Entrepreneurial Behaviour and Effectuation: An Examination of Team Formation Processes

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5.1 Introduction

Entrepreneurial behaviour is generally defined as those concrete and observable actions that are required to start and grow a new organization (Bird et al. 2012; Gruber and MacMillan 2017). This definition is underpinned by a specific paradigm of entrepreneurship, that of new organization creation (Verstraete and Fayolle 2005; Gartner 1988). When showcasing select entrepreneurs' behaviours such as applying for external capital, communicating with customer, or planning marketing, Bird et al. (2012, 903) argue that, "in line with Gartner's (1988) definition", they focus on "the start-up stage where an opportunity is exploited. It does not include behaviours that lead to opportunity identification (…)". There is thus a left-censorship and, more generally, a focus on the study of very specific instances of entrepreneurial behaviours directly linked to activities essential to build a new business such as write a business plan,

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register a legal entity, or hire people. While all these established gestation activities are sound manifestations of a deliberate intention to build a business, emergent theories in entrepreneurship suggest that other activities may be part of entrepreneurial behaviour. Effectuation represents a popular example (Sarasvathy 2001). Often represented as "a decision-making framework that guides entrepreneurial action and behaviour" (Sarasvathy and Dew 2008, 732), the principles of effectuation are essentially a prescription for a few determined entrepreneurial behaviours (Perry et al. 2012).

Hence, this chapter is firstly an attempt to revisit the concept of entrepreneurial behaviour in the light of a prominent emergent theory of entrepreneurship, that is, effectuation. Secondly, this chapter argues that despite the focus on extant literature on individual entrepreneurial behaviour, the overwhelming majority of new ventures are started by entrepreneurial teams. In fact, the definition of entrepreneurial behaviour includes "individual *or team tasks*" (Bird and Schjoedt 2009, 328) (emphasis by the authors). Further, Bird et al. (2012, 890) argue that "the major goals of research on entrepreneurs' behaviour are to explain, predict, and control (shape and change) behaviour at the individual and team level" deliberately not limiting the locus of entrepreneurial activity to the individual entrepreneur (Gartner et al. 1994). While entrepreneurship research does not fully reflect this reality, the field has accumulated wisdom on the prevalence of entrepreneurial teams, particularly in the context of high-technology firms which are disproportionately created by teams (Watson et al. 1995; Lechler 2001; Kollmann et al. 2016). Furthermore, a growing number of studies have shown that there are idiosyncratic concepts to teams, such as team mental models or shared leadership (Klotz et al. 2014; de Mol et al. 2015). Probably one of the most particular attributes of entrepreneurial teams compared to teams in other organizational contexts is team formation. Indeed, membership is not assigned by hierarchies in the case of entrepreneurial teams. Surprisingly, entrepreneurial team formation is one of the most under investigated topics about entrepreneurial teams (Ben-Hafaïedh 2017; Kim and Aldrich 2017), even though entrepreneurial team formation strongly imprints the future organization and impacts its performance (Klotz et al. 2014).

This chapter is an attempt to rethink the team formation processes as an example of entrepreneurial behaviour in light of emerging theories of entrepreneurship. We conceptualize team formation as independent of the immediate creation of a new venture and as one possible outcome of actions and interactions undertaken by aspiring entrepreneurs. Team formation process is thus shaped by entrepreneurial behaviour and interwoven in the surrounding context. More generally, we redefine entrepreneurial behaviour to include:

1. Actions not necessarily connected to the immediate creation of a new venture. If entrepreneurship is an iterative non-linear process highly embedded in its context, then entrepreneurial behaviour must include every action that individuals take to further their business idea. Some of these actions may not be connected directly to the creation of a business but are nevertheless valuable to the aspiring entrepreneur.
2. Interactions that are a direct result of deliberate actions that strengthen the entrepreneur's aspirations and are in line with her sense of purpose.
3. Actions that shape the context in which the entrepreneur operates. The context is both an input on which the entrepreneur bases her actions as well as a result of her own actions. Context is therefore co-created by the entrepreneur's actions and interactions.

This chapter firstly contributes to the literature on entrepreneurial behaviour by broadening the concept to include many entrepreneurial activities which, despite not being directly in the scope of the new venture creation entrepreneurship paradigm, reflect emergent theories in the field. Secondly, this chapter contributes to the entrepreneurial team literature that traditionally draws from organizational behaviour and strategy concepts at the expense of overlooking emerging entrepreneurship theories. This notably enables us to conceptualize the co-evolution of the team and the entrepreneurial opportunity. Thirdly, this chapter contributes to effectuation theory by discussing its implications for entrepreneurial behaviour as well as bringing in entrepreneurial teams to effectuation theorizing (Alsos and Clausen 2016).

The chapter unfolds as follows. We begin by presenting effectuation as entrepreneurial behaviour. We then turn our attention to entrepreneurial teams literature with an emphasis on team formation behaviour before proposing our effectual conceptual model of entrepreneurial team formation. Before concluding, we outline future research areas and discuss the implications of our model for research and practice.

