THE DEVELOPMENT PROCESS OF THE RIGHT TEAM IN EARLY STAGE START-UPS

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Abstract. The purpose of the paper is to create grounded theory to reveal the problems of the right team development process of the early stage start-ups and to explain how the main challenges of the process are being solved. A structured grounded theory (GT) has been chosen based on the combination of deductive and inductive approaches, revealing a contextual epistemological view, which is important when explaining the phenomenon through the experience of the research participants. GT helped to reveal concepts and their relations, relevant to the understanding of a right team of start-ups. The concept of the right team of an early stage start-up includes primary founders having the right competences, having a team leader and other team members having the right competences. The competences of the right team include knowledge, experience and characteristics that influence the development process and help successfully overcome the challenges of an early stage start-up.

1. Introduction

The rapid changes in technological processes together with economic globalization are forming an environment receptive to innovation; and create opportunities to develop start-ups, which for the last decade have produced astounding global success stories and have encouraged all market participants to adopt technological and managerial innovations. Businesses face increasing competition, therefore radical innovation is necessary for companies to achieve vitality (Richter et al., 2016). The increased interest from the science and business communities into the business model of the successful companies is evident with many trying to identify the start-up success factors. Not only do start-ups have to commercialize their ideas fast, but they also have to choose a clear direction and enter the market with their innovation at the right time (Marmer et al., 2012). The innovative product is being developed at

the early stage of the start-up's life cycle with certain success factors determining if the start-up will gain, maintain its position in the market, or fail. Precisely at this stage special attention is placed on the right team of a start-up: it must create a product for a market with as little resources as possible, overcome challenges, put in the effort, work hard and completely devote themselves to the fulfilment of the idea.

Nowadays the team has become a cornerstone success factor not only for start-ups but many other types of organizations as well. "Team is an essential ingredient on and off the race track" (Harris and Sherblom, 2018). The authors' quote reflects perfectly the current competitive landscape, where only the strongest and most capable in gathering the right team in their pursuit of success survive. Most start-ups "die" at the early developmental stage, and so for this reason alone science must deepen the knowledge, change perspectives and start discussions in this area of research. One of the reasons contributing to the failure of the start-up is the team (it has been identified that up to 60% of all failed new companies had issues with their teams), therefore if the team manages to understand and meet customer needs, and make the right decisions it will have a greater chance of success. *However, what lies beneath the concept of the right team, how it is understood in the context of a certain stage of a start-up's development incorporating the context, conditions and outcomes, what kind of team creates a successful new business are all questions open to new scientific research.*

In the 90s, as the world wide web emerged, the process of a start-up's development changed completely with opportunities for rapid scalability and the potential to reach a global customer base became more readily available. Such technological changes require a completely different understanding of the right team and over the last few decades the interest from an array of different scientific fields into this topic has increased dramatically. Start-up teams are now being examined from different perspectives: what appropriate characteristics influence the success of a company (Ammeter and Dukerich, 2002; Leary and DeVaughn, 2009; Jin et al., 2017)*,* what characteristics are essential to start a company (Leary and DeVaughn, 2009), how are successful teams formed (Lazar et al., 2020), what influences the performance of the team and the effectiveness of decision making (Lechler, 2011; Knight et al., 2020), the size of the team (Agarwal et al., 2016) or it's demographic (Beckman et al., 2007), the heterogeneity of the team (Lazar et al., 2020), and the entrepreneurial team cognition (de Mol et al., 2015)*.*

Although there has been a lot of research done in this area, it doesn't cover the main purpose of this paper, which is to generate grounded theory that would reveal the developmental issues of a start-up team and would explain how the main issues relating to the start-up's early development stages are being solved. To implement this objective the concepts of the right team and the development stages have been overviewed; the methodological principles of the procedural inquiry as well as the discussion and conclusion have been presented. The latter are particularly relevant to the educational and training institutions that prepare entrepreneurship, start-up development, acceleration programs and for those seeking to develop a successful start-up and to pass on the knowledge on how to successfully overcome the issues of the development stage. Development issues, as a research topic, has been chosen as development (or growth) can reveal the ability outlook and can be used as a tool allowing people to achieve their highest potential and give them the freedom of action (freedom of economic, social and family actions, etc.). The author of the paper relies on this definition, developed by an Indian Nobel prize winner in economics Amartya Kumar Sen (DeFilippis and Saegert, 2013).

It is important to note, that the aim of this paper is to reveal the experiences, meanings, the processes of cause and effect, the causality within start-ups, showcasing how actions influence each other, without forming any pre-existing hypotheses, but creating a theory by following the experience of the research participants. Structured grounded theory has been chosen, which helped to understand what and how decisions are being made and allowed to find out the essence of the studied phenomenon. The version of the structured grounded theory, as developed by A. Strauss and J. Corbin, has been chosen for the following reasons:
The deductive and inductive view. The scope of the research topic became apparent after the literature review has been carried out, which was used to formulate the pre-existing research questions.

The contextual epistemological view. The author seaked to personally participate in the research, to better understand the world of the research subject and the experiences of the research participants.

The positivist philosophical stance. The author distanced herself from the philosophical line of thought, which states that there is one correct way of understanding the world. Each existing theory has been developed at a different period, influenced by different ideologies and conditions therefore analysing current data, new knowledge and findings are always necessary.

The symbolic interactionist view. Experience and constant communication with people help to develop a continuous dialog. The author focuses on the meaning, stemming from the interaction between people.

A flexible data analysis. The author chose to use supporting means for data analysis and is of the opinion that a researcher can choose freely the research method as long as the procedures of grounded theory are retained.

Complexity and dimensionalism. A comprehensive, complex view allows to reveal the contexts, interrelations, set conditions, causes and consequences. Strauss & Corbin (1990) emphasised that their paradigm model helps researchers develop a more comprehensive, complex, systemic and accurate thinking, and helps to answer why and how phenomena appear in real time, allowing to reveal the dimensionality of a phenomena.

By implementing the chosen strategy of structured grounded theory, the author analyzed the literature, examined the concept of the start-up's right team, revealed the development stages of start-ups and formed the instrument for empirical research. By conducting qualitative research, the author was seeking to collect as many conclusive results, therefore was using more than one data source: one-on-one interviews, digital commentary, memoing the ideas expressed during the pitches at start-up competitions. The conducted qualitative research on the development of early stage start-ups includes 17 qualitative interviews and the authors memos, after which point the research was deemed to have reached theoretical saturation. One-on-one interviews were conducted using a semi structured questionnaire allowing to refine the data and expand it with additional questions. The data was analyzed conducting a constant comparative analysis: it has been collected, analyzed and coded at the same time, without delay, maintaining theoretical sensitivity and using the red flag technique.

The data analysis was done using a structured grounded theory coding process, which entails three stages: the open stage used for identifying, naming, breaking down and describing the phenomenon. The axial stage - a process for linking the codes together. And the selective stage when the core category is chosen and all other categories are linked to the core. These coding methods were used to create concepts from field data. When the link between the categories was established, the author, using a conditional matrix, analyzed the different conditions and consequences in attempt to connect the process and the structure (Strauss & Corbin, 1990; Žydžiūnaitė ir Sabaliauskas, 2017; Švedaitė-Sakalauskė et al., 2019). The data was analysed using ATLAS.ti (version 8.4.3) software, which has been developed to analyse qualitative data and allows to do so in varying formats, such as text, graphics, video and audio files, as well as manage, separate, compare, explore and conceptualise a big quantity of data in a systematic way better than it would be possible doing it manually (Paulus & Lester, 2016). The studied phenomenon is revealed by presenting a generalized picture of a phenomenon (the submission of a generated theory), main concepts, causes and connections. In an attempt to reveal the sequential factors a procedural inquiry has been conducted.

