

## “Entrepreneurship and Team Participation: An Experimental Study”

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**Executive Summary:** Starting a new business is a surprisingly solitary endeavor. According to Shane (2008), “less than 10 percent of all new businesses are founded by teams of nonrelatives.” This could reflect the preferences of entrepreneurs. Self-employed individuals have higher job satisfaction than others, and one of the sources of this increased job satisfaction is greater autonomy (Benz and Frey, 2004). However, it could also reflect a failure of entrepreneurs to locate a satisfactory partner or market failure due to asymmetric information. Certainly there are good reasons for entrepreneurs to want partners, give that businesses started with partners are more likely to succeed (Cooper, Dunkelberg, and Woo, 1989; Reynolds and White, 1997; Schutjens and Wever, 2000). Making policy recommendations on whether entrepreneurs should be encouraged to locate partners depends in part on whether entrepreneurs are likely to want partners.

To examine this issue, we ran economic experiments with a broad pool of participants. Our subject pool included undergraduate students at Florida State University (FSU), full-time MBA students at FSU, part-time MBA students at FSU, alumni of FSU’s business school, and business people associated with the Jim Moran Institute. (JMI is a program run by FSU’s business school, providing services and activities oriented towards entrepreneurs and small business owners.) Subjects answered multiple choice questions drawn from the GMAT. In an initial phase, subjects played in isolation and were paid based on how many questions they answered in a five minute period. For the second phase of the experiment subjects were paired with a partner from an earlier session and spent another five minutes answering questions. Critically, payoffs from each question are either allocated to an individual account or a group account. The group account pays 50% more than the individual account, but group payoffs are split evenly between partners. It maximizes an individual’s payoffs to allocate all questions to the individual account, but team payoffs are maximized if all questions are allocated to the team account. At the beginning of the final phase of the experiment, subjects bid for the right to play in a team. Potential bids include negative numbers, making it possible for subjects to display a preference for playing as individuals. Depending on their bid and a randomly drawn price, subjects either play the final phase by themselves or partnered with a new individual drawn from an earlier session. The two variables of primary interest in our experiment are how willing subjects are to donate questions to the team in the second phase and how willing they are to join a team in the third phase.

Limiting the dataset to individuals who are similar to the entrepreneurs in our sample (over 30 and not full time students), individuals who are entrepreneurs (full-time self-employed) are slightly more likely to contribute questions to the team account in the second phase (66% vs. 62%). In the third phase they are substantially less willing to join teams. The proportion of entrepreneurs who strictly prefer to join a team is only 32% versus 48% of others. The average bid of entrepreneurs is lower by \$1.47. In terms of the experiment this is a large difference, representing about a quarter of the average earnings from the third phase. These differences in willingness to join and pay for team membership are statistically significant and become even larger when we control for differences in age, income, and aptitude for answering GMAT questions. The results of our experiments indicate that entrepreneurs, while no less likely to be good teammates, are substantially less interested in joining teams. This suggests that efforts to encourage partnership among entrepreneurs may run contrary to the preferences of this group.