

# Making conflicts cooperative in VC-Entrepreneur relationships: voicing out and escalating dissent

Claire Champenois<sup>1</sup>, Michel Devigne<sup>2</sup>, Benjamin Le Pendeven<sup>1</sup>, François-Régis Puyou<sup>3</sup>

*Paper submission to the 5<sup>th</sup> Entrepreneurial Finance Conference,  
25 and 26 June 2021*

## **Abstract**

Conflict in the VCs-entrepreneurs relationships is now considered as a normal phenomenon by the entrepreneurship literature. This article draws on important results from the literature on antecedents and outcomes of conflict and the one on conflict management and introduces a deeper understanding of how VCs and entrepreneurs use the conflicts occurring in their relationship to develop cooperation. Using an inductive multiple-case study of 14 VC-entrepreneur dyads, it shows that VCs and entrepreneurs develop two behaviors, *voicing out* and *escalating*, enabling them to turn conflicting situations into dialogue and cooperation.

---

<sup>1</sup> Audencia Business School, 8 route de la Jonelière, B.P. 31222, 44 312 Nantes Cedex 3, France.

<sup>2</sup> Institut Mines-Telecom Atlantique, 4 rue Alfred Kastler - La Chantrerie, CS 20722, 44307 Nantes cedex 3, France.

<sup>3</sup> University of St Andrews, School of Management, The Gateway North Haugh, KY16 9RJ, Scotland.

## Introduction

Conflicts, defined as “*perceived incompatibilities or discrepant views among the parties involved*” (Jehn & Bendersky, 2003)(p.189) are widespread in social relationships. The relation between Venture Capitalists (VCs) and entrepreneurs is no exception in that matter. As both partners are highly interdependent because they must exchange their financial, human and social capitals to create financial value (De Clercq & Manigart, 2007; Large & Muegge, 2008), conflicts are unavoidable. Conflicting goals and divergence of interests necessarily occur between VC and entrepreneurs on issues as diverse as the rules governing the repartition of the value created by the venture, the distribution of shares and power, strategic decisions to be made, the right timing for an exit to take place, the perception that one partner acts opportunistically (Forbes, Korsgaard, & Sapienza, 2010; Gorman & Sahlman, 1989; Parhankangas & Landström, 2006; Sahlman, 1990; Turcan, 2008; Yitshaki, 2008). Furthermore, VCs are particularly prone to conflicts because they play a monitoring role over the venture (Yitshaki, 2008) and have less affective bonds to the venture than early investors such as business angels (C. Y. Murnieks, Cardon, Sudek, White, & Brooks, 2016).

Recent research has increasingly paid attention to the conflictual ‘dark side’ of VCs – entrepreneurs relationships (Collewaert, 2012; Collewaert & Sapienza, 2016; Higashide & Birley, 2002; Parhankangas & Landström, 2004) and shows how important it is to take conflict into account to understand how VCs-entrepreneurs relationship could work for the better. Building on the important results of this research, additional insight can be gained by focusing more on the detailed relationships between VCs and entrepreneurs and by trying to understand how both partners behave during conflictual time, how they influence it and how they try to make it cooperative.

Thanks to the literature on *antecedents and outcomes of conflicts* in the VCs-entrepreneurs relationships, we know the main kinds of conflicts that may develop and the reasons why. We also know that their consequences can vary a lot from being utterly detrimental to quite beneficial. Indeed, studies on VC-entrepreneur conflict antecedents and outcomes provide important but mixed findings (George, Erikson, & Parhankangas, 2016), perhaps because by focusing on conflict types these studies reveal that different kinds of conflict lead to a wide variety of consequences for the venture. In a global empirical field known to be difficult to access, detailed accounts of relationships are also particularly difficult to get to. It is all the more so when considering conflictual moments of that relationship. Therefore it is not uncommon to only get access to one side of the story (either VCs or entrepreneurs) (Parhankangas & Landström, 2006) (see Collewaert for an exception but with angels investors)(Collewaert & Sapienza, 2016). We consider that it is highly promising to look at conflicts in VCs – entrepreneurs relationships as part and parcel of their relationship and as something on which actors can act upon, use, and mold.

