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I'M LEAVING! THE EFFECTS OF CONFLICT ON FOUNDER'S EXIT INTENTION AND EXIT ROUTE (INTERACTIVE PAPER)

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≈ INTERACTIVE PAPER ≈

**I'M LEAVING! THE EFFECTS OF CONFLICT ON
FOUNDER'S EXIT INTENTION AND EXIT ROUTE***Christopher Ney, RWTH Aachen University, Germany**Martin Heese, RWTH Aachen University, Germany***Principal Topic**

Academia has recently identified entrepreneurial exit as a critical component of the entrepreneurial process due to its strong implications for founders, firms, and economy. While the main body of research still focuses on more static triggers of exit intentions, Collewaert (2011) was the first to tackle complex interpersonal dynamics between entrepreneurs and their investors. Her study reveals that entrepreneurial exit intentions are higher for those entrepreneurs who face more conflict with their business angels. However, these findings are limited to one investor class, exclude underlying mechanisms and do not fully reflect the multidimensionality of entrepreneurial exit. Our study aims to extend this research stream by addressing several limitations of prior studies. Firstly, we analyze the impact of entrepreneur-investor conflict – not only on founders' intentions to leave their venture– but also on the different exit strategies they pursue. Secondly, we expand knowledge on the conflict-exit intention relationship through the investigation of a new entrepreneur-investor setting: entrepreneur - venture capitalist (VC). Thirdly, we include confidence in investor cooperation into the conflict-exit equation to further deepen the understanding of the underlying processes.

Method

We used data obtained from 110 German start-ups, collected through an online survey. All respondents were part of the initial founding team and received equity funding from a VC. The dependent variables are operationalized by DeTienne et al.'s (2015) three-item exit intention scale and seven intended exit strategy probability items. We investigate two theoretically established types of conflict – task and relationship conflict – as proposed by Jehn & Mannix (2001). Hypotheses were tested using OLS hierarchical regression. We additionally used structural equation modeling to compare alternative mediating models.

Results and Implications

The results indicate that both, high levels of task and relationship conflict within the entrepreneur-VC relationship increase founders' exit intentions. We furthermore found that entrepreneurs who face high levels of relationship conflict with VCs will see less potential for the long-term success of their undertaking and appear more likely to consider voluntary cessation strategies, i.e. liquidation. Building upon latest research, we moreover found support that confidence in investor cooperation mediates the overall conflict-exit intention relationship.

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