

Decision-making in entrepreneurial teams with competing economic and noneconomic goals

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Abstract

Research Summary: How should decision-making be organized in entrepreneurial teams pursuing competing economic and noneconomic goals? Using a computational model, we examine how four archetypical decision-making structures—unanimous approval, individual autonomy, majority voting, and lead entrepreneur—shape the performance of entrepreneurial firms when team members hold varied preferences for how to tradeoff economic and noneconomic goals. In stable environments, we find that majority voting generates highest economic performance, while unanimous approval generates highest noneconomic performance. Conversely, unanimous approval outperforms in fast-changing contexts. Although goal diversity generally reduces economic performance, it enhances it in fast-changing settings when teams operate under unanimous approval. This study thus underscores the critical role of decision-making structures for the success of entrepreneurial teams.

Managerial Summary: How should entrepreneurial teams make decisions when balancing economic and noneconomic goals? We examine four decision-making approaches—unanimous approval, individual autonomy, majority voting, and lead entrepreneur—and their impact on economic and noneconomic performance. In stable environments, majority voting leads to highest economic performance, while

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unanimous approval excels in achieving noneconomic goals. In fast-paced environments, unanimous approval consistently delivers superior outcomes, enhancing both economic and noneconomic performance. Notably, teams with diverse goals can improve their economic performance in high-velocity settings when using unanimous approval. These findings highlight the importance of choosing the right decision-making structure to optimize performance in varying conditions. For entrepreneurial teams, adapting decision-making processes to the pace of the environment is essential for success.

KEYWORDS

agent-based simulation, decision making, decision systems, entrepreneurial firms, environmental uncertainty, firm performance, goal heterogeneity, organizational design, organizational structure

1 | INTRODUCTION

Entrepreneurs are often motivated by both economic and noneconomic goals, such as desire for autonomy, social impact, or community-oriented objectives (Amit et al., 2001; Fauchart & Gruber, 2011; Hechavarría et al., 2017; Rindova et al., 2009; Vedula et al., 2022; Wasserman, 2017). While the preference for noneconomic goals is well established in the literature, there is limited understanding of how entrepreneurial teams should organize decision-making when members differ in their preferences for economic and noneconomic goals (Burton et al., 2019; Chen et al., 2022).

This gap in the literature is critical because many entrepreneurial endeavors are the result of team efforts rather than individual pursuits (Beckman et al., 2007; Eesley et al., 2014; Greenberg & Mollick, 2018; Hmieleski & Ensley, 2007; Klotz et al., 2014; Lazar et al., 2020; Ruef, 2010).¹ Within these teams, members frequently have aspirations that are imperfectly aligned (Ensley & Hmieleski, 2005; Lim et al., 2013; West, 2007), complicating collective decision-making. Entrepreneurial teams often operate under uncertainty, informal organizational structures and processes, and tentative business ideas (Zellweger & Zenger, 2023), such that team members' goals are often less aligned when compared to top management teams in established firms. Indeed, due to the nature of emerging opportunities, strategic dissensus will often exist among members of a founder team (West, 2007), which highlights the need for appropriate decision-making structures that effectively aggregate diverse viewpoints and guide team actions. For instance, in an entrepreneurial team where some cofounders prioritize social impact more than others, would it be best if the team only takes decisions when there is unanimous approval, or would it be better when a lead entrepreneur imposes his/her preferred course of action on the other team members?

While decision-making structures—that is, the mechanisms that determine how individual viewpoints are aggregated into collective decisions (Csaszar & Eggers, 2013)—play a fundamental role in shaping organizational actions and performance (Joseph & Gaba, 2020; Kellermanns et al., 2005), much of the entrepreneurial team literature tends to assume that teams pursue a singular, typically economic goal. In consequence, we know little about how goal differences among individual team members aggregate to the team level and shape venture performance. Moreover, how key dimensions of environmental uncertainty like environmental velocity—the speed at which new



opportunities arise (Davis et al., 2009)—impact the effectiveness of decision-making structures is understudied. This is crucial because decision-making structures impact how quickly a team can respond to new opportunities (Sah & Stiglitz, 1985, 1986). The question we thus seek to answer is: *How do entrepreneurial teams with heterogeneous preferences perform under different decision-making structures and under varying levels of environmental velocity?*

To explore this question, we develop a computational model based on the classical conception of the organization as an information processing system (Galbraith, 1974, p. 19; March & Simon, 1958) and the decision-making models developed by Sah and Stiglitz (1985, 1986). We examine four archetypical decision-making structures: *individual autonomy*, *unanimous approval*, *majority voting*, and *lead entrepreneur*, reflecting real-world approaches from decentralized to centralized decision-making found in entrepreneurship practice (Ensley & Pearce, 2001; Hellmann & Wasserman, 2017; Wasserman, 2017). We find that, while goal diversity generally negatively affects venture's economic and noneconomic performance, its impact varies with the decision-making structures and environmental velocity. Neither fully decentralized (i.e., individual autonomy) nor fully centralized (lead entrepreneur) structures consistently outperform; instead, majority voting excels in stable, slow-paced environments and unanimous approval proves most effective in dynamic, fast-paced settings. Notably, goal diversity can enhance venture performance in high-velocity contexts when teams use unanimous approval.

By increasing understanding about the complex interplay of goal diversity, decision-making structures, and environment velocity in entrepreneurial teams, our study contributes to research on decision-making in entrepreneurial teams (e.g., Eisenhardt, 2013; Ensley & Pearce, 2001; Schjoedt & Kraus, 2009; Sundriyal et al., 2024), strategic consensus (Bragaw & Misangyi, 2022; González-Benito et al., 2012; Kellermanns et al., 2011), and micro-foundations of strategy (e.g., Felin et al., 2015). Our study also aligns with recent work that has countered the popular narrative that entrepreneurial ventures should be decentralized (Foss & Klein, 2022; Lee, 2024; Meier et al., 2019).

2 | THEORETICAL BACKGROUND

2.1 | Goal heterogeneity and consensus in the strategy process and behavioral literatures

The strategy process literature has extensively examined the influence of team strategic consensus on the performance of established firms. Strategic consensus is typically defined as the extent to which members of a decision-making group agree on specific strategic directions or objectives (e.g., Kellermanns et al., 2005, 2011; Lee, 2024).² The premise underlying much of this research is that strategic consensus has a positive impact on organizational performance in the context of established firms. Floyd and Wooldridge (1992, p. 27) state that “successful [strategy] execution means managers acting on a common set of strategic priorities,” which requires consensus regarding these priorities. Strategic consensus facilitates the communication and coordination of actions (Kellermanns et al., 2011), the creation of synergies (Cannon-Bowers et al., 1993), and improves group performance (Kellermanns et al., 2011). Managers who share a sense of purpose, agreed-upon objectives, and working routines are more likely to be collectively motivated, empowered, and committed to goals (Kirkman & Rosen, 1999; Mathieu et al., 2000; Mathieu et al., 2008). However, despite the clear view of strategic consensus as beneficial for group effectiveness, empirical findings on its relationship with firm-level outcomes have been inconsistent (see Bragaw & Misangyi, 2022, for a recent overview).³ Bragaw and Misangyi (2022) argue that this inconsistency can be attributed, at least in part, to a lack of definitional clarity, as some studies have defined strategic consensus as shared understanding of strategic priorities, and others have viewed it as acceptance of finalized strategic decision. In this study, we explore this distinction by recognizing that team members may differ in their strategic priorities but still need to find a way to then select and accept a certain strategic path forward.

Beyond the strategy process literature, the notion that decision-makers hold different interests and pursue a multitude of goals is a cornerstone of the behavioral theory of the firm (Argote & Greve, 2007; Cyert &

March, 1963).⁴ Indeed, March (1962) saw firms as composed of multiple coalitions with varying goals whereby these coalitions compete for influence over resource allocation. The behavioral theory of the firm assumes that a negotiation process among the coalitions in the firm leads to the adoption of the goals of the most dominant coalition, whereby the interests of the other coalitions remain temporarily unaddressed (Cyert & March, 1963; Gavetti et al., 2012; McCann & Vroom, 2014). Thus, while the behavioral theory of the firm acknowledges multiple agents with diverging preferences, the theory is not centrally preoccupied with the process of how agents' preferences aggregate to firm-level decisions (Stevenson et al., 1985). In fact, the theory settles on a unitary view of organizational decision-making, saying little about which coalition becomes dominant and thus has the power to impose its preferences on the firm (Gavetti et al., 2012; Man Zhang & Greve, 2019).

2.2 | Strategic consensus among cofounders in new ventures

In contrast to the large and growing body of work on strategic consensus in established firms, the role of consensus in new ventures has received much less attention in the literature (Sohn, 2023), and the few empirical studies in this domain provide inconclusive evidence for whether consensus within entrepreneurial teams⁵ is favorable or adverse for venture performance. For example, Ensley and Hmieleski (2005) report that strategic alignment positively impacts the success of independent ventures, yet the effect is negative in university-based startups. In turn, Weil et al. (2023) show that high-tech startups with strong initial strategic consensus excel in product innovation due to faster decision-making. However, Vissa and Chacar (2009) found no direct impact of strategic consensus on venture growth. Part of the confusion about the performance effect of strategic consensus in new venture teams may be attributed to the pronounced levels of uncertainty in which entrepreneurs operate (Alvarez & Barney, 2005, 2007; Packard et al., 2017). In established organizations, routines tend to be defined and stable, and goals have often been clarified and solidified over time. In contrast, entrepreneurial teams typically operate under uncertainty and gradually emerging structures and strategies (Burton et al., 2019; DeSantola & Gulati, 2017; Klotz et al., 2014; Lazar et al., 2020). Cognition of the venture and its environment is often imperfectly aligned within the founding team (West, 2007) and differences in perspectives are only gradually solved as the founders collect more information and develop certainty about the appropriate way forward with their venture (Zellweger & Zenger, 2023).

