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THE ENTREPRENEUR’S POST-INVESTMENT PERSPECTIVE: ANTECEDENTS OF ENTREPRENEUR-INVESTOR TRUST (SUMMARY)

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Summary

The Entrepreneur's Post-Investment Perspective: Antecedents of Entrepreneur-Investor Trust

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Principal Topic

Trust is recognized to be a core driver of effective cooperation between two parties (Dawes, 1980; Keren & Raub, 1993; Komorita, Hilty, & Parks, 1991). This also applies for cooperative relationships between entrepreneurs and investors (Shepherd & Zacharakis, 2001), which are an important condition for venture success (Cable & Shane, 1997; Timmons & Bygrave, 1986). Thus, understanding antecedents of trust helps foster cooperation and ultimately venture success. Until now, few entrepreneurship studies tackled trust directly and empirically (Welter & Smallbone, 2006). Two recent studies mark an exception by looking at antecedents of entrepreneurs' trust in their investor that are rooted prior to the investment (Stratling, Wijbenga, & Dietz, 2011; Welpe, 2008). In adopting a post-investment perspective we extend this research into the phase where entrepreneur-investor cooperation materializes. Using the prisoner's dilemma lens we develop a fresh perspective on antecedents of trust and show that factors of perceived trustworthiness (ability, benevolence, integrity) and procedural justice impact entrepreneurs' trust in their investor.

Method

This study uses a survey among entrepreneurs in Germany who received equity financing from investors. 123 entrepreneurs reported on the relationship with their main investor (largest shareholder). We measured trust using a scale of Sapienza & Korsgaard (1996), antecedents of trust with constructs of Mayer & Davis (1999) and Busenitz, Fiet, & Moesel (2004). Results are based on a regression analysis.

Results and Implications

We contribute further empirical insights to the discussion of trust in entrepreneurship by shedding light on post-investment antecedents of entrepreneurs' trust in their investors. We find that factors of perceived trustworthiness and procedural justice influence trust. However, not all factors drive trust at all times. An impact of the trustworthiness factors ability and benevolence only emerge under the moderating condition of frequent communication. Integrity and procedural justice are independent of this and have a direct, positive relationship with trust. This shows that investors can translate perceived ability and benevolence into increased trust by investing into a frequent communication with the entrepreneur. Consequently, our results have practical relevance for investors who want to foster trust-based relationships with entrepreneurs in their ventures in order to enhance cooperation and venture success.

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