5.2   Effectuation as Entrepreneurial Behaviour

Effectuation theory represents a new way of understanding entrepreneurial behaviour. Its principles are indeed prescriptions of given behaviours that entrepreneurs can use to build new ventures under conditions of uncertainty. Guided by an aspirational sense of mission, entrepreneurs take actions not necessarily intended to immediately create a new venture, move forward as a result of interactions with others, and shape the context in which they operate (Sarasvathy 2008). The introduction of the concept to the literature by Sarasvathy (2001) represented a paradigmatic shift in entrepreneurship scholarship. By challenging the dominant opportunity-individual nexus (see Shane 2003) in which individuals rationally pursue an opportunity, marshalling resources to attain a pre-defined clear goal, Sarasvathy (2001) suggests that entrepreneurs often start with what they have at hand and a sense of purpose. As they act, the aspiring entrepreneur creates her entrepreneurial opportunity by interacting with others, who may self-select to shape her ideas and, consequently, her goals. Flexibility, adaptation and learning are at the core of effectuation as well as the notion that the future cannot be predicted and, as a result, it is shaped by the entrepreneurs' actions. Effectuation theory is based on five principles:

1. *Start with what you have*. This principle posits that entrepreneurs begin their journey with a given set of means that includes personal aspirations, their knowledge and experience, their personal network of contacts at that moment in time. Effectual entrepreneurs concentrate their efforts to take actions made possible by these circumstances.
2. *Affordable loss*. In making decisions about resource acquisition and deployment, effectual entrepreneurs calculate how much they can

afford to lose as the basis for their initial investment necessary to take action. The affordable loss is akin to acceptable risk when the outcomes of any decision are unknowable.

3. *Partnerships* are developed through self-selection. Instead of recruiting and hiring employees, or undertaking a strategic search for partners, effectual entrepreneurs remain open to those who wish to partner when taking each action. Forfeiting control of the venture is offset by an increased set of means which add to the resources endowment and generate new possible attainable goals and outcomes.

4. *Leveraging contingencies* as a mechanism to transform potential adverse external circumstances in beneficial adaptation for the new venture. Effectual entrepreneurs do not engage in risk analysis and look at contingencies as stimuli for new actions.

5. *Non-predictive-based control.* Since the future is unknowable, our entrepreneur does not try to predict it but rather to control it through her actions and interactions. Although last in our list, this principle is the overarching principle of effectuation theory.

Prior research in effectuation has dealt with attempting to demonstrate empirically the existence of the main construct and sub-constructs (see for instance Chandler et al. 2011). While the concept has entered classrooms around the world and proven popular amongst educators and entrepreneurs, academics have vocally alerted to the lack of empirical validation and theoretical soundness (Arend et al. 2015). Importantly, the link with performance has not been empirically demonstrated yet which, in turn, leads to confusion as to how to use effectuation and to what end (Perry et al. 2012). For the purposes of this contribution, we highlight a few advances of effectuation literature that can directly inform the process of entrepreneurial team formation.

5.2.1 Dynamic Model of Effectuation

At its core, effectuation theory emphasizes experimentation and iteration as expressions of action and interaction entrepreneurship experience in their search for an entrepreneurial opportunity. The five effectuation principles described earlier can be then placed in an optimal sequence

that explains how entrepreneurs build their resource base and create entrepreneurial opportunities in the form of new markets (see Fig. 5.1).

5.2.2   Combination of Effectuation and Causation

Effectuation theory is often described as opposed to traditional approaches to entrepreneurship that emphasize planning, forecasting, and deliberate opportunity search—this model has been called causation celebrating its philosophical roots of near perfect identified causal relationships that can reasonably be extrapolated to accurately predict the future. As effectuation theorizing matures, more nuanced approaches emerged not necessarily opposing the two modes (causation and effectuation) but rather combining them and attempting to understand under which circumstances entrepreneurs should deploy each strategy.

Wiltbank and colleagues propose a theoretical model of several possible strategies based on different levels of prediction and control (Wiltbank et al. 2006). High emphasis on prediction coupled with a low emphasis on control gives way to planning—a strategy that prescribes prediction as the basis for action. Conversely, high emphasis on control and a low
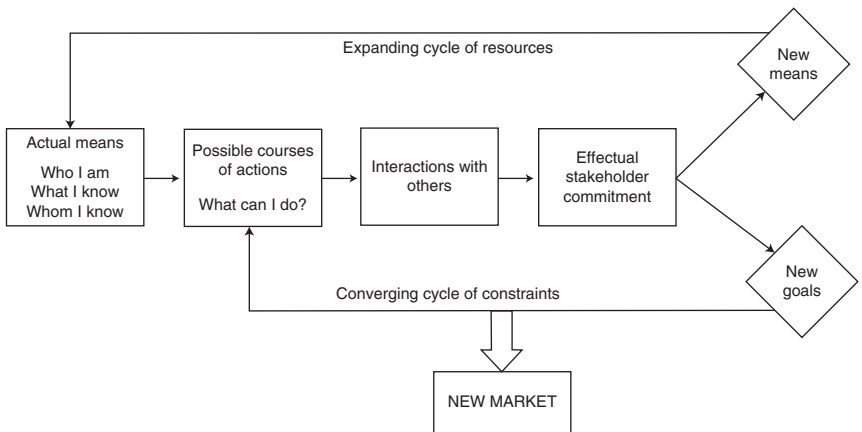

Fig. 5.1 Dynamic model of effectuation. (Adapted from Read and Sarasvathy 2005, 35)

emphasis on prediction originate a transformative strategy in which the current means are used to collaboratively co-create goals and build a possible future; effectuation is one example of a transformative strategy (Wiltbank et al. 2006).

