ENTREPRENEURIAL COLLABORATION: TERMS OF ENDEARMENT OR RULES OF ENGAGEMENT?

ESRC Centre for Business Research, University of Cambridge Working Paper No.207

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September 2001

This Working Paper relates to the CBR Research Programme on Small and Medium-Sized Enterprises

Abstract
Many potential entrepreneurs face the choice as to whether they should collaborate when setting up in business. Small business research has generated little in the way of information or advice on collaborative entrepreneurship. This paper goes some way towards addressing that lack. The paper reports the findings of a survey of 106 collaborative entrepreneurs and describes their assessments of the benefits and disadvantages of co-ownership and their evaluation of the factors making for its success. Experiences of unsuccessful collaboration are also recounted. The findings illustrate how those involved saw collaborative entrepreneurship in terms of economic, organisational and interpersonal relationships. Whilst the benefits of collaboration were primarily economic, the affective aspects of the close inter-personal relationship provided the 'glue'. The paper makes a contribution to the arguments for a more holistic approach in small business research in general, and the need to take account of the impact of the feelings and beliefs of owner-managers on the 'economic' choices they make.

JEL Codes: M13, L21

Keywords: entrepreneurship, collaboration, small businesses, venture teams

1. Introduction

'....I have watched many other businesses started by multiple founders over the years, and have often wished that I'd had joint partners on start up to share some of the work, risk and worry. The difficulty, I suppose, is that one then has to test the relationship and aptitude of the partners, which is potentially another risk when starting a business.'
Richard Matthews, Chairman and founder of Oyster Marine Limited. (Yatchbuilders Suffolk UK)

The question as to whether it is better to 'go it alone' or collaborate with others when setting up a business is both real and important for potential entrepreneurs. Yet little in the way of advice or guidance on this issue has been generated by small business research. This paper goes some way towards addressing that lack. It focuses on collaborative entrepreneurship: the sharing of ownership and active control of a business venture and describes a study of 106 collaborative entrepreneurs

Despite collaboration being the focus of interest in many related fields of study, entrepreneurial collaboration has not been extensively studied, (Müller-Böling 1993; Mason and Harrison 1993; Kamm and Nurick 1993). Inter-firm relationships have been studied from a number of different perspectives. In economics and law the nature of contracts, the contractual environment and the role of trust have been central issues in transaction cost theory (Maher, 1997; Arrighetti, Bachmann and Deakin, 1997). Similarly in management and organisational studies attention has focused on alliances and joint ventures (Child and Faulkner, 1998). The issue of collaboration between individuals within organisations has also been addressed in work on the creation and development of teams (Katzenbach and Smith, 1998).

Within small business research aspects of collaboration have featured in a number of areas at the macro level. Relationships between small firms in spatial proximity have been the focus of work on the dynamics of Marshallian industrial districts and clusters (Brusco, 1982; Longhi and Keeble, 2000). On a more general level networking, inter-organisational relationships and collaborative arrangements involving high technology small firms, in particular, have been extensively studied (Golden and Dolinger 1993; Cooke and Wills, 1999). (For a broad perspective on networking by small firms see Perry, 1999.) Similarly, from a sociological perspective the role of societal links or 'embeddedness' in enterprise formation has also been the focus of investigation (Aldrich, and Zimmer, 1986; Birley, 1985). However the focus in all this work is invariably the relationship between either the organisation(s) or the individual entrepreneur and others, rather than the relationship between entrepreneurs within the same organisation.

The relative lack of interest in collaborative entrepreneurship has not arisen because collaborative founding is a recent phenomenon. Empirical studies of small businesses dating back over many years have indirectly 'discovered' proportions of respondent firms ranging from 40% to 60% to have been collaboratively founded or acquired (Cross, 1981; Cooper, 1970; McEldowney and Middleton, 1987; Cromie, 1987; Roberts, 1991; Keeble, *et al.*, 1992; Rosa, *et al.*, 1994.) Furthermore two aspects of collaborative entrepreneurship, namely 'number of founders' (Storey, 1994) and 'concentration of ownership', have figured as variables in many studies seeking to identify the determinants of performance (Roper, 1999; Reid and Smith, 2000).

Three important implications for small business research arise from this lack of attention on entrepreneurial collaboration. Firstly, if collaborative entrepreneurship is widespread, then empirical research attempting to link aspects or characteristics of 'the individual owner-manager', such as his/her perceptions, to organisational performance (e.g. Smith, 1999) become suspect in the absence of any accompanying understanding of equity distribution and/or decision making structures. Secondly it is not possible[1] to identify the positive affects of entrepreneurial collaboration on survival, or growth, or its prevalence among economically important groups such as new technology based firms. Although there no detailed comparative studies of individual and collaboratively founded and owned firms, what evidence there is suggests that collaboratively founded firms are more likely to survive and achieve faster growth (Milne and Thompson, 1986, Roberts, *ibid*; Müller-Böling, *ibid*; Cressy, 1994; Storey, *ibid*). Similarly there is evidence from the US in particular that collaborative entrepreneurship is a feature of high technology firms (Cooper, *ibid;* Roberts, *ibid*). In a recent of study of over 500 high technology entrepreneurs in the UK, 68%, were found to have been collaboratively founded (Whittaker 1999). Work by Litivak (1993) in Canada supports this.