The *conflict management research* has surprisingly not been applied to VCs-entrepreneurs relationships. In that strand of research, conflict is viewed as a relation that like any other can be managed (Blake & Mouton, 1964; Coser, 1956; Deutsch, 1994; Rubin, Pruitt, & Kim, 1994; Schelling, 1980/1960; Thomas, 1976). Actors develop particular strategies to manage conflict: some are competitive, others are cooperative (Deutsch, 2006), and cooperative handling mode of conflicts seem to generate more positive outcomes (Tjosvold, 2006, 2008; Zhang, Cao, & Tjosvold, 2011). We build on extant research to look how VCs and entrepreneurs face conflict and try to act upon it. By doing so, we focus on their behaviours when discrepant views emerge between them, including how they specify their bone of contention and the way they consider their partner's reaction when they act. Indeed, 'how do actors specifically develop competitive or cooperative modes of handling conflict?' remains

unspecified in the conflict management perspective. If cooperative mode seems more efficient, the way actors actually develop it is still underexplored. The VCs-entrepreneurs relationship is a wonderful situation to investigate this question further. Indeed, as they are highly interdependent, VCs and entrepreneurs have high incentives to explore cooperative ways to handle conflicts that are unavoidable and potentially overwhelmingly financially and reputationally detrimental if not correctly managed. In the specific VC-entrepreneur relationship context, there is a research opportunity to investigate how the cooperativeness in conflict is effectively created and maintained, and how actors put their intentions into actions. Thus, we ask: *how do entrepreneurs and VCs make conflicts cooperative in their relationship?*

To address this question, we adopt an inductive multiple-case study research design based on interview data to track how 14 VC- Entrepreneur individual dyads proactively use conflicts to support cooperation in their relationships by focusing on “critical incident” (Butterfield, Borgen, Amundson, & Maglio, 2005; Flanagan, 1954). This design allows the collection and cross-comparison of both VCs and entrepreneurs’ perspectives on their relationship. It also allows us to study and understand their different behaviors and show their heterogeneity. This research endeavor is consistent with recent calls to use qualitative methodologies to address the heterogeneity of entrepreneurship practices, e.g. Entrepreneur-investor dynamics that vary strongly according to circumstances (Van Burg, Cornelissen, Stam, & Jack, 2020).

Our central contribution is to show that entrepreneurs and VCs adopt two behaviors to make conflicts cooperative: *voicing out* and *escalating*. These two behaviors create cooperation in situations of conflict respectively by encouraging dialogue and by attracting the partner’s attention in order to reopen dialogue.

The paper proceeds as follows. First, we present the literature on conflict in VC-OM relationships and our theoretical approach inspired by the cooperative view of conflict

management. Next, we describe the research method and the empirical data collected for the study. The third section is dedicated to the detailed analysis of the two behaviors that have been identified as making conflict cooperative in the VCs-entrepreneur relationships. The empirical results are discussed in the fourth section.

## **Literature Review and theoretical framework**

First, we present extant research that identified the antecedents and outcomes of conflicts, notably the fact that conflicts can be beneficial to the partners' relationship. Second, we introduce conflict management theory on which we build to investigate conflicts between entrepreneurs and their VCs.

### *Antecedents and outcomes of conflicts*

Research on *antecedents and outcomes* of conflicts aims at understanding why conflicts emerge and what their effects are. We know that conflicts emerge due to various types of causes. There are four main types of causes which result in specific types of conflict: 1) perceived incompatibilities regarding the tasks that should be performed result in "task" or "cognitive" conflicts ; 2) perceived lack of inter-personal fit results in "relationship" or "affective" conflicts; 3) actual goal incompatibilities result in "goal" conflicts; and 4) disagreements about how to accomplish the task result in "process" conflicts (Coser, 1956; C. K. W. De Dreu & Gelfand, 2008; C. K. W. De Dreu & Weingart, 2003; Deutsch, 1990; Jehn, 1995; Jehn & Mannix, 2001; Thomas, 1976)<sup>4</sup>. Extant research points out that different types of conflicts often co-occur: for example task conflict can transform into affective conflict when task-related interactions are perceived as personal attacks and engender interpersonal antipathy (Amason, 1996; de Wit,

---

<sup>4</sup> While most conflict scholars include task and relationship conflicts in their typologies, they differ regarding the other types of conflicts (if any) that should be considered. We presented here the four most common types of conflicts used in the literature.