Furthermore, the complexity of decision-making in entrepreneurial teams is compounded when members pursue different goals, including noneconomic next to economic ones (Eesley et al., 2014; Howell et al., 2022b), whereby these two goal sets typically tradeoff against each other (Bromiley, 2010). The entrepreneurship literature points to a vast array of noneconomic goals that entrepreneurs pursue, such as personal autonomy, creativity, self-realization, refinement of a cherished technology, development of valuable workplace relationships, or communitarian and political goals (Fauchart & Gruber, 2011; Hamilton, 2000; Wach et al., 2020). The dual mission of noneconomic and economic value creation also reflects the core characteristic of social entrepreneurship (Pache & Santos, 2013; Tracey et al., 2011), and the trade-off between economic and noneconomic goals is equally crucial in the context of not-for-profit organizations (Valentinov, 2008).

Goal congruence among members should play an important role in the formation of entrepreneurial teams, as individuals often self-select into teams characterized by homophily (Francis & Sandberg, 2000; Lazar et al., 2022; Ruef et al., 2003). Yet, it is rare for cofounders to have perfectly aligned goals as team members may view strategic issues differently due to their diverse backgrounds, experiences, career prospects, and personal interests (Foss et al., 2008; Sundriyal et al., 2024; West, 2007). Furthermore, noneconomic preferences are multifaceted, often subtle, and can evolve over time (Forbes et al., 2010; Garg, 2013). Indeed, in dynamic and uncertain environments, strategic priorities and personal goals are especially prone to change as team members adapt to new information and shifting external conditions (West, 2007, p. 83). This can lead to divergence in individual goals and strategies. For instance, while cofounders might generally agree on the value of maintaining control, differing and altering preferences may surface when investors promise a large financial gain in exchange for control, which often leads to



disputes among team members about who is in control and the best way forward (Schulze & Zellweger, 2021; Wasserman, 2017). In sum, goal differences among cofounders are likely because (1) team members pursue both economic and noneconomic goals, (2) noneconomic goals are multifaceted and not easily fungible, (3) noneconomic and economic goals typically trade off against each other, (4) team formation processes are marred by information asymmetry about individual goals, and (5) individual goals may shift over time (Jin et al., 2017; March, 1999). Thus, exact goal alignment among team members will be the exception rather than the norm, which calls for a decision-making structure that helps cofounders to effectively aggregate their differing preferences.

2.3 | Four types of decision-making structures in new venture teams

A seminal contribution in the study of preference aggregation is the model developed by Sah and Stiglitz (1986, 1988), which regards decision-making structures as a fundamental determinant of project acceptance or rejection. Sah and Stiglitz (1986, 1988) define “projects” as new proposals or initiatives subject to evaluation within an organization. In the context of entrepreneurship, “projects” encompass the broad range of decisions that are subject to evaluation among cofounders, and which affect the economic and noneconomic performance at the level of the team (Casson & Wadeson, 2007; Foss et al., 2019; Zellweger & Zenger, 2023). Sah and Stiglitz (ibid) present a model wherein the decision-making structure, defined by the allocation of decision-making rights or “authority,” has a direct and systematic influence on the likelihood of a project's acceptance or rejection. They categorize decision-making structures along a continuum from *individual autonomy* to *unanimous approval* (termed polyarchy and hierarchy, respectively). Under *individual autonomy*, a project is only rejected if all decision-makers reject it, while any decision-maker can accept it. Conversely, under *unanimous approval*, a project is only accepted if all decision-makers evaluate it positively, and any decision-maker can reject a project. In their model, decision-making structures influence firm performance by influencing the balance between rejecting “good” projects (errors of omission) and accepting “bad” projects (errors of commission). Unanimous approval is a conservative structure that reduces the acceptance of bad projects (fewer errors of commission) but may miss out on good ones (more errors of omission). In contrast, individual autonomy is more inclusive and accepts more projects, which reduces the chance of missing good projects (fewer errors of omission) but at the risk of pursuing more bad projects (more errors of commission). Sah and Stiglitz (1985) thus suggest that neither structure is inherently superior; instead, the optimal choice should depend on the specific context and the relative costs of accepting bad projects versus rejecting good ones.⁶

In our examination, alongside individual autonomy and unanimous approval, we additionally consider *majority voting*, and *lead entrepreneur* as relevant decision-making structures, since these decision-making structures represent middle grounds between individual autonomy and unanimous approval, and are often found in entrepreneurship practice. In *majority voting*, a project is accepted if more than half of the decision-makers wish to pursue it, offering a balance between the decentralization of decision-making as under individual autonomy and the centralization as under unanimous approval (Sah & Stiglitz, 1988). Majority voting is the most common decision rule in all types of groups (Csaszar & Eggers, 2013; Hastie & Kameda, 2005) and provides a common way for both entrepreneurial and management teams to make decisions when it is difficult to assess which alternative is best (Amason et al., 1995; Cyert & March, 1963; Fang et al., 2010; Healey et al., 2021). Finally, *lead entrepreneur* is a structure whereby one of the decision-makers has more power than others. This structure is frequently observed in entrepreneurial teams, for instance when the person who initiated the new venture and assembled the founding team also takes on a distinct leadership role (de Jong et al., 2013; Shepherd et al., 2021; Wasserman, 2017). We implement *lead entrepreneur* as a decision-making structure whereby in cases of disagreement authority goes to a single, dedicated team member, thus centralizing the decision process when consensus is absent. In the following, we will thus study how the four decision-making structures affect the performance of venture teams and do so by use of a computational model.

3 | COMPUTATIONAL MODEL

Simulation methods are effective for research in which basic theoretical processes are known but when the interactions between these processes are only vaguely understood (Davis et al., 2007; Harrison et al., 2007), and when alternative mechanisms, such as resource endowments, may confound the relationships studied. Simulations have contributed to theory development in entrepreneurship (Bort et al., 2024; Chen et al., 2018, 2022; Davis et al., 2007; Davis et al., 2009; Keyhani, 2019; Mauer et al., 2018) and can provide superior insight into complex relationships among constructs when empirical data limitations exist, such as about the exact preferences of actors or the decision-making structures they employ (Davis et al., 2007; Zott, 2003). An effective simulation model reveals the minimal elements of the problem at hand and so uses the least complex conceptualization that still captures the essence of the phenomenon (Burton & Obel, 1995). The model's purpose is to represent the core features of the phenomenon and is not meant to be a literal replication of the real-life phenomenon (Davis et al., 2009; Rivkin & Siggelkow, 2003). Thus, we employ an agent-based simulation model to develop novel theory and related propositions (Bort et al., 2024; Chen et al., 2022; Kaul et al., 2024; Keyhani, 2019; Mauer et al., 2018).

At its core, our model simulates a team of cofounders in charge of screening a continuous yet unpredictable stream of projects that they might want to pursue. Projects are associated with varying economic and noneconomic payoffs, and each team member has distinct preferences for how to tradeoff between these economic and noneconomic payoffs. Team members thus individually exercise judgment and *a priori* evaluate projects given their idiosyncratic preferences (Foss et al., 2008; Foss & Klein, 2012). The decision-making structure then determines how individual member preferences aggregate to a collective decision on whether or not to proceed with each project (Csaszar & Eggers, 2013; Sah & Stiglitz, 1986). Upon pursuing a project, the venture's economic and noneconomic performance is adjusted according to the specific payoffs of the project. We use MATLAB to implement our model and use STATA 15.1 to visualize the results. In support of open science, we share the model's code in Supplementary Appendix A.

3.1 | Model elements

3.1.1 | Projects

Each project in our model is defined by a random economic payoff E and noneconomic payoff S . It is conceivable in principle that projects are pure gambles, such that economic and noneconomic returns are positively correlated (Bromiley, 2010). However, in entrepreneurship practice, economic and noneconomic outcomes typically tradeoff against each other, projects thus representing mixed gambles (March & Shapira, 1987; Martin et al., 2013). Accordingly, to represent that mixed gambles are more common than pure gambles, we model economic (E) and noneconomic (S) payoffs with a negative correlation $\rho \leq 0$. The mean economic (noneconomic) payoff is μ_E (μ_S), and the variance in economic (noneconomic) payoffs is σ_E^2 (σ_S^2).

3.1.2 | Agents and their preferences

A key feature of our model is that agents differ in their relative preference for economic and noneconomic outcomes. We thus draw agent-level preference coefficients γ that capture the extent to which an agent values noneconomic payoffs relative to economic payoffs. Specifically, when a strategic project is associated with a noneconomic payoff S and economic payoff E , the utility of that project for an agent i is determined by $\gamma_i S + (1 - \gamma_i)E$ with γ_i representing the preference coefficient of the agent i ($0 \leq \gamma_i \leq 1$). For instance, an agent for whom $\gamma = 0$ only considers economic outcomes in her decision-making, an agent for whom $\gamma = 0.5$ considers economic and noneconomic



outcomes to be equally important, and an agent for whom $\gamma = 1$ only considers noneconomic outcomes. An agent i will evaluate a project j positively when she derives positive utility from it (when $\gamma_i S_j + (1-\gamma_i)E_j > 0$).