Finally in any form of collaboration there is the possibility of disagreement, dispute and eventual break down of the relationship between the parties. What is not widely understood is the extent to which collaboration fails and the impact of such failure on the organisation and its performance.

2. Collaboration and trust between organisations.

Most economic exchanges involve inter-personal relationships to a greater or lesser degree. Collaborative entrepreneurship is perhaps at one extreme where inter-personal relationships are crucial, but work on collaboration between firms also suggests that inter-personal relationships influence economic outcomes. Within the debate on the bases and nature of trust between organisations two conflicting views have emerged. The first has its roots in neo-classical economics. Co-operation is seen as the outcome of assessment of the risk associated with the possible opportunistic behaviour by other party, their likely retaliation in response to one's own opportunistic behaviour, set against the possible benefits accruing from the relationship (Williamson, 1993). Williamson denies the role of trust in economic co-operation. For him 'calculative trust is a contradiction in terms' (Williamson, *ibid* p. 463), since trust is 'nearly non-calculative' it is reserved for 'very special relations between family, friends and lovers' and in respect of which 'commercial relations do not qualify' (Williamson, *ibid*, pp.463, 479, 484, 489).

The alternative sociological explanation sees collaborative economic relationships embedded in existing social relationships and shaped by social norms and shared values (Granovetter, 1992; Fukuyama 1995). Others have attempted to differentiate trust spanning these conflicting stances. Sako (1992) for example distinguishes three types of trust: 'contractual trust' - doing what has been agreed to; 'competence trust' - being able to do what has been agreed to; and 'goodwill trust' - going beyond what has been agreed to. One view of goodwill trust is that it is a by-product of the affective ties associated with existing social relations (Gambetta, 1988). An alternative view is that emotional ties both between the parties involved and to the relationship itself develop through persistent exchange relationships (Lawler and Yoon, 1996). In work on collaboration between small high tech firms and larger firm partners, Klein Woolthuis (2000) found that '*affect based trust'*, that is trust which is '*personally chosen*' and '*demonstrating interpersonal care and concern rather than enlightened self interest'* (McAllister, 1995 p. 29) facilitated the technological success of the collaboration.

3 Three relationships and the need for an inter disciplinary approach

Entrepreneurial collaboration calls for an inter-disciplinary approach. Collaborative entrepreneurship comprises three types of relationship. First, the venture jointly created or acquired is an economic entity, with economic relations with other organisations and individuals, and at the same time there is an economic relationship between the co-founders or acquirers. Co-owners constitute and provide resources: human capital in the form of their skills, knowledge and experiences, labour and usually finance, in exchange for some share of the return to the enterprise. Second, there is an organisational relationship between co-owners or co-founders. Even where involvement in day to day management varies work relationships, however simple, have to be established and issues of roles, responsibilities and accountability addressed. Finally collaborative entrepreneurship is an inter-personal relationship likely to involve a strong affective dimension. Entrepreneurial collaboration is often embedded in existing social and personal relationships with friends, work based colleagues, family, or sexual partners (Birley, *ibid*; Larson and Starr, 1993).

The need for a more interdisciplinary approach to small business research in general has been expressed by others (Ripsas, 1998). Psychological, sociological and organisational variables have featured in small business research. However such variables tend to have been examined firstly in a limited number of very specific contexts and secondly in relative isolation to each other. Identifying characteristics which typify entrepreneurs and developing typologies of small business owners are two specifc contexts where psychological traits and attributes, psychodynamic experiences and social situations have been considered. (For a review and criticism of these approaches see Chell, 1991.) Similarly organisational aspects of small businesses have been investigated although certain limited aspects dominate: namely issues surrounding employment practices and training in particular, (Townroe and Mallalieu, 1993; Curran, *et al.*, 1993) and strategic planning (Roper, *ibid*). The inter-disciplinary extent to which collaborative entrepreneurship departs from much previous work is that the relationship between the co-owners embodies economic, organisational and personal relationships within the same actors and at one and the same time.