Greer, & Jehn, 2012; Greer, Jehn, & Mannix, 2008; Jehn, 1997; Mooney, Holahan, & Amason, 2007)

This typology has been widely applied and adapted to the specific VC-E setting (see Table 1) in which conflicts emerge from divergent interests (e.g. disagreement over the venture's valuation, over if and when an exit should occur), from a lack of perceived fairness of the existing contracts (for example, disagreements over the formal distribution of voting powers or shares), from control problems (such as when both VCs and entrepreneurs consider that they should take strategic decisions regarding the venture), or behavioral problems (including the perception that someone acts opportunistically) (Appelhoff, Mauer, Collewaert, & Brettel, 2016; Brettel, Mauer, & Appelhoff, 2013; Forbes et al., 2010; Gorman & Sahlman, 1989; Higashide & Birley, 2002; Khanin & Turel, 2014; Parhankangas & Landström, 2006; Sahlman, 1990; Sobrero & Schrader, 1998; Turcan, 2008; Yitshaki, 2008). It results from these studies a rich understanding of the types of conflicts that occur in VCs-entrepreneurs relationships.

Regarding the outcomes of conflicts, there is evidence that conflicts can be beneficial notwithstanding affective conflicts which are known to trigger a set of negative consequences, such as anxiety, anger, resentment, loss of confidence, and breakdown in communication (Breugst & Shepherd, 2017; Collewaert & Sapienza, 2016; Weingart, Behfar, Bendersky, Todorova, & Jehn, 2015). All other types of conflicts, and especially task conflicts, are likely to bring positive results, because they increase interactions and exchange of opinion (Turcan, 2008), mutual involvement in decision making situations (Vandenbroucke, Knockaert, & Ucbasaran, 2019) and decision quality as people challenge each other's ideas and consider more diverse alternatives (Zacharakis, Erikson, & George, 2010). VCs and entrepreneurs can benefit from conflicts, when they remain at moderate levels (C. de Dreu, 2006) or when they trigger

more attention from the VC towards the entrepreneur (Bacon-Gerasymenko, Arthurs, & Cho, 2020).

*Table 1 – Overview of conflict outcomes in VC-E research*

Article	Nature of conflict studied	Point of view studied	Main findings about the outcomes of conflict
Brettel, Mauer, & Appelhoff, 2013	Task conflict and relationship conflicts	Entrepreneur	Relationship conflict detrimental for perceived investor value; task conflict increases entrepreneur's perception of investor value
Forbes, Korsgaard, & Sapienza, 2010	Task conflict and relationship conflicts	Entrepreneur	Venture boards accepting down-round financing decision experience more task and relationship conflicts
Higashide & Birley, 2002	Cognitive and affective conflict; goal and policy conflicts	VC	Cognitive conflict (i.e. disagreement) can be beneficial for the venture performance. Affective conflict is negatively associated with venture's performance. Goal conflict has a greater (positive or negative) impact on the venture performance than policy conflict.
Khanin & Turel, 2015	Pacing (task) conflict and prerogative (affective and process) conflict	Entrepreneur	Conflicts trigger regrets by Entrepreneurs: regrets due to prior choices seen as an error of judgment (regret of action) and due to their own lack of initiative (regret of inaction). Pacing conflicts are related to increasingly intense prerogative conflicts. Prerogative conflicts are associated with both types of CEO regrets
Turcan, 2008	Tensions emerging post-investment with a focus on critical events in the course of de-internationalization of companies	VC and E	VC-E goal alignment might create higher value at exit for the venture, and more autonomy for entrepreneurs in terms of strategic direction
Yitshaki 2008	Cognitive and affective conflicts	VC and E	Cognitive conflicts can create collaboration between VC and E; affective conflict might trigger defection of Entrepreneur
Zacharakis, Erikson, & George, 2010	Task and process conflicts	Entrepreneur	Task conflict (but not process conflict) reduces confidence by Entrepreneurs in cooperation with their VC. (Conflict within the entrepreneurial team increases conflict between the entrepreneurial team and VC)

Studies on the outcomes of task and goal conflict among entrepreneurs and investors provide important but mixed findings (George et al., 2016). Some types of conflicts are associated with particular outcomes but the variety of phenomena studied including the effects of conflict on perceived investor value, on financial decision, on performance, on regrets, on exit decisions, etc. (see Table 1 for an overview) somewhat blurs the conclusions to be drawn. Another reason for the apparent inconstancies in results can be explained by the relative atomistic view adopted by focusing on a specific type of conflict (task, goal or relationship conflicts) and on a specific actor's viewpoint (investor or entrepreneurs, see Turcan, 2008 and Yitshaki, 2008 for exceptions). That most studies rely on data collected through quantitative surveys is also perceived as a limitation by some (Parhankangas & Landström, 2006). By focusing on outcomes and consequences of conflicts, this strand of research may also give readers the impression that conflicts are external independent factors that necessarily constrain actors. Consequently conflicts, whatever their kind, appear as impossible to act upon.

