The Role of Friendship in the Formation and Development of Entrepreneurial Teams and Ventures

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Abstract

Purpose – The paper examines the potential influence of friendship on Entrepreneurial Teams (ETs) and on venture formation and development. The theoretical framework is built on the literature around friendship ties, the interaction of friendship ties and professional ties, and ETs.

Design/methodology/approach – Taking an interpretative methodological approach, we carried out qualitative interviews with 10 business founders in Paris, France.

Findings – We identified four different profiles or types of ETs according to how friendship ties interact with professional ties among team members, which we designate as 'fusion' and 'separation', and describe the orientation of this interaction, which we label as 'affective' or 'strategic'. These profiles affect the emergence of the idea and the choice of members in the formation of teams. They also shape the functioning of teams in terms of decision-making processes, recruitment and investment.

Research limitations/implications – The findings underline the difficulties of studying friendship in ETs empirically and recommend longitudinal approaches for further research.

Practical implications – Findings offer insights in to why and how ETs based on friendship ties approach the pre-launch, launch and development phases of businesses as well as in to the interactions between professional and friendship ties, which is helpful to both practitioners and academics. We also discuss the consequences and implications of the different team types in terms of their risks and strategies for mitigating these risks.

Originality/value – This is one of the first empirical studies to examine how friendship and professional ties may combine and evolve in ETs, and their influence on the entrepreneurial process as it relates to venture formation and development.

Keywords Friendship ties, Entrepreneurial teams, Formation of teams, Functioning of teams, Strength of ties, Qualitative method

Paper type Research paper

Introduction

In recent years, the entrepreneurship literature has focused some attention on entrepreneurial teams (ETs), highlighting the importance of studying entrepreneurship as a collective phenomenon (Kamm *et al.,* 1990; Johannisson, 2003). In part, this research has been spurred on by the finding that entrepreneurial teams perform better than solo entrepreneurs (Cooper and Bruno, 1977; Teach et al., 1986; Weinzimmer, 1997; Chandler et al., 2005). Our study offers further explanation as to why and when this might be the case. ETs have been defined as a group of two or more individuals who identify themselves as a team (Schjoedt, 2002), have a position of responsibility in the business, and contribute their time and money towards business creation and development (Kamm *et al.,* 1990; Stewart *et al.*, 1999; Verstraete and Saporta, 2006). Studies on ETs have tended to concentrate on the causes and consequences of team turnover (Chandler *et al.,* 2005; Ucbasaran *et al.,* 2003), or on how interpersonal processes and team composition (Knockaert *et al.,* 2011) influence the entrepreneurial process and venture development. However, less is known about the potential influence of friendship on the ET and venture formation and development.

Our paper investigates this rather neglected topic in the literature based on founders' perceptions and experiences of working with friends. Filling this research gap is particularly important for two reasons. First, ETs are usually formed using non-functional considerations, such as friendships (Kamm et al., 1990; Francis and Sandberg, 2000; Lechler, 2001; Ruef *et al.*, 2003; Lechler, 2001). Second, while several studies examine the role of the strength of ties or previously well-known people in entrepreneurial teams, they neglect to focus exclusively on friends as a particular kind of tie[1] (e.g., Cachon, 1990; Zolin et al., 2011) or have focused on other/specific kinds of ties such as family ties (e.g., Brannon, Wiklund and Haynie, 2013; Cruz, Howorth and Hamilton, 2013). Friendship ties differ from other ties such as family or communal ties in terms of the dimensions of *attachment* and/or *selection* (Maisonneuve and Lamy, 1993; Hogg and Hains, 1998). For instance, compared to family ties, friendship ties imply selection (Maisonneuve and Lamy, 1993), which may make a difference in terms of the formation and evolution of teams/ETs.

Francis and Sandberg's (2000) theoretical research provided the first step in this direction by developing a series of propositions on the impact of friendship on ETs. However, their

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[1] "A strong tie may form outside the professional sphere through family ties and friendships, but may also be the result of a long-term working relationship with colleagues, customers or other stakeholders that the founding entrepreneur knows from their previous professional engagements" – (Zolin et al, 2011, 1098).

approach is highly functionalist in nature, emphasizing the influence of friendship ties on firm performance. We focus more on the experiences and interpretations of entrepreneurs as they inform friendship ties. Specifically, we extend Francis and Sandberg's arguments by focusing on two complementary research questions: What role does friendship play in the formation and development of ETs and ventures? How do friendship ties and professional ties among team members interact in the entrepreneurial process?

Our contribution lies in examining the dynamics of interpersonal friendship ties among team members and developing a fuller understanding of their consequences for the entrepreneurial process, issues that have been considered essential for understanding ETs (Kamm *et al.,* 1990; Harper, 2008) and the role they play in the pre-launch phase, the launch phase and the post-launch phases of business development (Baron and Markman, 2005). Specifically, we develop a typology that captures four different profiles or types of entrepreneurial teams composed of friends, and discuss the potential implications of each for business development.

The study is based on in-depth interviews with 10 founders of 7 young small businesses. We focused on those founders who were involved in the emergence, launch and development of the business (Wright and Vanaelst, 2009; Beckman *et al.*, 2007). The four different profiles or types of ETs identified, which we designate as 'fusion' and 'separation', along with the orientation of this interaction, which we label as 'affective' or 'strategic', reflect the choice of associates in the formation of teams and shape the functioning of these teams in terms of decision-making processes, recruitment and investment.

The paper proceeds as follows. First, we draw on the friendship and ET literatures to propose a framework for analysing the role of friendship ties in ETs. Second, we describe the data collection and analysis. Third, we present and discuss the findings before drawing some conclusions.

Theoretical framework

Below we seek to define and operationalize friendship ties and demonstrate the interest in studying them from the perspective of entrepreneurship. We also explore how the organizational and entrepreneurship literatures investigate friendship ties and their interaction with professional ties, and how it relates to understanding ETs. Finally, we propose a framework for analysing the role of friendship ties in ETs.

Defining friendship ties in the organizational and entrepreneurship literatures

Friendship is difficult to define and operationalize (Boyd and Taylor, 1998; Pahl, 2000) as its meaning varies across individuals, cultures and time (Konstan, 1997). To define it here, we draw from the literature on network and psychosocial approaches to relational ties.

The network approach and the strength of ties

To begin with, the network approach defines relationships in terms of the *strength of ties*, as conceptualized by Granovetter (1973). The strength of ties has been explored within the context of entrepreneurship (e.g., Kreiser *et al.*, 2013; Sequieira *et al.*, 2007; Evald *et al.*, 2006) and ETs more specifically (e.g., Aldrich and Kim, 2007; Zolin *et al.*, 2011). For instance, Zolin *et al.* (2011) have shown that strong ties have positive and negative consequences in ET composition. Specifically, they found that choosing ET members on the basis of strong ties increased the founder's ability to modify the team member's work role, but led to difficulties when asking the team member to leave the ET. The strength of ties has been defined as a "combination of the amount of time [we spend with someone], the emotional intensity, the intimacy (mutual confiding) and the reciprocal services" (Granovetter, 1973; 1361). However, Granovetter (1973) emphasizes the amount of time people spend with one another (i.e. the frequency of contact) over and above the other criteria,[2] which is problematic for defining friendship ties to the extent that people can spend a lot of time together in their place of work or other spheres of activity (e.g. special-interest groups) without friendship ties forming, or can be friends without spending much time together. Marsden and Campbell (1984) argued that the distinction between strong and weak ties was unclear in the network literature and identified two approaches to measure the strength of ties. The most common approach is to examine the "closeness" or "emotional intensity" between people. In this case, close friends are regarded as strong ties, while acquaintances or friends of friends are said to be weak ties (Granovetter, 1974; Lin and Dumin, 1982; Murray, Rankin and Magill, 1981). The alternative approach is to consider the origin of the relationship. In this case, relatives are treated as strong ties while neighbours and co-workers are considered as weak ones.