A more holistic approach is needed at the micro level to understand two important areas of entrepreneurship. One concerns the factors influencing decision making. The other concerns the role of self identity and notions of possession. The predominant focus in small business research has been an economic one. The challenge to one of the basic assumptions of neo classical theory that economic behaviour is motivated by self interest and the result of choices based on rational decision making processes has a long history but can be extended. Rationality has been seen as 'bounded' by the limited computational abilities of humans (Simon, 1955) and under more socio-economic perspectives 'bounded' by social and cultural norms and the impact of reference groups (Etzioni, 1988; Haykawa, 2000). The impact of stress on performance has been studied in many contexts. Recent empirical work in applied psychology has demonstrated the more subtle and subconscious impact of varying levels of emotional states on the interpretation and perception of information (Williams, *et. al.*, 1997).

Self interest is bound up with personal identity. The importance of personal identity and self definition to entrepreneurship lies in the extent to which the entrepreneur identifies with the venture. In the words of Gibb (1988) 'the business is the ego'. Work in child development and social anthropology stresses the extent to which personal identity is socially and culturally determined. A sense of identity stems from the human capacity for self-reflexivity: seeing oneself from the perspective of others (Mead, 1934). There is a further dimension to the notion of self identity, which has important implications for entrepreneurship, namely possession. 'I am the business' and 'My baby' are common if potentially psychologically damaging, entrepreneurial perspectives. Again looking at work in child development, possessions are felt as extensions of the self. *'What is mine becomes (in my feelings) part of ME'* (Isaacs, 1933 p. 225). Feelings of ownership can therefore have important psychological and behavioural effects.

4. The study

The study reported here had a number of aims. Firstly it sought to comment on the possible incidence of collaborative entrepreneurship. Secondly it aimed to discover the extent to which collaborative entrepreneurs were aware of the three types of relationship with which they were involved. The perceived relative importance of economic, organisation and affective factors in collaboration was seen as providing some contribution to the debate on trust. A further objective was to provide information on the incidence and effects of breakdown in entrepreneurial collaboration. Although not directly addressed by the study, the language participants used shed light on issues of self identity and reciprocity and ownership in entrepreneurial collaboration. The conceptualization of collaborative entrepreneurship present by the participants in the study reported below is a far cry from the 'heroic individualist' who dominates much of entrepreneurship literature (Whittaker, *ibid*).

The study involved 106 collaborative entrepreneurs sharing the ownership of 66 firms[2]. It was divided into two phases: the preliminary phase, which sought to identify firms suitable for inclusion in the study, and the main phase comprising an in-depth survey of co-owners. The preliminary phase provided information about the incidence of collaborative entrepreneurship. Almost 500 independent firms in East Anglia, with between 15 and 250 employees, and engaged in manufacturing and certain selected business services activities[3] were identified by means of a telephone survey using a combination of published and database information provided by local authorities in the areas concerned. Ownership and founding details were ascertained by means of a brief postal questionnaire and follow up telephone survey.

The results of the preliminary phase of the study are summarised in Exhibit 1. The incidence of collaborative entrepreneurship was high. Of the 395 first generation independent firms identified 238 (60%) had been founded or acquired collaboratively. Approximately a fifth of these (50) were family firms[4].

Mr. Matthews' views of the potential risks of collaboration, (cited in the introduction) were also supported. In 80 (43%) of the 188 non family collaboratively founded or acquired firms, the original owning team had fragmented, leaving the firm owned by only one of the original owners. Follow up telephone conversations with 47 remaining owners suggested that in 60% of these cases the break-up of the team had been acrimonious. These conversations indicated the level of personal trauma associated with such conflict, including one case of attempted murder, several cases of serious assault and fraud, attempted suicides, depressions, and marital and family break-up.

The characteristics of the 66 firms owned by the 106 collaborative entrepreneurs taking part in the main phase of the study are set out in table 1. In two thirds of the firms the original owning team comprised 3 or more people, but in 40% one or more members of the original owning team had left. To allow owners to answer freely about problems in their relationships with fellow co-owners, no personal or biographical details, apart from gender, were requested. In the in-depth survey owners were asked whether they had experienced an unsuccessful collaborative relationship and the effects of such experiences. The question was phrased so that owners did not need to limit their answers to experiences in their current business.

Forty three (41%) of the 106 owners reported that they had experienced an unsuccessful co-owning relationship. (Two pairs of co-owners were experiencing difficulties in their relationship with each other at the time of the study. In one case within a year of first being contacted both of the original owners had left the firm.)

5. Advantages and disadvantages of collaboration

The majority of respondents (67) saw at least 2 advantages to collaboration and only one respondent said that there were no advantages to co-owning. Table 2 shows the advantages of co-owning seen by the respondents grouped into economic benefits, affective or emotional benefits and organisational benefits, reflecting the 3 types of relationship. The most frequently mentioned single benefit reflected the importance of human capital. The benefit of '*access to more/wider skills and/or experience*' was mentioned by 42% of respondents. The second most frequently mentioned individual benefits, each mentioned by 38% of respondents were the '*enhancement of decision making*' and the perceived '*reduction in risk*'. The former is an organisational benefit. Risk reduction has been interpreted here as an affective benefit. The primary benefits seen for collaboration were economic: mentioned by 90% of respondents. However only 13 respondents cited '*access to greater financial resources*' as a benefit. Those giving at least 2 advantages tended to give one economic in conjunction with another type of benefit.

