people even said he wanted to join for a few years, get equity, and join a different company. Accumulating wealth spread over multiple companies so he could retire. The collaboration with these management team members was put to an halt quite early.

On the other hand, Company C had a free-rider experience when the company was still in the business model validating phase. Entrepreneur **C**, did all the work, while the free-rider had all kinds of demands. The free-rider would join the company if these demands were achieved. At this point, the role the free-rider would take was not even discussed yet. Potential collaboration was put to a halt after paying the free rider more than half of what was won during the validation competition.

Author reflection on free riders in the management team

The complete sample size is low, however, the amount of occurrences of free-riders is even lower. This does not mean that the free-rider problem is neglectable. On the contrary, literature states that the free-riders are a crucial problem. However, during this study, not much relevant information can be given. The two occurrences both were in the early phases of the start-up. Furthermore, the entrepreneurs both state that you should get rid as fast as possible of these free-riders.

4.2.10. Conflict in later stages

The entrepreneurs were asked if there was any conflict in the later phases of the company and if this conflict resulted in an exit or not. The results are displayed in Table 16. Below the table, the different cases are summarized. The table has conflict incidents in the later phases that either resulted in an exit or not. Furthermore, it has incidents of voluntary exit. Below the reasons are summarized given by the entrepreneurs during the interviews.

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
Conflict: Exit	X			X	X		X		X				**5/12**
No conflict and no exit		X				X		X		X		X	**5/12**
Voluntary exit	X		X		X		X				X		**5/12**
Conflict: No exit										X			**1/12**

Table 16 - Management team conflict in later phases

Conflict resulting in exit:
- Anger issues/superiority complex towards clients and/or colleagues.
- No added value; the company is too small to have people with similar expertise.
- Underperforming in role

Voluntary exit:
- There is no need for the founders' expertise anymore, and the founder does not want to do other tasks.
- MT members either did a career switch or were searching for career growth elsewhere.
- Difficulties in combining private life with entrepreneurial life.
- Wants to focus on studies instead of entrepreneurship.

Conflict with no exit:
- Underperforming in the current role; took the previous job back but kept the salary increase.

Entrepreneur **G,** learned the hard way that involuntary exit does not always go as planned. A lot of friction can happen. The next time he will do more research and prepare the case with an attorney.

Author reflection on conflict in later stages

When comparing conflict in later stages with other variables. It is interesting to see that most voluntary exits come out of homogenous teams that started as friends. The exiting entrepreneur finds out that they would rather focus on something else and/or that entrepreneurial life is different from the expectations. Within the case studies there were multiple scenarios of designers leaving the start-up after staying and trying multiple things. In these cases, there was an early need for a product design. Afterwards, it was mostly automation, optimization and sales. No designs were needed anymore, meaning such a person couldn't do what they love doing anymore. Ultimately having to make a decision.

When you look at the different reasons for exit, these can be summarized in a few lines.
- The management team member is not adding extra value to the team; Something that another member doesn't already add.
- The management team member had other expectations for an entrepreneurial life
- The management team member had its own goals that didn't align (anymore) with the company

When looking at these reasons, it seems understandable that most start-ups stop looking at only expertise for new management team members. Variables such as core values and cultural fit ensure a more long-term collaboration. Furthermore, there needs to be a willingness to learn certain skills.

4.2.11. Exit intentions

The entrepreneurs were asked if they had already thought about exit and when this would be. The entrepreneurs that hadn't thought about exit yet were asked to think about it on the spot. In Table 17, it can be seen which entrepreneurs already have thought about exit and which have not. This seems to be a 50/50 ratio which is the same in the literature. Table 18 shows when entrepreneurs would ideally envision their exit.

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
Exit thoughts						X	X	X	X	X	X		**6/12**
No exit thoughts	X	X	X	X	X							X	**6/12**

Table 17 - Does the entrepreneur already have thoughts on exit

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
Exit if good offer							X	X	X	X	X		**5/12**
Company grows too large	X			X		X							**3/12**
No direct impact on company		X			X								**2/12**
No intention of exit			X									X	**2/12**

Table 18 – Ideal voluntary exit situations

The company grows too large:

25% of entrepreneurs would like to exit when the company grows to large. According to entrepreneur **A,** this is because he would not want to work for a company that is too formal. Entrepreneurs **D** and **F** give a similar answer and use the reason "it wouldn't be the right fit anymore".

No direct impact on the company:

17% of entrepreneurs would leave when there is no direct impact anymore on the company. Entrepreneur **B**, formulates this answer a bit different, namely: "the moment the company would not grow anymore in my hands". While entrepreneur **E** states this answer a bit more directly: "When I'm no longer directly contributing, it's a waste of time for all parties involved".

No intention of exit:

17% of entrepreneurs state that they would never completely exit the company. Entrepreneur **C** states this with the following:

" A company of an entrepreneur is like being a farmer. You have land, you plant seeds, and in the end, you harvest. But you don't sell your land". – Entrepreneur **C**

Exit if there is a good offer:

42% of entrepreneurs would leave when there is a good offer on the table. Some, like entrepreneur **K** even work for a take-over. According to her, it's quite common in her industry, because there is always a competitor with a more complete solution.

Author reflection on exit intentions

Interestingly, according to the case studies, entrepreneurs with exit thoughts mostly think about a sales exit. When they start thinking about it, the others name a reason where they think working there isn't satisfying anymore. Namely, the individual has no more impact in the company and/or the company becomes too big and therefore to formal.

This exit intention could be directly linked with the entrepreneur's goal. It seems that, whenever your goal isn't profit, it becomes less important to reflect on your exit. The journey itself becomes increasingly important

4.2.12. Defining Entrepreneurial Success

The different entrepreneurs were asked how they would define success. Table 19 shows their answers.

	A	B	C	D	E	F	G	H	I	J	K	L	x/n
Growth & hitting targets		X			X	X	X			X	X	X	**7/12**
Happiness	X	X										X	**3/12**
Mindset			X	X									**2/12**
Surviving								X					**1/12**
Personal growth									X				**1/12**

Table 19 - Entrepreneurial definition of success

Happiness:

Entrepreneur **A** defines success as the number of people that his company has helped. Entrepreneur **B** defines success when you as an entrepreneur are feeling content.

Growth and hitting targets:
According to the literature and the interviewed entrepreneurs' choices, the most used metric for defining success is something quantifiable, such as hitting targets and measuring growth. More than half of the entrepreneurs in the case studies have chosen this definition of success.

Mindset:
According to entrepreneurs **C** and **D**, success is anything you as an entrepreneur has in mind as success. Therefore, they are not really stating what they define as success themselves.

Surviving:
Entrepreneur **H** operates in a highly competitive niche market, meaning every year you survive is a win. Therefore, he defines success as surviving.

Personal growth:
According to entrepreneur **I**, you should always be able to learn new things. So as long as he is learning new things, he sees it as success.

Author reflection on defining entrepreneurial success

It would be expected that entrepreneurs with active exit thoughts that are sales related would define entrepreneurial success as "growth and hitting targets". However, there does not seem to be a direct correlation. Nevertheless, this option is the most chosen option which correlates with the literature. The options; happiness, mindset and personal growth can be summarized under the category of personal well-being. "you're successful when you feel good".

5. Discussion

This section focuses on the proposition and conceptual model and how they correlate with the research findings. Furthermore, an explanation or interpretation will be given on the interview results. Lastly, some found relationships are shown, and potential new relationships are discussed.

5.1. Reflection on the Theoretical Framework

Proposition 1: If a certain minimum skill and expertise level is reached, first impression becomes the dominant decision factor in Management Team member addition.

The proposition is derived from a claim made by Leung (2003), who states that companies depend nearly entirely on strong and weak ties to hire members. Strong ties are relationships with regular contacts, such as family but also close friends, whereas weak ties are social relationships that are more remote and less frequent (Hu et al., 2019). Furthermore, Forbes (2006) states that member addition in management teams can be explained in two ways; 1. a logical process driven by economic and instrumental concerns and 2. A process is driven by social networks and interpersonal attraction. The proposition claims that it most likely is a combination of the two. At first, there is looked at if the candidate possesses a minimum level of the needed requirements for the position. Secondly, if it seems enjoyable to work with a certain person is looked at. It is not stated if this likeability is a personal opinion of the recruiting individual or if it's a fit in the company culture.

When looking at Table 7 on page 48, start-ups tend to solely look at expertise when selecting managing team members. However, these are the starting phases of the company. The entrepreneurs state that it is a luxury problem. Meaning that they can only select from a small pool of people. When looking at Table 8, expertise is still an important criterion. But not the only one anymore. Cultural fit and values also become important indicators because companies want to create long-term relationships with their management team. Furthermore, start-ups and scale-ups change rapidly in many ways, such as direction, team size, and work pressure and therefore need a specific type of people, as can be read in case study **F**. Furthermore, according to case study K, if your team has a similar mindset and goal, it is more likely to achieve the goal and improve company success.

On the other hand, even when the selection pool is small. The same criteria should be able to be used, which raises the question, why do they only select expertise at the early stages? Perhaps the goal is different in the early stages. Start-ups are more focused on creating an MVP or developing to a certain level in a certain time instead of focusing on long-term partnerships within the team.

All in all, **the data seem to support Proposition 1.** However, further investigation is needed since first impressions are a complex psychological phenomenon involving variables such as facial expressions, similar traits and stereotypes (Hall & Andrzejewski, 2008).

Proposition 2: Management team member addition happens mostly within the entrepreneurial teams network.

The proposition follows a theory used by network theorists, which states that Entrepreneurial Teams are formed within localized groups. Furthermore, there is stated that these localized groups are most likely friendship circles, workplaces and the neighbourhood (Aldrich & Kim, 2007).

As can be seen in Table 5 on page 47, each case study, except one, uses its own network for finding management team members. Furthermore, 4 out of 11 cases use additional methods such as a recruiter or inhouse-recruiter. However, it is apparent that recruitment through the own network is the dominant method.

However, looking at the statement of Aldrich & Kim (2007), which states that these groups are the most strongly tied members, I'd refer to Figure 5 on page 42. This figure shows that only half of the founding teams in the case studies were friends before they started. The other half didn't have a close relationship. This does not take away that these team members were found through their own network.

The literature seems to suggest that it is possible that a complete stranger with the right expertise and values can be a better fit for the company than someone within its own network (Aldrich & Kim, 2007). However, the same literature states that, according to research, this never happens without stating a reason. A possible reason that came out of the case studies could be that recruiting outside the own network Is difficult, time intensive and expensive.

<u>Proposition 2 seems to be supported by the data</u> since except for one, the complete sample size uses its own network to find new management team members. Even more, a huge percentage of the sample size strictly only uses the own network.

Proposition 3: Making/Keeping the Management Team heterogenous or homogenous is considered important during team member addition.

According to Ruef et al. (2003), most small network groups are homogenous in nature because people with similar features tend to create even more dense clusters where individuals know each other. Furthermore, lazar (2020) and Ruef et al. (2003) state that entrepreneurial teams need heterogeneity in its members in terms of experience, knowledge, skills and abilities. On top of that, a certain level of homogeneity is needed to work together effectively. This translates in proposition 3; the literature states that the own network is homogenous by nature. So creating a heterogeneous group needs a proactive incentive.

When looking at Table 9 and Table 10 on page 49, it seems that each company has at least two variables they actively look for to be heterogenous when finding new management team members. The most important ones are similar as the literature states expertise, skill level, gender, industry knowledge and education.

However, when asked what variables are important in recruitment, expertise and cultural fit become the most important. Stating that expertise should be in a certain subject but also on a certain level. Stating that there is a limit on how heterogenous expertise can be to be considered good enough for a management position. There is the possibility that some interviewees got confused with answering this hiring question. Hiring management team members is something that does not happen frequently. While on the other hand, hiring employees does happen more often.

Currently, the **<u>data seems to be in favour of Proposition 3</u>**. However, a focused study should be conducted to get better results.

Proposition 4: It is highly likely that conflict occurs during task assignment when team members have overlapping skills.

According to Jung et al. (2015), roles are assigned to entrepreneurial team members based on expertise and status cues. Even more, status cues seem to be an important decision factor for homogenous teams. Using this methodology, it seems likely that some roles are occupied by people who might not be in their interest. But also, a role in which multiple people are interested,

is fulfilled by a single person. This could ultimately lead to multiple people having expertise in a single subject while having different opinions about some subjects. This could turn into the ideal recipe for conflict.

First of all, during the interviews, information about the above proposition has not been collected in a structured manner. This means that no direct question has been asked on how roles were divided. This means that some case studies gave relevant data while others did not.

What does come clear with the data is what is displayed in Figure 6 and Figure 7 on page 45. Within the case studies, all heterogenous founding teams have a clear separation of tasks. Most likely because of the completely different expertise the founders have. For example, most teams consist of an individual with technological expertise while the other has more financial and commercializing experience. The case studies with homogenous founding teams often encountered an unclear separation of tasks. To be more exact, half of the homogenous founding teams within the case studies had an unclear separation of tasks. Most of these resulted in conflict in the early stages. However, only one during task assignment as is indicated in the proposition. Furthermore, all of these cases had in common that the founders had no previous start-up experience.

Given this information, it seems that task assignment in heterogenous teams seems to be more natural. However, for homogenous teams some effort needs to be put in, which is often not done completely with inexperienced founders. I'd like to modify the proposition to "it is highly likely that conflict occurs in the early phases when team members have overlapping skills and no previous start-up experience." The **data seems to be in favour of the modified proposition 4**.

Proposition 5: When team members have overlapping skills, some team members are assigned roles that do not fit their expertise and/or interests.

