

How Do Founding Team Capabilities Affect the Performance of a New Service Venture?

L. Song, C. A. Di Benedetto, and M. Song

Abstract

What leads to a successful new service venture? Extending upper echelons theory, the Resource-Based View (RBV) of the firm, and the competitive advantage framework, this study proposes a theoretical model to explore that question. The model describe how new venture founding team's key capabilities and characteristics impact the positioning advantages of scalability and protectability, and ultimately lead to venture success. The theoretical model is tested using three data sets collected from 479 new ventures in three Chinese service industries over a six-year period. The authors find support for the proposed theoretical model, though the empirical evidence reveals some surprising results. Service scalability was found to be the most important driver of new venture success. Contrary to previous findings, the founding team's prior startup experience does not improve new service venture's performance, rather, it decreases the venture's ability to develop service scalability. Our results indicate the importance to the new venture team of building up marketing capabilities. Market linking capability of the founding team increases the likelihood that the team will develop scalable services, and marketing capability has a significant, direct positive effect on new venture performance. This direct effect unmediated by the positioning advantages in the model was not predicted by RBV.