Table 3 gives the disadvantages of collaboration. Slightly fewer co-owners saw any disadvantages. Those that did tended to mention only one disadvantage, and 13 said that in their experience there were no disadvantages to collaboration. There was less clear distinction in the type of disadvantage seen. Over 80% of respondents mentioned disadvantages to do with the inter-personal relationships and in particular coping with disagreements or differences between co-owners (mentioned by 58 respondents), with differences in objectives, values and commitment being particularly prominent. Almost a third of those citing any disadvantages said that some conflict was inevitable. The second most important disadvantage, seen by a quarter of those responding, was having less autonomy: '*Not being able to do my own thing'*. A fifth saw '*slower*' and more '*consensual*' decision making as a disadvantage, but only 4 gave the economic impact of '*having to share the return*' as a disadvantage.

In their assessments of the advantages and disadvantages of entrepreneurial collaboration, the co-owners demonstrated awareness of their three interlocking relationships. The primary benefits seen from collaboration were economic: specifically the human capital embodied in the 'other'. In emphasising the skills, experiences and competencies embodied in others the respondents were also demonstrating the role of tacit knowledge. The main organisational benefit seen was the enhancement of decision making processes. Collaboration allowed for '*alternative*' or '*broader*' '*perspectives*' and provided opportunities for '*sounding out*'

'*Reducing*' or '*sharing the risk*' can be seen as an affective benefit. Historically entrepreneurs have been seen as 'risk-takers' but risk can mean both a calculable risk, - such as the amount of money tied up in the business and uncertainty - whether it will succeed or not (Knights, 1921). In the sense that people find comfort in companionship when facing uncertainty then collaboration provides 'anxiety reduction' which is seen as one of the rewards underlying inter-personal attraction (Berscheid and Walster, 1969).

What the co-owners saw as benefits and disadvantages of collaboration reflected their awareness of the multifaceted nature of that collaboration. The economic benefits seen were the resources embodied in the other person, his or her skills and experiences, rather than financial resources. Similarly the major disadvantages seen were to do with the interpersonal relationship: managing, and coping with the inevitable conflicts, and loss of autonomy, not the need to share some pecuniary reward.

6. Factors making for successful collaboration

Of the 106 respondents, 103 gave at least one factor seen as making for successful collaboration. The majority of respondents (65%) gave several, often linked, factors.

'*Mutual trust and respect. Recognition of each other's strengths and acceptance of any weaknesses. Continuing excitement at watching the business grow and an ability to work together effectively through the bad times.*'

'*Competence in respective spheres and mutual respect for each others' competencies. Similar aims and world views. Giving each other best advice.*'

Figure 1 illustrates the factors given by the respondents grouped roughly according to the 3 types of relationship to which they related. Over three quarters of the respondents (76%) mentioned factors broadly pertaining to the inter-personal relationship, almost half mentioned factors to do with the organisational relationships and less than 20% mentioned factors to do with the economic relationship. The most frequently mentioned individual factor was '*Shared visions, values, or objectives*' which was mentioned by almost a third of the respondents. As expected there was some blurring in how this was expressed as between personal and organisational goals. Most respondents gave general statements such as ‘*shared purpose*’, or ‘*common goals*’. Whilst shared objectives are features of successful teams it can be suggested that in the context of collaborative entrepreneurship they embody higher levels of emotional investment.

Access to wider skills and competencies was seen as the primary benefit of collaboration, but it was the ‘*mutual respect for each others’ competence*’ which was seen as the second single most important factor in making for successful collaboration, mentioned by just over a quarter of the respondents. Of similar importance to successful collaboration was trust, which was invariably expressed in terms of ‘*mutual trust’*. These responses suggest that a successful relationship depended not simply on having confidence in one’s fellow co-owner’s competence and moral integrity but also in knowing that that confidence was reciprocated. This emphasis on reciprocity reflects both an awareness of ‘self’ and ‘other’ and more importantly how ‘self’ is perceived by the ‘other’. It demonstrates reflexive monitoring on the part of the respondents, a process crucial to personal identity and important in developing and sustaining affective commitment (Giddens, 1984; Sabel, 1993).

Overall, factors to do with the organisational relationship, such as team working, clear definition of role and responsibilities, and communications were less frequently mentioned. The only economic factor, cited by 17% of respondents as important to successful collaboration, was complementary skills and competencies.

Although it is argued that enterprise formation is often embedded in existing social relationships, the impression given by the respondents in this study was that those relationships were largely work based, hence the emphasis on skills and experiences. Despite the numbers being very small (less than 10%) more respondents gave ‘*No social contact*’ as a factor promoting successful collaboration than gave similarity in terms of educational or social background or age.