This proposition is derived from the same literature as proposition 4. Also similar is that, during the interviews, information about the above proposition has not been collected in a structured manner. This means that no direct question has been asked on how roles were divided. This means that some case studies gave relevant data, while others did not.

An interesting occurrence regarding this proposition is the one in case **B**. In case **B**, the founding team was homogenous. The one with the most expertise got the technical role. The other two both wanted the role of managing director. This led to entrepreneur **B**'s supporting role within the management team for five years. A role that didn't fit his expertise and interest however it was needed for the company. Something similar happened to case **G**, entrepreneur **G** got assigned the sales aspect, even though he had no sales experience. This inexperience made entrepreneur G feel out of place within the sales department. However, as the company grew in terms of people, he found his place within the company.

On the other hand, no role can be forced upon a person. This means that individuals also have an impact on the roles that are assigned to them. Therefore, when a certain person goes for a certain role, it should be a mutual understanding. However, in some cases, people have a stronger voice/opinion, making delegation of roles sub-optimal.

The data seems to support Proposition 5. it might be interesting to look into the differences of heterogenous founding teams and homogenous founding teams. It is possible that the delegation of tasks within heterogeneous teams is more optimal and has less conflict than in homogenous teams.

Proposition 6: Management team members are always added through the own network.

Proposition 6 seems like a more extreme variant of proposition 2. With the keyword difference being always instead of most of the time. This proposition is derived from Aldrich & Kim (2007),

who argue that experience is more important to a team's success. This might imply that a well-qualified stranger can be preferred over a less-qualified person in your own network. However, according to their research, adding strangers to an MT nearly never happens.

The keyword always is extreme. Within the use cases can be seen in Table 5, it can be seen that **the data does not support Proposition 6**. Since there is a case that solely uses recruitment and not the own network.

Proposition 7: Homogenous teams are more likely to have strong bonds between team members than heterogeneous teams.

This proposition is derived from Aldrich & Kim (2007), who state that adding strangers to the management team nearly never happens and that these teams are formed within localized groups and therefore are of a homophily nature.

In Figure 5 on page 44, it can be seen that most homogenous founding teams started as friends within the case studies. While on contrast, none of the heterogenous founding teams started off as friends.

However, the founding team is not friends because they are homogenous. They are friends, and therefore more likely to be homogenous Ruef et al. (2003). When looking at the case studies, all founding teams try to create strong bonds between team members but simultaneously keep the professionalism. Furthermore, as can be seen in Figure 8 and Table 14 on page 54, it can be seen that most team translate into a heterogeneous one. They describe their team bond as somewhere between friends and strictly work-related. Which states that there is no binary choice between the two. To better measure this, a larger spectrum needs to be defined.

When looking at the data without context. One might say that homogenous teams have stronger bonds than heterogeneous teams. However, when comparing it with the case studies, you see that the decrease of bonds is not because of the increase in heterogeneity but to keep the professionalism intact. Becoming too good of friends makes delivering bad news and expectations emotionally harder, as said in a few case studies.

The data does not support proposition 7, however opens up interesting research questions such as the spectrum between work-related and friends in start-ups. Also, the differences between homogenous and heterogenous founding teams and how they prosper.

Proposition 8: Conflict is less likely to occur when management team members have strong ties such as friendship.

Zolin et al. (2008), state that having strong ties within the team has both positive and negative consequences. It boosts the capacity within the team to change job functions and tasks but creates challenges with regard to entrepreneurial exit.

When looking at table 4, it can be seen that out of the three cases where early conflict happened. Most of them were with a founding team that described themselves as friends. However, when asked about the reasons for this conflict, the reason given was mostly task related. So directly, there does not seem to be a connection between the friendship and the early conflict. However, it might be possible that this friendship has a role in this unclear separation of tasks. For example, trust can play a factor or not wanting to give feedback to your friends because they probably know what they are doing, and you don't want to invoke negative emotions.

When looking at conflict in the later stages, it is interesting to see that the voluntary exit cases, so the ones without conflict, are mostly from the management teams that started of as friends. However, this can be a coincidence since such a team has grown and changed a lot since the time they considered each other friends. **The data does not seem to support Proposition 8.**

Also, a new proposition can be made: "Conflict is more likely to occur when the founding team is inexperienced and has an unclear separation of tasks". This unclear separation of tasks might be because of this inexperience.

Proposition 9: When conflict occurs at entrepreneurial teams with strong ties, this is more likely resulting in an exit of an member.

Proposition 9 is based on the same literature as proposition 8, however, with the data obtained during the interviews. **Nothing can be said** about this proposition.

Proposition 10, 11 and 12.

These propositions are based on the theory discussed in section 3.1.5. However, as can be seen in Table 15 on page 54, it can be seen that only two free-rider occurrences have happened in the used interviewed companies. Therefore, **Nothing can be said** about these propositions with the data obtained.

5.2.   Reflection on the Conceptual Model

In this section, the conceptual model will be reflected in detail. The model will be split into the variables and their connections.

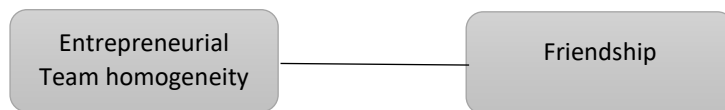**Entrepreneurial Team homogeneity and Expertise**

First, entrepreneurial team homogeneity is thought to have a connection with expertise within the management team. However, in Table 9 on page 49, expertise is the most actively searched for heterogeneity trait. This means that expertise according to the entrepreneurs of the case studies, is part of the homogeneity of the team and not perse an connection.

Homogeneity variables already known in the literature and came up in the interviews are; expertise, skill level, gender, industry knowledge and education. Variables that did not have a lot of interview hits but are worth mentioning are geolocation, leadership style, personality and path network. Interview hits means that the entrepreneurs named it during the interview. These variables are worthwhile to mention because they got multiple hits even though it was not explicitly asked for as a variable, which was the case for the variables already known in the literature. These new variables can be used for future studies regarding entrepreneurial team homogeneity.

Concluding that for the conceptual model, "expertise" can be removed, as it is part of team homogeneity. For the same reason, the possible relationship between "expertise" and "harmony" or "conflict" no longer needs to be reflected.

Entrepreneurial Team homogeneity and Friendship

Secondly, entrepreneurial team homogeneity is thought to have connection with friendship within the management team. Something that stands out is that all founding teams that started off as friends are homogenous. On top of that, none of the heterogenous teams started of as friends. At first glance would make one think that there is a connection. However, as Ruef et al. (2003) states, most small network groups are homogenous of nature because people with similar features tend to create even more dense clusters where individuals know each other. This means this homogeneity may be there because of the lack of heterogeneity in the direct network. Each homogenous management team that branches out becomes (more) heterogeneous.

Are there differences within the team when they start of as friends? Possibly, however nothing our data can say more about. Two things were noticed.
1. Early conflict seems to be happening more in friend groups. However, the sample size is small. The reason might be because of inexperience and therefore, not being able to divide tasks correctly.
2. Voluntary exit in the later stages is higher, meaning that these people leave without conflict in the end.

Furthermore, it is interesting to notice that each team tries to keep the friendship within the management team somewhere semi-professional. Or as noted in the interviews, somewhere between friends and strictly work-related related, as seen in Table 14. This means that they would not go on vacation with each other but would call each other to discuss personal problems. The main reasons are that a certain level of professionalism is needed and the entrepreneurs don't want to make potentially difficult decisions and conflict more complex.

The data seems to suggest there is a connection between the two. However, no specifics can be given yet since sample sizes are too small. However, with the case studies, it seems that team homogeneity most likely doesn't influence the friendship within the team. However, friendship might influence the homogeneity of the founding team, as seen in Figure 9.

Figure 9 - Relationship between friendship and Founding Team Homogeneity

Harmony and Conflict

Thirdly, the conceptual model made a distinction between harmony and conflict. However, conflict can come in many forms. For example, unhealthy conflict needs to be resolved and healthy conflict can be seen as a discussion and the sharing of opinions. Harmony is the absence of unhealthy conflict. Therefore, adding the variable "conflict" within the conceptual model should be sufficient because that incorporates harmony. E.g. if conflict would have a relationship with an entrepreneur's intention to exit, its only logical that the lack of conflict (harmony) would also have a relationship with the entrepreneur's intention to exit. For this reason, "harmony" has been deleted from the conceptual model.

Friendship and Conflict

Furthermore, Table 4 at page 45 can be used for the relationship between friendship and conflict. In the cases where early conflict has happened, most of the founding teams were homogenous and friends. However, looking at the complete table, it seems that all cases have "no entrepreneurial experience" and "unclear separation of tasks" in common. Furthermore, if looked at Figure 6 and Figure 7 at page 45 it can be seen that none of the companies with clear separation of tasks had conflict in the early stages. However, the companies with unclear separation of tasks had a 75% chance of conflict in the early stages. Also, it seems that none of the heterogenous teams had an unclear separation of tasks. However, keep in mind that the sample size for this data is around a dozen companies. Therefore, It's possible that friendship and conflict are correlated as has been stated in this chapter under the heading "Entrepreneurial Team homogeneity and Friendship". It's equally possible that a relation exists, such as in Figure 10, or maybe even a combination of the two.
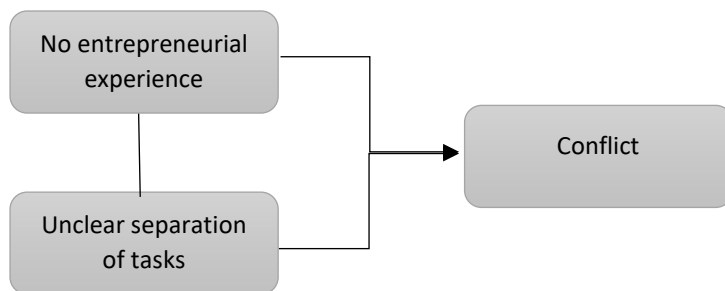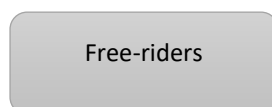

Figure 10 – The relationship between entrepreneurial experience, unclear separation of tasks and conflict

Also, the connection between founding team homogeneity and an unclear separation of tasks as can be seen in Figure 11.

Figure 11 - The relationship between founding team homogeneity and unclear separation of tasks

Free-riders

Regarding all the connections with the variable free-riders, not enough data has been collected to make any observations. According to the literature, it seems to be a huge problem. However, within the case studies, only two occurrences were solved in the early stages. The entrepreneurs state that it's best to cut off contact as fast as possible when the free-riding behaviour is recognized. The longer the collaboration goes, the more costly it can become.

Conflict and Intention to exit

Lastly, the relationship between conflict and intention to exit will be looked at. No exit has been reported regarding the conflict resulting from the unclear separation of tasks. Furthermore, no data has been obtained for the relationship between the above variables. However, Table 16 on page 55 summarises which cases had a conflict, entrepreneurial exit, none or a combination of the two.

Conflict resulting in an exit happens just as much as teams not having any conflict. Conflict that results in an exit can be categorized into two topics: 1. In**sufficient communication and/or leadership skills** and 2. **Not adding enough value to the company**. Not enough value can be further divided into 1. No extra value because other team members have similar skills and 2. Not having enough input within the team.

Not adding enough value to the company does not directly result in an exit as there has been an example documented in the cases of an individual returning to the previous job. However, this seems to be quite unique. This person kept the salary increase. Furthermore, Logically, this option depends on how the individual got in the management position and the salary increase.

Lastly, there is the voluntary exit which has just as many cases as exit by conflict. Voluntary exit can be categorized under a single topic: **The entrepreneur wants to have a different focus in life as the start-up has to offer**. This focus can be expertise, family, private life and/or growth related but also retirement, trying out new things like other business opportunities, and becoming a teacher. This category is interesting as it overlaps with the outcomes described in Table 8 on page 48. This table seems to state that start-ups later find out that cultural fit and (core)-**values** are important management team member recruitment variables. Having the same values make it more likely that goals and focus are aligned. It is even possible that conflict and core values have a relationship, however, this should be investigated in future research. For now, the following relationships are illustrated in Figure 12.

Figure 12 - Relationship between conflict, core-values and exit
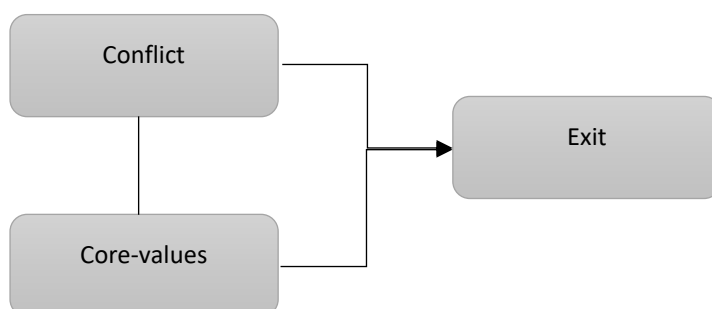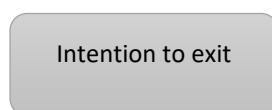

Regarding exit intentions, no new insights were found. The reasons seem to be the same as the literature already explains: most entrepreneurs would like to exit through an IPO or other acquisition option. Another widely used option is the company growing to large, mostly for one of the following reasons: 1. Company outgrows the skill level of the management team. 2.

Company becomes too formal and 3. No direct impact on the company. Reason number 3 has also been explicitly mentioned by some entrepreneurs.

Also regarding entrepreneurial success, no new insights have been found. Most entrepreneurs define success by measuring growth and hitting set targets, which is nearly 60% of the cases. The other half can be summarized with the phrase "feeling content" as an entrepreneur. The reasons given are; feeling happy, making others happy, personal growth and mindset.

