Firm Emergence and Strategy: The Impact of Institutional Background

by

Joseph Dwomoh Owusu

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University of Alberta

ABSTRACT

This dissertation extends our understanding of the relationship between entrepreneurial teams and entrepreneurial outcomes. Using a sample of 260 nascent family ventures, I look at the impact of entrepreneurial team composition on important entrepreneurial milestones. I examine two specific measures of entrepreneurial outcomes: the chances of entrepreneurial groups establishing new family firms and their propensity to engage in exploration and exploitation. Drawing from the institutional logics perspective and building on the entrepreneurial team literature, I introduce the concept of institutional background- a team demographic characteristic- as an important dimension of team composition. I argue that institutional background provides richer measures of mechanisms and processes that affect founding team cognition, values, perceptions and, consequently, entrepreneurial outcomes. I explore my arguments using two studies. In the first study, I focus on entrepreneurial groups attempting to launch new family-owned manufacturing firms. I investigate how their institutional backgrounds impact their chances of getting their organizations started. By focusing on the not-yet fully established organization, my findings provide a fresh perspective to our understanding of the emergence of family firms. In the second study, I explore how the logic imprinted at founding continues to shape organizational practices—the propensity to engage in exploration and exploitation. The second study challenges and extends current work on exploration, exploitation, and organizational ambidexterity by showing that founders' institutional backgrounds constrain strategic choices. By connecting decisions on explorative and exploitative behaviour to founders' institutional background, this study provides an alternative to managerial 'discretion' and 'ability' to manage exploration and exploitation. Overall, this dissertation takes another step toward opening the black box of how entrepreneurial teams impact entrepreneurial outcomes.

PREFACE

This thesis is an original work by Joseph Dwomoh Owusu. The research project, of which this thesis is part, received research ethics approval from the University of Alberta Research Ethics Board, Project Name “Institutional Logics and Entrepreneurial Success”, No. Pro00086816, July 16, 2021.

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Table of Contents

ABSTRACT ..... *ii*

PREFACE ..... *iii*

ACKNOWLEDGEMENT ..... *iv*

LIST OF TABLES ..... *viii*

LIST OF FIGURES ..... *ix*

CHAPTER 1- INTRODUCTION *1*

Contribution **14**

Structure & Concluding Remarks **15**

CHAPTER 2: LITERATURE REVIEW *17*

ENTREPRENEURIAL TEAM LITERATURE **17**

Major Findings 23

The Basis of Entrepreneurial Team Formation 29

Family Entrepreneurial teams 32

Entrepreneurship in Africa 35

INSTITUTIONAL LOGICS PERSPECTIVE **39**

Institutional plurality and complexity 41

Actors as "representatives" of logics 42

ENTREPRENEURIAL TEAM AND INSTITUTIONAL LOGICS **45**

SUMMARY **49**

CHAPTER 3: EMPIRICAL CONTEXT *50*

ENTREPRENEURSHIP IN GHANA **51**

MANUFACTURING SECTOR IN GHANA **57**

CHAPTER 4: HYPOTHESIS DEVELOPMENT ***59***

INTRODUCTION **59**

The Family Business Context 61

STUDY 1: INSTITUTIONAL BACKGROUND AND FOUNDING ATTEMPTS **63**

The Process of founding New Manufacturing Firms in Ghana 66

Commercial Logic and Organizational Foundings 67

Family Logic and Organizational Foundings 69

Combining Commercial and Family Logics 72

The Moderating Role of Environmental Uncertainty 74

STUDY 2: INSTITUTIONAL BACKGROUND & STRATEGY IN NEW FIRMS **76**

New Venture's Strategic Dilemma 79

Family Logic and Exploration 81

Commercial Logics and Exploitation 86

Team Size as a Moderator 89

CHAPTER 5: DATA AND METHOD ***92***

RESEARCH DESIGN **92**

Validation of Commercial and Family Logics 94

STUDY1: ORGANIZATIONAL FOUNDINGS **97**

Dependent Variables: 97

Independent Variables. 97

Control Variables. 99

Ghana Banking Crisis 100

Analytic Models 101

STUDY 2: EXPLORATION AND EXPLOITATION **103**

Dependent Variables 103

Independent Variables 105

Control Variables. 106

Analytical Methods 107

CHAPTER 6: RESULTS ***108***

RESULTS FOR STUDY 1: ORGANIZATIONAL FOUNDINGS **108**

Robustness check- Study 1 116

RESULTS FOR STUDY 2: EXPLORATION AND EXPLOITATION **117**

CHAPTER 7: DISCUSSION ***125***

ENTREPRENEURSHIP THEORY **127**

EXPLORATION AND EXPLOITATION **132**

FAMILY-BUSINESS LITERATURE **133**

INSTITUTIONAL LOGICS **137**

UPPER ECHELON THEORY **140**

AFRICAN CONTEXT **141**

CHAPTER 8: CONCLUSION ***143***

THESIS SUMMARY **143**

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS **144**

PRACTICAL IMPLICATIONS **149**

CONCLUDING REMARKS **149**

BIBLIOGRAPHY ***151***

LIST OF TABLES

Table 1. Five Mechanisms of Team Composition 31

Table 2. Individual Relationships to Institutional Logics 44

Table 3. Influence of Institutional Logics on New Family Firms 96

Table 4. Control Variables 100

Table 5. Descriptive Statistics and Correlations[a] 109

Table 6. Competing Risk Models 115

Table 7- Logit Regression on Likelihood to Start New Organization[a] 117

Table 8. Descriptive Statistics and Correlations[a] 119

Table 9. Result of Logistic Regression[a] 120

Table 10. Result of logistic regression analysis predicting strategic change[a] 123

Table 11. Results of Event History Analysis 124

LIST OF FIGURES

Figure 1. Entrepreneurial Team Input-Process-Outcome Framework.....23

Figure 2. Conceptual Model- Organizational Foundings.....75

Figure 3. Conceptual model- Strategic Orientation.....91

Figure 4. Hazard estimates (commercial logic).....110

Figure 5. Hazard estimates (family logic).....110

Figure 6. Survival estimates (commercial logic) 111

Figure 7. Family logic and team size on exploration 122

CHAPTER 1- INTRODUCTION

The creation of new organizations is encompassed within the domain of entrepreneurship, which is concerned with individuals who discover, evaluate and exploit opportunities (Shane & Venkataraman, 2000). Researchers trying to understand organizational foundings initially focused on the role of the solo founder in shaping organizational behaviour and outcomes (Davidsson & Honig, 2003; Fauchart & Gruber, 2011). While this has improved our understanding of individual entrepreneurs and their ventures, recent research suggests that the initial creation of organizations is often carried out through the founding or entrepreneurial team (Klotz et al., 2014; Knight et al., 2020; Lazar et al., 2020; Ruef et al., 2003). For example, Wasserman (2012) found that over 85 percent of high-technology startups have two or more founders. (Beckman, 2006) also found that over 90% of the high-tech Silicon Valley start-ups sampled in her research were team endeavours. As a result, the role of the entrepreneurial (or founding team) has gained increasing prominence and importance in the study of entrepreneurial organizations. I define an entrepreneurial team as two or more individuals who jointly seek to discover, evaluate, and exploit opportunities to create new products and services in which they share ownership and management.[1] The focus of research within the entrepreneurial team literature is to explain why some entrepreneurial teams are more effective than others in launching and growing a new venture (Klotz et al., 2014; Lazar et al., 2020)

To answer this question, researchers leverage the upper echelon theory (UET), which asserts that a firm's top management team shapes its performance (Hambrick, 2007; Hambrick & Mason, 1984). Upper echelon research in large and established firms has

[1]This definition is of empirical concern in this study as it acknowledges the new venture may be in the process of being created. I use entrepreneurial team or founding team interchangeably.

supported this theory by demonstrating that the composition and characteristics of the top management team have an effect on organizational outcomes. Entrepreneurship research has leveraged UET to argue that, like the top managers of established organizations, the entrepreneurial team composition affects strategic decision-making and performance. The team composition refers to the collective characteristics of the entrepreneurial team (Lazar et al., 2020).

Relying on the upper echelon perspective, scholars have examined entrepreneurial team members' demographic characteristics (e.g., Eddleston et al., 2014) or team functional diversity (e.g., Beckman et al., 2007). Most studies have examined the sum total of team members' task-relevant backgrounds- such as educational level and functional backgrounds (e.g., Amason et al., 2006; Becker-Blease & Sohl, 2015; Franke et al., 2007). These characteristics have been linked to many new venture outcomes, including firm growth (Beckman, 2006; Colombo & Grilli, 2005; Eisenhardt & Schoonhoven, 1990) and innovation (Arvanitis & Stucki, 2012; Koellinger, 2008). While the upper echelon has served as a valuable lens to understand how entrepreneurial teams shape organizational outcomes, a significant downside is its focus on entrepreneurial team inputs (e.g., entrepreneurial team characteristics) and organizational-level outcomes, to the exclusion of critical mediating mechanisms and moderating factors (Klotz et al. 2014). This omission limits the explanatory power of entrepreneurial team research because we lack knowledge of *how* and *when* entrepreneurial teams influence organizational outcomes. This has led to scholars calling for the exploration of the "black box" of entrepreneurial team interactions and processes (Klot et al., 2014; Knight et al., 2020)

The literature has recently improved by adopting the inputs-process-outcomes framework (Lazar et al., 2020) from organizational behaviour. This framework draws

attention to how team composition influences the affective and cognitive processes of team interactions, which in turn impact organizational outcomes.

However, despite significant increases in research investigating how entrepreneurial team composition impacts new ventures, the literature has uncovered few consistent and unequivocal links between entrepreneurial team composition and new venture outcomes (Klotz et al., 2014). As a result, scholars have concluded that the relationship between entrepreneurial team composition and new venture outcomes has "no clear relationship" (Klotz et al., 2014, p. 247) and are "inconclusive" (Zhou & Rossini, 2015, p. 33). Recent research suggests that the inconsistencies in how team composition impacts new venture outcomes may stem from researchers studying teams that differ from one another in important ways (Knight et al., 2020). Drawing from the institutional logics perspective (Thornton et al., 2012), I suggest that one such variation in entrepreneurial teams may be due to the institutional contexts within which they are embedded. By institutional context, I denote the regulative, normative, and cultural-cognitive dimensions of social life within the various constitutive spheres of social life (Friedland & Alford, 1991; Scott, 2001).

The context within which founding or entrepreneurial teams are embedded or originate has distinctive features that may shape team composition (Lazar et al., 2020). For example, family entrepreneurship denotes a setting where entrepreneurial teams form because of familial or kinship relations (Brannon et al., 2013). In this setting, family entrepreneurs are subject to the logic of family and, at the same time, the logic of commerce (market), which might prescribe different actions. While some founding groups may subscribe to the tenets of the family logic, others may be aligned with the commercial logic.

This suggests that entrepreneurial groups may differ in their alignment to different institutional logics because of the context in which they originate or are embedded- and such variation may have implications for the organization of the new venture at the time of

founding and beyond (Burton, 2001). Entrepreneurship scholars mostly ignore the broader institutional and cultural context from which founding teams emerge. The input-process-model assumes the entrepreneurial or founding team is already formed and proceeds to examine the linkages between group inputs, group processes, and new venture outcomes. The core thesis of this dissertation is that the context in which entrepreneurial teams are embedded has implications for entrepreneurial team composition research because it may impact some characteristics of the entrepreneurial team.[2]

I draw from the institutional logics perspective (Friedland & Alford, 1991; Pache & Santos, 2010; Thornton et al., 2012) and build on the entrepreneurial team literature (Klotz et al., 2014; Knight et al., 2020) to suggest that an important but largely overlooked composition of entrepreneurial teams may be their *institutional background*- a team compositional variable that reflects a team's exposure and commitment to a particular institutional logic. This variable captures the internal representation of a particular institutional logic (e.g. family logic) within the founding team. For example, a high institutional background in commercial logic implies that the founding team possesses a stronger understanding and focus on market-oriented principles, strategies, and practices. Similarly, a low institutional background in family logic implies that the founding team places less emphasis on family-oriented principles, values and practices. For an entrepreneurial team embedded in multiple logics (e.g., family and commercial logics), their institutional background in family and commercial logics should not be viewed as opposite ends of a single spectrum or continuum. Instead, they should be considered orthogonal variables, meaning that they are independent of each other and can coexist without affecting one another. In other words, a high institutional background in commercial logic does not

[2] It is important to note that the contexts discussed above are neither mutually exclusive nor exhaustive.

necessarily mean a low level of family logic, and vice versa, because a founding team could represent high degrees of commercial logic independently of the representation of family logic in the organization.

Within the institutional logics perspective, scholars presume that an actor's behaviour and interpretation of the world are shaped by fundamental institutions in society, such as the family, religion, market, state, community, corporation and profession. Each institution has a central logic that shapes the cognition and behaviour of actors and provides guidelines on how to organize and behave, including when engaging in entrepreneurial action (Friedland & Alford, 1991). Institutional logics are broadly defined as cultural beliefs, practices, assumptions, and rules that structure cognition and determine what is meaningful and legitimate in a given setting (Thornton et al., 2012; Thornton & Ocasio, 1999). Logics shape individuals' interests and preferences, focus organizational leaders' attention on appropriate issues and solutions (Ocasio, 1997), and provide entrepreneurial firms with cultural symbols and materials to guide their formation and early development (Almandoz, 2014; Scott, 2014). For example, while the market logic emphasizes profit-seeking, the family logic places family welfare obligation above profit maximization (Thornton et al., 2012). Thus, an actor embedded in the market logic has a differing worldview to that of an actor embedded in the market family logic and will rationalize, prioritize, legitimize, act, and make sense of the world differently because of the value system in which they have been socialized (Friedland & Alford, 1991; Thornton et al., 2012).

Existing logics, through education, habit, and socialization, can become deeply embedded in the cognitive capacity of individuals well before they become members of a founding team. Where such socialization into an institutional order is effective, entrepreneurial team members may become 'carriers' of those logics into the new venture (Scott, 2014). Given that group interactions tend to activate and heighten stereotypical

differences between members, those predispositions to institutional logics may translate into group norms that may influence entrepreneurial action and strategic decision-making (Almandoz, 2014). My central argument is that entrepreneurial teams' institutional background is a critical hidden variable that affects entrepreneurial organizing efforts and outcomes for several reasons.

First, the institutional background represents the shared assumptions, values and norms that shape what opportunities the entrepreneurial or founding teams identify, the criteria used to evaluate and prioritize opportunities and the actions deemed appropriate and necessary to exploit the entrepreneurial opportunities. These cognitive frameworks can impact decision-making processes, risk-taking behaviours, and strategic choices, ultimately affecting organizational outcomes because entrepreneurs engage in entrepreneurial action while embedded in a system of cultural understandings, drawing upon and conditioned by diverse and contested rationales- or institutional logics (Scott, 2014; Sine et al., 2022).

Second, it serves as a guiding principle for organizing activities, structuring the context within which entrepreneurs search for and allocate resources, acquire knowledge and legitimacy, assign roles and responsibilities, and evaluate performance (Aldrich, 2010). Entrepreneurial teams embedded in different institutional backgrounds may adopt different organizational structures, governance mechanisms, and management practices, leading to varying outcomes.

Third, entrepreneurial teams' institutional background can also influence the extent to which their ventures gain legitimacy and support from external stakeholders, such as investors, customers, regulators, and partners. New ventures that align with prevailing institutional logics in their environment may be more likely to receive funding, attract customers, and navigate regulatory hurdles. For example, Pahnke, Katila and Eisenhardt (2015) found that the institutional logics of various funding partners impact the kinds of

innovations generated by new ventures. Specifically, venture capitalists, corporate venture capitalists, and government agencies each adopt distinct strategies in their relationships with the firms they support, which in turn influences the probability of commercial (as opposed to technical) innovation arising from these funded firms. This implies that selecting among different funding partners can have unexpected consequences on entrepreneurial firms, extending beyond the financial benefits obtained through the partnership.

Finally, the institutional background of founding team members can also shape team processes and interpersonal dynamics. Entrepreneurial teams that share a common institutional background may experience greater cohesion, trust, and commitment, while teams with divergent logics may face challenges in aligning their goals, expectations and working styles. The presence of multiple or competing institutional logics (diverse institutional backgrounds) within an entrepreneurial team can create conflict and tension, as team members may hold different beliefs, values and priorities. These tensions can be critical to the team's ability to collaborate effectively, make collective decisions, and navigate complex challenges.

The central idea of entrepreneurial team composition literature, based on the upper echelons theory, is that entrepreneurial founders act based on their experiences, values, and personalities. Thus, new ventures are greatly influenced by the characteristics of their entrepreneurial teams. The institutional logics perspective supports the view that prior involvement with institutional logic shapes people's assumptions, values, and identities. This suggests that the institutional logic founders subscribe to could be considered an important dimension of an entrepreneurial team characteristic. I argue that founders whose identities have been shaped by their embeddedness in a particular institutional setting will tend to create new ventures that reflect their identity. The presence and distribution of this representation within the entrepreneurial team will likely shape the organization's strategic

direction in line with the tenets of UET (Besharov & Smith, 2014; Pache & Santos, 2010). Thus, the institutional background of entrepreneurial teams can have a profound impact on their organizing efforts and outcomes by shaping team dynamics and strategic decision-making. Recognizing the importance of this hidden variable can help researchers understand better how entrepreneurial teams impact new venture outcomes.

Recent research suggests that institutional logic has implications for firm outcomes. For example, Almandoz (2012) showed that bank founders prior embeddedness in financial and community institutional logics had consequential effects on the creation of new community banks in the US. Thus, considering the institutional background of entrepreneurial teams has the potential to resolve some of the inconsistent effects of team composition on new venture outcomes. Of specific interest in this study is entrepreneurial teams in family settings (Discua Cruz et al., 2013; Zhang, 2010). While family entrepreneurial teams outnumber those lacking kinship ties (Ruef et al., 2003), entrepreneurial scholars have devoted less attention to them. Instead, academic and employee entrepreneurship are the most studied in the literature, partly due to a broader set of scholars who consider knowledge resources as an essential determinant of entrepreneurship. This focus, in truth, dates to Schumpeter (1934) and Hayek (1945), who attributed variation in entrepreneurial identification and exploitation to information asymmetries arising from differences in knowledge (Kirzner, 1997).

Scholars admit there are considerable gaps in our understanding of family entrepreneurial teams because we do not know "how these new venture teams form, function, grow, and evolve over time" (Schjoedt et al., 2013, p. 2). The introduction of the family into the entrepreneurial team structure creates a unique situation in family enterprises, unlike those found in non-family settings. Scholars suggest that family firms must span the boundaries of those two different social institutions of family and business. Family business

research suggests that because of the overlap between family, ownership and managerial roles, the family firm has developed a unique bivalent structure, which may create unique consequences for the entrepreneurial process (Lansberg, 1999).

Let us also consider the *nascent family founder*, an individual alone or with others attempting to establish a family business, regardless of whether the effort is successful. The individual experiences the family institution through personal experience and primary socialization (Berger & Luckmann, 1967; Pache & Santos, 2013). The individual is also likely to be exposed to the commercial institution (i.e., market logic) through several channels, such as education, work experience or entrepreneurial activities. Each institution provides cultural symbols and practices that govern behaviour within its sphere of influence. Thus, the family and market sectors offer different prescriptions and proscriptions for social relations and human and organizational behaviour (Thornton & Ocasio, 2008). The incipient *family founder* must participate in an arena where these two institutions partake. I extend the same argument to the family *founder*, a creator of a family business. The family business literature has shown that family and commercial logics coexist in the family business decision-making (Greenwood et al., 2010; Jaskiewicz et al., 2016; Melin & Nordqvist, 2007).

However, we do not know the extent to which family entrepreneurial groups differ in their institutional background and the consequence of such variation on entrepreneurial outcomes at the time of founding and beyond. Similarly, once they initiate the organizing process, family entrepreneurial teams may have to adapt to multiple constituents with competing expectations (Greenwood et al., 2011). Entrepreneurial teams must secure resources for their nascent organizations, such as financial resources, commitments of effort, and information. They must also create legitimacy for their nascent organization by building agreements among those whose cooperation they need (Audia et al., 2006). In the family business context, this generally requires integrating family and commercial logics. However,

research is limited on *when* integration is favourable or unfavourable. These omissions are surprising because, as research has shown, the family business context is an arena of competing logics (Greenwood et al., 2011; Johannisson & Huse, 2000; Pache & Santos, 2010). Founders' embeddedness in different logics affects their motivation, beliefs, and values. Moreover, it may constrain their future information-processing patterns and provide a cognitive map to evaluate organizational actions and strategies (Hambrick & Mason, 1984).

Research questions. This study advances the understanding of entrepreneurship and founder effects by combining insights from three strains of literature. First, I look at the strategic management literature that argues that firm performance is a reflection of its top management team (Hambrick, 2007; Hambrick & Mason, 1984). Second, I incorporate insights from the family business literature that addresses how family involvement in the firm influences performance. Finally, I draw on the institutional logics literature that directs attention to the contradictions in the institutional environments, which is helpful in making sense of variation in actor's behaviour resulting from their embeddedness in different standards of legitimacy and appropriateness (Friedland & Alford, 1991; Thornton et al., 2012). I combined the various insights to examine a form of entrepreneurial team composition that has received little attention in entrepreneurship research: the *institutional background* of entrepreneurial teams in a family setting. The institutional background of an entrepreneurial team will be captured by the proportion of entrepreneurial team members embedded in a particular institutional logic. For instance, a higher institutional background in commercial logic indicates a higher internal representation of the commercial logic within the founding team. Such a higher representation of commercial logic within a founding team implies that the founding team is more likely to make decisions with profit maximization as its guiding principles.

This focus also contributes to the nascent literature on family entrepreneurship. This dissertation aims to synthesize evidence from two studies to sharpen our understanding of *when* and *how* entrepreneurial teams' institutional backgrounds influence entrepreneurial outcomes in a developing economy- Ghana. Specifically, within this dissertation, I examine two entrepreneurial outcomes involving family businesses: the chances of founding teams starting a new family venture and the propensity of the newly created family venture to engage in explorative or exploitative behaviour. The two entrepreneurial outcomes allow me to test the impact of institutional background on different stages of the entrepreneurial process (nascent and new venture stages). This is a significant contribution, as previous research tends to examine entrepreneurial team characteristics at fixed points of the entrepreneurial process. Addressing the question of *when* is essential to our understanding of entrepreneurial team composition as it allows us to identify conditions under which the institutional background of teams is more or less consequential.

Of course, the fact that there has been no research on how an entrepreneurial team's institutional background impacts the emergence and early-stage strategy of family firms is not a reason, in and of itself, to undertake such inquiry. Instead, there are more fundamental reasons. *First*, exploring the relationship between the two is all the more important because the nature of this relationship is not apparent. The context of family-owned firms is fascinating because it sits at the crossroads of family and commercial institutional logics. The two logics are often defined in opposition, as in a recent article that contrasts "the convention and feelings of family…. Versus the objectified impersonality of business" (Friedland, 2018, p. 518). Founders thus have not one but at least two cultural resources that could serve as the building logic for their organizations. Those multiple logics may have different motivational effects and identity incentives on the entrepreneurial team. The two logics offer opposing prescriptions for organizing. The commercial logic, which is deeply rooted in economic

assumptions and objectives, can be described by its focus on maximizing profits and a self-serving, individualistic, and distant approach that may have negative effects on the family (Reay et al., 2015). In contrast, family logic is characterized by loyalty, altruism, emotional bonds, and long-lasting relationships among family-members. On the one side, the commercial logic, linked to a deeper technical or professional understanding of risks and opportunities in the business world, may promote more effective decision-making. Entrepreneurial teams aligned with commercial logic may gain more respect and acknowledgment from resource providers, enhancing their legitimacy and improving their chances of securing the necessary resources for organizational founding. Conversely, family logic may be connected with stronger social bonds and meaningful relationships with others, which can ease transactions with resource providers within the community (Uzzi, 1996). Given these conflicting possibilities, this study seeks to explore the relationship between the institutional background of founding groups and the likelihood of organizational foundings and strategy.

Alternatively, one could incorporate high levels of both family and commercial logics within the same founding team, enabling the organization to enjoy the advantages of both logics. However, this approach could also create discord and divisions within the founding group. Additionally, external factors might impact the organization's ability to successfully combine these contrasting logics, and consequently, determine whether adopting competing logics has positive or negative effects on founding teams. Thus, the entrepreneurial implications of embracing different institutional logics (diverse institutional background) and integrating them create an intriguing theoretical and empirical challenge (Almandoz, 2012).

Second, focusing on the founding team assumes organizational equivalence between the founding team and the new venture because the new venture is in the process of being created. This makes the founding team the primary focal point of decision-making, giving it

relatively higher autonomy in strategic decision-making than most teams (Hambrick, 2007; Klotz et al., 2014; Knight et al., 2020). Thus, the founding team constitutes a complete picture of the new venture and is likely to influence strategic choices and decision-making. This is important because team characteristics are unlikely to influence organizational outcomes without some latitude of action (Quinn Trank & Washington, 2009). As upper echelons theory suggests, the effect of team composition on the outcomes of a business is more substantial when the team has discretion (Hambrick, 2007) and the founding team is high in 'entitativity' (Knight et al., 2020). Entitativity reflects how bounded and coherent the founding team is as a meaningful collective unit. Without entitativity, team composition, which reflects the collective properties of an aggregate of members' characteristics- has no explanatory power (Hambrick, 2007; Knight et al., 2020). Studying founding teams in the process of creating new firms provides a unique context to test whether their institutional backgrounds make a difference in new venture emergence and early-stage strategy.

Third, the Ghanaian context is a highly contested and uncertain environment in which formal institutional frameworks are weak and unstable and are not supportive of new venture creation and development in an evolving free market environment. It is characterized by high market imperfections, the absence of market-supporting institutions, and low contract-enforcing mechanisms (Mair & Marti, 2009; Woldesenbet Beta & Storey, 2019; Zoogah et al., 2015). Such a context presents a great deal of uncertainty on how entrepreneurs' institutional backgrounds will likely shape the scope of strategic actions.

To better understand *how* and *when* entrepreneurial teams' institutional background impacts new venture foundings and early-stage strategy, I study founding or entrepreneurial groups attempting to establish family-owned enterprises within the manufacturing sector in Ghana between 2014 and 2019. This is opportune research setting for three reasons. First, given the liability of newness (Stinchcombe, 1965), focusing on founding groups allows me

to observe a population in which successful and unsuccessful attempts at transitioning from entrepreneurial intention to actual operations are expected. This is rare in entrepreneurial studies as it is unusual for researchers to have access to founders before establishing their new enterprise (Almandoz, 2012; Katz & Gartner, 1988). Second, in the context of this study, there is substantial variation in the institutional backgrounds of founding groups (i.e., founding teams embedded in family institutions versus those embedded in commercial institutions). Third, extant work on entrepreneurial team composition and entrepreneurial outcomes has primarily focused on data collected from US organizations (Hambrick, 2007). There is a clear need to study other settings, especially Africa, which has received scant attention. The Ghanaian setting is a promising research arena that can offer insights into how entrepreneurs draw on different sources of values and meaning in order to legitimize their strategies and actions in environments characterized by high levels of instability, uncertainty, and ambiguity.

Contribution

This dissertation attempts to shed light on the likelihood of an entrepreneurial team starting a new organization and the propensity of the new organization to engage in exploration and exploitation. I address the fundamental notion that entrepreneurial team members are embedded within broader institutional contexts, which shape their characteristics. At the most basic level, this research provides cause to rethink assumptions about the key dimensions of entrepreneurial team composition. Thus, it seems reasonable to argue that without considering the institutional background of entrepreneurial teams, we obtain, at best, a partial understanding of the influence of entrepreneurial team composition on firm-level outcomes. My overriding argument, therefore, is that the institutional background of entrepreneurial teams is a highly consequential yet previously neglected team

characteristic that can affect an outcome of central importance to organizations: new firm formation and strategy. By considering the influence of the institutional background of founding or entrepreneurial teams, researchers can better explain the variations in organizing efforts, decision-making processes, and outcomes among different ventures. This can lead to a more comprehensive understanding of the factors that contribute to the success or failure of entrepreneurial endeavours.

Incorporating institutional background also broadens the scope of analysis by considering not only individual characteristics, skills, and experiences of founding team members but also the broader social, cultural , and institutional contexts that shape their behaviour. This can lead to a more nuanced understanding of the complex interplay between individual agency and structural constraints in entrepreneurship.

Structure & Concluding Remarks

This thesis adopts a traditional source and consists of eight chapters. Following this introduction, the literature review, empirical context, hypothesis generation, methodology, findings, discussion, and conclusion chapters outline how and why the research was undertaken, what it shows, and what we can learn from it. Chapter 2 provides a literature review, which frames the overall and elaborates the theoretical foundations of this research-focusing, in particular on the literature on entrepreneurial team composition and institutional logics. providing the theoretical foundations for this investigation. In chapter 3, I provide an overview of my empirical setting for this study. In chapter 4, I delve into the two sets of empirical questions related to the effects of an entrepreneurial team's institutional background on family firm formation and new firms' explorative and exploitative behaviour and offer hypotheses for the study. This is followed by chapter 5, which discusses the data sources and the methodology used to marshal evidence in support of my claims, the key

variables, and the modelling strategies. Chapter 6 then presents results and interprets findings. Chapter 7 discusses the implications of the findings and the overall contribution to theory. Chapter 8 concludes the thesis and discusses practical contributions, limitations, and suggest areas for future research.

This introductory chapter presented an overview of my research, proposed structure and anticipated contributions. The central thread of the dissertation is the context of entrepreneurial teams and the influences of their institutional backgrounds on the emergence and strategy of new family firms. The next chapter provides a literature review, which frames the overall work.

CHAPTER 2: LITERATURE REVIEW

"*It is difficult to clap with one hand.*"

(Old Chinese saying)

This dissertation is interested in how entrepreneurial team characteristic shapes entrepreneurial outcomes. Specifically, it is interested in how the institutional background of entrepreneurial teams influences - (1) their chances of establishing new ventures and (2) new venture's explorative and exploitative behaviour. This chapter will explore the theoretical background of the relevant literature used to answer the empirical questions above. In the first section, I will provide an overview of the scholarly understanding of entrepreneurial teams. As my primary inquiry is focused on entrepreneurial family teams and entrepreneurship in Africa, I include information on how that literature has been addressed. In the second section, I will delve into the institutional logics perspective. The final section will explore the intersection of these two research streams and make a case for an institutional approach to understanding how entrepreneurial teams may influence new ventures.