Several empirical contributions found combinations more or less simultaneous of effectuation and causation logics. High levels of perceived external uncertainty and a less advantageous resources base trigger effectual logics as the basis for strategic decision-making (Reymen et al. 2015). The combination of these different and seemingly opposed logics has also been found to be synergistic (Smolka et al. 2018).

5.3   Entrepreneurial Teams

There are numerous denominations used for entrepreneurial teams in the literature such as new venture teams, new venture top management teams, founding teams, and start-up teams (Schjoedt et al. 2013). Authors do not always define the term they use (Schjoedt and Kraus 2009) but those who do generally operationalize a combination of two or three of the following criteria: founder (responsible for formally starting the company), owner (significant equity interest), and top manager (involved in strategic decision-making) (Ensley et al. 2002). One of the most recent literature reviews uses the "new venture team" terminology and offers what is probably the most lax definition of entrepreneurial teams, as it does not mention the founder status nor the ownership criterion. The entrepreneurial team is here akin to a new venture top management team (Ben-Hafaïedh 2017): "the group of individuals that is chiefly responsible for the strategic decision making and ongoing operations of a new venture" (Klotz et al. 2014, 227). We adopt a more conservative approach, and follow seminal scholars on the topic of entrepreneurial teams who notably excluded from the entrepreneurial team (early) employees while recognizing them as an important internal group (Bird 1989; Vesper 1980). By using this narrower delineation of entrepreneurial teams, we assume theoretically that this group has a greater influence in the early stages of the company and therefore a longer-lasting imprinting effect on the new venture as it matures.

5.3.1   Entrepreneurial Teams Research

Entrepreneurial teams research has a history of (heavily) drawing on research from top management teams research first (the literature on upper echelons theory (Hambrick and Mason 1984)) and organizational behaviour second (Klotz et al. 2014). Scholars have alerted on the risks of transposing research from non-entrepreneurship contexts and teams to the entrepreneurial teams field (Foo 2011; Klotz et al. 2014) given the significant differences in context and scope: entrepreneurial teams operate in a simple structure (a new venture) and do not have clearly defined executive or tactical/operational functions as top management teams or traditional work groups, respectively. Moreover, entrepreneurial teams form "naturally" (Kim and Aldrich 2017). Nevertheless, entrepreneurship researchers followed the lead of upper echelons researchers in examining the impact of team composition on new venture performance. They obtained the same mitigated results. A recent meta-analysis shows that, overall, entrepreneurial team composition does impact new venture performance but the specific dimensions, of diversity notably, are not so clear (Jin et al. 2016). Recent research appears to be trying to solve this issue of inconsistency by following suggestions such as those Joshi et al. (2011) formulated: (a) reconceptualising the diversity variables, (b) incorporating mediating mechanisms, and (c) a greater emphasis on contextual moderators. For example, entrepreneurial teams' research is attempting to move away from demographic team composition to take into consideration deeper-level factors (Schjoedt and Kraus 2009), such as personality, for example, (Klotz et al. 2014; Khan et al. 2015, 2014; Schoss et al. 2017).

Recent research is also benefiting from the introduction of the IMOI (input-mediator-output-input) framework (Ilgen et al. 2005) in lieu of the classical I-P-O one (input-process-output). Mediators are differentiated into processes and emergent states (Marks et al. 2001). The latter "describe cognitive, motivational, and affective states of teams, as opposed to the nature of their member interaction" (Marks et al. 2001, 357). Shared leadership, that is, a state where leading behaviour is manifested by the team as a whole and not just a single individual, is an important emergent state for entrepreneurial teams (Ensley et al. 2003, 2006;

Hmieleski et al. 2012; Zhou and Vredenburgh 2017). de Mol et al. (2015) offer a review of cognitive states in entrepreneurial teams research (strategic consensus, shared strategic cognition, transactive memory systems, shared mental models, collective cognition, collective memory, collective vision, team creative cognition) and their possible interactions with processes that can be task work or teamwork-related. Overall, entrepreneurial teams research can be examined along team developmental stages with three key areas: (1) forming, (2) functioning, and (3) evolving. In this chapter, we chose to focus on the first.