6. Conclusion

The concluding section will be used to answer the research questions. Furthermore, a summary of the research will be given. Afterwards, future research will be recommended, and the findings' relevance and limitations will be discussed. Lastly, a small reflection will be given on how this thesis fits within the MoT Master Program.

6.1. Conclusion

Based on literature research on the topic of entrepreneurial exit, a few research gaps have been found. One of these gaps is that the effects of team dynamics have not been actively focussed on while most firms and start-ups are managed by a team and not a single founder. This study's objective is to understand the influence of team dynamics on entrepreneurial exit. Most of the findings have been discussed in the discussion section. This section answers the study's primary research question and explains the answers to the sub-questions.

SQ1: What are the exit options an entrepreneur can consider?

There are many different exit options and strategies. These options are culturally unique and not fixed which means that new options and strategies can still be formed. When looking at a high level upon exit options, at least five options can be identified. Namely, sales, management buy-out, turning into a public offering (IPO), merger and liquidation. These exit options are all on a company level. When looking at the entrepreneur itself, it's important to distinguish between voluntary and involuntary exits. Voluntary exit can be categorized under a single topic: The entrepreneur wants to have a different focus in life as the start-up has to offer. This focus can be expertise, family, private life and/or growth related but also retirement, trying out new things like other business opportunities, and becoming a teacher. During this thesis, for involuntary exit, mostly conflict has been studied. When Conflict results in an exit, this can be categorized in two topics: 1. Not sufficient communication and/or leadership skills and 2. Not adding enough value to the company. The literature also states that investors and VCs can influence entrepreneurial exit.

SQ2: What do we know about entrepreneurial teams?

Every team consists of individuals with varying strengths, limitations and areas of expertise. In order to cope with risks and establish a viable company, the team must have complementary abilities. Different models show that team heterogeneity or diversity seldom impacts team performance. Collective passion and conflict seem to be more important drivers. During the interviews, the phrasing values or core values have been used as a key driver for this collective passion. For conflict, the literature made a distinction between task conflict and relationship conflict. Task conflict makes the team's efficacy go down and may turn into relationship conflict. Keep in mind that not all relationship conflict comes from task conflict. Most of the time, with relationship conflict, the ET spends more time and energy addressing the conflict than the task, which can be a draining experience. Furthermore, during the interviews, the term healthy conflict came up. This is seen as a good thing resulting from the team's diversity. The team challenges each other to come up with better solutions. Communication is an important predictor of team performance, which can be divided into face-to-face (offline) communication and online

communication. Another cause for conflict is not well-defined roles within the ET. Some tasks might be done double or not right. Other tasks might not be done at all. According to the interviews, this seem to be happening mostly in homogenous teams with little entrepreneurial experience. Furthermore, it seems that most homogenous founding teams meet through university and have a huge chance of being friends. In contrast, heterogenous founding teams mostly meet through business without being friends beforehand. Additional members are mostly found through the own network. This has a smaller reach than using a recruiter, however, the quality of matches is better and cheaper. Especially price is an important factor for smaller firms. Some firms use in-house-recruiters which they think is the best option of all. Furthermore, it's sometimes possible for employees to be selected and promoted to the management team. For long-term management team members, expertise should be on a certain level. More important are a cultural fit and the core values of the individual. When this is right, there is actively looked at some heterogeneous variables. This diversity is needed for a single reason; seeing a problem from a different angle. Thereby creating the possibility of coming up with the most optimal solution. The most looked at heterogeneous variables are expertise, skill level, gender, industry knowledge and education.

SQ3: Which inter-team variables and dynamics influence exit intention?

The thesis tried to look at heterogeneity, conflict and free-riders and find a connection with the exit intention. However, when conflict happens, this often results in involuntary exit, which means there is no chance for intention to change. The reasons for voluntary and involuntary exits have been explained in SQ1. As reflected in section 5, the relationship between conflict and the intention to exit has been changed to conflict and exit. Another team variable is having a vision, shared values, and a company model. If any of this changes and doesn't fit an individual entrepreneur, this can result in a voluntary entrepreneurial exit. This mostly does not happen directly, there may be a reflecting period and discussion with the team. Furthermore, the individual growth perspective of the entrepreneur within the company might have changed because of these changes. Resulting in a different exit intention. Lastly, the exit intentions of the interviewees have been summarized into 1. Company outgrows skill level of the management team. 2. Company becomes to formal and 3. No direct impact on the company. Reason number 3 has also been explicitly mentioned by some entrepreneurs.

MQ: How do team-dynamics in technical firms affect the entrepreneur's intention to exit the start-up and the chosen exit strategy

To answer the main research question, it is best to realise that the answers to the sub-research questions contribute to the main research objective, which is to find a connection between team dynamics and entrepreneurial exit. Furthermore, the literature study regarding these sub-research questions has been used to develop propositions and a conceptual model. Within the propositional model, a possible linkage between team dynamics and intention to exit has been made. Team dynamics had been split up into the variables team homogeneity, friendship, expertise, conflict, harmony and free-riding. However, the conceptual model has been rejected in section 5.2, and three new hypothetical relationships have been formed on the basis of the interview outcomes and the cross-case analysis. The relationships are:

1. Friendship is directly correlated with the level of homogeneity of the founding team. The results show that founding teams that start of as a friend group are mostly homogenous

of nature. Non-friend groups can still be homogenous, but then the main decision factor becomes if they met through university or business.

2. Conflict in the early stages mostly happens because of the lack of entrepreneurial experience in the team and an unclear separation of tasks. It is also possible that the lack of entrepreneurial experience is correlated with the unclear separation of tasks

3. Homogenous teams are more likely to have an unclear separation of tasks. Even more, it seems that clear heterogeneous teams have a clear separation of tasks.

4. Core values related to Conflict in the later stages of the company have a direct relationship with exit. Within section 5.2, more reasons for conflict are described, however, it seems that they can all be categorized under values or core values.

Even though the findings cannot directly answer the main research question, the study can be considered a success as it brings us one step closer to understanding how team-dynamics influence entrepreneurial exit, which is the research objective. Furthermore, its brings a few new relationships and perspectives to the literature that can be further investigated. Some examples will be given in section 6.3.

6.2. Limitations

This section focuses on specific decisions and assumptions made throughout research activities and the methodology employed, and the interpretation of the findings

6.2.1. methodology

There is a lack of prior research studies on the topic. Therefore literature surrounding the topic of team dynamics and surrounding the topic entrepreneurial exit has been used. However, also the topic of entrepreneurial exit is in an early phase.

Furthermore, regarding exploratory research, a multiple case study analyse is chosen. This often translates into having a small sample size. This makes it difficult to find significant relationships from the data, as a larger sample size is normally required to argue the findings.

Additionally, companies have been chosen on a few variables. Namely, they should be technological and have high-growth potential. On top of that, upon messaging, I actively looked at the company's founding year and if the founders were still within the company by using the LinkedIn company page. It might have been more relevant to look at a more specific group, such as only homogenous founding teams or only companies that are between 6 and 12 years old. Another variable could be that the founding team should be a team. Therefore, solopreneurs can be taken out of the equation. During this study, the answers of the two solo starters have been used because the interviews gave relevant insight on at least half the topics. But this also means that they couldn't be used for the other half.

Also, a semi-structured interview style has been chosen, which gives some control over the scope of the research. This style makes it difficult to deviate from the topic, which means that some potential findings remain undiscovered. However, this is needed to find a basis of possible relations in the findings.

Moreover, during the interview, terms and variables were used that could have a different definitions per individual. Most of the terms were explained, however the heterogeneous variables weren't. To save time in the interview and get answers that are on the same line, these variables should have been explained.

Lastly, some of the interviews were conducted life, while most were conducted in an online environment. The live interviews seemed to be of higher value since a real conversation could arise. In contrast, the online interviews could be seen as direct answers to the questions. In the online environment, there was also a more unnatural atmosphere, and in some cases, the next meeting lined up, which caused distractions.

6.2.2. Generalizability

Another limitation is the generalizability of the study, which is common for a multiple case study. Because of the quantitative data, analysing and obtaining this data becomes a quite costly procedure in terms of time. Since the study contains 12 cases, which in some cases were quite different, it's difficult to find relationships. Even if a certain variable is true for 100% of the cases, it's not possible to generalize the outcome. It is, however a great guideline for future research.

6.2.3. Researcher

The used literature has been structured in an order that seems logical to the researcher. However, this ordering can differ per person and what this specific person perceives as logical. Potentially resulting in different propositions and conceptual model.

Also, entrepreneurial exit can be seen from multiple layers, which was not clear to the researcher in the starting phase of the thesis. Therefore, some scope changes had to be made, namely looking at exit at the level of the entrepreneur. This choice makes available literature more scarce, therefore, there is some literature used that looks at exit at a company level. This can be used as long as a clear distinction is made.

Furthermore, the study is limited to people and companies limited to the reach of the researcher. Keeping physical interviews in mind and having people that come from a technical university limits the sample size.

Also, there are some longitudinal effects of the researcher not having many experiences in the entrepreneurial research field. On the other side, this also gives a fresh perspective on the literature and the research findings.

When creating the interview questions, it's difficult to completely remove researcher bias. In this case, it becomes apparent that there is a slight bias towards conflict being a major reason for entrepreneurial exit. To overcome this bias, open questions about the conflict are asked. But also open questions surrounding the reason for entrepreneurial exit.

6.3.   Future research

Based on the actions and conclusions of this research project, this paragraph focuses on potential future research routes that might be explored.

Different scope
This research focuses on the relationship between team dynamics and entrepreneurial exit, with variables limited to technology start-ups and scale-ups. However, in some cases, there was no founding team but a solopreneur. When the sample size is small, and the variety of companies is large, it becomes more difficult to find a relationship between certain events. Suppose a similar study with stricter scope is conducted, for example, only homogenous founding teams of technical start-ups with at least one founder left. A better understanding of certain variables can be found. The different reasons can be summarized and generalized with a larger sample size.

Use newly gained variables
This research made a distinction between early conflict and later conflict. Also, it tried to find a relationship with free-riders. These outcomes can be further investigated in future research. Also, variables added by the entrepreneurs themselves can be defined and merged within the question. On top of that, the free-rider problem that could not get any results in this study should be contrasted again. In the used sample size, it seemed to be a small problem, however, the literature states that it is a big problem in bigger teams.

Management team member addition
One of the findings in this thesis was that management team member addition comes back to the following trade-offs: expertise, values and cultural fit. Furthermore, in some cases, education comes up. But also, possibly the experience of the candidate can be relevant. It would be interesting if these trade-offs were researched further so that entrepreneurs can make a more informed choice during recruitment. Furthermore, it is also possible to deep diver into the heterogenous and homogenous variables.

Heterogenous vs homogenous founding teams
The case studies seem to imply that heterogeneous teams have a more clear separation of tasks than homogenous teams. However, how does this impact the start-up in the long run? Data seems to imply that each of these founding teams goes into a similar team composition state. Namely, a team more on the heterogenous side of the spectrum. But what founding team does this faster and more consistent? This can be done in a longitudinal study, where start-ups are monitored over a longer period of time. The study does not need to be intensive. A yearly check-up to see how the start-up has progressed in growth should be sufficient. Also, certain milestones can be reported, such as each phase of the company and also time of the first product launch.

Team relationships
For this thesis, a binary relationship is assumed. Either a team is strictly work-related or friends. However, the findings seem to implicate that all cases are in between. Meaning that this relationship is most likely not binary. Research regarding this spectrum would be interesting. Also, how do these teams function? Does this spectrum have any influence on that? Would a team function better more on the friendship side of the spectrum or more on the strictly work-related? How do these teams handle conflict?

Scenario development
For the current study, interviews are used. However, having these experienced entrepreneurs participate in certain scenarios would be interesting. In this research, certain scenarios are described, and the entrepreneurs can give their opinion and way of thinking individually. Afterwards, they can debate/discuss with each other and possibly change their answer. Possible scenarios can be conflict management, team addition, exit options.

Friendship
One of the interesting findings of this research is the relationship between friendship and team homogeneity. This also seems to be correlating with where the founders met each other, university or business. It would be interesting to know how the homogeneity of the founding team impacts company performance. For example, how fast does the company grow and scale? This can be done by scoping start-ups in a certain industry. And using fixed milestones that are common in the industry as measuring moments.

Other study direction

It would be interesting to understand relationships within the management team better. In the current study, the option was given between friendship and strictly work-related. However, the answers given by the entrepreneurs state that a binary option is not sufficient. So, how would entrepreneurs define their own management team relationship? And how does this compare to team performance and/or homogeneity?

6.4. Scientific relevance and societal impact

This section highlights the relevance of this research project in terms of scientific relevance and societal impact but also MoT relevance. The novelty aspects of this research project are discussed based on the findings, and actionable items are presented for the financial institutions.

6.4.1. Scientific

One of the research gaps highlighted was the lack of information regarding entrepreneurial teams on entrepreneurial exit. Current literature focuses on a single entrepreneur but does not keep in mind that decision-making can be more complex. This thesis can be seen as a first step in this direction. Relevant insights are found regarding team conflict that resulted in exit. Furthermore, the conflict has been separated into early and later conflict. On top of that, this thesis gives many possibilities for future research as it found potential interesting points such as

- Team assembly in early phases with trade-offs in homophily but also expertise, values, and company culture.
- Team member addition, which variables are important and where to get new team members
- Long-term collaboration and short-term collaboration with team members. How does friendship influence this?
- What are the reasons for conflict, and how can this be prevented
- Entrepreneurs that think about exit often think about a financial-related exit.
- How different entrepreneurs interpret success

On top of that, it builds on other literature and confirms their findings once more, Such as the small network theory stating that friend groups are most likely to be homogenous.

6.4.2. Societal

Societal relevance can be split into the following stakeholders; entrepreneurs, aspiring entrepreneurs, VC firms and incubators.