## *Managing conflicts*

*Conflict management* research has a long tradition in social sciences and draws from conflict theory to investigate how actors actively cope with conflicts. Up to now, it has surprisingly been largely unapplied to the VCs-entrepreneurs relationships setting. According to this research strand, actors not only try to resolve conflicts (by reducing, eliminating or terminating them) but they also manage them, which involves “*designing effective (...) strategies to minimize the dysfunctions of conflict and enhancing the constructive functions of conflict in order to enhance learning and effectiveness*” (Rahim, 2002, p. 208). Actors proactively deal with conflicts in order to make them beneficial to their relationships. Conflict theory invites us to look beyond strategies to eliminate or prevent conflict and “*to develop the knowledge that would enable us to answer the question: ‘What are the conditions that give rise to lively controversy rather than deadly quarrel?’*” (Deutsch 1994, pp. 13-14). Overall, conflict management research calls for studies that investigate “*the conditions that give rise to constructive conflicts?*” (Ibid.). By ‘constructive’ conflicts, we mean that actors develop mutually beneficial solutions out of conflicts, which enable them to maintain relationships deprived of resentment, anger or deep disappointment following a conflictual episode.

This stream of research stresses that actors proactively choose between various strategies when facing conflicts. Different typologies exist to describe the actor’s possible behaviors. Against the background of earlier seminal works (Blake & Mouton, 1964; Follett, 2003; Thomas, 1976, 1992) and by combining the notions of *concern for self* and *concern for others*<sup>5</sup>, Rahim and Bonoma summarize most existing typologies into five conflict-handling styles: integrating, obliging, dominating, avoiding, and compromising (A. Rahim & Bonoma,

---

<sup>5</sup> The first dimension explains the degree (high or low) to which a person attempts to satisfy his own concern. The second dimension describes the degree (high or low) to which a person attempts to satisfy the concern of others (Rahim 2002).

1979; M. A. Rahim, 2002). Each style mobilizes different behaviors toward conflicting relations. For instance, *integrating* (high concern for self and others) pertains to problem solving, which involves exchanging information, looking for alternatives, and reaching an effective solution acceptable to both parties whereas *compromising* (medium in concern for self and others) involves give-and-take whereby both parties give up something to make a mutually acceptable decision. Conflict handling behaviors has been further categorized into cooperative and competitive modes (Deutsch, 1994; Tjosvold, 1998b). Cooperativeness (i.e. cooperative conflict management style, such as integrating and compromising) pertains to situations in which each party has a positive interest in the welfare of the other as well as in its own; it is driven by cooperative goals, *i.e.* in the belief by both parties that they share related goals. Competitiveness (i.e. competitive conflict management style such as dominating) is associated with a high concern for self-interests and with outperforming others, rooted in a belief that goals are unrelated or even opposed. Extant research (Deutsch, 2006) demonstrates that cooperativeness is more likely to be constructive than competitiveness. In other words, collaborative modes of handling conflict (integrating or compromising) are more likely than non-cooperative ones (dominating) to generate positive outcomes such as constructive controversy and mutual exchange, leading to higher quality decisions, strengthened relationships, higher morale, higher productivity and confidence among partners (Tjosvold, 1998b; Zhang et al., 2011). This conception of conflict-handling management style permits to focus more on behaviors of actors faced with conflict and suggests the diversity of these possible behaviors. Yet, if the cooperative mode of handling conflict is said to be more efficient, it remains unclear how actors create, maintain and enact intentions to cooperate in the midst of conflictual situations. There is a need to investigate what behaviors actors develop to overcome conflicts, and to make them cooperative.