ENTREPRENEURIAL TEAM LITERATURE

Early research on entrepreneurial firms primarily focused on the role of the solo founder in shaping firm outcomes (Davidsson & Honig, 2003; Fauchart & Gruber, 2011). Two reasons account for this. First, the conceptual framework underlying most entrepreneurship research tends to locate entrepreneurial agency solely within single enterprising individuals. According to Shane and Venkataraman's ground-breaking article on the field of entrepreneurship, an adequate explanation of the entrepreneurial process must recognize the nexus of two phenomena: "the presence of lucrative opportunities and the presence of enterprising *individuals*" (2000, p. 218; emphasis added). Leading theories of

entrepreneurship in economics (Kirzner, 1973, 1979; Schumpeter, 1934) share this individualistic focus by attributing variation in the discovery, evaluation and exploitation of profitable opportunities to individual differences in knowledge, alertness and creativity. The Schumpeterian entrepreneur[3] is a 'lone hero' endowed with exceptional creative ability and vision to discover 'new combinations.' This is mainly in keeping with the conception of the decision-maker as atomistic individuals within the field of economics, which dominates research in entrepreneurship (Harper, 2008). The second reason is culture. Scholars believe the notion of the 'individual entrepreneur' has been fuelled by stories of meteoric careers of individuals such as Andrew Carnegie and John D. Rockefeller in American society, which is enmeshed in a culture that encourages and promotes "personal and singular achievement" (Cooney, 2005, p. 226). Global research has adapted to this myth of the 'hero entrepreneur' because of the influence of American culture (Cooney, 2005).

Despite the romantic notion of the individual entrepreneur in both the popular press and the extant literature, most new ventures are founded by teams rather than individuals, as documented by several research (Beckman, 2006; Ensley et al., 2006; Harper, 2008; Kamm et al., 1990; Klotz et al., 2014; Ruef et al., 2003; West, 2007). Even if an individual discovers an entrepreneurial opportunity, the opportunity is more likely to be exploited by a team of people. Nevertheless, scholarly attention to entrepreneurial teams faces hurdles as a challenge to the myth of the lone entrepreneur "disturbs deeply held cultural beliefs and perceptions in some countries" (Cooney, 2005, p. 227). Evidence suggests that firms founded by teams offer several advantages compared to individual entrepreneurs. First, entrepreneurial teams provide greater access to information by leveraging the unique information (Hayek, 1945) possessed by multiple team members. Second, entrepreneurial teams provide greater information processing capabilities. Given that individuals are boundedly rational and cognitively

[3] Schumpeter, in later years, departed from this view by and saw entrepreneurship as a collective effort.

constrained (March & Simon, 1958), individual entrepreneurs may find it challenging to gather and process all the information necessary to create a new venture. Finally, entrepreneurial teams can draw upon their members' complementary and supplementary skills and knowledge to provide complete knowledge and better coverage of the major functional areas of the new venture (Klepper, 2001). Thus, entrepreneurial teams offer the benefit of diverse skill sets, division of labour, more robust and broader social networks, improved capacity for information processing, and, most important, a larger initial endowments (Yang et al., 2020). In later discussions, I problematize this collective action view of entrepreneurial teams.

Empirical research supports the benefits of entrepreneurial teams. Eisenhardt & Schoonhoven (1990) found that entrepreneurial teams are more likely to survive and achieve faster growth than those started by individual entrepreneurs. As a result, academic interest in entrepreneurial teams is growing, with over 150 articles addressing entrepreneurial teams in the last decade (Knight et al., 2020). Evidence suggests that venture capitalists prefer to invest in teams, which has led to the growth of programs aimed at helping entrepreneurs to cofound with others, such as founding pair-up events and matching platforms (Cohen, 2013). The central focus underlying the study of entrepreneurial teams is to sharpen understanding of why some entrepreneurial teams are more effective than others in starting and growing new ventures (Klotz et al., 2014; Knight et al., 2020; Lazar et al., 2020). To answer this question, scholarly research has drawn on multiple disciplines- economics, psychology and sociology, and offered alternative explanations. This has led to some fragmentation in our collective understanding of entrepreneurial teams.

Defining entrepreneurial team. The immediate challenge is to demarcate the boundaries of the term, and this has been challenging. Knight, Greer and De Jong (2020)

noted “ambiguity and disagreement” in how researchers define and conceptualize the phenomenon of the start-up team in their recent review of the literature. Several terms refer to a group of people working together to discover, evaluate and exploit a new venture, such as “founding teams” (Almandoz, 2012; Beckman, 2006), “start-up team” (Bernstein et al., 2017), “entrepreneurial team” (Kamm et al., 1990), and “new venture team” (Klotz et al., 2014). Outside the different terminologies, Knight et al. (2020) primary concern is the different conceptualizations associated with the use of the term. To build consensus regarding research on entrepreneurial teams, the authors proposed a multidimensional conceptualization of start-up teams in which teams vary along three dimensions- ownership of equity, the autonomy of strategic decision-making, and entitativity.

Drawing on their multidimensional conceptualization, I define the entrepreneurial team as two or more individuals who actively seek *to discover, evaluate, and exploit opportunities to create new products and services in which they share ownership and management*.

The definition also incorporates the issues of collectivity (entitativity), autonomy and ownership (decision-making), and financial interest (ownership). The definition eliminates sleeping or silent partners, which refer to those who invest capital but are not involved in the firm activities beyond seeking a return on their investments (Cooney, 2005). This definition is helpful in this study given the empirical concern to understand teams at both the preorganization and the new venture stage.

The main objective of studying entrepreneurial teams is to explain why some teams are more effective than others in launching and growing new ventures (Klotz et al., 2014; Lazar et al., 2020). Researchers primarily draw on the upper echelon theory in strategic management to answer this question.

Upper echelons theory (UET): The upper echelons theory (UET) (Hambrick, 2007; Hambrick & Mason, 1984) argues that as an organization is a reflection of its top managers, studying the consequences of the composition of its top management team can explain organizational outcomes. The core idea is that: (i) executive decisions are a function of their interpretation of contextual elements they face, and (ii) these personalized interpretations are a function of the "executives' experiences, values, and personalities" (Hambrick, 2007, p. 334). Given the difficulty of measuring unobservable psychological states, such as executive cognitions, values, and perceptions, the UET draws from organizational demography (Pfeffer, 1983) to suggest that managerial characteristics are reasonable proxies for underlying differences in cognitions, values, and perceptions (Carpenter et al., 2004). According to UET, the characteristics of the individuals in the top management team (TMT) would provide stronger explanations of firm outcomes than the characteristics of the CEO would (Hambrick, 2007).

Applying UET to Entrepreneurial Teams. Extant research on entrepreneurial teams has employed a UE perspective to explore the relationship between the composition of the entrepreneurial team and organizational outcomes. Much like the stream of research seeking to determine the individual traits of successful entrepreneurs (e.g., Unger et al., 2011) entrepreneurship scholars have attempted to identify entrepreneurial team characteristics and associated mix of compositional variables that explain variation in new venture outcomes.

In line with the tenets of UET, research on entrepreneurial teams has explored the consequences of entrepreneurial team composition for organizational outcomes such as firm performance (Beckman, 2006; Cohen & Dean, 2005; Eesley et al., 2014), strategy (Boeker, 1989), growth (Beckman, 2006; Colombo & Grilli, 2005; Eisenhardt & Schoonhoven, 1990), innovation (Arvanitis & Stucki, 2012; Koellinger, 2008) and access to financing (Beckman et

al., 2007; Chatterji, 2009). For example, entrepreneurial teams with research-focused educational backgrounds are more likely to pursue open science strategies (Ding, 2011), while teams with prior international work experience are more likely to open international lines of business early in life (McDougal et al., 2003).

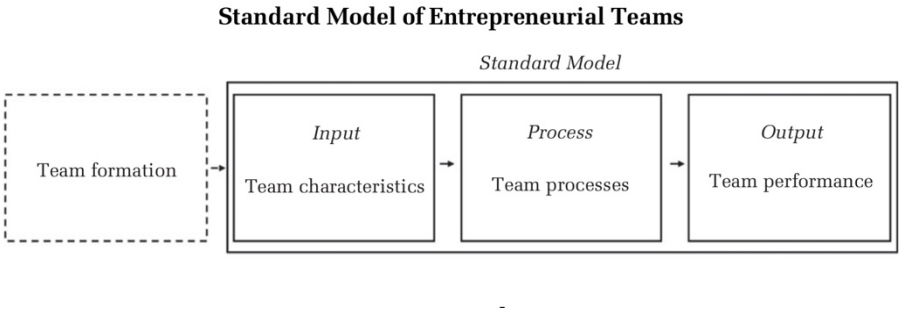
While this has significantly improved our understanding of the effects of entrepreneurial teams on firm performance, critics highlight the exclusion of critical mediating mechanisms and moderating factors (Klotz et al., 2014). This has led to scholars calling for the exploration of the "black box" of entrepreneurial team interactions and processes. Two factors contribute to this limitation in entrepreneurial team research. First, entrepreneurship scholars tend to emulate strategy scholars by emphasizing main effects. Second, examining intervening variables would typically require collecting and analyzing primary data. Scholars typically rely on secondary data to examine team-level phenomena.

Entrepreneurship scholars have only recently begun to examine those intervening processes by adopting the sequential input-process-output framework in organizational behaviour to highlight how entrepreneurial team composition influences affective and cognitive processes, which in turn impact entrepreneurial performance (e.g., Jin et al., 2017; Klotz et al., 2014; Knight et al., 2020; Lazar et al., 2020). See figure 1 below. This framework seeks to understand team outcomes as the consequence of the team inputs and processes that determine them. The input-process-output framework has the potential to sharpen understanding of team dynamics and perform beyond what UET has yielded (Klotz et al., 2014).

Within this standard model of founding teams, founding team formation would precede and determine founding team characteristics, but it is largely ignored (more on this later). The standard model assumes the founding team is already formed and proceeds to

examine the linkages between group inputs, group processes, and major organizational outcomes. The next section will review the major findings.

Figure 1. Entrepreneurial Team Input-Process-Outcome Framework
(Reproduced from Lazar et al., 2020: 43)



Major Findings

The main objective of studying entrepreneurial teams is to explain why some teams are more effective than others in launching and growing new ventures (Klotz et al., 2014; Lazar et al., 2020). To answer this question, researchers have examined several venture outcomes and behaviour, such as the pursuit of capital (Beckman & Burton, 2008; Bernstein et al., 2017; Chatterji, 2009), growth (Beckman, 2006; Eisenhardt & Schoonhoven, 1990), innovation (Arvanitis & Stucki, 2012; Koellinger, 2008), product introductions (Beckman, 2006; Chatterji, 2009), economic performance (Beckman, 2006; Cohen & Dean, 2005), and internal group dynamics (Ensley et al., 2002). In this review of the literature, I discuss three primary mechanisms by which entrepreneurial teams impact venture outcomes- (i) by shaping access to resources, (ii) by influencing strategic decision-making (iii) by influencing team dynamics.

Access to resources. Given the importance of financial resources for a new venture's survival and growth, researchers have examined which entrepreneurial team characteristics are important to investors in early-stage firms (Bernstein et al., 2017) by drawing on human and social capital explanations. New ventures are particularly difficult to finance, given their

uncertain prospects and information problems. Evidence suggests that investors rely on founding team composition to fill in the information asymmetry that makes it difficult to judge the quality of the venture (Plummer et al., 2016). Based on signalling theory (Spence, 1973), extant research has shown how team functional diversity (e.g., Beckman et al., 2007), education (e.g., Franke et al., 2008), entrepreneurial experience (Beckman et al., 2007), and industrial experience (Becker-Blease & Sohl, 2015) act as a signal or cue that resource providers can use to fill an information asymmetry between themselves and the founding team regarding the venture (Plummer et al., 2016).

Recent research suggests a more complex relationship between entrepreneurial team composition and external investment. Mannor, Matta, Block, Steinbach & Davis (2019) show that investors' perception of founding teams' experiential breadth depends on the nature of the environment in which the founding team is embedded. Investors' evaluations were negative in threatening environments and positive in opportunistic environments. This research suggests that the signalling benefit of founding team characteristics is context-dependent. Some of these contextual factors examined include investors' experience (e.g., Bernstein et al., 2017; Franke et al., 2008) and the match with investor's characteristics (Aggarwal et al., 2015).

Others have adopted a social capital view (Adler & Kwon, 2002; Kwon & Adler, 2014) to argue that entrepreneurial teams' prior experience can also expose individuals to meaningful business and social connections. Ties to investors and connections to high-status partners influence investors' judgment about the underlying quality of the firm. For example, research has shown that founders of high-tech ventures in Silicon Valley, who were former employees of well-connected firms, were more successful at raising capital than other entrepreneurs (Burton et al., 2002).

Strategic decision-making. Adopting the UET, research has explored how entrepreneurial team characteristics shape strategic decision-making. The findings show that entrepreneurial team members' prior experiences, conceptualized in several ways such as educational level and functional backgrounds of founding team members (Amason et al., 2006), prior company affiliation (Beckman, 2006), and prior entrepreneurial experience (Beckman et al., 2007) before their involvement in a given venture influences the kinds of strategies that the team adopts and pursues. For example, entrepreneurial teams with research-focused educational backgrounds are likelier to pursue open science strategies (Ding, 2011). Similarly, Fern, Cardinal and O'Neill (2012) et al. (2012) probed how founder experience constrains early-stage strategy during new venture formation. The authors discovered that founders' initial strategic choices are shaped by past knowledge, especially if that knowledge is recent. As a result, they are unlikely to imitate the practices of competing firms when making decisions about which product and geographic markets to select.

Extant research has also investigated the connection between the diversity of founders' prior experience and strategic decision-making. The research suggests that team diversity is generally connected to the variety of ideas and solutions to problems available to a team, facilitating overall creativity, strategic analysis, opportunity recognition and information-processing abilities (Shane, 2000; Williams & O'Reilly, 1998). According to Shane (2000), prior experience determines the opportunity set that founders are likely to consider and pursue. Based on comparative case studies, he showed that individuals could recognize and act on opportunities based on their prior knowledge and experience across different settings. However, diverse teams are also prone to conflicts and disagreements among team members. For instance, some studies found no connection between diversity and performance. Amason et al. (2006) found no direct influence of the founding team's prior experience (concerning education and functional training) on firm performance. The study

suggests that such a relationship depends on the novelty of the product or service, so the relationship becomes more negative as the level of novelty increases. Others found a link between diversity and turnover within the management team (Ucbasaran et al., 2003). In their study, Ucbasaran and colleagues (2003) demonstrated that team diversity in entrepreneurial experience was likely to drive turnover within the management team. The heterogeneity in entrepreneurial experience drives power and status imbalances, which reduce cohesion and foment conflict within the management team.

Research has also examined the homogeneity of founders' prior experience and venture outcomes. Founding teams with shared prior work experience benefit from cohesion and minimal disagreements on issues. They are also likely to share similar beliefs and a common frame of reference about work expectations (Baron et al., 1999). Eisenhardt and Schoonhoven (1990) showed that founding teams with joint prior work experience make faster decisions and achieve more rapid growth than other ventures. However, prior shared experience also hampers creativity and innovation, as shared experience means that founders spend less time brainstorming. Beckman found that founding teams with shared prior experience are likely to exploit existing knowledge and competencies.

The underlying interest in understanding what influences teams' strategic decision-making stems from the presumption that a given strategy is related to outcomes such as profitability, growth, and survival. In line with the linear view of UET, entrepreneurial team composition is linked to the cognitive frames that influence strategic decision-making, which then affects performance (Carpenter et al., 2004). Empirical evidence, however, is much more nuanced. Knight and colleagues' recent literature review concludes that there is "no one size fits all" connection between a team's strategic decision-making and performance (2020, p. 248). Instead, the influence of any strategic choice on firm performance depends on an

array of factors, such as the founding team itself, the environment in which the team is embedded and the fit between strategy and the environment.

Underlying the importance of context, research has explored how environmental context moderates the relationship between founding team composition and performance. For example, Hmieleski and Ensley (2007) found that in dynamic environments, diverse teams achieve better performance when a directive leader, while in stable environments, diverse teams perform better when led by an empowering leader. Others also suggest the importance of strategic process over strategic content.

Group Dynamics. The core framework underlying UET is that the entrepreneurial team enacts the situation that leads to strategic choices that affect performance. However, the linkage between entrepreneurial team characteristics and strategic choices is never addressed (Carpenter et al., 2004). This is partly because the focus is on prediction rather than explanation (Lawrence, 1997). This has led to scholars calling for the exploration of the "black box" of entrepreneurial teams' interactions and processes. Research focusing on group dynamics attempts to understand how interpersonal interactions among team members contribute to new venture outcomes (Klotz et al., 2014; Knight et al., 2020). Such research focuses on the linkages between group inputs and processes on the one hand and that between group processes and group outcomes on the other (Knight et al., 2020). Two main mechanisms have been implicated in linking inputs to outputs—cognitive and socio-emotional. Cognitive mechanisms address how entrepreneurial teams process information, while socio-emotional mechanisms reflect the relational and emotional bonds that connect entrepreneurial team members.

On cognitive mechanisms, the research is rooted in information-processing perspectives (Hinsz et al., 1997) premised on the idea that entrepreneurial teams are more likely to have diverse skill sets and that breadth and depth of knowledge enable them to

process information comprehensively. However, this informational advantage comes at the cost of coordination problems or unproductive conflict. The socio-emotional mechanisms reflect relationships such as prior affiliations, friendships, and family ties that entrepreneurial team members share. Interpersonal attraction within the founding team improves relational fit and coordination, such as communication, trust, smooth division of tasks, and shared perspectives. For example, Fern, Cardinal and O'Neill (2012) found that founding teams were more likely to select a particular product, geographic market or resource if its members shared a common experience with the market or resource. Similarly, research shows that founding teams prior shared experience is mediated by cognitive processes such as transactive memory system, which enables founding teams to integrate their members' expertise and skills (Zheng, 2012). However, having shared prior experiences restrict access to complementary skills, novel resources and perspectives (Lazar et al., 2020)

Summary of findings. The reviewed studies show that cognitive and socio-emotional mechanisms serve as the conduits through which entrepreneurial team characteristics impact entrepreneurial team outcomes. Thus, to understand how entrepreneurial team composition affects outcomes, the entire causal chain should be studied (Klotz et al., 2014). In his recent review of the team literature, Klotz and colleagues (2014) lamented the failure of existing research to investigate the entire causal chain where founding team composition shapes cognitive and socio-emotional processes, which then influence team outcomes (e.g., performance, growth, survival, and innovation).

Despite the extensive research on team composition, scholars have concluded that there is "no clear relationship" (Klotz et al., 2014, p. 247) and that the literature is "inconclusive" (Zhou & Rosini, 2015, p. 33) as to what extent team composition relate to new venture outcomes. Knight, Greer and De Jong, in their recent review of the start-up team literature, conclude there is a "lack of consensus around the mechanisms through which

composition influences outcomes and the conditions under which these effects are likely to be significant" (2020, p. 251).

Entrepreneurial teams differ from each other in important ways that might shape the composition of the group. Yet, as the review shows, the standard sequential input-process-output framework (see fig 1 above) implored in most studies neglects the entrepreneurial team formation stage, which would precede and determine entrepreneurial team characteristics (Lazar et al., 2020). As a result, limited attention has focused on where entrepreneurial teams are embedded and the implications of that on founding team literature. Existing research suggests entrepreneurial teams are embedded in five different entrepreneurial settings- academic, employee, user, family and accelerator settings (Lazar et al., 2020). Entrepreneurial teams are generally embedded in university or laboratory settings (academic entrepreneurship), industry (employee entrepreneurship), knowledge context of using the product or service (user entrepreneurship), family relations and kinship ties (family entrepreneurship), and pre-seed and seed accelerators (seed acceleration entrepreneurship). The settings in which entrepreneurial teams emerge shape founding team characteristics, processes, and performance. To understand the influence of entrepreneurial team composition on firm outcomes, it is helpful to review how entrepreneurial teams are formed.

The Basis of Entrepreneurial Team Formation

Formation strategies. Two strategies dominate the literature on how entrepreneurial teams come together.[4] *The interpersonal attraction strategy* suggests that teams are formed based on relationships among team members. This strategy is based on supplementary fit, where team members are selected based on the sentiment of liking and shared interests (Lazar

[4] Actually, some are known to combine the two strategies- hybrid strategy.

et al., 2020). Studies documenting this strategy identify linkages based on family ties (Discua Cruz et al., 2013), friendship (Francis & Sandberg, 2000), and ethnicity (Ruef et al., 2003). *The resource-seeking strategy* selects team members based on the resources required for the new venture creation and, as a result, emphasizes complementary fit (Lazar et al., 2020). Greater attention is based on the instrumental need for resources and monetary incentives.

While these two formation strategies dominate the literature, Ruef and colleagues (2003) investigated five (5) mechanisms of team composition in order to understand the formation of entrepreneurial teams. Their findings show that founding teams predominantly use an interpersonal attraction strategy. They found that the structure of founding teams is determined by homophily (particularly ethnic and gender homophily) and network constraints imposed by strong ties. The study found little support for founding team composition based on functional heterogeneity of achieved characteristics and instead observed a preference for functional homophily, suggesting that founding teams comprised individuals who share similar demographic and functional characteristics. See Table 1 for the five mechanisms. While Ruef and colleagues' (2003) study is interesting, recent research suggests that the formation strategy used and its consequence on team characteristics, processes, and performance depends on the context within which founding teams are embedded (Lazar et al., 2020). Current evidence suggests that an interpersonal attraction strategy results in team homogeneity as cofounder search occurs within a small world of social networks of similar others (Aldrich & Kim, 2007; Ruef et al., 2003). Group dynamics are likely to benefit from relational fitness and coordination in areas such as communication, smooth division of tasks, and shared perspectives (Discua Cruz et al., 2013), but at the expense of diverse and complementary skills. By contrast, greater attention to the instrumental need for resources and monetary incentives in resource-seeking strategy leads to heterogeneous teams with high functional and informational diversity. While the entrepreneurial team can leverage

knowledge to integrate expertise and enlarge team resources, this formation strategy will likely lead to low shared understanding, cohesion and trust, leading to coordination problems (Lazar et al., 2020).

Table 1. Five Mechanisms of Team Composition

Theory	**General Claims**
Homophily	Task groups tend to be composed of members with similar ascriptive characteristics (e.g., gender, ethnicity)
Functional	Task groups tend to be composed of members with diverse achieved characteristics (e.g., leadership, occupational competency).
Status expectations	Individuals with high-status characteristics are more likely to attract other task-group members than are individuals with low-status characteristics
Network	The presence of prior network ties in a task group affects the extent to which the group exhibits diversity in ascribed and achieved characteristics.
Ecological	Task groups tend to be composed of members in the same geographic locale and/or industry.

Excerpted from Ruef et al. (2003)

In their recent review of the entrepreneurial team formation literature, Lazar et al. (2020) argued that the context within which founding teams are embedded shapes the formation strategy. For example, cofounder selection relies primarily on resource-seeking strategies in broad and distributed networks such as academic institutions or accelerator programs. Academic settings facilitate the search for cofounders based on expertise and knowledge. According to the authors, founders embedded in a local cluster of social relations, such as family, tend to rely more on interpersonal attraction. Thus, the particular setting in which the founding team is embedded has an important influence on the composition of the

founding team. One specific setting of import in this study is the family. I review next the literature on entrepreneurial teams in the family business.

Family Entrepreneurial teams

Of all the contexts from which new ventures originate, the family is the institutional backdrop that seeds most new ventures. Nevertheless, scholars have paid limited attention to the " most influential institution for producing entrepreneurs, that is, the family" (Sine et al., 2022, p. 1683). Despite married teams creating 53% and family members starting 65% of all new ventures, we know less about the role of families in organizational foundings (Sine et al., 2022). This is also partly because family business scholars have mainly devoted attention to later stages in the lifecycle of new ventures, most notably succession, and largely seeded the new venture formation and early development to entrepreneurial scholars (Brannon et al., 2013). This is also considerable debate on whether the firm is even born a family business or later becomes one (Chua et al., 2004).

Since Sharma, Chrisman, and Chua (1997) called for a strategic management approach to family business studies, there has been a concerted effort to understand differences in performance and behaviour between family and other types of organizations as well as among types of family firms (Gedajlovic, Carney, Chrisman & Kellermanns, 2012). This quest to ascertain whether family influence is a benefit or a burden for businesses has relied chiefly on two mainstream theories- Agency theory and resource-based view (RBV). Drawing on agency theoretic perspective, some see family influence as beneficial due to the reduced monitoring of family-related and family-loyal agents (e.g., Fama & Jensen, 1983), while others see downsides resulting from increased agency cost in altruism, nepotism and entrenchment (Schulze et al., 2003). Those who build on RBV suggest that family firms possess distinctive capabilities and competencies that make them better suited to compete in

some environments. Different types of distinctiveness have been proposed. For instance, Sirmon and Hitt (2003) see family firms' distinctiveness in their capital endowments. They note that compared to nonfamily firms, family firms have more and different human capital, social capital, patient financial capital, and survivability capital. Carney (2005) locates a family firm's distinctive capabilities in three characteristics of family firm governance—parsimony, personalism, and particularism. Carney argues that these governance characteristics provide benefits in efficiency, building social capital and making opportunistic investments. Despite important works in this area, the quest to identify whether family influence is a benefit or a burden has been met with equivocal results (König et al., 2013).

To better understand the performance implications of family influence, family business scholars could pay considerable attention to top management teams in family firms. Instead, there has been a limited focus on family business teams, as alluded to above (Chua, Chrisman & Sharma, 2003; Schjoedt, Monsen, Pearson, Barnett & Chrisman, 2013). This is surprising given that characteristic of top management teams affects organizations' strategic direction and performance (Hambrick & Mason, 1984). I review below some of the work being done to understand family entrepreneurial teams.

Formation strategies. As already reviewed, family entrepreneurial teams rely on an interpersonal attraction strategy to assemble founding teams partly because such groups are embedded in local clusters and small-world network configurations (Aldrich & Kim, 2007). For example, in their study of family entrepreneurial teams in Honduras, Discua Cruz et al. (2013) found that cofounders were selected from a tight-knit family and friendship networks based on their stewardship toward the family business. This suggests that the family entrepreneurial teams are more likely to be homogenous, positively affecting processes such as social integration, communication and conflict. On the downside, such teams are likely to be devoid of skills breath.

The suggestion that there are fewer coordination problems in entrepreneurial teams consisting of related individuals is in dispute with some research on family businesses, which regards family firms as more conflict-laden than nonfamily firms (e.g.,Ensley & Pearson, 2005). To resolve this inconsistency in findings, some research suggests that coordination benefits accrue based on the type of relationships within the family business team (Bird & Zellweger, 2018; Brannon et al., 2013). In their study of family entrepreneurial teams, Brannon et al. (2013) found that venture teams composed of couples were more likely to achieve first sales than teams consisting of blood relations. They argued that couples benefit from shared venture goals, strong relationships and the flexibility to adapt to family and firm roles. On the other hand, biologically linked teams face role adjustment challenges owing to the long interaction history that gravitate them more to dissension. Drawing on Gersick et al. (1997) categories of family business ownership of controlling owners, sibling partnership, and cousin consortium, Ensley and Pearson (2005) found that parental teams (controlling owners) enjoyed better behavioural dynamics than familial teams (siblings and cousins). Drawing on the relational embeddedness perspective (Granovetter, 1992), Bird and Zellweger (2018) criticized research on family embeddedness (Aldrich & Cliff, 2003) for taking a uniform view of social relations with family businesses. They advocated for more attention to the distinct relational embeddedness of various family types in family entrepreneurial teams. In their study, they considered two family types— spousal teams and sibling teams. They found that spousal teams exhibited higher levels of trust, identification, and mutual obligations compared to sibling teams, with a consequential effect on firm growth. The above discussion suggests that the context in which entrepreneurial teams are embedded influences team characteristics, processes and performance. In particular, relationships in entrepreneurial teams can have consequential effects on the entrepreneurial process and outcomes.

Family entrepreneurial teams may also vary in their institutional attachments to family and commercial logics. Such variation could influence their decision-making and impact entrepreneurial outcomes. Previous research has focused more on the relational embeddedness of family teams. But individuals within spousal teams may subscribe to different institutional logics. We need to understand how family teams vary in their institutional backgrounds and the implications for firm behaviour and outcomes. Paying attention to family teams could provide important insights into how family firms differ. We accept that family firms differ from nonfamily firms, but "we need to know more about the inherent differences within the larger population of family firms worldwide before we can say much about the dynamics of family firms" (Nordqvist, 2005, p. 289). I argue that family teams do not vary only relationally but also by their institutional background. Entrepreneurial team members draw on norms and values from different social systems, which may lead to varying principles for organizing and decision-making. Thus, entrepreneurial action within a family business setting could occasion values and rationalities from different institutional spheres.

Given the context of this study in Africa, I review the relevant literature on entrepreneurship in Africa below.

Entrepreneurship in Africa

While significant advance has been made in the quantity and quality of entrepreneurship research, our understanding is exclusively focused on North American and European research sites. In their review of a special issue to address the gap in our collective knowledge of new venture and family entrepreneurial teams, Schjoedt and colleagues (2013) highlighted the lack of research regarding the composition of family entrepreneurial teams and even less on family firms outside of Western developed economies. Of even more

concern is Africa, which has remained essentially off the radar of researchers(George, 2015; George et al., 2016; Zoogah et al., 2015). This is surprising given the growing interest in understanding the role of entrepreneurship in economic development.

In response, some attempts have been made to understand entrepreneurship outside the context of Western developed economies. I will mainly draw on studies focusing on Africa to situate this dissertation properly. Entrepreneurs in Africa face institutional voids characterized by sociopolitical contexts where formal market institutions are absent or weak to support business. As a result, African entrepreneurs must " fashion alternative practices to execute transactions and acquire resources" (Ge, Carney & Kellermanns, 2019, p. 1124). Against this backdrop, researchers focus on the problem of weak institutions or institutional voids in their discussion of entrepreneurship in developing economies.