Entrepreneurs

Entrepreneurs have short-term and long-term goals. E.g. let's say an entrepreneur has a long-term goal for their start-up, such as an IPO, and believes they have plenty of time to achieve it. They might set up a management team to achieve this goal. This comes with trade-offs regarding what kind of people to invest in regarding expertise, company culture, values and education. The case studies tend to say that for short term growth, expertise seems useful. However, for long-

term relationships, cultural fit and values become more important. Other trade-offs are the homophily variables such as how diverse should the knowledge of your team be and in what aspects this should be diverse. The case studies brought up the heterogeneous variables, expertise, skill level, gender, industry knowledge and education. Even though further research is needed, this can already be food for thought. Also, for short-term goals, these insights can be relevant. On top of that, these insights can also be used for regular staff.

Furthermore, the case studies went in-depth on conflict. The reasons for conflicts have been summarized and can have a relationship with the type of people you hire in the management team. As can be seen, management teams that started off as friends might be more likely to have voluntary exits. And management teams that are hired solely on expertise might be more likely to have conflicts that can result in exit.

Aspiring Entrepreneurs

A lot of knowledge can be found for people that aspire to become an entrepreneur. Some raw data on the difference between start-ups that started out as friends or not. Where the founders meet, in business or university. And also data on homogenous and heterogenous teams. Furthermore, each case study ends with advice from the entrepreneur. Also, early conflict possibly has a connection with role separation at the company's start.

VC and incubators

VCs and incubators come in contact with a lot of start-ups. Even though the reason is different, it is important for both of them to understand a start-up's team dynamics and potential in a relatively short time. It was already known that teams have a higher chance of succeeding than solopreneurs. But the direct variables are yet unknown. This thesis helps with understanding these steps a little bit better. This can help VC's to make better investment decisions and for incubators to give better consultancy advice.

Also, these insights might make a difference when they have to help compose a team. E.g. they might focus more on heterogeneity and expertise. However, it seems that having a team with a similar vision/goal and or core competencies is possibly equally important.

6.4.3. MoT

The MoT master study of TU Delft exists out of multiple components such that a student learns to explore and understand technology in a corporate setting. The MOT program prepares students to work as technology managers, technological market analysts (as scientists or consultants), and entrepreneurs in highly technological, internationally-oriented, and competitive environments in various industrial sectors (TU Delft, 2022c).

This thesis can be of relevance to the entrepreneurial aspects. Most courses focus on the product, timing of entry, competitors and finding an edge. Not much is said about the different options in founding team assembly and management team addition. Furthermore, the study mostly focuses on the start of the entrepreneurial journey. Even though exit options are named, such as IPO. Few are educated on how the early phases of the entrepreneurial journey can influence the final objective. On top of that, it can be highly interesting to get some insights on how people can start their entrepreneurial journey and where to look for team member addition.

6.5.   MoT Master Program Reflection

This research study includes analytical components, is interdisciplinary in character, focuses on a technical application or topic, demonstrates knowledge of technology as a corporate resource, and employs scientific methods and procedures as outlined in the MoT curriculum (TU Delft, 2022b; Verburg, 2022). Therefore, this research study successfully completes a portion of the requirements for the Master Of Science in Management of Technology (MoT).

Students in the Master of Management of Technology program learn how to become technology managers or entrepreneurs in high-tech organizations. Entrepreneurial exit can be seen as one of the most important aspects of the entrepreneurial journey. This is because this exit can be seen as harvesting your hard work. Also, the concerned company can undergo a lot of potential changes under changed management or even cease to exist. Some even believe that if you think about entrepreneurial exit In the early phases, you are more likely to achieve the desired exit. However, ongoing research is still going on. Furthermore, this thesis looks at team dynamics in both the early and later stages. Topics such as team member addition and conflict are issued and could potentially have a huge influence on entrepreneurial success.

The thesis has clear connections with the entrepreneur track offered by the faculty. Furthermore, the thesis has direct connections with the courses MOT2312 "Research Methods" which attributes most research methodology fundaments, the course MOT1435 "Technology, Strategy and Entrepreneurship" and finally the course MOT2004 "Master Thesis Preparation".

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Appendix A: Code of Conduct

Delft University of Technology

INFORMED CONSENT FORM FOR INTERVIEW

Research Topic: The role of team dynamics in entrepreneurial exit – A exploratory study

You are invited to participate in a research study titled **The role of team dynamics in entrepreneurial exit**. This study is being done by Siraadj Salarbux from the faculty of Technology, Policy and Management at TU Delft. This research is being carried out as a graduation thesis project per the researcher's education programme requirements.

The purpose of this research study is to explore and find points of team dynamics that affect entrepreneurial exit and will take you approximately **30 minutes** to complete. The questions will concern the management team and can be categorised under the following topics: Team structure, team formation, team homogeneity, decision making/ network ties/friendship, free-riders and entrepreneurial exit. The data will be used for a comparative case study where information on well-established companies is put in contrast with promising start-ups.

As with any online activity, the risk of a breach is always possible. To the best of our ability, your answers in this study will remain confidential. We will minimise risks by limiting personal and confidential data collection. The data collected during the interviews will be stored in a TU Delft cloud (one drive) for security.

Participation in this study is entirely voluntary, and you can withdraw anytime. You are free to omit any questions. For any queries or changes, please contact the researcher, Siraadj Salarbux, via email – m.s.salarbux@student.tudelft.nl or mssalarbux@gmail.com

Please read the consent form carefully and mark the appropriate responses.

LEASE TICK THE APPROPRIATE BOXES	YES	No
GENERAL AGREEMENT – RESEARCH GOALS, PARTICIPANT TASKS AND VOLUNTARY PARTICIPATION		
I have read and understood the study information dated [__/___/____], or it has en read to me. I have been able to ask questions about the study and my estions have been answered to my satisfaction.		
I consent voluntarily to be a participant in this study and understand that I can fuse to answer questions and can withdraw from the study at any time, without ving to give a reason.		

I understand that taking part in the study involves: · An interview with the researcher · Providing personal information such as my name and my position in the organisation · Audio recording of my responses during the interview for data collection · The audio recordings will later be used to summarise key points of the interview · Audio recordings will be stored on TU Delft protected cloud (one-drive).		
I understand that the study will end along with the defence of the Master thesis report.		
POTENTIAL RISKS OF PARTICIPATING (INCLUDING DATA PROTECTION)		
I understand that taking part in the study involves the following risks · Data security breach · Misinterpretation of the data provided · Personal data being compromised • Accidental publication of data I understand that these will be mitigated by · Password protection for data storage · Limited usage/collection of personal data · Recordings of data to limit misinterpretation · Anonymisation of the data collected • sending a summary of the information as a review to the interviewee		
I understand that taking part in the study also involves collecting specific personally identifiable information (PII) such as my name and my position in the organisation with the potential risk of my identity being revealed.		
I understand that personal information collected about me that can potentially identify me, will not be shared further than the study team.		
RESEARCH PUBLICATION, DISSEMINATION AND APPLICATION		

I agree that my responses, views or other input can be quoted anonymously in search outputs		
your input will be used to create a case study which will be made publicly available.		
you will be sent a summary for review before the information is published.		

Signatures

_____ _____   _____

Name of participant [printed]   Signature
          Date

I, as researcher, have accurately read out the information sheet to the potential participant and, to the best of my ability, ensured that the participant understands to what they are freely consenting.

Siraadj Salarbux

_____ _____   _____

Researcher name [printed]   Signature
          Date

Study contact details for further information:

Researcher's name: M.S. Salarbux

Student email: M.S.Salarbux@student.tudelft.nl

Phone number : ██████████

Personal email : ███████████████

Appendix B: Interview Questions

Introduction

Thank you for agreeing to be a part of this interview for the Master thesis project _____. Please note that this interview is being Tran scripted for research purposes. If you have agreed to a recording, this interview will also be recorded to aid the research. I would also like to inform you that your data will be anonymised. This means that you will not be identified by your name but would be identified either by your job role or responsibilities. The information given will not be directly linked to your company but generalised and compared to other interviews. This interview aims to gather your insights and expertise on team dynamics and potential entrepreneurial exit. Using the data collected through this interview, the above-named topic will be explored on possible correlation in answers. Also, the information provided by well-established firms and promising start-ups will be put in contrast to each other.

1. *Could you briefly introduce yourself and your role within the company?*
2. *Are you a founding member of the company, or did you join later?*
   1. *Why did you join/start the company?*
   2. *Of how many companies have you had a Management team function, or how many companies did you found?*

Team structure

3. **When the team just started. How did the founders meet?**
   1. **Did any inter-team conflict occur at this initial stage(s)?**
      1. Maybe because of overlapping skills/expertise?
   2. **Are there team members that got assigned roles which they did not initially want? Or roles that did not fully fit their skill level/expertise?**
      1. Why and what happened?

Team formation

4. **Whenever a (new) role needed to be fulfilled in the management team in the company's initial stages. How and where did you search for these additional members?**
   1. **How would you do it now?**
   2. **What do you think is more important: cultural fit vs expertise for a new management team member**

Team homogeneity

5. **Would you consider your team heterogenous (diverse) or homogenous (similar)? And why?**
   1. **Did this change over time?**
6. **Would you say a heterogenous team is better than a homogenous team? Or vice versa.**

1. **Would this reasoning be different in another stage of the company life cycle?**
2. **Which team member variables should be heterogenous in a team and which ones homogenous?**
3. **How heterogenous is your team regarding skill level, industry knowledge and network mechanics?**
4. **How heterogenous is your team in terms of ethnicity, gender and demographics?**
   1. What do you think is the reason for this?

Decision-making, network ties, and friendship

7. **How would you describe your inter-team relationship?**
   1. **Are relations strictly work-related, or do you consider each other friends?**
8. **Did the team have any major conflicts at the founding stage?**
   1. **How often did disagreement happen in the founding stages, and what were the topics?**
   2. **How is that now?**
      1. If no conflict happened. What do you think was the reason?
9. **Was there ever a conflict that resulted in the exit of a team member?**
   1. **What happened?**
10. **What advice could you give any management team to function even better as a team and potentially achieve improved results?**

Team size and free riders

11. **How big is your team? And would you consider this optimal, or opt for a smaller/bigger team?**
12. **How would you consider the work distribution within the team?**
13. **Was there ever a free-rider in the team?**
    1. **What happened?**

Entrepreneural exit

14. **If there are team members that left (exit) the team. What was the reason for this exit?**
15. **Have you already thought about your possible exit options and strategies? Or maybe you have though about exit in the past?**
    1. **If yes, what are these?**
    2. **If not, why not?**
       1. Does team culture play a role?
16. **When would you consider your role to be succesful within the company or what is your goal?**
    1. **Could this be the point where you'd leave?**

Final thoughts

17. **Do you have any questions or additional inputs to add based on the questions you have answered?**

Appendix C: Interview Code

The used code is separated per topic. If code is separated with a " | " it can be seen as an OR statement. Most cases only have a single answer. This can easily be displayed and compared in a table or flowchart. Furthermore, some code consists out variables which are displayed within " { } ". These variables are explicitly mentioned during the interview and in most cases also written in the case study. Within this page, not all variables are mentioned.

introduction
Management team member | founding member
CEO / managing director | chairman | Former CEO | COO
Met through business | Met through university

team structure
no conflict | conflict with no exit | conflict resulted in exit
Unclear separation of tasks | Clear separation of tasks | Solo start

team formation
Own network | recruitment
early phases: {expertise | education | organic growth}
later phases: {values | expertise | cultural fit | organic growth}
in-house recruiter

team homogeneity
early phase { heterogenous | homogenous }
later phase {heterogenous | homogenous }
active heterogeneity traits: (leadership style | gender | personality | expertise | skill level | industry knowledge | education}
active homogeneity traits: {vision | goal | workdrive | values }
passive heterogeneity traits: (skill level | industry knowledge | gender | ethnicity | geolocation)

Decision-making, network ties, and friendship
friends | work-related | between friends and work-related
Conflict resulted in exit | conflict and no exit | voluntary exit

Team size and free-riders
free-riders {no | yes}

Entrepreneurial Exit
thoughts on exit {no | yes | regularly}
exit: {company to large | no intention | no direct impact | sales option}
success: {happiness | growth and hitting targets | mindset | surviving | self growth}

Final thoughts
-

Appendix D: Interview Case Studies

Case A

*Company **A** is specialised in the renewable energy sector. Their experience varies from offering and installing unique solutions to consultancy. The company has more than ten years of experience as it was founded in 2008, with 20 management team members and in total around 300 employees.*

Introduction
Founding member | CEO | Met through business

*Company **A** was founded in 2006 by two founders. One is entrepreneur **A,** who already had more than ten years of experience at a multinational company that specialised in food, personal care and cleaning supplies. Not because entrepreneur **A** was interested in these goods but because the input he provided could have a visible output within the company. An important value for entrepreneur **A** is that he needs to see the impact he is providing within the firm. Within this multinational company, entrepreneur **A** had a management role and, next to this, also founded multiple start-ups. The last company was sold. Furthermore, entrepreneur **A** has a background in econometrics which he studied in Rotterdam. In Madagascar, he met his co-founder, who studied industrial design at TU Delft. The co-founder was working on his master thesis on the subject of LED lights. Back then, LED lighting was new, and they both saw the commercialised potential, which was the start of a collaboration. In the first year and a half, part of entrepreneurs **A**'s salary went to the co-founder because there was still a lot of development. As soon as the product was sufficiently developed, entrepreneur **A** returned to South Africa to sell the product.*

Team structure
no conflicts | early phase: clear separation of tasks | later phase: clear separation of tasks

*Entrepreneur **A** does not recall any conflicts in the early phases of the start-up. He explains that this might be because of the significant difference between the founders. They have different education, industry knowledge, age, work experience and expertise. However, they fully trusted each other on their assigned tasks, split into a commercial/financial aspect and a technical aspect. According to entrepreneur **A,** the perfect combination. Also, he states that they did not understand enough what the other was doing for conflict to arise, as long as the decisions on a high level were correct. This made role separation clear and logical.*

Team formation
Own network | early phases: expertise | later phases: values + expertise

*In the fourth year, company **A** added an operational manager to the management team who focuses on purchase, planning and supply chain activities. Currently, he is still working within the company. In addition, new management team members are found through the team's network, primarily through LinkedIn and Facebook. This is because a recruiter inflates people's salaries by up to 25%, which is way too expensive.*

      In the starting phase, the focus is mostly on finding people with expertise. You're already happy to find someone. You don't have the luxury of choosing between many people, so you pick the best.