2. Literature review

The different approaches found in the literature raises many academic discussions yet also present a broader holistic view, which allows for the concept of the right team of start-ups its theoretical aspects to be revealed and analysed in a more versatile and critical manner. Meanwhile a theoretical overview of corporate developmental studies reveals how the understanding of a start-up team and its characteristics changes based on the development stage. For example, in entrepreneurship theories some of the determining characteristics of start-ups at the early development stages are ideation, creativity, innovation. Whereas at the later stages, as discussed in management theories, risk, team and company management become more prominent. Therefore, the examined theoretical aspects will be determined by the start-up's development stage and its environment, which is in constant shift and influences

the concept of the start-up team and the factors of the development stages. Such line of thought helped to structure the research topic as it progressed.

2.1. The concept of a start-up's right team

The concept of a "start-up's team" in scientific literature is widely discussed. However, there is no one agreed upon and established definition as they emerged at different times and were influenced by different conditions. New knowledge, discovery and explanations therefore are always needed. The variety of terms such as „*start-up team*", „*team*", „*work team*" „*entrepreneurial team*", „*founding team*", „*new venture team*", „*great team*", „*successful team*" and „*right team*" prompts to analyze the different scientific approaches, to conceptualize the definitions and understand if these are all synonyms, what divide is possible between them, what crucial points must be included when conceptualizing the definition. First, such terms as „*start-up team*", „f*ounding team*" and „*new venture team*" must be separated as they define a start-up and its founding team (although the term „*new venture team*" could presuppose a preconceived opinion that it relates to a team of a starting new company in its initial, bootstrapping stage). Meanwhile the term „*entrepreneurial team*" emphasizes only one of the team's characteristics - namely entrepreneurship - and could leave out the full context. There's a clear diversity in different definitions used by different researchers, for instance an *"entrepreneurial team*" is defined as a team responsible for the establishment, development and management of a new company and seeking of common goals. The composition of the team's characteristics in this term reflects if the company will succeed or not (Jin et al., 2017; Harper, 2008). The team could also be seen through the lens of diversity: diversity of opinion, diversity of expertise, diversity as disparity (Kakarika, 2013). Meanwhile Cooney (2005) presents „*entrepreneurial team*" through the understanding of value, having substantial financial interests and being actively involved in the creation of the company, but not through the revelation of team characteristics and pursuit of common goals. Chen et al. (2019) gives a clear divide between and „*entrepreneurial team*" and a „*work team*". „*Entrepreneurial teams*" form spontaneously by people who share common interests and develop initial business processes, form organizational culture and have to find ways to utilize market opportunities, mitigate risks, manage ambiguity and react to market dynamics. Whereas an organization's „*work team*" elects the management team and the team has clearly formulated tasks. Social interplay between the team members in the newly formed business is crucial in dealing with challenges and influences the results of the whole company (Ensley et al., 2002).

Under the term „*new venture team*" lies the team's ability to take up responsibility, make decisions, execute actions (Klotz et al., 2014), and includes its financial interest (Watson et al., 1995), whereas „*founding team*" refers to the founding members having competencies, sharing skills, knowledge, life experience, social and personal qualities (Ye, 2017) while being capable of creating the initial strategies, structures of the company and taking action and achieving results (Beckman, 2006). The term „*start-up team*" is very similar and was widely analyzed by Knight et al. (2020) who offered a multidimensional concept, which includes having a share of the capital, autonomy in strategic decision making and entitativity. „*Start-up team*" also reveals a group of individuals, where each member has an idea, a mission, an understanding how to achieve it and is a part of the execution process (Lee et al., 2020). Meanwhile the term „*team*" encompasses the collection of the characteristics of certain team members, such as interdependence, shared responsibility, the ability to draw the boundaries of the team, boundary crossing and the development of a shared mental model (Boon et al., 2013). A „*Team*" is a group of individuals, who help to develop a company with their different and necessary skills, are actively involved and take actions (Hernandez et al., 2018), help to see new opportunities (Muñoz-Bullon et al., 2015), communicate amongst themselves to achieve common goals, share responsibility, are responsible for one another (Vangrieken et al., 2017) and focus their attention on how the job is being done (Rydenfält et al., 2017).

Other terms like „*great team*", „*right team*", „*successful team*", „*effective team*" explain what the correct team should be like (the collection of characteristics), what challenges it has to take on (Lazar et al., 2020) to be able to predict and assure a successful execution of a project. For example, „s*uccessful executive teams*" are presented as

able to make decisions fast but have high conflict between team members, which helps to better allocate resources and exploit opportunities. Previous work experience is considered as a time saver and helps grasp and solve issues fast (Eisenhardt and Schoonhoven, 1990). „*Effective teams* "refers to the assurance of the right number of team members with a respective diversity of tasks and interpersonal skills (Mickan and Rodger, 2000). Therefore, each different case of the „*right team*" can have its unique conceptual framework, encompassing a collection of concepts necessary when forming a right, successful and great team, and explain which context and conditions it encompasses. The concept of the right team changes at a different development stage of a start-up.

2.2. Contemporary organization and upper echelon theories

The theoretical aspects of a team are present in contemporary organization theories. One such aspect was revealed by Peters & Waterman (Colville et al., 1999) in their 1982 book „In Search of Excellence" on the characteristics of a team in a contemporary context. The authors identified that the personnel of a team of a successful organization are inclined to experiment, take risks, they tolerate failure, are flexible and likely to integrate ideas, are constantly in search for better solutions as there is no one unchanging answer. Current entrepreneurship training is commonly based on the team challenge, such as the creation of a new company or solving a problem. To find creative and professional solutions to such challenges personal and team effort is needed (Harms, 2015). Team characteristics are also discussed in management theory such as the upper echelon theory. The theory (Hambrick, 2007) states „that executives' experiences, values, and personalities greatly influence their interpretations of the situations they face and, in turn, affect their choices" and the greater managerial discretion executives have the better the forecast as these managerial qualities will be reflected in the strategy and the results.

2.3. The early development stage of a start-up

The team is very important at the early stage as the attraction of the necessary resources and the market entry success of the product will depend on its ambition, professionalism and skills. The success of a start-up at the early stage will depend on the implementation of solutions, including who are the suppliers of the resources, what incentives will be needed to attract partners and how the team will manage these tasks and support each other (Kamm, Nurick, 1993). Therefore, the concept of a team at the early stage is more concerned with the individual traits of the founding members and individuals (Lechler, 2011), their motivation (which often determines if a team member has a share of the start-up's capital) and full commitment to the fulfilment of the idea. Experienced team members can focus on the main risk factors and evaluate the needed resources at this stage, while the utilization of a personal network and trust capital at the early stage of technological development is paramount as the team can acquire necessary resources and a competitive advantage, necessary for business development (Wu et al., 2009). A successful team includes employees, their experience and skills (Teal and Hofer, 2003). They are capable of performing each other's tasks, can change work spaces flexibly, adapt to the changing market and organizational conditions. It is likely that precisely these people will spend more time dealing with partners, clients, suppliers and employees (Duchesneau & Gartner 1990). The team of a start-up is concerned with finding network contacts that could give access to an array of resources, including human, technical and financial (Grossman et al., 2012, Muñoz-Bullon et al., 2015). Existing start-up ecosystems dedicated to a start-up at an early stage, i.e. accelerators, could also be linked to this as they are attractive to start-ups and are seen as launching pad to the next stage. Typically, accelerators offer a wide network of connections and provide opportunities and access to a variety of resources, which only need to be utilized.