Most empirical examinations draw on the embeddedness perspective (Granovetter, 1985; Polanyi, 1944; Zukin & DiMaggio, 1990), which focuses on the contextualization of economic action, such as entrepreneurial activities in larger and more complex social processes. Those that take a *political embeddedness* approach focus on how entrepreneurs build network relationships with external ties such as politicians, government officials and other bureaucrats to reduce transaction costs, minimize uncertainty and acquire resources for their entrepreneurial ventures (Acquaah, 2012; Li et al., 2008; Zhou, 2013; Zhu & Chung, 2014). For instance, Acquah(2012) investigated the likelihood of family and non-family firms forming ties with politicians and other government bureaucrats in Ghana and the implications of such tie formation. While forming external ties with bureaucratic officials benefited both groups, there were considerable costs to developing ties with Ghanaian politicians.

Picking on the additional costs associated with the embeddedness of entrepreneurial activities in political contexts, Ge, Carney and Kellermanns (2019) wondered if family ties

can substitute for political ties in filling institutional voids. Drawing from research in family business that supports the view that family ties can be leveraged to compensate for institutional voids ((Dyer & Mortensen, 2005; Luo & Chung, 2013; Miller et al., 2009), the authors found support for their substitutive argument. The presence of family ties moderates entrepreneurs' incentive to develop political ties. Thus, in contexts where formal market institutions are absent or weak, entrepreneurs often rely on resources present within family and political ties.

Other studies taking a *structural embeddedness* approach *emphasize* social structure and the importance of family ties and communal orientation as driving forces for entrepreneurship. While family or community ties are important resource acquisition mechanisms for entrepreneurs unable to access financial resources due to risk aversion by local banking institutions, there are significant costs. Khayesi, George and Antonakis (2014) found that among Ugandan entrepreneurs, those relying on kinship networks incur greater costs of accumulation associated with family obligations. The presence of strong and cohesive relations in family and kinship ties creates obligatory imperatives to attend to requests for financial aid and jobs for relatives that end up sapping the firm's profits (Khavul et al., 2009; Khayesi & George, 2011).

Tajeddin and Carney (2019) provide important insights into how small and medium-sized enterprises (SMEs) in sub-Saharan Africa navigates institutional voids in their resource acquisition efforts. Their findings indicate entrepreneurs affiliate with business groups, which in the context of institutional voids represent "an efficient response to weak institutions which can stimulate positive performance outcomes" (Tajeddin & Carney, 2019). The results show that SMEs affiliated with business groups were more likely to acquire the resources needed to engage in international trade. Tajeddin and Carney (2019) provide important

insights into how African entrepreneurs leverage group affiliations to overcome market imperfections in their resource acquisition efforts.

Studies drawing on *cultural* and *cognitive embeddedness* highlight its constraining role on organizational choices. For example, in their examination of social enterprises across sub-Saharan Africa, Rivera-Santos, Holt, Littlewood, & Kolk (2015) found that ethnic group identity, colonization history, and poverty levels influence a venture's self-perception as a social venture and its choices of organizational activities reflecting its social mission.

The above studies provide insights into how broader institutional contexts (market, state, family and community institutions) influence entrepreneurial activities and strategies (Friedland & Alford, 1991). A common conception in these studies links regulatory structures (ties to political authorities) and social structures (family, business groups, and community ties) to entrepreneurial opportunities and outcomes, underscoring how institutions construct and constitute grounds for entrepreneurial action. But embedding context also provides constraints on entrepreneurial action. While these studies have provided more significant insights into the behaviour of entrepreneurial firms in Africa, we lack knowledge of the emergence of these entrepreneurial ventures in the first place. Given the vital influence of institutions on entrepreneurship within the African context, the interactions between the family system and the business stem offer promising avenues to explore the formation and initial strategies of new family firms.

I review the institutional logics perspective and make a case for how it can sharpen our understanding of how founding teams shape entrepreneurial outcomes.

INSTITUTIONAL LOGICS PERSPECTIVE

Institutional theorists have had a long-standing struggle with the thorny debate about structure and agency- the rational and structural determinants of human action (Childs, 1972; Wong, 1961). Different variants of institutional theory can be identified based on their bearings on this theoretical dilemma of structure and agency. The structuralist posits that human action is shaped by an external environment to which actors respond "in a mechanistic or even deterministic fashion" (Burrell & Morgan, 1979, p. 2). Structural constraints provide stability but also limit the discretion and initiative of individuals and organizations. Those who hold voluntaristic assumptions, in contrast, posit that in interaction with their environment, "individuals and organizations make a difference in creating, maintaining, and transforming institutions through their actions" (Thornton et al., 2012: 6). Institutional approaches have tried to seek the middle ground concerning this debate between human beings and their environment, but early conceptualization portrayed institutions as highly rigid and constraining (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Research embracing this conceptualization depicted actors as overly structurally constrained mechanistic entities. As a result, the theory became a theory of behaviour, in which institutions are routinely reproduced, and divergent organizational or institutional change becomes hard to conceptualize (DiMaggio & Powell, 1991; Jepperson, 1991).

New developments in institutional theory have moved institutional thinking from a predominant focus on isomorphism and taken-for-granted aspects of human behaviour toward theorizing organizational heterogeneity (Friedland & Alford, 1991; Thornton et al., 2012), making it applicable to entrepreneurship and strategic management. Friedland and Alford's (1991) critique of the dominant theoretical approaches of the time provided the foundation for a new perspective in institutional theory- *the institutional logics perspective,* a framework for analyzing the interrelationships among individuals, organizations, and institutions in social

systems. The critique was not only limited to approaches in economics, political science, and sociology with their attention to rational and instrumental behaviour but also extended to neo-institutionalism with its macro-structural perspectives and organization theories that generally isolated organizations from the broader societal forces. Emphasizing that institutions served not only as guides to material activity but also as symbolic systems used by actors to categorize and assign meaning to their activity, they posited that society is an interinstitutional system, where, for example, the market, family, and state coexist as societal orders, and that each societal order has a central logic that shapes the cognition and behaviour of actors and provides guidelines on how to organize and behave appropriately within that particular institutional setting.

At the core of their theorization is a "nonfunctionalist conception of society as a potentially contradictory interinstitutional system" (Friedland & Alford, 1991, p. 241). Such contradiction allows a conceptualization of institutions as both constraining and enabling as actors are both influenced by and can themselves influence institutions, helping to theorize the heterogeneity that neoinstitutionalists struggle with. Thus, institutional logic constrains the means and ends of individual behaviour and provides sources of agency and change through the differences in organizational principles across societal orders (Thornton et al., 2012).

Thornton, Ocasio and Lounsbury (2012) extend the theoretical wings of the concepts as put forward by Friedland & Alford (1991) by building on their initial typology of five logics to delineate a set of seven institutional orders and associate logics: family, community, religion, state, market, profession and the corporation. According to the institutional logics perspective, an actor caught in different institutional orders (e.g., market and family) must wrestle with different, even contradictory, logics (Greenwood et al., 2011). For example, an actor embedded in a market logic will evaluate, think, prioritize and make sense of their

everyday activities and organize those activities differently from those caught in the family logic because of the different value systems associated with them.

Institutional plurality and complexity

Institutional scholars have long recognized that organizations function in environments that pose multiple institutional demands at the same time (D'Aunno et al., 1991; Meyer & Rowan, 1977). Meyer and Rowan's (1977) "decoupling" idea allowed organizations to manage multiple logics. However, institutional research neglected this line of enquiry and channelled attention to understanding organizational responses to one logic (Kodeih & Greenwood, 2014).

More recently, institutional theorists have demonstrated that many organizational contexts are becoming embedded in multiple institutional logics that sometimes impose conflicting demands on organizational members (Greenwood et al., 2011; Pache & Santos, 2010, 2021). This is common across a wide variety of fields, such as social enterprises (Battilana & Dorado, 2010), healthcare (Reay & Hinings, 2009, 2005), community banks (Almandoz, 2012, 2014), and manufacturing firms (Greenwood et al., 2010). For example, hospitals must straddle between expectations of care and financial accountability (Reay & Hinings, 2009, 2005). When organizations are exposed to incompatible logics that prescribe and proscribe different things, they experience tension and become challenged in their behaviour and decision-making (Greenwood et al., 2011). For example, relying on an in-depth comparative organizational case study, Battilana and Dorado (2010) showed how the level of socialization of loan officers to competing finance and development logics impacted the sustainability of these organizations. When organizations are exposed to incompatible logics, they are said to experience "institutional complexity" (Greenwood et al., 2011). This shift in focus toward institutional complexity that involves the challenge of organizations

having to align their structures and practices with incompatible institutional logics has deepened understanding of organizational responses to such complex environmental requirements with competing demands (Battilana & Dorado, 2010; Reay & Hinings, 2009; Smets et al., 2015). But organizational responses to such complex requirements are "influenced by those who bring to the decision process their interpretation of priorities and preferable outcomes" (Greenwood et al., 2011, p. 342). Thus, individuals within organizations give voice to the broader institutional logics (Pache & Santos, 2010) that define what actors consider appropriate goals and the appropriate means to achieve those goals (Scott, 2001). As a result, organizational individuals become 'carriers' (Scott, 2001) or 'internal representatives' of institutional logics (Pache & Santos, 2010).

Actors as "representatives" of logics

Battilana & Dorado (2010) showed how the level of socialization of loan officers to competing finance and development logics impacted the sustainability of these organizations. These two subunits within the organizations strongly identified with their respective finance and development logics, leading to tensions and conflicts among these logics' adherents. Glynn (2000) also examined how the degree of embeddedness of musicians and administrators in competing artistic and managerial logics constituted how each group viewed the world and acted in it, leading to identity conflicts. These studies show that actors deeply embedded in specific institutions are more likely to become 'carriers' of those logics if they have internalized the assumptions, values, and preferences associated with those logics" (Scott, 2001). Identification provides an important mechanism by which institutional logic exerts its effects on individuals and organizations (Pache & Santos, 2013).

Building on Thornton et al. (2010) idea of *availability*, *accessibility* and *activation* of logics, Pache and Santos (2010) provided a theoretical model to indicate that the responses of

organizations and their participants to multiple logics depend upon the extent to which logics are "represented" inside an organization. See **table 2** for their model. Individuals, they argue, "may be a novice, they may be familiar, or they may be identified with a given logic" (Pache & Santos, 2010, pp. 8-9). If an individual has not been exposed to a specific logic, they become a *novice concerning* that logic. They are unlikely to be affected by the demands imposed by that logic. In his study of university recycling programs, Lounsbury (2001) observed how individuals who lacked knowledge about recycling and environmentally sustainable issues (i.e. novices) showed little interest in promoting recycling practices. An individual familiar with a given logic retains information about it. Because the individual is not deeply embedded in the logic, it is only moderately accessible to them. While activation of the logic is possible, it is not automatic. This affords the individual some room for strategic action. In their study of reinsurance trading in Lloyds of London, Smets et al. (2015) pointed to situations where brokers could segment the community and business logics to enact the different prescriptions of each. This implies that actors had to be familiar with the prescribed goals and means of both logics to enact logic-congruent practices. When individuals identify with a specific logic, they become deeply embedded in that particular logic and "alternatives can become literally unthinkable' (Zucker, 1983: p. 5). In essence, the individual cannot comprehend alternative rationalities because alternatives seem irrational, illegitimate and nonsensical.

All this highlights how organizational participants play an important role in shaping organizational outcomes under conditions of institutional complexity (Greenwood et al., 2010; Pache & Santos, 2010). The extent to which logic presents as a 'pre-existing force' to an individual (Zucker, 1977) depends mainly on how that individual relates to that logic. Fiss and Zajac's (2004) study of the diffusion of shareholder-oriented governance models shows how adoption depended to some extent on the cognitive and motivational affinity of

individuals within the organization to the shareholder logic. Organizational decision-making is shaped by the logic subscribed to by organizational participants.

Table 2. Individual Relationships to Institutional Logics
(Reproduced from Pache & Santos, 2010: 11)

	Novice	Familiar	Identified
Availability (knowledge and information that people have	0	+	+
Accessibility (degree to which knowledge comes to mind	0		+
Activation (degree to which knowledge is used in social interaction	0		+
	Level of adherence: Null	Level of adherence: Intermediate	Level of adherence: High

Empirical findings: Studies have shown how shifts in (Sine & David, 2003), competition in (Jain & Sharma, 2013; Marquis & Lounsbury, 2007), or identification with (Almandoz, 2012, 2014; Pahnke et al., 2015) institutional logics impact entrepreneurial outcomes and practices. David and Sine's (2003) study shows that logics change in the electric power generation sector had a generative effect on the founding of new independent power firms. Marquis and Lounsbury (2007) examined how two competing logics seeded in local (community) and national (market) principles impacted organizational foundings in the banking sector. They demonstrated how the acquisition of community banks by national

banks led to new community bank foundings to resist the dominance of the "national logic' over the "community logic."

On a more micro level, Almandoz (2012) found that founding groups embedded in community logic were more likely to start a new community bank than those embedded in financial logic. This study confirms that the logics subscribed by entrepreneurs affect entrepreneurial outcomes. Pahnke, Katila and Eisenhardt (2015) found that the institutional logics of different types of funding partners influence the kind of innovation produced by new ventures. Entrepreneurship scholars have long underscored the importance of financial resources for a new venture's survival and growth (Chrisman et al., 1998). New ventures spend considerable effort in trying to secure funding partners. This study points to an unanticipated outcome of the choice among funding partners. The institutional logic espoused by the funding partner has consequences for the type of innovation the founded organization can pursue. This shows that the institutional logic of stakeholders can influence organizational outcomes. These studies highlight the importance of institutional logic on firm outcomes and behaviour.

ENTREPRENEURIAL TEAM AND INSTITUTIONAL LOGICS

The review of the entrepreneurial team literature shows that the composition of the entrepreneurial team influences access to resources, strategic decision-making, and team process, which in turn, influence performance. The review also highlighted that the composition of the entrepreneurial team is shaped by the context in which the team is embedded. To understand composition, one must pay attention to the context in which the team originates or is situated. The institutional logics perspective contends that many contexts comprise various constellations of norms and beliefs that shape firms differently. For instance, academic entrepreneurs operate in an environment where science and

commercial logic provide two organizing frameworks. Similarly, entrepreneurial family teams must contend with the logic of family and commerce. The institutional logics perspective also supports the view that individuals who identify with particular institutional logic become representatives of that logic within organizations.

Based on the review of these two research streams, I argue that *institutional background*, which I conceptualize as the internal representation of institutional logics in the entrepreneurial team, is a vital team input that shapes team processes and impacts entrepreneurial outcomes. Founding teams must secure resources for their nascent organizations, such as financial resources, commitments of effort, and information. They must also create legitimacy for their nascent organization by building agreements among those whose cooperation they need (Audia et al., 2006). Institutions grant legitimacy to organizations that follow established organizational forms, facilitating access to resources (Aldrich & Fiol, 1994). Institutional logics also provide entrepreneurial firms with cognitive models, schemata, and other cultural material to guide their formation and early development (Scott, 2001).

Individuals get introduced to the norms and values of a given logic through formal education and experience (DiMaggio & Powell, 1983). By interacting with parents, teachers, friends, and colleagues, individuals come to share specific worldviews, identities, and habits, such as 'family loyalty,' which may become relevant and shape decision-making when they initiate their ventures (Aldrich & Yang, 2014; Miller et al., 2011). As taken-for-granted rules guiding the behaviours of actors, logics get enacted by entrepreneurs as they respond to the various demands generated by the founding process. I conceptualize the founding process as comprising nascent entrepreneurs engaging in actions that produce outcomes (Aldrich & Yang, 2014; Scott, 2014). Logics shape how goals are perceived, decisions are made, constituencies are prioritized, tools are mobilized, and investments are chosen.

At the founding activity stage and the early years of a firm's life cycle, when the firm is in greatest need of legitimacy and resources, the founding team members are most likely to be receptive to external social norms and values and enact institutional demands exerted on organizations. The presence and distribution of this representation within the founding team will likely shape the organization's strategic direction in line with the tenets of UET (Besharov & Smith, 2014; Pache & Santos, 2010).

From the review of the entrepreneurial team's literature, entrepreneurship scholars have overlooked institutional logic as an important characteristic of the entrepreneurial team. I argue that founders' institutional backgrounds can offer fresh insights into how entrepreneurial teams influence new venture creation, which has received limited attention. Research on nascent entrepreneurial activity- attempts by entrepreneurs to found new ventures is scant. Some have argued that without understanding how the venture was launched in the first place, it becomes challenging to understand its performance at subsequent stages (Carland & Carland, 2000). The limited research that has explored nascent entrepreneurial success points to social and human capital as the determinants of success (Davidsson & Honig, 2003). While founders with more financial, human and social capital should ordinarily perform better, it is not entirely certain whether the abundance of resources enhances entrepreneurial success (Baker & Nelson, 2005). Launching a new venture is a complex journey, full of dynamics, uncertainties and adversities (Weisz et al., 2010). Not all well-educated, connected, and resourced aspiring entrepreneurs can launch a new venture successfully. This points to other factors that could be important in establishing a firm. Founders' institutional backgrounds could provide insights into other social mechanisms through which founding teams influence performance. This helps to complement scholarly conversation on entrepreneurial team composition that has traditionally focused on prior experience- accumulated human and social capital explanations.

One possible rationale for the mixed empirical findings on the impact of founders' prior knowledge on performance is the assumption that founders' prior knowledge would effectively translate into organizational settings. Without taking into consideration the institutional context in which individuals' prior knowledge and experience are located, it is difficult to understand human behaviour because founders' prior experience and knowledge are "not individual-level phenomena but are shaped by institutional logics that actors have learned, experienced through practices, and with which they identify" (Ocasio et al., 2017, p. 525). As members of society, individuals are exposed to multiple institutions such as the market, profession, community, religion, and family (Pache & Santos, 2013). Individuals exposed to these various institutions are likely to develop alternative ways of thinking and behaving (Thornton et al., 2012). Individual specialization across institutions with differentiated logics creates contradictions between institutional orders that provide cognitive contrast effects, which can be a source of opportunity identification and exploitation (Thornton et al., 2012).

There is little consensus on how team composition impacts venture outcomes and behaviour. I argue that considering the institutional logic subscribed to by these founding team members might help resolve some of these inconsistencies in the findings. Previous education or professional experience (Bourdieu, 1980; DiMaggio & Powell, 1983) has been shown to socialize individuals to institutional logics. According to the institutional complexity literature, these founding team members become 'carriers' or 'representatives' of these logics if they have internalized the assumptions, beliefs, values and preferences associated with those logics (Pache & Santos, 2010; Scott, 2001). The symbolic values associated with those logics learned by exposure or socialization in prior work experiences or specific occupations are unlikely to vanish when an individual becomes a founding team member. Such predisposition is likely to be enhanced in a group setting because group

dynamics tend to accentuate group differences. Individuals tend to derive motivational and identity incentives from identifying with the collective identity of the social groups they belong to (Tyler, 1999). They are likely to subscribe to the collective's goals, norms and interests. I argue that while the availability and accessibility of logics will be contingent on founders' prior knowledge and experience, their identification with the collective identities of the social group they belong to (March & Olsen, 1989) will likely activate those prevailing logics. Because they lack legitimacy, new ventures may also be receptive to institutional demands. Their cognitive predisposition to prevailing institutional logics may impact their strategic choices in line.

SUMMARY

This chapter has reviewed key findings drawn from the extant research on entrepreneurial team literature and institutional logics. This literature review connects entrepreneurial teams with societal values and cognitive structures- through an institutional lens.

While the entrepreneurial team's literature has explored several characteristics of the entrepreneurial team as an explanatory variable for variation in firm outcomes, entrepreneurial scholars have neglected institutional logic as an important dimension of entrepreneurial teams. My review shows the value of considering the institutional background of entrepreneurial teams. In order to situate properly my theoretical arguments and hypotheses, I review the empirical setting of this study in the next chapter.

CHAPTER 3: EMPIRICAL CONTEXT

The needle you are looking for in the haystack may be right there at your feet.
(Ghanaian proverb, cited in Ayittey, 1991: xxxviii)

The Ghanaian business landscape is littered with many Small and Medium Enterprises (SMEs), which according to some estimates, account for nearly 92% of businesses in the country (Abor & Quartey, 2010; Ofori-Danso, 2020). As an engine for economic development in Ghana, SMEs account for about 70% of the country's GDP (Abor & Quartey, 2010). Of particular note to us is that nearly 90% of SMEs in Ghana are family-owned enterprises (Ofori-Danso, 2020), underscoring the distinctive nature of family businesses that gives it leverage over other types of organizations (Chrisman, Chua & Steier, 2005). Within the manufacturing sector, family businesses constitute about 75% of manufacturing Gross Domestic Product (Abor & Quartey, 2010).

While all this looks promising for family enterprises, there are grimmer prospects for those contemplating setting up family businesses in Ghana. According to some estimates, nearly 75% of businesses fail within the first three years, and those that survive beyond the first three years are less likely to be in operation after 10 years (Daily Guide, 2017). Studies examining business failure in developing economies suggest the influence of institutional voids, which make it challenging for entrepreneurs to succeed (Acquah & Eshun, 2016; Mair & Marti; Soliman, Keles & Fottouh, 2023). As in other emerging countries, the Ghanaian business environment is characterized by various institutional voids (Acquah, 2012). In such contexts, understanding the emergence of new businesses is of theoretical importance, given the lack of business supporting institutions. And yet, no systematic attempt has been made to examine the factors that impact the emergence of new businesses. Given the significant proportion of family businesses in the Ghanaian context, it is of scholarly interest to understand the factors influencing the emergence of this form of business. Beyond the

immediate insights into new firm formation in an environment characterized by institutional voids, understanding the early stages of a new firm can potentially offer clues to its subsequent evolution and development because new firms are imprinted by their founding conditions (Stinchcombe, 1965). Before turning to the theoretical arguments in Chapter 3, a brief historical summary of entrepreneurship is offered to introduce the reader to the Ghanaian context.

ENTREPRENEURSHIP IN GHANA

The size of Ghana covers an area of 238,537 square kilometres in the tropical zone. It is bordered on the west by the Ivory Coast, east by Togo and a northern border with Burkina Faso. The coastline rests along the fifth latitude and runs 554 kilometres along the Gulf of Guinea. Ghana, located in West Africa, achieved independence from British colonial rule in 1957, making it the first African country to do so.[5] After enduring decades of post-independence instability and intermittent military rule, the country is now widely regarded as a stable democracy, a regional economic powerhouse and a key continental player.

The development of entrepreneurship and small business in Ghana predates the arrival of the first Europeans in the fifteen century (Baume, 2000; Robson et al., 2009; Slade Shantz et al., 2018; Takyi-Asiedu, 1993). Before colonialization, Ghana had a stellar reputation as a centre of commerce (Baume, 2000; Chamlee-Wright, 1997), shaped mainly by the numerous trans-Saharan trade routes that connected its gold mines to the lands north of the Sahara. The locals also engaged in long-distance trade in salt and fish, primarily relying on cultural traditions and institutions (Chamlee-Wright, 1997). Inter-regional markets developed

[5]Before independence in 1957, Ghana was called the Gold Coast because of the significant gold resources found in the area. The name "Gold Coast" was imparted by the Portuguese who arrived in the area in1471 in search of Gold.

alongside local markets, which served not only to supply essential goods and services but also to disseminate information concerning commerce and news of interest to the community. The marketplace became "the heartbeat of African society" (Chamlee-Wright, 1997, p. 5) by serving as cultural, political and religious centres. In essence, the marketplace was tied to every aspect of life. The territory's wealth in Gold attracted European powers, such as the Portuguese in the 15th century, who constructed the Elmina Castle in 1482 to gain a foothold in the territory. Trading in Gold became so active that the British joined the act in 1553, followed by the Dutch in 1595, the Swedes and Danes in 1640, and the Germans in 1683.The territory would become a focal point for European imperial competition until the British Empire came to dominate the region shortly after the turn of the 20th century. A rising tide of nationalism shaped by an increasingly educated elite culminated in Ghana gaining independence in 1957.

But that enterprising spirit experienced sluggish growth after Ghana gained independence in 1957, primarily due to the action or inaction of Ghanaian political leaders (McPherson, 1996; Robson & Obeng, 2008), sociocultural factors (Takyi-Asiedu, 1993) and lack of human and financial capital (McGrath & King, 1999).

Concerning government policies, personal rule, the primary mode of governance that emerged in post-colonial Ghana was central to the decline in entrepreneurship. Political leaders saw the capitalist class as a threat to their fragile regimes, leading to fraught government relations and business relations (Opoku, 2018).[6] To co-opt potential hostile elements, political leaders sought to be the prime locus of resources and benefits because they saw a capitalist class's ability to accumulate resources on a significant scale as a threat to their rule.

[6] I use capitalist and entrepreneurs interchangeably.

For the second half of the twentieth century, the fortunes of entrepreneurs in Ghana largely depended on incestuous relations between government and business (Opoku, 2018) because of these leaders' ability to disburse patronage and foster clientelism to key allies. As a result, the most successful entrepreneurs became regime allies, while those in opposition rarely survived.

During this period, aversion toward capitalism and a desire to scapegoat entrepreneurs became a familiar refrain for all administrations, including military regimes. Some of these regimes were exceptionally hostile to the capitalist class, blaming them for corruption, tax evasion and profiteering. The PNDC government that led Ghana from 1981 until the transition to democracy in 1992 hounded entrepreneurs (Opoku, 2018), branding them as “saboteurs” and subjecting them to searches, intimidation and detentions. The government seized private firms and turned them into people’s property, which undermined the ownership of private property and wealth in Ghana. The perceived attack on the capitalist class, bureaucracy and corruption by parasitic government officials affected the development of small businesses in Ghana, as many small firms were encouraged to remain small and informal to avoid the attention of government officials (Opoku, 2018). This vilification of entrepreneurs made entrepreneurship unattractive and led to fundamental aversion towards capitalism and its associated profit motive, which was regarded as ‘un-African, shameful or illegitimate (Opoku, 2018). Political imperatives took precedence over economic rationality in Ghana.

The argument above relies on power or political security as the underlying goals of the political elites. But the radical split from Western capitalism also had ideological motivations. The economic policies implemented post-colonial were also attempts to destroy the colonialist economic structure despite occasionally skewing the process to their own personal advantage. Kwame Nkrumah, Ghana's first leader, associated capitalist production

with colonialism. He considered economic exploitation under commodity production as a variant of the political exploitation during colonial rule. The solution, he devised, was a clean break from the international capitalist structure if the country was ever to be genuinely independent. This led to socialist policies in which private decision-making gave way to state planning in virtually all sectors of the economy. The state took on the role of the entrepreneur for which it was ill-suited. It lacked the incentives and the knowledge needed to make economically viable decisions. It operated outside the context in which the knowledge necessary to make sound economic decisions was generated (indigenous market). This course of action undermined indigenous entrepreneurship.

With the transition to democratic rule in Ghana in the 1990s, the state is no longer economically dominant, creating space for capital accumulation by private individuals. Democratic institutions- a relatively autonomous judiciary, greater opposition influence, a critical private media and an alert civil society- have also curtailed political leaders' arbitrary power and engendered a conducive atmosphere for businesses to thrive. Improvements in physical infrastructure have become a significant priority for Ghanaian leaders, fostering the growth of companies. Twenty-first-century leaders have proclaimed a “golden age of business” and have acted on it by creating a ministry of private sector development. Although weak relative to Western institutions, formal market institutions supporting Ghana entrepreneurship are among the best in Africa (Collier, 2007; Robson & Obeng, 2008; Slade et al., 2018). Attitudinal changes toward capitalism have occurred, and the aversion toward market logic is dissipating. There is a broad acceptance of entrepreneurs and capitalism. The 2016/2017 Global Entrepreneurship Monitor Report found that “Africa is the region reporting the most positive attitudes towards entrepreneurship, with three-quarters of working-age adults considering entrepreneurship a good career choice while 77 percent believe that entrepreneurs are admired in society.” The same survey also shows that Africans display the

highest levels of entrepreneurial intentions in the world. Africa is experiencing a new generation of highly educated entrepreneurs with MBAs and PhDs who possess a global outlook, transitional networks, and a talent for identifying enterprising business opportunities.

The outlook is positive for the development of entrepreneurship in Ghana. The current political climate is supportive of entrepreneurship. The pattern of persecution of capitalists and seizure of private assets in the 1980s is over. The market logic enjoys greater legitimacy today than at any historical time in post-colonial Ghana. The Ghanaian entrepreneur is likely to be better educated and knowledgeable, and the Ghanaian worker is expected to find private sector jobs much more attractive than the public sector jobs long coveted by many. International institutions that have funded programs aimed at bolstering African entrepreneurship are deriving satisfaction from the changing image of capitalism and the rise in the market logic across the continent. While the evidence suggests progress, to truly understand the prospects for capitalist expansion in Africa, one needs to consider non-market institutions, which also considerably affect businesses and entrepreneurship in Africa (Takyi-Asiedu, 1991; Zoogah et al., 2015).

Economic activities in Ghana are characterized by a dual system- modern and traditional (Collier, 2007). The modern context originated in the colonial state with its promulgation of the market logic. In contrast, the traditional context, rooted at the ethnic level, is shaped by the institutions of family, community and religion (Zoogah et al., 2016). The dual systems provide the contexts in which meanings are negotiated and renegotiated. Entrepreneurial activities and organizational practices depend on this framework of meaning to achieve legitimacy and appropriateness. To truly understand actors and organizational behaviour, it must be placed within this dual system, as each system includes a set of symbolic meanings and material practices that constitute its cultural belief system and organizing principles (Friedland & Alford, 1991). It is important to note that this bifurcated

concept of modern and traditional downplays the heterogeneous sources of meaning and practice of rationality within each system. Still, it provides value in its theoretical simplicity. While the dual system differs in observable 'institutional content,' an actor may be nested in multiple institutions even within a particular system, exposing them to conflicting and compatible symbols and practices to reinterpret, exploit, export or change. Thus, while contradiction between systems exists, behaviour within each system is not necessarily isomorphic.