However, if this was possible, personality was the main deciding factor. Also, if someone didn't fit within the team, expertise was not enough.

Currently, the company can take a bit more risk in recruiting and managing team members. On top of that, the extra recruiter fee's are affordable with their current size. Currently, values are the leading indicator during a job interview. This is done with a psychological test. For example, one of the goals is to help people in need; logically, people with 'earning money' as the primary value are less suited to the team.

*Company **A** is proud to say they have over 300 people employed. Something entrepreneur **A** learned along the way is that even though people are joining the team based on their values. They are not directly suited to select other people with the same values. Recruiting people is a skill that not everyone has.*

Team homogeneity
early phase: heterogenous | later phase: heterogenous | Active Heterogeneity traits: leadership style, gender, personality, expertise| Passive heterogeneity traits: skill level and industry knowledge

*According to entrepreneur **A,** heterogeneity within the team and management team is crucial. New skills and personalities within the team are essential, as well as leadership styles. Of course, there is never the best leadership style; however, having multiple styles present can create a tremendous harmonic environment because the weak sides of each style cancel each other out.*

*The management team is diverse in nationality (South African, Portuguese, Dutch), On the other side, the age range is 40-52 years, and all management team members are of the same skin colour and gender. Entrepreneur **A** states that it is difficult to consciously create a heterogenous team because, as a start-up, you can't compete with the wages of better-established companies. However, soon they have to add an additional management team member. Entrepreneur **A** thinks it is crucial for diversity that this will be a woman. According to entrepreneur **A**, the skill level and industry knowledge are essential variables; however, they are not something they actively look at. More important is that team members have the same values.*

Furthermore, personality is added to the variable list. Because a team with only extroverts will function just as suboptimal as a team with only introverts. You need the right balance.

Decision-making, network ties, and friendship
Between friends and work-related | conflict resulted in an exit | voluntary exit

The team does not see each other as friends or as strictly work-related. It is somewhere in between. They will be there for each other, also for personal matters. e.g. emotions are also an important topic of conversation. However, it is impossible to be 100% friends because, in business, there is always a financial aspect that needs to be considered. Also, topics such as resignation become substantially more difficult if you become friends.

Within the team, there happened a conflict that resulted in an exit. The specific team member had difficulties with his emotions. Sudden eruptions and an opposing viewpoint were quite common. When someone takes the energy out of your team, you have to eliminate the negative source. Also, some customers did not want to deal with this team member anymore. Ultimately, an arrangement was settled, including this team member being paid till a particular time. Just in case, the situation was prepared with lawyers for potential worst-case scenarios.

The co-founder eventually left. This is not due to conflict. There was no more product development in the new business model. The co-founder saw no added value in his expertise but understood it would be a logical step for the company. The co-founder did not want to be a free-rider and went to work elsewhere. Co-founder and entrepreneur A are still buddies, and he still owns shares.

Team size and free-riders
No free-riders

*The management team exists out of five people. According to entrepreneur **A**, this is a great number. Starting at six, the team would be too big. However, for a start-up in the early phases, he recommends teams of 3 and smaller but never alone.*

There is no experience with free riders.

Entrepreneurial Exit
Exit: company to large | success is happiness

*Entrepreneur **A** never intended to company with the purpose of making money. The goal always was and is to help as many people as possible. However, if the company grows too much and the atmosphere becomes too formal. It will be time for entrepreneur **A** to leave. He does not have the ambition to run a big corporate company. So the atmosphere is the most important measure. After the exit, entrepreneur **A** would like to teach part-time. If he has a new business idea, he will undoubtfully chase it.*

*Entrepreneur **A** sees his role as successful because of the many people that his company has helped.*

Final thoughts

Diversity within the team is critical. However, even increasingly important in the starting phases of the company is to have people with an excellent critical eye. In the beginning, you don't have money to hire a coach. Furthermore, problems must be expressed as soon as possible. You don't want to have any friction within the team.

Case B

*Company **B** is a service company within the E&P industry using a specific technology they have developed themselves. The company was founded in 2012 and currently has around 15 members working.*

Introduction
Founding member | Former CEO | Managing Director | Met through university

*Company **B** is founded around ten years ago by three founders. Entrepreneur **B** has graduated from TU Delft and has an electrical engineering background. Also, he has a PhD in geophysics. Currently, entrepreneur **B** is the managing director of the company. The founders met each other by being in the same research group. However, the duration of each member within this group and their level of expertise differ. E.g. one of the members had at that point been working 10+ years on the research. At that point in time, the technology was close to being ready to be commercialized, and the founders decided to bring it to market. Entrepreneur **B** was asked into the team because the other founders insisted to have a team of 3 so potential conflict could be resolved easier. The additional skills and working hands were also a benefit. None of the founders had experience with entrepreneurship.*

team structure
Conflict with no exit | unclear separation of tasks

*Entrepreneurship was new for all founders of company **B**. At the start of the journey, roles were not clearly defined. The founder with the most research experience was an expert in the technical aspects. The other two were mostly looking into commercializing possibilities. These unclearly defined roles were the cause of some conflict. Questions like who is doing what and who is going to be the managing*

*director were not yet answered. There was a discussion between the founders because one of them was highly interested in the role of managing director, which caused entrepreneur **B** to have a more supporting role at the start, with the idea that a place will be found later. This set-up has been used for the first five years. Entrepreneur **B** states that if there were more distinct roles from the start, responsibilities would be more clear. This would also lead to fewer discussions and faster results. No early conflict resulted in an exit.*

Team formation
recruitment | early phases: expertise | later phases: values + expertise + cultural fit

*Company **B** specialises in a niche industry, so it's hard to find people that fit within the company based on expertise and interest. Therefore, most of the employees come through recruitment. Furthermore, structured the company in such a that people can work remotely and therefore, people can be recruited all over the globe. There is a small committee of two or three people to see if people fit in the team.*

*Entrepreneur **B** states that the management team grew tremendously in terms of skill during the years which also helped in closing gaps within the team. The complete team worked a lot with contractors on specific topics, which worked for a variable amount of hours. Currently, all skillsets are covered within the company, therefore, cultural fit is a far more important factor than expertise. Important is that people have the start-up mentality, these people want to go for the extra mile, are committed and want things to happen. Furthermore, they enjoy freedom and flexibility, which completely suits the company structure.*

Team homogeneity
early phase: homogeneous | later phase: trying to be heterogenous | active heterogeneity traits: gender, skill level and expertise| passive heterogeneity traits: geolocation

*The team is homogeneous in terms of age and interest. However, culturally the team is very diverse. e.g. the founders are Greek, German and Dutch. Gender has been more of a challenge. Within the whole team, 30% used to be female. However, right now, it's a bit more male-dominated. Company **B** would like to see this gender ratio differently because it's beneficial for the company if there are different manners of thinking within the team. This also means cultural differences, differences in experience, skillsets and geological background.*

Even though a good gender ratio would be preferred, at the end of the day, both get the same training which probably results in more subtle advantages than the difference between someone that has been trained 30-40 years ago in retrospect to someone that just came out of uni. Also, different backgrounds are important because each profession has its own way of dealing with similar problems.

Decision making, network ties, and friendship
Between friends and work-related | conflict nearly resulted in an exit

*The founders do not describe their relationship as a friendship, however, they do occasional drinks after work. According to entrepreneur **B**, if you become too big of friends, that would ultimately influence decision-making negatively. Furthermore, team building is really important but difficult since they all live in different countries. However, sometimes they all take the same air BnB. Even though entrepreneur **B** does not describe their relationship as a friendship, he still refers to them as friends during the interview. They are very close to each other and keep track of each other's social well-being including outside the company. Having professional responsibilities together limits friendship to a certain level.*

In the past, there have been conflicts that came to the verge of breaking up. Because not always everything goes well. so stress and friction start at some periods. Thoughts like "am I doing the right thing or am I destroying the career?" pop up. Most of the time, the 3 co-founders could resolve conflicts together. One of the junior partners had a lot of conflict with the senior partner. Every time

a third person had to come in to distinguish the fire and come up with a solution that worked for all partners. Rational thinking kept the group together.

Team size and free-riders
No free-riders

The management team exists out of 4 people. The complete team exists out of 16 members globally. This seems to be good for their current size.

There is no experience with free riders. However, they may have been underutilizing people because of the unclarity of roles. This means that the work distribution in the early stages was not clear, which they fixed later on by defining roles.

Entrepreneurial Exit
No thoughts on exit yet | success is happiness | Success is growth and hitting targets | exit when no direct impact

*Entrepreneur **B** has not thought about exit yet, because he is fully committed to the team. He states that this is the same for the other management team members. However, one of the members is more on the senior side of the age spectrum. So exit might be on the table for that founder, sooner than the others.*

*Entrepreneur **B** considers his role to be successful from the point the company starts to be profitable and as long as he can keep the company growing in numbers; turnover, and team members. Furthermore, he states that if you are happy, you are successful. The moment he would consider someone else to take over is when the company would not grow anymore in his hands.*

Final thoughts

*A tip for other teams could be to be very clear with yourself and your team about the roles you have. If there is a conflict about the roles and tasks, analyse it and make a plan for it as a team. There is a lot of uncertainty at the beginning, which makes making a plan hard. However, knowing that this is one of the largest bottlenecks in team development makes it worthwhile investing. Company **B** did a lot of profiling at the beginning because the team was homogeneous in terms of skill. This profiling is to find competencies and weak points within the team. Keep in mind that most tools are not geared towards start-ups. So talking with each other and mentors is an important step to doing this right. This also means addressing skillsets that are not available in the team and which skillsets should be developed within the team. E.g. we didn't have anyone making sales, so that's where entrepreneur **B** started developing this skill.*

Case C
Company **C** is specialised in intelligent street lighting solutions, including lighting management software. The company was founded in 2012 and has 35 people working there, of which five are within the Management team.

Introduction
Founding member | former CEO | chairman

*Company **C** is founded around ten years ago by a single founder. Entrepreneur **C** graduated from TU Delft and worked for 5 years in the energy sector before starting the company. For his job, he had to travel a lot, additionally, climate change was and still is an important topic. While travelling, he noticed a problem he wanted to tackle everywhere. Currently, entrepreneur **C** has no longer a CEO role but is the chairman. Therefore, he is not responsible anymore for day-to-day activities.*

Team structure
solo start

Since entrepreneur **C** started alone, he had to add MT members which are recruited senior people from other companies. Within a few months, the first other team members came into the company, which were a bunch of research students. According to entrepreneur **C**, conflict within the management team is common. If it is healthy conflict, this is considered good, however, when it's an ego issue, then the problem comes.

Team formation
own network | early phase: education | later phase: values + culture + education

The MT members were all recruited from TU Delft. Each of the members came from different faculties, which helped with role distribution. On top of that, entrepreneur **C** had marketing knowledge himself. Therefore, there was no need for financial/commercializing team members yet.

During interviews, there is not looked at diversity. It's about what a person has and what the person can deliver to the company. They do need to have common values and culture. Of course, it helps to have different genders because it helps with perspectives, but it's not something we actively search for. There is no ratio we are going for. Company goals and the person's expertise should be the leading deciding factor.

Team homogeneity
early phase: heterogenous | later phase: heterogenous | active heterogeneous traits: expertise level passive heterogenous traits: gender, ethnicity, geolocation

Entrepreneur **C** states that the team is heterogeneous in terms of expertise and therefore their viewpoints. However, the team can be considered similar in the sense of having one vision, goal, and drive to solve the problem. Entrepreneur **C** describes this as different pieces of the same puzzle coming together. This means that people can tackle a problem by looking at it from different perspectives due to their different expertise backgrounds. This diversity in the team is a catalyst for healthy conflict within the team. According to entrepreneur **C**, This only works if there is a leader that makes sure that everyone is aligned and takes the plunge into discussions. Whenever egos are hurt, and that does happen. The best way to solve this is through communication. One of the senior managers could work as a negotiator. Another key point is openness in the team. People should feel safe talking to the team and giving their opinion without finger-pointing and blaming.

when asking further, the team is heterogeneous in terms of gender, ethnicity and geolocation. Initially, the company started with members of different nationalities. Entrepreneur **C** states that this is a difficult topic and explains this with the following. A team from a similar culture shares common values, paradigms and principles to follow, which makes things easy. Take the sun that is shining as an example. For people with a similar culture, the sun shining will always mean the same. However, for another culture, this could mean it's too hot and uncomfortable. While others mean that shining means great and the day is wonderful. There should be a fine balance. having differences are good, but there should also be a common understanding. In this case, all team members come from TU Delft which means there is a common language, a certain intellect level, a common mindset and a bit more seasoned because of the chosen university.

Decision making, network ties, and friendship
Between friends and work-related | *voluntary exit*

The team is close. However, calling it friendship depends on the definition used for friendship. However, they call each other in the evening for a chat, which is considered normal. This chat can be work-related, family-related or anything.