Additionally, Granovetter's concept of the strength of ties, refers to interpersonal ties in general and not friendship ties more specifically. So interpersonal ties can cover friendship but other kinds of ties as well, such as family ties or love ties. In our study, we focus only on friendship ties between members of ETs. The psychosocial approach of friendship ties allows us to

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[2] Granovetter does not provide a detailed description of the other dimensions he uses to measure the strength of social ties, apart from frequency of contact. As a result, it is unclear how we as researchers might define and measure emotional intensity and reciprocal services. Furthermore, while he defines intimacy as 'mutual confiding', we cannot be certain of what kind of confiding he refers to or how we will know it when we see it.

distinguish friendship from other types of interpersonal ties and to uncover different levels of friendship.

The psychosocial approach to friendship ties

The psychosocial approach sees friendship ties as forms of *attachment* with three dimensions (Maisonneuve and Lamy, 1993; Moser, 1994; Hogg and Hains, 1998). The affective dimension of attachment refers to emotions (Joy, 2001), notably sympathy (Ingram and Zou, 2008), and intimacy (Maisonneuve and Lamy, 1993; French, 1998). The normative dimension suggests that friendship ties are governed by accepted rules of behaviour such as equality, benevolence or reciprocity (Schonsheck, 2000). Finally, the personal dimension relates to the individual qualities of the partners (Maisonneuve and Lamy, 1993). Friendship is voluntary (Boyd and Taylor, 1998) which implies selection. The *selection* of friendship ties can be considered as reflecting the personal dimension of attachment and the strength of ties. Selection can be further explained either by a search for similarity (Ingram and Morris, 2007) or complementarity in terms of values and attitudes (Newcomb, 1963; Moser, 1994).

Furthermore, there is a stream of literature within this approach that attests to different levels of friendship (e.g., French, 1998; Francis and Sandberg, 2000). For instance, French (1998), drawing on the work of Aristotle, indicates that the motivations of friendship may range from the more 'base' to 'ideal' or higher-level variety, while Van de Bunt et al. (1999) refer to the development of friendship from unknown, neutral, friendly, friend and best friend[3]. Similarly, the strength of friendship has been shown to be influenced by varying degrees of the *attachment* dimensions (e.g., Boyd and Taylor, 1998).

Drawing on the above arguments, we define friendship ties as ties involving selection and an attachment based on (different/varying levels of) personal, affective and normative (benevolent behaviours) dimensions. This definition allows us to differentiate friendship from other forms of interpersonal ties. For instance, although friendship can occur between family members, friendship is not a requirement. Family ties create *attachment* but friendship also implies *selection* (Maisonneuve and Lamy, 1993). Friendship also differs from communal ties. Indeed, friendship depends on the personal qualities of individuals, but in communal ties identity takes precedent over individual characteristics (Hogg and Hains, 1998). Furthermore, the notion of varying levels of attachment - personal, affective and normative - dimensions, enables us to recognize the strength of friendship.

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[3] Similar distinctions can be found in Kurth (1970) who differentiates true friendship and friendly relations.

The interaction between professional and friendship ties

Part of the difficulty in defining the term friendship in the organizational and entrepreneurship literatures stems in part from a failure to see the spheres of our work and our personal lives as being combined. Zeliser (2005) identified three ways of conceiving interactions between the work sphere – involving professional ties - and our personal lives – involving friendship ties (Ingram and Zou, 2008). The first category refers to a separation logic, which argues that a person's work and personal life should not be combined, as this may result in inefficiencies, corrupting the friendship by economic calculation (Parris *et al.*, 2008; Mao, 2006), or in undermining the economic performance of the business through conflict and nepotism (Grayson, 2007; Morrison and Nolan, 2007). The separation logic is based on a strong opposition between friendship ties, encompassing personal, affective and benevolent attachment, and professional ties, described as impersonal and instrumental (Styhre, 2000)[4]. The second category ignores the differences between the work sphere and personal life. Both friendship and professional ties are derived from a single motivation: economic calculation (Ingram and Zou, 2008; Becker, 1976); emotion does not have a role to play. The third category is focused on combining work and personal lives such that professional ties and friendship ties can overlap (Haytko, 2004; Ingram and Roberts, 2000). Network-based research in entrepreneurship has argued and evidenced that relationships between members of a network become more multiplex, with relationships that began for instrumental reasons becoming imbued with a social or affective component and non-instrumental ties becoming leveraged for economic purposes (Larson and Starr 1993; Johannisson, 1998; Hoang and Antoncic, 2003). However, little is known about how friendship and professional ties combine in the case of the ET and their implications for the pre-launch, launch and post-launch phases of the business.

Friendship ties in ETs

Scholars have recently taken an interest in ETs rather than solo entrepreneurs (e.g., Page West III, 2007; Ensley et al., 2002; Lechler, 2001; Francis and Sandberg, 2000). In this way, entrepreneurial activity is seen as a collective rather than a singular activity (Wright and

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[4] We broadly refer to 'professional ties' as workplace connections that are instrumental in nature.

Vanaelst, 2009; Aldrich et al., 2004; Kamm et al., 1990; Bird, 1989). Their work has highlighted the quality of the relationships between team members (Blatt, 2009; Chowdhury, 2005). However, most of this research has focused on how ETs affect new ventures' performance (Page West III, 2007; Ensley et al., 2002; Lechler, 2001; Francis and Sandberg, 2000). Yet, understanding what role entrepreneurial teams play in the generation of ideas and how entrepreneurial teams form needs to be addressed by a comprehensive theory of entrepreneurial teams (Forbes et al., 2006; Harper, 2008).

The literature on ETs discusses two key approaches to the role that friendships play in ET formation: the instrumental approach and the social approach. The instrumental approach sees ET formation as a rational process driven by resource-seeking behaviour (Forbes *et al.*, 2006; Larson and Starr, 1993). In this view, the selection of associates depends on strategic interests and the complementarity of skills between individuals (Moreau, 2006). The social approach, on the other hand, considers the ET as embedded in personal networks and as resulting from personal attraction (Forbes *et al.*, 2006; Moreau, 2006). Personal ties, such as with family, friends, classmates and previous colleagues, are favoured in a partnership over and above the ability of members to set up a business (Bird, 1989). ET formation in this case is strongly influenced by relational trust and homophily that involves finding people with similar characteristics as a matter of taste or social origin (Ruef *et al.*, 2003). Therefore, both approaches imply a separation of the professional and personal ties. Furthermore, these approaches neglect the dynamic aspects of the venture, which captures the emergence of the business idea through to its implementation (Kamm and Nurick, 1993).