Within the modern context, economic activities centre on industrial or manufacturing activities and are shaped by formal institutions, such as banks providing finance and credit to business organizations (Collier, 2007). The modern context, a feature of urban or metropolitan centres, is characterized by individualistic tendencies and relative openness similar to features associated with the Western context.

The traditional context is rural-based and is characterized by chieftaincy and council of elders, an agrarian form of living and a lineage-based system of inheritance rather than property rights-based. Lending is mainly based on interpersonal trust. Economic activities are likely to be shaped by family, community or religious logic rather than market logic because of the pervasive influence of "collectivism, shared values, and disproportionate interdependence" (Zoogah et al., 2015, p. 12). Scholars note that the evolution of the traditional context facilitated the development of trading activities even before the arrival of the Europeans (Chamlee-Wright, 1997).

While the modern context seeks features similar to the Western context, the assault on capitalism and its associated market logic, as enumerated above, elevated the legitimacy and appropriateness of the traditional context. This dual context influences economic activities within the Ghanaian urban centres. Business organizations in Ghana face institutional complexity (Greenwood et al., 2011) from the dual context. Zoogah and colleagues (2015)

note that economic activities are differentially impacted based on prevailing institutional and sociocultural systems. With the increasing trend in urbanization, the UN estimates that 60 percent of Africans will live in urban areas from the current 40 percent by 2050 (Zoogah, 2015). The prospective entrepreneur in urban centres is likely to embody different entities or dual entities (ethnic or modern) depending on their embeddedness in distinct institutions. Such variation in identities- the core argument of this dissertation- is likely to impact their chances of starting a new venture and the initial strategic choice of the organizations they found. Therefore, institutional theory appears well-suited to understanding business organizations in Ghana. The next section provides an overview of the manufacturing sector, which serves as the sector of interest in this dissertation.

MANUFACTURING SECTOR IN GHANA

The Ghanaian economy comprises three main sectors: agriculture, industry and service. Manufacturing is a subsector of industry alongside mining, quarrying, utility services, and construction. Ghana's most important manufacturing industries include aluminum smelting, oil refining, chemicals and cement, processing of metals, pharmaceutical manufacturing, wood processing and textile & garment manufacturing.

A policy of industrialization has resulted in the establishment of a wide range of manufacturing industries, producing food products, beverages, tobacco, textiles, footwear, timber and wood products, chemicals and pharmaceuticals, and metals, including steel and steel products. Almost all of them began as state-owned enterprises but are now mostly privatized. There is an increasing emphasis on diversifying the country’s industrial sector. As part of this strategy, the government has sought to encourage small and medium-sized enterprises (SMEs) to boost domestic employment.

Data from the World Bank show that the industrial sector contributed $23.9bn to the total economic output in Ghana (Oxford Business Group, n.d.). Manufacturing accounted for 29% of total industrial output in 2020 (Oxford Business Group, n.d.).

Advances in technology have boosted the capacity to produce more advanced goods. For instance, medium and high-tech manufacturing accounted for only 0.7% of value added to GDP in 2005. In 2018, the figure rose to 10.8% (Oxford Business Group, n.d.). High-quality sand in the Tarkwa mining area provides the basis for a small but important glass industry. Apart from traditional sectors such as food processing, Ghana also has a large number of long-established large and medium-sized manufacturing enterprises. The large-scale manufacturing sector includes textiles, refined petroleum products, food and beverages, plastics, vehicle assembly, and aluminum processing. There are also significant activities in metal and chemical products.

As the largest employer in industry and accounting for nearly 92% of industrial establishments in Ghana (Oxford Business Group, n.d.), manufacturing is an important site for entrepreneurial activities in the country. It offers rich empirical context to test the emergence of new businesses in the country. The stage is set now for the two empirical studies that are the core of this dissertation. I review the hypotheses of the two empirical studies in the next chapter.

CHAPTER 4: HYPOTHESIS DEVELOPMENT

INTRODUCTION

This dissertation is particularly interested in studying family entrepreneurial teams in relation to entrepreneurial outcomes. Based on team theory, which informs that under appropriate conditions, teams outperform individuals in generating results, I incorporate several supporting theories— upper echelons and institutional logics— in advancing theory on entrepreneurial team composition. Upper echelons theory (Hambrick & Mason, 1984; Hambrick, 2007) posits that boards and top management teams have a greater impact on outcomes than any other constituency in the organization. The literature on institutional logics holds that multiple logics often coexist and are internally represented within the organization by individuals with a cognitive and motivational affinity to those logics (Pache & Santos, 2010). Taken together, I advance arguments that view entrepreneurial groups as making choices in a complex institutional environment that enables multiple actions, each favoured by different groups.

I situate this dissertation within the context shaped by institutional voids. Extending the upper echelons perspective to the entrepreneurial context (Hambrick & Mason, 1984), I examine the influence of an entrepreneurial team's characteristics on new venture outcomes. An entrepreneurial team's institutional background is an important and understudied component of team composition. Much of the existing research focuses on how the prior background, such as functional experience, education and key relationships among the founding team members, influence firm strategy and action (Beckman, 2006; Boeker, 1989; Ding, 2011). Yet institutional background is important because the literature on the microfoundations of institutional logics suggest that individuals' embeddedness in institutional logics shapes their assumptions and values, influencing their actions (Pache & Santos, 2013; Thornton et al., 2012). Thus, in decision domains that have considerable

uncertainties, which typify the entrepreneurial process, entrepreneurial teams' cognitive predispositions, values and identities can be expected to shape new venture outcomes. I propose that entrepreneurial teams' institutional backgrounds, specifically their embeddedness in family and commercial logics, will enter into their entrepreneurial actions.

In this chapter, I design two studies to examine how entrepreneurial teams' institutional backgrounds impact two entrepreneurial outcomes: the success rates of those founding groups in getting their organizations started and the strategic orientation of the organizations founded to explorative and exploitative behaviour. For each outcome, I develop corresponding hypotheses for an empirical test. I argue that heterogeneity in organizational outcomes and behaviour may be derived from such internal characteristics of those organizations as the composition of their entrepreneurial teams. In fact, the professional attributes of individuals shaped by their embeddedness in different institutions could explain important links between organizations and their environment. One of the means by which institutional logics influence the behaviour of organizations is by shaping distinct individual personal identities that they then carry over to organizations (Rao, Monin & Durand, 2003). Thus, the environment can influence organizations from within by forming the personal identities of the people within the organizations. Institutional logics, therefore, are not only exogenous institutional pressures impinging on organizations from the outside but also suffuse from within through founders' identities (Kraatz & Block, 2008). Organizational members enact broader institutional logics by promoting values, practices, norms and interests into which they have been socialized (Pache & Santos, 2010). How these broader institutional logics to which founding teams are embedded shape their chances of successfully establishing their new ventures, and the implications of those logics on the strategic orientation of the organizations founded are of great theoretical interest?

Using a combination of quantitative and qualitative data, I test the predictions arising from the implications of institutional logics in the contexts of family-owned firms within the manufacturing sector in Ghana. The data allow me to capture the formation stage of these firms (nascent firms) in order to predict the success rates of the founding groups in getting their organizations started. For the newly founded organization, I also investigate the impact of logics on the strategic orientation of these organizations to both explorative and exploitative behaviour. First, let us analyze the context at the centre of this study.

The Family Business Context

Family business scholars agree that family and business principles influence firm behaviour (Chrisman & Patel, 2012; Chua, Chrisman, & Sharma, 1999; Gedajlovic, Carney, Chrisman & Kellermanns, 2012). For instance, Miller, Le Breton-Miller, and Lester (2011) highlighted the implication of conflicting loyalties of family owners on family and business agenda. Similarly, McCann, Leon-Guerrero and Haley (2001) examined the relative emphasis on market versus family goals in organizational strategy. Other studies indicate how attention to the family logic can negatively impact firm profitability (Rutherford, Muse & Oswald, 2006). I define family firms as those with at least two family members active in the firm and where a family holds majority ownership (Naldi et al., 2013).

The above studies suggest that family-owned firms are constantly exposed to competing institutional logics; they are continually shaped by institutional demands from family and commercial stakeholders. A family business is, thus, a hybrid organization in which a commercial enterprise is structured to benefit and "perpetuate the influence of a restricted group of relatives" (Fairclough & Micelotta, 2013, p. 75). Family firm behaviours differ from non-family firms because they must attend to the goals, norms, and values of two constituents- the family and the firm. While family logic encompasses family norms, values,

and goals that guide behaviour, commercial logic shapes behaviour with norms, values, and goals of efficiency, profits, and market status (Thornton et al., 2012).

When multiple institutional logics coexist, as is the case in family firms, the firm faces conflicting goals and prescriptions for behaviour. Decision-making groups must not only adapt to the institutional environment but must also distinguish among the relative merits of multiple logics, each with unique consequences for firm strategy and action (Battilana & Dorado, 2010; Greenwood et al., 2011). We need to understand variation in organizational commitments to institutional logics- in particular, the determinants of such variation and the consequences of such variation on strategic choices and outcomes. To my knowledge, the implication of this has not been the subject of extensive research.

The *family* entrepreneur may embrace multiple logics due to their social context- a blend of family and market logic (Miller et al., 2011). Because *family founders* act within multiple social spheres, they may embrace multiple identities (Fiss & Zajac, 2004; Pache & Santos, 2013) as they are likely to be influenced by both the institutions of the market and the family. Their role as entrepreneurs may expose them to commercial logic and its symbolic systems and practices through interactions with stakeholders associated with the business, such as bankers, investors, employees, and clients. Those interactions are likely to affect the founder's identity. The *family founder is* also embedded in the family system because of ties to other family members in the business. The family also becomes a reference group that shapes the founder's identity. But even before the aspiring entrepreneur joins a founding group, their embeddedness in commercial and family logics through previous socialization could shape their identity in significant ways that impact their entrepreneurial action.

Thus, the entrepreneurial team may become carriers of family and commercial logics in the firm if individuals in those teams have internalized the assumptions, values, and preferences associated with those logics (Scott, 2001). Those individual predispositions of

founders, acquired by embeddedness in specific institutions, are unlikely to disappear when they join founding teams because group dynamics tend to activate and accentuate stereotypical differences between members (Almandoz 2014; Van Maanen & Barley, 1984). The salience of each logic may vary as a function of the degree of availability, accessibility and activation of the logic (Thornton et al., 2012). Availability refers to the knowledge and information individuals have about a given logic. Accessibility considers the degree to which knowledge and information about a particular logic may spring to mind. Activation accounts for whether available and accessible knowledge and information are actually used in social interaction. Those available and accessible logics are more likely to be activated as individual founders meet in entrepreneurial teams with others who are carriers of the same institutional logics. The company of others sharing the same logic is likely to provide situational cues directing attention to goals and schemas associated with that logic.

STUDY 1: INSTITUTIONAL BACKGROUND AND FOUNDING ATTEMPTS

Given the considerable hazards of the entrepreneurial process (Stinchcombe, 1965), most new ventures fail before they reach operational start-up (Aldrich & Ruef, 2006). Yet empirical research on nascent entrepreneurial activity- attempts by entrepreneurs to found new ventures is sparse (Almandoz, 2012; Kuilman & Li, 2006). Past research on entrepreneurial firm founding has primarily focused on ventures after they have reached operational start-up. As a result, our understanding of the transition from organizing attempt to subsequent entry is limited. The current study sheds light on the likelihood of an entrepreneurial team moving their nascent venture from pre-entry to becoming a fully established member of a population of operational organizations.

In chapter 2, I reviewed how the entrepreneurial teams' literature, drawing from the upper echelons perspective, has incorporated diverse characteristics of the founding groups to examine variation in firm behaviour and performance. This literature has provided important insights into how variation in the prior experience of teams, whether diverse or common and other important characteristics such as human capital and social capital of the founding teams shape new ventures (Beckman, 2006; Davidsson & Honig, 2003). But we know less about how variation arising from the institutional background of founding groups impacts entrepreneurial firms. We also know less about family firms and their association with different types of family entrepreneurial teams (Le Breton-Miller & Miller, 2009). Given that founding groups are not homogenous, differences arising from their institutional backgrounds could offer important insights into their success rates in getting their organizations started. The institutional logic that founding groups subscribed to could have significant motivational effects on and speak to their commitments to their nascent entrepreneurial efforts. Since new ventures must contend with the liability of newness (Stinchcombe, 1965), those commitments and motivational effects could make a difference in their efforts to get their new ventures started.

Family-owned firms are embedded in at least two societal logics- family and market. Founding groups that band together to establish new family firms will differ in their embeddedness to different institutional logics. Based on their prior interactions and experience, founding team members may form a strong affinity to particular institutional logics. This predisposition can influence their decision-making and entrepreneurial action. Previous research attests to the alignment of decision-making groups to different institutional logics. Almandoz (2012) finds that banking boards highly embedded in community logic were more successful in their founding efforts than those embedded in financial logic.

While this study points to an important link between logics and entrepreneurship, we need to understand how institutional logics shape the formation of new family enterprises, given the distinct logics in these two different contexts.

In this study, I examine how institutional logics impact the success rates of entrepreneurial groups attempting to establish family-owned manufacturing firms in Ghana between 2014 and 2019. The setting of family-owned firms in Ghana is potentially fruitful because commercial and family logics offer opposing prescriptions. On the one hand, the logic of commerce, associated with greater technical or professional expertise, may engender greater legitimacy in resource providers' eyes than those with more family-oriented founding teams, giving commercial logic the edge over family logic. On the other hand, family logic may be associated with richer social ties and meaningful connections with others, facilitating transactions with resource providers within their locality (Uzzi, 1996). Thus, there are reasons to suggest that embracing a family, rather than a commercial logic, may lead to quickly attracting material resources.

The alternative would be to integrate both family and commercial logics to reap the benefits of both logics. Recent research suggests that while integrating incompatible logics can facilitate the acquisition of resources needed to start entrepreneurial ventures, it can be a source of conflicts and paralysis (Almandoz, 2012; Battilana & Dorado, 2010; Thornton et al., 2012). For organizations facing competing logics of two or more institutions on which they are equally dependent, understanding the conditions that allow for or impede integration is of theoretical and empirical significance. A period of a banking crisis in Ghana would allow me to test for the implication of founding groups integrating competing logics.

In the context of this study, where weak institutional infrastructure adds additional cost and uncertainty to the entrepreneurial process, founding groups are more likely to depend even more on institutional logics to provide the cognitive models, schemata, and

guidelines for behaviour (Scott, 2003). These pre-existing cultural resources are even more valuable to founding groups attempting to establish new enterprises as such groups start without organizational memory and often without any prior interaction among their founders (Friedland & Alford, 1991; Suddaby & Greenwood, 2005; Thornton, 2004). How these distinct logics impact entrepreneurial success will depend on how each logic motivates and mobilizes the commitment of members of a founding team (Dutton et al., 1994) and how it facilitates the acquisition of necessary resources from the environment.

In the next section, I provide an overview of the firm formation process in Ghana. I develop several hypotheses about the impact of the founding group's embeddedness in commercial and family logics on organizational foundings. See figure 2 for the conceptual model.

The Process of founding New Manufacturing Firms in Ghana

The first step in starting a new business in Ghana is legally registering the business entity at the Registrar General's Department (RGD). There are various forms of business registration under the laws of Ghana, and this study will focus on companies limited by shares. Registering a limited liability company in Ghana is fairly straightforward, and it is possible to do so within one month. The initial step in the prefiling stage is the selection of directors and the management team. Every company must have at least two (2) directors, a company secretary and an auditor.[7] These directors must be competent in the law and should have consented in writing to be directors before being appointed as directors. The next stage is registering the company with the Registrar General's Department. After successful registration, the company is issued a certificate of incorporation and a certificate to

[7] Companies Act, 1963 (Act 179), section 5.

commence business. These documents provide proof of the company's legal existence and allow the registered firm to obtain permits from other relevant agencies subject to the company's activity. All companies must register with agencies such as Ghana Revenue Authority, Social Security and National Insurance Trust, and local government, which provides business operating permits before the firm can commence.

Commercial Logic and Organizational Foundings

The commercial logic is based on profit maximization as its guiding principle and its understanding of what constitutes legitimate values and interests (Thornton & Ocasio, 2008; Davis, 2009). The entrepreneurial teams are presumed to be driven primarily by narrow economic goals. Acquiring resources such as financial capital is a challenge for nascent organizations because they lack resources and proven competencies. Given the typically high risks associated with the entrepreneurship process (Stinchcombe, 1965), and without a reliable track record, the performance and quality of a new venture are hard to establish. This difficulty is compounded by a potential information asymmetry between entrepreneurs and resource holders (Amit, Brander & Zott, 1998). Therefore, resource holders are reluctant to commit their precious resources to new ventures (Zott & Huy, 2007). Because founders embedded in commercial institutions are likely to possess high degrees of business-relevant human capital than other founders, they are likely to be better adapted to their environment's business requirements, giving them greater legitimacy with resource providers. Resource providers tend to be attracted to firms that pose low investment risk and have the potential to generate strong returns (Katila, Rosenberger & Eisenhardt, 2008).

The counterargument is that the concentration of high levels of commercial embeddedness in entrepreneurial teams is likely to lessen the chances of successfully establishing a new venture. First, because commercial embeddedness is likely to be

associated with economic identities, beliefs, and priorities, and thus with a greater prominence of profit-maximizing norms and opportunism, there is likely to be a low level of cooperation and altruism among the entrepreneurial team (Ferraro et al., 2005). Low relational capital among entrepreneurial teams has been shown to impact new venture success (Blatt, 2009). Low relational capital among entrepreneurial teams due to opportunism and less cooperation may affect team motivation and commitment, leading to group exits as members pursue their self-interests. Given that those founders embedded in commercial logic are likely to view the firm through profit maximization, they are likely to defect when more lucrative opportunities become available, their interests become misaligned or when opportunities arise for members to evade costs or shirk responsibilities.

Second, there are barriers to collective action in founding teams because of the sunk cost of providing resources explicitly tailored to the new business (Yang et al., 2020). Such resources are difficult to retrieve in other businesses raising uncertainty levels (Schaefer, 2009; Williamson, 1981; 1994). Founding teams with institutional backgrounds in commercial logics are likely to withhold resources for proof of venture viability before making their own contributions given their natural disposition to guard against their self-interests. Third, because founders embedded in commercial logic are likely to give less attention to altruistic or family-oriented considerations (Khurana, 2007), they are likely to develop the emotional distance necessary to abandon a venture when interests are misaligned.

The context of this study also provides unique insights into challenges posed by high embeddedness in commercial logic. Because of the presence of "institutional voids" (Khanna & Palepu, 1997; Mair & Marti, 2009), high levels of market imperfections, and the role of the government as the major economic actor, entrepreneurial founders rely on personal and social relationships with relevant stakeholders to acquire the needed resources for their organizing activities (Acquaah, 2012). Exploiting ties with political leaders, bureaucratic officials, and

community leaders is paramount to securing access to critical resources. In the Ghanaian context, politicians have significant control and influence over the award of contracts and major projects, as well as access to financial capital for business activities. Government bureaucrats also control the regulatory and licensing procedures, such as providing certification and approval of newly manufactured products as meeting institutional requirements. High embeddedness in commercial logic with its narrower objectives and focus on short-term profit maximization may not be a winning formula for building new ventures that depend on the cooperation of various stakeholders with multiple and conflicting goals. Thus, commercial founders are less concerned with developing very long-term, and often quite personal, partnership relationships with politicians, government bureaucrats, and local officials, hampering efforts at securing needed resources to establish their new venture. Interviews with founders embedded in commercial logic suggested that they were more likely to hesitate in their commitment and abandon a founding team for self-interested reasons. One founder in an interview told me that "we couldn't agree on anything- there was constant fighting because everyone wanted to go in a different direction." Based on the above arguments, a potential entrepreneurial team's embeddedness in commercial logic is likely to negatively influence the team's ability to establish a new venture.

Hypothesis 1. *Entrepreneurial teams with a higher institutional background in commercial logic are less likely to start a new family business.*

Family Logic and Organizational Foundings

Friedland and Alford (1991, p. 248) identified the institutional logic of the family as constituting " a set of cultural rules and assumptions associated with the notions of community and unconditional loyalty to family members and their reproductive needs."

Entrepreneurial teams with an institutional background in family logic are expected to exhibit norms and values, such as loyalty, reciprocation, altruism, close personal relationships, and the cultivation of trust-based networks (Miller et al., 2011; Thornton et al., 2012). They are not likely to view a startup with an exclusively profit-maximizing lens. The likelihood of a stronger commitment to founding efforts engendered by a socially desirable community identity (Thornton & Ocasio, 2008) and a strong relational capital among founding groups (Blatt, 2009) may result in identity incentives and positive motivational effects for a founding team (Akerlof & Kranton, 2000, 2005; Anteby, 2008). These motivational dynamics are likely to be stronger the more the entrepreneurial teams are embedded in family institutions. Reciprocation and emotional closeness breed a sharing of values and a sense of responsibility to the group: thus, entrepreneurial teams embedded in family logic are also likely to help a team overcome the collective good problem, which otherwise could easily lead to member defections or withholding resources when personal and group interests become misaligned (Portes & Sensenbrenner, 1993). They are likely to show the resilience and commitment to efforts to secure the resources needed to open the new venture.

Their social embeddedness in family institutions means more complex motivations for starting a new venture. This may decrease their aspirations for very high investment returns and limit their willingness to exit the group for lucrative opportunities. The typically high uncertainty of the entrepreneurship process (Stinchcombe, 1965) means a great deal of perseverance is required. Because of their higher stakes in the family, they are more likely to have a longer-term perspective and feel less urgency to quit when things get tough. The norms and values, such as loyalty, reciprocation, altruism, close personal relationships, and the cultivation of trust-based networks engendered by embeddedness in family institutions, can help entrepreneurial teams develop stronger social ties and facilitate transactions with resource providers within their locality (Uzzi, 1996). Organizational scholars have noted that

family-influenced companies establish deep and stable relationships with their stakeholders, including their suppliers and complementors (König, Kammerlander & Enders, 2013). Because developing interconnection and personal relationships is a core element of family firms' identity (Gomez-Mejia et al., 2001), entrepreneurial teams embedded in family institutions are more likely to develop social networks or contacts with other local organizations and groups to attract material resources (Audia, Freeman & Reynolds, 2006). The stronger social ties and family norms associated with family embeddedness are likely to facilitate trust, which leads to the successful integration of the firm's multiple stakeholders. The social capital of trust and loyalty engendered by these stable relationships can reduce the risks associated with starting a new venture.

Consequently, in the Ghanaian context, founding teams highly embedded in family logic are more likely to develop extensive networking relationships with politicians and bureaucrats to access resources (Acquaah, 2012). Ties to community leaders such as chiefs can facilitate the firm's legitimacy and promote access to resources as the community leaders endorse the organization and its activities in their communities. Interview evidence suggests that family reputation is a key motivator over commercial goals. The business is not simply seen as making money but as an extension of the family. One family founder intimated this to me:

"I'm worried about my children and their future. I got involved in this business to leave something behind for them. Without this business, I cannot see myself supporting my children, and I'm motivated to succeed".

There are drawbacks to teams having a strong family orientation. In countries with weak institutions, such as the context for this study, it is common for businesses to transact with a smaller number of trusted family and friends (Fukuyama, 2002). Entrepreneurial teams having strong family orientations may have an inward-looking perspective that may prevent

them from reaching out effectively to other potential sources of capital and ideas outside their family, friends, and the local community. However, Stinchcombe (1965) has pointed out that successful new businesses often require "transactions with strangers.

There is also the potential danger that the family agenda becomes salient in the form of members' needs, emotional ties, and constraints (Miller et al., 2011), a situation in which the family needs rival economic purposes (Friedland & Alford, 1991). This concern is less likely critical in the new venture formation stage. The discussion above leads to the following proposition:

Hypothesis 2. *Entrepreneurial teams with a higher institutional background in family logic are more likely to start a new family business.*

Combining Commercial and Family Logics

Since family firms generally integrate commercial and family logics to adapt to their multiple institutional requirements (Kraatz & Block, 2008), one would argue that founding groups embedded in both logics are more likely to succeed in getting firms established. One would expect founding groups to leverage the benefits of both logics. Incorporating both institutional logics provides the organization with the opportunity to combine elements of different institutional templates to access resources and capabilities. One would expect the business organization to benefit from the family-oriented founders' commitment and motivation toward the founding process as well as the legitimacy gains from the business-relevant human capital associated with founders that embody the commercial logic. Thus, diverse founding groups are likely to draw support from a wider network of internal and external stakeholders aligned to one or both of those institutional logics (Almandoz, 2012).

Nonetheless, assimilating competing logics and identities within founding teams can source conflict, tension, and cognitive confusion (Battilana & Dorado, 2010; Zilber, 2002). This will be particularly challenging for a newly assembled team without prior engagement or interaction. Firms in their prehistory have no "ready-to-wear" template on how to handle potential conflicts among logics (Battilana & Dorado, 2010). Interviews offered evidence of factions in founding teams caused by tensions related to the opposing prescription for organizing by the two logics. While the basis of mission for those highly embedded in commercial logic focused on achieving maximum value from transactions, those embedded in family logic saw unconditional loyalty to family as the underlying principle behind business practices. Commercially-oriented founders accused family-oriented founders of neglecting profitable considerations at the expense of family considerations. Family-oriented founders also lamented the self-interestedness of those with commercial backgrounds. Predicting how integrating these two logics influences organizational foundings is not straightforward. But one would expect that during a period of economic stability, diverse teams are more likely to rally around a common purpose or at least frame their differences in more ambiguous terms to make reconciling competing logics easier (Goodrick & Salancik, 1996). Given the common desire to start a new enterprise, founding team members are likely to overcome their difference through negotiations and compromises. This should facilitate resource acquisition efforts. Outside a significant precipitating event that makes conflicts intractable, founding teams can rely on preexisting organizing models to incorporate those competing logics in stable economic environments. Therefore, I expect that diverse founding teams are more likely in stable economic periods to obtain support from internal and external constituents aligned with different logics because they can leave open differences or frame them ambiguous enough to rally around the common goal of establishing a new enterprise. The discussion above leads to the following proposition:

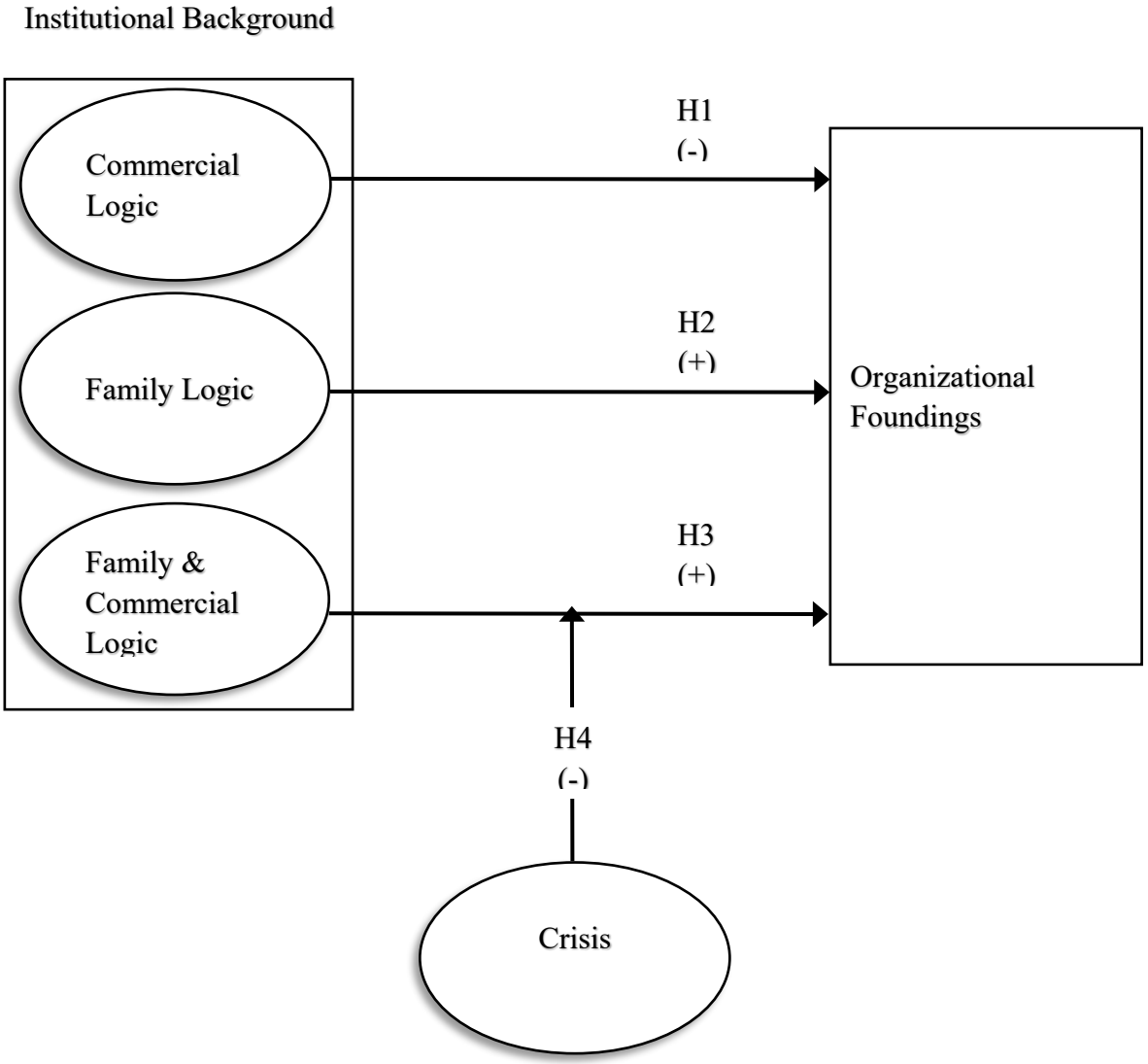
Hypothesis 3: *Entrepreneurial teams with a higher institutional background in both commercial and family logics are more likely to start a new family business.*

The Moderating Role of Environmental Uncertainty

Combining elements of different institutional logics under one founding team can have negative implications, especially in turbulent economic times. Environmental uncertainty precipitated by a financial crisis (in this study, a banking crisis) is likely to sow divisions, conflict or power games and make integrating competing logics difficult. Given that an economic crisis is likely to decrease available resources, external resource providers are likely to demand a closer alignment of the new business organization's goals and purpose with their interests and motivations (Almandoz, 2012). Greater faction among the diverse founding team engendered by resource constraints is likely to make it difficult for the team to present a clear unifying voice on the organization's purpose and goals. This is likely to lead to the diverse founding team experiencing difficulties acquiring resources. Competing internal claims on organizational purpose and identity may lead to low legitimacy due to category straddling (Battilana & Lee, 2014; Besharov & Smith, 2014), further restricting access to resources from external and internal stakeholders. The inability to share a common vision and purpose due to inner conflicts and opposing external pressures make it difficult for the team to deliver statements that fit the criteria most important to most external resource providers. This makes it challenging to obtain support from resource providers. Interviews depict a lack of common goals around whether the overall vision and purpose is "to maximize shareholder value or to serve the interests of the family." Different normative stances slowed decision-making and made the founding team less likely to take decisive action. The discussion above leads to the following proposition:

Hypothesis 4: *Entrepreneurial teams with a higher institutional background in both commercial and family logics are less likely to start a new family business in periods of environmental uncertainty.*

Figure 2. Conceptual Model- Organizational Foundings



STUDY 2: INSTITUTIONAL BACKGROUND & STRATEGY IN NEW FIRMS

"The paradox of administration involves the dual searches for certainty and flexibility." (Thompson, 1967)

To meet the complex challenges of globalization and technological change, organizations must strive for flexibility, innovation and responsiveness to change while demonstrating reliability, consistency and routinization in performance (Farjoun, 2010). Organizational theorists have long been fascinated with this trade-off between organizational change and stability (March, 1991; March & Simon, 1958; Nelson & Winter, 1982; Weick, 1979). The concept of stability and change permeates the extant literature as captured by such things as routine and search (Nelson & Winter, 1982), retention and variation (Campbell, 1969), efficiency and innovation (Abernathy, 1978), commitment and flexibility (Ghemawat, 1991; Williamson, 1985) and exploration and exploitation (March, 1991).