In each simulation experiment, we draw γ -coefficients for all agents from a beta-distribution with predetermined mean μ_γ and standard deviation σ_γ . Accordingly, since preference coefficients will vary across agents, agents within a team may value the same project differently and may have different preferences for which projects the team should pursue. The beta distribution is used extensively in simulation studies (Fang et al., 2014; Lee & Puranam, 2016) as it has properties similar to the normal distribution, but allows to control its boundaries (note that the γ -coefficients must fall between zero and one). Figure B1 in Appendix B depicts the beta-distributions used.

The standard deviation, σ_γ , represents the heterogeneity in team member preferences. A low standard deviation indicates that team members exhibit relatively similar preferences for economic and noneconomic goals. In contrast, a high standard deviation implies significant variation among agents' preferences for noneconomic and economic goals. For instance, when the standard deviation is high, some members in the entrepreneurial team may primarily value noneconomic outcomes (e.g., $\gamma > 0.5$), others may prioritize economic outcomes (e.g., $\gamma < 0.5$), and others may aim for balance economic and noneconomic outcomes ($\gamma \approx 0.5$). Modeling goal heterogeneity as the standard deviation of team members' individual goals aligns with prior research in the strategy process literature (Kellermanns et al., 2011; Markóczy, 2001; West & Schwenk, 1996).

3.1.3 | Environmental velocity

Uncertainty plays a central role in entrepreneurial decision-making (McMullen & Shepherd, 2006; Packard et al., 2017). We model uncertainty as a fast changing business environment, a view of uncertainty that has been acknowledged in recent entrepreneurship research (Bort et al., 2024; Foss & Klein, 2012; McKelvie et al., 2011). Specifically, we employ environmental velocity defined as the rate at which new projects emerge in an environment (Eisenhardt, 1989; Eisenhardt & Tabrizi, 1995). Environmental velocity reflects the frequency of changes in the environment, thus reflecting the unpredictability of the environment (Brown & Eisenhardt, 1997; Eisenhardt & Martin, 2000). Low velocity environments are marked by slower, more predictable changes, which aids in planning and reduces uncertainty (Eisenhardt & Martin, 2000). For instance, we expect that firms in established food and beverage sectors, where shifts in consumer preferences and competition occur gradually, to operate under such conditions. In contrast, high-velocity environments are marked by more rapid and unpredictable changes. Market boundaries are blurred, technologies evolve swiftly, successful business models are less distinct, and the roles of market players are constantly shifting (D'Aveni, 1994; Eisenhardt, 1989). Cryptocurrency startups, for instance, may operate in such conditions, navigating a landscape of rapid regulatory changes, volatile markets, and continuous innovation. Hence, low/high environmental velocity mirrors low/high environmental uncertainty, yet is very specific about how uncertainty is modeled, an important prerequisite for studies into uncertainty (Nadkarni & Narayanan, 2007; Stieglitz et al., 2016).

To incorporate velocity in our simulation model, we adopt the approach used by Davis et al. (2009) and others (Eisenhardt, 1989; Eisenhardt & Tabrizi, 1995). We assume that entrepreneurial teams face a continuous, but unpredictable flow of heterogeneous projects becoming available over time (also see Bingham et al., 2007; Shane, 2000). To model the flow's unpredictable nature, in line with Davis et al. (2009), we employ a Poisson distribution that determines the likelihood of a certain number of projects appearing within a specific timeframe. This distribution is governed by a parameter, λ , which represents the rate at which projects arrive, thus capturing environmental velocity. We impose a limit of one project that a team can execute within a time period, reflecting limitations on capacity and resources. In low-velocity environments characterized by a low project arrival rate λ , teams can execute virtually all projects that arise. Conversely, in high-velocity environments with a high project arrival rate λ , teams face an abundance of projects and can only execute a small fraction of the total number of projects proposed. With a low arrival rate (low velocity), there is a minimal chance of more than one project arriving in any period (e.g., with

$\lambda = 0.1$, this probability is 0.5%), while a higher arrival rate increases the likelihood of multiple projects arriving in the same period (e.g., with $\lambda = 3$, this probability is 80%). In our simulation, we vary environmental velocity and investigate the performance of teams under different decision-making structures.

3.1.4 | Decision-making structures

Under *unanimous approval*, a project is pursued when all agents evaluate the project positively (i.e., $\gamma_i S_j + (1-\gamma_i)E_j > 0$ for all agents j). Under *majority voting*, a project is pursued when a majority of agents evaluate the project positively (i.e., $\gamma_i S_j + (1-\gamma_i)E_j > 0$ for a majority of agents j). Under *individual autonomy*, a project is pursued when at least one agent evaluates the project positively (i.e., $\gamma_i S_j + (1-\gamma_i)E_j > 0$ for at least one agent j). Under *lead entrepreneur* a project is pursued when either all agents evaluate the project positively, or, in case of disagreement, the leader evaluates the project positively. If there is disagreement and the leader evaluates the project negatively, the project is rejected. Table 1 provides the definitions of the key variables.

3.2 | Simulation mechanics

We ran numerous experiments with different parameter values. Our overall aim is to examine how economic and noneconomic performance of teams varies across the various decision-making structures, levels of team goal heterogeneity, and environmental velocity. In a first set of computational experiments, we assessed the impact of decision-making structure and team goal heterogeneity on the performance of teams in low-velocity environments, setting environmental velocity (λ) to 0.1, which allows teams to execute nearly all proposed projects. In a second set of

TABLE 1 Key simulation parameters.

Parameter	Description	Value(s)
Decision-making structure	Defines how the preferences of individual team members about which projects to pursue aggregate to determine group-level choices.	Individual autonomy, majority-voting, unanimous approval, and lead entrepreneur.
Team goal heterogeneity, σ_γ	Team-level variable indicating the degree to which members differ in prioritizing economic versus noneconomic payoffs in project evaluations. High σ_γ reflects substantial variation in how members prioritize economic and noneconomic goals, while low σ_γ suggests similar preferences.	0–0.2
Average team preference for economic versus noneconomic goals, μ_γ	Team-level variable indicating the average weighting of noneconomic versus economic payoffs in project evaluations. A value below 0.5 suggests a higher average prioritization of economic payoffs whereas a value above 0.5 suggests a greater emphasis on noneconomic payoffs.	0.4 in main analysis, and 0–1 in supplementary analyses
Environmental velocity, λ	Variable that reflects the speed and unpredictability of changes in the environment (Eisenhardt, 1989). Low/high environmental velocity hence indicates low/high environmental uncertainty.	Set to 0.1 in low- and 4 in high-velocity environments
Number of team members, N	Number of members on the entrepreneurial team.	Three in main analysis, and two to five in supplementary analyses



analyses, we examined the performance of teams operating in high-velocity environments by setting λ to 4, consistent with parameter ranges used in similar simulation studies (e.g., Davis et al., 2009). Finally, we explored the continuous influence of environmental velocity by examining values across a range from 0.1 to 4.

To assess the influence of team goal heterogeneity, we manipulated the parameter (σ_v) from 0 to 0.2, where $\sigma_v = 0$ represents teams with fully aligned goals, and $\sigma_v = 0.2$ represents teams with relatively high goal heterogeneity. The main analyses focus on a three-agent entrepreneurial team, chosen as the baseline because it is the smallest team for which majority-voting and unanimous approval-based decision-making structures are distinguishable.⁷ Supplementary analyses of different team sizes, reported below, showed consistent results. In all simulations, economic and noneconomic payoffs were drawn from a normal distribution with a mean of 0 and a standard deviation of 1, with a negative correlation between economic and noneconomic payoffs ($\rho = -0.5$). Additionally, we assumed that teams, on average, prioritize economic performance slightly more than noneconomic performance ($\mu_p = 0.4$), reflecting the typical focus on financial viability in entrepreneurial ventures. The sensitivity of our results to this parameter is further examined in supplementary analyses.

To minimize the influence of statistical artifacts, we simulated 10,000 teams for each combination of simulation parameters (decision-making structure, level of environmental velocity, team goal heterogeneity). Each team made decisions about projects over 10,000 time periods, and we captured their accumulated economic and noneconomic performance. For each parameter combination, we then calculated the average economic and noneconomic performance across all 10,000 teams. Further increasing the number of teams or time periods yielded negligible improvements in reliability.

4 | RESULTS

4.1 | Low environmental uncertainty

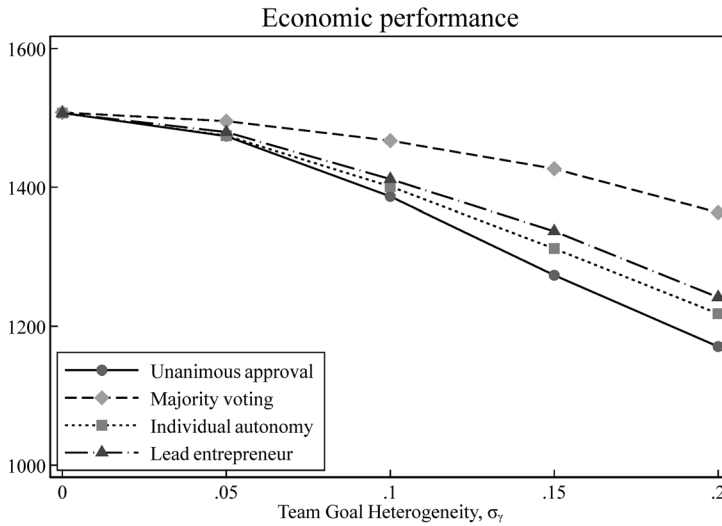
4.1.1 | Results

Figure 1 illustrates the economic performance (Panel a) and noneconomic performance (Panel b) generated by entrepreneurial teams operating in a low-velocity environment under the different decision-making structures across different levels of team goal heterogeneity. We make a few key observations. First, when entrepreneurial team members have uniform goal preferences ($\sigma_v = 0$), the decision-making structure does not influence performance outcomes, indicating economic and noneconomic performance remain consistent across all structures. However, as goal heterogeneity increases, economic performance declines, while noneconomic performance increases across all decision-making structures. The extent to which goal heterogeneity reduces economic performance and increases noneconomic performance varies significantly across decision-making structures: the negative impact of goal heterogeneity on economic performance is least negative under majority voting, and most negative under unanimous approval. These differences are substantial. At relatively high levels of goal heterogeneity, *majority voting* generates the highest economic performance, surpassing unanimous approval (by 16%), individual autonomy (by 12%), and lead entrepreneur (by 10%). Conversely, *unanimous approval* generates the highest noneconomic performance, surpassing *majority voting* (by 27%), *lead entrepreneur* (by 17%), and *individual autonomy* (by 16%).