Kamm et al. (1990) called for studies to understand the impact of issues relating to group dynamics, including the role played by interpersonal relationships among team members on the teams and their businesses. Francis and Sandberg's (2000) article is a step in that direction, by focusing on friendship ties in ETs. They develop a series of propositions on the relationship between friendships within an ET and the team's behavior, but they take a rather functionalist view, emphasizing the influence of friendship ties on firm performance. Regarding ET formation, they propose that friendship ties help achieve functional completeness of ET more rapidly, but do not focus on the role of friendship in previous stages of the entrepreneurial process, such as the emergence of the business idea, and they do not analyse how professional ties combine and evolve with friendship ties. Moreover, they refer to friendship ties without providing a clear definition of these ties.

We adopt an alternative view, which investigates the role that friendship plays in the formation and development of ETs and ventures based on founders' perceptions and experiences

of working with friends. Thus, we follow arguments about the importance of understanding relationships within ETs at different stages of the business-creation process (Wright and Vanaelst, 2009), understanding how entrepreneurial teams form and the relevance of analysing the role that entrepreneurial teams play in the processes of opportunity discovery (Harper, 2008). We also follow Grey and Sturdy's (2007) suggestion that rather than focus on the influence of friendship ties in performance outcomes, researchers should study friendship ties according to how they are *experienced* by individuals at work. This allows us to analyse the interaction of business ties and professional ties, and to discover the role of friendship either as an 'organizing principle' (French, 1998) and/or as an 'organizing element' (Grey and Sturdy, 2007). In the former case, organizations are based on friendship ties that are crucial to its existence, while in the latter case they are places where friendships exist but are not foundational to them.

To answer our research questions, we first focus on how the strength of pre-existing friendship ties influences the pre-launch and launch phases. Then, we analyse the way founders perceive the interaction between friendship and professional ties, and how it can influence business and ET development.

Methodology

Research approach

We use an interpretive methodology to examine how friendship influences ETs and ventures formation and development. We emphasise how founders give meaning to friendship ties within the entrepreneurial process and how they perceive them in combination with professional ties. Following the interpretive approach, we collected perceptions and experiences in context (Patton, 2002; Denzin, 2002), taking into consideration the evolution of ETs, businesses and the individual trajectory of entrepreneurs.

Research design and data collection

We adopted a purposive sampling strategy (Hycner, 1985), selecting entrepreneurs that set up a company with friends. Our research sample was small to allow for intense scrutiny within and across individual accounts (King, 2004). To identify teams, we used both formal means such as incubator websites, and informal means based on our own personal networks. We identified ETs with weak, moderate and strong friendship ties.

The final sample consisted of 7 micro-enterprises and small businesses with between two and 25 employees with total assets below 10 million euros (The European Union's definition). These companies were between 9 months and 5 years old. They had all experienced pre-launch, launch and development phases, including the 9 month old business which is a website offering deals (Groupon-like) that had experienced a rapid growth pattern. The sample included firms in different sectors from products to services. Within the 7 businesses we spoke to 10 founders, between the ages of 23 and 45 years.

We defined ETs as a group of two or more individuals who identify themselves as a team (Schjoedt, 2002), have a position of responsibility in the business, and contribute their time and money towards business creation and development (Kamm *et al.,* 1990; Stewart *et al.*, 1999; Verstraete and Saporta, 2006). Following Vanaelst et al. (2006), we adopted a dynamic view of ETs, assuming that they may change through the entrepreneurial process. We specifically focused on founders who were involved in the pre-launch, launch and development phases. In four businesses (businesses 2, 4, 5 and 6), two members founded the company and in one business (business 1) four members founded it. Businesses 3 and 7 had three members during the pre-launch and launch phases, but two during the development phase. In business 7, one of the members left the team, as he was acting as a free rider. In business 3, one of the team members left the business as he moved to Italy and could not handle a strategic positions in the company in France anymore; he opted instead to work as an employee. When we interviewed two founders of the ET, both shared the same views on the ET. Where we could not meet with all of the founders due to their lack of availability, we sent them copies of the transcripts to give them an opportunity to comment; they subsequently agreed with and approved such.Table 1 summarizes sample characteristics.

INSERT TABLE I HERE

We held in-depth, semi-structured interviews with the 10 founders from 7 businesses in Paris, France, in 2010 mainly in-person but where not possible, by telephone. Interviews lasted on average for one hour and were recorded and transcribed. All participants were asked about five main topics: the creation of the company (emergence of the business idea, formation of the ET, first investment), individual profiles of team members (background, motivations and contributions to the entrepreneurial project), development of the company (processes of decision-making, coordination, recruitment and investment), relations between founders

(previous relationship, strength of ties, evolution of friendship and professional ties at each stage of the entrepreneurial process) and the project (motivations to continue or not).

Data analysis

To understand the role that friendship plays in the formation and development of ETs and ventures, and the interactions between friendship ties and professional ties, we began our analysis by reading and re-reading through all of the interview transcripts independently. We examined the transcripts for 1) entrepreneurs' accounts of friendship ties, 2) in what ways they had influenced the business at different stages of development and 3) how these friendship ties were seen as interacting and evolving with professional ties. To guide this process we drew from a couple of analytical techniques, mainly interpretive phenomenological analysis (Smith, 1996) and template analysis (King, 2004). The former examines individual accounts in-depth for interpretations of participants' experiences across each of the three areas outlined above, while the latter involves "thematically organizing and analysing textual data" (King, p. 256) and depicts the relationships between themes; this is the start of theory building in qualitative research (Coffey and Atkinson, 1996). We also compared coding categories across transcripts to identify similarities/differences in experiences of friendship in the entrepreneurial process.

To strengthen the reliability of the qualitative data, we took an inter-rater approach in which one of the authors and a third party (another academic impartial to the study) coded the transcripts separately and then compared the results for consistency in terms of what worked and what did not, and reflected on the reasons for such; rather than reporting the reliability of coding in a statistical sense (Crabtree and Miller, 1999). This approach is common in qualitative research broadly (e.g., Armstrong, Gosling, Weinman and Marteau, 1997; Barbour, 2001) and qualitative entrepreneurship research more specifically (e.g., Doern and Goss, 2013; Bock and George, 2011). We also coded the data by hand to allow for deep understanding and reflection, and reduce the risk of de-contextualizing the data.