Arguably, the most influential model of stability and change is March's (1991) concept of exploration and exploitation. He argues that an organization's ability to survive is related to how well it adapt to its general and competitive environment. Thus, an organization must both exploit its current capabilities and explores ways to innovate new ones (March, 1991). Exploration involves activities related to experimentation, innovation, and the discovery of new knowledge, so they are likely to help firms achieve breakthroughs, create new markets and products, experiment, engage in frequent change, broad search and discovery (Gupta et al., 2006; Katila & Ahuja, 2002; March, 1991; Miner et al., 2001; Rosenkopf & Nerkar, 2001; Smith & Tushman, 2005). In contrast, exploitative behaviours involve activities focused on improving efficiency and refining existing capabilities and methods of execution, so may involve incremental innovation, local search, continuity, reliability, predictability, routinization and efficiency (Baum et al., 2000; Benner & Tushman, 2002; He & Wong, 2004; March, 1991).

In the short term, returns from exploration will tend to be negative because an organization must expend current resources to pursue a new discovery in the hopes of some future benefit (Levinthal & March, 1993; March, 1991). Immediate returns from exploitation tend to be positive because an organization will accrue present benefits from utilizing its current capabilities (Levinthal & March, 1993; March, 1991). Given that too much exploring drives out efficiencies while too much exploiting drives inertia and prevents learning, organizations must strive to balance the exploitation of current knowledge and exploration of new options to survive and prosper (March, 1991).

This is also true for small-to-medium-sized enterprises (SMEs) in developing economies as they face competitive pressures to identify, evaluate and pursue an appropriate set of opportunities (Gedajlovic, Cao & Zhang, 2012; Shane & Venkataraman, 2000). Scholars have explicitly and implicitly used March's (1991) notions of "exploration" and "exploitation" to capture a firm's strategic orientation toward the identification and evaluation of various opportunities (Shane & Venkataraman, 2000). While scholars agree that doing both is essential for organizational prosperity and survival, such an "ambidextrous" orientation poses difficulties because exploration and exploitation are "strategic contradictions" (Smith & Tushman, 2005) that compete for the firm's limited resources and place conflicting demands on organizational processes (March, 1991). While exploratory activities are variance-increasing, exploitation is rooted in variance-decreasing activities. Previous research has also shown that the mindsets, organizational processes, routines and structures needed for exploration are quite distinct from those associated with exploitation (Benner & Tushman, 2002; Gupta et al., 2006; Katila & Ahuja, 2002). Exploration and exploitation are associated with "inconsistent organizational architectures and processes" (Smith & Tushman, 2005, p. 522). Given that new firms are generally resource-constrained due to the 'liability of newness,' pursuing both might not be a viable option. Thus, managers

must make strategic choices regarding the relative emphasis they place on exploration or exploitation.

Previous research has shown that organizations differ in their strategic orientation toward exploitation and exploration. While some emphasize one over the other, others do both or neither (Gedajlovic, Cao, et al., 2012; He & Wong, 2004). Some organizations would have a predominant exploratory focus, which orients them to seek change, new directions, innovation and long-term efficiency (Farjoun, 2010; March, 1991). Exploration actively seeks change and opportunities in new technologies, products or markets (Gedajlovic, Cao, et al., 2012) . Firms that focus on exploration excel at creating new competencies and adapting to environmental changes (Gupta et al., 2006) but suffer from current viability due to a lack of benefit from experience (Farjoun, 2010).

A predominant exploitative focus is associated with local refinements and extensions of current competencies (Farjoun, 2010). Firms strategically oriented toward exploitation excel at reconfiguring existing knowledge to produce products that have commercial value in existing markets (Rothaermel and Deeds, 2004). Exploitation enhances current viability, efficiency and productivity but at the expense of long-term organizational survival.

Other firms attempt to emphasize both exploration and exploitation. Scholars generally agree that balancing exploitation and exploration ensures organizational prosperity and survival (March, 1991). As already mentioned, achieving this ambidexterity is difficult because exploration and exploitation place conflicting demands on the organization. Dual orientation helps the firm balance its short- and long-term needs through efficiency and incremental innovation on the one hand and radical innovation and organizational renewal on the other (Cao et al., 2009).

The last category of firms develops no strategic orientation to either exploration or exploitation. Such firms are said to “muddle through” (Braybrooke & Lindblom, 1970) or be

"adhocracies" (Mintzberg & McHugh, 1985) characterized by the absence of planning and limited structure and procedures.

This thesis contends that the institutional backgrounds of the entrepreneurial groups will influence their strategic choices regarding the relative emphasis they place on these strategic contradictions. A key assumption is that new ventures will struggle to do both because of the "liability of newness" (Stinchcombe, 1965), which means they are generally resource constraints. Thus, the entrepreneurial team faces the strategic decision of deciding whether to exploit or explore. The key question to pose is what factors influence the strategic choices firms make.

New Venture's Strategic Dilemma

New firms are generally organizations that venture into unfamiliar and uncertain environments (Packard, Clark, & Klein 2017; Gans, Stern, & Wu, 2019). Thus, they must navigate an inherently uncertain environment in search of higher life chances (McMullen & Shepherd, 2006; Packard et al., 2017). This constant need to adjust to the ever-changing environment might occasion the need for the founder to value experimentation, change, flexibility and adaptations to navigate this challenging environment (Koberg, 1987; McGrath, 1999; Camuffo et al., 2019). Therefore, new organizations may be better off taking advantage of flexibility, experimentation, broad search, and discovery than committing to routinization, efficiency and local refinements too early (Kerr, 2014; McGrath, 1999; Ries, 2011).

New organizations also face the opposite challenge of stabilizing their organizational features (exploitation) to increase accountability and reliability, which is also crucial to their chances of survival. Thus, new ventures may benefit by minimizing disruptions in their routines and strategies that exploration might occasion, as new organizations' "liability of newness" (Stinchcombe, 1965) partly comes from changes in routines (exploration) that

make it difficult for the new firm to reproduce its products and services at a constant level. For instance, Baron, Hannan, and Burton (2001) show that changes in founders' "blueprints" for startups lead to higher employee turnover, which manifests in lower organizational performance.

This juxtaposition presents a strategic dilemma for new organizations that have to choose *either* the course of stability or change because the dual search for stability and change constitutes a central paradox of administration (Thompson, 1967: 150). The founding team may represent a solution because "It is the senior team that mediates between external forces for innovation and change and internal inertial forces" (Smith & Tushman, 2005). How do founding teams decide which strategic choice to take? I argue that founding team choices may be driven by their institutional backgrounds and their associated logics. The assumptions, values and preferences associated with those logics could predispose the founding team to strategically orient the firm to exploration or exploitation. Sharing in the company of others who embody similar logics could translate those predispositions into "group norms that become the immediate context for future thought and action" (Almandoz, 2014: 444).

In this study, I examine entrepreneurial teams of family-owned manufacturing firms. I argue that their institutional backgrounds may significantly predispose firms to engage in explorative or exploitative behaviours. Family businesses must integrate both family and commercial logics to compete. Such a setting is particularly fascinating because commercial and family logics might offer opposing prescriptions and proscriptions for dealing with decisions regarding exploration and exploitation. This study departs from previous research that treats family firms as singular entities with a common set of characteristics. Within some family firms, the entrepreneurial team could be embedded in family or/and commercial logics in varying degrees. Thus, the entrepreneurial team could be strongly or weakly embedded in

those logics, independently of one another. They could be strongly embedded in both or neither, and such independence between the logics necessitates distinct hypotheses for each logic. See figure 3 for the conceptual model.

Family Logic and Exploration

Scholars suggest that the family is a fundamental institutional order of society (Friedland & Alford, 1991; Thornton et al., 2012). A family logic is based on the significance of loyalty, altruism, and affective and enduring ties among family members. It has been characterized as one of "nurturing, generativity, and loyalty to the family" (Miller et al., 2011: 4). A high level of family logic within a family firm focuses the managers' attention on organizing the firm primarily to benefit family members. Thus, the new venture team members' priorities are expected to be shaped by their enduring and often intimate associations with other influential family members in the business. Entrepreneurial teams embedded in family institutions are not likely to view the new venture with an exclusively profit-maximizing lens. They may have more complex motivations for starting the venture, such as preserving and enhancing socioemotional wealth (Gómez-Mejía et al., 2007) and making substantial social contributions (Miller & Le Breton-Miller, 2005). This decreases their motivations to behave in narrow self-interest. Previous research has noted several characteristics that comprise the family logic. Miller & Le Breton-Miller's (2005) Four Cs framework captures the manifestation of family logic within a business. This framework captures four key characteristics of family-influenced companies: continuity, command, community, and connections.

Continuity strives for the longevity of the family business. This manifests in the desire of family founders to transfer their businesses to the next generation (Miller et al., 2010) and to keep the wealth in the family (Gómez-Mejía et al., 2007). *Command* captures the desire of

family-influenced businesses to manage resource dependencies by attaining control and independence from external stakeholders, especially public shareholders (Miller & Le Breton-Miller, 2005). *Community* denotes the number and intensity of social relations within and outside the organization's boundaries. It also captures the general observation that highly family-influenced firms tend to care more about the welfare of their organizational participants (Miller & Le Breton-Miller, 2005). *Connections* denote the tendency of highly family-influenced firms to establish deep and stable relationships with their stakeholders (Miller & Le Breton-Miller, 2005).

I argue that these four attributes are indicators of the level of family logic within an organization. A marginal increase in the level of family logic within a firm should result in a marginal increase in these four attributes. Thus, a firm with a stronger internal representation of family logic should exhibit a greater degree of the continuity, command, community and connections facets (König et al., 2013).

I have already established that entrepreneurial teams highly embedded in the family logic tend to strive for family continuity as a way to transfer the business on to the succeeding generations (Miller et al., 2010) and build a family legacy (Wald, 1987, 2004) and to keep wealth in the family (Gómez-Mejía et al., 2007). Such non-economic preferences shaped by the family logic give firms a long-term orientation. Thus, entrepreneurial teams infused with family logic tend to view the business from a long-term perspective, fostering greater interest in long-run performance (Walsh & Seward, 1990; Zellweger, 2007) and limiting their aspirations for high investment returns in the short term. They are more willing to see the business grow at a slower pace. As such, their decisions and actions are often geared toward sustaining the viability and effectiveness of the company over the long run. I argue that higher embeddedness in the family logic will affect the cognitive and motivational frameworks of the entrepreneurial team such that they will pursue the interests of the business

in a farsighted and inclusive way (Le Breton–Miller & Miller, 2006). This long-term view means the entrepreneurial group is likely to be committed to the new venture and invest in the capabilities needed to achieve the business's mission, which is closely tied to its economic and social reputation. Extant research within the family business literature generally supports the assertion that family firms are more long-term oriented than non-family firms (Gomez-Mejia et al., 2007; Kellermanns et al., 2008). For example, Prozac (2007) attributed the difference between family and non-family firms to family firms' desire to maintain the continuity of the business across generations. This study contends that this longer-term perspective and less urgency to grow rapidly will facilitate the pursuit of exploration.

Exploration involves "search, variation, risk-taking, experimentation, play, flexibility, discovery, and innovation" (March, 1991: 71). Experimentation comes with high costs in that an organization must expend both personnel and financial resources on the acquisition of new knowledge and capabilities outside of its current scope (March, 1991). While such efforts are costly in terms of the lost opportunity to use the same resources for exploitation, the potential returns on these efforts are uncertain. Some research shows that the immediate returns from exploration tend to be negative because an organization must expend current resources pursuing new discoveries in hopes of future benefits. For example, Uotila et al. (2009) found that an exploration focus among manufacturing firms is associated with diminishing firm market value. All these points to the fact that a long-time perspective may be necessary to induce the tolerance needed to engage in experimentation. Extant research suggests a connection between long-term perspective and exploration. Lumpkin et al. (2010) argue that a long-time view, a feature of family firms, facilitates innovation and exploration. König et al. (2013) argue that a preference for long-term performance frees firms from focusing on "local refinements" (Farjoun, 2010) to engage in the exploration of new directions. An

entrepreneurial team embedded in the family logic is likelier to exhibit a stronger long-term orientation. This should translate into higher levels of explorative behaviour.

The continuity facet, which manifests itself in a preference for long-term performance, should create leeway for the entrepreneurial team to explore new opportunities irrespective of their variability and risk (König et al., 2013). Lumpkin et al. (2010: 250) associated long-term orientation in family businesses with autonomy, which they define as "the independence that is needed to explore opportunities, bring forth business concepts and carry them through to completion." Hall et al. (2010) found that family-influenced businesses encourage employees to express their ideas and criticism. Previous research supports the view that autonomy promotes innovation, creativity and the launch of new entrepreneurial ventures (Brock, 2003; Gebert et al., 2003; Kanter, 1983). Thus, entrepreneurial teams highly embedded in the family logic will exhibit greater autonomy in their work routines and practices, which can be an important source of creativity and entrepreneurial development (Gerbert et al., 2003).

The command facet associated with embeddedness in the family logic means entrepreneurial groups will seek to reduce their dependence on external providers of resources (König et al., 2013; Pfeffer & Salancik, 1978) to maintain control and independence (Gómez-Mejía et al., 2007). Research has shown that family firms are particularly reluctant to take on debt and public equity, as these strategies may compromise family control and welfare (Arregle et al., 2007; Gomez-Mejia et al., 2001). This desire to maintain command and control over the business may free them to engage in exploration because they are less likely to be encumbered by the desire to achieve quick and predictable returns and growth, criteria most important to resource providers (Katila et al., 2008; Konig et al., 2013). The "innovator's dilemma" (Christensen, 1997) describes the situation where organizations constrained by their dependence on external resource providers are incentivized

to pursue incremental innovations instead of discontinuous innovation despite the threat to their long-term survival. Resource providers tend to be attracted to firms that pose low investment risk and have the potential to generate quick, predictable and strong returns (Benner, 2007; Katila et al., 2008).

Therefore, entrepreneurial teams highly embedded in the family logic will exhibit greater command tendencies by reducing resource dependencies and enhancing exploratory behaviour.

Entrepreneurial teams with a higher proportion of members embedded in the family logic are likely to maintain stronger emotional ties to other actors in the environment surrounding their organizations (Miller & Le Breton-Miller, 2005). This sense of community and connection means relationships within and outside the organization's boundaries are trust-based rather than contract-based. Konig et al. (2013) associate this sense of community and connections with a reduction in the level of formalization within the firm. Given that formalization is associated with "structural inertia" (Hannan & Freeman, 1984) and narrowing of an organization's "search radius" or "radar screen" (Hannan & Freeman, 1984; Nelson & Winter, 1982), a reduction in the level of formalization in the firm should facilitate exploration. Thus, a stronger family identity within the firm will loosen formalization and enhance explorative behaviour.

Embracing innovation and exploration might occasion significant internal and external changes and disturb political equilibria in organizations (Hannan & Freeman, 1977). Organizational participants affected by power redistributions are likely to break the "truce" among the various coalitions within the organization (Cyert & March, 1963) by engaging in political resistance, which has been shown to delay decision-making and hinder momentum behind technological transformation (Kotter, 2007). Venkataraman (2002) notes that the entrepreneurial discovery and exploitation process tends to require the cooperation of

multiple stakeholders with different goals. I contend that a stronger internal representation of the family logic within the entrepreneurial team is likely to facilitate the integration of multiple goals because of bounded solidarity (Portes & Sensenbrenner, 1983) and enforceable trust engendered by a sense of responsibility for the community. This cultural integrating force is likely to be stronger within an entrepreneurial team highly embedded in the family logic. Strategic decisions that are made toward the businesses' long-term performance, such as engaging in explorative activities, are more likely to benefit from community support (Konig et al., 2013). Thus, a higher level of family logic within the entrepreneurial team will enhance cooperation among the various stakeholders and result in explorative behaviour.

Based on these arguments, a stronger internal representation of family logic in a new venture will orient the firm to engage in explorative behaviour. Thus,

Hypothesis 1: *Entrepreneurial teams with a higher institutional background in family logic will found organizations that are likely to engage in explorative behaviours.*

Commercial Logics and Exploitation

The commercial (market) institution has a central logic based on profit maximization that guides its organizing principles (Thornton & Ocasio, 2008; Davis, 2009). The assumptions about appropriate or legitimate behaviours of individuals and organizations are based on the financial calculus and less on non-economic values and preferences (Davis, 2009). It legitimates the pursuit of profit, market dominance, rationalization, efficiency, competition, and opportunism (Reay et al., 2015). Founding team members with commercial or business experience are likely to assimilate a commercial logic that imbues in them cognitive and motivational factors associated with a financial calculus that could lead them to be predisposed to seeking efficiency and productivity gains through execution and variance

reduction (Lavie et al., 2010). When the founding team is highly embedded in the commercial logic, there are likely to be loosely coupled to family considerations and view the purpose of the new venture through the lens of profit maximization and focus more on market performance than other founders (Davis, 2009).

While exploration facilitates learning and adaptation, the cost of experimenting beyond the organization's current capabilities comes at the expense of poor performance in the short-term (Levinthal & March, 1993; March, 1991). To the extent that founders are motivated by the desire to obtain a higher investment return and maximize market values as defined in financial terms, they are also likely to exhibit a greater propensity to engage in exploitative behaviours to generate such a return.

Greater prominence of profit-maximizing norms and opportunism associated with commercial identities is likely to cause the founding group the view the business from a short-term perspective. Given the short-term orientation of founders with commercial identities, they are more likely to gravitate toward exploitative activities, which tend to have quicker and more predictable outcomes. Founders infused with commercial logic will emphasize growing the business more rapidly and be more willing to engage in exploitative activities to achieve that growth.

Founding teams imbued with commercial logic are likely to favour risk-taking because they are accustomed to putting capital at risk (Lounsbury, 2007). Risk-taking will be seen as a legitimate and appropriate behaviour among founding groups highly embedded in commercial logic (Almandoz, 2014; Sanders & Hambrick, 2007). This will increase their dependence on external providers of resources (Pfeffer & Salancik, 1978). Given that resource providers tend to be attracted to firms that pose low investment risk and have the potential to generate quick, predictable and robust returns (Benner, 2007; Katila et al., 2008), the founding team faces the "innovator's dilemma" (Christensen, 1997). This will reinforce

the desire to allocate funds to exploit historical benefits generated by emphasizing existing competitive advantages. Thus, founding teams with commercial identities are more likely to attend to opportunities that refine and improve existing capabilities with current products and markets- opportunities described as exploitative (March, 1991).

They are likely to possess higher levels of business-relevant human capital specific to broader market issues. Sharing such knowledge is expected to encourage exploitation. Founding teams with commercial identities may have a greater capacity for their new roles and be better adapted to their environment's business requirements (Becker, 1962), as they can serve meaningfully in management, administration, finance, accounting, marketing etc. Possession of business-relevant human capital also bestows on the founding teams higher levels of legitimacy (Meyer & Rowan, 1977) with resource stakeholders. The legitimacy gains are likely to facilitate the resource acquisition needed to pursue exploitative activities as resource providers tend to be attracted to firms that pose low investment risk and have the potential to generate quick, predictable and strong returns (Benner, 2007; Katila et al., 2008).

Founding teams embedded in commercial logic are less likely to give attention to family-oriented considerations (Khurana, 2007). They are less likely to feel emotionally tied to existing resources and social relations within their firms and the broader ecosystem surrounding their business enterprises (Burgelman & Grove, 1996). Such emotional distance allows them to focus less on personal and community relations. Founding teams embedded in commercial logic are less concerned with developing very long-term and often quite personal relationships within their organizations and with other actors in the environment. This means that they are more likely to institute contract-based connections within the organization and the external environment. This should increase formalization in the firm, facilitating exploitation through incremental improvements in processes and products.

Based on these arguments, a stronger internal representation of commercial logic in a new venture will orient the firm to engage in exploitative behaviour. Thus,

Hypothesis 2: *Entrepreneurial teams with a higher institutional background in commercial logic will found organizations that are more likely to engage in exploitative behaviour.*

Team Size as a Moderator

Because entrepreneurial teams effectively function as groups, decisions made in groups are more likely to accentuate the assumption, values and norms of larger subgroups with unified perspectives. Given that individuals tend to conform to group influences, entrepreneurial teams will tend to give more significance to assumptions, norms, and beliefs shared by more people (Janis, 1972; Lamm & Myers, 1978). As such, I expect disproportional weight to be given to assumptions, values, and norms that more people share as the heuristics that accentuate those shared perspectives are likely to be more present in a larger group (e.g., Almandoz, 2014). Similarly, I expect disproportional discounting of the token perspectives shared by fewer people. While in limited cases, the minority perspectives hold (Hackman, 1992), perspectives shared by fewer people are almost always ignored (Kanter, 1977). And this is in part because individuals tend to adjust their predisposition to what they perceive as the group attitude (Brown, 1965). In groups, individuals tend to feel less personally responsible for the group outcome. Less accountability in group decision-making makes it attractive and safer for individuals to yield easily to perceive consensus since the decision is not theirs alone (Wallach & Kogan, 1965).

As discussed above, there are reasons to suspect that larger entrepreneurial groups may accentuate more than smaller groups the assumptions, values and norms around

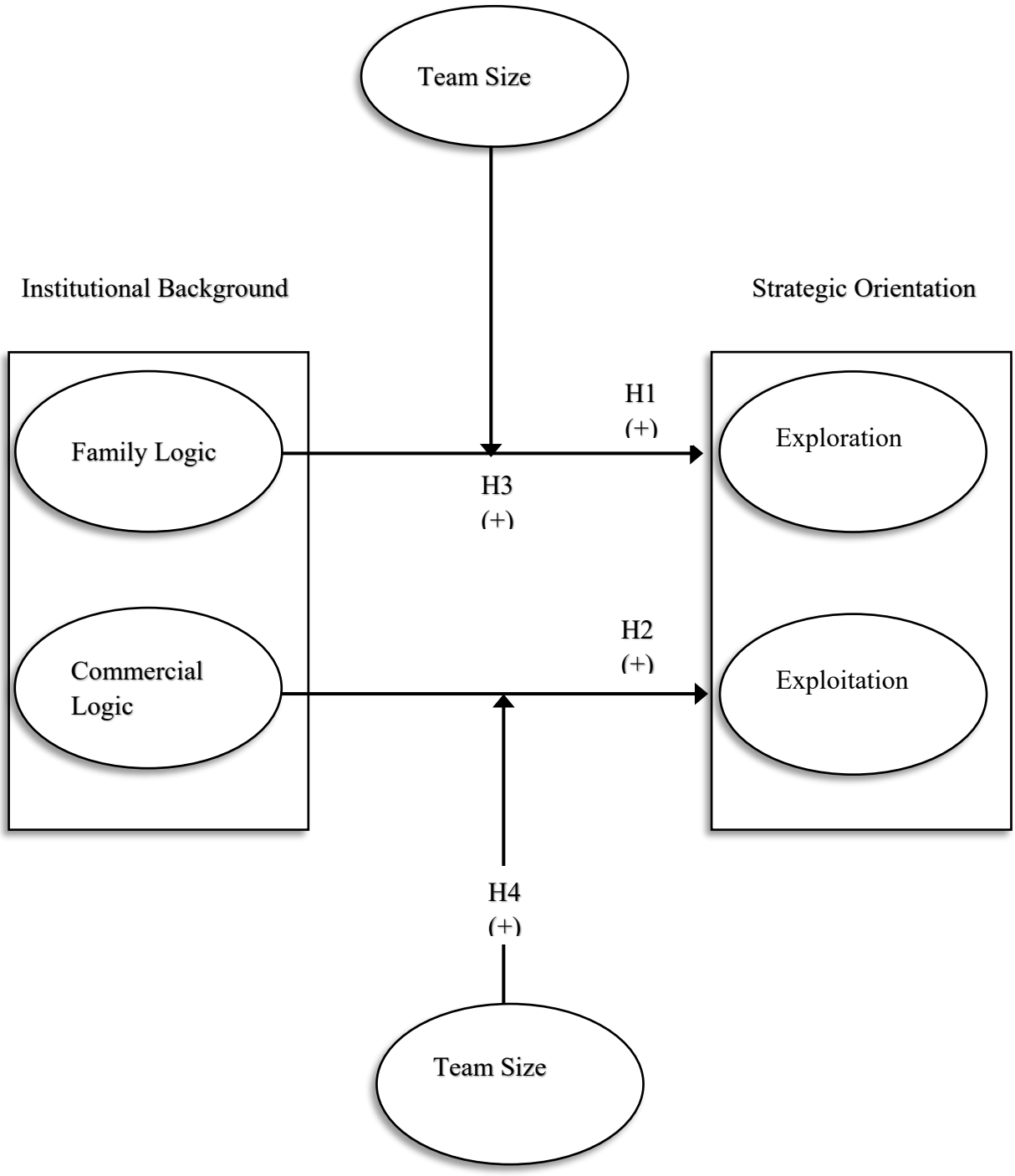
exploration and exploitation shared by more members and discount to a greater degree the perspectives shared by fewer people. While the influence of entrepreneurial team size on firm explorative and exploitative behaviour has not been studied, there are extant studies in the literature that offer inconsistent findings. Almandoz's (2014) study showed that risky perspectives, assumptions, values and norms emerged more fully in larger boards of directors. Another study also suggests that larger boards lead to less variable corporate performance, which is consistent with those larger boards reaching more internal compromises (Cheng, 2008). Other research suggests that larger boards have problems with coordination, communication, and decision-making and are more likely to be subject to CEO control (Jensen, 1993; Lipton & Lorsch, 1992; Yermack, 1996).

While these inconsistent findings are hard to synthesize, I suspect there is a far more practical reason to suggest institutional influences on exploration and exploitation to be carried more in larger groups. Reaching a conclusion in a decision-making process should be harder in larger groups (Hackman, 1992). As a result, entrepreneurial team members are likely to rely on imperfect heuristics rather than individuating information to assess the normative group attitude. This is particularly so in the founding team of a new venture where knowledge of all their colleagues is generally likely to be less personal. I expect the influence of founders' institutional logic on strategic orientation would accentuate more in larger founding groups than in smaller founding teams. Thus,

Hypothesis 3: *The positive effect of an entrepreneurial team's institutional background in family logic on exploration is likely to be stronger in larger entrepreneurial teams.*

Hypothesis 4: *The positive effect of an entrepreneurial team's institutional background in commercial logic on exploitation is likely to be stronger in larger entrepreneurial teams.*

Figure 3. Conceptual model- Strategic Orientation



CHAPTER 5: DATA AND METHOD

The previous chapters present *what* this research is about and *why* it is important. This chapter outlines *where* and *how* it was conducted. I employ a mixed method to examine the influence of institutional logic on entrepreneurial teams of new business organizations.

RESEARCH DESIGN

The main goal of this research is to understand how founders' institutional logic affects future outcomes, which necessitates information about the organization's earliest days.

To test the hypotheses, data were collected on founding groups attempting to establish new family-owned manufacturing firms in Ghana between January 2015 and December 2019. I concentrated on family business for two reasons. First, the family logic should be accessible to the family founder. Second, 92 percent of Small and Medium Enterprises (SMEs) in Ghana are estimated to be family businesses (Aryeetey, 2001; Abor and Quartey, 2010), making it practically infeasible to ignore this form of business organization. In the manufacturing sector, the focus of this dissertation, family businesses, constitute about 75 percent of manufacturing Gross Domestic Product according to estimates in 2010 (Abor & Quartey, 2010). This underscores the importance of this sector to the development of family businesses in Ghana. Outside this influence, concentrating on one industry (manufacturing) holds environmental conditions constant.

I limited the study to firms no more than five years of age when I solicited their participation in the study because I assumed that individuals could only reasonably recall relatively recent information. Recruitment was done through a bank in Ghana that provides business loans to entrepreneurs. The majority of these businesses were small and medium enterprises (SMEs). Through contact at the bank's credit office, founding groups seeking

loans from the bank were contacted to solicit their voluntary participation in the study. This recruitment medium was vital in accessing founding groups that succeeded, were still in formation, and failed in the founding attempts. This is an important departure from extant entrepreneurial studies, which tend to exclude unsuccessful founding attempts (Aldrich, 1999) or focus on ventures after they have reached the operational stage (Carrol & Khessina, 2005). This study captures founding groups in their prehistory attempting to secure the necessary approvals and resources to found new organizations. Some of these groups did not succeed in their efforts.