Klotz et al. (2014) defined a new company at the early development and growth stage as a company that enters products and services to market, forms a client base and roots its organizational processes and procedures. At the same time, he is critical of views that define new companies according to their age and size as these are very specific conditions that depend on context and the characteristics of a sector such as complexity and technical intensity. Freeman, Engel (2007) noted that the lifespan of stages depends on the specifics of the company: for example, time for internet companies can be measured in months; software companies - years, and biotechnology companies – in

decades. A clear divide is seen in the literature between different lifecycle stages. Some researchers include downfall, aging/death, failure stage (Mueller, 1972; Miller, Friesen, 1984; Baird, Meshoulam, 1988; Lester et al., 2003; Adizes, 2004; Richard et al. 2006), other authors bypass this stage (Greiner, 1972; Jawahar and McLaughlin, 2001; Churchill and Lewis, 1983). Such difference in outlook could be explained by arguing that some researchers concentrate on a lifecycle that, step by step, allows start-ups to survive and strive, while others rely on certain patterns of outlook, actions and indications at each stage which might lead to a company's "death" or closure. However, it is important to note that such a scenario isn't inevitable. Each stage of any lifecycle model should be relevant, adaptable and help companies take necessary stage-appropriate actions, which would allow them to thrive while mitigating company and sector specific risks.

Reviewing the different approaches from an array of researchers it can be concluded that a start-up is a dynamic organism characterized by certain stages and varying in duration, scope and resources (for example, a large company might start developing a start-up on the side with all necessary resources allocated, while an independent start-up could have little to no resources). A start-up's lifecycle model shows a unique combination of certain factors, related to the start-up's strategic direction that change at each developmental stage. The factors of each stage change depending on the business specification and area of operation. The reviewed studies consistently depict a start-up as seeking company's vitality and success. However, in terms of a start-up's lifecycle, the author distances herself from downfall and death stages. By holding a perspective view, she is of the opinion that a start-up's (or any other company's) lifecycle should analyze the company's development stages to help them stay lively, unlike the evolutionary perspective, which includes the death, downfall and other aging and slowing down stages. The author also chooses to exclude the duration and the number of employees from the lifecycle stages, as they don't explain the issues and strategic actions of any company's developmental process. The factors named in certain stages must relate to the development issues. It's a multidimensional and a perspective view, which includes internal and external factors. For the purpose of this paper, the early stage is considered to start when the founding member(s) clearly decide to sacrifice time, give themselves to the unknown, with only a hypothetical knowledge of the possible outcome and hope that it will succeed. The early stage starts with a clear determination and hope, internal motivation and the decision with a predetermined member(s) to join an execution of a business project and a readiness to bring the product to the market by testing its demand.

3. Methodology

The analysis of the main concepts related to this research topic revealed that the theoretical aspects showcased in the literature review are not unequivocal. Simple and clear answers are missing to questions like why some start-ups do better than others, what is the right start-up team, what conditions must be met and actions taken to build the right team. Structured GT version (*Strauss & Corbin*) has been chosen. GT not only explains the current situation, but also reveals the understanding about the process by which it's happening (Strauss and Corbin, 1998). GT method is usually chosen when literature does not offer enough theories to cover all aspects and areas of social life, when data justification is lacking or due to ongoing phenomena as reality is dynamic, constantly formed by diversity, subjective experience and innovation (Thornberg and Dunne, 2019).

The purpose of Grounded theory is to investigate a topic with the aim of creating a richer understanding of the phenomenon and to generate a theory, which would help explain the issue better (Glaser and Strauss, 1967; Corbin and Strauss, 1990; Charmaz, 2006). Following Birks & Mills (2015), it is an explanatory scheme, combined out of concepts interrelated with one another through logical combination of links. The insights and arguments gathered through the empirical research are what help reveal the logical links. GT, as a method, indicates toward category setting guidelines that help to create links and bridge a connection between those categories. The expanded theory provides an explanatory base, which helps to understand the researched phenomenon. In the case of GT, however, the basis for new theory is created not through the analysis of scientific literature, but by collecting and analysing empirical data (Urquhart, 2013).

3.1. The premise for the application of Grounded theory

Theoretical sensitivity has to be ensured when the GT research is carried out. Theoretical sensitivity is the ability to conceptualize, find new insights, structure, determine links between different sources and data points, keep an analytical distance, tolerate ambiguity, stay open, trust the process and believe in the discovery of the theory. According to Glaser & Strauss (2009), theoretical sensitivity is the ability by the researcher to understand the meaning of data and the theoretical nuances. It is formed by the researcher's personality, temperament and experience in research; therefore, the results of the research are based not just on the participants, but on the researcher herself.

When conducting GT research, it is important to follow these procedures (Flick, 2018): 1) *concurrent data analysis*; 2) *coding*; 3) *constant comparative analysis*; 4) *memoing*; 5) *theoretical sampling*; 6) *theoretical saturation*; 7) *substantive theory development*.

Concurrent data analysis is characteristic for GT methodology. Data is being analyzed when it's received without waiting for all necessary data to be collected. Such data collection is particularly important for theoretical selection, when the researcher, receiving and instantly analyzing the data, can modify the questions, fill in gaps or refine arising questions, doubts.

Coding is one commonly used way for the analysis of qualitative data when seeking to develop a theory out of a case study. When developing a theory, the researcher considers many theory codes until one core code, explaining the situation the best, is chosen. The core code explains main categories and the link between interconnected codes.

Constant comparative analysis, conducted during the research, allows to understand and explain data diversity (Žydžiūnaitė and Sabaliauskas, 2017), raise questions, discover properties and dimensions that can increase scientists' sensitivity (Strauss and Corbin, 1998). *Memoing.* Coding and constant comparative analysis help to develop new concepts and all gathered data is captured in memos where researcher's own thoughts and considerations are given. This allows the researcher to record the direct route from the foundation to the final new idea and helps develop reflections, ideation and codes (Kenny and Fourie, 2015).

Theoretical sampling is a process whereas the researcher consciously and purposefully collects data from more sources to further expand on specific, earlier noticed themes thus developing the emerging theory. Data is being collected until new categories, characteristics are being discovered, i.e. unit the theoretical saturation is reached. Carmichael and Cunningham (2017), based on the approach of Glaser and Strauss (1965), explained theoretical sampling as the process of data collection for the purpose of theory generation when data is collected, coded and analyzed and further data collection is planned only when the codes of primary data have been established, compared and the researcher has decided what further data and from what sources to collect. This approach opens a space for the researcher to correct the process of data gathering, introduce new research questions and guide them to the right direction.

Theoretical saturation, as a stage, is reached when based on the collected and analyzed data no further data collection and (or) analysis is needed (Glaser and Strauss, 1967; Saunders et al., 2018). Birks and Mills (2015) relates theoretical saturation firstly with the closure of analysis and not with the collection of new data. Saturation means there is no additional data based on which the researcher could develop characteristics of a category, because she grasps similar cases and additional data doesn't evoke any new themes (Goulding, 2002).

Substantive theory development. The results gathered during the research are converted into the main developed theory where links between concepts (categories), context, assumptions, processes are formed and depicted. Theoretical coding includes the final level of abstraction as the researcher conceptualizes the links between the essential concepts. This determines the emerging theory, which reveals concept links and explains the latent social

behaviour model (Kenny & Fourie, 2015). Theoretical codes are linked with other codes that are directed more towards formal connections (where one thing is a cause of something else) (Flick, 2018). Therefore, the essential theory reveals the theoretical explanation of the researched phenomenon (Chun Tie et. al, 2019), whereas the gathered data and GT research specific process helps to distinguish the links between the main categories thus creating the main theoretical model.

3.2. Limitations of the study

Thinking about the potential limitations of the study, the author recalled the problems she had encountered when conducting the study under the GT method. One of the limitations could be seen as the lack of researcher's experience in this method. On the other hand, it was a wonderful journey into a new and unexplored path of knowledge. While this requires effort, engagement and problem-solving skills, the chosen structured GT version gace flexibility as long as the required GT procedures were followed. The researcher conveyed her personal thoughts from the memoirs in a coherent manner without excluding additional extracts. Based on Strauss & Corbin (1998) the researcher allowed herself to be creative and flexible.

3.3. Research ethics

Research ethics help to ensure that the research process is transparent and helps to protect research participants from any possible consequences (Flick, 2018). In conducting qualitative research, the researcher observed these principles of scientific ethics: following a personal value code of honesty, sincerity, and familiarity; and treating others in the study in terms of informed consent, confidentiality, anonymity, and courtesy (Walliman, 2018). The researcher distinguished these principles based on Flick (2018), Žydžiūnaitė and Sabaliauskas (2017).