5.3.2 Forming Stage

The reasons for venturing in a team rather than solo are numerous. Team entrepreneurs generally put forward resource-based motivations: having or accessing more resources and skills, and possibly more diversified, as well as their belief in the superiority of team projects (Ben-Hafaïedh 2013; Moreau 2005). They also mention more social motivations, such as support need and a gusto for team work. Finally, some motivations are more extrinsic, even if they are internalized: entrepreneurs believe that important stakeholders, future investors for example, will be more favourable to a team rather than a solo venture (Moreau 2005). In terms of behaviours, the literature distinguishes two starting points: the idea or the group. Kamm and Nurick (1993) argue that on the one hand an entrepreneurial team can start from an individual entrepreneur who has an idea and who then looks for prospective team members. They term this the "lead entrepreneur" approach even though the initial entrepreneur is not necessarily going to be the leader of the team. On the other hand, Kamm and Nurick (1993) suggest that an entrepreneurial team can be formed on the basis of a group of people who come together regardless of whether they have an identified business idea or not. This is the "group approach" (Kamm and Nurick 1993). Cooney (2005) makes a similar suggestion and discusses three central elements to his process of enterprise formation model: the idea, the team, and the implementation of the idea (Fig. 5.2). First, he focuses on the idea and its origin. The idea can be conceived by an individual before the forma-
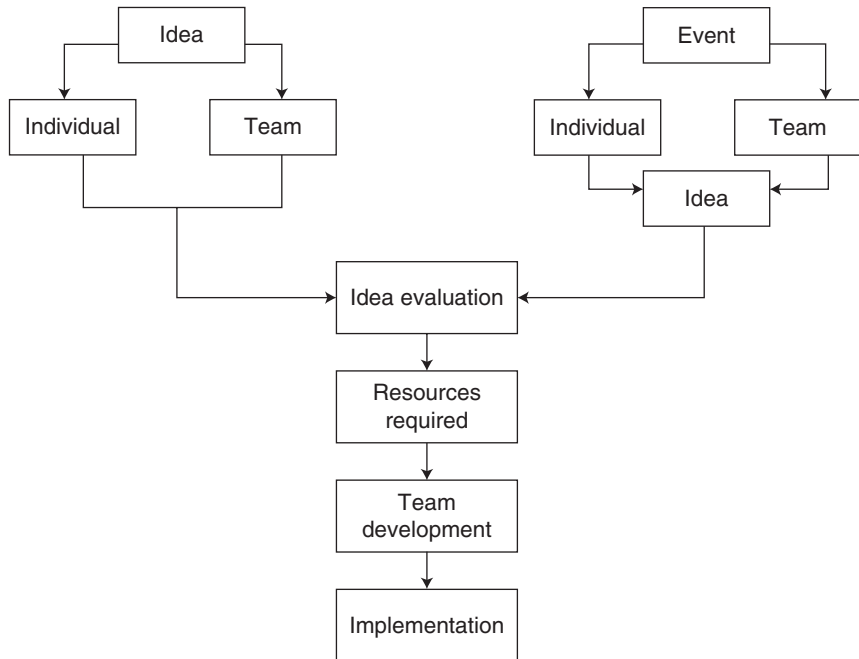
Fig. 5.2 Process of enterprise formation. (Adapted from Cooney 2005, 232)

tion of the team, or it can be created and developed by a team (Cooney 2005). Compared to Kamm and Nurick's (1993) propositions, Cooney (2005, 231) specifies that in the "group approach", "the idea is created and developed by the team and has been conceived for the specific purposes of the team".

Once these two starting points considered, we notice that Cooney's (2005) model continues with a strategic, resource-based approach: the idea is evaluated and the required resources shape the development of the team. Forbes et al. (2006) argue that there are two general explanations for new member addition in the entrepreneurial team literature. The first explanation is resource-seeking oriented, driven by instrumental considerations as the objective is to fill a resource gap after having identified a resource problem and undertaken a problemistic search. The second explanation "(…) sees the addition process as driven primarily by interpersonal attraction and by social networks" (Forbes et al. 2006, 227).

The existing and new team members already know each other, and the objective is to satisfy social-psychological goals of existing members (Forbes et al. 2006).

While these explanations seem to be dichotomous, the literature recognizes on the contrary that they are not mutually exclusive (Forbes et al. 2006; Grossman et al. 2012). Missing though is an understanding of how precisely they might combine. Moreover, while it is recognized that the process of entrepreneurial team formation is entwined with the identification and the refinement of the business opportunity, the literature does not inform us on how they influence each other (Ben-Hafaïedh 2017; Kamm et al. 1990; Discua Cruz et al. 2013).

Finally, what the two main theoretical approaches to entrepreneurial team formation have in common is that they are goal-driven from the beginning. This is particularly clear in the resource-based approach where the initial entrepreneur or group will be looking for a new team member (or more) in order to fill resource gaps. But it is also the case in the social-psychological approach, albeit differently, as the initial entrepreneur or group is driven by social-psychological goals. These two goal-oriented theoretical approaches contrast with contemporary entrepreneurship emerging theories such as effectuation. We now turn our attention to building a conceptual model for entrepreneurial team formation behaviour from an effectuation perspective.