I gathered data on three hundred founding groups (300) from (1) Informants' Documents: Loan application forms and business plans to financial institutions, business registration documents to authorities (Form 3 and Form 4), and information from company websites.[8] These documents provided information on (i) the profile of the founding teams, allowing me to measure study variables, (ii) contacts of prospective founder-CEOs and other founding team members, facilitating the recruitment of interview participants from among CEOs and other founders, (iii) mission, goals, and core competencies for prospective family-owned firms and the strengths of the founding team, allowing me to do content analysis to draw out some key strategic behaviours and intentions, and (iv) ownership structure, helping to validate whether a firm is a family-owned or not.

(2) **Qualitative Support**: While this study is structured primarily around quantitative evidence, I relied heavily on qualitative evidence to guide the hypothesis generation, the

[8] Business registration forms (Forms 3 and 4) provide information on founding teams, including relevant backgrounds, board structure, shareholders etc. Th business plans provided indication of the founding groups' proposed strategic orientation and also demographic information on the founding groups. Information on websites supplemented the data from other sources.

controls used in the various analytical methods, and the interpretation of the results. My goal was to understand how founders' institutional backgrounds influence their ability to start a new organization and the strategic orientation of the organization founded. This required that I conduct a semi-structured interview of some members of the founding groups, including groups that were successful, unsuccessful and those still in formation. This includes groups that are still in formation (5 interviews), as well as successful (25 interviews) and unsuccessful founding groups (10 interviews). By exploring founding groups at different stages and analyzing the genesis and challenges of founding groups, I gathered a whole perspective from multiple angles of the founding process. The data collected provided more information about the organizing activities of the founding groups. Founders were asked to recount the founding process: how the team came together, the motivations behind the founding groups organizing activities, the planned core competencies of the firm, and sources of initial capital. I also explored the influence of institutional logic in the founding process. Founder interviews typically lasted 60 minutes. The interview data provided more understanding of the founding process, guided the hypotheses generated, and the controls used for the study. It was also instrumental in interpreting the results of the quantitative analysis. Almost all interviews were audiotaped and transcribed.

(3) **Survey data**: I sent questionnaires to founder-CEOs to elicit firm biographical information such as firm size, age and first product shipment date. These data were particularly relevant in measuring some of the study 2 variables.

Validation of Commercial and Family Logics

According to Thornton and colleagues (2012), all logics can be operationalized, coded, and compared along their constitutive elements, such as root metaphor, sources of

legitimacy, authority, or identity, and their bases of attention, norms, or strategy. Based on the ideal types of commercial and family logics developed by Thornton and colleagues (2012), the "basis of strategy" under commercial logic is profit maximization, while share price considerations and shareholder activism provide both sources of legitimacy and authority, respectively. Serving *other interests* is only considered to the extent that it is backed by a financial calculus. Thus, self-interested and individual ethos provides the basis of norms for individual behaviour (Thornton et al., 2012). Under family logic, enhancing family honour is the basis of strategy or appropriate goal. Individuals derive their identity from their family's reputation in the community and strive for legitimacy by demonstrating unconditional loyalty (Thornton et al., 2012). Accordingly, privileging *other interests* provides the basis of norms for individual behaviour (Glaser, Fast, Harmon & Green, 2016).

The interviews and documentary data were important in validating both the commercial and family logics. I used a method developed by Thornton and colleagues (2005; 2012) to probe my hunch that founding teams enact commercial and family logics. I analyzed statements made by CEOs and other founders in the interviews. I also studied text from all documents collected. This allowed me to determine specific expressions of the commercial and family logic in the empirical data. I cross-coded the aforementioned elemental building blocks of institutional logics (i.e., ideal types for both commercial and family logics) with the specific instantiations of commercial and family logics from my empirical data. The validation of commercial and family logics is supported by the extent to which firm behaviour fits with each logic's ideal types (Thornton et al., 2012). Considering the seven societal-level logics (i.e., corporate, market, profession, family, state, religion, and community), I noted the alignment of the founding groups with the market (commercial logics in this study) and family logics. While most of the founding groups in the study seemed to be influenced by both logics (commerce and family), albeit to different degrees,

founding teams that were influenced mainly by one or the other also existed and could be considered ideal types (Weber, 1978).

Table 3 shows our analytical framework indicating both ideal types in interview quotes. Commercial and family logics are the two key axes defining the identity of

founding teams could be strongly or weakly embedded in those logics, independently of one another.

Table 3. Influence of Institutional Logics on New Family Firms

Characteristics	Commercial logic	Family logic
Founding team identity	Group of shareholders: *"Decision-making is sometimes convoluted because everyone is concerned about protecting their shares."*	Shared identity as family nurturers: *"This is a collective enterprise- it's a family working together and not a one man show."*
Orientation to the family	Strategic or instrumental	Commitment to the family
Basis of mission	Profit maximization "*We feel good about our business model. This is a chance to live the life this wretched country has denied us"*	Service to the family *"I will see this project through- no matter the challenges. It's a life mission for my children to inherit me"*
Sources of legitimacy	Growth, wealth accumulation	Fulfilment of family needs
Basis of norms	Self-interest	Family membership
Basis of attention	Short-term performance and growth	Long-term performance

STUDY1: ORGANIZATIONAL FOUNDINGS

Dependent Variables:

Time elapsed. The main dependent variables were the *time elapsed (in days)* from applying for company registration to the opening date of the manufacturing firm for groups that succeeded in the opening and, for groups that failed, to the date of their exit from the founding process. Those variables are proxies for the teams' ease or difficulty in establishing a new venture and indicate their likelihood of success in starting a new venture. For those who succeeded in opening a new manufacturing firm, a longer elapsed time (time to establishment) is a proxy for a lower likelihood of success. For entrepreneurial groups that withdrew, longer elapsed time (resilience) reflects a resilience to cling to hope in the face of difficulties.

Firm establishment.[9] A second dependent variable was *firm establishment,* a dummy variable with a value of 1 if a founding team succeeded in opening a new venture and 0 if a founding team failed to open a new venture (i.e., quit). Using this variable supported the findings in this study. Founding groups with a higher proportion of family members succeeded more often in establishing manufacturing firms than those with a higher proportion of commercial experience.

Independent Variables.

The key independent variables involved the composition of the entrepreneurial team, which I define as those people involved in starting the new organization[10]. The team includes the CEO, and the management team members, such as the CFO or the COO. Measures of an

[9] The variable is added as a robustness check of the results.

[10] I define the entrepreneurial team as the core of the individuals committed to starting the new organization. It includes the CEO and members of the management team. These people are critical to the success of the founding process and responsible for the initial strategic direction of the firm.

entrepreneurial team's institutional background in commercial logic were captured through two different measures.[11] *Business experience* (estimated as the percentage of entrepreneurial team members with professional backgrounds in business, economics and management) and *Academic backgrounds* (the percentage of entrepreneurial team members with an undergraduate or graduate degree in business, management or economics).

A background in business (i.e., academic or work experience) is assumed to influence the cognitive structures of individuals so that they give greater primacy to profit, financial or efficiency-related considerations than do other founders. Entrepreneurial teams with a higher proportion of members with a business background are more likely to prioritize financial assumptions and norms and protect shareholders' financial interests than teams with lower proportions. The group-level measures were obtained by combining individual measures.[12] I assume that entrepreneurial groups with a higher proportion of commercial directors are more likely to prioritize financial assumptions, priorities, and norms than teams with lower proportions of such directors.

The measure of an entrepreneurial team's *family embeddedness* is the proportion of family members involved in the entrepreneurial team. Entrepreneurial groups with a higher proportion of family members are more likely to prioritize family considerations than teams with lower proportions of such members.

[11] Therefore, Hypothesis 1 is broken down into two separate subheadings as commercial logics are captured by professional and academic backgrounds. I successfully assessed the robustness of the commercial embeddedness variable by using "combined commercial," which integrated the two measures of commercial embeddedness into one.

[12] The noise caused by variations in the transmission of institutional logics at the individual level is reduced by employing group-level metrics. (Almandoz, 2012)

Control Variables.

I controlled for the following variables: ***Startup experience***- the percentage of entrepreneurial team members with startup experience, as prior start-up experience is likely to impact founding success. ***Corporate board experience*** – the percentage of founding team members with experience on corporate boards. Corporate board experience was introduced as a control rather than as an independent variable as such experience will reflect affiliation to the corporate logic over the market logic, which is the interest in this study.

30% owner: coded 1 if an entrepreneurial group included a member who owned 30 percent or more of the firm's shares. This is likely to bring unity to the organization's efforts. ***Team size***- the number of people in an entrepreneurial team. ***Target Capital***- minimum amount of capital required to open the business according to the business plan and loan application forms. ***Time elapsed*** (defined as months from August 2017 to the business registration date) because firms filing later are less likely to succeed.

Industry. I controlled for divisions within the manufacturing industry as some may be more likely to adopt a particular strategy or develop a product quickly. When a firm's business was in a particular division of the manufacturing industry, the division dummy was coded as 1, otherwise 0. Using the International Standard Industrial Classification (ISIC, Rev.4), the classification scheme adopted in Ghana, I controlled for the following two-digit divisions within the manufacturing sector: (1) food, beverage and tobacco products (2) textile, apparel, leather and footwear (3) wood, paper and furniture (4) chemical, plastics and rubber (5) metal product; and (6) non-metallic mineral product.

Further to account for differences in business environments of firms, I dummy coded **geographic location** of the firms as "Greater Accra", "Ashanti," and "other regions." The other regions are made up of the 14 remaining regions of Ghana.This is to account for the

uneven economic development across regions in Ghana. Table 4 summarizes the measures and rationales for each of the control variables.

Table 4. Control Variables

Control	Measure	Rationale
Manufacturing experience	Percentage of founders with some experience in the manufacturing sector	Specific and relevant knowledge that can facilitate success in starting a business.
Startup experience	Percentage of founders with prior startup experience	Associated with specific and relevant human capital/knowledge that can be beneficial in starting a business
Team size	Number of members in the entrepreneurial team	Likely to impact the size of the social network available to the firm, enhancing the chances of success. Also, more people to do the task of starting a new firm.
30% owner	1 if the firm included a member who owned or was expected to own 30% or more of the firm's capital	Likely to bring unity to the organization's efforts.
Corporate board experience	The proportion of founders with corporate board experience	Such experience is likely to facilitate success
Industry	Indicator variables for 6 industries	To account for industry effects. Some industries may be more likely to start faster.
Regions	Indicator variables for 3 different regions	Firms in Greater Accra and Ashanti are likely to succeed compared to those in other regions due to uneven economic development across regions in Ghana
Joint chair-CEO	Coded 1 for a joint chair-CEO	Likely to bring unity to the founding efforts
Target capital	Minimum amount of capital required to open the new firm according to the business plan and loan application forms	It is harder to raise higher amounts of capital
Crisis	Dummy variable coded 1 for firms that had not been established or withdrawn by August 2017	Less likely to succeed after August 2017
Time elapsed	Months from an arbitrary date in past, January 1, 2012, to filling date	Less likely to succeed over time

Ghana Banking Crisis

A severe banking crisis took hold in Ghana between August 2017 and January 2020. Most indigenous banks reeling from the economic fallout of the 2008 Great Recession were at risk of defaulting on their loans. The Bank of Ghana (BoG) intervened and allowed several

local banks to be taken over by private companies. The BoG initially revoked the operating licenses of two local banks in August 2017. A year later, five other banks collapsed, making the crisis the most severe economic crisis to affect the country since it became an independent nation in 1957. The BoG, in August 2008, announced the creation of Consolidated Bank to take over 5 struggling local banks. I captured this economic turbulence, *crisis* using a dummy variable with a value of 1 for manufacturing firms not established or withdrawn by August 2017 since those still in the process of being established were much less likely to get established.

Analytic Models

I tested the hypotheses primarily by specifying two models. First, I treated elapsed time as continuous survival-time data and used a competing-risks survival regression model in order to estimate the sub-hazards of establishing the bank and withdrawing the application. This methodology allows the estimation of separate antecedents for establishment success and withdrawal in models based on time duration—the clock starting with the filing of the bank application. The results of those two separate regressions are not necessarily symmetrical since they are based on different sets of founding groups (successful and unsuccessful groups) and could show that different variables matter more for one or the other outcome.

Using elapsed time, a measure of duration, as an indication of the likelihood of success in establishing the bank does not mean that groups that open sooner are comparatively more successful than those that open later or that groups that withdraw later from the process are comparatively less of a failure than those that withdraw sooner. Elapsed time is simply a proxy for how likely each event is. Such likelihood is the outcome of interest in this study. Since those two competing risks are mutually exclusive events for each

founding team, the competing-risks model is more appropriate than the Cox model, which treats alternative hazards as censored data. Unlike censoring, which merely obstructs one from viewing the event, a competing event prevents the event of interest—establishment or withdrawal—from occurring altogether, so the analysis should adjust accordingly. The estimation used the stcrreg function in STATA 17. This function uses maximum likelihood estimation to fit competing-risks regression models according to the method of Fine and Gray (1999). Like the Cox model, the competing risk model is semi-parametric in that the baseline sub-hazard for the risk of interest h 1,0 (t) is left unspecified, while the effects of the covariates x_i are assumed to be proportional:

$$\hbar_i, (t/x) = \hbar_{1,0,} (t) * \exp (\beta_1 x_1 + \beta_2 x_2 + \cdots \beta_k x_k)$$

Unlike the Cox model, which focuses on the survivor function, the competing risks regression, uses the cumulative incidence function, which indicates the probability of the event of interest happening before a given time. Competing-risks regression is semiparametric in that the baseline sub-hazards of the event of interest are left unspecified, and the effects of covariates are assumed to be proportional (the proportionality assumption was successfully tested).

In competing risks models, the interpretation of coefficients is based on whether they are higher or smaller than1. A coefficient greater than 1 indicates that as the variable of interest increases, the hazard of experiencing the outcome increases compared to the base rate (or average). If the coefficient is lower than 1, then as the variable of interest increases, the hazard rate of experiencing the outcome decreases compared to the base rate (or average).

Secondly, I used a logit regression model predicting the likelihood of success or failure—regardless of how long it takes— in a model excluding censored data.

STUDY 2: EXPLORATION AND EXPLOITATION

This phase of the research focused on successful entrepreneurial groups from my initial data sets. In addition to the archival and interview data gathered on these entrepreneurial groups, I obtained information such as firm size, age, and date of first product shipment from 220 firms.

Dependent Variables

Exploration and exploitation strategy. The first dependent variable of interest is to examine the strategic orientation of the firm at inception to distinguish between innovators and incrementalists. Most of the organizational strategy typologies scholars employ allow for this distinction (e.g., Miles & Snow, 1978; Porter, 1980). I follow the approach used by previous research (Beckman, 2006; Hannan, Burton & Baron, 1996) to differentiate firms exploiting existing markets from those creating a new market. Given the interest in initial strategic choice, I did a content analysis of business plans and loan application forms to financial institutions to categorize each firm into one of the four strategic archetypes: innovator, enhancer, marketer, or low-cost producer (see Beckman, 2006; Hannan et al., 1996). I supplemented the content analysis with data from semi-structured interviews of CEOs, early press reports and firm websites. A firm was coded as having an exploration strategy (exploration =1, otherwise = 0) if it had an innovator strategy (27.3 percent of the sample firms). Innovators seek first mover advantage by introducing something new or creating a new market. A firm was coded as having an exploitation strategy (exploitation=1, otherwise=0) if a firm had an enhancer or low-cost strategy (50 percent of the sample firms). Enhancer firms seek competitive advantage by modifying or enhancing existing products of other companies, while low-cost producers achieve cost advantages through efficient production techniques or economies of scale (Beckman, 2006). Marketers seek competitive

advantage through superior sales, marketing or customer service. This approach does not constitute either exploitation or exploration (Beckman, 2006). 13.6 percent of sampled firms had neither strategy, and the remaining 9.1 percent pursued hybrid strategies.

A list of phrases and words was created to assist in coding. For instance, words such as "forefront," "pioneer," "first mover," and "innovation" when discussing their firms' activities were a basis for coding their firms as having exploration strategies. Words and phrases such as "clone," "low cost," "better design," and "feature-rich" signalled an exploitation strategy. I feel confident that the measure used here captures differences in firm strategic choice. Respondents were not asked to classify their strategies themselves; instead, I coded strategies based on business plans, loan application forms, interviews, and articles from the business press describing the industry. In addition to the above measure, I used two additional measures of exploitation and exploration.

First product shipment: Firms pursuing exploitation will likely ship products more quickly. The dates of the first product shipment came from founder survey.

Strategic change: firms pursuing exploration strategies are likely to change ideas or directions as change is an integral part of exploration. I measure *strategic change* by looking at whether the startup changes its industry using the ISIC classification scheme, which ranges from alphabetically coded *sections* (most broad) to 4-digit *classes* (most granular). For example, a change from manufacturing (section C) to wholesale and retail trade (section G) or a change from manufacture of food products (division 10) to the manufacture of chemicals and chemical products (division 20) would both constitute strategic change.[13] Since such a move to an unfamiliar market likely substantially disrupts an organization's routines,

[13] ISIC refers to the International Standard Industrial Classification, which is the classification scheme used in Ghana. The categories at the highest level are called sections. The 2-digit code identifies the division, the 3-digit code identifies the group, and the 4-digit code identifies the class.

founders would avoid it if they sought stability. I operationalize this as a binary indicator that equals 1 if the new venture's main industry now is different from the one at inception, and 0 if otherwise. Firm's current industry information was obtained from CEO survey. This was compared to the firm's industry at inception to capture the strategic change variable. Firm's initial industry was obtained from documents such as business registration and loan application forms.

Independent Variables

The key independent variables involved the composition of the top tier of the entrepreneurial team, which I define in this context as those people involved in starting the new organization who are on the top management team. The team includes the CEO and the management team members, such as the CFO or the COO. Measures of the entrepreneurial team's embeddedness in the commercial logic were captured through two different measures.[14] *Business experience* (estimated as the percentage of the entrepreneurial top management team members with professional backgrounds in business, economics or management) and *Academic backgrounds* (the percentage of entrepreneurial top management team members with an undergraduate or graduate degree in business, management or economics). A background in business (i.e., academic or work experience) is assumed to influence the cognitive structures of individuals so that they give greater primacy to profit, financial or efficiency-related considerations than do other founders. Entrepreneurial top management teams with a higher proportion of members with a business background are more likely to prioritize financial assumptions and norms and protect shareholders' financial

[14] Therefore, Hypothesis 1 is broken down into two separate subheadings as commercial logic is captured by professional and academic backgrounds. I successfully assessed the robustness of the commercial embeddedness variable by using "combined commercial," which integrated all two measures of commercial embeddedness into one.

interests than teams with lower proportions of such members. The group-level measures were obtained by combining individual measures. I assume that founding groups with a higher proportion of commercial directors are more likely to prioritize financial assumptions, priorities, and norms than teams with lower proportions of such directors.

The measure of entrepreneurial team's *family embeddedness* is the proportion of family members involved in the entrepreneurial top management team. Entrepreneurial groups with a higher proportion of family members are more likely to prioritize family considerations than teams with lower proportions of such members.

Control Variables.

Industry. I controlled for divisions within the manufacturing industry as some may be more likely to adopt a particular strategy or develop a product quickly. When a firm's business was in a specific division of the manufacturing industry, the division dummy was coded as 1, otherwise 0. Using the International Standard Industrial Classification (ISIC, Rev.4), the classification scheme adopted in Ghana, I controlled for the following two-digit divisions within the manufacturing sector: (1) food, beverage and tobacco products (2) textile, apparel, leather and footwear (3) wood, paper and furniture (4) chemical, plastics and rubber (5) metal product; and (6) non-metallic mineral product.

30% owner: coded 1 if an entrepreneurial top management team included a member who owned 30 percent or more of the firm's shares. This is likely to bring unity to the organization's efforts. **Joint chair-CEO**: coded 1 if the entrepreneurial group included a member who was a joint chair-CEO. Likely to bring unity to the organization's efforts. ***Team size***- the number of people in the entrepreneurial top management team. A larger team size may impact decision-making specialization (Eisenhardt & Schoonhoven, 1990). Also, a larger entrepreneurial team and the presence of powerful figures on the team- a 30% owner or

a chair-CEO- could suggest a greater likelihood of members being selected for the founding team after a preexisting firm strategy had been formulated.

Startup experience- the percentage of entrepreneurial team members with startup experience, as prior start-up experience is likely to impact founding success. ***Manufacturing experience*** – the percentage of entrepreneurial team members with manufacturing experience. ***Opening Capital***- the amount of capital available at the beginning of the business. Available resources can shape a firm's strategy. I also use measures of **exploration** and **exploitation strategies** described above as control variables when examining strategic change and time to product shipment. Product shipment speed may depend on **firm size**, which I captured by the number of employees. Firm size was added to Table 11. Strategic change may be impacted by **firm age** (months since inception) as older firms are likely to maintain routines. I controlled for age in Table 10.

Further, to account for differences in the business environments of firms, I dummy coded the **geographic location** of the firms as "Greater Accra," "Ashanti," and "other regions." The other regions are made up of the 14 remaining regions of Ghana. This is to account for the uneven economic development across regions in Ghana.

Analytical Methods

I used maximum-likelihood logistic regression to predict whether a firm pursued an exploration strategy and made a strategic change (change is consistent with exploration). I also used maximum-likelihood logistic regression to predict whether the entrepreneurial team followed an exploitation strategy and employed event history analysis (Cox regression) to examine the time to first product shipment (rapid product shipment is consistent with exploitation).

CHAPTER 6: RESULTS

RESULTS FOR STUDY 1: ORGANIZATIONAL FOUNDINGS

Table 5 provides summary statistics and bivariate correlations of all the variables included in the statistical models. Figures 4, 5 and 6 provide more descriptive statistics of the variables considered here.

Figures 4, 5, and 6 depicting the baseline hazard and survival estimates, illustrate how time duration is interpreted as a measure of the likelihood of success in opening or withdrawing from the process. Figure 4 shows that entrepreneurial teams with a higher institutional background in commercial logic (one standard deviation above the mean) took longer to get the new organization established than those with a lower internal representation of commercial logic (one standard deviation below the mean). This indicates that a higher proportion of business identities within the entrepreneurial team decreases their chances of starting a new organization. Figure 5 shows that entrepreneurial teams with fewer family representations (one standard deviation below the mean) took longer to establish the new organization than those with more, indicating that higher family embeddedness increases the odds of starting the new organization.

Finally, figure 6 shows that unsuccessful groups with a lower internal representation of commercial logic survived (held on) longer than unsuccessful groups with a higher internal representation of commercial logic. This indicates that higher embeddedness in commercial logic increases the chances of entrepreneurial teams withdrawing from the founding process.

Table 5. Descriptive Statistics and Correlations[a]

Variable	Mean	S. D	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.Business background	29.31	12.77														
2.Academic background	27.21	13.80	.02													
3. Family embeddedness	48.71	12.55	.14	-.03												
4. Corporate board exp	11.56	5.92	.11	-.08	.06											
5. Manufacturing exp	13.59	16.32	-.01	-.00	-.04	.02										
6.Target capital[b]	290.3	168.2	.08	.05	.03	.14	-.07									
7. Team size	6.84	1.60	.09	.24	.04	-.03	-.01	.00								
8. Startup exp	18.56	16.90	.20	-.22	.05	-.06	.06	-.07	.03							
9. 30% owner	.31	.46	.03	.05	.03	-.03	.04	.02	-.10	.07						
10. Joint chair CEO	.45	.48	.04	.14	.05	-.05	.07	-.00	-.01	.09	.58					
11. Crisis	.45	.50	-.03	.11	.04	.05	-.07	.11	-.05	-.23	-.01	-.06				
12. Time elapsed	32.13	16.54	-.01	.01	-.01	.06	.10	.17	-.09	-.20	-.09	-.04	.11			
Regions																
13.Greater Accra	.33	.47	-.13	.04	-.07	-.04	-.00	.02	.01	-.00	.05	.00	.02	.11		
14.Ashanti	.35	.48	.06	.00	-.06	.04	-.03	-.03	.01	.01	-.02	.04	.04	-.09	-.52	
15.Other regions	.32	.47	.07	-.04	.13	-.01	.04	-.02	-.02	-.01	-.02	-.05	-.05	-.01	-.48	-.50

Notes [a] n = 260, [b] in thousands

Figure 4. Hazard estimates (commercial logic)

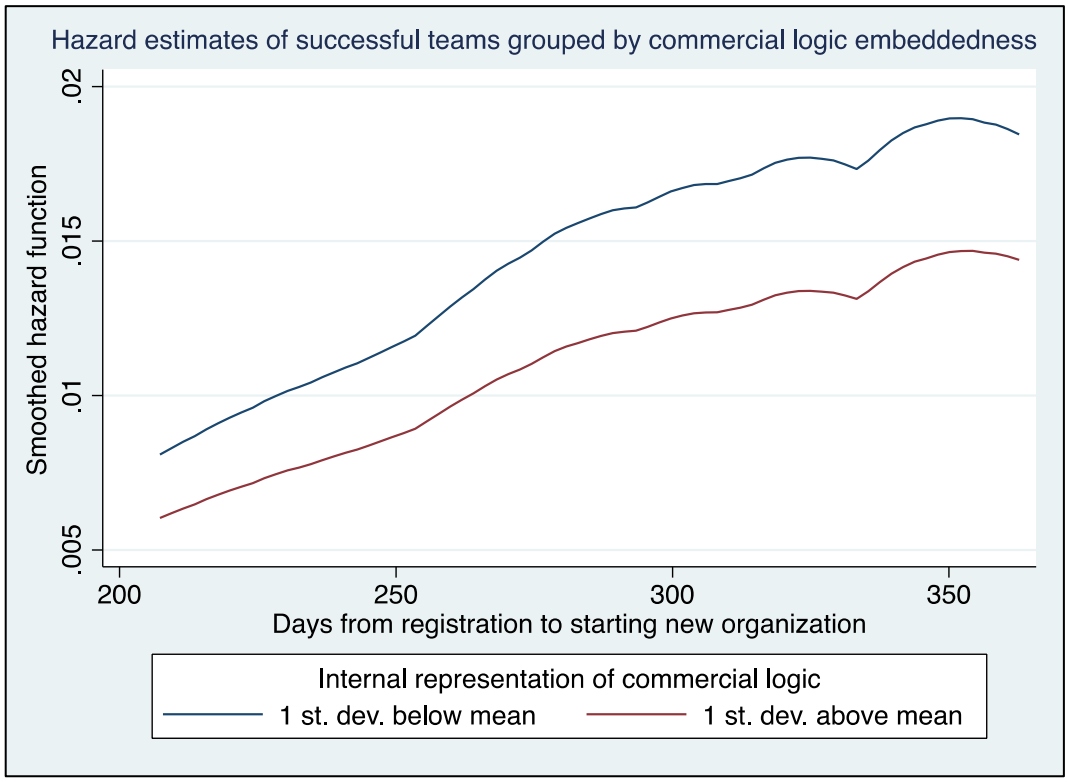


Figure 5. Hazard estimates (family logic)

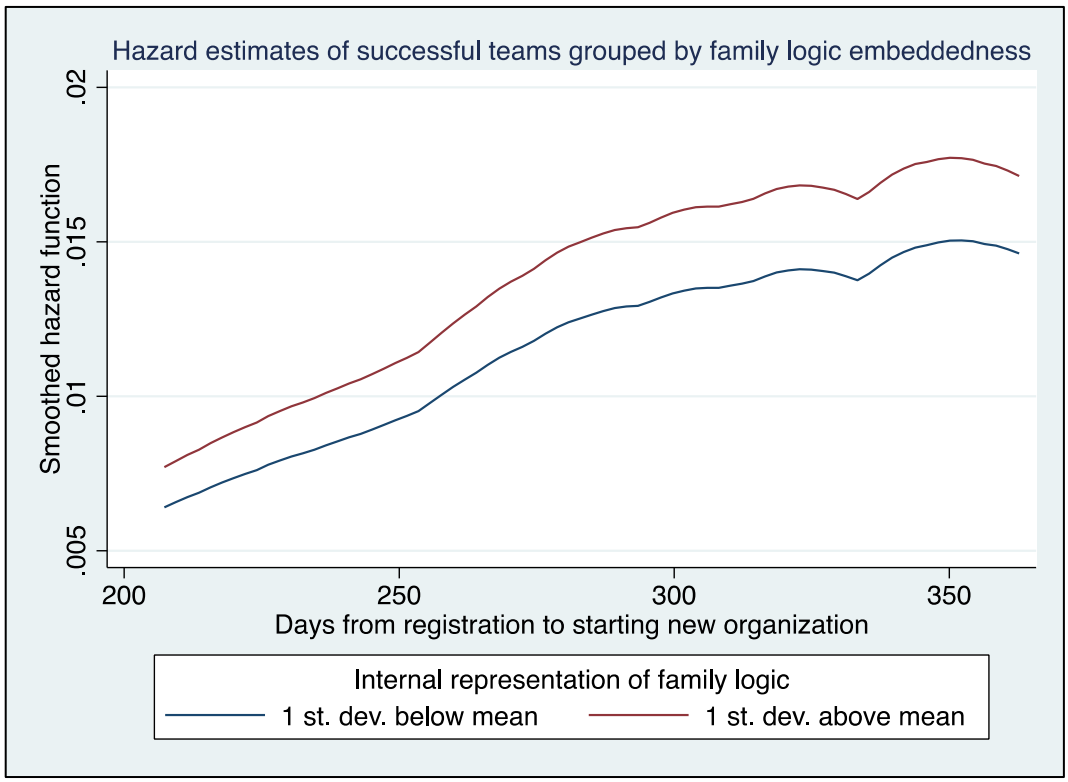


Figure 6. Survival estimates (commercial logic)

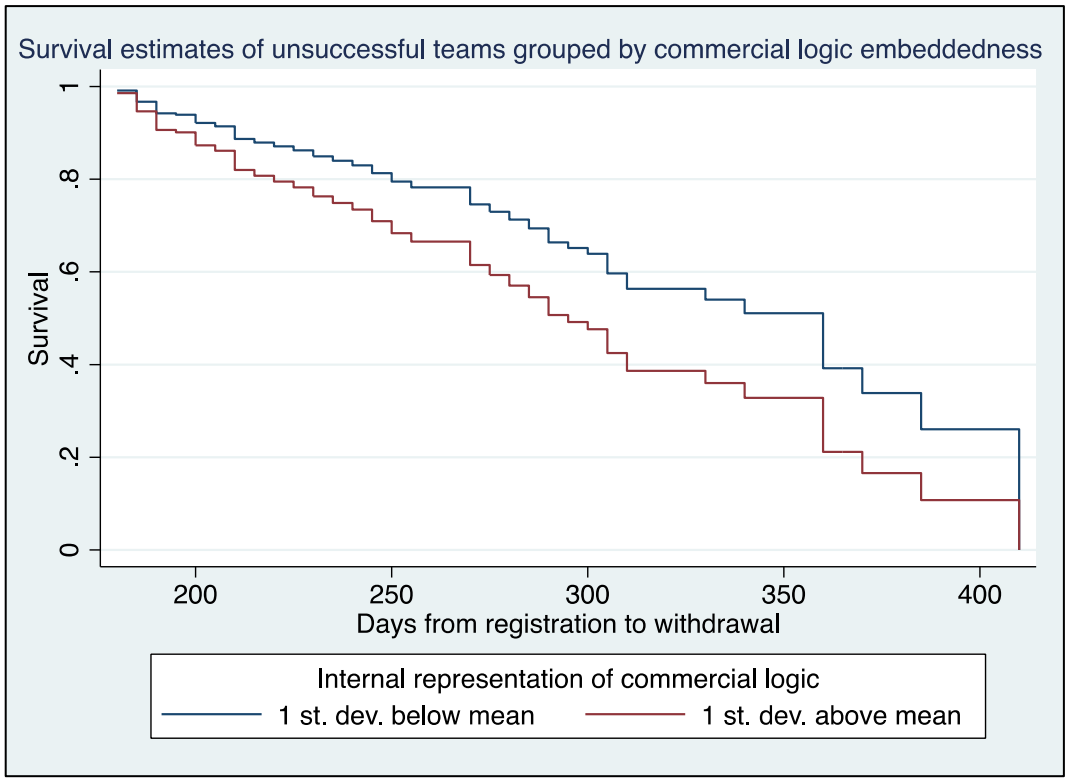


Table 6 lists the results of the hypotheses, which are labelled next to the appropriate variables. Model 1 tested only the control variables, and model 2 tested the direct effects of commercial and family logics. Each model has two columns (a and b) for each potential outcome of the organizing process. The establishment (a) column captures the successful establishment of the manufacturing firm, and the withdrawal column (b) captures complete withdrawal from the organizing efforts: model 3 test interaction effects.