As argued above, friendship is difficult to define and operationalize. To operationalize friendship we took into consideration the elements of the definition we derived in our theory section: *selection* and *attachment*. In the former case, to code entrepreneurs' accounts of friendship ties we looked at how they described the origins of these ties (childhood friends, classmates, or former work colleagues), while in the latter case we identified references to the three dimensions of attachment (as described earlier in the psychosocial approach to friendship ties): affective attachment, personal attachment and normative behaviours (Maisonneuve and

Lamy, 1993; Moser, 1994; Hogg and Hains, 1998). To assess, for instance, the affective dimension, we referred to the extent to which entrepreneurs mentioned positive feelings for each other. To assess the personal dimension we looked for references to the perceived quality of the friendship beyond social/formal relationships. Finally, to assess the normative dimension, we took in to consideration how people behave in friendship ties, if they are benevolent or more opportunistic. As argued in the theory section, previous literature recognizes levels of friendship or different stages in the development of friendship (Van De Bunt *et al.,* 1999), and suggests varying degrees of the *attachment* dimensions (Boyd and Taylor, 1998). Thus, we used the former criteria (origin and dimensions of attachment), to ascribe to each ET a label of strong, moderate or weak friendship ties. Strong friendship ties referred to those cases where entrepreneurs reported a "childhood friendship", an affective and personal attachment (e.g., in the case of becoming *best friends*, BUS2) and benevolent behaviour (businesses 2 and 3). We ascribed the label of weak friendship ties to businesses in which entrepreneurs mentioned more collegial ties such as "classmate" or "colleague" and more a more opportunistic form of attachment (businesses 4, 6 and 7). We ascribed the label of moderate ties to businesses 1 and 5 because entrepreneurs mentioned more collegial, less personal and affective ties than in the strong ties cases, but no opportunistic attachment.

To account for the ways in which friendship in ETs had influenced the business at different stages of development we considered three phases. The *pre-launch phase* consisted of the emergence of the idea and the individual motivations to set up a business, whereas the *launch phase* included motivations to associate, and the *development phase* covered decision-making processes, particularly those around recruitment and investment. In relation to the first two phases, we followed Harper's (2008) and Forbes et al.'s (2006) arguments that research on ETs should focus on how entrepreneurial teams form and analyse the role they play in the processes of opportunity discovery. We considered the third phase – the *development* phase – to be consistent with calls for understanding the importance of relationships within ETs at different stages of the business-creation process (Wright and Vanaelst, 2009). Additionally, we aimed to extend and complement previous theoretical research by Francis and Sandberg (2000) that focused particularly on the development stage. Thus, we looked for references in the accounts of founders to the three phases and coded for the influence of friendship on each.

As noted above, we began our analysis by examining all of the transcripts for 1) entrepreneurs' accounts of friendship ties, 2) in what ways they had influenced the business at different stages of development and 3) how these friendship ties were seen as interacting and evolving with professional ties. We carried out within and across case analyses, meaning that

initially we went through each transcript separately underlining text and making notes in the margins, pulling together excerpts/accounts relevant to each of the three areas and ascertaining their meaningfulness using descriptive labels. This process was facilitated by both template analysis and interpretive phenomenological analysis (IPA). The former enabled us to focus our initial time and effort on text of relevance to the research questions specifically, while sorting segments later on to engage them in deeper "line-by-line" scrutiny (Crabtree and Miller, 1999, p. 164). The latter allowed us to look more closely at individual experiences and their meaning. Following this, we drew comparisons between each business/team. This was achieved by devising a data matrix in which the businesses/teams were organized according to *row* and data relating to the stages of development and perceived interactions between friendship ties for each business/team, along with their indicative sub-themes/themes, were placed in to *columns*. In the latter case, we identified several lower order 'sub-themes' (e.g., 'starting a business together is desirable', 'the desire to set up a business is something we wanted to do separately') and higher order 'themes' (e.g., 'influence of friendship', 'no influence of friendship' on the stage of development). The process of creating the sub-themes and themes was an iterative one that was refined over time and again is one consistent with template analysis. Table 2 provides quotations from the data that describe, in the words of participants, how they perceive pre-existing friendship ties as influencing the pre-launch, launch and development phases of the business. Direct quotations have been provided here and in the findings section in order to allow other researchers to make their own assessments (Doern and Goss, 2013).

INSERT TABLE 2 HERE

We then coded how friendship ties were seen as interacting and evolving with professional ties based on whether or not entrepreneurs described their work and personal lives as being combined, what call 'fusion', or separate – 'separation' (Zeliser, 2005; Ingram and Zou, 2008). For example, while in business 5 friendship and professional ties appeared to be combined ("*We are two friends at the head of the company that is developing. We have a lot of fun*"), in business 7 efforts were made to keep these ties separate ("*We realised that the friendly aspect of our relationship had to stop*"). We also identified and coded for the orientation of the interaction which we labelled as either as 'affective' or 'strategic'. ETs with *affective* orientations focused on the protection and/or development of friendship (e.g., *"So we will put some difficulties aside to protect our friendship" BUS 2*), while ETs with a *strategic* orientation focused on preserving the business *(e.g., "The friendship had to stop at a point to make the*

business work" BUS 7). We also considered that the individual motivations to set up a business, affective or strategic, reflect the orientation of the interaction. The combination of the nature and orientation of the interaction between friendship and professional ties led to the typology that is developed in the discussion section. Table 3 provides quotations from the data that describe, in the words of participants, how they perceive the interaction of their friendship ties with professional ties.

INSERT TABLE 3 HERE

Findings

In this section, we organize the findings according to the role that friendship plays in the formation and development of ETs at different stages of the entrepreneurial process and in relation to perceived interactions between friendship ties and professional ties and its evolution. Table 4 summarizes the major findings. Excerpts from the transcripts are provided as illustrations. Additional quotations are shown in tables 2 and 3[5].

INSERT TABLE 4 ABOUT HERE

How do entrepreneurs perceive pre-existing friendship ties as influencing the pre-launch phase of the business?

The strength of pre-existing friendship ties appeared to influence the emergence of the business idea and initial motivations to set up a business (see Tables 2 and 4). In the two cases characterized by strong friendship ties (businesses 2 and 3), entrepreneurs asserted that the emergence of the business idea was deeply connected to their friendship. For example, in business 3, founders had, in the past, organized stag parties abroad for friends' weddings. They then decided to launch a business around this concept following the advice of an acquaintance. In business 2, the idea first came from one individual but was then developed with friends. Further, for these entrepreneurs, friendship ties had served to characterize business activities ("*It's interesting because we are a group of friends and our goal is to send groups of friends on holiday. We don't arrange travels for couples but only for friends*", Mr M, BUS3) and the

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[5] For additional representative quotations and ascribed meanings, please contact the authors.

company name ("*We mixed our names. We took the surname of my colleague and the end of my surname and we added the word creation at the end*", Miss P, BUS2). However in two other cases founded on moderate ties (businesses 4 and 5) and weak ties (business 6), entrepreneurs stated that the business idea had emerged informally from the group of friends in relation to an affective event. Whereas in two cases based on moderate (business 1) and weak friendship ties (business 7), entrepreneurs described the emergence of the business idea as a formal/rational process conceived during their time in incubators or brainstorming, without any reference to their pre-existing friendship ties (*"The idea was mine from University even though [my business partner], who was not at [The Business School] I attended, shared it from the beginning. Much of the idea, in terms of market segmentation and so on was deepened at the instigation of Professors at the* University", Mr N, BUS7).