5.4 An Effectual Model of Entrepreneurial Team Formation

We propose a conceptual model of entrepreneurial team formation inspired by effectuation—an emerging theory in entrepreneurship (Fig. 5.3). Against this backdrop, team formation is not necessarily connected to the immediate creation of a new venture, is a possible outcome of actions undertaken by the aspiring entrepreneur, and is placed in the context in which these actions are taken. Our working definition of entrepreneurial behaviour implies that actions and interactions are the building blocks of the team formation process that can possibly crystalize in commitments to actionable outcomes.
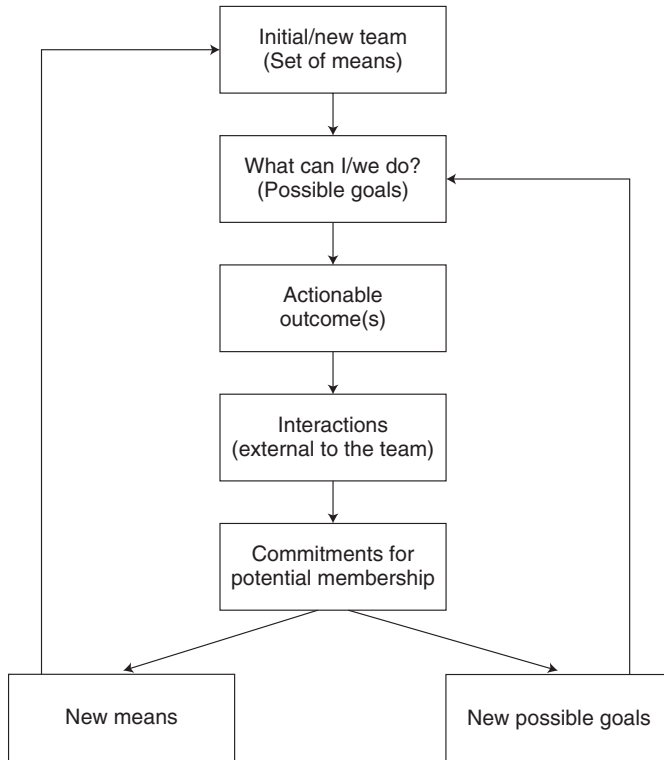
Fig. 5.3 An effectual conceptual model of entrepreneurial team formation

We consider the team formation process somewhat more generally than prior research in that we conceptualize both admission and exclusion from an existing team at a particular point in time. In other words, we expand the traditional scope of the team formation process to team adjustment and put at the very end of the main process branch the new team's possible goals and means. The team formation process is iterative and, as a result, we deliberately add two feedback loops: one connecting the commitments by the new team members to a new initial set of means; another loop connects the commitments by the new team members to the new possible goals they collectively can consider as the basis for actions to be taken.

The process starts with a given initial team of one or more members. Opportunity creation and team formation process unfold simultaneously which implies that, at this point in time, the team member(s) ponder which possible goals can be attained given the available set of means. With a determined possible goal selected, she/they agree on an actionable outcome, or a set of actionable outcomes, that will necessarily lead her/them to interact with people external to the team. Of all the interactions with people external to the team, some may have as direct consequence a commitment to be team member which will lead to new team composition. Conceptually, commitments may also lead to team member exclusion or replacement.

We now present a thought experiment describing an imaginary journey of an entrepreneur who develops her business from scratch to illustrate our conceptual model.

5.4.1   A Thought Experiment: An Imaginary Journey to Build a Social Venture[1]

About to finish her graduate studies, Agathe (*initial team*) is passionate about humanitarian work and with a sense of urgency to help refugees who keep arriving in her country. "Cooking is something that almost anyone can do and even the worst cook in their country of origin would know more about that particular cuisine than we know here", she reasons while thinking about the easiest employable activity. Indeed, a quick search on the internet reveals only a few decent options of ethnic restaurants in her city, and, as a result, the idea of opening an ethnic cuisine restaurant starts taking shape in her mind (*possible goals*).

"I'll only employ refugees because those are the people I wish to help", she shares with a college colleague acquaintance (*interactions*). "Be careful, Agathe, it's really difficult to employ migrants, refugees, or other recent arrivals to our country, they don't have any papers, you know that, right? I'm doing voluntary work on weekends for a local charity helping refugees to get settled in my district and we struggle to even get their kids to public schools", he says while sipping a beer in a warm Spring sunny afternoon. "Wow!, I didn't know you were working so closely with real

refugees. That charity of yours could be an interesting starting point for me to look for people to work for me", she offers (to the *prospective member*). The answer was lukewarm: "I don't think the people running the charity would authorize you to do that – after all, we're supposed to assist them to become fully integrated, not encourage them to work illegally. I wish I could help though but I hate cooking and kitchens, even the smells gross me out!". Not that she was looking, but a potential partnership with was quickly discarded.

To learn more about the restaurant industry, Agathe reaches out to a local chef-entrepreneur cold-calling him on social media, his restaurant and a dubious email address found online (*actionable outcome*). She's radiant to see his reply on her inbox and quickly arranges to meet him in one of his fancy restaurants (*interactions*). For unfathomable reasons, he seems distracted and very dismissive of her ideas and doesn't seem to relate to her humanitarian drive. Nevertheless, he mentions a few times a sous-chef who has successfully introduced new ingredients in his dishes: "Moussa is his name, I think he came from Mali when he was a child", he says.

A few days later, she sits down with Moussa after she found him on social media and they immediately hit a chord. "My family and I came to this country when I was a kid and we were fortunate to have survived the trip", he says while recalling the hardships of the seemingly endless trip through deserts and seas in the hands of human traffickers. "That is a noble venture indeed where I wouldn't mind working for" (*prospective member self-selection*). "Oh, that sounds wonderful… are you serious?", she jumps in excitement. "Yeah, but…" he adds with a sad tone, "… I'm moving at the end of the month to my home town as my mother is gravely ill and I must see my family, at least for while". "Where is that?", she asks. "It's near the border, close to the sea". "Oh, isn't that massive refugee camp located nearby?" They both smile at the sudden realization: they will work together on this venture in his hometown (*commitment*).