Hypothesis 1 is confirmed in model 2: embeddedness in the commercial logic, as measured by professional business experience, makes a significant difference as predicted. Model 2 shows that the percentage of entrepreneurial team members with business identities (professional background in business) has an unfavourable effect on lengthening the time required to start the new organization for successful groups (model 2a) and on reducing the

time to withdraw for unsuccessful groups (model 2b), which makes success more unlikely and withdrawal more likely.[15] Institutional background in commercial logic, measured by academic background, was only significantly related to withdrawal from the entrepreneurial process rather than starting an enterprise.

In agreement with Hypothesis 1, qualitative evidence associated commercial embeddedness with weaker founder commitment and motivation at the nascent stage. Greater prioritization of profit consideration meant that the group was likely to disband when the going got tough. One founder related this to me as the reason why his team failed to succeed:

" *Two members of the founding group decided to leave because of a profitable opportunity that landed on their laps. One got a job at a bank that was going to pay really well and the other a better opportunity he couldn't bother to tell us".*

Hypothesis 2 is confirmed in models 2a and 2b. Increasing the proportion of family members in the entrepreneurial team has a favourable effect on the chances of opening a new business.[16] A higher proportion of family members in the entrepreneurial team reduces the time required to start the new organization for successful groups and lengthens the time to withdraw for the unsuccessful groups. Interviews with founders show that a higher proportion of family members in the entrepreneurial group was consistent with founder commitment and

[15] Model 2a shows a 2.5% (1-0.975) decrease in the establishment rate for a 1 percent unit increase in founders with business experience. Model 2b suggests a 3.2% (1.032-1) increase in the hazard of withdrawing for every one percent in the founders with business experience. Increasing by one the number of founders with business experience in a team of ten results in a 25% decrease in the chances of starting a new enterprise and a 32% increase in the chances of withdrawing.

[16] Model 2a shows a 2.6% (1.026-1) increase in the hazard of succeeding for a 1 percent increase in founders with family identity. Increasing by one the number of family members in the founding team of ten results in a 26% increase in the chances of starting a new enterprise.

motivational factors, community legitimacy and access to local networks. In the context of this study, where capital markets are very illiquid and where it is difficult to raise large amounts of money to start a company, family ties serve as a capital pooling device. The norms and values of cooperation, cohesion and trust derived from family logic helped to economize on costs associated with opening a new venture by ensuring that assets are not easily broken apart. For instance, one CEO of a successful group intimated that:

"We *cut down costs considerably that allowed us to succeed because we didn't have to spend resources on monitoring team members that are family or on coordinating the different activities they perform."*

Introducing the interaction with the crisis variable in model 3 yields results in line with Hypotheses 3 and 4. In economically stable periods (hypothesis 3), teams highly embedded in family and commercial logics are more likely to establish their new venture (model 3a) and somewhat less likely to withdraw (model 3b).[17] In turbulent periods (hypothesis 4), teams embedded in both family and commercial logics are less likely to establish the new organization (3a) and more likely to withdraw (3b) from the founding efforts. Interviews with entrepreneurial groups suggest that the environmental uncertainty caused by the banking crisis exacerbated tension among the founding groups, leading to higher exit rates. The increasing uncertainty and deteriorating economic conditions made it difficult for the founding group to align themselves around the common purpose of starting a new enterprise. One founding team member related his aghast when the other members felt it was okay to launch the business in the midst of the banking crisis. Only recently returned

[17] The effect of the combined family and commercial logics on withdrawal in stable periods was somewhat significant ($p < .1$).

from the United Kingdom after completing graduate studies in business, he felt the prevailing climate was not conducive to starting a new enterprise and related this to me:

"These guys have none [sic] *understanding of basic business knowledge…, you need to analyze the external environment and it is screaming at us that it's not the right time. They remained unconcerned telling me my Western ideas are not good recipe for success in Ghana…., so I left the group."*

This result confirms the moderating role of an economic crisis on the influence of logic complexity. The integration of competing logics appears to be easier in stable periods and harder in periods of environmental uncertainty.

It is interesting to note that the introduction of the interaction effects in model 3 wipes out the otherwise robust effect of family embeddedness while there is consistent support for business experience. This may suggest that family connections help if only there is some representation of business experience within the founding team.

The results for the control variables shown in table 6 suggest that startup experience and manufacturing experience were unsurprisingly associated with more establishment success. The founding team size had similar but not significant effects. Having a joint Chair-CEO and 30% ownership hurt establishment rates, even if that effect was not statistically significant. As expected, a higher target capital made it harder for founding teams to succeed. As expected, later filing dates in the observation period negatively affect the likelihood of starting a new organization.

Table 6. Competing Risk Models on Hazards of Establishing the New Organization or Withdrawing[a]

	Model 1: Controls Only		Model 2: Explanatory Variables		Model 3: Interaction Effects	
Variables	**Establishments(a)**	**Withdrawal(b)**	**Establishment(a)**	**Withdrawal(b)**	**Establishment(a)**	**Withdrawal(b)**
Business Background	**H1**		0.975***	1.032**	0.901**	1.284**
Academic Background	**H1**		0.989	1.029**	0.976***	1.033***
Family embeddedness	**H2**		1.026***	0.971**	0.974	1.065
Corporate board experience	0.998	1.000	0.993	1.005	0.996	0.999
Manufacturing experience	1.011**	0.984*	1.012**	0.975**	1.011**	0.975**
Target capital[b]	0.997***	1.002**	0.998***	1.002***	0.998***	1.002***
Team size	1.110	0.868≠	1.190**	0.804*	1.209***	0.784**
Startup experience	1.027***	0.977*	1.025***	0.984≠	1.024***	0.973**
30% owner	0.781	1.241	0.796	1.307	0.776	1.362
Joint chair-CEO	0.770	1.210	0.859	1.100	0.824	1.264
Crisis	0.256***	4.662***	0.248***	4.581***	0.005*	6.526**
Time elapsed	0.964***	0.958***	0.963***	0.956***	0.964***	
Regions[τ]						
Ashanti	1.022	0.867	1.184	1.000	1.162	0.807
Greater Accra	1.121	0.716	1.237	0.864	1.240	0.717
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes
Interaction effects						
Family x business background	**H3**				1.002**	0.997≠
Crisis x family x business	**H4**				0.997*	1.005*
Wald χ^2 (df)	113.17 (16)	79.98 (16)	185.63 (19)	156.37 (19)	259.29 (23)	173.27 (23)
Number of events	166	84	166	84	166	84
Log-pseudolikelihood	-771.36045	-404.61741	-756.88631	-387.37634	-751.12867	-371.2039

Notes: [a] n=260; [b] in thousands of dollars; *** p< .001; ** p< .01; * p < .05; ≠ p< .10; [τ]other regions omitted were compared with Ashanti and Greater Accra

Robustness check- Study 1

As alluded to, a second dependent variable, firm establishment, was employed to assess the robustness of the organizational foundings results. The firm establishment was a dummy variable with a value of 1 if the founding team managed to open the new organization and a value of 0 if the group withdrew from the founding process. 10 cases were pending as of the end of the period considered, that is December 30, 2019. Those cases were excluded in the firm establishment variable and were treated as censored data in the time elapsed variable.

Using a logic regression model predicting the likelihood of success or failure- regardless of how long it takes- in a model excluding censored data, I obtained consistent results with those reported. This model is shown in Table 7. Additionally, I used a Cox model that got similar results to the competing risk model.

Table 7 reports the effects of institutional logic on organizational foundings. Model 1 presents the control variables. Previous manufacturing experience, target capital, the time elapsed and economic crisis significantly affected establishment rates. Model 2 shows that groups with a higher internal representation of commercial logic succeeded less often (hypothesis 1). In contrast, groups with more family representation succeeded more often (hypothesis 2) in starting their new organizations. The variance explained in model 2 is 34 percent (pseudo-R^2= 35), and the overall hit rate of 83.2 percent.[18] This suggests strong support for hypotheses 1 and 2.

[18] A perfect model will have no false predictions and correctly classify 100 percent of all observations. Model 2 in Table 7 correctly classified 83 percent of all observations.

Table 7- Logit Regression on Likelihood to Start New Organization[a]

Variable	Model 1	Model 2
Business experience		0.946***
Academic background		0.968**
Family embeddedness		1.040**
Corporate board experience	0.987	0.988
Manufacturing experience	1.030*	1.030*
Target capital	0.996***	0.996***
Team size	1.143	1.161
Startup experience	1.013	1.037**
30% owner	0.573	0.623
Joint-chair CEO	0.643	0.524
Crisis	0.055***	0.037***
Time elapsed	1.043*	1.030≠
Regions[τ]		
Greater Accra	1.901	1.568
Ashanti	1.380	1.354
Industry dummies	Yes	Yes
Observations	250	250
Log-likelihood	-120.33269	-103.8085
Pseudo-R^2	0.25	0.35

[a] Odds-ratios are reported; ≠ $p < 0.1$; * $p < 0.05$; ** $p < .01$; *** $p < 0.001$. [τ] Other regions omitted were compared with Ashanti and Greater Accra

RESULTS FOR STUDY 2: EXPLORATION AND EXPLOITATION

Table 8 presents descriptive statistics and correlations among the study variables. Table 9 reports the effects of family and commercial logics on firm-level strategy. Model 1 presents the control variables. Model 2 of table 9 confirms hypothesis 1. As predicted, model 2 demonstrates that entrepreneurial teams exhibiting a greater representation of a family logic

led to firms that were more likely to have an exploration strategy. Odds ratios are reported, so model 2 suggests that entrepreneurial teams with a 1 unit increase in family members are 1.031 more likely to have an exploration strategy.[19] The variance explained in model 2 is 16 percent (pseudo-R^2 = .16), and the overall hit rate of the model is 75%. This rate provides strong support for hypothesis 1. Model 2 also indicates that entrepreneurial groups with higher institutional background in commercial logic are less likely to have an exploration strategy (a relationship that was not hypothesized but is consistent with the theory advanced in this study).

Hypothesis 2 is confirmed in model 5 of table 9. As predicted, model 5 demonstrates that institutional background in commercial logic, as measured by professional background in business, makes a significant difference as predicted, but such background does not matter significantly when measured by academic backgrounds. Entrepreneurial groups with higher institutional background in commercial logic, as measured by business experience were more likely to have an exploitation strategy. Increasing by one the number of founders with business experience in a team of ten increases the odds of the firm having an exploitation strategy by 36%. Stated in probability terms, there is 7% increase in the probability that the firm uses an exploitation strategy. The overall hit rate of the model is 72.27 percent and explained variance of 16 percent, providing strong support for hypothesis 2.

[19] Odds ratios are reported, which can be complicated to interpret, so I recalculated them in probability. Using average marginal effects, increasing by one the number of family members in a team of ten results in a 5.6% increase in the probability that the firm uses an exploration strategy.

Table 8. Descriptive Statistics and Correlations[a]

Variable	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Business background	28.22	14.12														
2. Academic background	27.05	13.89	.09													
3. Family embeddedness	48.55	12.55	.01	-.03												
4. Exploration strategy	.36	.48	-.15	-.10	.11											
5. Exploitation strategy	.50	.50	.22	.08	-.14	-.28										
6. Manufacturing experience	13.56	15.58	.04	.28	.06	-.15	.16									
7. Founding team size	6.55	1.65	-.12	-.08	-.05	-.03	.01	.04								
8. Entrepreneurial experience	18.53	17.12	.02	-.12	.06	.20	-.14	.07	.04							
9. 30% owner	0.29	0.45	-.03	.05	-.03	-.11	.06	.06	.06	-.05						
10. Joint chair-CEO	0.30	0.46	.07	-.02	.02	-.09	.10	-.01	-.00	-.10	.05					
11. Opening capital[b]	522.77	232.80	-.00	-.39	.17	-.16	.20	.05	.13	.01	-.05	-.00				
12. Firm size	27.18	11.40	-.00	.13	-.06	-.03	.06	.05	.04	-.02	.05	-.05	-.04			
Regions																
13. Other	.34	.47	-.12	-.08	.02	.06	-.07	.02	-.03	.03	-.01	.07	.00	-.05		
14. Greater Accra	.32	.47	.03	.12	-.03	-.01	.02	-.09	.03	-.03	.04	-.09	-.08	.02	-.48	
15. Ashanti	.34	.48	.09	-.04	.00	-.05	.06	.07	-.00	-.00	-.02	.02	.07	.03	-.52	-.49

[a] $n = 220$

[b] $In\ thousands\ of\ dollars$

Table 9. Result of Logistic Regression[a]

	Exploration strategy			Exploitation strategy		
Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Manufacturing experience	0.971**	0.974*	0.976*	1.026**	1.024*	1.024*
Founding team size	1.007	0.977	0.366*	0.965	0.996	0.964
Startup experience	1.028**	1.029**	1.027**	0.981*	0.982*	0.982*
30% owner	0.590	0.553	0.518≠	1.283	1.337	1.327
Joint chair-CEO	0.675	0.713	0.651	1.581	1.507	1.503
Capital	0.976*	0.965**	0.967**	1.029**	1.045***	1.045***
Regions[τ]						
Greater Accra	0.588	0.702	0.585	1.767	1.441	1.429
Ashanti	0.633	0.703	0.664	1.513	1.261	1.249
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes
Family embeddedness	**H1**	1.031*	0.905≠		0.964**	0.964**
Business experience		0.976*	0.976*	**H2**	1.036**	1.036**
Academic background		0.982	0.987	**H2**	1.021	1.013
Interactions						
Size x family embeddedness		**H3**	1.020*			
Size x business experience					**H4**	1.001
Observations	220	220	220	220	220	220
Log-likelihood	-126.85	-120.97	-118.00	-138.69	-128.12	-128.11
Pseudo-R^2	0.12	0.16	0.18	0.09	0.16	0.16

[a] odds-ratios are reported; *** p < .001; ** p < .01; * p < .05; ≠ p < .10; [τ] Other regions omitted were compared with Ashanti and Greater Accra

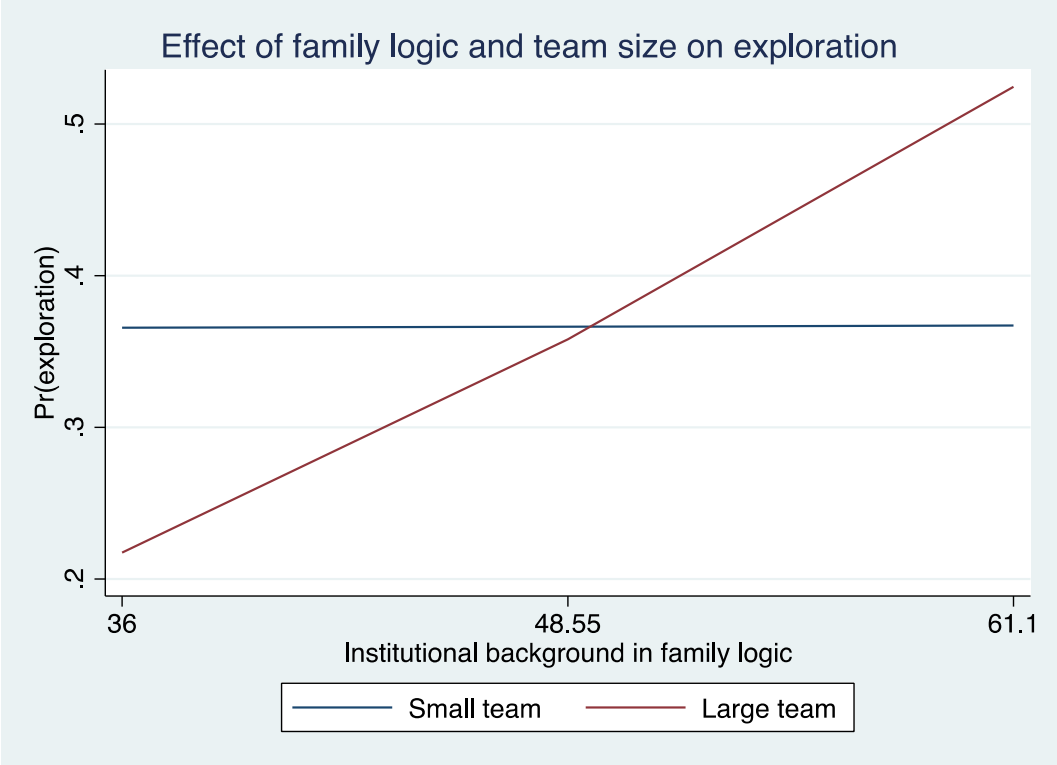
Model 5 of table 9 also indicates that entrepreneurial groups highly embedded in the family logic are less likely to have an exploitation strategy (a relationship that was not hypothesized but is consistent with the theory advanced in this study). Thus, entrepreneurial groups with a higher institutional background in commercial logic are more likely to pursue an exploitation strategy and less likely to pursue an exploration strategy. In contrast, entrepreneurial groups with a higher institutional background in family logic are more likely to support an exploration strategy and less likely to pursue an exploitation strategy.

The hypotheses on interaction effects of institutional background in family and commercial logics with entrepreneurial team size (hypotheses 3 and 4) are shown in models 3 and 6 of table 9. As hypothesized, the family logic and team size interaction term is positive and significant, which confirms hypothesis 3 (see model 3). Hypothesis 4 finds no support, as the commercial logic and team size interaction, while positive, is not significant (see model 6). Thus, while team size moderates the relationship between family logic and explorative behaviour, it cannot be confirmed that such moderation exists between commercial logic and exploitative behaviour.

Considering entrepreneurial teams of all sizes, there was a significant relationship between institutional background in family logic and firm's explorative behaviour in the directions predicted, but those interactions were significant only for larger teams. To facilitate interpretation of the interactions, I plotted interaction effect in figure 7, which shows the effect of family logic on exploration for large and small teams. I define and represent large teams as those with 8 members and small teams with 5 members. Those endpoints, approximately one standard deviation from the mean, contain roughly two-thirds of the observations. Figure 7 shows that the upward slopes predicted in hypothesis 3 are confirmed only for large teams. In smaller groups, the proportion of family representation does not make much difference. Thus, hypothesis 3 needs slight qualification. The positive

relationship between family logic and exploration is significant only for larger teams. The more impact of institutional logics in larger teams is consistent with the effects of group norms and conformity in helping to carry institutional influences (Almandoz, 2014).

Figure 7. Family logic and team size on exploration



Models 1 and 2 of Table 10 examine the effects of institutional logics on the stability of the initial idea for the firm. Model 1 reports the control variables. Firms pursuing exploration strategy were 2.787 times more likely to change the firm's initial strategic idea. Findings reported under model 2 support hypothesis 1, showing that increasing by one the number of family members in an entrepreneurial team of ten results in a 38 percent increase in the odds that the initial strategic idea of the firm changes. The overall hit rate of the model is 71.36 percent. Model 2 demonstrates that entrepreneurial teams with a higher internal representation of family logic are more likely to explore and change ideas.

Table 10. Result of logistic regression analysis predicting strategic change[a]

Variable	Model 1	Model 2
Manufacturing experience	0.995	0.994
Founding team size	0.917	0.926
Startup experience	0.998	0.995
30% owner	0.987	1.000
Joint chair-CEO	0.402*	0.364**
Capital	1.014	1.008
Exploration strategy	2.787**	2.551**
Firm age	0.997	0.990
Regions		
Greater Accra	0.969	1.032
Ashanti	2.097*	2.267*
Industry dummies	Yes	Yes
Family embeddedness		1.038**
Business experience		0.995
Academic background		0.997
Observations	220	220
Log-likelihood	-128.19586	-123.78852
Pseudo-R^2	0.11	0.14

[a] Odds-ratios are reported; *** p < .001; ** p < .01; * p < .05; [τ] Other regions omitted were compared with Ashanti and Greater Accra

Table 11 reports the effect of the internal representation of commercial logic on time to first product shipment, another indicator of an exploitation strategy (Beckman, 2006). Model 1 reports the control variables, indicating that firms with exploitation strategies, larger firms and firms with more considerable founding capital are more likely to bring products to market quickly. Hazard ratios are reported; firms with an exploitation strategy are 1.68 more likely to get a product to market quicker. Hypothesis 2 is confirmed in model 2. Entrepreneurial teams with higher institutional background in commercial logic bring

products to market more quickly. Increasing by one the number of members with a business background in an entrepreneurial team of ten increases the hazard rate by 20 percent.

Table 11. Results of Event History Analysis Predicting Speed of Product to Market[a]

Variable	Model 1	Model 2
Manufacturing experience	1.020**	1.022**
Founding team size	1.003	0.998
Startup experience	0.995	0.997
30% owner	1.269	1.236
Joint chair-CEO	1.053	1.382
Capital	1.015*	1.018*
Firm size	1.024**	1.025**
Regions[τ]		
Greater Accra	1.345	1.500
Ashanti	0.999	0.872
Industry dummies	Yes	Yes
Exploitation strategy	1.683*	1.849**
Business experience		1.020**
Academic background		1.007
Family embeddedness		0.986≠
Observations	220	220
Wald χ^2 (df)	36.50 (15)	48.61 (18)
Log-likelihood	-471.04934	-464.99506

[a] Hazard ratios are reported; ≠ p < .10; * p < .05; ** p < .01; [τ]Other regions omitted were compared with Ashanti and Greater Accra

CHAPTER 7: DISCUSSION

This dissertation has presented a lens to understand new firm formation and strategy by examining the institutional background of entrepreneurial teams. In this chapter, I review the findings of the two studies comprising this dissertation.

Given the importance of entrepreneurial teams, it is imperative to understand which dimensions of entrepreneurial teams are most consequential and how those dimensions matter for entrepreneurial outcomes. Although a voluminous literature has focused on the composition of entrepreneurial teams, it has revealed few consistent links between entrepreneurial team composition and new venture performance (Klotz et al., 2014; Lazar et al., 2020). This dissertation introduces the institutional background of entrepreneurial teams as a key aspect of entrepreneurial team composition. In theorizing the relationship between entrepreneurial team institutional background and new firm formation and strategy, I have developed the argument that social actors within organizations draw on institutional logics to make strategic choices, which in turn, affect firm outcomes. Given the prevalence of multiple institutional logics in many contexts (Greenwood et al., 2011), decision-makers in firms sometimes face conflicting goals and prescriptions for behaviour. Thus, entrepreneurial leaders make strategic choices often in a complex environment that facilitates multiple actions, each with unique consequences for firm outcomes. In a sense, entrepreneurial leaders' strategic choices are based on the menu of possible actions as recommended by multiple and often conflicting logics. So, while institutions constrain behaviour, they also enable entrepreneurs to make different kinds of strategic choices "when actions that are discouraged by one institutional regime are more accepted or encouraged by another" (Greve & Man Zhang, 2017, p. 671). Consistent with this core argument, the findings support the impact of an entrepreneurial team's institutional background on firm outcomes.

In study 1, I found that entrepreneurial success originates within differences in founding teams' embeddedness in distinct institutional logics. Specifically, an entrepreneurial team's institutional background in commercial logic decreased the odds of an entrepreneurial team establishing their business, while an institutional background in family logic increased those odds. Given that firms must contend with multiple logics, especially relevant for family-owned firms, I investigated the implications of integrating both competing logics. Findings indicate that the establishment rate increased during a period of environmental stability. By contrast, in turbulent periods, firms face difficulties balancing the competing demands from diverse constituents that subscribe to opposing prescriptions, leading to a decreasing rate of establishment of new organizations and an increasing rate of withdrawal from the founding process. Study 1 demonstrates that founders' institutional backgrounds can influence entrepreneurial success (i.e., odds of starting a new enterprise).

In study 2, I examined the newly emerged family ventures to understand how the institutional background imprinted at founding continues to shape organizational practices, such as the decision to engage in exploration or exploitation. The results suggest that the institutional background of entrepreneurial teams was related to new venture early-stage strategy- exploration or exploitation. The mechanisms suggested for these linkages are a sense of continuity, command, community and connections and their associated long term-orientation that emerge from family logic and the short-termism, profit orientation and growth aspirations associated with commercial logic. A short time horizon implies implementation and speed to satisfy immediate market demands, while a long horizon is associated with innovation and change. The results show that entrepreneurial groups committed to the commercial logic are more likely to exploit entrepreneurial opportunities. I find that a higher institutional background in commercial logics is related to faster product shipment and use of an exploitation strategy.

Those highly committed to the family logic are more likely to explore entrepreneurial opportunities by changing ideas and engaging in exploration strategies. However, the interaction with the team size revealed that the effect was significant only for larger teams. This suggests the possible mechanism through which the family logic is transmitted. The moderating role of size on the impact of institutional logics offers insights into the transmission of institutional influences. The impact of group conformity and diffusion of responsibility offers some logical explanations for the accentuation of family institutional influences in larger teams (Almandoz, 2014).

The two studies show that the founding team's institutional background provides cognitive models and other cultural material that influence firm formation and early development. These logics imprinted before and at the moment of founding have important implications for new firm emergence and initial strategic directions. By studying firms from prehistory to the early moments after founding, I establish this link without the confounding influence of prior firm actions and expectations. This dissertation makes several theoretical contributions to the literature on entrepreneurship, institutional logics, family business and upper-echelons theory.

ENTREPRENEURSHIP THEORY

First, at the fundamental level, this dissertation extends our understanding of what the critical characteristics of entrepreneurial teams are. Shifting the scholarly conversation away from the traditional focus on human and social capital, I highlight the institutional background of entrepreneurial teams as a distinct and highly consequential characteristic of entrepreneurial teams. Highlighting this characteristic as a key dimension of entrepreneurial team composition is especially important in advancing our understanding of entrepreneurial teams because the effect of institutional background is not apparent. In the context of this

study, the idea that institutional background in family logic provides better odds for organizational founding than the institutional background in commercial logic clearly defies conventional wisdom. Findings from interviews suggest that success in starting new organizations is linked with the micro-level motivational dynamics resulting from embeddedness in institutional logics that engender variations in the commitment of different founder identities and their ability to secure support from resource providers. It appears that variation in founder identities matters as much as variation in human and social capital in getting new organizations established. This finding is important because much of the entrepreneurial team composition literature has focused on differences in founders' level of human and social capital and reputation or affiliation with high-status organizations as the key factors behind entrepreneurial success. This study offers a different view that differences in founding groups' institutional backgrounds can influence organizational foundings by shaping entrepreneurial commitments, motivational capital and the material-resource environment in which firms operate. By so doing, this study inspires a conversation about the nature and success in the earliest stages of the entrepreneurial process. It posits institutional background as a more proximate guiding factor in the new venture creation process. For entrepreneurship research, this work adds institutional background as an important characteristic of the entrepreneurial team that should be considered.

Second, this study has qualitatively explored the mechanisms that underlie the relationship between entrepreneurial teams' institutional background and new firm formation. The mechanism through which logics impact establishment rates is entrepreneurial motivation, commitment, and identification of the founding team to the founding process. While having better access to local information and capital resources, and human capital is an essential factor for the success of these founding groups, it appears that variation in the network size or knowledge is not the critical factor explaining the results obtained in this

study. Having richer networks or specific business-relevant knowledge by itself is not enough; being motivated to use those networks and knowledge is what matters. For example, one founder-CEO of a group that failed told me he had an "excellent team" with deep connections to resource providers and networks.