The principle of human dignity and privacy. The investigator treated all informants politely and respectfully, avoiding placing pressure.
Principles of confidentiality, anonymity and autonomy. A pledge was given to all informants to maintain confidentiality of their identities, if desired, during the course of the investigation and publish the survey data only in encrypted form. In order to keep the informants anonymous, each was assigned a unique code.
Principle of transparency and fairness. The researcher informed the participants in a clear and honest manner of the aims, the benefits, the value of the study and maintained a trust-based research environment.
The principle of justice. All participants partook in the study voluntarily and a relationship of equals during the interviews was built. In order to maintain the authenticity of interviews all quotes presented in the paper are direct.

3.4. Research Design of Structured Grounded Theory

The following is the implementation process of the study: its stages, subjects, methods of data collection, the data analysis process. The process demonstrates the path towards the underlying theoretical model revealing the role of the researcher (Figure 1).

4. Results

The subject of the study covers the early stage of start-up development. The selected start-ups have surpassed this stage within no more than three years and this choice was made in order to recreate the experience and provide the most complete and valuable information. In addition, these start-ups may still be developing or *have already completed* their growth phase. Chosen investors are currently employed and have at least five years of experience actively working with early stage start-ups. The five-year period has been chosen so that the experience gained is sufficient, extensive and diverse. Investors were interviewed not about a particular start-up, but about their accumulated experience with early development stage start-ups. Only start-ups that have already attracted funding

from a venture capital fund, private equity fund or angel fund have been selected for the study. The empirical study was carried out simultaneously to avoid a gap between what happened, what information was obtained, not to degrees from data or to lose theoretical sensitivity. 17 informants were surveyed in October of 2019 including 6
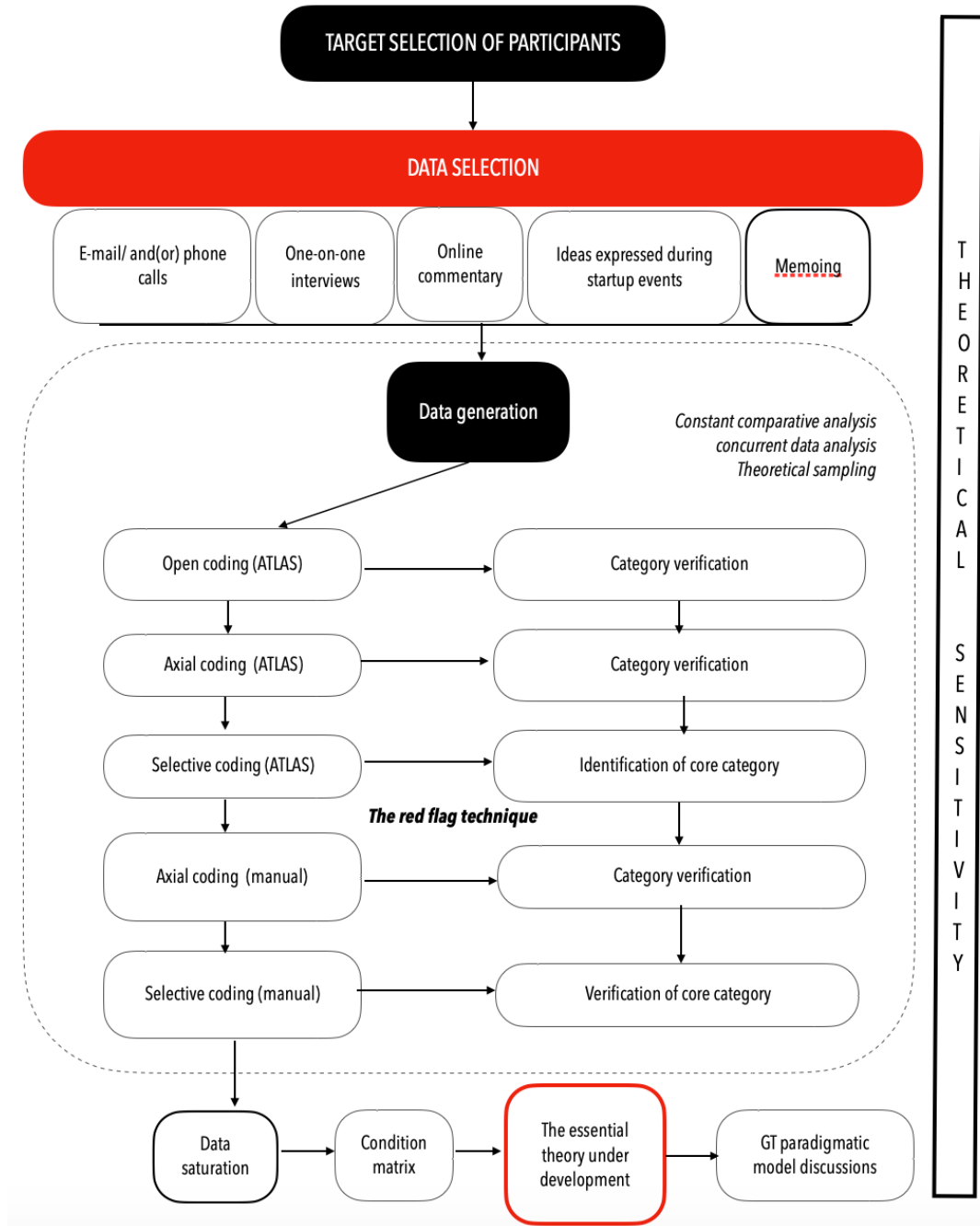

Figure 1. A research design structure implementing the structured GT process (by the author)

investors, 4 production start-ups and 7 service start-ups. Each interview was given an hour using a semi-structured questionnaire that framed the questions in a way that allowed to describe action. During each interview the researcher tried to go beyond the obvious and to seek the hidden knowledge behind what the participants had not

yet considered or were departing towards. After the first interview it was clear that the prepared questionnaire was sufficient and allowed to dive deeper.

During the open coding process selected quotes were encoded and 291 codes were marked. During selective coding 4 categories were identified and consolidated: the possession of appropriate knowledge; experience; having certain abilities and personal qualities; and the presence of a clear leader. The set of categories formed a structured field of results. Continuous comparison and the understanding of which parts to associate together allowed to refine the most important essential category. Each distinguished category is an action or a set of interrelated actions, and the essential category identified *"building the right team"* reflects the action that addresses the underlying phenomenon under investigation.

Figure 2. Distribution of eligible team code numbers by category.

Subsequently, once the changes were saved, the data was again extracted and analysed manually, reflecting the results of the study. During this time the researcher categorized certain codes updating them regularly in the created ATLAS.ti document. Figure 2 shows the distribution of code mentions across categories. Such data visualization demonstrates the importance in the overall context of the right team at an early stage.

It was interesting to discover what the term *"right team"* meant in the context of the early stage of a start-up's development, because the often-heard phrase *"good or right team"* doesn't in itself explain the meaning. Numerous codes naturally lead down a rabbit hole, where terms such as "competencies", "skills", "experience", "knowledge", "personal qualities", "biography", and others are abound. As the essence of this study is to reveal the process and to give meaning, the term "team" was separated into two category-uniting groups, i.e. *leader and competences.* The leader encompassed the presence of a clear leader, while the following categories were assigned to competencies: 1) knowledge, 2) experience, 3) personal qualities and abilities. This distinction provided clarity and simplicity and was based on the reasoning of the author and Le Deist and Winterton (2005), which state that competencies are interpreted as knowledge (theoretical and practical know-how), the awareness of what needs doing and how to do it better, value creation, skills that are developed with practice, the right mindset/attitudes and appropriate work habits, abilities and personal characteristics. This helped clarify the concept of the right team at this stage and the relationship of related concepts to the main category.

