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RELATIONSHIP CONFLICT ASYMMETRY BETWEEN ANGEL INVESTORS AND ENTREPRENEURS: EXPLORING ANTECEDENTS AND THE IMPACT OF DYAD POSITION (INTERACTIVE PAPER)

Veroniek Collewaert
Vlerick Business School, veroniek.collewaert@vlerick.com

M. Audrey Korsgaard
University of South Carolina

Tony L. Simmons
Cornell University

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Relationship Conflict Asymmetry Between Angel Investors and Entrepreneurs: Exploring Antecedents and the Impact of Dyad Position

Veroniek Collewaert, Vlerick Business School, Belgium
M. Audrey Korsgaard, University of South Carolina, USA
Tony L. Simons, Cornell University, USA

Principal Topic

Conflicts of interests are inevitable in investor-entrepreneurs relations but if improperly managed can undermine the value of investor involvement (Sapienza, 1992), adversely affect venture performance (Higashide and Birley, 2002) and potentially lead to the dissolution of the relationship (Collewaert, 2012). One factor that makes conflicts difficult to manage is when one party perceives more conflict than the other (e.g., Jehn et al., 2010). In a sample of Belgian and US angel-backed firms, we found that role matters: venture performance is lower when investors perceived a greater degree of conflict than entrepreneurs. These findings suggest that the relative power of the investor dictates how damaging conflict may be. However, we were not able to directly assess power in this study; further, given the correlational nature of the data, causal inferences were limited. We therefore sought to replicate and extends these findings in an experiment.

Method and Results

We employ an experiment where we manipulate the role (entrepreneur vs. investor), power (high versus low) and degree of conflict (higher versus lower relative conflict). Participants are US and Belgian students who engage in investment contract negotiations. Data are collected on the negotiation outcomes, perceptions of conflict and attitudes toward the relationship and their partner. Preliminary findings indicate that the conflict and power manipulations have the intended effects on conflict perceptions and intentions. Data collection on the negotiations process is in progress.

Implications

The findings of this experiment will provide a robust test of the impact of asymmetric conflict on investor-entrepreneur relationships. These findings also provide insight into the role of power in how conflicts play out. Viewed in context of our previous field findings, these results suggest the onus on entrepreneurs to be aware of and proactively manage conflicts that are more salient to investors.

CONTACT: Veroniek Collewaert; veroniek.collewaert@vlerick.com; (T): +3292109212; Area Entrepreneurship, Governance and Strategy, Reep 1, 9000 Gent, Belgium.