"I had a team with relevant connections with local chiefs, government officials and bureaucrats. I was convinced my co-founders would leverage those connections to bring in much-needed resources to start the new organization. In the end, they brought in nothing. I felt the commitment to leverage their networks was lacking."

Thus, networks per se are not enough. Instead, meaningful networks are what matter. Greater identification and goodwill with the nascent firm appear to generate motivational capital and identity commitments, which facilitate resource acquisition. This speaks to the "conditional nature" of social embeddedness (Mizruchi, Brewster & Marquis, 2006). Founding teams with a higher institutional background in family logic had greater motivational capital. They were more committed to the founding process, which facilitated the acquisition of resources not because these founders had more extensive or richer networks but because of greater goodwill and identification with the founding efforts.

Founding groups with a high institutional background in commercial logic negatively impacted establishment rates. This should be counterintuitive to human and social capital explanations. These founders, richest in human capital and highly embedded in professional business networks, should in principle, contribute to, rather than detract from, the effectiveness of the founding team in starting a new organization. This further indicates that motivational factors predict success more than access to resources. Evidence from interviews suggests that founders with business experience were less likely to commit resources to the founding process, which could be explained by less meaningful identification with the team.

One founder-CEO shared with me how he could not get a family member who was part of the founding team to commit resources to the venture.

"We were facing some resource constraints, and the founding members were employed to put more of their own capital into the firm. My brother Alex refused to do so because he was concerned that doing so was not in his narrow self-interest. When I informed him about the potential benefit of the firm to the family, he flatly told me he's doing this for himself, not for someone else."

Third, the above quote illustrates the tension between the entrepreneurial team's reliance on collective efforts for establishing their enterprise and members' tendency to withhold their personal resources (Yang, Bao, & Aldrich, 2020). Previous research has tended to view entrepreneurial teams as a strategy for resource acquisition and mobilization (Beckman et al., 2007; Ruef et al., 2003), as teams can benefit from the collective contributions of individual members. Interviews from this study problematize that view and call attention to holdup problems overlooked in previous research. Collective effort appears not to be an intrinsic feature of team-based startups. Getting individuals to contribute to the founding process is more challenging when they are highly embedded in commercial logic. Given the substantial hazards associated with the founding process, uncertainty about returns on investment is heightened (Huang & Pearce, 2015; Wasserman, 2012). Such uncertainty is further intensified in the sociopolitical context of a highly contested and complex environment in which formal institutional frameworks are weak, unstable and not supportive of new venture creation and development. Founding team members with strong financial and commercial identities are likely to withhold their resources until proof of venture viability, lengthening the odds of such teams successfully starting their new enterprise. The interview quotes on page 112 well illustrate this problem.

Thus, this study extends collective action theories (Olson, 1965; Ruef, 2010) to the setting of entrepreneurial teams by identifying the conditions that might impede resource contributions. The findings from this study suggest that entrepreneurial teams' institutional background can influence resource contributions within founding teams. This has some practical relevance for entrepreneurial team formation. Two strategies dominate the literature on how entrepreneurial teams come together- interpersonal strategy and resource-seeking strategy (Lazar, 2020). The logic behind the resource-seeking strategy is a way of raising more resources, turning the founding process into collective efforts (Ruef 2003, Beckham 2007, Yang 2020). And this strategy appears reasonable especially in the context of institutional voids where nascent firms must rely on internal sources of capital in their founding efforts. The finding from this dissertation raises sobering view of the resource-seeking strategy. Collective effort upon which this strategy is based on is much more challenging in practice. Thus, lead entrepreneurs looking to bring cofounders aboard must take into consideration the institutional background of cofounders.

But this raises significant concern. If founders with high human capital are less likely to start new organizations within the context of this study, how does that impact later firm outcomes such as profitability, survival etc.? Does the effect of family or commercial logic differ across important entrepreneurial outcomes such as growth, innovation, and survival rate? Perhaps, the commitment of family-embedded founders may turn out to be a mistake, and the wisest choice would have been to pull out of the founding process. In the context of this study, some estimate that nearly 70 percent of newly established businesses die within five years (Daily Guide, 2017). This shows that founders with commercial identities may have understood precisely when to pull the plug. Future research is needed to explore this issue.

Finally, this study contributes to the entrepreneurship literature by highlighting heterogeneity within the family as an entrepreneurial group (Ruef, 2010). There has been limited research on family entrepreneurial teams (Discua Cruz et al., 2013; Sine et al., 2022). We need more research to understand how family entrepreneurial teams impact the entrepreneurial process.

EXPLORATION AND EXPLOITATION

This study challenges and extends extant literature on entrepreneurial exploration and exploitation. This study suggests an alternative explanation to the antecedents of exploration and exploitation. Previous research suggests "managerial ability" (Smith & Tushman, 2005), prior company affiliations (Beckman, 2006), TMT shareholdings (Gedajlovic et al., 2012), and CEO's regulatory focus (Kammerlander et al., 2015). Results from study two suggest that firm exploration and exploitation can be attributed to differences in founder institutional background shaped by prevailing institutional logics. Institutional logics shape the motivations and cognitive structures of entrepreneurial teams, and such variations in values and cognitive predispositions of the entrepreneurial team may be an important predictor of firms' exploration and exploitation. Thus, the ability of the entrepreneurial team to exploit or explore entrepreneurial opportunities in the context of new firms is influenced by their institutional backgrounds. Studying firms in their early years appears to offer some insights into the origins and structuring of exploration and exploitation within firms. This study suggests that teams are more constrained by history than previous research indicates. Firm's initial strategic decisions, such as the decision to exploit or explore entrepreneurial opportunities are built in at team information and may not be due to managerial insights and planning (Smith & Tushman, 2005). At the team formation stage, logics get imprinted into the organization through the institutional background of the founding team members. These

logics provide the lens through which organizational realities are interpreted, and in turn, shape the strategic choices entrepreneurial top management teams make. This is consistent with core arguments in learning and change theories that initial starting positions shape the potential for change and innovation (Levinthal 1997).

Organization theorists have always highlighted the imperative for organizations to strive for flexibility and responsiveness to change while demonstrating reliability and consistency in performance (Farjoun, 2010; March, 1991). The need to manage strategic contradictions (Smith & Tushman, 2005) has generated several ideas on how to do so. For instance, the literature on organization design offers advice to senior managers on the need to build organizational forms that facilitate both exploration and exploitation. The findings in this study suggests that senior managers ability to manage strategic contradictions maybe much more constrained. Initial starting positions in terms of founding teams' institutional backgrounds may shape the firm's ability to do so, and to some extent the entrepreneurial team's ability to engage in exploration or exploitation may be an accident of founding conditions.

FAMILY-BUSINESS LITERATURE

First, the central focus of the family business literature addresses how family involvement influences behaviour and performance- the so called "family effect." This has led to exploring why performance differs among types of family firms and between family firms and other types of organizations (Gedajlovic, Carney, Chrisman & Kellermanns, 2012). But this quest for the understanding the "family effect" on firm performance has yielded conflicting results. I suggest that paying attention to the top management teams in family firms can offer richer clues to better understand the performance implications of family influence. The findings indicate that family and commercial logics have a differential impact

on a founding team's ability to start new organizations and the decision to exploit or explore. I argue that whether family-owned firms in their prehistory prioritize family considerations or commercial interest depends to a larger extent on the institutional background of the entrepreneurial team. And that such prioritization has a consequential impact on entrepreneurial outcomes. This further our understanding of the heterogeneity within family firms and the antecedents of such heterogeneity.

This study suggests that prioritizing family logic over commercial logic may be beneficial to starting an organization. This may appear counterintuitive since family firms are commercial enterprises, and one would expect the logic of commerce to be associated with greater entrepreneurial success. Perhaps less surprising if the explanation is based on the capacity of the family logic to engender founders' motivation and commitments to attract needed resources. Perhaps this is also the case because of the institutional context of the study— Ghana, in which a logic of family is established at a national level as an important social and cultural influence on individual and organizational behaviour, economic development, and structures and processes of business activity. Familial relationships are the primary source of trusted business interactions with external stakeholders because of the presence of "institutional voids" (Acquah, 2012; Khanna & Palepu, 1997) in regulatory, capital and product markets. Family firms are heterogeneous, and attention to the institutional logics that top management teams ascribe to can help explain that heterogeneity (Reay et al., 2015).

While this study suggests the benefit of family logic in starting family ventures, the findings are also suggestive that having some founders with institutional background in commercial logic may be necessary. A full cast of family entrepreneurial members with zero background in commercial logic may have no effect on the chances of starting a new

enterprise. While speculative at this point, further examination is warranted to understand the boundary conditions around which family logic impacts firm emergence.

Second, the findings provide insights into exploration and exploitation strategies within different types of family firms. While previous research suggests that family firms are less likely to accept risk and engage in innovation compared with nonfamily firms (e.g., Naldi et al., 2007), we know less about how family firms differ in their exploitative and explorative behaviour from each other. This study addresses that concern by showing that, within newly established family firms, a higher internal representation of family logic generates more explorative behaviour. In comparison, a higher internal representation of commercial logic leads to more exploitative tendencies. This is an interesting finding that needs further examination in different contexts.

Third, research exploring behaviour in family businesses has established how the multiple roles and identities that individuals assume introduce competing expectations (e.g., Sundaramurthy & Kreiner, 2008). To resolve the competing expectations of family and business identities, Shepherd & Haynie (Shepherd & Haynie, 2009) introduced the concept of "family business meta-identity" as a shared understanding of "who we are as a family business." The authors argue that meta-identity promotes shared meaning about the family business, allowing the integration of role conflict within a family firm. Using the assessment of entrepreneurial opportunities as an identity triggering event, the authors note that the ability to resolve role conflicts by developing meta-identity affects the speed and comprehensiveness of decision-making. This study extends the literature on identity conflict resolution to nascent family firms by providing insights into the conditions that might impede the development of "family business meta-identity." The findings from study 1 indicate that during turbulent periods, family founding groups face difficulties balancing competing demands from diverse constituents that subscribe to opposing prescriptions, leading to a

decrease in establishment rates. Therefore, contextual factors that introduce uncertainty into the environment, such as a banking crisis, may complicate the ability of family firms to develop meta-identity to resolve identity conflicts, increasing the speed at which entrepreneurial opportunities are exploited. While this finding applies to family firms in preorganization, I suspect the difficulty in integration is likely to be similar in existing family businesses. This study, thus, provides important clues into the emergence of family-business meta-identity.

Fourth, this study contributes to the literature on family embeddedness (Aldrich & Cliff, 2003, p. 574), which highlights how "entrepreneurs' family systems (i.e., transitions, resources, and norms, attitudes, and values) can influence the processes involved in venture creation (i.e., opportunity recognition, the launch decision, resource mobilization, and the implementation of founding strategies, processes, and structures). This study enriches that literature by showing that the institutional background of family entrepreneurial teams is an essential aspect of family embeddedness. Family teams differ in their commitments to societal values and meanings, which shape the ends they pursue within the family business. Thus, it is important to distinguish between various family entrepreneurial teams, such as those with a background in family logic and those with a background in commercial logic, to understand the implications for firm outcomes.

Finally, this research contributes to the debate on the genesis of family firms (Chua, Chrisman & Chang, 2004). This study differentiates among family founding groups along their institutional backgrounds. In so doing, the study provides some clues to understand better the fundamental characteristics of family firms that are born. It appears such firms are likely to be endowed with a higher level of family logic when it emerges within the context of this study. On the contrary, family teams with a higher institutional background in commercial logic may actually hurt family firm formation.

INSTITUTIONAL LOGICS

This study makes several contributions to the institutional logics literature. First, it explores the performance outcomes of institutional logics rather than legitimacy-oriented outcomes in a family-business setting (Almandoz, 2012; Berrone & Gomez-Mejia, 2009). By so doing, it extends our understanding of how different institutional logics impact organizational performance—in this case, family and commercial logics. This provides an exciting research opportunity to explore how other institutional logics in contrasting pairs affect organizational performance (Almandoz, 2012). I note the particularly limited work done on religious logic. The findings show that founding teams with an institutional background in family logic are more likely to start a new organization than those more embedded in commercial(market) logic. This is a counter-intuitive result within the profit-maximizing framework. In context with institutional voids where there is inadequate infrastructure, limited protection of property rights, and uneven enforcement of contracts (Mair & Marti, 2006), entrepreneurs are less likely to rely on commercial logic as an organizing framework. They are more likely to rely on norms, values, and beliefs associated with other institutions, such as family and religion, to conduct transactions and organize their entrepreneurial efforts (Webb et al., 2009). It will be interesting to explore this study in advanced economies where developed market-supporting institutions foster economic exchange to identify if this result is generalizable. Overall, more comparative studies are needed to gain a finer-grained understanding of the influence of family and commercial logics on the process of new firm formation and to explore the extent to which these results apply across institutional contexts. That the effectiveness of family identity in helping founding groups start new organizations could be reversed in different geographic contexts would only support the assertion that contextual differences arising from time periods

(Stinchcombe, 1965) and geographic contexts (Lounsbury, 2007) greatly influence the incidence and impact of logics.

Second, this study suggests that team size moderates the transmission of institutional influences within the family institutional order. The interaction with the team size revealed that the effect of family logic on exploration was significant only in larger groups. This deepens and extends our understanding of the conditions under which institutional influences are carried to a greater or lesser degree into the practices of new organizations. This offers some support to previous findings and extends our understanding to the context of family businesses (Almandoz, 2014: Burton, 2001). Almandoz (2014) found that while board size had a negligible direct effect on the propensity of community banks to engage in risky practices, its interaction with finance and community logics amplified the risky propensities of the group members. Burton (2001) found that larger founding teams were less likely to deviate from dominant industry models. This accentuating tendency of larger groups implies that the transmission of family logic may be facilitated by group processes within the entrepreneurial team, such as group conformity and diffusion of responsibility (Almandoz, 2014). Most of these micro social mechanisms are likely to emerge more fully in larger groups. People acting as part of larger groups are more likely to enact taken-for-granted institutional prescriptions shared by more people. Individuals tend to place disproportional weight to assumptions, values, and norms that more people share as the heuristics that accentuate those shared perspectives are likely to be present in a larger group (Almandoz, 2014). The findings of this study suggest that such a tendency is likely to manifest itself within the family institutional order. For instance, previous research suggested that family CEOs take less compensation because of stewardship orientation (Gomez-Mejia et al. 2003) compared with non-family CEOs. New research counters that family CEOs only accept lower compensation when there are other family members within the management team or on the

board (Combs et al., 2010). Without such representation, the lone family CEO seeks greater composition than CEOs at nonfamily firms and is not enamored of " pro-organizational stewardship orientation" (Combs et al., 2010, p. 1137). Thus, in smaller teams, individuals are more likely to be able to override logic effects.

We know from previous findings that social actors can use logics strategically but with some constraints. Individuals cannot just disregard the taken-for-granted prescriptions associated with logics. But individuals exposure to multiple logics throughout their lives means they have wider toolkits, which create more space for agency, as the individual can opt between any available logic in order to act. Smets et al.(2015) document how actors manage institutional complexity through a process of segmentation, bridging and demarcation. McPherson and Sauder's (2013) drug court study shows how actors flexibly employed institutional logics, including those they are embedded in, like cultural tool kit in their micro-level negotiations. Importantly, McPherson and Sauder also document constraints on individuals' ability to use logic with discretion. The findings from this study suggest that social actor's ability to deploy logics as "cultural tool kits" (Swidler, 1986) may not only be derived from their embeddedness in multiple logics, which affords them some discretion, but also from moderating factors such as the size of the group/team. Moderating influences such as group size can influence the intensity of an institutional imprint. In a sense, our ability to manipulate and use logics as a cultural resource might be constrained depending on the size of the group we find ourselves involved.

All this begs the question of why there is no such moderation for commercial logic. Perhaps, some logics "can be expansionary and are generally consuming" (Steele, 2021, p. 219) in character making their transmission very difficult to temper. Research is needed to explore further the transmission of the commercial logic.

Finally, by studying family logic, I address concerns that not much attention has been paid to nonmarket logics, such as family and religion (Greenwood et al., 2010). Of the few studies which have considered family logic (Greenwood et al., 2010; Miller et al., 2011; Reay et al., 2015), these have mostly been confined to its influence on established firms and on outcomes such as downsizing decisions (Greenwood et al., 2010) and firm performance (Miller et al., 2011). I extend the family logic to nascent and new firms and investigate its effect on organizational foundings, exploration, and exploitation.

UPPER ECHELON THEORY

This study deepens further understanding of literature on upper-echelon theory (Hambrick, 2007), which study how top management teams vary in composition and experience, and how it influences strategic decisions. This literature is primarily devoted to studying the effects of diversity in capabilities, backgrounds and experiences on firms' outcomes. This study calls attention to a different kind of diversity: differences in entrepreneurial team's institutional backgrounds shaped by their embeddedness in prevailing societal logics, which may influence entrepreneurial teams' commitment, legitimacy, and access to resources. But importantly, the study shows how top management teams' experiences can be seen as a source of commitment to logics that influence strategic and operational decisions. Founders whose identities have been shaped by their embeddedness in legitimate institutional settings are likely to form organizations that reflect those institutional influences. Individuals, including those contemplating starting new organizations, are "carriers" of institutional logics, which can impact how those individuals run and structure their organizations. And such influence may be enhanced when those individuals come together with others with similar institutional embeddedness in teams assembled to found new organizations.

Second, by drawing attention to how exposure to institutional logics affects the identities, motivations, and cognitive structures of founders, this study draws us closer to understanding the "TMTs processes and effectiveness" (Hambrick, Werder & Zajac, 2008). The composition of the entrepreneurial team, reflecting a team's exposure to particular institutional logics, may contain important clues as to the behaviour of these TMTs and the strategic orientation of their firms. From this perspective, founders (TMTs) are seen as "carriers" of institutional logics, which may impact their roles differently. Understanding the different values, assumptions, and cognitive predispositions associated with their exposure to particular institutional logics may be essential to understanding how TMTs or boards think about the strategic orientation of their firms. Directors or founders who are embedded in professional business networks and are influenced by norms that promulgate independent and market-oriented goals are likely to behave very differently from those who are embedded in family institutions.

AFRICAN CONTEXT

The final contribution arises from the research context, which is set in Ghana, a country in sub-Saharan Africa. This partly addresses the concern that a significant proportion of our theoretical conceptions and empirical findings regarding institutional research have been US-centric (e.g., Scott 2005). While attempts have been made to remedy this concern by extending to other advanced economies (e.g., Fairclough & Micelotta, 2013; Greenwood et al., 2010), there is still much to learn about how entrepreneurial teams shape organizational behaviour and practices. Of particular concern has been the African region, which has received little or no attention regarding how entrepreneurial team composition influences entrepreneurship. This oversight potentially limits the application of our theoretical conceptions to most of the world. Ghana provides a fruitful avenue to explore the influence

of entrepreneurial team's institutional background on entrepreneurship because of the presence of strong nonmarket institutions such as religion and family. Ghana provides an excellent example of an institutional environment where family values are prominent, and business activities are dominated by family ownership and management. Inadequate market-supporting institutions and weak enforcement capacity of regulatory and legal institutions in Ghana have contributed to societal notions relating to the importance of family ties, kin and kin-like relations, and the cultivation of trust-based networks in economic exchanges (Acquah, 2012). And these nonmarket institutions, such as the family, appear to support the emergence of new businesses. Given the high mortality rates of new businesses within the Ghanaian settings, further research is needed to understand how the institution of family that is beneficial in starting a business may contribute to the early exit of these businesses.

Previous research shows that family firms are often more likely to thrive in inhospital contexts- such as failed states and those plagued by war and disruption. The explanation is the family institution fills the institutional voids left by corrupt and failing governments. However, it begs the question of what dimensions of the family institution enable family firms to emerge in such a context. This study offers clues that suggest the motivational dimension of the family logic is an important influence on entrepreneurship.

CHAPTER 8: CONCLUSION

This final chapter presents a brief summary of the thesis, discusses the implications for practice, acknowledges limitations and elaborates on opportunities for future studies.

THESIS SUMMARY

The impact of entrepreneurial team composition on new organizations is a topic of great interest to organizational scholars. Consequently, a rich literature has explored how entrepreneurial or founding team composition can influence new venture outcomes. This dissertation contributes to this literature by showing that the institutional background of entrepreneurial teams is a critical yet previously overlooked dimension of entrepreneurial team composition, which may have vital consequences for new firms' emergence and early-stage strategy. I have attempted to establish this claim by exploring the effects of entrepreneurial teams' institutional background in two studies.

In study 1, I address an understudied phenomenon of entrepreneurial groups getting their organization started. As the literature on institutional logics has shown, logics in the institutional environment carry different patterns of legitimacy and appropriateness, which in turn shape behaviour (Lounsbury, Steele, Wang & Toubiana, 2021). As I have attempted to show, founders' institutional backgrounds shaped by their affiliation to prevailing societal logics can also have important motivational implications with effects on performance outcomes. Those institutional logics for which entrepreneurial groups have affiliation can arouse micro-level factors such as commitment and identification with the task of starting a new family business. In the context of institutional voids where aspiring entrepreneurs face extra hurdles in creating new organizations, the motivational dimensions of founders' institutional background seem more important to establishing new businesses than human and social capital distinctions among those entrepreneurial groups.

In study 2, I argue that the cognitive structures and values that entrepreneurial teams carry with them due to their institutional background in distinct logics have implications for the organizations they found. This dissertation shows that founders' institutional background predicts whether a firm pursues exploratory and exploitative behaviour. Through these two studies, I have tried to advance our understanding of how founders' institutional background influences the emergence and performance of family ventures. Looking at the institutional background from the firm point of view is a promising path for future research. As with any empirical project, this study has limitations, some of which suggest important avenues for future research.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

Methodological issues. Given that this dissertation is introducing a new concept called "institutional background," there are some methodological challenges that future studies may take into consideration. *First*, by measuring the institutional background as a proportion of team members embedded in a particular logic, I may have oversimplified the complexity of each logic. Given that institutional logic involves multiple dimensions (i.e., cognitive, social and material dimensions), the proportion-based measurement might not fully capture these nuances. Nonetheless, my estimated measures were conservative as they did not capture the material dimensions of the manifested institutional logics, given the early phase of the entrepreneurial process. For example, a better measure of family logic would be to use a combination of indicators that capture the various aspects of the cognitive, social and material dimensions of family logic. While the proportion of family members within the founding team captures the cognitive dimensions (i.e., shared values, beliefs, and mental models related to family logic) as well as the presence of family ties within the team, there is

an opportunity to assess the extent to which the founding team prioritized family values, goals, and interests in their decision-making processes and strategic planning.

Additionally, one could examine the presence of family-oriented management practices and organizational culture. This can be accomplished through a qualitative analysis of interviews, documents and other sources of information. There is an opportunity here for future research to develop clear operationalization of the family and commercial logics in order to accurately measure and compare founding team's embeddedness in each logic. This may involve developing reliable indicators or measurement scales that capture the key dimension of each logic.

Second, another limitation is that the measurement approach used does not account for the varying influence or decision-making power of different founding team members. By only considering the proportion of members embedded in a particular logic, I may have overlooked the fact that some members may have a more significant impact on the team's overall orientation and decision-making than others. Future research could incorporate weights for founding team members based on their influence or decision-making power within the group.

Third, considering family and commercial logics as independent axes allows for a more nuanced understanding of how entrepreneurial teams can be embedded in each logic. This enabled the examination of teams that were strongly embedded in both logics or neither, as well as those that were strongly embedded in one but not the other. This approach allowed me to propose distinct hypotheses for each logic, allowing for a more precise analysis of how each logic independently influenced new venture outcomes. However, by treating family and commercial logics as independent axes, the approach may not fully capture potential interactions between the two logics. In some cases, the presence of one logic may amplify or dampen the effects of the other. For example, a strong commercial logic might have a

different impact on decision-making or performance when combined with a strong family logic compared to when combined with a weak family logic. By treating the two logics as independent, the approach may not fully capture these interaction effects, which could lead to an incomplete understanding of the dynamics within the founding team. To address this limitation, I included interaction terms (high commercial and high family logics), which allowed me to examine whether the effects of one logic are contingent upon the level of the other. It was also valuable in providing insights into how the combined effects of the two logics impact organizational outcomes. There is an opportunity for future research to tease apart the implications of various levels of hybridity between family and commercial logics (e.g., high- low) on firm outcomes.

Fourth, one concern is whether elapsed time is an apt measure for the likelihood of establishment, as some entrepreneurial groups may benefit from a delayed entry. In addition, a shorter elapsed time between registration and opening may not necessarily indicate a higher likelihood of establishment. It could be that firms more likely to establish themselves successfully are also more efficient in navigating the registration process, or vice versa. In such cases, other underlying factors may drive the observed relationship between elapsed time and establishment likelihood. The variable is a proxy for the degree of ease or difficulty the entrepreneurial teams experienced in starting the new family enterprise or withdrawing from the founding process. In a resource-constrained environment, entrepreneurial groups are likely to deplete organizing funds if the founding process drags on because they start with lower initial endowments. A Longer elapsed time may also reflect a founding team's lower capacity to mobilize the needed resources to start the new enterprise. To address the limitation of using the opening date as a benchmark, I use alternative measures. As a robustness check, I included firm establishment, a dummy variable with a value of 1 if a group managed to open a new venture and 0 if a group withdrew. Using this variable

provided results consistent with those in the main models. I also used another alternative measure of firm establishment- the first employee hired in a separate analysis. This variable provided results consistent with those in the main models.

Conceptual issues. One limitation of this study is the implicit assumption that the values and preferences of founders can be predicted based on their embeddedness in commercial and family institutions. The institutional logics perspective supports such an assumption. Nonetheless, one would expect variations in institutional influences at the individual level depending on the experience of those founders in commercial and family institutions as well as other aspects of the local environment. One would also reasonably expect such variations in line with the theoretical arguments outlined in this study to be reduced due to intragroup dynamics. Individuals are likely to enact specific identities and logics when they find themselves in organizations that embody different logics (Van Maanen & Barley, 1984). The team-level measure appears to capture the influence of those logics strongly. An opportunity is presented here for future studies to explore through other instruments, such as surveys and case studies, the extent to which embeddedness in institutional logics influences the motivations, commitments and cognitive predisposition of founders, as well as the extent to which such influences are carried further in larger groups. For instance, case study research that compares groups influenced primarily by one of the competing logics could illuminate our understanding further of the different patterns of legitimacy and motivational implications associated with those competing institutional backgrounds.

Strategic orientation. The influence of institutional logic on exploration and exploitation could be explored further as this study concentrated on exploration and exploitation strategies. This is partly because the sampled firms were very early in their life cycle and may not have developed broader patterns of exploration and exploitation. In that

light, the study relied more on self-presentations in documents addressed to resource providers and regulators to capture the influence of institutional logics on exploration and exploitation. But all this also raises endogeneity concerns that the firm's initial strategic choice may have predicted the founding team, given the interconnected nature of startups and founders. For instance, the main founder may have deliberately invited co-founders that would help execute a preexisting exploitation strategy (Pfeffer & Salancik, 1978) regardless of the cognitive predispositions of the co-founders. Homophily dictates that founders with commercial backgrounds are more likely to accept such an invitation. If such is the case, one would be hard-pressed to explain how larger teams accentuated the influence of institutional logics. Furthermore, I also examined other explorative and exploitative behaviours – strategic change and product shipment, which clearly happened after team formation. This suggests that causality may be in the direction hypothesized, but additional studies could explore further these causal processes.

Generalizability. The extent to which this study applies to context beyond family firms in Ghana is a crucial question that warrants additional empirical reason. But this study could also offer important clues to the emergence of new businesses in settings characterized by institutional voids. In the context of this study, where nearly 70 percent of new ventures die within five years (Daily Guide, 2017), research could examine further to what extent the impact of family logic on organizational foundings is a good thing. Such analysis could explore how family and commercial logics influence future entrepreneurial outcomes such as profitability, growth and survival.

Finally, research could also be extended to other logics, such as religion, which has received scant attention in the literature. In the African context, where formal institutions are lacking, entrepreneurs rely more on informal institutions of norms and values to organize

economic activities (Neubert et al., 2017). Religious logic may be particularly connected to some of these informal institutions of culture.

PRACTICAL IMPLICATIONS

On a practical level, this research suggests the value of considering the implications of institutional logic when starting new organizations because the logic espoused by founding members can have a consequential impact on the ability to launch new ventures successfully. This insight can provide essential clues concerning hiring practices that entrepreneurial founders may consider. Given that discretion is likely to be higher in nascent ventures concerning hiring and socialization practices (Besharov & Smith, 2014), managers can design hiring practices that allow the organization to integrate competing logics (Battilana & Dorado, 2010).

The study also underscores the need for aspiring entrepreneurs to reflect carefully on the team they assemble when creating new ventures. Rather than focusing solely on functional experience, this research points to the need to pay attention to the institutional logics those experiences bring. These institutional logics are important to consider as they shape cognitive predispositions, preferences and interpretations of salient events.

By understanding the influence of institutional background on founding teams, researchers can inform policies and practices aimed at fostering entrepreneurship and supporting the development of new ventures. This can help policymakers, educators, and practitioners design more targeted interventions and support systems that take into account the diverse institutional contexts in which entrepreneurial activities take place.

CONCLUDING REMARKS

Founding and entrepreneurial teams vary in composition, backgrounds and experiences, which have implications for organizational outcomes. I have made the case that

such influences can be revealed through research that considers entrepreneurs' backgrounds, experiences and values as a reflection of their commitment to prevailing societal logics. This has the potential to open a research stream focused on how the institutional background, a team compositional variable, influences various organizational outcomes. By considering the influence of founding teams' institutional background, researchers can better explain the variations in organizing efforts, decision-making processes, and outcomes among different ventures. Incorporating institutional background expands the scope of analysis by taking into account not only the personal attributes, expertise, and experiences of founding team members but also the broader social, cultural, and institutional factors that influence their actions. This approach enables a more refined comprehension of the intricate relationship between individual agency and structural constraints in entrepreneurship. Finally, examining the role of institutional background can help uncover hidden dynamics within the founding teams, such as the presence of multiple competing logics, tensions between team members, and the influence of external factors and stakeholders. This can enhance our understanding of the challenges and opportunities that founding teams face in navigating complex and often conflicting expectations.

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