Once the main categories have been identified, the researcher analysed each category separately. It is only after this phase that the researcher confirmed the most important category and demonstrated the early stage development process of a start-up team and developed a theory.

## 4.1. Concepts revealed during empirical research

When analysing each category all the components needed to build the theory were highlighted thus demonstrating an understanding of the ongoing process. The red flag technique was used to reveal results (a red flag symbol used for data visualization), quotes and reasoning conveyed in memos via descriptive text (a form most convenient for the researcher).

Skills and personal attributes (competencies / team)
Figure 3 shows that by the number of repetitions of the codes assigned to the trait, the key features for skills and personal characteristics include 1) **the ability to do things quickly** (making decisions, letting employees go when needed, taking on new actions, etc.): *"You have to have a mindset that if a hiring error was made, it must be solved here and now "(I12)*; 2) **ability to make mistakes and take risks, overcome difficulties, perseverance and stubbornness, inclination to experiment**: "*... the ability to withstand a "no" and find a "yes" even after a thousand attempts. To experiment" (I4)*; 3) **a team of excellence**: "the *success was not in the attracted investment but in the talent"* (I10) and so on. The size of the bubble in the figure is proportional to the number of mentions in this code.

Looking at the picture of ability and personal qualities in general, it looks rather broad and the requirements for successful development are really high. The impression is that such requirements are not always imposed on senior management. However, in the context of a start-up team, these requirements are not so much compulsory, as it is understood that having them will speed up and increase the chances of a successful business idea execution. It is preferable, before starting any business project, to take these mentioned qualities into consideration and ask oneself if one possesses them and is able to perform accordingly. And if it happens that one doesn't possess all of the mentioned qualities, one should self-evaluate the impact that it would have on the project, the risks that would have to be faced and the time that it would cost. The set of qualities and abilities could also be applied to the manager of a modern innovative organization, taking into account the goals of the company. Analysing the skills and personal attributes the author of the study is convinced that each stage of the development requires a different team to meet the essential qualities or abilities. The author assumes that, supposedly, in the initial stage creativity would emerge precisely due to certain intrinsic qualities, however this characteristic would not be essential at an early stage. It is good to have it, but it's not the most important trait.

Further analysis of the understanding of a team brings in the next category, i.e. knowledge.
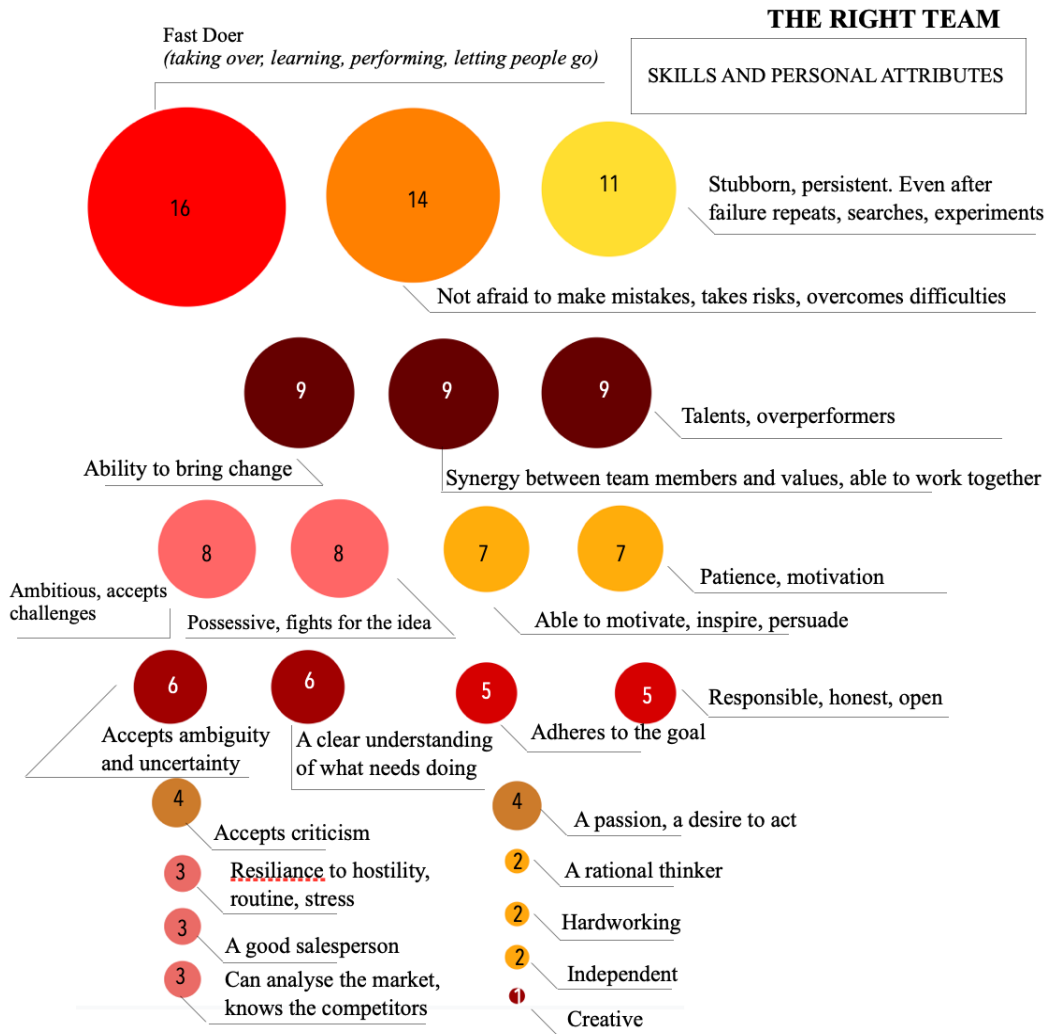
Figure 3. The concept of skills and personal attributes, distinguishing their characteristic qualities and the number of repetitions of actions.

Possession of knowledge

During the interviews the researcher asked if education was important and most often got the reply that experience was more important. However, as the informants got deeper and clearer about how they understand a good or right team, it became clear that they were all talking about the knowledge needed at this stage. Therefore, it is also important to understand where and how they acquire that knowledge and, of course, how it can be expanded.