The results point to the importance of factors to do with the inter-personal relationship in making for successful entrepreneurial collaboration. However as figure 1 suggests, what was also apparent was the extent to which the three relationships appeared merged in the responses given. The specific competence or skill bought to the enterprise by the other can be viewed in purely economic terms, but it was how that competence was regarded and the awareness of the reciprocal nature of that regard which was important for successful collaboration. In other words it was the affective investment in the acknowledged economic benefit which cemented the relationship. Similarly shared goals and objectives can be seen as common aspects of many organisational relationships and some economic exchanges. But where those shared goals are closely bound up with self expression and personal possession, then the individuals involved are likely to make large affective investments in those goals. The next section illustrates what happens and the feelings generated when these affective investments are undermined.

7. The incidence and cost of failed collaboration

As outlined earlier, the preliminary phase of the study revealed that the co-owning team had fragmented in 43% of the collaboratively founded or acquired non-family firms. Similarly in 40% of the companies taking part in the in-depth study the original founding or owning team was no longer intact. Of the 106 co-owners, 43 reported prior experience of an unsuccessful collaboration and a further 4 respondents were encountering difficulties in their relationships at the time of the study. Respondents were asked simply whether they had experienced unsuccessful collaboration, what had been the impact of that failure and the causes of failure. Such questions tended to elicit stories in response. Table 4 gives a rough classification of failed collaboration in terms of resulting economic, organisational and emotional impact. However as illustrated below, respondents tended to identify more than one type of impact. In over two thirds of the cases (71%) respondents described an adverse economic impact on the firm's performance and/or the loss of resources consequent on the departure of one of the co-owners. The later was regarded as particularly important given that the human capital embodied in the fellow co-owner was seen as the primary benefit to collaboration. In two fifths of the cases the detrimental affects on the organisation were described, such as the negative impact on employee morale and the inability of the management team to cooperate and work effectively. Finally in just over a quarter of the cases (27%) respondents described how the breakdown of collaboration had affected their personal lives and their emotional and psychological well being, including their feeling of self worth. The extracts below were typical.

'*The board was unable to make decisions about things that mattered – views were too diverse. Performance suffered through inertia. The company became loss making. The team collapsed and this came close to causing the collapse of the business.*'

'*Challenged my reason to go on (living). Affected the end-users of the service. Staff morale declined. Company lost direction and lost market share.*'

'*Affected the stability of the business. Created a disproportionate amount of emotional stress. It was very costly.*'

'*The break up of the company after 12 years was very painful and stressful. Reaching an agreed settlement involved solicitors, barristers and accountants, was time consuming and very expensive. The resulting additional personal financial commitment* *was difficult to sustain. My marriage broke up shortly after the company break up.'*

'It caused disharmony among the employees.'

To the extent that language defines reality (Buckley and Chapman, 1997) then the language used by the respondents to describe the effects of a break down of collaboration reflected the importance of the affective aspects of the inter-personal relationship. It was the language of betrayal, not the language of breach of contract.

'*Made me reluctant at first to enter into another business relationship. I felt used, taken advantage of. It left my family and me in debt which took time and personal effort to rectify*.'

'*made my life full of stress...I was ashamed.'*

'*A personal sense of bitterness and resentment'*.

In only 2 cases did respondents claim there was no detrimental impact resulting from the conflict, and in a further 3 the detrimental impacts were seen as relatively short-lived. The impression given by the respondents was that failed collaboration was likely to have a pervasive and lasting negative impact.

Allowing respondents to describe failures not necessarily related to their current businesses meant that it was not possible obtain more objective information about the effects on performance. For one firm in the study it was possible to obtain financial information relating to the time of the collapse of the co-owning relationship. A large loss was recorded in the year following the departure of both of the original founders. The comment below was made by the person who eventually took over as sole owner and who described the situation in which he worked prior to the original founders' departure as '*a bloody battle ground*.'

'*The two original founders had opposing views about how the company should be run. This situation led to constant friction between them which influenced the working environment, including staff morale and ultimately the company's performance and products.*'

As noted, respondents tended to give stories when describing what they saw as the causes of failure in collaboration. On table 5 the stories given have been grouped according to the type of relationship to which they most related. As can be seen the causes of failure given strongly reflect violations of the factors given by the respondents as important to successful collaboration. Over two thirds of the respondents described some breakdown in the personal relationship as being the underlying cause of failed entrepreneurial collaboration. The most frequently cited individual cause was '*differences in objectives, and values*.'

'*I wanted the company to grow and expand; the other shareholder wanted the company to stay small and pay big dividends. My attempt to bring in additional capital and another shareholder was rejected. One shareholder bought another's holding and with backing from the third made himself MD. I resigned and set up on my own but as the existing company could not continue without my input a buyout of the existing company was implemented.*'

It was suggested earlier that collaborative entrepreneurs make emotional investments in shared objectives. One of the main causes of the breakdown of collaboration appeared to be where the self interested (my) objectives started to take precedence over the shared (our) objectives.