4.1.2 | Underlying mechanisms and theoretical propositions

The reason for why the decision-making structure has no performance impact when agent goals are homogeneous, is quite intuitive: when agents' preferences are the same, each decision-maker evaluates projects in the same way, and all decision-making structures lead to the same set of projects that are pursued. This finding is important as it

Panel A – Majority voting generates highest economic performance.



Panel B – Unanimous approval generates highest noneconomic performance.

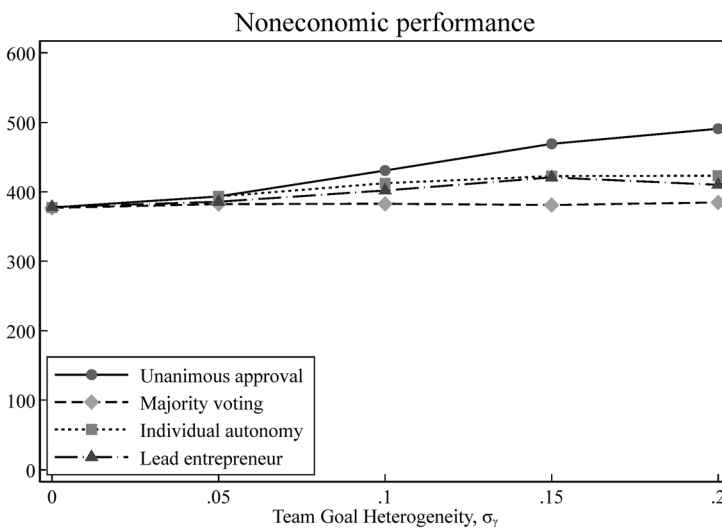


FIGURE 1 Outcomes for entrepreneurial teams operating in a low-velocity environment. Panel a—Majority voting generates highest economic performance. Panel b—Unanimous approval generates highest noneconomic performance. Simulation of 10,000 teams of three agents ($n = 3$) that on average prioritize economic performance slightly over noneconomic performance ($\mu_T = 0.4$), and that operate in an environment characterized by low velocity ($\lambda = 0.1$). The graphs plot economic and noneconomic performance under different decision-making structures as a function of agent goal heterogeneity σ_T .

points to the benefit of goal alignment efforts, such as vision or value statements, shared mental models, and strategic plans (Ensley et al., 2003; Kellermanns et al., 2011; Weil et al., 2023), and confirms that goal alignment enables decentralized decision-making and individual initiative, without detrimental consequence on team-level outcomes (Amason, 1996).

Understanding the mechanisms behind the other observations—that team goal heterogeneity is associated with an economic performance penalty and a noneconomic performance benefit, and that these effects are moderated by



the decision-making structure—requires a more thorough examination. Research has highlighted that high-performing decision-making structures effectively balance between decision quality (preventing low-value projects) and decision quantity (preventing missed opportunities) (Csaszar, 2012; Csaszar & Eggers, 2013; Sah & Stiglitz, 1986). We thus used the simulation data to decompose observed economic and noneconomic performance into two components: (a) the number of projects that a team pursues, termed project “quantity,” and (b) the average economic and noneconomic payoffs of these projects, termed project “quality.” Economic performance can then be understood as the product of the quantity and the quality of projects, with quality captured by the average economic return per project pursued, while noneconomic performance similarly combines project quantity with average noneconomic returns:

$$\text{Economic performance} = \text{Number of projects pursued (Quantity)} \times \text{Average economic payoff per project (Quality)} \quad (1)$$

$$\text{Noneconomic performance} = \text{Number of projects pursued (Quantity)} \times \text{Average noneconomic payoff per project (Quality)} \quad (2)$$

Figure 2 visualizes the impact of the decision-making structures on project “quantity” and “quality” across various levels of goal heterogeneity. Each decision-making structure displays a distinct quantity-quality trade-off as team goal heterogeneity increases.

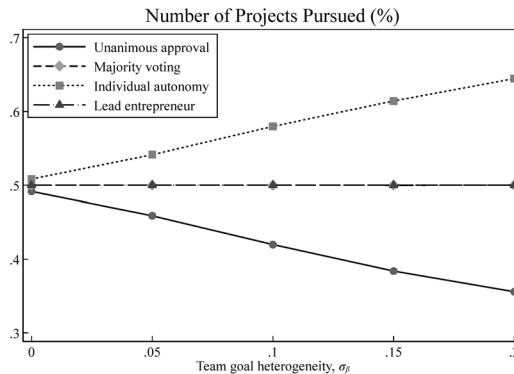
4.1.3 | Unanimous approval

Under *unanimous approval*, which requires a positive evaluation by all team members for project pursuit, we find that teams pursue fewer projects (Figure 2, Panel a), but these projects yield higher average economic and noneconomic payoffs (Figure 2, Panel b) than under all other decision-making structures. Thus, *unanimous approval* leads to a “quality over quantity” strategy, which is representative of a strategy that is highly selective in that it only accepts projects that satisfy all team members by generating significant payoffs.

Interestingly, the average economic and noneconomic payoff per pursued project increases with heterogeneity (as indicated by the positive slopes for unanimous approval in Panel b of Figure 2). Greater goal heterogeneity means that some team members strongly prioritize noneconomic goals while others strongly prioritize economic goals, leading to enhanced selectivity and a reinforced “quality over quantity” strategy. As unanimous approval demands agreement among all members, at high levels of heterogeneity, projects with minor negative noneconomic payoffs will be rejected by those agents prioritizing noneconomic goals (unless these projects offer very high economic payoffs that offset the negative noneconomic payoffs), and projects with minor negative economic payoffs will be rejected by those agents prioritizing economic goals (unless these projects offer very high noneconomic payoffs that offset those negative economic payoffs). This leads to a decision-making process whereby goal heterogeneity increases the minimum payoffs a project must bring in order to be pursued by the team.

The “quality over quantity” pattern manifests differently for economic versus noneconomic performance (see Panels a and b in Figure 1). For economic performance, the higher average economic payoff per project fails to compensate for the reduced number of projects that are pursued, resulting in inferior economic performance (as indicated by the bottom line in Figure 1, Panel a). The inferior economic performance becomes especially noteworthy at higher levels of goal heterogeneity. With high goal heterogeneity, the team becomes very selective, as different members have varied and often opposing goals. The stringent selectivity reduces the project acceptance rate, as indicated by the linear decline in number of projects pursued (Figure 2, Panel a). Concurrently, this selectivity initially results in pursuing only projects with high economic payoffs, raising the average economic payoff per pursued project (Figure 2, Panel b). However, there is a limit to the economic payoffs of available projects. When goal heterogeneity surpasses moderate levels, there are progressively fewer projects that offer high payoffs, and the average economic payoff of pursued projects eventually plateaus (Figure 2, Panel b). Hence, the overall economic

Panel A – Individual autonomy (unanimous approval) leads to highest (lowest) project “quantity”, i.e. number of projects pursued.



Panel B – But unanimous approval (individual autonomy) leads to highest (lowest) project “quality”, i.e. average economic and noneconomic payoff per pursued project.

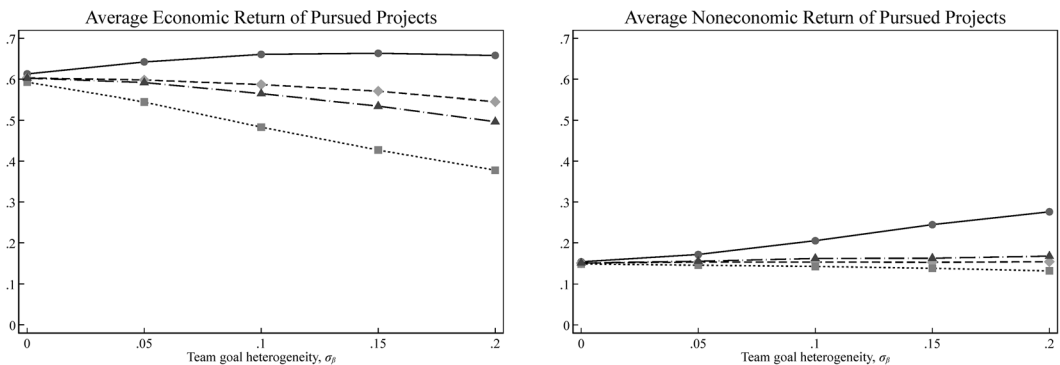


FIGURE 2 Underlying dynamics: Quantity and quality of pursued projects under low velocity. Panel a—Individual autonomy (unanimous approval) leads to highest (lowest) project “quantity,” that is, number of projects pursued. Panel b—But unanimous approval (individual autonomy) leads to highest (lowest) project “quality,” that is, average economic and noneconomic payoff per pursued project. Panel a plots the average number of projects that teams pursue under the different decision-making structures as a function of agent goal heterogeneity, that is, project “quantity.” Panel b plots the average economic (left-hand plot) and noneconomic (right-hand plot) payoff value of the projects that a team pursued under the different decision-making structures as a function of agent goal heterogeneity.

performance—computed as the product of the number of pursued projects and their average economic payoff—declines progressively with goal heterogeneity (Figure 1, Panel a).

