Imprinting Effects of Founding Core Teams on HR Values in New Ventures

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Using the upper echelon perspective and imprinting arguments as key theoretical lenses, this paper examines how characteristics of new venture core teams influence internal consistency and distinctiveness of human resources (HR) values at the early-growth stage of the firm. We found that shared organizational experience among founding core team members positively predicts internal consistency and distinctiveness of the dominant HR values, whereas functional diversity positively predicts distinctiveness of these values. Contrary to our prediction, when the levels of both prior shared organizational experience and functional diversity are high, positive effects turned negative, indicating more complex interaction effects between the two team characteristics.

Introduction

Organizational legitimacy has a significant impact on new venture survival and growth during the formative years of the firm (Delmar & Shane, 2004; Zimmerman & Zeitz, 2002). Legitimacy, a social judgment of acceptance, appropriateness, and desirability, can be enhanced by implementing a set of distinctive, internally consistent *organizing principles* that makes new ventures appear reliable and accountable (Hannan & Freeman, 1984). Such principles, which are operationalized by organizational ecologists as blueprints represented by different sets of values defining employment relationships (Baron, Hannan, & Burton, 2001; Hannan & Freeman), are referred to as human resources (HR) values in this paper. New ventures with a distinctive and internally consistent set of HR values governing employment relations have greater survival chances, lower employee turnover rates, and higher revenue growth (Baron & Hannan, 2002; Baron et al.). A strong HR system is an important component that can help an organization become more effective and achieve competitive advantage (Becker & Huselid, 1998). Distinctiveness and internal consistency of HR values contribute to the strength of an HR system in building shared, collective perceptions, attitudes, and behaviors among employees

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Figure 1

Founding Core Team Effects on HR Values During the Growth Phase of New Ventures
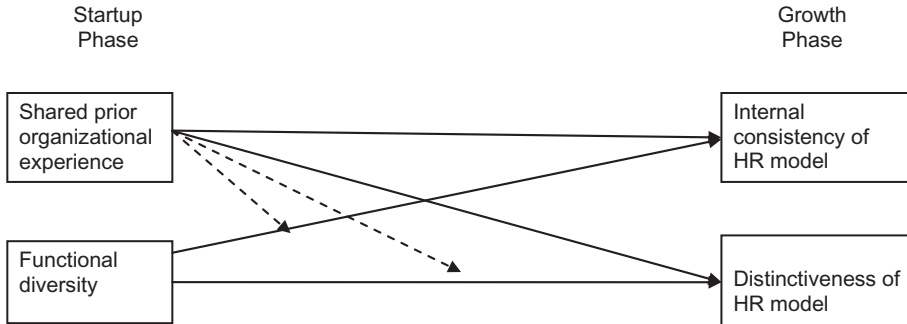
(Bowen & Ostroff, 2004). Given the positive effects of a clear organizational blueprint on new ventures, it is important for us to understand the factors that contribute to the distinctiveness and consistency of HR values. Drawing from both the upper echelon and structural imprinting perspectives, we examine how characteristics of core teams at the start-up of a venture influence the distinctiveness and internal consistency of the dominant set of HR values of the venture in the early-growth stage.

The upper echelon perspective (Hambrick & Mason, 1984) makes the underlying assumption that the top management team (TMT)'s composition affects organizational outcomes through organizational structures and processes, such as HR values, but few studies have explicitly examined which intervening variables are integral to illuminating the proposed causal effects (Carroll & Harrison, 1998, p. 646). Due to the simple structure of new ventures, we adopt the term "core team" rather than top management team in this paper. The core team includes individuals, regardless of job title, reporting directly to the top executive of a new venture, and these individuals have a significant impact on the strategies and practices of the firm (Leung, 2003; Leung, Zhang, Wong, & Foo, 2006).

The structural imprinting perspective is grounded in theories of population ecology of organizations (Hannan & Freeman, 1977, 1984; Stinchcombe, 1965) that founding conditions have a lasting effect on young firms' structures and processes. The composition of the initial core team is a key founding condition that can impact organizational structure and performance of the venture as it develops and grows (Baron, Burton, & Hannan, 1996; Boeker, 1989; Eisenhardt & Schoonhoven, 1990; Kimberly, 1979). We propose that the imprinting effects of founding team characteristics can affect the internal consistency and distinctiveness HR values of a venture in its early-growth stage.

Our model is illustrated in Figure 1. The next section elaborates on HR value sets as key organizing principles for new ventures and the related concepts of internal consistency and distinctiveness of a HR model. Following that, we develop and test our hypotheses.

New Venture HR Values

Over the past few decades, human resources management (HRM) literature has highlighted the need for firms to develop a coherent set of HR values and practices, since internally consistent HRM systems contribute to organizational performance and positive

employee attitudes (Derely & Doty, 1996; Ostroff, Shin, & Kinicki, 2005; Panayotopoulou & Papalexandris, 2004; Yeung, Brockbank, & Ulrich, 1991). During their early years, new ventures generally do not have formal HRM practices (Baron et al., 1996; Katz, Aldrich, Welbourne, & Williams, 2000). However, from a venture's inception, there is an inherent set of values that represents the principles of organizing and the conception of controls, which some scholars conceptualize as the organizational blueprint—a set of HR values that guides the development of future HR systems (Becker & Gerhart, 1996; Baron, Hannan, & Burton, 1999). Such HR values are reflected in various practices in the new ventures, even though they may not be formal HRM practices and carry HRM consequences (Baron et al., 2001).