MT members are recruited senior people from other companies. Logically, they leave after a few years, when things don't work out or they want a career switch. In the beginning, management team members did not have equity. The current management team does have option rights. Exit hasn't happened in the first 5 years. However, team members were young and wanted to expand their horizons. Team members never left due to conflict.

Team size and free-riders
free rider in early phase: exit

*The management team exists out of 5 people. The size is ideal for this purpose. On top of that, entrepreneur **C** states that this depends on the company's sector. There is no real ideal team size.*

*Before the company launched, a free-rider was opting to be a co-founder. He would join the management team if entrepreneur **C** could prove the concept by winning a start-up contest. After winning the contest, the potential co-founder had additional demands even though he had no input yet in the project. Apparently, the potential co-founder was a free-rider and bonds were cut off before the partnership officially began. The potential free-rider was paid a larger cut of the contest price winning than his promised share initially. Entrepreneur **C** states that free-riders should be cut off as fast as possible because it becomes harder and more expensive (not only in terms of costs) the longer you wait.*

Entrepreneurial Exit
no intention of exit | success is a mindset | success is growth and hitting set targets

*Entrepreneur **C** moved from the role of CEO to the chairman. The reasons for this were family orientated. As a CEO, you work a lot, especially when the company is in an unstable position. Furthermore, at one point in time, you don't enjoy the hassle anymore. especially if you have other responsibilities as a father. Therefore a choice needed to be made. Within the board, a meeting was held with the outcome of entrepreneur C keeping the shares and taking a step back. There was some conflict, but there was a lot of mutual understanding. Entrepreneur **C** has no intention of selling the shares because there is no need for selling. A company of an entrepreneur is like being a farmer he states. You have a land, you plant seeds and in the end, you harvest. But you don't sell your land. Another metaphor entrepreneur **C** used is seeing your firm as your baby. And you want the baby to grow healthy and happy. When the time is right you might need to let it free for further growth. But right now, the company is too young.*

For a founder, success can be interpreted as what the founder had in mind, which can be anything. But as a CEO, you have fixed targets and growth that dictates success or not.

Final thoughts

In hindsight, entrepreneur **C** would like to have a coach. Especially in the early phases. The decisions he would make now wouldn't be the same decisions as 10 years ago. These improved decision-making skills come with experience.

Case D
Company **D** is the provider of a software tool and dashboard to automate and increase the efficiency of company processes. The company is founded around 5 years ago and has currently between 10 and 15 people working there of which two are in the Management team.

introduction
Founding member | CEO | Met through business

*Entrepreneur **D** has an educational background in marketing and business administration. Afterwards he was the general director of a big organisation. During this experience, entrepreneur **D** found that many things within company processes and inter-company communication could be done in a more convenient way. Ultimately, the start-up arose from this mindset.*

*Within this big organisation, entrepreneur **D** got in contact with the other founder. He has an educational background in Informatica and had some experience in building websites and web applications. His role within the former organisation was as an intern.*

*Both founders had no experience with building a business from scratch. However, entrepreneur **D** states that as general director, he already had experience with entrepreneurship.*

team structure
no conflict | no exit | clear separation of tasks

The founders are completely different in background and expertise, which made the role distribution clear from the early phases. One is in charge of the technical aspect, the other in charge of all the other aspects, including financial, marketing and sales.

Team formation
own network | team addition: in-house recruiter

*entrepreneur **D** states that there is always an ideal situation that you try to achieve as a company. However, in practice, it's most of the time harder than anticipated. So often, you have to be flexible with the people you already have within the team.*

*New management positions we find within our own network. However, currently, there was only one add-on which was a misfit. Entrepreneur **D** is not looking to expand the management team right now.*

*For team addition, entrepreneur **D** did some experiments. First, having an in-house recruiter seems to be working. Such a recruiter knows about the culture within the company and does not have a different incentive from the company.*

Team homogeneity
early phase: heterogenous | active heterogeneity traits: industry knowledge, educational background

*The team is heterogeneous in terms of age, educational background, industry knowledge, and expertise and homogenous in terms of gender and geolocation. Currently, the management team exists out of two people. Entrepreneur **D** states that it's noticeable that the two empower each other.*

*There has been no conflict between the two founders. Entrepreneur **D** states that it is because they completely trust each other. But also because they only understand each other's tasks on a high level.*

Currently, there is no need for new management team members. However, if this is needed, the most important variable is expertise. Not only in the specific task but also in communication and leadership.

Decision making, network ties, and friendship
between friends and work-related | Conflict: exit

*Entrepreneur **D**, describes their relationship somewhere between strictly work-related and friends. Also, in the rest of the company, the team comes together and also know private matters of each other.*

There have been no conflicts within the team, however, in the past, there was a third management team member. He stopped collaboration with this third team member because his work

*input was lower than the other team members. Also, his expertise was acquisition, which is similar to the expertise of entrepreneur **D**. Lastly, 3 managing team members on 10 people is sub-optimal.*

Team size and free-riders
no free-riders

Currently, there are two management team members. The complete team exists out of 13 people.

According to entrepreneur **D**, there have been no free riders within the management team or the complete team. Sometimes there is someone who is still finding his way, however, that is not a free-rider.

Entrepreneurial Exit
No thoughts on exit yet | success is a mindset | exit when company is large

*Entrepreneur **D** has not thought about exit possibilities yet. He states that he is currently focussing on growing something beautiful. However, if there is an interesting bid, ofcourse, entrepreneur **D** would consider it. When thinking about it during the interview, he comes to the conclusion that if the company grows too large, it wouldn't be a perfect fit for him anymore as CEO.*

According to entrepreneur D, Succes is when the founder feels his job is finished. In his case, when the machine is running. Or in other words, when the important company processes are automated to a certain level and the company does not need him anymore. Currently, he is focussing on getting out of the break-even point.

Case E

company **E** creates HiFi audio products and has its own brand known for its quality and portability. The company is founded a bit more than 10 years ago and currently has 20 employees.

introduction
Executive team member | CTO | Met through business

*Three founders found company E. one founder studied at TU Delft and has a masters in industrial design. The other has a masters in mechanical and acoustical engineering at INSA, and the last one has a background in system and design engineering. For this interview, we spoke with entrepreneur E, who has a background in multiple disciplines such as electronics, microelectronics, and aerospace engineering and has worked as an entrepreneur for over 10 years. Also, entrepreneur **E** has done a post-doc at TU Delft and has been a guest researcher since this period. Has started multiple (3) companies and has the role of CTO in the current company. At a time, entrepreneur **E** wanted to quit entrepreneurship and applied for a regular job. During the interview with the founders as an embedded software developer, it became apparent that entrepreneur **E** had experience with the technology and got offered a CTO job immediately, to which entrepreneur **E** agreed.*

team structure
conflict resulted in exit | unclear seperation of tasks

One of the founding team members, who seemed to fit his role at first because of his technological knowledge, didnt seem to fit in a management position. According to the management team, the specific person didn't assist enough with structuring and developing the company. According to entrepreneur **E** and the CEO, who later joined in the interview, concerned person was often focused with micro focusing on certain problems instead of delegating these tasks and looking at the bigger picture. This often resulted in the missing of deadlines and/or milestones. *This caused some disagreement and conflict within the team.*

Furthermore, even though traditional roles such as CTO and CEO were clearly stated and assigned, it became apparent that not every member knew what tasks and responsibilities concerned the role.

Team formation
own network | early phases: expertise | later phases: expertise and cultural fit

Entrepreneur *E* states that there is no need for new Management team members. But if need to be, first the own network will be looked into because it's important that a new person fits in the team. In addition, everyone should be on the same page to reduce conflicts. Therefore, both cultural fit and expertise are important.

Team homogeneity
early phase: homogenous | later phase: heterogenous | active heterogeneity traits: expertise and skill level

The team is heterogenous in terms of expertise and skill level, resulting in healthy conflict. Furthermore the team is homogenous in terms of vision and goal.

According to entrepreneur *E,* gender and age aren't variables they look at. People should have the right expertise. Entrepreneur *E* states that as the newest member of the Management team and the only non-founding member, he didn't have an active role in the diversity of the executive team. According to entrepreneur *E*, diversity is great because its more likely that people have different perspectives. The key is to have a correct understanding of the approach and the path of the company. In other words, people should have the same goal in mind,

Decision making, network ties, and friendship
work-related | voluntary exit

Entrepreneur *E* likes to keep the relationships within the team on a professional level. Some companies have a family culture which is good at some levels. However, according to entrepreneur *E*'s experience, it slows down productivity, especially when the start-up goes towards a scale-up phase and beyond. For that reason keeping a professional atmphosperhe is important. Entrepreneur *E* explains that having a professional atmosphere doesn't mean that you have to be formal all the time. There is still time for Friday afternoon drinks, having dinner together, and other team bonding activities because this helps with professionalism.

Soon another management team member will leave. However, this exit will be a voluntary one. The concerned member feels like the work he has been doing is not in line with what he loves doing as an industrial design engineer.

Team size and free-riders
No free-riders

The management team exists out of 3 people. The size of the team is enough for the current stage. However, it's expected to have a bigger team when the company grows. On the management level their never were any free riders. There are a few free-riders in the whole team, which is a huge problem. However, entrepreneur E has not figured out how to deal with this. It holds back progress, which the team may not be aware of. Entrepreneur E thinks that the free-rider behaviour is either a personality trait or something cultural.

Entrepreneurial Exit
No thoughts on exit yet | success is growth and hitting set targets | exit when no direct impact

Entrepreneur E has not thought about exit yet because he sees a lot of growth potential in both the team and the company and believes that his expertise can contribute to this potential.

Entrepreneur E sees success when milestones and roadmaps are achieved. As long as these things are achieved with good speed, things can be considered going well. The moment entrepreneur E isn't longer contributing to the company, then it's a waste of time for all parties involved and resources used. This would also be the stage where entrepreneur E would naturally exit.

Final thoughts

There are a lot of ups and downs as an entrepreneur. Don't be afraid of asking for help. Also, make sure you have the right expertise at the right moment. Or in other words, don't make promises to people who might be useful in the future but not in the current moment. This mostly includes filling up useless current positions. Especially if that person does not have an entrepreneurial mindset, do not bring him in the company. You will find the right resources when you need them. Furthermore, *know your expertise and know what you can and cannot do. Taking responsibility for what you can deliver and maintaining your expectations is a tip that entrepreneur E gives everyone.*

Case F

Company F is a SAAS company which helps in improving the workdays of organizations. The company was founded around 12 years ago and has close to 100 employees on LinkedIn.

Introduction
Management Team member | COO | Founders met through university

Entrepreneur F has a business-related study background and has started 3 start-ups. she has 12 years of experience at an incubator for new entrepreneurs. She therefore has seen a lot of starting and growing entrepreneurs. This means that she has a lot of insight into start-up growth problems. In the end, 6 years ago, Entrepreneur F became the COO of the company she currently works at. Unfortunately, she is not one of the founding members. However, the founders are still in the company.

The founders met at TU Delft and met each other during their studies. They both are mechanical engineers.

team structure
no conflict | clear separation of tasks

In the early stages of the start-up, people grew with their function organically with the departments. e.g. the earliest design team members grew to a leading position when there were more design team members. Entrepreneur **F** statest that this is how it goes for most start-ups; someone gets a new colleague that needs to be trained into his role. This means you have a team of 2 to 4 people, and someone has to inform you how that team is doing. Most of the time, that's the one with the most experience within the team. After a while, you're going to look at who has the best expertise or do we need someone external.

There has never been any conflict about role assignments because, in the end, people know what they like to do. It is important to always keep talking about this. Do you still like what you are doing? Especially in tech companies, you have a lot of experts who specialise in a single thing and would like to keep doing their expertise.

Team formation
Organic growth | recruitment | later phases: expertise, culture ++, in-house recruiter

*Entrepreneur **F** grew in her role when she gained experience in the operational side of the business. Additionally, the two founders knew entrepreneur **F** through the incubator. Therefore, the collaboration started with a single project and then another. Resulting in entrepreneur **F** earning the COO role.*

*Later management positions were strategically chosen. What do we need and what direction do we want to go. For example, people and culture are important aspects of the company, so someone takes that responsibility. Entrepreneur **F** states that it's really hard to make a distinguishment between expertise and culture because, in reality, there are way more variables. Culture is how you interact with each other and move towards a goal, and expertise has multiple elements, such as industry expertise and communication. On top of that, company **F** is a scale-up which keeps changing rapidly. Every month can be different, the team size, objectives and goals are also elements that a person should be able to handle.*

*Furthermore, company **F** has multiple in-house recruiters and a lot of external parties because it's extremely hard to find the right people. After finding people for lead functions, we also use assessments.*

Team homogeneity
early phase: homogenous | later phase: heterogenous | active heterogeneity traits: expertise, path network, gender, age

The management team is heterogeneous in terms of skill level, network mechanics and industry knowledge. Company **F** actively searches for people with certain expertise and a path network. Also, a lot of people grow within the company. So they learned the right skills within the company. The team has a 50/50 gender ratio, ages 28 to 58, and everyone is Dutch. Therefore the team is quite heterogeneous, which has been done on purpose because teams function better with it exists out of diverse backgrounds and education. You need different kinds of people that can look at the same problem from different angles. For example, people can have an entrepreneurial or managerial function. And even in those roles, you should never make teams homogenous according to experience in the incubator time.