Some founders also reported that pre-existing friendship ties influenced their individual motivations to set up a business (see Table 2). In cases based on strong ties (businesses 2 and 3) and moderate ties (business 1), entrepreneurs mentioned affective motivations to set up a business, while in other cases with moderate ties (businesses 4 and 5) and weak ties (businesses 6 and 7), entrepreneurs only referred to instrumental motivations. In businesses 2 and 3, the main reason given for setting up a business together was to work with friends (with the purpose of creating an "*utopia of students*", Miss P, BUS2). Another motivation was to be part of an adventure with friends ("*We were not here to make money but for the human adventure. It was a project between us, it was a passion to do a project. So the priority at the beginning was rather to have fun, learn things, put in application things we had learned in our school* " Mr F, BUS1). In other cases, instrumental motives related to the desire of running a profitable business or to the founders' previous work environment. In business 6 for instance, the two founders independently had the motivation to launch a firm. One was part of an entrepreneurial family who encouraged her to start up her own project. In businesses 4, 5 and 7, founders worked as salaried employees before launching their companies due to the desire to be self-employed ("*It is this desire of independence and value creation",* Mr S, BUS4*).*

How do entrepreneurs perceive pre-existing friendship ties as influencing the launch phase of the business?

During the launch phase, some entrepreneurs reported that friendship ties had a bearing on their motivations to associate (see Table 2). In three cases based on strong and moderate ties (businesses 2, 3 and 5), entrepreneurs explicitly mentioned friendship ties as a motivation to

associate ("*I don't think that I will associate with anyone else without affinities. The fact that we get on well contributed largely to our desire to launch a project together",* Mr M, BUS5). In business 3, the partnership was built on friendship, which also played a role in shaping the boundaries of the ET as the founders refused to allow people into the business who were not from within their personal network ("*It remains a group of friends, we never thought to include someone from outside. There were some people from the tourism world who told us, 'I can work with you. For 1500 euros per month I can help you. I can get the licence for you'. There were people we met in entrepreneurship forums, two or three, who tried to join us and made some proposals but we refused. It was our company, our thing"* Mr M, BUS3).

In four other cases characterized by weak and moderate ties (businesses 1, 4, 6 and 7), entrepreneurs only referred to instrumental motives for working together such as complementarity of skills ("*We needed a minimum of skills that's why we got closer to each other",* Mr B, BUS1). In business 4, founders went into partnership because they had worked together before and trusted that each person had the right skills for the job ("*We were working for four years together on all the projects so there was no surprise when we started to work together for the company",* Mr S, BUS4). In business 6, founders clearly claimed their reluctance to associate with close friends *("I would never set up a project with my best friends… I have many friends that I have known since I was four years old, and there is a kind of family slackness",* Miss T, BUS6).

How do entrepreneurs perceive friendship ties in ETs as influencing the development stage of the business?

Entrepreneurs discussed the influence of their friendship ties on decision-making processes generally, and also in relation to the decision to open up investment to external partners and recruitment specifically (see Tables 2 and 4). Entrepreneurs reported that strong friendship ties played a role in achieving consensus and overcoming conflict in decision-making processes. Those with strong ties explained that trust favoured a kind of directness that facilitated decision-making ("*We get to the bottom of something straightaway … With a colleague you don't want to look deeper into his life whereas in our case we know so much about each other that it works better"*, Mr B, BUS3). While friendships can expedite the process of reaching consensus, founders also reported that friendship ties could lead to more difficulties in expressing disagreements with partners ("*It's true that it's harder to blame a best friend than someone (a colleague) with whom I work everyday. You take precautions to talk to*

a friend. When he says something you don't like, it takes time to accept it", Mr M, BUS3). In business 2, entrepreneurs reported that strong friendship ties could reduce the effectiveness and relevance of decision-making. They revealed tensions between strong friendship ties and the quality of the decision making process ("*It is quite difficult to manage because sometimes we will react very emotionally. As emotion is part of the project, there are some moments when it must come out"*, Miss P, BUS2).

Perceived friendship ties in ETs also influenced the decision to open up investment to external partners. Those who maintained strong friendship ties in ETs (businesses 2 and 3) rejected the inclusion of external financial partners resulting in a kind of fusion between friendship and professional ties ("*We never wanted to have exclusively financial partners because we considered that we needed a connection between people who invest money in the company. We had to know them and have this meaningful connection"*, Miss P, BUS2). By contrast, with the entrepreneurs who developed moderate and weak friendship ties in ETs (businesses 1, 6 and 7), the decision to allow outside equity into the business was driven by instrumental motives that reflect the separation of friendship and professional ties ("*It (their perceptions of friendship in business) will change with a pool of external investors. Money rather than emotion is what motivates us"*, Mr N, BUS7). In businesses 4 and 5, the founders' decision not to open up the company to outside investment was driven by a desire to maintain control rather than uphold personal connections (*"We chose to not raise funds to remain owners of the capital", Mr M, BUS5)*.

Finally, among those entrepreneurs who maintained strong friendship ties in ETs (businesses 2 and 3), recruitment decisions were also driven by affective motivations, in order to help friends or family members, reflecting a fusion between friendship and professional ties. In business 3, founders based their recruitment decision on the cooptation of friends ("*If we look for someone, for example a chartered accountant and we have a friend who has this qualification, we will favour our friend", Mr B, BUS3; "We will continue to recruit friends and family if we have the means", Mr M, BUS3). In business 2, founders did not have the financial means to formally hire people, but their friends and family members helped them by working for free to develop the business ("*They came to help us. They helped with the creation and design of the business. They came to help us on small things when we were in a rush", Miss P,* BUS2). On the other hand, those entrepreneurs who developed moderate and weak friendship ties in ETs (businesses 1, 4, 5, 6 and 7) based their recruitment decisions on strategic issues such as the complementarity of prospective employees in terms of skills ("*It's a technical product, so we needed technical skills to make it", Mr N, BUS7;"Following the business*

development, we specialized in areas like taxes or customer relationships, and we recruited interns to help us", Mr M, BUS5). These decisions resulted in a separation of friendship and professional ties.

How do entrepreneurs view the interaction between friendship and professional ties within the ET?

Leading on from the previous section, we identified two ways that friendship ties seemed to interact with professional ties in ETs as either "fusion" or "separation". In two cases (businesses 2 and 3), entrepreneurs revealed a strong fusion of their friendship ties with their professional ties in the workplace. In business 3, this manifested itself in a mix of communications and behaviours from the private and professional spheres within the workplace ("*We often think about business. But when we want to disconnect, we can do it whenever we want. Even at the office. We only have three weeks off but it's still related to the company. We go on a professional destination together but we enjoy it at the same time as we are friends",* Mr M, BUS3). In business 5, founders also reported a fusion between friendship and professional ties, but the emphasis here was more on their professional life - i.e., "strategic" considerations – as they considered themselves as friends working together in a company ("*We are two friends at the head of the company that is developing"; "We were friends and we still are, we still go on holiday and weekend together. The only difference is that we are not as close as before because we have this new professional life",* Mr M).

We found that the combination of friendship and professional ties perceived can have a bearing on the evolution of friendship ties between founders. In business 3, entrepreneurs reported that the mix of private and professional ties strengthened their friendship through the frequency of interactions *("We see each other more than before. It is getting better",* Mr M). However, in business 2, when the team transitioned from friendship to professional, entrepreneurs did not succeed to maintain an "equal footing" as one of them imposed her point of view leading to conflict and reducing the strength of their friendship ("*The relationship between friends has been disrupted. We are still best friends but it is true that it is more difficult regarding the company. It has had an impact on our friendship. There were differences regarding the company that took us away from each other",* Miss P).