Some weeks later, Agathe finds a small pied-a-terre in the coastal city, and while taking shelter from a sudden Summer shower, she recognizes a familiar face from her early college years. "Sally…?" "Omg Agathe, I can't believe we met after all these years, haven't seen you since we did that theatre play together, right?, what are you doing in town?" (*interactions*).

"I have been spending a lot of time here – currently trying to open a restaurant in town to help refugees to find a job and integrate better in our country", she affirms with determination adding "My chef grew up here so we decided to start our venture in the city". "Are you open already? Where it is? I'm curious!" "Actually, finding a location has been the most challenging – any space ready for a commercial restaurant is super expensive and, if it's not the right layout then we must build it ourselves and we're not exactly sitting on a pile of cash…. We have everything else lined up: he's Malian so we'll go for Malian cuisine and employ refugees. Haven't figured out yet how to circumvent the fact that most are undocumented…". Her former theatre buddy smiled: "Well, plenty of small business employ refugees in town since we're so close to the border – at my dad's small business we use to also; you can always have a tip box, call it donations, and that way it's not really a salary".

"I mean, there won't be social or pension contributions until the refugees get their papers but at least it's not an illegal salary for the company or begging on the streets", Agathe thinks out loud with Moussa. "Sure, it could work specially in a restaurant where people are used to tip at least some pocket change. If we explain this to customers, I'm sure we can get higher tips". "We still have to find a location – did you talk to your realtor cousin? Anything new?" "He couldn't find anything in our price range", he says moments before Sally arrives at their table. After a quick introduction Moussa and Sally (*more interactions*) realize they may have met before as they both grew up in the same city. "So I lived close to my dad's company, beyond the train tracks at the foothills, you know, where the old industrial warehouses used to be – that neighbourhood has changed so much lately. Companies closed down – my dad's as well by the way – and new things are opening quickly". Agathe's and Moussa's curiosity is growing as Sally continues. "There a new brewery with a taste room, a co-working space, an events room, modelling agencies, it's becoming a new popular hangout place here in town – we should definitely go get a drink there after dinner". Sally's suggestion is quickly agreed on.

"This reminds me of some places in East Berlin", Agathe says as they take the stairs up to the roof of an old warehouse after establishing that the old cranky cargo lift is not working. "I told you it was cool, right?", Sally asks with a hint of pride for having moved the party to the up and coming off

the beaten track neighbourhood, "Here's my dad's building just across the street – he's still sad that he had to close but it was not worth to be open". "Wow, it's huge", Moussa says as he admires the old three-storey factory, "So your family still owns it?", he asks. "We're deciding what to do with it. City Hall has contacted us because they may change zoning rules to allow new construction here but we haven't really decided". Moussa and Agathe cry almost at the same time "Have you thought about opening a restaurant there?" (*possible commitment*).

Days go by before Sally calls Agathe. "So, I've spoken to my dad as it turns out that there is a commercial kitchen on site – the factory gave work to more than 200 people so it should be quite big". "Can we visit it?" Agathe asks. "Sure, let's go this evening. Bring Moussa".

"This is awesome!", Moussa cries as the girls look around to appreciate the industrial atmosphere of the space, "I could have cooking stations here and there", he gestures, "move the refrigerators there", he continues thinking aloud. "By the way, I went to the refugee camp today and got to know some of the community leaders", Sally shares, "good chance that we can bring in many people to learn cooking here".

They open right before Fall brings colder days. Sally's dad has agreed to let them use the space free of charge for at least a year provided that they take care of it entirely and no major renovation works are performed. "I want the building to remain before we know that City Hall is planning for this area", he explained. The inaugural night is glorious. People gather around the bar while waiting for a table while Sally goes around distributing information about the refugee camp and how the government intends to shut it down. "We could house a few families here, we surely have room!", she says several times during the evening, "but that would not solve the problem entirely".

The Winter was very generous for the three entrepreneurs. The restaurant is well reviewed locally, the social character of the venture celebrated by the press, and they are even featured on a national news piece about grassroots initiatives to integrate refugees. Sally is the public face of the restaurant, while Agathe and Moussa deal with daily operations. One Spring night after they close, they realize it has been one year since they met and started to envisage this joint venture. As they close that evening, they discussed Sally's pronounced activism. "I mean, it's great that she

takes these matters with such dedication. I'm not sure if I want to do this for much longer – I always wanted to run my own kitchen and not just train people", Moussa confides. "Seriously?" Agathe blurts out immediately, "But how can we manage without you?".

Before the start of Summer, Moussa announces his amicable departure from the team (*commitment* and *team adjustment*). Shortly after, Agathe and Sally change the business model to a more socially oriented venture in which the restaurant becomes just a component. The site houses now a makers space with micro manufacturing machinery, a commercial kitchen, as well as computer labs to train refugees in several crafts. The neighbourhood continued to develop and, thanks to Agathe and Sally's social venture, nearby businesses began to hire more refugees and immigrants.