Types of HR Values and Their Internal Consistency and Distinctiveness

Following the lead of a group of HRM scholars (Dastmalchian, Lee, & Ng, 2000; Leung & Chaturvedi, 2011; Ostroff et al., 2005; Panayotopoulou & Papalexandris, 2004), we adopt the competing values framework (CVF) developed by Quinn and Rohrbaugh (1983) to characterize the types of HR values. According to the CVF, value configurations can be classified into four quadrants: (1) The *group values* quadrant, representing clan type organizations emphasizing engagement and development of employees through empowerment and training; (2) the *developmental values* quadrant, representing adhocracy-type organizations emphasizing experimentation and innovation by leveraging complementary knowledge among employees; (3) the *internal process* values quadrant, representing hierarchy type organizations in which procedures govern what people do and where behavior compliance is the key; and (4) the *rational values* quadrant, representing market-oriented type organizations in which the most important criteria for HR are the productivity and output of employees.

Although studies employing the competing values framework are mostly on established firms, such a framework can be applied to new ventures (Leung & Chaturvedi, 2011; Quinn & Cameron, 1983). Even the hierarchical type of organization is applicable to new ventures, as studies show that founders can follow values resembling a bureaucracy even at the infant stage of the firm, preferring formal procedures for coordination and control (Baron et al., 1999). Given the evidence that firms benefit from a strong and coherent set of HR values (Bowen & Ostroff, 2004), we use the CVF framework to capture the internal consistency and distinctiveness of the dominant set of HR values adopted by a new venture, rather than to determine whether a particular set of values is superior to another.

According to Bowen and Ostroff (2004), consistency and distinctiveness are two of the key elements that signal the strength of an HRM system that "builds shared, collective perceptions, attitudes, and behaviors among employees" (Bowen & Ostroff, p. 206). Baron and colleagues (1996), who studied emergence and change of employment models of technology start-ups, suggested that internal consistency of an employment model means that all the components exhibit similar basic principles. The competing values framework captures different dimensions among different dominant value sets, even though some of the models may have overlapping values (Ostroff et al., 2005; Quinn & Rohrbaugh, 1983). These models can be externally or internally focused, emphasizing flexibility or control, and their value exemplars should reflect the consistency between means and ends within a specific model (Quinn & Rohrbaugh).

Distinctiveness refers to "features that allow a situation to stand out in the environment" (Bowen & Ostroff, 2004, p. 208). Applied to the competing sets of HR values existing in organizations, we define the distinctiveness of a dominant set of HR values as

the strength of that value set measured against the other sets of competing values. Together with consistency, distinctiveness is another important element contributing to a strong HRM system. Having a strong HRM system aids employees in learning about what is expected of them and what they can expect in turn. The consistency and distinctiveness of HR values also benefit employers, by providing a general reference frame to select potential employees who fit with the values, and reducing the need to monitor employees' activities or to clarify ambiguous or contradictory expectations. It allows for long-term incentives and career development because employees clearly understand what is expected and valued. A consistent and distinctive set of HR values is particularly important for new ventures that face a relatively high degree of uncertainty because it can ease some of the growing pains by providing a frame of reference for organizational priorities and values and by steering employees toward the common goals. It also helps to provide some order in a very dynamic context by setting clear parameters for efforts and rewards.

Effects of Founding Core Team Characteristics on HR Values in the Early-Growth Phase

Studies by Baron et al. (2001) provide evidence that founders impose blueprints defining employment relations on new ventures, but they did not address the "thorny issue of the distinctive contributions made by founders and other actors in building and changing the organizations" (Baron et al., 1999, p. 542). Applying the upper echelon arguments, we propose that characteristics of the founding core team are important contributors to the quality of the organizational blueprints during the early years of the new venture, as reflected in the internal consistency and distinctiveness of the dominant set of HR values adopted by the venture during their early growth phase.

The central tenet of the upper echelon perspective is that observable characteristics of the top managers, such as demography and career-related experiences, serve as proxies of their cognitions, values, and perspectives, and have significant influence on the process of strategic choice and resultant performance outcomes of the organizations they lead (Carpenter, Geletkanycz, & Sanders, 2004; Hambrick & Mason, 1984). Many studies employing the upper echelon perspective have provided support for linkages between TMT characteristics and the quality of competitive strategies and/or organizational performance in large, established firms (Boeker, 1997b; Carpenter, 2002; Hambrick, Cho, & Chen, 1996; Kor, 2003; Simons, Pelled, & Smith, 1999; Tushman & Rosenkopf, 1996. For a comprehensive review, see Carpenter et al. A growing number of studies also applied the upper echelon perspective in new ventures, establishing the relationships between new venture team characteristics with decision-making quality and firm performance, such as survival, growth, financing success, and financial performance (Beckman, Burton, & O'Reilly, 2007; Boeker & Wiltbank, 2005; Eisenhardt & Schoonhoven, 1990; Ensley & Pearce, 2001; Kor).