Founders of other businesses showed a clearer separation between friendship ties and professional ties which could be explained by the orientation of the interaction, either 'affective' or 'strategic'. For instance, in the former case, one founder mentioned his intention

to draw a line between friendship and work in order to protect the former (*"Indeed, the company has not changed our relationship. I hope it will not change our relationship. So we continue to go out on the weekend together. Maybe we talk about different things regarding the evolution of the company but we intend to get things into perspective to separate the professional side of life from our friendship, the personal side"*, Mr F, BUS1). In contrast, businesses 4, 6 and 7, entrepreneurs reported deliberate efforts to foster a strong separation between their private lives and the professional sphere for more 'strategic' purposes; in order to preserve the business (*"We know that time is money and we don't talk about our personal lives at work. We don't mix our work and personal lives"*, Miss L, BUS6). In businesses 6 and 7, founders had rejected friendship ties in the workplace (*"We realised that the friendly aspect of our relationship had to stop ... We changed. We became very careful. The friendship had to stop at a point to make the business work"*, Mr N, BUS7)*, as they considered them to be inimical to the success of the business *("Yes, it's dangerous when we are too close there is a kind of slackness"*, Miss L, BUS6)*.

Discussion: A friendship-based typology of Entrepreneurial Teams

Drawing on the interview data, we create a typology of ETs based on perceived founder associations, interactions between friendship and professional ties and the orientation of such. Our results extend earlier work (Ingram and Zou, 2008; Grey and Sturdy, 2007; Forbes *et al.*, 2006; Moreau, 2006; Zeliser, 2005; French, 1998) by suggesting four engagement approaches used by entrepreneurs during the formation and development of ETs and ventures: affective fusion, strategic fusion, affective separation and strategic separation. These engagement approaches reflect individual preferences for the level and type of alignment between friendship and professional ties. Figure 1 shows these engagement approaches. We relate each to the risks of working with friends and stages of business development.

FIGURE 1 ABOUT HERE

In 'fusion'-based entrepreneurial teams friendship and professional ties are more or less completely interlinked, and friendship is considered an "organizing principle", as it is crucial for the existence of ETs (French, 1998). This 'fusion' focuses on the promotion of solidarity between friends, what we call 'affective fusion' (businesses 2 and 3), or ones professional life and business – 'strategic fusion' (business 5). In 'affective fusion', the strength of the friendship between founders seems to favour the initial phases of the business - i.e., emergence of the idea,

business identity, initial motivations to set up the business, and building of the ET. This emphasis on friendship is consistent throughout the evolution of the business. This has both positive and negative implications for both the friendship and the business. That is, in some instances, the working relationship between founders strengthens friendship ties, as they see more of each other and remain close. This closeness, in turn, facilitates communication and expedites decision making. The tendency for strong ties between organizational members to facilitate trust and communication has also been observed in the general management and entrepreneurship literatures (e.g., Kautonen et al., 2010), particularly research on minority ethnic and family business (e.g., Pettinger, 2005; Glaser *et al.*, 2000; Leach, 1996). In cases of disagreement over work matters however, founders put their personal desires and good business sense aside (leaving problems *"latent"*, business 2) to protect the friendship, although they are conscious of the following risks related to this behaviour. To begin with, while friendship may hasten the decision-making process on the one hand (allowing ETs to "*get to the bottom of something straightaway*", business 3), participants reported that it could be difficult to manage as people may "*react very emotionally*" (business 2) and you have to take *"precautions"* in speaking to one another (business 3). Thus, we did not find support across accounts for Francis and Sandberg's (2000) proposition that friendships based on strong ties promote more effective decision-making processes (which was more observable in the next type). Moreover, it seems that while entrepreneurial teams characterised by this engagement approach were motivated to create and launch a business by their friendship (as doing so fostered a kind of *"utopia"*, business 2), friendships may limit the growth potential of businesses by restricting recruitment and investment to personal networks; thereby failing to acquire the skills and financial capital necessary to expand (Casson, 1982; Storey, 1994). Previous research (although not related to ETs specifically) suggests an additional risk that may arise in the case of ETs characterised by 'affective fusion'. Specifically, some literature has found that strong ties/friendship may positively affect trust. However, this trust may become a tie that 'blinds' (Kautonen *et al.,* 2010) in the sense that individuals become less critical about the behaviours and decisions of friends. Further, it has been argued that strong friendship ties may make it difficult to remove and replace team members if a transgression occurs or if organizational roles require skills team members do not possess (Francis and Sandberg, 2000; Zolin *et al.,* 2011). As a consequence, these limit the flexibility of businesses over time (Zolin *et al.*, 2011). Finally, in such ETs the identity of the business is based on friendship. Thus, both the team and ultimately the business may be particularly unstable in the sense that if one member leaves, others are likely to follow (Francis and Sandberg, 2000).

To mitigate the risks associated with this type and enhance prospects for survival, entrepreneurs, we suggest, can take a number of steps. First, concerns relating to emotional reactions can be addressed in part by encouraging such ETs to engage in a kind of emotion work that is common to larger/customer-facing organizations such as 'emotion regulation', which involves displaying emotions that differ to how one is feeling in an attempt to control them (Gross, 1998) or, similarly, 'emotional labour' which involves managing public displays of emotions to comply with normative "display rules" (Ekman, 1973). Second, team members are advised to make strategic decisions with the assistance of external advisors, and/or in the presence of other staff members to maintain focus and professionalism. Third, such teams would benefit from being educated about the advantages of, and practices around, drawing people and money from a larger, external pool. This would not only enhance growth potential, but serve to ease workload related and financial burdens on existing team members, protecting both their friendships and businesses. Fourth, when the purpose of the business is to work with friends, as it is in cases of 'affective fusion', entrepreneurs should be informed of the associated risks and encouraged to articulate and share their personal/business intentions early on, at the pre-launch stage. Finally, such teams should also make their professional roles, performance expectations, and goals explicit at this pre-launch stage.

> **PROPOSITION 1:** When friendship and professional ties in entrepreneurial teams are interlinked throughout the evolution of the business and there is a strong affective component binding them together, the benefits of such to the friendship and business are strongest during the pre-launch and launch phases, becoming weaker and more threatening to the survival of both over time, with subsequent business development.

Where friendship ties and professional ties were both given due prominence (and overlapped), we labelled such cases as 'strategic fusion'. While the characteristics and risks inherent in this type of business/ET closely resemble those of 'affective fusion' (e.g., here friendship is also the main motivation to associate), the main distinguishing feature is that in subsequent stages of business development, the influence of friendship over decision-making is lower. In business 5, for instance, over the course of the firm's emergence and development the founders began to see each other not only as friends, but also as business partners. The friendship may even take a back seat to the business at times. In contrast to those teams we labelled as 'affective fusion', certain decisions (e.g., relating to recruitment) tend to be based more on strategic than affective considerations, which we suggest might have the effect of

enhancing the growth prospects of respective businesses (e.g., *"recruitment decisions, we can't do alone"*; *"we recruited interns to help us",* business 5). At the same time however, the friendship still holds some sway over decision-making, and may even slow it down *("When one of us takes holidays, we work less efficiently. We are less confident in terms of making decisions alone and more reluctant to develop new projects",* business 5). Thus, some of the risks facing these teams are similar to the previous category, albeit less intense. An additional risk might be that attempts to maintain loyalties to both the friendship and the business at the same time are in vain as neither receives full attention or consideration.