In contrast, the higher average *noneconomic* payoff per pursued project more than compensates the reduced number of projects pursued, ultimately resulting in superior noneconomic performance (Figure 1, Panel b).⁸ This superiority steadily increases with goal heterogeneity. Indeed, as Panel b in Figure 2 indicates, the average noneconomic payoff per project continues to increase as agent goal heterogeneity surpasses moderate levels.

4.1.4 | Individual autonomy

Unlike unanimous approval, *individual autonomy*, which requires a positive project evaluation by at least one member for project pursuit, emphasizes “quantity over quality.” Teams operating under individual autonomy accept a higher



number of projects (as indicated by the top line in Figure 2, Panel a), albeit at the cost of lower average economic and noneconomic payoffs per pursued project (as indicated by the bottom lines in Figure 2, Panel b). In an entrepreneurial team governed by individual autonomy, each team member enjoys the autonomy to pursue projects independently. As goal heterogeneity increases, a broader range of projects is pursued (as indicated by the positive slope for individual autonomy in Figure 2, Panel a), which results in diluted average economic and noneconomic payoffs compared to more selective decision-making structures like unanimous approval (as indicated by the negative slopes for individual autonomy in Figure 2, Panel b). Consider a startup where cofounders have varying preferences such that one cofounder prioritizes maximizing economic profits, while another cares most about societal impact. When this team pursues any project that any founder finds valuable, diversity in preferences increases the quantity of projects undertaken: each founder pursues the projects he/she believes in. Such diversity reduces the average payoffs of pursued projects, in both economic and noneconomic terms.

In the aggregate, *individual autonomy* results in lower levels of both economic and noneconomic performance. Even at modest levels of agent goal heterogeneity, the economic performance of teams operating under *individual autonomy* is inferior to *majority voting* and *lead entrepreneur*, and merely matches the economic performance realized under *unanimous approval* (Figure 1, Panel a). Clearly, the higher number of projects pursued does not compensate for the lower average economic payoffs that these projects yield. From a noneconomic performance perspective, individual autonomy delivers only a marginal advantage over majority voting, while underperforming unanimous approval (Figure 1, Panel b).

4.1.5 | Majority voting

Majority voting outperforms both individual autonomy and unanimous approval in terms of economic performance (Figure 1, Panel a). Analyzing the “quantity” versus “quality” of pursued projects, majority voting strikes a balance between inclusiveness (pursuing a larger number of projects) and selectivity (focusing on only pursuing projects with higher economic value). In terms of “quantity,” Panel a in Figure 2 indicates that teams with majority voting undertake a higher number of projects than unanimous approval, but fewer than with individual autonomy. Thus, majority voting strikes a middle ground between unanimous approval and individual autonomy.

Interestingly, goal heterogeneity does not meaningfully affect the number of projects pursued under majority voting, as illustrated by the horizontal line in Figure 2, Panel a. This finding can be explained by the mean voter theorem, which explains that outcomes in a majority voting system will reflect the preference of the “mean voter,” irrespective of individual preference dispersion (e.g., Black, 1948; Caplin and Nalebuff, 1991). Since the mean preference of agents, that is, the mean voter, is a fixed parameter in our model, under majority voting goal heterogeneity has little impact on project selection. In terms of “quality” and hence the average payoffs of the projects that teams pursue, Panel b and c in Figure 2 indicate that majority voting falls in between unanimous approval and individual autonomy. The average economic payoff is higher than under individual autonomy but lower than under unanimous approval.

Research on strategic decision-making structures has emphasized the critical balance between decision quality (minimizing the pursuit of low-value projects) and quantity of projects pursued (preventing the oversight of high-value opportunities) as a hallmark of high-performing decision-making (Csaszar, 2012; Csaszar & Eggers, 2013; Sah & Stiglitz, 1986). Majority voting exemplifies this balance by incorporating a mechanism that naturally filters projects through the collective preference of the team, avoiding the extremes of too few or too many projects.

4.1.6 | Lead entrepreneur

We observe that *lead entrepreneur*, like majority voting, also offers a balanced approach to the “quantity” versus “quality” tradeoff, positioning it between unanimous approval and individual autonomy on both dimensions. Just like

under majority voting, the level of team goal heterogeneity does not affect the number of projects accepted (“quantity”). This consistency is rooted in the modeling of team members’ preferences, which are drawn from a random distribution with a fixed mean. While decision-making under the lead entrepreneur decision-making structure reflects the choices of a singular individual, the aggregation of these decisions across numerous simulations with diverse team configurations naturally aligns with the average, or “mean,” preference. The slight discrepancy between project “quality” between lead entrepreneur and majority voting warrants closer scrutiny. Compared to majority voting, we find that the average economic payoff of pursued projects is slightly lower while the average noneconomic payoff is slightly higher. Majority voting inherently leans toward projects with a stronger economic focus, a reflection of our assumption that entrepreneurial teams generally favor economic over noneconomic goals. Conversely, the lead entrepreneur structure, driven by the preferences of a single team member, more strongly reflects individual preferences. This structure might then occasionally lead to the selection of projects with notable noneconomic benefits but lesser economic returns, especially if the lead entrepreneur values noneconomic goals more highly. This explains why projects under the lead entrepreneur structure exhibit lower average economic payoffs but higher average noneconomic payoffs, compared to majority voting.

Taking stock of the above findings for low-velocity environments, as goal heterogeneity increases, each decision-making structure exhibits a unique response in maintaining the balance between inclusiveness (quantity) and selectivity (quality). Teams operating under unanimous approval, where all team members must agree on project pursuit, tend to become more selective: teams will only pursue projects that are of higher value on average, but they also pursue less projects. In contrast, teams functioning under individual autonomy, where team members can autonomously decide to pursue a project, are more inclusive and pursue more projects, albeit with more varied economic and noneconomic impact as goal heterogeneity increases. Meanwhile, teams operating under majority voting maintain a good balance between inclusiveness and selectivity even at high levels of goal heterogeneity: teams pursue a stable number of projects, and the average value of pursued projects is only slightly impacted by goal heterogeneity. Hence majority voting avoids the pitfalls of extreme selectivity, which may lead teams operating under unanimous approval to reject too many valuable projects, and indiscriminate acceptance of projects, which may cause teams operating under individual autonomy to pursue too many low-value projects. Finally, teams with a lead entrepreneur perform similar to majority voting in terms of inclusiveness, but also pursue projects with lower economic payoffs due to reduced selectivity. Thus, we offer the following propositions:

Proposition 1a. In low-velocity environments, team goal heterogeneity reduces economic performance.

Proposition 1b. In low-velocity environments, majority voting leads to higher economic performance than individual autonomy, unanimous approval, and lead entrepreneur.

Proposition 1c. In low-velocity environments, the negative relationship between team goal heterogeneity and economic performance is moderated by the team’s decision-making structure such that the relationship is least negative under majority voting, most negative under unanimous approval, and with intermediate effects for individual autonomy and lead entrepreneur.

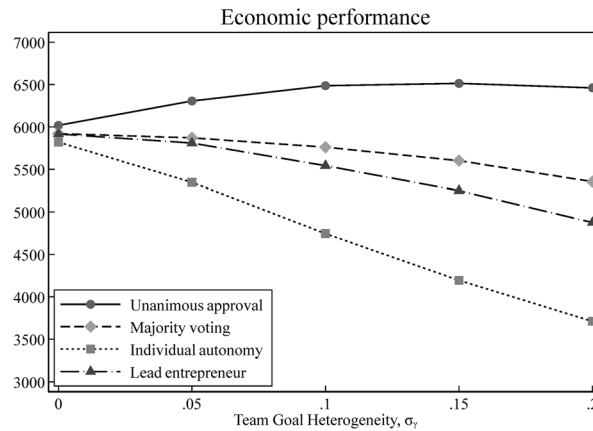
4.2 | High environmental uncertainty

4.2.1 | Results

Figure 3 illustrates the economic (Panel a) and noneconomic performance (Panel b) generated by entrepreneurial teams operating in a high-velocity environment under the different decision-making structures across different levels of team goal heterogeneity. At relatively high levels of goal heterogeneity, unanimous approval generates highest economic performance, surpassing majority voting (by 21%), lead entrepreneur (by 32%), and individual autonomy



Panel A – Unanimous approval generates highest economic performance, and more so as team goal heterogeneity increases.



Panel B – Unanimous approval generates highest noneconomic performance, and more so as team goal heterogeneity increases.