Prior studies have suggested that the organizational design of a new venture is a reflection of the values and experience of the founding core team members (Brittain & Freeman, 1980, p. 332; Schein, 1990). At the founding stage of the firm, core team members each bring with them a set of endowments such as human capital, social capital, and cognition (Helfat & Peteraf, 2003). Moreover, if some members of the team have worked together previously in another setting, there may be team-specific human capital built on that experience (Bainbridge, 2002). The endowments at founding also provide initial sources of heterogeneity among capabilities when founding team members have

different industry or functional experience (Eisenhardt & Schoonhoven, 1990; Smith et al., 1994). Together, such characteristics of the initial team composition form the starting point for a path-dependent development of firm-specific resources for the venture over time (Colbert, 2004).

The studies of top management team characteristics within the upper echelon literature generally focus on how homogeneity/diversity of managerial characteristics affects organizations. However, the evidence relating to the pros and cons of heterogeneous versus homogeneous teams is far from conclusive (Carpenter et al., 2004; Simons et al., 1999). Therefore, it may be necessary for us to simultaneously consider common ground and differences among team members in assessing the effects of core team characteristics on organizations. In their study on founding team effects on new venture growth, Eisenhardt and Schoonhoven (1990) demonstrated that shared work experience in the past (a form of common ground) and heterogeneity in industrial experience (differences) both contribute to new venture growth. Building on their arguments, in this paper we will examine the effects of shared prior organizational experience and level of functional diversity before joining the new venture among founding core team members on the quality (internal consistency and distinctiveness) of the dominant set of HR values during a venture's early growth phase.

Shared prior organization experience represents the core team members' shared exposure and experience in other organizations that determines their knowledge base for making decisions (Boeker, 1997a). Executives who have a history together have probably learned how to get along and communicate with each other. This is particularly likely given that they have chosen to form a new firm together. Goodstein and O'Reilly (1988) found that executive teams that have worked together previously were likely to be more cohesive and have higher trust than teams without such experience. Similarly, Zenger and Lawrence (1989) found that individuals with shared prior work experience communicated more often than people who did not. Therefore, founding teams with shared prior work experience can save valuable time in building coordination and trust and can focus quickly on firm-building activities, rather than on group-process issues.

The ability of the team to formulate a clear, coherent organizational model may also depend on whether the members share a mental model regarding how a firm should be organized and managed (Cannon-Bowers, Salas, & Converse, 1993; Ensley & Pearce, 2001; Klimoski & Mohammed, 1994). People who are exposed to similar organizational experiences are more likely to have that shared mental model. When they move to a new organization, they are likely to draw from that model for reference, as evident from Higgins' (2005) study of the *career imprinting* effects of managers in Baxter on organizational models of start-ups in the biotech industry.

Hypothesis 1a: The higher the level of shared prior organizational experience among a start-up's core team members, the higher the level of internal consistency of the dominant set of HR values during the early-growth phase.

Hypothesis 1b: The higher the level of shared prior organizational experience among a start-up's core team members, the higher the level of distinctiveness of the dominant set of HR values during the early-growth phase.

While shared prior organizational experience represents common ground, *functional diversity* represents the differences in expertise and capabilities accumulated within the team, based on the different functional roles team members played in other organizations prior to joining the new venture. Studies on team demography have argued that task-related team diversity such as functional diversity impacts positively on team performance (Cox & Blake, 1991; Foo, Wong, & Ong, 2005; Hambrick et al., 1996). Using the

theoretical arguments of the cognitive diversity perspective, prior studies have indicated that a team's cognitive capability is related to its cognitive diversity because such diversity provides an assorted stock of capabilities upon which a team can draw when making complex decisions (Amason, 1996). The basis of cognitive diversity lies with the different job experiences that constitute a group's total pool of task-related skills, information, and perspectives (Foo, Sin, & Yiong, 2006; Simons et al., 1999). Team members may debate from various perspectives, drawing on their divergent knowledge sets to bolster their arguments. Confronted by new information from people with different backgrounds, members are forced to rethink their points of view and consider factors they had not previously considered (Foo et al.). Hence, functional diversity can be associated with a higher level of decision comprehensiveness (Hambrick et al.; Simons et al.). When diverse perspectives are taken into consideration in the decision-making process, new ventures can arrive at a more comprehensive and coherent organizational design (Foo et al.).

> **Hypothesis 2a:** The higher the level of functional diversity among a start-up's core team members, the higher the level of internal consistency of the dominant set of HR values during the early-growth phase.
> **Hypothesis 2b:** The higher the level of functional diversity among a start-up's core team members, the higher the level of distinctiveness of the dominant set of HR values during the early-growth phase.