After evaluating the features presented in Figure 4 the actions related to the concept of knowledge reveal a clear field of know-how that is required for the early stage start-up: it includes the knowledge of 1) **consumer behaviour, psychology:** "*Take a survey on the street and ask people if they think eating greens is healthy. They will answer that it is, but will not eat them. The point is that a start-up needs to understand consumer behaviour and realize that a "yes, it's healthy" does translate to the product being needed and useful"(I6)*; 2) **the business model:** "*... understanding of possible monetization methods, who, how much and in what ways will they pay ..." (I18)*; 3) **development, the sales funnel:** "*... must know how the customers ... come and how they leave ... must know their metrics ..." (I7), "<....> by now we understand that the seller has to call, right? But the whole process of managing inbound and outbound sales (I4)*, 4) **LEAN start-up:** *"LEAN is about stages, it teaches iterations, all of that circle where you need to know what's going on ... This is a kind of methodology for how you set up a start-up "(I6)*;
5) **history of the industry, the understanding of metrics:** *"have an understanding of your key metric, of what it is ..." (I18), "... let's say Airbnb metrics that reflect value are bookings and overnight stays and the ideal frequency for these services - annual. Lyft metrics are rides and the ideal frequency - a week / month, etc."(I2)*;
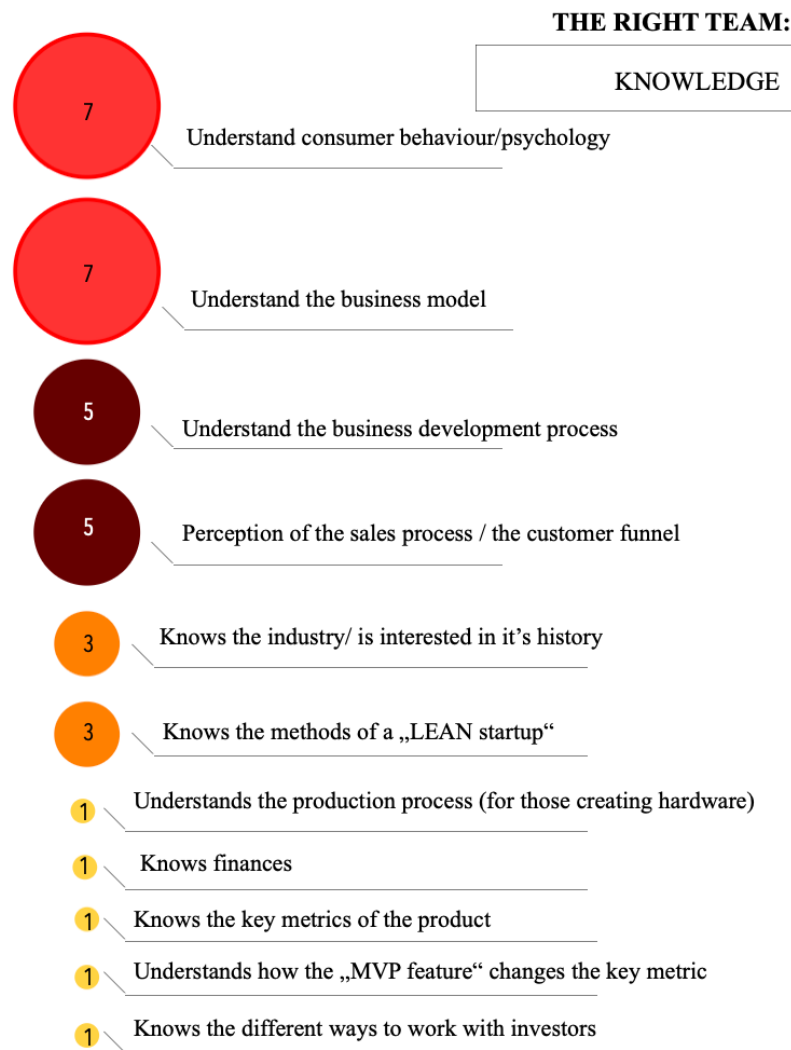
Customer funnel - knowledge of the customer path: how to find a customer, how to sell, and what happens afterwards

Figure 4. Concept of knowledge, distinguishing characteristic features, actions, indicating the number of repetitions.

6) **knowledge of how other competitors work (especially in hardware**): *"... it is important to keep an open network of competitors. Not to watch them work, which is also helpful, but to get their experience. <...> That is, for example, I know all the manufacturers, I know exactly where each of my competitors produce their product. And that information can save me a lot of time and help improve quality. This is why doing this research is very important."* (I6).

All knowledge can be gained by studying relevant programs in higher education, reading books, various quality information web portals or databases, taking interest in the experiences of others, attending various events, etc. Therefore, the acquisition of knowledge depends to a large extent on the existing infrastructure in that market, on the preparation (in the case of higher education institutions), on the quality of the events taking place. In this age of globalization everyone can acquire knowledge anywhere in the world, it all depends on the resources in possession (time and money).

Possession of experience

The concept of experience was no less interesting. Figure 5 reveals characteristics and actions that are specifically related to the understanding of experience at an early stage of a start-up's development.

There's a consensus that the 1) **experience in the field** where the product is being developed helps save resources and shortens the development path: *"... surveys, research, user testing are very time consuming and people can get lost. That product founder fit allows you to avoid all of these things, because they are their own customer and they know very well what features there should be and have maybe spent 10 years in that market and that save a lot of time, and if you agree that it is very important to move, test, run, etc. at an early stage then that helps a lot."(I3), "... experience in that area, he might have done one project or two ... has started companies, has sold them <...> has done a second or third, you know ... Maybe he has worked successfully for someone in that field, is solving very specific problems ... "* (I11), 2) **it helps understand the pain points of the user:** *"... if a person comes and says, "I'll start a business, ... I will be selling hundreds of thousands of customers to Microsoft, Google, and more, but previously I worked as a manager of "Speculation" Ltd. and my biggest contract was of a thousand euros." Well ... something is wrong, right? And if you haven't been working and you do not understand what a six-month sales cycle means, then you are basically unfit to do this business..."* (I4), and to 3) **succeed**: *"... the people who build successful businesses, they have started more than one business... '(I18).*

The author, when participating at start-up pitches, heard questions from the investors about the experience they had in the area where the product is being developed. On many occasions the teams responded with great enthusiasm that: *"we have no experience, but that there is a desire to learn and learn everything quickly. There are many tools to do that…"* (I35). At the time it seemed that these start-ups, being so enthusiastic, would definitely learn it all, but investors would end their pitches. It is now clear why. Without the experience and understanding of the pains of the user, solving user problems is difficult. As one of the informants said, *"A lot of the people that I see say, 'You know, I've come up with something here...'" And that person has never worked in that area and it doesn't make sense <...> Work in that field, I say, for at least 5 years, then we'll talk <...>"* (I17).

THE RIGHT TEAM:

EXPERIENCE

18 — Experience in that field of business

5 — Experience in business development

2 — Good knowledge of technology

2 — Experience in project management

2 — Experience in the sales process

1 — Experience with investors

1 — Experience with shareholders

1 — Having a network of contacts

1 — Experience with failures and successes

⚑ *EXPERIENCE means you don't have to learn and save time on testing and experimenting, so you move much faster. 5-10 years of experience in the field where the product is being developed is RECOMMENDED.*
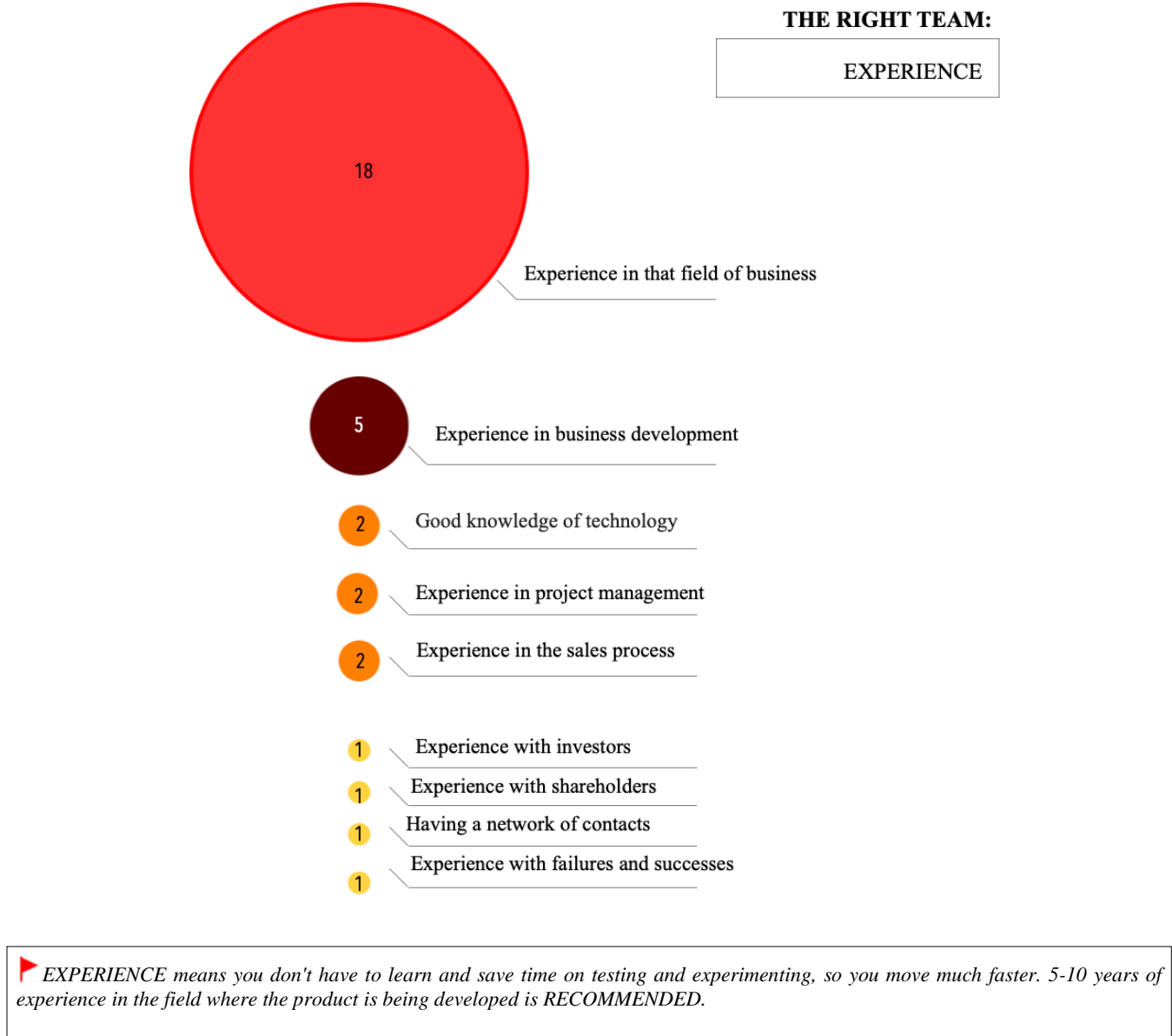
Figure 5. The concept of experience, distinguishing characteristic features, actions, indicating the number of repetitions.

