

Research shows affiliation-based hiring can have benefits and pitfalls, depending on proximal and distal ties

November 4 2024

Credit: Unsplash/CC0 Public Domain

Affiliation-based hiring tactics appear to help young firms access and retain higher-quality employees, leading to better

performance—provided the connections are appropriate for the firm's needs. According to [a study](#) published in *Strategic Management Journal*, ventures perform better when they hire founders' proximal employment ties in the early stages; however, the effect is tempered when founders hire their former schoolmates.

The findings shed light on the common practice of tapping prior professional affiliations, and points at which these tactics may have upsides and downsides.

Prior research has explored the importance of ties in the [labor market](#) and how connections between people affect the chances of getting hired. But researchers Vera Rocha of Copenhagen Business School and Rhett Andrew Brymer of the University of Cincinnati found there was far less investigation into the implications for the firm hiring those individuals, and even less was known about how it affected startups, in particular.

"We also noticed that theoretically, the possible association between such hiring tactics and young firm performance was not as straightforward as one could first think, as employment ties and educational ties are very different from each other," Rocha says. "The type of connections we develop in school and at work are very different—the latter tend to be more professional than the former, which instead sometimes include long-time friendships and connections that may be very similar in skills and other attributes."

The pair carefully considered the heterogeneities within those affiliations as well: Some ties may be more proximal and others may be more distal, depending on how much individuals have overlapped at former organizations in time and space. For example, they may have attended the same university program at different times, or they may have worked at the same firm but in separate units.

To explore the pros and cons associated with affiliation-based hiring practices, the researchers tapped a large longitudinal sample of Danish ventures, founders, and hires across multiple industries.

They could trace individuals over time: where they studied, what, and when; where they worked and whether they changed careers. They could also follow firms over time—many from inception until they exited or scaled—while also tracking who joined and left those firms and how the firms performed. The authors were able to use this data to perform a large-scale analysis of startup hiring patterns and their associations with [venture](#) performance.

"We found that not all affiliation ties have the same value, and that this value may also differ depending when—in the venture lifecycle—those affiliation ties join the firm," Rocha says.

In general, young firms perform better when they use affiliation-based tactics, as they appear to help firms access and retain higher-quality employees. These relationships do, however, vary with the type and proximity of affiliations between founders and hires. Ventures perform better when hiring founders' proximal employment ties in the early stages (within the first three years), but less so when hiring schoolmates.

For example, ventures that hired founders' classmates from elementary school performed worse than firms without such hires, as these connections may be less professional and include some friends. It hints at the dangers of hiring personal connections who may not bring necessary resources to the team, or with whom you may end up having conflicts.

Among firms that hired individuals who studied at the same university as the founders, the researchers actually observed higher performance within firms that had these relatively distal ties (e.g., those who studied

something different than the founders), as these hires may bring more complementary knowledge to the team.

They also found that these individuals may be more beneficial to the firm when hired at later stages, as they seem to fill specialized roles and higher ranks in the firm that are identified at later stages. This differs from those hires who have proximal employment ties to the founders, who were less likely to have well-defined roles—suggesting they may need to play different roles in the nascent stages of a firm.

"Many founders and managers may feel tempted to hire those they know well or about whom they know something, by virtue of their shared professional or educational backgrounds," Rocha says. "But there may also be some downsides in doing so, especially if some of those hiring decisions are based on social connections without bringing complementary resources to the team."

More information: Vera Rocha et al, We go way back: Affiliation-based hiring and young firm performance, *Strategic Management Journal* (2024). [DOI: 10.1002/smj.3673](https://doi.org/10.1002/smj.3673)

Provided by Strategic Management Society

Citation: Research shows affiliation-based hiring can have benefits and pitfalls, depending on proximal and distal ties (2024, November 4) retrieved 4 October 2025 from <https://phys.org/news/2024-11-affiliation-based-hiring-benefits-pitfalls.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.