Although there is a prevailing notion that team effectiveness can be greatly enhanced by diverse members as theorized by the cognitive diversity paradigm, other studies have argued or found that functional diversity is likely to be associated with increase conflict (Knight et al., 1999), slower competitive response (Hambrick et al., 1996), and poorer performance (Foo, 2011; Murray, 1989; Simons et al., 1999). Knight et al. also found that functionally diverse teams had lower strategic consensus as team members brought their own perspectives and were unable to reconcile conflicting viewpoints. Applied to our concept of designing an organizational blueprint with regard to human resource management, the differences in experience and occupational anchors can cause certain members to favor different ways of organizing, and hence different sets of HR values. For example, an R&D person may prefer adhocracy values because they are conducive to innovation. In contrast, a production person may prefer market-type HR values because of their strong emphasis on productivity. Thus, a competing hypothesis to the one we proposed above can be made:

> **Hypothesis 3a:** The higher the level of functional diversity among a start-up's core team members, the lower the level of internal consistency of the dominant set of HR values during the early-growth phase.
> **Hypothesis 3b:** The higher the level of functional diversity among a start-up's core team members, the lower the level of distinctiveness of the dominant set of HR values during the early-growth phase.

Interaction Effects Between Prior Shared Organizational Experience and Functional Diversity

Most studies on team composition and diversity focus on the effects of one particular team member characteristic on team outcomes (Bunderson & Sutcliffe, 2002; Jackson, Joshi, & Erhardt, 2003; Lau & Murnighan, 2005). When two or more team characteristics

are combined, however, more dynamic relationships between team compositions and team outcomes may emerge (Foo, 2010; Lau & Murnighan, 1998).

Based on the competing and non-conclusive empirical findings of functional diversity on team outcomes postulated above, we argue that constructive forms of conflict are likely to occur only if team members share strong affective relationships. As Simons et al. (1999) pointed out, it is possible to have debates without decision comprehensiveness. Members may propose different approaches without being open to suggestions by others, disagreeing without offering substantive reasons. For consensus to emerge out of vigorous debates, team members need to have strong affective relationships to allow them to work together effectively (Amason, 1996). In their study of the dynamics of new venture TMT and performance, Ensley and colleagues (Ensley, Pearson & Amason, 2002) found that team cohesion is positively related to constructive conflicts. Cohesive teams are those that have a stable and solid foundation of interpersonal relations and share tacit understanding and values. Such cohesiveness can be an outcome of shared prior organizational experience among team members, since people who have worked together previously, and choose to work together again, tend to have higher trust, better communication, and greater affection for each other (Goodstein & O'Reilly, 1988; Zenger & Lawrence, 1989). In their study of 545 employees in 92 workgroups, Jehn and colleagues (Jehn, Northcraft & Neale, 1999) found that differences in knowledge bases and perspectives that members bring to the group were more beneficial when value diversity and social category diversity in the group were low. Building on these prior studies, we reason that the positive effects of functional diversity on the internal consistency and distinctiveness of HR values will be more pronounced, and the negative effects attenuated, when team members have prior shared organizational experience.

Hypothesis 4a: The level of shared organizational experience among members of the core founding team will strengthen the positive (or weaken the negative) relationship between functional diversity and the internal consistency of the dominant set of HR values.

Hypothesis 4b: The level of shared organizational experience among members of the core founding team will strengthen the positive (or weaken the negative) relationship between functional diversity and the distinctiveness of the dominant set of HR values.

Methods

Sample and Data Collection

New ventures in this study were from the high-tech sector including firms in computer software and hardware, telecommunications, Internet-related businesses, and biotechnology. Sample firms were identified from two sources: The Singapore SME 500 and a list of 400 local companies funded by venture capitalists in 2000 and 2001, extracted from the Singapore Venture Capitalists Association Directory. The Singapore SME 500 represents a group of high-growth small and medium enterprises. This sample provides the basic information for us to screen for industry sector, firm size, and firm age. The list of VC-funded firms represents another assortment of companies with sufficient growth potential to attract venture capitalist funding, and the funding years ensures that most of the firms will fall into the age bracket we are targeting.

After initial screening of firm age (target range from 3 to 10 years old), size (target employee size of 10 to 200),[1] sector (high-tech firms), and founder–manager's name and contact through archival data and phone verifications, 270 firms were contacted by e-mail, with follow-up phone calls. Firms were further screened based on two conditions: that they had been generating revenues for more than 1 year, and that a founder was still involved in running the firm.

Representatives of 70 firms meeting our screening criteria agreed to participate, a preliminary response rate of 26%. Of the 70 firms interviewed, 60 firms completed at least part of the questionnaire and formed the final sample to test the conceptual model. The average age of the final set of firms was 6.4 years, and the average number of employees was 47.