Presence of a clear leader

A team leader has been distinguished from other competences for very clear reasons. The role of the leader is very important, (s) he is characterised by additional qualities and actions, and the rest of the team is structured around him/her. When defining the concept of a team leader, 1) **having a vision** comes to mind first *"... you have to think, what's next, where's the big opportunity ..." (I4),* 2) **supporting others**: *"... but you're with them even if you don't have to do it directly, just motivating, like, hey guys, no stepping back, we won't go to sleep until we do this..."* (I21), 3) **ability to attract other talent:** *"... authority, the guide of the team <...> that stream around something <...> It's important for people who they bake a cake with, especially for the exceptional talent or the overperformers... The*

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mediocre or those below average don't care, but talent attracts talent. They gravitate to one another…" (I3). Figure 6 presents the concept of a leader indicating the number of repetitions.

Figure 6. The concept of a leader, distinguishing characteristic features, actions, indicating the number of repetitions.

The analysis of the concept of "the right team" allowed us to identify clear aspects needed to bring together the "right team". In an attempt to reveal an even clearer picture of the team at an early stage the author of the study created a word cloud that reveals the key features or actions of the team in general (see Figure 7): *"... good team = good background '(*I17). When comparing the results of the empirical research with theoretical aspects of the team concept it can be noted that personal qualities observed in literature, certain conditions, such as full-time work, consequences stemming from competencies, etc. they all influence the ability to attract resources, but there is a clear gap in the logical explanation and the clear distinction what value does each quality or action bring, why each is necessary, what lies behind them and how to build the right team.
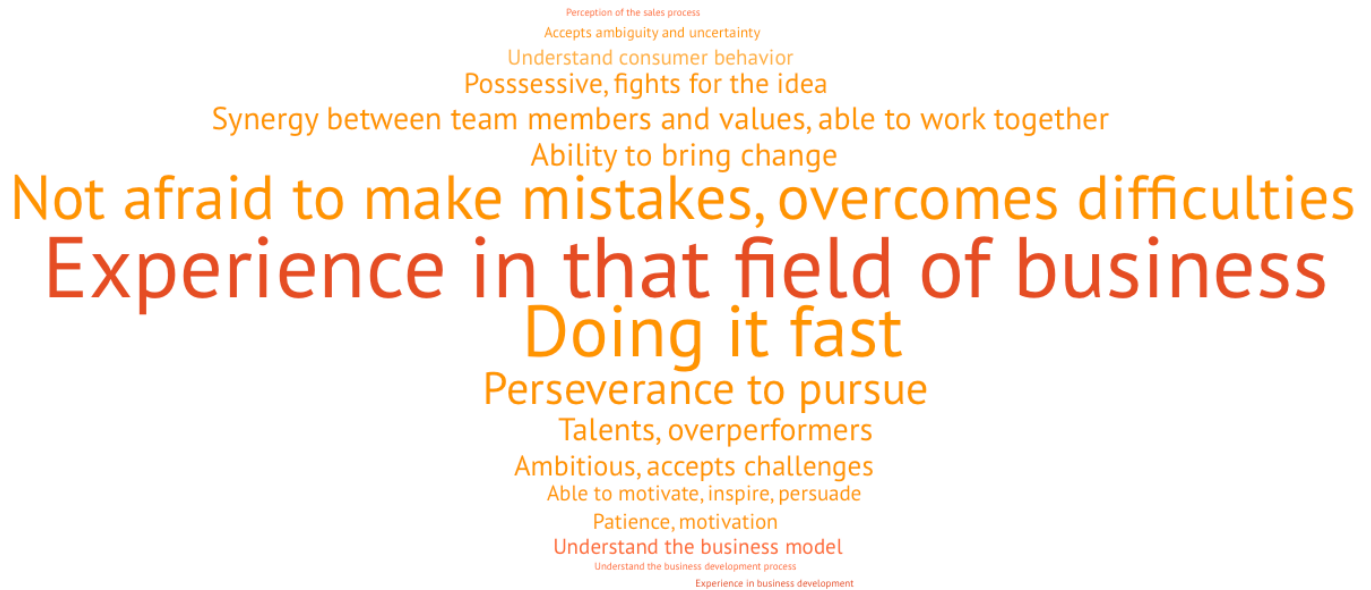
Figure 7. The key features and actions of the right team, using the word cloud.

4.2. Introduction of a generated theory: the development process of critical success factors of the right team in early stage start-up

The chosen research perspective helped to discover a new concept and explain what is a right team, why things are done in certain ways, why certain conditions are important. All collected information, memos, comments, personal notes, the theoretical part were reviewed to evaluate the result achieved and to disclose links to the identified core category "Primary founders having the right competencies". In Figure 8 the author uncovers a generated theory - the early stage development process of a start-up's right team, or *the pains to be overcome finding the right solutions and understanding their effects and consequences*.

This encompasses the exact challenge for the right team. As the figure 8 shows, the essential category is " primary founders having the right competencies" on which all the early stage development depends. Primary founders, the team leader and other team members with the right competencies compose the perception of a team. Primary founders have been distinguished as this is the term that emerged during the research with the informants stressing that the journey to the formation of the right team and the further development of the start-up begins with these members. The importance of a team leader has also been revealed, who needs to be talented and reputable to be able to attract other talented team members. In other words, the competencies (knowledge, experience, personal qualities and abilities) of the primary founders will lay the foundation for the right team as they will determine what kind of people they will bring to the team. Accordingly, appropriate early stage competences were revealed by analysing each concept separately. Therefore, each development stage of a start-up must have unique competencies (skills, knowledge, experience) that are needed for that stage as each stage has its own process, goals and scope. The right team will determine how successful will the start-up be in passing the growth stage, i.e. the perception of the problem (the so-called consumer pain points), which will have a direct impact on the team's experience in the