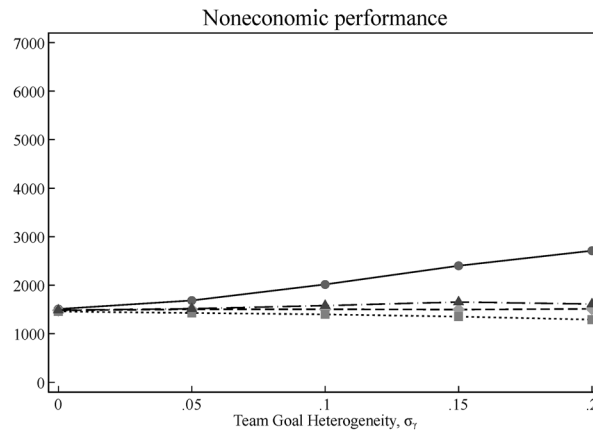
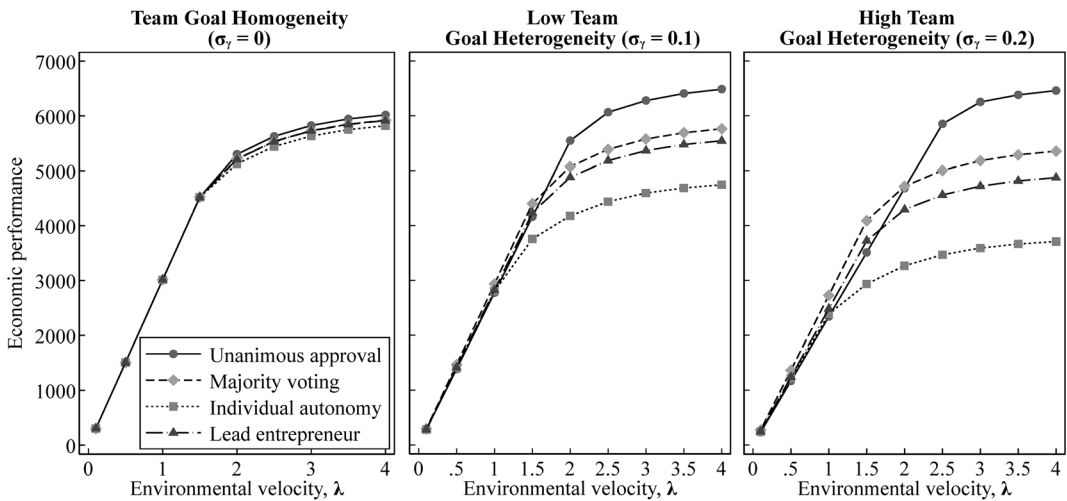


FIGURE 3 Outcomes for entrepreneurial teams operating in a high-velocity environment. Panel a—Unanimous approval generates highest economic performance, and more so as team goal heterogeneity increases. Panel b—Unanimous approval generates highest noneconomic performance, and more so as team goal heterogeneity increases. Simulation of 10,000 entrepreneurial teams of three agents ($n = 3$) that on average prioritize economic performance slightly over noneconomic performance ($\mu_v = 0.4$), and that operate in an environment characterized by high environmental velocity ($\lambda = 4$). The graphs plot economic and noneconomic performance under different decision-making structures as a function of team goal heterogeneity σ_v .

(by 74%). Unanimous approval also generates highest noneconomic performance, surpassing the lead entrepreneur (by 65%), majority voting (by 79%), and individual autonomy structures (by 110%).

Figure 4 depicts how economic and noneconomic performance vary across the different decision-making structures and different levels of goal heterogeneity as a function of environmental velocity. Due to the faster inflow of projects in high-velocity environments, all decision-making structures show higher economic performance in high-velocity environments than in low-velocity ones, a finding consistent with prior work (Davis et al., 2009). Furthermore, Figure 4 shows that the superior economic performance generated by *majority-voting* in low-velocity environments breaks down in high-velocity environments, while *unanimous approval* consistently generates highest noneconomic performance, regardless of environmental velocity.

Panel A - As environmental velocity increases, economic performance increases in all decision-making structures, but mostly so under unanimous approval and when teams hold heterogeneous goals.



Panel B - As environmental velocity increases, noneconomic performance increases in all decision-making structures, but mostly so under unanimous approval and when teams hold heterogeneous goals.

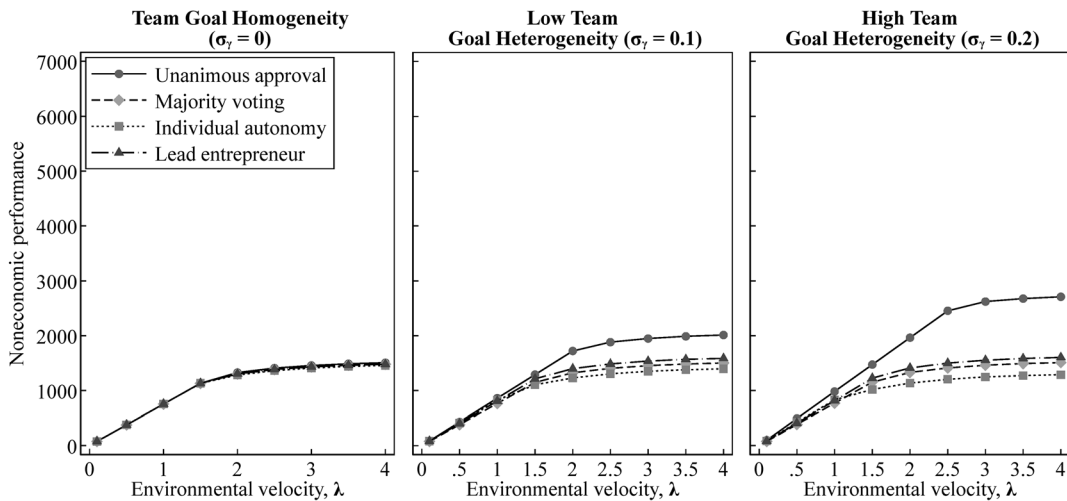


FIGURE 4 Influence of environmental velocity. Panel a—As environmental velocity increases, economic performance increases in all decision-making structures, but mostly so under unanimous approval and when teams hold heterogeneous goals. Panel b—As environmental velocity increases, noneconomic performance increases in all decision-making structures, but mostly so under unanimous approval and when teams hold heterogeneous goals. We plot the level of economic performance (top panels) and noneconomic performance (bottom panels) generated under each decision-making structure as a function of environmental velocity for goal homogeneity, low agent goal heterogeneity and high agent goal heterogeneity. For values of λ greater than 4, results are virtually identical to those reported for $\lambda = 4$.



4.2.2 | Underlying mechanisms and theoretical propositions

In high-velocity environments, the superior economic and noneconomic performance of *unanimous approval* becomes apparent. This resonates with the notion that firms may benefit from strategically disregarding investments with lower payoffs when they operate in an environment where opportunities are plentiful and firms have a limited capacity of pursuing them all (cf. Choi et al., 2008). This mirrors qualitative research that has argued that threshold-triggered execution of opportunities may be beneficial in high velocity environments (Bourgeois & Eisenhardt, 1988; Dess & Lumpkin, 2005). Thus, while unanimous approval leads to inferior performance in low-velocity environments, the same selectivity and focus on “quality over quantity” results in superior performance in high-velocity environments. Notably, under high velocity, teams with agents holding heterogeneous goals operating under unanimous approval show a level of economic performance that even surpasses the levels generated by teams in which agents hold homogeneous preferences. Thus, the high selectivity inherent in *unanimous approval*, paired with high agent goal heterogeneity, leads to a further shift from pursuing many projects (“quantity”) to choosing projects of high value (“quality”). This proves to be particularly effective in high-velocity environments. In contrast, in high-velocity environments, *individual autonomy* is associated with inferior levels of economic and noneconomic performance. Clearly, the high inclusiveness and reduced selectivity induced by *individual autonomy* (“quantity” over “quality”) proves detrimental in environments where teams are confronted with an abundance of potential projects. Finally, with their moderate levels of selectivity and inclusiveness, *majority voting* and *lead entrepreneur* fall in between unanimous approval and individual autonomy in both performance dimensions. Thus, we derive the following propositions:

Proposition 2a. In high-velocity environments, decision-making under unanimous approval leads to higher economic performance than decision-making under individual autonomy, majority voting and lead entrepreneur.

Proposition 2b. In high-velocity environments, the relationship between team goal heterogeneity and economic performance is moderated by the team's decision-making structure, such that the relationship is positive for teams operating under unanimous approval, and negative for majority voting, lead entrepreneur, and most negative for individual autonomy.

4.3 | Extensions

We performed two supplementary analyses to further validate and expand our initial findings. First, while our primary analysis focused on three-agent teams, we extended our examination to teams with two to five agents, with detailed results presented in Appendix B, Figure B2. Overall, our findings hold steady across various team sizes. Second, in our main analyses, we assumed that teams are slightly more concerned about economic than noneconomic performance ($\mu_v = 0.4$). Our findings and propositions hold when entrepreneurial teams generally prioritize noneconomic goals less than economic goals ($\mu_v < 0.5$). When teams prioritize noneconomic goals more than economic goals ($\mu_v > 0.5$), outcomes in high-velocity environments remain but reverse in low-velocity environments: unanimous approval yields superior economic performance and majority voting yields superior noneconomic performance. Differences between decision-making structures become negligible when teams value economic and noneconomic goals equally.

4.4 | Model validation

We validated our computational model following established guidelines (Taber & Timpone, 1996; Vancouver et al., 2010) (for a recent application, please see Dimov & Pistrui, 2024). We consider the model's internal validity, process validity, outcome validity, parsimony, and the sensitivity of results.