Even if conflict management approaches have been hardly applied to VC-entrepreneur relationship settings, some exceptions can be noticed. For example, Champenois et al (2016) highlight that VCs like entrepreneurs use several mechanisms to avoid that tensions between them escalate into detrimental conflicts (Champenois, Devigne, & Puyou, 2016). Another example is Parhankangas & Landström (2004; 2006) study of reactions of VCs to unmet expectations from entrepreneurs. They demonstrate that VCs tend to choose exit and aggressive voice when confronted with opportunistic and incompetent entrepreneurs, but most commonly use considerate voice – i.e. trying to understand the entrepreneur, suggesting solutions - when confronted with entrepreneur's disagreement. If the performance of the portfolio company is not in danger, VCs usually react in a more passive way, choosing to wait and see while reducing their engagement in the venture (Parhankangas & Landström, 2004). In fact, most conflict management contributions focus on executive management teams and intra-group board conflicts (Amason, 1996; Amason & Sapienza, 1997; Eisenhardt, Kahwajy, & Bourgeois Iii, 1997; Forbes et al., 2010; Garg & Eisenhardt, 2017). They evidence that the best way to handle conflicts is to have a 'a good fight' (Eisenhardt et al., 1997) in which actors manage to 'stimulate debate' (Eisenhardt & Sbaracki, 1992) and increase mutual involvement in decision making situations (Vandenbroucke et al., 2019).

The contributions surveyed thus far suggest that conflicts can be constructive, and that the conflict management theoretical framework offers a great opportunity to develop a more complete understanding of how actors can proactively make use of conflicts to create cooperation and constructive solutions in their relationships. Our aim is to explore this research opportunity and to build on conflict management perspective to address the following question: *how do entrepreneurs and VCs make conflicts cooperative in their relationship?*

## **Research methodology**

Our goal is to explore how Entrepreneurs and VCs deal with conflict when it emerges in their relationships. We therefore opted for an inductive, multiple-case study research design (Eisenhardt, 1989; Yin, 2005) in order to formulate, challenge and validate possible inferences through replication and systematic comparison (Eisenhardt & Graebner, 2007). Qualitative methodology is increasingly used in entrepreneurship research (Moroz & Hindle, 2012) and gives a good understanding of the situations met by the practitioners, of their mutual behaviors. It is particularly suited to address the how and why questions but it is also apt for theory development (Bettis, Gambardella, Helfat, & Mitchell, 2015).

Qualitative interviews are particularly suitable to explore the relationship between investors working for a venture company and entrepreneurs from their portfolio with an aim at understanding how they experience such a sensitive topic as conflict management. Our research design employs the critical incident technique (CIT) methodology to find “critical events” illustrating how VCs and entrepreneurs use conflicts in their relationship. Relying on Flanagan seminal work (Flanagan, 1954), Chell (Chell, 1998) defined CIT as a qualitative interview procedure that facilitates the investigation of significant occurrences (events, incidents, processes or issues) identified by the respondent, the way they are managed, and the outcomes in terms of perceived effects. In our work, we prefer the term “event” to “incident” to refer to situations, where decisions and actions are required and perceived by actors as being conflictual (e.g., shareholder exit, disappointing economic results, and investment/divestment in/from subsidiaries). This design allows us to collect and compare both VCs and entrepreneurs’ perspectives on their relations and conflicts. Qualitative research methodologies are uniquely placed to get a better understanding of the different behaviors and do not mask the heterogeneity of situations (Van Burg et al., 2020). The fact that qualitative research offers the distinct

advantage to zoom in on the particulars of different cases generates in-depth understanding of crucial differences in activities and conditions and uncovers the ways in which informants deal with conflicts.

### *Research Design*

Data sources are two European VC firms chosen for their long-standing presence on the VC market and their high number of start-ups in portfolio. NewVenture and Circle Capital (both names are pseudonyms) are indeed well-known businesses in the VC ecosystem as they were respectively founded in the late 1980s and the late 1990s. They have big investment experiences (+115 for Circle Capital, +300 for NewVenture), have no specific sector of specialization, invest from early-stage to C-venture capital rounds, and prefer to remain minority investors. We wanted to avoid potential specific characteristics that could affect the genericity of our observations and results.

We presented our research project to the Managing Directors and asked them to meet three or four investment managers in each VC firm. This led to a subsequent series of interviews with seven investors, 4 in NewVenture and 3 in Circle Capital (see 'VC code' in Table 2). All interviews with VCs took place during March 2018.