'*One partner attempted to take control and focused on personal gain rather than the long term growth of the business.*'

'*(Other) started to focus on what he could get out of the company*'

The skills and competencies brought by collaborators to an enterprise was the major benefit of collaboration, and reciprocal awareness of the how each individual's competence is regarded was an important factor cementing that collaboration. Problems to do with lack of competence and, more importantly, failure in reciprocal regard for competence, was the second most frequently cited cause of failure of collaboration.

'*Inability to recognise each others' strengths and weaknesses.*'

Perhaps this account of collaboration breaking down at the time of the study best illustrates the loss of reciprocal regard for competence:

'*Our partnership is in imminent danger of breaking down. My partner is a BULLY. He has a spiteful streak and tries to destroy other's achievements or ability to achieve. Rather than holding his position by ability he tries to hang on to it by bullying. You never know when the next stab will come. It's very draining being in a state of war readiness.*'

His partner's response was:

'*The inability of my partner to work as a rational team member. (He) is on a quest for personal glory. I think he is going through the male menopause.*'[5]

The other important individual cause of failed collaboration to do with the personal relationship was the collapse of trust, sometimes as a result of dishonesty. Causes relating to the organisational relationship included inability to communicate and/or work as a team, while perceived disparity between effort and reward was seen as cause of failure reflecting the economic relationship between the co-owners.

8 Conclusions

This study suggests that collaborative entrepreneurship is far more widespread than much of small business literature would imply. But it also points to a relatively widespread incidence of failed collaboration and to the pervasive economic, organisational and emotional costs of such failure. Entrepreneurial collaboration may have wider economic significance, especially among economically important groups such as new technology based firms. In this context the causes and impact of failed collaboration may also assume wider economic significance. What is apparent is the need for more research into collaborative entrepreneurship.

Collaborative entrepreneurship may be an extreme example of fusion between economic, organisational and inter-personal relationships. Evidence from the study suggests that collaborative entrepreneurs were aware of this fusion but differentiated between the relative importance of aspects of the relationships involved. Whilst benefits of collaboration were seen as emanating from all three types of relationship, economic benefits predominated. By contrast the disadvantages of collaboration were to do with the inter-personal relationship and specifically the inevitability and difficulty of coping with conflict. This finding parallels work on teams, which shows that team performance is not affected to the same degree by conflict about the task and how that task is completed as it is by relationship or inter-personal conflict (Jehn and Mannix, 2001).

It was aspects of the inter-personal relationship which were seen as important in promoting and sustaining successful entrepreneurial collaboration: mutual goals, mutual respect of each other's competence and mutual trust. And it was primarily the violation of these which caused conflict and fragmentation. The importance of reflexive processes was demonstrated in the respondents' accounts. Such processes are vital mechanisms in developing and preserving self identity and in fostering affective commitment, on which affect based trust is based. In the context of collaborative entrepreneurship these psychological processes have both an organisational and economic importance.

The study highlights issues which potential entrepreneurial collaborators may need to address. How far are goals shared? What balance or mix of skills and experience are bought together? What is the level of confidence in each other's competence? Is that reciprocated? Are differences reflected in the distribution of equity? These only scratch the surface. Far more case study work in particular is needed.

The study strongly suggests that in a very real sense collaboration between economic agents may be better fostered and preserved by focusing on the terms of endearment rather than the rules of engagement.

Notes

1 It is not possible from published data to ascertain either the incidence of collaborative founding or the true extent and structure of co-ownership. Legal form is not helpful, since partnership may be transitory state, with many becoming incorporated later. The nominal holding of equity by spouses, family members and other non executive directors detracts from the extent to which incorporation reflects shared ownership and control.

2 Not all owners in each firm participated.

3 Professions such as accountants, solicitors and those connected with health provision and in which partnerships are commonplace were excluded from the study because work by others suggests that collaboration may be more highly valued in certain professions (Kamm and Nurick, 1993).

4 For the purposes of the study 'family firms' were defined as those in which the founding or acquiring team was composed solely of people who were related to each other by blood or marriage. Such firms were excluded from the study.

5 Contrary to the impression that may be given by these comments these entrepreneurs were both male, educated to degree level and had been running a highly successful high tech business employing, at the time of the study, 120 people for 15 years. The case was followed up. The root cause of conflict was an unresolved issue about the relationship between the distribution of equity and intellectual property rights.