> **PROPOSITION 2:** When friendship and professional ties in entrepreneurial teams are interlinked but the friendship, while essential to team/business formation, has a smaller influence on subsequent stages of development and decision-making processes, the prospects for business survival and growth are higher here than they are in those teams taking an 'affective fusion' engagement approach.

In 'separation', friendship ties are considered as organizing elements, since these ties are not crucial for the existence of the ET (Grey and Sturdy, 2007; French, 1998). There is a clear distinction between friendship ties and professional ties. The 'separation' is made in order to protect either the business – 'strategic separation', or the friendship between the founders, which we label as 'affective separation'. The former case is designated as 'strategic separation' because it is intended to preserve the business. Friendship and professional ties do not overlap. Friendship ties in the workplace are rejected from ETs (businesses 4, 6 and 7). In the early stages, the reasons for developing a firm stem from desires to escape the wage system and earn more money; the friendship is not a part of the identity of the business and does not factor in to the motivation. The partnership emanates from strategic interests that primarily include gaining access to complementary resources and skills (*"I could see what he was worth"*, business 7). This emphasis on rejecting friendship is consistent throughout the evolution of the business. Recruitment and investment decisions are not based on affective networks. Founders, who intentionally develop ETs with weak ties, tend to do so because they believe emotion and the strong friendship ties are harmful to the company, because they lead to opportunism. So in this case, founders see the risk of working with friends as high and actively try to reduce such risks by staying *"distant"* (business 7), not speaking about their affinities or personal lives in the workplace. However, this type of ET might also imply risks not perceived by ET members. First, as suggested by Ingram and Zou (2008), friendship favors trust, empathy and sympathy.

Thus, a reluctance to hire friends may over-look trustworthy candidates, or offers of help may be dismissed, during the early stages of venture creation when time and money may be limited. This in turn may reduce the growth possibilities of the business (Jarillo, 1989; Covin and Slevin, 1997; Wiklund and Shepherd, 2003). Second, a pure strategic focus may limit the kind of passion and motivation to work together that may be more apparent in other types of entrepreneurial teams which may cause the business to falter. A related risk is that such teams may be more vulnerable and likely to split up when undergoing significant internal changes (e.g., restructuring) and/or in the case of encountering an external shock (e.g., economic recession, crisis). For instance, Bonanno (2004) has found that resilience (bouncing back from a traumatic event) is facilitated by social/emotional support; support, we argue, that may be found in the friendships maintained by team members. Additionally, since the main motivation to set up a business is economic, achieving poor performance may be a major reason to leave/close as compared to other types of entrepreneurial teams. The risk here may be mitigated, in part, by seeing friendships as 'resources' which require investment, by anticipating potential problems, and by maintaining some flexibility that might be more inherent to other approaches like 'affective fusion' and 'affective separation'.

> **PROPOSITION 3:** When friendship and professional ties in entrepreneurial teams are not interlinked and this separation is strategic and involves denying the friendship throughout the evolution of the business in order to protect and enhance its growth prospects, the continuity and survival of the business may be compromised.

The last kind of entrepreneurial team we refer to as 'affective separation'. The central motivation for setting up a company in this case is to share in the adventure with friends, while one of the main reasons to associate is to share skills. Even if these friends see each other frequently and share some activities in their private lives, they try to keep their professional ties separate from their friendship. Team members in this case are aware that the business may pose as a risk to the friendship (*"change"* the relationship), and make an effort to preserve friendship ties between the founders. This is achieved in part by communicating *"directly"* when *"talking about difficult stuff"* (business 1). In business 1, the separation between friendship and professional ties is enforced by a written contract between the founders and the principal intended function of the contract is to preserve the friendship, shielding it from disagreements regarding the strategy of the business. By preserving the friendship, team members do not lose the advantages of such which include enhanced trust, empathy and sympathy as in the case of

'strategic separation'. However, while an explicit agreement might allow founders to avoid personal as well as legal challenges later on, it might also make it more difficult for them to modify organizational roles (Francis and Sandberg, 2000), as compared to those relying on implicit informal agreements (Zolin *et al.*, 2011). Additionally, as in the case of 'strategic separation', investment and recruitment decisions are based on strategic reasons; in contrast to those teams, however, they are less reluctant to hire or fire friends. Thus, as compared to 'strategic separation' ETs, the growth possibilities of the business are less constrained, particularly in the early stages. Therefore, the separation logic may not negatively affect growth. Paradoxically, the separation for affective rather than strategic reasons may protect the business from the ET, so that the growth possibilities may be greater. At the same time, the strategies these teams follow to preserve the friendship, allow them to avoid the negative consequences of trust –i.e., becoming less critical about the behaviours and decisions of friends (Kautonen *et al.*, 2010); something that is more probable in the 'affective fusion' type. Another risk, similar to the case of 'affective fusion', is that if one team member leaves, others may be encouraged to follow.

> **PROPOSITION 4:** When friendship and professional ties in entrepreneurial teams are not interlinked and this separation is guided by a strong affective component that is intended to protect the friendship, the advantages of friendship among team members (e.g., trust) may benefit the business and its growth possibilities, as compared to teams taking a 'strategic separation' approach, while also controlling for the disadvantages of friendship, as compared to teams taking an 'affective fusion' approach.

Conclusion: Contributions, Limitations and Future Research

The purpose of this research was to understand the role that friendship plays in the formation and development of ETs and ventures, as well as the interaction of friendship ties and professional ties. We identified four profiles or types of ETs based on different combinations of friendship and professional ties and kinds of associations between founders: affective fusion, strategic fusion, affective separation, and strategic separation.

By investigating founders' perceptions and experiences of working with friends, our research moves away from the traditional functionalist view implicit in previous studies (Grey and Sturdy, 2007). We also enrich Francis and Sandberg's research (2000) by operationalizing friendship ties according to origin of ties and the strength of ties based on affective, normative and personal dimensions. We have shown that it is important to consider the strength of ties

(Evald *et al.*, 2006), as it conditions the evolution of ETs and ventures. From a broader perspective, our findings also represent an extension and alternative view of existing understandings of personal networks in the entrepreneurial process (Aldrich *et al.,* 1987; Carsrud and Johnson, 1989; Huggins, 2000).