area where the product is being developed, as it is only through experience that one can understand the user's pain and offer a valuable solution.
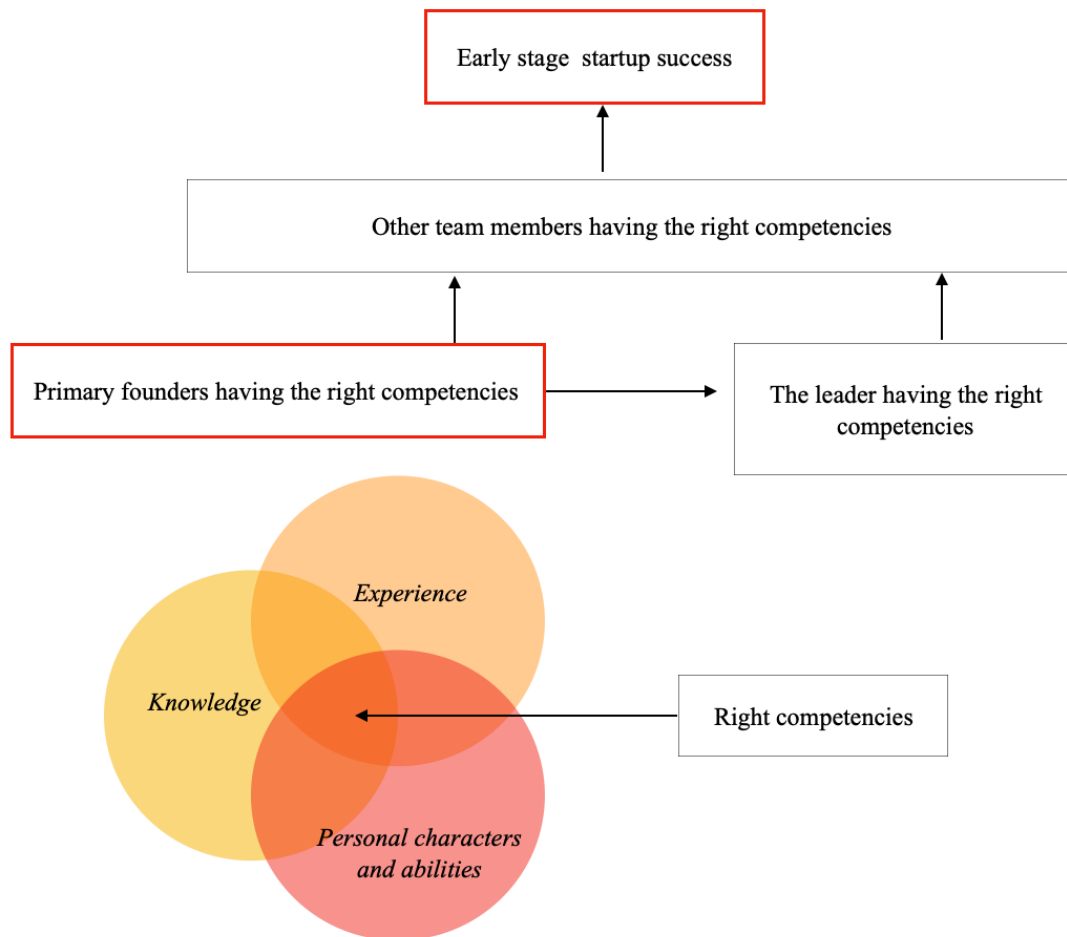

Figure 8. A generated theory that covers a start-up's right team as a critical success factor for the early stage development process.

To summarize, the critical success factors for the right team in the early stage are: primary founders having the right competencies; having a leader; and other team members having the right competencies, needed for a successfully handled early stage of the start-up.

The developed theory further expanded the theoretical understanding of a start-up team not only in its early stage, but also likely at other development stages. However, in comparison to the analysed theory concepts of a team, the role of the leader or the leader as an important determinant was not distinguished. The emphasis was placed on team leadership in a general sense and not towards a single individual who could occupy that position and could be an important success factor for the right team. The uncovered concepts of the generated theory will hypothetically help both the start-up developers and investors to determine whether the existing formation of a team is perspective. Therefore, the findings of this study are relevant to the business world and beyond.

5. Discussion

The purpose of this study was to develop a new concept of a right early stage start-up team. First, a literature review was conducted to reveal the views of various scholars on the understanding of a start-up team. While analysing the literature, many terms related to the "team" were discovered, so it was appropriate to look at how all of these terms were related, was there an agreement between researchers and how they propose to conceptualize the concepts of a start-up team. There is a diversity in the understanding of teams, but there is a lack of conceptual thinking that would reveal the phenomenon under consideration. The GT method chosen by the authot helped to disclose the context and look at it deeper and through experience. In addition, as current reality is dynamic, constantly being shaped by diversity, subjective experience and innovation (Thornberg and Dunne, 2019), this encourages greater research and answer-seeking for pressing issues that could help grow businesses. However, in the analysed literature there are also disagreements between certain start-up team-related issues, such as financial interest or ownership, which underlie team motivation. However, it should be noted that the inclusion of such determinants in the start-up team concept is not viable for several reasons: 1) start-up team members may not want or be capable of owning shares, and their motivation to contribute to a start-up's product may lie elsewhere (their backgrounds, willingness to take on new challenges, an interesting and promising idea and so on). 2) Start-up team members may be offered a company share option, which the employee would be able to acquire at the price determined at the time of the "option" in a few years time. 3) Reality is so dynamic and innovative that many untried motivational tools or methods are continuously being discovered.

Critical points of disclosure of the concept of some terms are also noticeable, such as the exclusion of one or more abilities or one or more personality characteristics. In order to conceptualize the understanding of any term, the concept must first include foundational, essential elements that are systematic and not controversial in the scientific literature. The chosen research method (GT) helped to unravel the concepts and their connections to the understanding of the early stage of a start-up's right team by generating theory based on experience. The concept of the start-up' right team in the early stage involves primary founders having the right competencies, having a team leader, other team members having the right competencies. And the team starts with primary founders with their background influencing the further development of the team. <...> *It's important for the people who they bake a cake with, especially for the exceptional talent or the overperformers... The mediocre or those below average don't care, but talent attracts talent. They gravitate to one another…"* (I3).

Such a theoretical contribution is important to all stakeholders: entrepreneurs (they can assess whether a start-up team is suitable for start-up development), venture capitalists (when deciding whether a team is capable, have the competencies to meet their goals, whether to invest and fill in the gaps by offering their expertise and networks), other companies that innovate alongside their operations, develop various projects; and for a forming team to help identify if they have what it takes to achieve their goals. It must be borne in mind that this is a multidimensional approach that helps to look at the phenomenon in a complex way. The distinctiveness of one trait does not necessarily mean that it is appropriate for team members. In today's business, entrepreneurs often prioritize their personal qualities over experience, looking if human empathy and values overlap with the company goals. If a team member is a good specialist in their field, it doesn't necessarily mean they will commit themselves, contribute with their ideas, exceed expectations, endure difficulties together, contribute to everyday decisions. These are very important aspects that have to be analysed thoroughly. And the understanding of the early-stage start-up's right team, revealed in the framework of this study, can be transformed and adapted to the context of a modern, innovative and growth-oriented company. Only the team member will change and at this point it's important to make sure that the main member of the project team is „possessive to the bone marrow", and doesn't just come in to perform his duties. This encourages further discussions by looking at the context the of a start-up through its various stages of development, and the context of a company and the right team needed to achieve set tasks and goals.

Conclusion

A right team of an early stage start-up is a group of individuals who have the appropriate competencies such as knowledge, which include theoretical and practical understanding; the awareness of what needs doing and how to do it better, value creation, skills that are developed with practice, the right mindset/attitudes and appropriate work habits, abilities and personal characteristics. The chosen structured GT strategy, based on a combination of deductive and inductive approaches, revealed a contextual epistemological approach that is important in explaining the researched phenomenon through the experiences of the study participants. The results of the study demonstrate how the phenomenological concept of the development of a start-up's right team reveals fundamental concepts and their logical connections. The essential category of "the primary founders having the right competencies " was revealed. It is this category and its complex set of actions that help to solve the main phenomenon under investigation. The results of the study reveal a new approach to the process of developing a right team of an early stage start-up: primary founders should have the right competencies, there should be clear leader, and the combination of the both should attract other team members with the right competencies needed for the successful development of an early stage start-up. The right competencies include knowledge, experience, personal characteristics. The right team, with its experience, knowledge, abilities and personal characteristics influence the development process of an early stage start-up and help successfully overcome the challenges of that stage.

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