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INVESTOR INVOLVEMENT – AN ATTENTION BASED VIEW LENS ON CONFLICT ANTECEDENTS (SUMMARY)

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≈ SUMMARY ≈

**INVESTOR INVOLVEMENT – AN ATTENTION BASED
VIEW LENS ON CONFLICT ANTECEDENTS**

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Principal Topic

Recent literature emphasizes to view Venture Capital (VC) involvement as a form of collaboration to grow. Nevertheless, this cooperative relationship bears significant potential for conflicts driven by factors such as scarce resources or interdependencies. So far, research on entrepreneur-investor conflict has primarily investigated its impact on performance criteria while knowledge on conflict-triggering processes is still limited. This study examines the effects of investor's involvement on entrepreneur-investor task conflict from an attention-based view perspective. By introducing new sets of priorities, VCs actively interfere with the existing distribution of attention within the entrepreneurial team and seek to reorient a venture from early explorative to more exploitive activities. Thus, we take a closer look at a key driver of commercialization and one of the most significant value-added activities of VCs, strategic involvement. We propose that entrepreneurs demand investor's involvement in strategy formation while broad monitoring of prior strategic decisions likely causes mistrust and conflicts. We follow latest advances in conflict research by adopting a contingency view and investigating the moderating role of innovativeness and psychological ownership, two factors which have proven relevant during commercialization.

Method

We used data obtained from 143 German start-ups, collected through an online survey. All respondents were part of the initial team, founded their venture after 2005, and received equity funding from professional early-stage investors. We employed theoretically established measures such as Jehn & Mannix's (2001) scale for task conflict and Fried et al.'s (1998) scale for strategy formation and monitoring. Hypotheses were tested using OLS hierarchical regression.

Results and Implications

The results indicate that both, investor's involvement in strategy formation and strategy monitoring have direct and significant effects on the level of entrepreneur-investor task conflict (negative and positive, respectively). Furthermore, we found that both effects are stronger under moderation of psychological ownership and weaker under moderation of firm's innovativeness.

This study links the attention-based view and conflict theory in the context of the entrepreneur-investor relationship. We expand limited knowledge on conflict antecedents and show that the involvement-conflict link is of complex nature and requires a fine grained analysis. By adopting a contingency view this study furthermore confirms that there is no "black and white" pattern in conflict research.

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