We also extend previous research by Francis and Sandberg (2000) by showing that friendship ties can influence not only the reasons to associate, but also decisions in the early stages of the entrepreneurial process. By analysing these earlier stages, we respond to recent calls for understanding more about how entrepreneurial teams form and what role they play in the processes of opportunity discovery (Harper, 2008). We found that during the pre-launch phase, strong pre-existing friendship ties influenced the emergence of the business idea and individual motives to set up a business, whereas weak friendship ties sometimes influenced the emergence of the business idea but did not condition the motives to set up a business. In the launch phase, both instrumental and social approaches to the formation of an ET were observed. That is, strong friendship ties seemed to favour affective associations – i.e., the selection of partners from personal networks based on the quality of friendship ties – while weak ties led to strategic associations driven by the complementarity of skills and personality (Larson and Starr, 1993). This finding supports the arguments by Granovetter (1973) that weak ties may help to provide access to resources. In the launch phase, our results also suggest that these ET profiles influence decision-making and operational choices in business development, such as recruitment and investment. These findings enrich Francis and Sandberg's (2000) proposition regarding the influence of friendship on the decision-making process by specifying the content of decisions. Specifically, we found that recruitment decisions were driven by affective motivations in ETs based on strong friendship ties. This result confirms the suggestion made by Leung et al. (2006) that entrepreneurs use strong ties to acquire core team members not only in the launch phase but also in the growth phase of the firm. We also find that the decision to open up investment to external partners was driven by affective motivations in ETs based on strong friendship ties and instrumental reasons in ETs with weak friendship ties. Our findings suggest that strong friendship ties could have both a positive and negative influence on the decision-making process. It can facilitate conflict resolution through increased trust and directness on the one hand (Shah et al., 2006), and discourage the expression of disagreements between partners on the other (Janis, 1982).

Our research also contributes to the literature which covers the upsides and downsides of working with friends, and strong ties more generally (e.g., Ingram and Zou, 2008; Kautonen et al., 2010*)*, from the perspective of founding ETs where there is currently very little research.

It also builds on previous research that relates to the consequences of ET composition. That is, while previous research has mainly focused on the demographic characteristics of team members, such as their education and experience (e.g., industry experience, technological experience, commercial experience, diversity of experience), and has examined the impact of such on information processing, knowledge transfer, access to capital and business performance (e.g., Ensley and Hmieleski, 2005; Chowdhury, 2005; Amason, Shrader and Tompson, 2006; Knockaert, Ucbasaran, Wright and Clarysse, 2011; Beckman, Burton and O'Reilly, 2007), our research extends this line of research by looking at the connections or 'ties' between ET members, specifically friendship ties, how they interact with their professional lives, and the implications for venture creation and development.

Our study also has implications for practitioners by showing the consequences of forming an ET with friends. Specifically, our study shows how that friends can follow different approaches when forming ETs, in terms of the nature of their interactions ('fusion' or 'separation') and in terms of the orientation of these interactions, either to protect friendship ('affective') or the business ('strategic'). All of these approaches/types have upsides and downsides and potential entrepreneurs may benefit from understanding them.

The scope of the current article was limited in several ways. First, we chose a small sample that, while being consistent with our methodological approach, implies the results are not statistically generalizable. However, our results may be theoretically generalizable (Yin, 1994) in the sense that concepts (i.e., the friendship-based types of ETs we identified) may be further examined and applied in other studies on ETs. Nevertheless, in the future, our investigation could be expanded to examine a larger number of businesses or triangulated by interviewing non-founders intimately involved in the ET. Second, we collected data at one point in time, thereby limiting the understanding of the evolution of friendship ties especially its termination over the entrepreneurial process. Additionally, although all firms experienced the pre-launch, the launch and the development phases, they had different ages. Future research would therefore benefit from taking a longitudinal approach and a more homogeneous sample. Also, we were not always able to interview multiple team members. Where we could not meet all founders due to their lack of availability, we sent them copies of the transcripts to give them an opportunity to comment; they subsequently agreed with and approved such strengthening the credibility of the data via respondent validation. Nevertheless, future research should strive to include those entrepreneurial teams that are still intact and/or are able participate. Finally, while most of research has underlined the positive effects of personal ties on entrepreneurial outcomes (Gronum *et al.*, 2012; Brüderl and Preisendörfer, 1998), our findings suggest that

friendship is a double-edged sword in terms of decision-making process. Future studies should explore more fully the negative impact of friendship ties (see Carsrud and Johnson, 1989) especially the relationship between friendship ties and conflict in business development.

Our study also suggests several lines for future research. First, future research on this topic should test the four propositions stated above. Second, future research should employ the typology we devised to test whether businesses at similar stages of business development resonate with one or more of the team profiles or types identified. Third, future research should test which types of entrepreneurial teams are more likely to report greater work satisfaction (or passion), continue running their businesses together or form subsequent business ventures, and which ones have a higher likelihood of being successful in terms of business survival and growth. Fourth and finally, future research should examine whether or not entrepreneurial teams composed of other kinds of strong (i.e., family members) or weak ties (e.g., acquaintances) can also be divided in to the four different types we identified. Fifth and finally, future research may explore whether and how friendship, and other types of ties such as family or communal ties, may differ in terms of how ideas emerge, how entrepreneurs add to ETs, and how ETs manage subsequent phases in the entrepreneurial process.

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Table I. Characteristics of the Research Sample

	BUS1[1]	**BUS2**	**BUS3**	**BUS4**	**BUS5**	**BUS6**	**BUS7**
Project	Online gaming	Smart wallpaper	Travel agent	Wedding photography	Online retail	Online platform	Online services for senior citizens
Number of associates	Four	Two	Three	Two	Two	Two	Three
Interviewees[2]	One founder (M)	One founder (F)	Two founders (M, M)	One founder (M)	One founder (M)	Two founders (F, F)	Two founders (M, M)
Origin of friendship ties	Childhood friend	Childhood friend	Childhood friend	Classmate	Classmate	Classmate/ colleagues	Colleagues
Strength of friendship ties	Moderate	Strong	Strong	Moderate	Moderate	Weak	Weak

[1] Business; [2] M – male, F - female

Table II. Role of friendship ties in ETs at each Stage of the Entrepreneurial Process

Table 4. The ET profiles and the influence of friendship in the entrepreneurial process

	BUS1	BUS2	BUS3	BUS4	BUS5	BUS6	BUS7
Strength of pre-existing friendship ties	Moderate	Strong	Strong	Moderate	Moderate	Weak	Weak
Entrepreneurial teams in the emergence of the idea							
Emergence of the idea	Influence of friendship on the idea	Influence of friendship on business identity	Influence of friendship on the idea and business identity	Influence of friendship on the idea	Influence of friendship on the idea	Influence of friendship on the idea	No influence of friendship on the idea
Individual motives of entrepreneurs to set up a business	Influence of friendship	Influence of friendship	Influence of friendship	No influence of friendship	No influence of friendship	No influence of friendship	No influence of friendship
Entrepreneurial teams during the launch phase							
Motivations to associate	No influence of friendship	Influence of friendship	Influence of friendship	Influence of friendship	Influence of friendship	Influence of friendship	Influence of friendship
Entrepreneurial teams during the development phase							
Decision to open equity and motivations	No influence of friendship	Influence of friendship	Influence of friendship	No influence of friendship	No influence of friendship	No influence of friendship	No influence of friendship
Motivations to recruit	No influence of friendship	Influence of friendship	Influence of friendship	No influence of friendship	Influence of friendship	No influence of friendship	No influence of friendship
Combination of friendship and professional ties in Entrepreneurial Teams							
Type of interaction	Separation	Fusion	Fusion	Separation	Fusion	Separation	Separation
Orientation of interaction	Affective	Affective	Affective	Strategic	Strategic	Strategic	Strategic

Figure 1. A Friendship-based Typology of ETs