DO VENTURE CAPITALISTS AND ENTREPRENEURS AGREE ON THE LEVEL OF VENTURE CAPITALISTS' INVOLVEMENT? A DYADIC EXAMINATION OF PERCEPTIONS (SUMMARY)

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SUMMARY

DO VENTURE CAPITALISTS AND ENTREPRENEURS AGREE ON THE LEVEL OF VENTURE CAPITALISTS’ INVOLVEMENT? A DYADIC EXAMINATION OF PERCEPTIONS

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Principal Topic

This study’s aim was to examine if venture capitalists (VCs) and entrepreneurs agree on the level of their involvement. According to attribution theory, VCs and entrepreneurs will likely face perceptual gaps due to differences in perceptions, interests and expectations. Previous studies have addressed the importance of frequent communication and procedural justice for VCs and entrepreneurs relations and for the VCs’ ability to add value (Sapienza and Korsgaard, 1996; Busenitz, Fiet and Moesel, 2004). These studies suggest that frequent communication and trust increase similarity in perceptions. On the other hand, a previous study indicated that VCs and entrepreneurs do not agree on the managerial contributions made by VCs (Gomez-Mejia, Balkin and Welbourne, 1990). Thus, a gap appears to exist in our understanding of the differences in VCs’ and entrepreneurs’ perceptions regarding their relative levels of involvement and the context in which such perceptual gap occurs.

Methods

This study was based on a dyadic examination of VCs’ and entrepreneurs’ assessment of their relative levels of involvement in 28 firms. The study combined quantitative and qualitative methods. Quantitative data collected on the level and scope of the VCs involvement regarding twenty strategic and managerial activities by the questionnaire developed by Macmillan, et al. 1988. Qualitative data was collected by semi-structured interviews.

Results and Implications

The findings indicate that the perceptual gaps between VCs and entrepreneurs vary among firms according to the context in which their relationships took place. A wide perceptual gap was found to be associated with crises and managerial replacement; in such cases, VCs and entrepreneurs attributed higher levels of involvement to themselves. A moderate perceptual gap was associated with frequent communication and informal relations that moderated the gap, especially in firms experiencing crises. A narrow perceptual gap was associated with similar perceptions in addition to defection by either party.

The findings indicate that VCs and entrepreneurs assess their levels of involvement subjectively and are thus likely to make attributional errors. These findings indicate that cooperation between VC’s and entrepreneurs is associated with perceptual gaps. Furthermore, the findings indicated that frequent communication does not necessarily decrease perceptual gaps between the two parties and that narrow perceptual gaps do not necessarily indicate cooperation.

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