FIGURES AND TABLES

Exhibit 1 Results of Brief Survey of Founding and Ownership

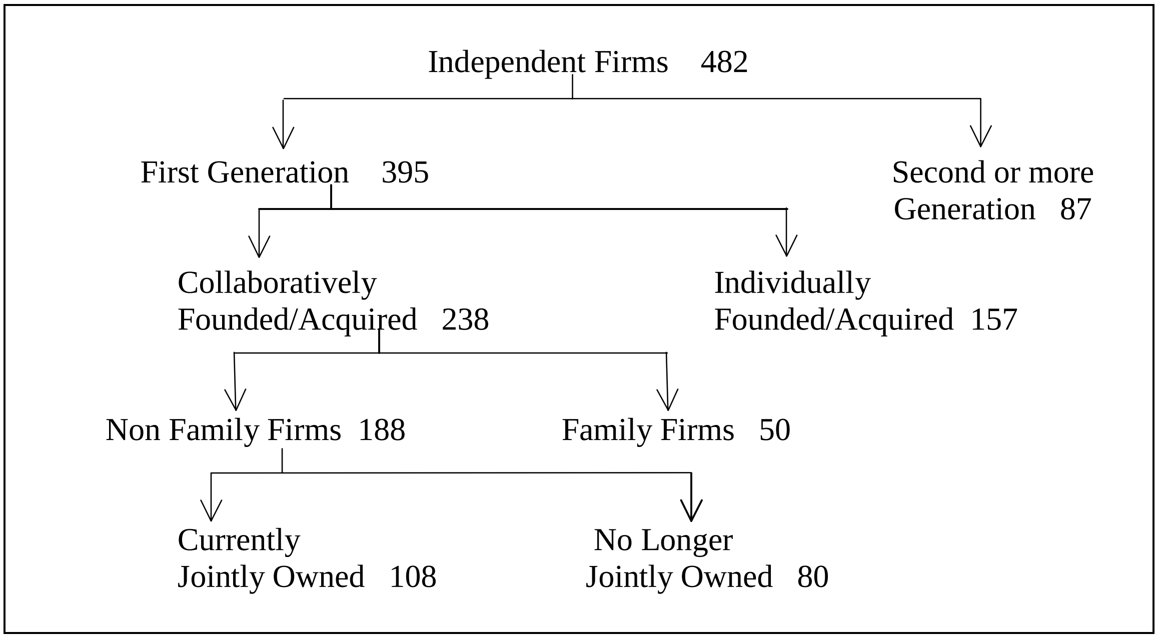


Table 1 Characteristics of the Firms Participating in the Study (n=66)

Economic Activity	Percent	Stability of Original Owning Team	Percent
Manufacturing	77	Fragmented	40
Service activities	23	Intact	60
Turnover Size (£s million 1995)		**Size of Original Owning Team**	
<2.5	52	2 people	32
2.5 - 4.99	27	3 people	38
=>5.0	21	4 or more people	30
Employment Size		**Age Distribution**	
< 50	52	*'New'*=< 5 years	15
50 – 99	24	*'Young'* 6 – 15 years	54
=> 100	23	*'Established'* > 15 years	31
Legal Status : when founded		**Legal Status : 1995/6**	
Limited Company	76	Limited Company	96
Partnership/Other	24	Partnership/Other	4

Table 2 Advantages of co-ownership

Type of Benefit	Number (n=99)	Percentage
Economic	***89***	***90***
Human Capital (more skills/experience)	42	42
Less work (shared burden)	34	34
Financial capital	13	13
Affective	***58***	***58***
Less risk (shared)	38	38
Emotional support	20	20
Organisational	***51***	***51***
More ideas/better decision making	38	38
Teams achieve more	13	13
Other	***14***	***14***
No advantage	***1***	***1***

Table 3 Disadvantages of co-ownership

Type of Disadvantage	Number (n=91)	Percentage (n=91)	Percentage (n=78)
Affective	***66***	***72***	***85***
Differences or disagreements	58	64	*74*
Disagreement is inevitable	29	32	*37*
Differences in objectives	20	22	*26*
Differences in levels of commitment	9	10	*11*
Less/lower autonomy	24	26	*31*
Organisational	***17***	***19***	***22***
Slower decision making	17	19	*22*
Economic	***4***	***4***	***5***
Having to share the return	4	4	*5*
Other	***12***	***13***	***15***
No disadvantages	***13***	***14***	