Internal validity assesses whether the model accurately translates the underlying theory into its computational form. It examines if the model's outputs are correctly generated by its structure, parameters, and assumptions, ensuring that results are attributable to the model's specific mechanisms rather than errors or biases. Our model operates without errors and demonstrates logical consistency, such as showing no effect of decision-making structures when team members have homogenous goals and an overall positive influence of environmental velocity on venture performance. Our model considers decision-making structures that are clearly defined with minimal interpretive ambiguity, and our modeling of goal heterogeneity and environmental velocity is in line with prior studies (Davis et al., 2009; Markóczy, 2001; West & Schwenk, 1996). We also examined the underlying mechanisms driving the results, and could logically explain them, lending further credence to the internal validity of our model.⁹

Process validity relates to the degree to which the model's internal mechanisms correspond to real-world processes. We designed our model with process validity in mind, grounding assumptions in established literature: decision-makers balance economic and noneconomic payoffs in their decision-making and individually decide about project pursuit based on their perceived utility (Arrow, 1958, 1963; Bromiley, 2009; Foss & Klein, 2012) and environmental conditions are modeled as an inflow of projects with varying payoffs (Davis et al., 2009; Eisenhardt, 1989; Eisenhardt & Bourgeois, 1988). Our approach captures these essential processes relevant to our theoretical inquiry, though we recognize it remains a stylized representation, aligned with our study's focus on theory building. For instance, how agents tradeoff between an economic and noneconomic goal in practice may vary dependent on the specific nature of the noneconomic goal. By making our model publicly accessible, we invite the research community to validate and refine it.

External validity concerns the extent to which our model's outputs mirror real-world patterns. While predicting empirical outcomes is not the primary goal of theory-building simulations such as ours (Harrison et al., 2007),¹⁰ our model captures decision-making structures commonly observed in practice. Consistent with prior empirical research, our results highlight the generally negative relationship between goal heterogeneity and economic performance (Kellermanns et al., 2011). In line with our theory-building objective, we intentionally limited the complexity of our model by excluding mechanisms such as competition or socio-cognitive dynamics that could foster shared understanding or alignment of goals among team members over time (e.g., Breugst & Preller, 2020; West, 2007). While these simplifications aid in theory building, they may limit the model's ability to replicate real-world patterns exactly. Given the challenges in accessing data on team-level decision-making (Burton et al., 2019; West, 2007), a crucial task for future research will be to empirically isolate and test these effects. Full external validation would involve empirical testing of the model's predictions through experimental designs that control for selection biases, maintain stable decision-making structures over time, and measure individual goals independently of team processes, among other considerations.

Parsimony in modeling involves balancing the need for a model to be detailed enough to capture key dynamics without becoming overly complex, ensuring clarity about what drives the results (Harrison et al., 2007). Parsimony is often achieved by limiting the number of free parameters. In our model, we identified three core parameters—team goal heterogeneity, decision-making structure, and environmental velocity—as the minimum required to explore how performance consequences of goal heterogeneity vary based on the team's decision-making structure and environmental uncertainty. Consistent with our theory-building focus, we carefully designed the model to reveal essential mechanisms without becoming overly complex or opaque,¹¹ and examined underlying mechanism driving the results, thereby concentrating on the dual aspects of project selection that drive performance: the quantity (number of projects pursued) and the quality (average payoffs) of these projects. This approach allowed us to provide clear insights without overcomplicating the model with unnecessary elements.

Finally, we ran *sensitivity analyses* to test the model's robustness by varying parameters such as team size and goal preferences, confirming that our findings are consistent across these adjustments.



5 | DISCUSSION

In this study, we employed a computational model as a theory-building tool to explore how four archetypical decision-making structures—unanimous approval, individual autonomy, majority-voting and lead entrepreneur—interact with team goal heterogeneity and environmental velocity to affect the economic and noneconomic performance of entrepreneurial firms. We found that, while goal heterogeneity in the entrepreneurial team generally detracts from both economic and noneconomic performance, the extent of these performance shortfalls depends on the decision-making structure and the level of environmental velocity.

In stable environments, majority voting yields superior economic performance compared to the other decision-making structures, as it adeptly balances inclusiveness—engaging in a wide range of projects—with selectivity—prioritizing projects with high payoff, and unanimous approval yielded highest noneconomic performance. Conversely, in high-velocity environments, unanimous approval leads to highest economic and noneconomic performance. Unanimous approval drives teams toward a high level of selectivity, and hence raises the bar for projects to be acceptable for the team. This dynamic is further strengthened by goal heterogeneity within the team. As goal heterogeneity increases, teams operating under unanimous approval become very conservative and limit their focus on high-value projects only, thereby minimizing the risk of losing effort and time with low-value projects. This selectivity leads teams operating under unanimous approval to even outperform those with homogenous preferences within fast-paced environments. Combining goal heterogeneity with the selectivity brought by unanimous approval turns out to be a valuable strategy in dynamic settings.

5.1 | Contributions to the research literature

Our work makes several contributions. First, we contribute to the strategy process literature. While a comprehensive meta-analysis on the relationship between strategic consensus and performance found a positive association (e.g., Kellermanns et al., 2011), it also revealed significant variation across studies (for a more recent overview, see Bragaw & Misangyi, 2022). Although these variations may partly stem from a lack of definitional clarity regarding the strategic consensus construct, as noted by Bragaw and Misangyi (2022), our theory offers a complementary explanation. Our findings confirm that goal heterogeneity—a proxy for low strategic consensus—generally harms economic performance. However, the strength of this relationship fundamentally depends on (1) the decision-making structure the team employs, and (2) the level of environmental velocity.

Our study also adds to burgeoning research on how decision-making structures affect decision-making effectiveness (Bernstein & Sheen, 2016; Chen et al., 2022; Joseph & Gaba, 2020; Piezunka & Schilke, 2023). In particular, we speak to a line of work that focuses on how preference aggregation affects group- or organizational-level performance (e.g., Christensen & Knudsen, 2010; Csaszar, 2012; Csaszar & Eggers, 2013). Papers in this domain generally examine this relationship through the lens of information aggregation, examining, for instance, how the performance of aggregation structures depends on the breadth of knowledge within the firm (e.g., Csaszar & Eggers, 2013). Importantly, this prior work typically assumes that decision-makers pursue a uniform, economic goal, thereby overlooking the complexities that arise when preferences diverge.

Our work reaches beyond such information-related arguments and elucidates how teams aggregate diverging preferences among members in venture teams who often operate under high uncertainty. A core mechanism our study reveals is that goal heterogeneity broadens the range of projects acceptable to any single decision-maker in a team, while simultaneously narrowing the range of projects acceptable to all. This dual effect influences both the quantity and quality of projects that a team pursues, and consequently, its performance, depending critically on the type of decision-making structure in place, and the level of environmental uncertainty.

Our work also contributes to several ongoing conversations in the entrepreneurship literature, particularly the debate on whether the control in new ventures should be concentrated in a lead entrepreneur or be distributed

equally among team members (Hellmann & Wasserman, 2017; Hendricks et al., 2019; Xie et al., 2020). We speak to this debate as we find that teams with a lead entrepreneur outperform teams operating under individual autonomy, especially when goal diversity is high and in fast-paced environments. However, neither individual autonomy nor centralized control by a lead entrepreneur consistently proved to be the most effective approach across different levels of environmental velocity and goal diversity. This suggests that neither fully shared nor fully concentrated control maximizes venture performance, highlighting the value of more balanced approaches to decision-making in entrepreneurial teams.

These findings also represent important contributions to the literature on the performance of new venture teams (see Jin et al., 2017, for a recent review). Prior research in this domain, for instance, has established a positive effect of functional diversity within teams on economic performance (Amason et al., 2006; Beckman et al., 2007) and has emphasized the advantage of diverse skill sets in dynamic entrepreneurial contexts (Ensley & Hmieleski, 2005; Hmieleski & Ensley, 2007; Souitaris & Maestro, 2010). On the other hand, increased diversity in skills and expertise also risks increasing team conflict and slowing decision-making due to the need to integrate differing viewpoints (Klotz et al., 2014). Our research contributes to these literatures by demonstrating that understanding the relationship between team heterogeneity and venture performance requires accounting for the decision-making structures teams employ.

5.2 | Practical implications

In the practitioner community, there are advocates for unanimous and encompassing decision-making inside entrepreneurial teams with flat hierarchies, yet also voices that point to the benefits of monopolized control with a single leader (Suthipongchai, 2022). Interestingly, majority voting is far less discussed among practitioners, despite research confirming the effectiveness of this decision-making structure (Hastie & Kameda, 2005), a finding we confirm in our study. We suggest that majority voting maximizes economic performance in low-velocity environments, while unanimous approval maximizes performance in high-velocity environments. Our finding that individual autonomy—reflective of a flat, decentralized decision-making structure—neither optimizes economic nor noneconomic performance aligns with recent studies showing that flat structures may compromise commercial success and economic performance in startups (DeSantola & Gulati, 2017; Lee, 2024). However, we would add that even a highly centralized decision-making structure (lead entrepreneur) does not achieve the highest performance in our study. A view on decision-making that aligns with some of our findings is the one by Steve Bezos, founder of Amazon, who suggests that teams should explore differing opinions, yet fully commit to decisions once made (aboutamazon.com, 2017). Such an approach echoes the essence of majority voting, suggesting a balance between considering everyone's perspective and moving forward without requiring unanimous agreement.

5.3 | Limitations and opportunities for future research

Our study offers a broad range of opportunities for future research on decision-making of entrepreneurial teams, reflecting the innovative nature and inherent constraints of our simulation-based model designed for theory building. We see value in (1) empirically testing the propositions that emerged from our model, (2) bringing further nuance to the individual processes in our model, (3) allowing for more complex interactions between these processes, and (4) broadening the scope of our model to capture additional aspects of entrepreneurial decision-making. Table 2 provides a summary of the research opportunities we discuss.

An obvious next step for advancing this research area involves *empirically testing our propositions*. As data on entrepreneurial team decision-making is often difficult to obtain (Burton et al., 2019; West, 2007), scholars may consider an experimental approach that simulates entrepreneurial team settings. This approach could involve controlled



TABLE 2 Potential directions for future research.