Data collection was conducted in two steps: A face-to-face interview with the founder–manager of the firm was conducted by the lead author. The interview contained structured questions together with a short survey administered during the interview to capture general information of the firm and the composition of the core team at the start-up and the growth phases. The interviews were tape recorded. At the start of the interview, the lead author collected general information of the firm, such as year of establishment and the number of employees. She then identified, together with the founder–manager, the transition point of the firm from the start-up to the growth phase, using the criteria listed in the previous section of this paper, before administering the questionnaire capturing the HR values of the firm during the start-up phase, and collecting information on the start-up and the current core team using structured questions. A different questionnaire was administered at a separate time to the person currently in charge of HR (as identified by the founder–manager) regarding the current HR values of the new venture. We followed prior literature in HRM research by asking a management representative to report on organizational values and practices (Baron et al., 1999; Derely & Doty, 1996; Hayton, 2003; Leung & Chaturvedi, 2011; Schmelter, Mauer, Borsch, & Brettel, 2010). Using a key informant is also consistent with research on founding teams, including recent papers by Hmieleski, Cole, and Baron (in press) and De Jong, Song, and Song (in press). As there is not necessarily a designated HR manager in start-ups, we asked the founder–manager to identity the management representative in charge of HR to report on the organization's HR values, using existing items from the competing values framework. Completed questionnaires were collected either via e-mail or in person.

Measures of Key Variables

Core Team Variables. Based on the information provided by the founder–manager on the core team composition during the start-up stage and members of the current core team (growth team), we constructed the team variables. Sizes for start-up teams vary from two to nine members, with a mean of four; and for growth teams from two to eleven, with a mean of six.

Shared prior organizational experience of the start-up core team was measured in two steps following Eisenhardt and Schoonhoven's (1990) method: First, we determined the number of start-up core team members who had worked with another start-up core team member for at least 6 months before the founding of the firm. Second, we divided this

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1. We follow the Stanford Project of Emerging Companies (SPEC) in screening for firm age and firm size, for reasonable recall, and for sufficient size to require the minimum of organizational structure.

number by the total number of start-up core team members. This variable ranged from 0 for teams in which no members had worked together before, to 1 for teams in which all the members had shared prior organizational experience.

Functional diversity of the start-up core team was measured in relation to eight categories, covering a range of functional roles, including general management, finance and accounting, sales and marketing, R&D and engineering, and administration (Hambrick et al., 1996). The diversity score was calculated with the Gibbs-Martin index (Blau & Schwartz, 1984) adopted by most diversity studies. The formula is $1 - \Sigma\ pi2$, whereby pi is equal to the proportion of team members in each functional category *i*. The score ranged from 0 for teams in which all members belonged to the same functional role category before joining the new venture, and 1 for teams in which every member had a different functional role. The higher the score, the more diverse the team is.

HR Value Sets. *Core values* underlying the four types of HR value sets were captured by 28 items (four subscales of seven items each) developed in accordance to the competing values framework (Quinn & Spreitzer, 1991; Yeung et al., 1991). Both the founder–manager and the HR-person-in-charge were asked to indicate on a 7-point scale, from 1 meaning "not at all" to 7 meaning "to a large extent," the extent to which the given statements described the core HR values of their firm during the start-up phase (indicated by the founder–manager), and at the present time (indicated by the HR-person-in-charge). Items for clan-type organization emphasizing "participation and open discussion" included "our organization is a very personal place," "it is like an extended family," and "people seem to share a lot of themselves." Items for adhocracy emphasizing "innovation and change" included "the glue that holds our organization together is commitment to innovation and development," "there is an emphasis on being first with products and services." Items for hierarchical organization emphasizing "control, centralization" included "our organization is a very formal and structured place" and "people pay attention to procedures to get things done." Finally, items for market-type organization emphasizing "efficiency, productivity, profitability" included "our organization emphasizes outcomes and achievement," and "accomplishing goals is important." Reliability tests, measured by Cronbach's α, ranged from .67 to .83 for founder–manager responses (start-up phase), and .80 to .84 for HR-person-in-charge (current status).

Distinctiveness (D) of the dominant set of HR values was calculated by a two-staged process. The first stage involved identifying the dominant set of HR values by comparing the mean scores of each HR value type and selecting the one with the highest score (Yeung et al., 1991). The distinctiveness was calculated based on the *Euclidean distance* (Wagner, Pfeffer, & O'Reilly, 1984).

$$\text{Euclidean distance}: D\,(\text{Pi, Qi}) = SQRT\left[\sum\left(pi^2 - qi^2\right)\right]$$

Within a company, the Euclidean distance of dominant HR value (Pi), from the mean of all other HR values (Qi), is the root mean squared distance, where p_i is the dominant set of HR values and q_{mean} is the mean of the remaining set of HR values (i.e., $1/3\sum_{1}^{3} q$); the higher the score D, the higher the distinctiveness of dominant HR value. The Euclidean distance measure is considered to be one of the best-known indices of judging separation between two points (Tsui, Egan, & O'Reilly, 1992). Furthermore, the mathematical squaring and square-root transformations make this measure insensitive to the direction of a dominant HR value's distance from the other values in the group, without giving disproportionate weight to greater distances (see Burt, 1982).