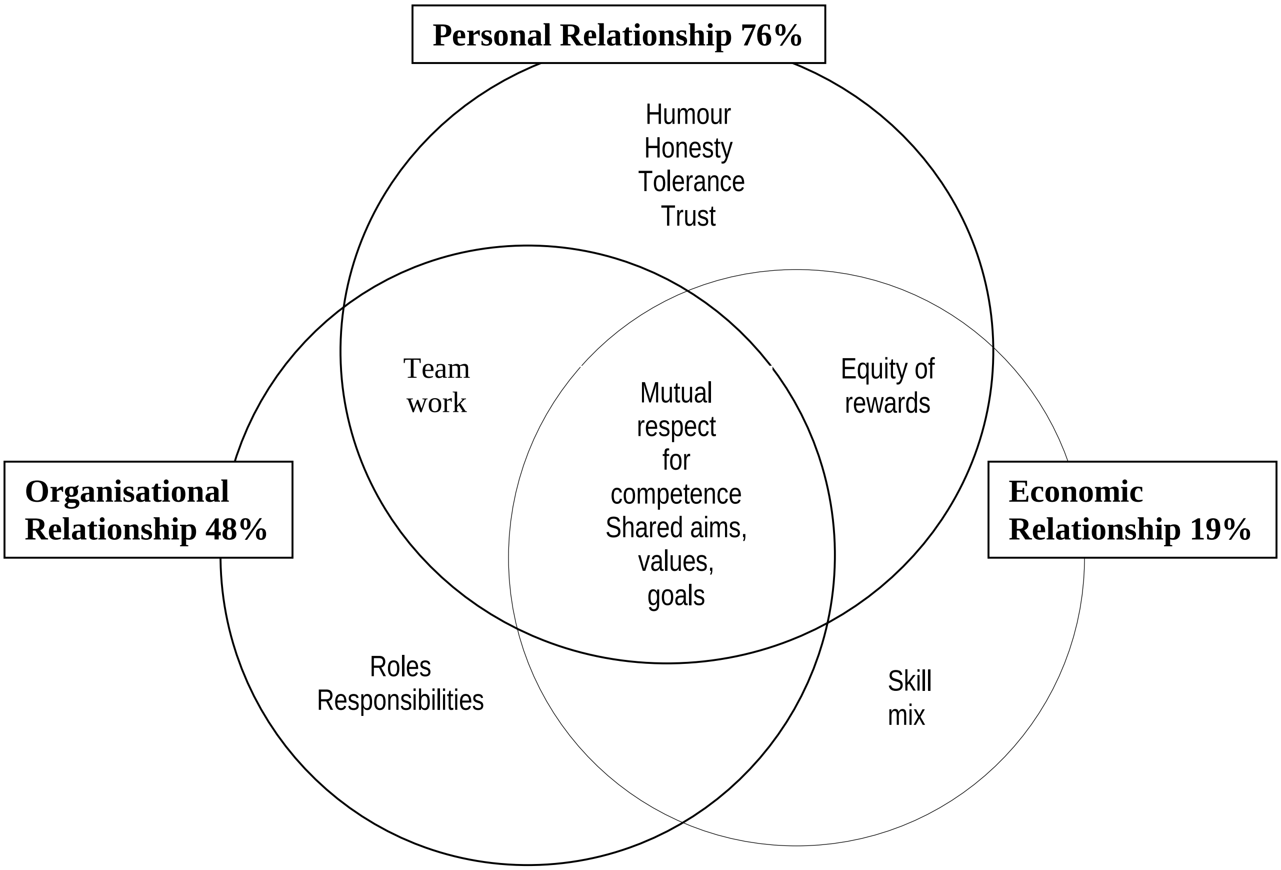
Table 4 Impact of failed collaboration

Type of impact	Number	Percentage (n=45)
Economic	***32***	***71***
Depressed performance	21	
Loss of human capital	11	
Organisational	***18***	***40***
Lowered employee morale	10	
Lack of co-operation/team work	8	
Personal/Affective	***12***	***27***

Table 5 Reasons for failed collaboration

Cause of failure	Number	Percentage (n=45)
Inter-personal relationship	***30***	***67***
Differences in vision, values, objectives	17	
Loss of respect for competence	8	
Loss of trust/dishonesty	7	
Organisational relationship	***8***	***18***
Failure to communicate and work as a team	8	
Economic relationship	***7***	***16***
Perceived disparity between reward and effort	7	

Figure 1 Factors making for successful collaboration



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[1] It is not possible from published data to ascertain either the incidence of collaborative founding or the true extent and structure of co-ownership. Legal form is not helpful, since partnership may be transitory state, with many becoming incorporated later. The nominal holding of equity by spouses, family members and other non executive directors detracts from the extent to which incorporation reflects shared ownership and control.

[2] Not all owners in each firm participated.

[3] Professions such as accountants, solicitors and those connected with health provision and in which partnerships are commonplace were excluded from the study because work by others suggests that collaboration may be more highly valued in certain professions (Kamm and Nurick, 1993).

[4] For the purposes of the study 'family firms' were defined as those in which the founding or acquiring team was composed solely of people who were related to each other by blood or marriage. Such firms were excluded from the study.

[5] Contrary to the impression that may be given by these comments these entrepreneurs were both male, educated to degree level and had been running a highly successful high tech business employing, at the time of the study, 120 people for 15 years. The case was followed up. The root cause of conflict was an unresolved issue about the relationship between the distribution of equity and intellectual property rights