Decision making, network ties, and friendship
Between friends and workrelated

*Entrepreneur **F** states that there are a lot of dynamics within the company. Each role is interlined with other roles. So if something goes bad in a certain department, that doesn't mean that the department and the people in it were not performing. It could be the lack of another department. Even so, it should not be the case that people start finger-pointing. This means that the complete picture needs to be in equilibrium. Problems are always everyone's problems, not those of a specific person or department. Don't see the company as a different subteam but as a single big team.*

A coach for the complete team helps each member individually so that they can perform better in the team and as a leader. It is possible that this leads to the outcome someone does not fit in the team anymore.

Team size and free-riders
no free-riders | no exit

*The management team is 8 people, which is quite big according to entrepreneur **F**. She states that it grew like this organically and the size is currently needed. There are 7 real executive positions and 1 support position. All of these positions are needed to cover the different tasks, however, meetings take noticeably longer. For speed and team dynamics, a team of 5-6 people would be more efficient. However, right now, the choice has been set on covering all tasks.*

*Within company **F** the management team has no experience with free-riding. The company grows too fast to have something like that happen.*
Within the management team, there has not been an exit yet.

Entrepreneurial Exit
Exit if the company becomes large | 0 founder exit | *success is growth and hitting set targets*

According to entrepreneur **F**, exit should always be a topic in the back of your mind. Nobody has a job for life, and especially in a fast-growing company, you have to keep thinking if you are still in the right place. Entrepreneur **F** never looks further than three years in the future and states that if the company becomes too big, it wouldn't be the right fit for her anymore. She has been thinking about this moment but does not see that happening yet anywhere soon.

Defining personal success is hard to do; as the COO, one of the jobs is ensuring that there is enough money. However, having enough money also says nothing at the same time because you want to create a successful business. This means you need to keep testing your strategies.

Final

One of the attributes of tech companies is that they grow relatively fast. So it's always hectic. So if there is a lot of conflict within the management team, then you will not survive. Furthermore, the growth for a homogenous group is limited, so as a company, you want to branch out to a heterogeneous group as fast as possible.

Case G
Company **G** has created a community platform to increase engagement in virtual and hybrid events. The company is founded around 12 years ago by two founders. Currently, they have close to 30 employees.

introduction
Founding member | CEO | met through university

Two founders founded company G. Of which one is entrepreneur **G,** who has an electronics background and studied at TU Delft. Here in TU Delft, he met his co-founder. Both of them wanted to start a company but didn't know yet which idea to work out. The first year was spent brainstorming and testing different ideas until they found an interesting one. Afterwards, they got the tip to look into YES! Delft. Starting there, they made the first steps with the goal of having traction within the first year.

Team structure
no conflict | early phase: unclear separation of tasks | later phase: clear separation of tasks

*In the early phases of the company, both founders did everything. There were no clear roles defined. Afterwards, they split it into a technical and a sales aspect. The sales aspect was assigned to entrepreneur **G**, even though he had no sales experience. This inexperience made entrepreneur **G** feel out of place within the sales department. However, as the company grew in terms of people, he found his place within the company. This work distribution happened without any conflict.*

Currently, the work distribution is clear because everyone has a clear role. Recently a new process was started with a trainer to look at the company structure again for possible improvements.

Team formation
Own network and recruiter | early phases: expertise and cultural fit | later phases: expertise, cultural fit and core values

All management team members grew from normal functions to leadership positions. So each of them was recruited by the founders and some came through 3rd level network connections. Out of experience, it seems more likely to find a good hire in your network compared to using a recruiter. However, of course, there also have been exceptions in both. Currently, it is difficult to find people compared to in the past because of the job market. So now there is no luxury anymore to easily find good people in your network.

Expertise and cultural fit are equally important. People need to understand their job and excel at it to a certain level. Also, the job needs to fit the person. On the other hand, if someone would fit the job, but does not have the right skills yet. It is possible to teach this person the relevant skills. Furthermore, company **G** has certain core values that are important to consider during the selection process. Because if you do not fit within the core values, it can start a negative loop within the whole company. Even though entrepreneur **G** started out by stating that they are equally important, he changed his answer to cultural fit being more important.

Team homogeneity
early phase: homogenous | later phase: heterogeneous | active heterogenous traits: Language, education, personal interests, geolocation

Entrepreneur **G** states that the management team is more heterogeneous because it has 3 men and 1 woman. Two are Dutch, 1 from Iceland and 1 from Israel. However, everyone is in the same age range. If you include all employees, most people are not Dutch or even located in the Netherlands. This wasn't an explicit choice, it happened over time and makes it more fun. Heterogeneity never has been an explicit choice according to Company G, the choice always has been about the core values of the company. When the first internationals join, it also makes the step smaller for other internationals to join. Currently, the main spoken language in the company is English. Furthermore, he states that everyone is human and has its own problems and private matters. And a lot of the stuff worldwide is recognizable to everyone, such as burnout, pregnancy and so on. The company has, therefore unlimited available leaves for employees with the belief that if a person gives his input to the company and the company expects good results it should also work the other way. When you need a bit more personal time, that should be possible

For the MT team, it is important that they live in close proximity to the office. Furthermore, expertise and education level are important heterogeneous variables. Within the complete team, it is a major pro if someone speaks an extra language that isn't in the company yet. This gives potential to extention to new areas. Furthermore, they welcome people with unique personal interests.

Decision making, network ties, and friendship
between friends and work-related | 1 voluntary exit | conflict resulted in an exit

Entrepreneur **G** believes that it is important that team members are interested in each other as friends. However, It is not necessary to be friends. But when people are interested in each other, that will make the work atmosphere more fun in general.

In the early phase, there were no conflicts with the co-founder. However, entrepreneurial life for entrepreneur G became easier when the co-founder did exit. This was because entrepreneur **G** had so much respect for his co-founder, that he considered the thoughts and ideas of the co-founder more important than his own. The co-founder left the company after a few years because combining private life with entrepreneurial life was hard. Mostly because his private life was in a different country which translated to him feeling either lacking in private life or the entrepreneurial life. Which ends in him having to make a decision between the two.

After the CTO left, we got a new CTO utilizing a recruiter. The new CTO was a bad fit. Using a mediation process the company had to part ways with the new CTO. The new CTO didn't fit in the

company culture. He was friendly to the founder. However, this friendliness was not present to the rest of the team. After a while this was noticeable within the team. Team members were a bit more withdrawn and absent from everything. It took entrepreneur G a while to notice, but then he had to make a choice. A mediator was used. In hindsight, it was not the best way to fire someone.

Team size and free-riders
No free-riders

The team is 25 people, and the management team exists out of 4 people. There is no experience with free-riders

Entrepreneurial Exit
exit if company can be sold

Entrepreneur **G** has thought about exit. He states that exit is something that you should think about on a periodical basis. Currently, there is no need for an exit, however, if someone comes with an offer that is too great, of course, the answer will be yes. The dream has been from the beginning to sell the company for a good price. There are three possible potions; staying their the wole life untill retirement and have a succeeder. option 2 is failisement and option 3 is selling it. Preferable is option 3. So that is something they actively try to achieve by adding more value to the company. Afterwards, there are no plans yet for after the exit. Entrepreneur G states that the next startup would probably go faster.

Case H

Company **H** is specialised in developing rocket systems for scientific purposes. The company is founded 9 to 11 years ago and has close to 10 employees. The management team has 4 members.

introduction
Founding member | met through university

Entrepreneur **H** studied aerospace engineering at TU Delft and was an active member of the Delft Aerospace Rocket Engineering association. During this time, they tried to beat the rocket height record in a competition. Here they concluded that building rockets are always multi-disciplinary because you need a lot of different expertise. So, in order to keep working on rockets, they would need to stick together. Before starting the company, entrepreneur H had some work experience abroad.
     Three of the founders studied aerospace engineering and one studied electrical engineering. Furthermore, the projects of the team were on a high level for industry standards which made the step to starting a company easier.

team structure
no conflicts | no strict separation of tasks

The company does not have a strict role distribution since the company is on the smaller side. So everyone does their part. There have not been any conflicts in the early phases of the start-up. For each project, they assign a project leader who is in charge of the project and makes sure the work is done. All the other members have a helper function within that project. The project leader role gets passed over to members within the whole company.

Team formation
early phases: expertise | later phases: expertise

The founders started with 4 people and never had the need to find new management team members. Normal employees can lead projects, and their input about decisions have equal value as management team members. This is possible because the total team is on a smaller size. In the case of potential team extension, entrepreneur **H** states that he would look for expertise. Because that is more important than other factors. In the end, it's more important what a person can do within the company, especially within a complex niche industry such as rockets.

Team homogeneity
early phase: homogeneous | later phase: homogenous | active heterogeneity traits: path network, skill level and industry knowledge | active homogenous traits: educational level, passion

According to entrepreneur **H**, The team is homogenous. Everyone has done a similar technical study and has a passion for rocket science. Furthermore, they all have the same gender and are in the same age range. To compensate for the lack of diversity, they actively try to look at problems from different perspectives. However, entrepreneur **H** sees no need to actively look for a diverse team. Choosing between people that have a passion for rocket science is already quite challenging.

When looking at heterogeneity in network mechanics, skill level and industry knowledge, entrepreneur **H** states that these are important variables. Especially when the network of a specific person is in a different niche than they already have can bring a lot of advantages. In other words, it brings a lot of value when a person has already tried himself a lot before joining the company.

Decision making, network ties, and friendship
friends | no conflict

The company started as friends, and they still see each other as friends. Entrepreneur **H** states that they even are each other's best men at weddings. Of course, a company has ups and downs, but if you can talk to each other openly, that helps. However, a drawback is that you keep negative feedback a bit longer for yourself as friends. And if you have to express negative feedback, you're a bit more carefull with it. The tolerances are much higher as friends.

There never has been a conflict within the company that resulted in an exit. Most of the time it's healthy conflict among the team members. There has been some discussion which resulted in some changes in the company's core values. But in the end, everyone was oke with it.

Team size and free-riders
No free-riders

The team is 3 to 4 people depending on the project. The complete team is 14 people. The management team is 4 people. Entrepreneur **H** states that growing the company size to 20 to 30 seems ideal because he does not want to manage too many people. The reason for this company is that they like working with rockets. There is no experience with free riders.

Entrepreneurial Exit
exit when company is sold | succes is surviving

Entrepreneur **H** expects that another company will buy them. But currently, he does not see that happening yet. In the rocket industry, there are many conflicts over take-over, making it a bit harder. He thinks it will take another decade at least. Afterwards is most likely retirement. Entrepreneur H sees his role as successful as long as the company survives.

Final thoughts

Don't start a company for the money. Most of the time, it's working hard, and the profit comes after a long time.

Case I

*Company **I** is a SAAS company that provides software solutions for organizing events. The company was founded around 12 years ago and currently has close to 30 employees.*

Introduction
Founding member | Chairman | met through university

Entrepreneur **I** is one of the founders of the company. Currently, he has switched from an operational management role to a more strategic and innovative management position. This means that he is not in charge of the company's day-to-day actions anymore. The two founders met at TU Delft and decided quite early on that they wanted to start a company together. According to entrepreneur **I**, they have a similar technical background and expertise but the different personality traits make it work. Furthermore, they noticed that they have good synergy. Their educational background is in computer science.

Team structure
no conflict | clear seperation of tasks: personality traits

In the starting phases of the company, there were no conflicts that Entrepreneur **I** could recall. He states that it went well for the last 13 years.

*The assignment of roles went naturally because of the totally different personality traits. When both members get the feeling that everyone is working hard enough, then role assignment is also not a big issue. Especially in the beginning phases of the company, everyone knows everything that is happening inside the company. So also who is doing what? According to Entrepreneur **I**, a discussion about roles can start when the teams are getting bigger, roughly at 10 team members would be an estimate of a bigger team size. In this case, no conflict happened about any of the main tasks. However, some smaller tasks or chore tasks could be the cause of some minor conflicts. Company **I** uses software or management methodology that formalizes the designation of roles and their specific tasks, which helps create flexibility and clearity.*

Team formation
early phases: own network | later phases: own network, inhouse recruiter

*Regarding team member addition, entrepreneur **I** states that there is a big difference now and in the past because the job market is different than it used to be. In the early phases, new management positions were filled up through the own network. Afterwards, a bit of experimenting needed to be done. External recruiters were a failed experiment because they had a different goal. Their goal is to fill positions instead of creating good matches. A successful experiment is an in-house recruiter. This seems more expensive at first, but it brings in higher quality matches, making it better. Entrepreneur I states that according to the literature, cultural fit is better. After thinking a bit, he thinks that is indeed true because everyone can be brought to the right skill level with some training. Therefore, entrepreneur **I** mostly take people's motivation and intelligence/talents in mind. He states that people's knowledge is often obsolete, so it's better if someone can learn fast.*

Educating people with little experience often works better than hiring people with experience because the idea of hiring the perfect fit for a position is often harder than expected. This is often a more fun and cheaper experience, even when it takes a bit longer. An important point for scale-ups is

the people that are behind the processes. This means that instead of micro-managing processes, you should manage the people behind it. Have a person that looks at the processes with an eagle viewpoint and see if things are going in the right direction.

Team homogeneity
early phase: homogeneous | later phase: between homogenous and heterogenous | active heterogeneity traits: industry knowledge

There are two levels of management within the firm; strategic and operational management. The strategic level is homogenous, and the operational level is heterogeneous. This is not done on purpose, it grew like this organically. As said earlier, in the starting phases, the team grew by using the own network, which caused a homogenous growth of the team. This also means that if you want more diversity within the team you have to actively search for it. When entrepreneur **I** was presented with the variables skill level, industry knowledge and network mechanics, entrepreneur **I** states that the teams are a bit more on the heterogenous side of the spectrum. However, the industry knowledge and skill level is often also quite homogenous. In the future, entrepreneur I wants to add more diverse people especially on the variable industry knowledge. Not in the sense of a different study but a completely different industry like hospitality so that problems can be seen from a different angle.