Internal consistency (IC) of dominant HR values was calculated based on one of the most widely known measures of inter-rater reliability (rwg[j]) as described by James, Demaree, and Wolf (1993); Klein, Dansereau, and Hall (1994); and others. This statistic is considered appropriate for our study because we had only a single target, i.e., dominant HR values of the company. In our paper, as we had a single rater responding to all HR values of the company, we used seven items of the dominant HR values to calculate the rwg(j) score of each firm. The assumption made in this measure is that the J items (i.e., the seven items of the dominant HR value) are "essentially parallel" indicators of the same construct. By implication, this would mean that the variance and covariance of these items should be approximately similar. The higher score of rwg(j) suggests higher internal consistency between the items of HR values. This IC measure was also highly correlated with traditional intra-lass correlation (ICC) scores (cf., Shrout & Fleiss, 1979).

Control Variables. *Start-up team size*, *founder experience*, and *firm size* were controlled when testing the effects of the start-up core team characteristics on the distinctiveness and internal consistency of the dominant set of HR values. *Start-up team size* was operationalized as the total number of core team members during the start-up phase. *Founder experience* was operationalized as the years of industry experience accumulated by the lead entrepreneur—the person who came up with the vision and took the lead to gather resources for founding the new venture (Ensley, Carland, & Carland, 2000)—before starting the new venture.

Analysis of Results

Descriptive Statistics

Table 1 contains the descriptive statistics of the key variables used in the analysis, and their bivariate correlations. The correlations of the variables are in low to medium range. As expected, all the variance inflation factors (VIFs) were low (below 1), alleviating the concerns with regards to multicollinearity. Of the 60 firms that reported their HR values during the early growth phase, 15 firms were identified as clan type (group values), 11 firms as adhocracy (developmental values), 2 firms as hierarchy, and 24 firms as market type

Table 1

Means, Standard Deviations, and Correlations[†]

S.No.	Variable	Mean	S.D.	N	1	2	3	4	5	6
1	Start-up team size	3.97	1.97	60	—					
2	Founder experience	11.48	6.49	57	−0.03	—				
3	Firm size	1.48	0.41	60	0.31**	0.20	—			
4	Functional diversity	0.51	0.24	56	0.23	−0.05	0.18	—		
5	Shared organizational experience	0.37	0.40	55	0.30**	0.31**	0.18	0.27**	—	
6	Internal consistency	0.85	0.12	59	0.04	0.01	0.16	−0.04	0.11	—
7	Distinctiveness	7.41	1.41	60	0.11	−0.27**	0.06	0.22*	0.09	0.58***

* Coefficient significant at $p < .1$, ** Coefficient significant at $p < .05$, *** Coefficient significant at $p < .01$.
[†] N denotes sample size.

(rational values). Some eight firms possessed dual sets of values. For estimations of distinctiveness and internal consistency scores of these eight firms, we averaged the scores.

Imprinting Effects of New Venture Core Team on HR Values During the Early Growth Phase

We tested the hypotheses using the hierarchical regression analysis by using SPSS version 18. The results of the regressions are reported in Table 2. Given our *a priori* multiplicative model anticipating different team characteristics and their interaction would simultaneously influence team outcomes, the results of model 4 (full model) is the valid model for reporting our findings with regard to main and interaction effects (Echambadi, Campbell, & Agarwal, 2006; Finney, Mitchell, Cronkite, & Moos, 1984).

We hypothesized that shared prior organizational experience of a start-up's core team members would be a positive predictor of both internal consistency (hypothesis 1a) and distinctiveness (hypothesis 1b) of the dominant set of HR values. In the hierarchical regression analysis, after controlling for start-up team size, founder experience, and firm size, we found that shared prior organizational experience was positively associated with the internal consistency ($\beta = 0.80$, $p < .01$) and distinctiveness ($\beta = 0.73$, $p < .01$), respectively. Hence, hypotheses 1a and 1b were fully supported. Similarly, we hypothesized that functional diversity would be positively associated with both internal consistency (hypothesis 2a) and distinctiveness (hypothesis 2b) of the dominant set of HR values. We found that functional diversity had a positive relationship with distinctiveness ($\beta = 0.37$, $p < .01$) but not with internal consistency ($\beta = 0.11$, *n.s.*) of the dominant set of HR values. Hypothesis 2b was supported, whereas hypothesis 2a was not. By implication, competing hypotheses 3a and 3b, which predicted a negative association of functional diversity with internal consistency and distinctiveness, were not supported.

Hypotheses 4a and 4b proposed that the moderating effect of shared organizational experiences of the core team members would strengthen the positive (or weaken the

Table 2

Regression Analysis[†]

	Dependent variables					
	Distinctiveness			Internal consistency		
Start-up team size	0.06	−0.03	−0.08	−0.07	−0.09	−0.14
Founder experience	−0.28	−0.29**	−0.33**	−0.05	−0.10	−0.15
Firm size	0.08	0.06	0.15	0.16	0.17	0.27*
Functional diversity		0.19	0.37**		−0.08	0.11
Shared prior experience		0.13	0.73**		0.16	0.80**
Functional diversity × shared exp.			−0.72*			−0.75*
F Change	1.44	1.49	3.51*	0.40	0.60	3.25*
df₁, df₂	3, 51	2, 49	1, 48	3, 50	2, 48	1, 47
R²	0.08	0.13	0.19	0.02	0.05	0.11