5.5 Discussion

This chapter represents a modest attempt to update entrepreneurial behaviour conceptualizations in light of emerging theories of entrepreneurship. We use the examples of team formation processes to illustrate the profound implications of rethinking entrepreneurial behaviour. We make several main contributions to the three streams of literature.

5.5.1 Entrepreneurial Behaviour

Firstly, we add to the body of work on entrepreneurial behaviour by broadening the concept, putting action and interactions in its core, and bringing the surrounding environment to the sphere of influence of the entrepreneurs' actions. Our view of entrepreneurial behaviour is broader in the sense that we consider activities that are not carried to immediately create a new venture. We thus view entrepreneurial behaviour to be at its core about actions that move entrepreneurs forward espousing the prevalent view in practitioners' literature that entrepreneurship is about doing and practice (Blank and Dorf 2012; Ries 2011). This is in line with recent literature that also questions the current view of entrepreneurial behav-

iour. For example, Gruber and MacMillan (2017) base their paper on the premise that entrepreneurial behaviour is not solely driven by economic motives and therefore does not necessarily imply the creation of a for-profit business. This leads them to propose a reconceptualization and extension of entrepreneurial behaviour based on identity theory (Gruber and MacMillan 2017). Moreover, we add interactions as a result of actions undertaken by entrepreneurs at the core of entrepreneurial behaviour. If taking actions is important, ensuring interactions with others and making sense of those is crucial to identify entrepreneurial behaviour. One possible outcome of interactions during the aspiring entrepreneur's forays is the formation of a team. Our view also considers that entrepreneurial behaviour and the context cannot be dissociated. Entrepreneurship actions are motivated by interactions with the environment and in its turn shape the future context in which they will operate.

5.5.2   Entrepreneurial Team Formation

Secondly, we contribute to the entrepreneurial team literature by advancing a novel conceptual framework for understanding team formation inspired by contemporary theories of entrepreneurship. In contrast with Cooney (2005), the thread in our model is not resource acquisition intended to implement a new idea initiated either by a lead entrepreneur or an event that brings together individuals for the pursuit of an entrepreneurial opportunity. We conceptualize actions and interactions that may result in a commitment to an actionable outcome as the building blocks of the team formation process. We recast business idea development and team formation process as indissociable from one another. In our model, a prospective team member will not be admitted to the team if she does not commit to an imminent action together with the existing team. The process of team formation unfolds then as prospective and current team members commit to actions they collectively agree on and deem as attainable in a foreseeable close future. Entrepreneurial behaviour is often seen as activities directed at creating and guaranteeing the viability of new ventures. By considering conceptually the interdependence of the team formation and the idea development, we are also suggesting that the team

Table 5.1 Causal and effectual team formation processes

	Causal		Effectual
Identification / Search Selection	Events + Ideas	combined in	Action and interaction
	Resource-based/Social-Psychological	combined in	Commitments

behaviour cannot be seen as independently of the context. In other words, the team's behaviour is not so much reacting to contextual conditions but inexorably shaping the context. The conceptual model we propose is iterative and suggests that both team admission and exclusion can follow the same logic but with the lack of commitment to the actionable outcome being the self-exclusion in the latter. Finally, we posit that team formation is not triggered by an identified need but rather as an outcome of actions of entrepreneurs and interactions with people external to the team.

Prior team formation process conceptualizations have been more nuanced in literature. For instance, Cooney (2005) conceptualizes two starting points for the team formation process: idea or event. The underlying view is that entrepreneurship is an essentially goal-driven endeavour, that is, that entrepreneurs have either a resource goal in mind and, consequentially, look for a new team members who can add to the resource pool; or a social-psychological goal in mind and, as a result, look for kindred team members (Forbes et al. 2006). Our proposed model is in a way an expansion of the insight that entrepreneurs convene for emotional reasons prior to having a defined business idea (Cooney 2005); the difference is that we never dissociate idea and team formation. When we consider the stages of the team formation process, our model assumes that there is no goal-driven search but rather that entrepreneurs interact with people external to the team when taking actions related to the developing their venture. In a sense, this is related to what Forbes et al. (2006) called passive search, that is, entrepreneurs do not always undertake search; they may merely act if and when a prospective team member is identified with more or less serendipitously circumstances.

In Table 5.1, we classify extant literature on team formation process as effectual and causal approaches. We see that our proposed model repre-

sents less of a disruption with prior literature and more a combination of what researchers on this topic have been proposing in the past decades. We argue that the development of the field in this direction is particularly pertinent as we do not necessarily see value in a dichotomous approach to team formation especially when the theoretical foundations are not from entrepreneurship studies. For instance, prior researchers have conceptualized homophilous ties as representative of the social-psychological approach in which entrepreneurs coalesce for personal reasons without necessarily having a prior idea (e.g. Ruef 2002; Ruef et al. 2003). This is however at odds with a typical situation in which *friends* may gather around an idea but also possess complementary skills they bring to the development of the business idea. In emphasizing actions, interactions, and commitments, our approach breaks with these existing dichotomies by combining them.

