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ANTECEDENTS OF CONFLICT IN THE ENTREPRENEUR-INVESTOR RELATIONSHIP: AN EFFECTUATION PERSPECTIVE (SUMMARY)

Daniel Appelhoff
RWTH Aachen University, appelhoff@win.rwth-aachen.de

Malte Brettel
RWTH Aachen University

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≈ SUMMARY ≈

ANTECEDENTS OF CONFLICT IN THE ENTREPRENEUR- INVESTOR RELATIONSHIP: AN EFFECTUATION PERSPECTIVE

Daniel Appelhoff, RWTH Aachen University, Germany

Malte Brettel, RWTH Aachen University, Germany

Principal Topic

Venture capital firms (VCFs) play an important role for new ventures and a cooperative working relationship is fundamental (Cable & Shane, 1997). At the same time, their relationship bears significant potential for conflict (Yitshaki, 2008). Conflict between entrepreneurs and their investors only gains attention recently (e.g. Collewaert, 2011; Zacharakis et al., 2010; Higashide & Birley, 2002) and very little is known about specific causes of conflict. We choose the theory of effectuation as a framework to investigate the antecedents of task conflict. Sarasvathy (2001) revealed that entrepreneurs regularly follow principles of effectuation when starting their businesses and the work of Wiltbank & Sarasvathy (2002) suggests diversity in the application of effectuation and causation for investors as well. Therefore this study aims to shed light on the question which and why specific dimensions of effectuation and causation lead to conflict between entrepreneurs and VCFs.

Method

This study is based on a survey sent out to founders of German startups in 2011. All respondents (N=151) took part in the initial founding process and received external equity from VCFs. We applied the scale of Brettel et al. (2012) for effectuation and used the scale of Jehn & Mannix (2001) to measure task conflict. The analyses are based on hierarchical OLS regression models.

Results and Implications

The results indicate that the use of effectuation and causation has direct and significant effects on the level of task conflict. We reveal mixed results in effect and direction for effectual as well as causal dimensions. We find the effectuation dimension of *affordable loss* and the causation dimensions of *expected returns* and *acknowledge the unexpected* to significantly reduce task conflict. The causation dimension of *competitive analysis* significantly increases it.

This study links conflict and effectuation theory in the context of the entrepreneur-investor relationship. We add to the relatively scarce literature on antecedents of conflict and find support that there is no “black-and-white” pattern and effectual behavior does not lead to more conflict with an investor – an assumption that could be perceived as true, having in mind stereotypes of an effectual entrepreneur and a VCF.

CONTACT: Daniel Appelhoff; appelhoff@win.rwth-aachen.de; (T): +49-241-8096359; (F): +49-241-8092371; RWTH Aachen University, Kackertstr. 7, 52072 Aachen, Germany.