* Coefficient significant at $p < .1$, ** Coefficient significant at $p < .05$, *** Coefficient significant at $p < .01$.
[†] *Note*: n = 60; Standardized coefficients are reported.

negative) relationship between functional diversity and the internal consistency and distinctiveness of the dominant set of HR values. Hierarchical regression results presented in Table 2 showed that the moderation effects of shared organizational experience on the relationship between functional diversity and internal consistency ($\beta = -0.75$, $p < .1$) and distinctiveness ($\beta = -0.72$, $p < .1$) are significant at $p < .1$ level, a reasonable cutoff point as per current literature (Aguinis, 2004; Aguinis et al., 2010). However, different from predictions made in hypotheses 4a and 4b, these results indicated more complex interaction effects between the two team characteristics. The interaction plots (see Figures 2 and 3) based on mean $\pm$ SD showed that the relationship between functional diversity and outcomes actually weakened with an increase in shared prior organizational experience. We found that distinctiveness and internal consistency were highest when functional diversity was low and shared organizational experience was high. Concurrently, when both functional diversity and shared organizational experience were high, the outcomes were low. Therefore, hypothesis 4a and 4b were not supported, as the interaction effects had the opposite sign as theoretically expected.

Given that the same set of independent variables was used to predict both dependent variables in our model, the error terms in both regression equations might have been correlated. Therefore, we did a robustness check and conducted a multivariate regression using GEE in SPSS by simultaneously estimating each regression equation with a multivariate regression routine and found the results were in line with those obtained using OLS regressions.

Discussion

This study addresses an important but under-researched question about how organizational blueprints, in the form of HR values, emerge and evolve during the formative years of new ventures. Specifically, we examine how founding core team characteristics contribute to the quality of HR models at the early growth phase of the firm. A coherent set of HR values provides the guiding principles for new ventures to organize for future success, and exploring the imprinting effects of founding core team characteristics on such a key organizational element is of interest to both theory and practice.

Taking the upper echelon argument that organizations are a reflection of their top managers (Hambrick & Mason, 1984) and the imprinting perspective that founding conditions have lasting impact on key organizational elements in the later stages of the firm (Baron et al., 1996; Kimberly, 1979), we tested the effects of founding team characteristics on the internal consistency and distinctiveness of the dominant set of HR values in the early growth phase of the new venture.

Our results suggest that shared prior organizational experience among founding team members has a significant, positive impact on both internal consistency and distinctiveness of the dominant set of HR values, while functional diversity has a significant, positive relationship with distinctiveness of the HR values. We also found interaction effects of the two-team characteristic variables, though not in the direction we hypothesized. Instead of strengthening the positive effects of functional diversity on the distinctiveness of the dominant set of HR values, a high level of shared prior organizational experience actually weakens that effect. One explanation could be that when team members worked together for a long period of time, the desire to keep a cohesive relationship might become so strong that it reduced the willingness to engage in constructive conflicts. "Groupthink" could arise when groups place too much importance on attaining consensus and fail to debate important alternatives for fear of damaging the relationship (Janis, 1972). The

Figure 2

Moderation of Shared Organizational Experience on the Relationship Between Functional Diversity and Distinctiveness of Dominant HR Model
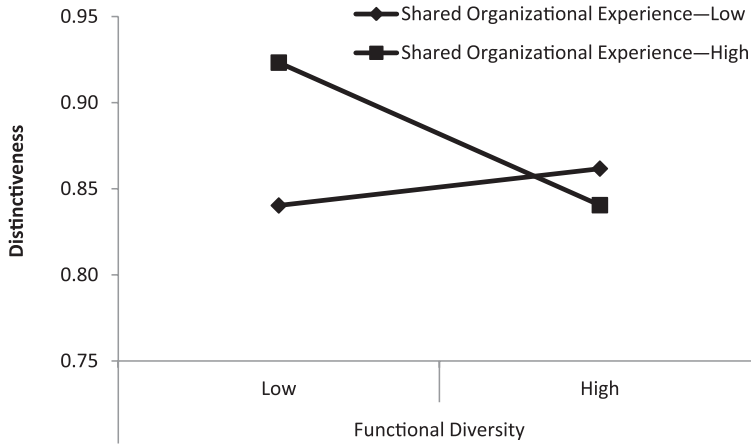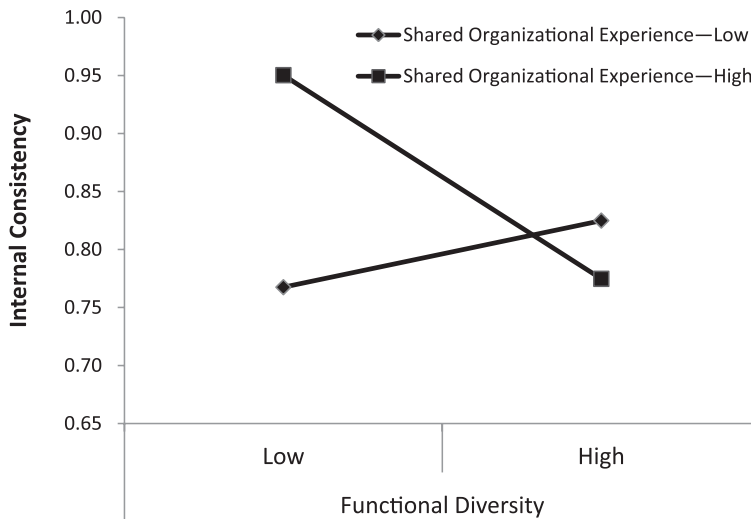