Where we do differ substantially from prior research in entrepreneurial teams is by considering the basic unit of team formation as the commitment by an individual or group of individuals to an actionable outcome (see Fig. 5.3). In contrast with prior models, which often define a clear starting point (e.g. Kamm and Nurick 1993), our model inspired by effectuation theory is in essence an iterative loop that explains and predicts how entrepreneurial teams are formed and adjusted (members addition and exclusion).

Finally, our model is based on the notion that teams, their boundaries, are more fluid when compared to prior conceptualizations. In including clearly in our theorizing both team admission and exclusion process, we are acknowledging that start-ups' teams are increasingly dynamic and that entrepreneurs may enter and exit multiple teams. The basis for these team member adjustments can be the same whether a member is added or subtracted from the team: commitment (or lack thereof) to actionable outcomes.

5.5.3   Effectuation

Thirdly, we contribute the current discussion on effectuation theory's tenets by conceptualizing its implications for entrepreneurial behaviour and more specifically team formation process. As a relatively young the-

ory that is still being currently subjected to much scrutinizing by the scholarly community (e.g. Arend et al. 2015), effectuation theorizing needs to grapple with the elusive nature of some of its assumptions, core tenets, and prescriptive corollaries. By building on one single concept—entrepreneurial behaviour—we have shown the implications of applying effectuation to developing our understanding of team formation processes.

5.5.4 Limitations and Further Research

No study is without limitations. Firstly, we have not conceptualized any direct theoretical impact on new venture performance. As a conceptual process designed to explain how entrepreneurial teams are formed and its composition altered, we do not make any explicit normative conjectures about impact on long-term performance or survival of the new venture if and when is established to exploit an entrepreneurial opportunity. Based on what is already known from effectuation research, we can however speculate that in certain contexts such as high technology, in which disruptive innovations are more common, teams should be formed through action-interaction. By making the environmental attributes endogenous to the model, the entrepreneurial team is likely to be formed by members who are better suited to as their selection is dependent on interaction geared towards future actions. Future research can attempt to theorize about the boundary conditions of our model as well as the environment factors such as industry dynamism that can shape the team formation process.

Secondly, there is a strong possibility that both the individual-opportunity and the action-interaction models for entrepreneurial team formation can co-exist within the same team or even at the same time. The main contingency in this case is the stage of development of the new venture. For instance, the entrepreneurial team at a given time may be searching for very specialized expertise to carry a pre-identified task that, at that point, necessitates very little refinement from a new member. The linear model in which the entrepreneurial team searches deliberately for a new member for her resources endowment may be suitable. Further, if teams can combine effectual and causal logics overtime contingent on

environment uncertainty and development stage, then it is also possible that combinations of effectual and causal logics emerge among the team members at a given point in time. Research can in the future try to understand which internal or external factors determine the team's choice to adjust its member composition follow each logic.

5.5.5 Practical Implications

Our model has several implications for entrepreneurs and entrepreneurial education and training institutions. Firstly, entrepreneurs should be aware that team members should be self-selected and not recruited. This view is in contrast with common wisdom in which entrepreneurs are led to think that because teams perform generally better than individuals, forming a team under any circumstances will increase survival chances and long-term performance. However, caution should be exercised about how exactly to go about team formation. Prospective members should not be vetted by their backgrounds or experiences (like a regular job interview would suggest) but rather should self-select themselves by committing to an imminent and attainable action towards developing the business idea.

Secondly, the notion that commitment is the bonding element to form a team reinforces that deliberate practice is the basis for entrepreneurial learning. Often, entrepreneurial teams are advised to consider factors such complementarity of skills, strengths of social ties, and trust when forming a team (Kim and Aldrich 2017). However, as important as all these factors are, our model suggests that commitment and action can be equally or more revelatory when forming stronger teams. When team members envision possible goals and actionable outcomes, they are essentially applying all their skills to the development of a concrete entrepreneurial opportunity rather than theoretically assessing each other's selection factors. Thirdly, team members' adjustment through exclusion is a possibility worth considering. As undesirable as it may sound, if a determined team member does not commit to a certain action, her mutually consensual exclusion should be a possibility as opposed to a "tyranny of the majority".

5.6   Conclusions

This chapter set out to show a fresh perspective on entrepreneurial team formation behaviour as an example of a novel understanding of entrepreneurial behaviour in line with an emergent theory of entrepreneurship—effectuation. Given the prevalence of entrepreneurial teams in the new venture population, it is surprising how little research is done on this topic. We put forth a conceptual model that takes the environmental attributes as endogenous to the model as the basis for team formation actions and interaction of existing team members at a given point in time. We make two distinct contributions. First, we challenge head on the accepted wisdom on entrepreneurial teams that views team-level phenomena as goal-driven and revolving around a given exogenous entrepreneurial opportunity. Second, we extend effectuation literature showing how team-level effectuation involves not only the creation of an opportunity but also the almost unavoidable process of team composition. We sincerely hope our model inspires other researchers interested in entrepreneurship and teams to pursue empirical designs to test our model and advance our understanding of entrepreneurial teams.

Note

1. While not very common in management studies, thought experiments have been used in natural and social science and are a powerful tool to understand theoretical concepts (Gendler 2000). The most famous example is that of Schrodinger's cat, a paradox created to illustrate quantum interpretation of random subatomic events.

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