Focus area	Potential research direction(s)
1. Empirical testing	• Empirically test the model's propositions (e.g., lab or field experiments)
2. Enhance individual model elements	• Examine additional decision-making structures such as rotating leadership or combined rules, or combinations of decision-making rules. • Introduce asymmetric risk preferences and payoff distributions among co-founders. • Expand the model to include multiple and potentially interacting noneconomic goals. • Alter modeling of environmental uncertainty.
3. More complex interactions between model processes	• Allow for dynamic changes in team membership, such as co-founder exits when group-level decisions deviate too strongly from individual preferences. • Integrate decision-making speed and cognitive limitations into the model. • Study whether and how decision-making structures might adapt based on environmental factors, venture performance, or co-founders' preferences.
4. Expand model scope	• Extend the model to include the search and implementation stages of decision-making. • Incorporate sequential goal pursuit instead of simultaneous consideration. • Model interpersonal dynamics and their impact on team decision-making and stability. • Include the effects of co-founder diversity in skills, expertise, and resources on decision-making.

laboratory experiments or field experiments with real or simulated entrepreneurial teams, where individual preferences, team goal heterogeneity, and environmental velocity are systematically manipulated. Such an approach allows researchers to measure individual preferences, control the decision-making environment, and directly observe team performance under different decision-making structures.

Another fruitful avenue for potential future research is to complexify the individual elements of our model. First, we focused on four archetypical *decision-making structures*, but our work can be extended by other structures, for example, rotating leadership (Davis & Eisenhardt, 2011; Piezunka et al., 2022). Teams can also combine different decision-making rules (cf. Ergene et al., 2023), for instance move to majority-voting only when there is no unanimous consensus, or extend decision-making structures to consider actors outside of the founding team such as the board of directors or employees. Our model also considered only one *noneconomic goal*, whereas entrepreneurs often pursue multiple noneconomic goals simultaneously, and these goals may interact in complex ways. In line with this notion, our model could be extended to consider that project pursuit involves risk and that cofounders may hold varying risk preferences (Forbes, 2005). Furthermore, future research could refine our model by adding parameters that capture project risk, asymmetric payoff distributions among cofounders, and differences between the nature of economic and noneconomic outcomes. For instance, we assumed that cofounders capture the same economic and noneconomic payoffs from a pursued project and differ only in how they weigh these payoffs. In reality, noneconomic outcomes may not be separable among cofounders; for example, a noneconomic goal such as becoming the face of the organization might benefit only one individual. Similarly, economic benefits and costs of new venture pursuits may be unequally distributed among cofounders, reflecting unequal equity splits (Breugst et al., 2015; Hellmann & Wasserman, 2017). Finally, future research may also model environmental uncertainty differently. Indeed, uncertainty has multiple dimensions and its modeling can be approached in various ways (Davis et al., 2009; Kaul et al., 2022).

Future research may extend our models to allow for membership changes in entrepreneurial teams, such as the departure of cofounders when group-level decisions significantly deviate from their individual preferences (Chandler et al., 2005; Guenther et al., 2016; Preller et al., 2023). Additionally, future research could consider the different

stages of entrepreneurial ventures, where early stages may involve higher levels of uncertainty compared to later stages. This could suggest that teams might strategically adapt their decision-making structures over time. For example, our theory implies that teams may benefit from using unanimous voting during the early, more uncertain phases of venture emergence and shift toward majority voting as uncertainty decreases in later stages. Our model also abstracts away from the speed of decision-making within teams (e.g., Lee et al., 2024). In practice, decision-makers face cognitive limitations and varying attention spans, which can significantly impact the timing and quality of decisions (Ocasio, 1997). Finally, while we assumed that entrepreneurial teams pursue their goals simultaneously, future work may extend our models to allow for teams resorting to sequential goal consideration (Belz & Binder, 2017; Greve, 2008; Kotlar et al., 2018).

It may also be relevant for future research, perhaps simulation studies, to examine further interactions between our model's elements. First, we note that decision-making structures may not be exogenous to the level of uncertainty in the environment. For instance, teams may decide to employ more decentralized decision-making structures when knowing that success depends on catching a few outliers with exceptional returns (Malenko et al., 2024). Furthermore, while we modeled entrepreneurs' preferences as exogenous to the decision-making structure, in reality, the choice of a decision-making structure may be affected by entrepreneurs' preferences, or their views on the environment. Perhaps majority voting is more common among teams in which cofounders are aware they have divergent goals. Also, future research could refine our models to account for the possibility that founders adjust the decision-making structure dependent on the performance levels reached, or on the magnitude of the decisions faced.

Beyond these refinements and extensions, future research may also more fundamentally alter our model and extend its scope beyond the evaluation and acceptance phase of strategic decision-making. Indeed, our work has focused on how teams evaluate projects, thereby leaving aside considerations about the search and implementation stages of strategic decision-making (Eisenhardt & Zbaracki, 1992; Mintzberg et al., 1976). Future inquiries could extend our work by studying the search and exploitation stages of decision-making (Joseph & Gaba, 2020). For instance, research on strategic consensus has shown that acceptance of a decision increases actors' commitment to such decision, enhancing the likelihood of effective implementation (Bragaw & Misangyi, 2022; Kellermanns et al., 2011). Such acceptance and commitment play a critical role in the transition from the evaluation phase of strategic decision-making to the implementation phase (Ateş et al., 2020; Van Den Steen, 2018). In our model, we also abstracted away from interpersonal dynamics that may influence entrepreneurs' motivation to pursue specific decisions. For instance, decision-makers may be aware of their cofounders' preferences and may moderate their opposition to a decision to maintain social harmony and team stability (Ensley et al., 2002; West, 2007). This awareness and willingness to compromise reflect the nuanced interplay of personal relationships and strategic choices within entrepreneurial teams, which future studies could explore in greater depth (Porck et al., 2020). Another discussion that was beyond the scope of this article was the influence of cofounder diversity in skill, expertise or resources. Prior research suggests that such diversity can enhance problem-solving by introducing varied perspectives but also risks increasing conflict and slowing decision-making due to differing viewpoints among cofounders (Klotz et al., 2014). Given our findings, future research could investigate how different decision-making structures can help navigate these challenges and harness the advantages of diverse skills within entrepreneurial teams. In sum, we believe that our work offers rich opportunities for future research.

6 | CONCLUSION

Recognizing that many ventures are founded by teams raises the question how cofounders should aggregate their opinions when their goals are not perfectly aligned. We examined four prevalent decision-making structures and provide insights into the conditions under which they effectively govern decision-making and enhance performance. We hope our study contributes to a deeper understanding of organizational decision-making in entrepreneurial firms, an area of inquiry with wide theoretical and practical relevance.



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ENDNOTES

- ¹ For example, Greenberg and Mollick (2018) report that in their sample, only 28% of ventures were founded by solo entrepreneurs. Similarly, in her sample of high-tech ventures from Silicon Valley, Beckman (2006) reported that only 10% were launched by solo entrepreneurs. And recent evidence suggests the majority of ventures in the United States which raised more than \$10 million from investors are founded by teams (Suthipongchai, 2022), and 80% of those startups that were founded after 2005 in the United States and reached a 1 billion valuation had two or more founders (Howell et al., 2022a).
- ² Here, we refer to the research that has examined levels of agreement among decision-makers (i.e., strategic consensus as an outcome). Related studies have examined the process of achieving strategic consensus (i.e., strategic consensus as a process) (e.g., Jehn & Mannix, 2001; Porck et al., 2020; Samba et al., 2018).
- ³ In their meta-analysis, Kellermanns et al. (2011) consider the collection of empirical evidence and find a positive link between strategic consensus and organizational performance.
- ⁴ Upper echelon research also recognizes diversity within top management teams, suggesting, for instance, that demographic characteristics may indicate variations in noneconomic preferences (Hambrick & Mason, 1984). However, upper echelon theory is relatively limited in explaining how these differing viewpoints at the group level are resolved (Carpenter et al., 2004; Shen & Cannella, 2002).
- ⁵ We define entrepreneurial teams or cofounders as teams that are formed by “two or more individuals who pursue a new business idea, are involved in its subsequent management, and share ownership” (Lazar et al., 2020, p. 29).
- ⁶ Subsequent research has substantially expanded on Sah and Stiglitz’s model. Scholars, for instance, have explored a wider spectrum of decision-making structures (Christensen & Knudsen, 2010) and examined how hybrid structures fare in various landscapes (Csaszar & Eggers, 2013; Knudsen & Levinthal, 2007).
- ⁷ In a two-person team, majority-voting and unanimous approval are indistinguishable since any decision requires the consent of both members, rendering the concept of a “majority” moot. Only in teams of three or more can these decision-making structures be distinctly differentiated.
- ⁸ Under unanimous approval, relatively high goal heterogeneity ($\sigma_\beta = 0.2$) leads to a 30% reduction in number of projects pursued but a 200% higher average noneconomic payoff value of those projects, relative to goal homogeneity.
- ⁹ Since the purpose of our model is theory building, we consciously avoided incorporating complexities like learning dynamics, evolving preferences, or group interactions (which we discuss as valuable avenues for potential future research below), focusing instead on foundational theoretical relationship.
- ¹⁰ Harrison et al. (2007) emphasize that simulations aimed at discovery and theory development do not per se require empirical grounding, as their primary value lies in exploring theoretical implications.
- ¹¹ In this regard, our model aligns with the perspective of Harrison et al. (2007) on simulation models designed for discovery. By exploring the interaction of simple processes, our model facilitates the identification of unexpected consequences, advancing theoretical understanding.

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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