Figure 3

Moderation of Shared Organizational Experience on the Relationship Between Functional Diversity and Internal Consistency of Dominant HR Model

"strength of the situation" can be powerful to the extent that "they lead all persons to construe the particular events the same way" (Bowen & Ostroff, 2004, p. 207); hence overpowering the possible effects of functional diversity on the dominant set of HR values in the early growth phase.

Theoretical Implications

In highlighting the imprinting effects from the core team on a key organizational element such as the HR values governing employment relations, this study affirms the existing upper echelon research and extends it beyond its focus on the relationship between team characteristics and firm performance. Though some scholars have suggested that the values, experience, and world views of founding core team members influence the culture and the organizational design of new ventures (Baron et al., 1996; Brittain & Freeman, 1980; Clark, 1972), the mechanisms whereby those characteristics imprint on subsequent organizational structures have rarely been examined (Carroll & Harrison, 1998). This paper represents an initial attempt to address such an important gap in our research.

Our study also contributes to the group diversity literature. Diversity did not cause members to disagree on which HR model to adopt. Instead, as our findings indicate, having functional diversity was positively associated with the distinctiveness of HR models. In an inductive study of teams operating in a high-velocity environment, Eisenhardt (1989) documented the benefits of having more information in the team for making quick decisions. Our study provides further evidence of the advantages of having more information in such high-velocity environments in terms of distinctiveness of HR models. While differences of backgrounds and resulting diversity of information can promote better team processes and outcomes, one should pay heed to Foo et al.'s (2005) counsel. Specifically, they concluded that it is task-related differences (e.g., functional diversity) that predicted constructive conflict while non-task differences (e.g., age) promoted destructive conflict.

The study further underscores the value of examining groups of member characteristics rather than viewing each characteristic in isolation (Foo, 2010; Lau & Murnighan, 1998). As Figures 2 and 3 show, when shared organizational experience is low, teams can improve performance (in terms of developing a distinct HR model) by having higher level of functional diversity. In fact, as Figures 2 and 3 suggest, high functional diversity with low shared organizational experiences predicted higher distinctiveness and internal consistency of HR values as compared to teams where both functional diversity and shared organizational experiences are high. As we speculated above, high shared organizational experiences, while promoting cooperation among team members, can also lead to groupthink, which hurts members' ability to constructively debate and deal with differences despite the diverse expertise they possess. Future studies should investigate groupings of team characteristics and how these groupings predict team processes and outcomes.

Practical Implications

Some practical implications can be generated by an understanding of the critical factors leading to coherent organizational design during the formative years of new ventures. Knowing how the core team's shared organizational experience and functional diversity prior to founding the venture may help firms arrive at a more coherent organizational design can provide food for thought for entrepreneurs in putting their initial team together. As our findings indicate, organizations can develop more distinct HR models if they are able to form teams with either shared-organizational experience or high-functional diversity. As our interaction effects indicate, benefits of forming diverse teams are particularly important when members lack shared experiences. However, in light of the interplay between different core team characteristics, especially the potential downside of "too much of a good thing," it is important to recognize that having too high a level

of shared prior organizational experience may lead to an overemphasis on cohesion and relationship, at the expense of utilizing diverse perspectives to come up with strong building blocks for the new venture. Thus, teams with high shared experiences should be especially conscious of not letting their shared norms, attitudes, and values prevent them from having constructive debates around differences.

Limitations and Future Studies

Since empirical studies on human resource management in new ventures still involve exploration of virtually uncharted territory, the current study represents only a preliminary effort to contribute to the field. Substantial empirical work is needed to validate and refine the current model. Since our conceptual model was tested on a sample of firms from Singapore, the results are indicative rather than conclusive, and future studies should test generalizability of the results since cultural factors can influence how HR structures are developed. Moreover, the current study relies on a key informant to capture the HR values of the firm. While this approach is consistent with recent studies (De Jong et al., in press; Hmieleski et al., in press; Leung & Chaturvedi, 2011; Schmelter et al., 2010), future research can collect data from multiple sources, or focus on in-depth case studies of individual firms through their different developmental stages, to provide more reliable tests of the model. As an extension of studying HR values from a top management perspective, future research should incorporate the perception of nonmanagerial employees in assessing the cause and effects of distinctive and internally consistent HR models. Another important future research agenda is to incorporate the initial findings from this study into designing studies that examine antecedents, structure, and outcomes together to get a comprehensive understanding of how team and organizational variables contribute to new venture performance.

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