Decision making, network ties, and friendship
between friends and workrelated | 1 conflict resulted in exit

*The founders started as friends, which is still how they would describe their relationship. However, they have a professional attitude towards each other with softened edges because of their friendship. Sometimes there is a difference in opinion, and then the solution becomes to don't do it if both of them can't agree on a specific topic. Entrepreneur **I** believes in deep democracy, which means that the position that needs to conform needs to be helped as much as possible. If you look within the whole management team, the friendship can be described as between friends and work-related*

Within the management team there was one person that had to exit the company. He was given the role because the other decision-makers thought he could grow into the role as he was promising in his earlier job. However, this was not the case and turned into a difficult situation. This person that had good results in its old position but not that much in the new position which brings a painful conflict. There are two solutions; the person goes back to the old role but keeps the salary increase or the person does not want to go back to the old role and does not want to stay in the current role and therefore, looks for something in another company.

Team size and free-riders
no free-riders

*The strategic management team is 3 people, and the operational management team is 7 people. Entrepreneur **I** states that this is a big size. However, he thinks that is needed for a good firm. This means that each manager has 4-5 people, which can grow a bit more. Company I had no free-rider conflicts.*

Entrepreneurial Exit
exit when good sales option | success is personal-growth

*According to entrepreneur **I,** the company needs to be ready at each moment for you as a founder to leave because if it's dependent on the founders it's not a company anymore but a proprietorship. Currently, the founder works in the company for more than 10 years and would like to try something else in the future. He does not think it will happen within 2 years, but it should be possible in the next 7 years. If there comes a good bid, he would consider it.*

According to entrepreneur *I*, it's important that you keep learning in your position. The moment you stop learning in your position, it's time to move on. So as long as this happens, entrepreneurial I see his role as successful.

Final thoughts

According to entrepreneur *I*, it's trying out different things in the beginning until you find something that works. Afterwards, it's running and scaling. This can take some time. As an indicator, he would say 4 to 6 years. This also means that most starting entrepreneurs have a hard time building wealth in the starting phases compared to many peers with a regular job. So that is something you should take into account as a future entrepreneur. Something that could help in the beginning phases is taking a part-time job next to your start-up work if this is possible. In the case of entrepreneur *I,* the start-up had no need for 40+ hour weeks in the early phases.

Case J

Company *J* is a business in smart & sustainable solar technology and has been founded aound 10 years ago. Currently, the company has a bit more than 10 employees.

introduction
founding member | CEO

Entrepreneur *J* studied aerospace engineering at TU Delft and directly afterwards started company *J* as a solopreneur. After a few months, he had a business partner not in the management team but a consultancy role. This business partner has no stake in the company anymore but used to be an investor. Furthermore, entrepreneur *J* had a bit of experience before he started since this is his second company.

Team structure
solo start

Entrepreneur *J* started alone, therefore this section can be left empty.

Team formation
own network | unclear separation of tasks | early phases: expertise | later phases: expertise

Entrepreneur *J* joined Yes!Delft which has the requirement of having at least two founding members. Because of this hard requirement, entrepreneur *J* tried to work this out with two people that were assigned through Yes!Delft. Unfortunately, both did not work out. According to entrepreneur *J*, there was already a difference at the start. He invested a lot of money and time within the company which is not the main problem. The problem is that these people had completely different goals and expectations of the company. Also, there was an age difference of 10-15 years which resulted in superior behaviour by the newly joined members. On top of that, they wanted to get paid accordingly without being clear about their input. They had high expectations in the sense that they did want to have shares and salary but also stated that they wanted to leave within 2 years with the goal to do this with multiple start-ups and create wealth in that sense. The collaboration was put to stop after this.

According to Entrepreneur *J*, the company is too small in terms of people to have all the executive roles. Furthermore, they are thinking of upscaling machinery, which results in even less manpower for more output. Company *J* does not use a recruiter. Most new people come through the network. A lot of the new employees start off with a TU Delft project which is a great evaluation of someone's skill. Sometimes these people stick at the company for a job. In other words, expertise is a

more crucial point than cultural fit. Of course, there needs to be a connection. However, Entrepreneur J would never hire a person for the sole purpose of diversity.

Team homogeneity
active heterogeneity traits: educational background and expertise

Entrepreneur J states that the team is diverse as in that everyone has their own educational background and knowledge. But also, every person is different. Even though most have a technical background, some members have a financial background. He also states that even within the technical background, there are a lot of differences such as the type of study or the level of education. This heterogeneity happens naturally because you are looking to fill a certain gap within the company with each hire. Entrepreneur J states that the team size is small. Therefore he thinks that the company is also quite heterogeneous in gender, ethnicity and geolocation variables. There have been a few ladies which fluctuates from 10-40% within the company. They have a lot of different ethnicities such as french, Serbian, Spanish, Indian and more. However, entrepreneur J never searches for this heterogeneity. You either fit for the role or you don't.

Decision making, network ties, and friendship
Between friends and work-related

It started off as a fully professional relationship with the business partner. However, as time passes, you gain a lot of different experiences, which in some cases are also fun experiences. In that way, the relationship also becomes slowly more of a friendship. With the rest of the team, entrepreneur J states that he sometimes has 24/7 contact with his team members. Work never stops, however, the talks are not always work-related. the hierarchy within the company is flat, making them see each other as friends.

Team size and free-riders

The management team exists out of 1 person. Furthermore, there is one advisor. There have been free-riders within the team. Not only the examples with the previous management team members but also people that try it later when they see that the company is scaling. This sometimes comes in the form of investments where they also try to get a role within the company's management team.

Entrepreneurial Exit
exit when good sales option | success is growth

Exit is a difficult topic. Eventually, entrepreneur J wants to exit because he wants to try other things in life. However, he does not think exit will happen in the coming years. The ideal situation is that most of the shares will be sold and that he still has a bit of control. Whenever he sells his company, he would like to stay a bit longer to make sure everything goes right.

He hopes that when he leaves, he can bring a bit of the team with him because having a good team is one of the harder things to achieve as an entrepreneur. Entrepreneur J believes that the next company will grow faster because of his gained experience.

Entrepreneur J believes his role to be successful from the moment there was a feeling that the company went in the right direction. Especially when you see the profits come in and the debs being paid. However, he wouldn't call himself successful that fast in the open.

Final thoughts

*Entrepreneur **J** states that it is important for a company to grow organically. He noticed that many companies expand their team when they get an investment. But it's not always with a clear purpose which seems counter-productive. When you grow organically, it is easier to spot where you need more people, while with the other method, it's more forced. You try to have a grasp on what people you need.*

Case K

*Company **K** uses artificial intelligence and computer vision to find alternations in videos and images. The company was founded a few years back and has currently nearly 15 people working there.*

introduction
Founding member | CEO | Met through university

Entrepreneur **K** is one of the founders and recently has taken the role of CEO. Therefore, she mostly looks at the company's business side, such as searching for new market areas and potential clients. The founders met at TU Delft when they worked together for a course. During this course, they came up with a solution in which they saw business potential. After the course project, they had a working prototype and some potential customers which made the step to actually trying entrepreneurship as a logical next step.

Team structure
no conflict

Between the different founders, there is a bit of overlap between the tasks because as founders, you do a lot for the start-up. Especially in the beginning phase, fruitful discussions can happen about the tasks, which leads to even more optimized tasks.

Team formation
own network | early phases: core values + expertise

*Company **K** started with 3 founders of which none had actual technical knowledge about the product area. Therefore there was a need for a 4th founder. The 4th member joined within 2 months and was found within the own network. First was looked at within the course program where the founders met each other. Secondly, through Yes!Delft students which is a student organisation directly linked to the Yes!Delft tech incubator. In the end, company **K** had the choice between 8-10 people for the 4th member.*

*Also, employees and internships are found through their own network, mostly the platform LinkedIn and the company webpage. At the start, company **K** mostly looked at expertise. However, company K noticed that you'd mostly get employees for a shorter time. So right now, the focus is more on core values so you get people that want the same for the company as the founders. According to entrepreneur **K**, this is needed to grow the company more successful. Currently, company **K** has the luxury of choosing between multiple people because they work with new relevant technology that does not have a lot of job opportunities yet.*

Team homogeneity
early phase: homogenous | later phase: trying to be heterogenous | active heterogeneity traits: education, skill level | passive heterogeeneity traits: geolocation, ethnicity

*Company **K** has people from different countries such as Italy, Germany and more within the complete team. However most of the founders are homogenous in terms of ethnicity, gender, demographic, skill level, network mechanics and industry knowledge. Entrepreneur **K** states that she was asked to join*

*the team for the sole purpose of diversity reasons. She has a different ethnicity, gender and semi-different education. It's still a technical study, therefore, they would have liked someone with a more financial background. Entrepreneur **K** states that in actually working, all founders are similar in the sense of having an operational mentality. This means they love building structure and systematic processes. She would love someone with a more innovative mentality because that might be a great addition to the start-up team.*

*Entrepreneur **K** says that diversity can increase productivity and efficiency. However, she would never choose someone for the management team that needs to hit specific heterogeneous variables such as ethnicity. What is important is how a person thinks and works and the educational background. On top of that, diversity in experience would also be a big plus, especially since the whole management has no experience.*

Decision making, network ties, and friendship
between friends and work-related | voluntairy exit

*It is a combination between friends and work-related. Entrepreneur **K** tells that they are completely different people and most likely wouldn't become friends if it wasn't job-related. However, it's fun working together and the many hours together makes them consider each other as friends. They need each other and trust each other in both business and private matters. Entrepreneur **K** states that she would never start a company with someone she has a close relationship with because it's a different kind of relationship that now has the potential to get hurt.*

*There are many conflicts. However, compared to stories entrepreneur **K** had heard, their conflicts can be considered normal conversations. There was never a case which resulted in an exit. The previous CEO wanted to focus on studies which was the reason for his exit.*

Team size and free-riders
No free-riders

Currently there are 3 team members and that feels good for the company size. There was no experience with free-riders

Entrepreneurial Exit
exit when good sales option | succes is growth and hitting set targets

*Entrepreneur **K** has discussed exit with the complete team. Currently, they are thinking about a fast exit to sell the company to a bigger company. This is because their solution is a sub-solution of a bigger system. This means that potential companies have a more complete solution which they can be a part of. Another exit strategy could be to build more products on top of the current tech and build a bigger client base so that they can ask more per customer. Again, the main goal would be to sell to another company. However, the difference in strategy is the timeline of the selling happening. According to entrepreneur **K**, they have chosen these strategies because they don't have a long-term vision for their tech that rival companies might have.*

*Entrepreneur **K** sees her role as successful if all targets are achieved, and a clear goal and focus are established for the company.*

*Entrepreneur **K** would leave the company if she had the feeling that she would be doing the project alone or if she felt misunderstood. Because then it would feel that she was not in the right place.*

Final thoughts

*Entrepreneur **K** says that is important to have a good team. Co-founders you can trust are even more important than a good team. Because if trust lacks within the team then nothing is possible. e.g. if you do not dare to tell each other that you're not happy with the performance, then essentially nothing is possible. Another thing that might help is having someone that can advise you. Company K has a group of different entrepreneurs that is willing to spar occasionally.*

Case L

Company L is the provider of a software tool that helps with data accumulation. The company is founded around 5 years ago and currently has 10 people working, of which three are in the management team.

introduction
Founding member | CEO | Met through business

Entrepreneur **L** has an educational background in business administration. Furthermore, he has some experience in selling products but not entrepreneurship perse.

He met his co-founder by providing a paid thesis opportunity for bachelor students at the TU Delft. The thesis assignment was the creation of the MVP of the product. Afterwards, successful completion of the MVP, a partnership was formed.

Team structure
no conflict | no exit | clear separation of tasks

The founders are completely different in background and expertise, which made the role distribution clear from the early phases. One is in charge of the technical aspect, the other is in charge of all the other aspects, including financial, marketing and sales, and the third one is in charge of growth plans and customer contact.

team formation
own network | early phase expretise| later phase cultural fit and expertise

Even though sales came in and the product was being made. The founders had a hard time communicating with each other because of the lack of knowledge they had of each other expertise. Furthermore, they had problems with growing the software in the direction the clients wanted it because this communication was missing. For this reason, a third person was needed and was found within the friend group of one of the founders. New employees are found through university projects because it's a great way to test cooperation before investing financially. The project can always be a dummy project that is close to the company.

team Homogeneity
heterogenous

The team is heterogeneous regarding educational background, industry knowledge, and expertise and homogenous in terms of gender. Currently, the management team exists out of three people. and there has been no conflict yet.

However, nothing is actively kept heterogenous except for skill and educational levels. Entrepreneur **L** must confess that he'd look at cultural fit above these traits. The most important thing is that the team likes working together because you have to spend a lot of time together.

Furthermore, you also have to celebrate the milestones together. What good is it, if the celebrations arent even fun?

Decision making, network ties, and friendship
between friends and work-related

Entrepreneur **L** describes their friendship to slowly becoming better friends. However, currently, there is still a big work-related factor. If you spend that much time together, it happens automatically.
There have been no conflicts within the team.

Team size and free riders
no free riders

Currently, there are three management team members. the complete team exists out of 10 people. Most of the people are programmers and sales.
According to entrepreneur **L,** there have been no free riders within the management team. Also, not within the complete team.

Entrepreneurial exit
exit if sales option | success is growth and hitting targets

Entrepreneur **L**, hasn't actively thought about exit yet. However, he states that he thinks that it would not be wise to exit the company unless there is a good sales opportunity. He sees his company as an investment.
According to entrepreneur L, success is when everyone in the team is content, and the business is thriving. It is important to hit targets, its even more important to have fun