Ahead of our interviews with the VCs, we contacted them by email to ask them to select a couple of start-ups that they had accompanied, and that they would agree to discuss further during the interview. Our guidelines to assist VCs in choosing their start-up cases was to pick some with different outcomes (from bankruptcy or zero Return on Investment to very profitable exits), and with some tensions experienced during the relationship. VCs had no constraint regarding business sectors and the profiles of entrepreneurs (juniors and seniors, male and female, first-time entrepreneurs or serial entrepreneurs). An important criterion was to only

select cases for which the VCs were ready to share contact details of the entrepreneurs, as we made clear from the start that we were interested in collecting their viewpoints as well.

A list of contact with 21 entrepreneurs resulted from the discussions with the VCs and 15 entrepreneurs from fourteen start-ups (one start-up, Fitness, had two successive lead-entrepreneurs) answered positively to our request for an interview. All interviews with entrepreneurs took place between July and December 2018. We did not identify any bias in the interview acceptance as our sample includes start-ups from different activity sectors, with entrepreneurs from very different backgrounds and there are examples of successes, failures and some with mixed financial outcomes. We did not include in our analysis the information shared by VCs about start-ups for which we could not subsequently meet with the entrepreneur. Table 2 summarizes the fifteen dyads from 14 cases studied in the article.

Table 2 – Dyads studied

VC Firm	VC Code	Duration (minutes)	Entrepreneur code	Duration (minutes)	Start-up code	No. of Critical events <sup>a</sup>	Sector	Date of creation	Date 1st deal from VC	Exit date	Performance appreciation <sup>c</sup>
New Venture	VC1	51	E1	70	G5	2	Electric mobility	2009	2012	2017	Success
			E2	102	BUZZ	5	On-line music streaming	2007	2008	2016	Failure
	VC2	53	E3	87	LIEN	6	Video games studio	2005	2008	2010	Success
			E4	62	ALEA	3	Software for health industry	2008	2012	2015	Success
	VC3	70	E5	85	BLACKBIRD	5	Connected Health Device	2013	2015	2016	Failure
			E6	48	FITNESS <sup>b</sup>	2	Personal Coaching	2010	2012	2017	Failure
			E7	37							
	VC4	114	E8	85	METALO	3	Platform for video games sales or rent	2002	2005	2017	Success
			E9	51	SIMULATION	1	Middle/Software for video games simulations	2001	2005	2009	Success
			E10	45	FORECAST	1	Machine learning	2013	2014	2017	Failure
Circle Capital	VC5	102	E11	37	INVEST	1	E-business men's fashion	2010	2012	2017	Failure
			E12	56	BALLA	2	Robotics for supply chains	2005	2015	2017	Mixed
			E13	75	CONFLUENCE	2	Tracking web users' behaviors	2006	2011	Ongoing <sup>d</sup>	Mixed
	VC6	70	E14	48	FIXIT	2	Repair of electronic devices	2013	2015	2017	Failure
	VC7	42	E15	54	FOOD	3	Service company in the food industry	2015	2016	2017	Success
<b>Total</b>	<b>7</b>	<b>502</b>	<b>15</b>	<b>942</b>	<b>14</b>	<b>38</b>					

<sup>a</sup> Critical events have been identified by interviewees during interviews and eventually adjusted by authors through the coding analytical process. Each critical event was coded using the venture's name and numbered chronologically (e.g. the first critical event that occurred in the VC1 – E1 dyad is coded 'G5 – 1').

<sup>b</sup> This start-up had two successive lead-entrepreneurs. We have interviewed them separately.

<sup>c</sup> Performance appreciation has been coded considering the appreciation expressed by both VC and entrepreneur in each dyad. "Success" defines a good to very good financial operation according to the VC and overall satisfaction for the entrepreneur; "Failure" is for a bad (valuation haircut) to very bad (bankruptcy) financial operation for the VC and strong dissatisfaction of the entrepreneur; and "Mixed" is a relatively positive/negative financial operation for the VC and a relative dissatisfaction/satisfaction of the entrepreneur.

<sup>d</sup> At the time of the study in 2018, VC4 was still at the board with the hope of a good multiple in the coming few months. The entrepreneur quit in late in 2018.

A total of 22 interviews (9 face-to-face and 13 by phone or Skype) were conducted to document 14 dyads between a VC and a venture. The interviews lasted from 37 to 114 minutes, with an average of 66 minutes. Interviews with VCs were on average slightly longer (72 minutes) as they covered several cases whereas discussions with the entrepreneurs were focused on a single experience either with NewVenture or with Circle Capital. In total, we collected 1,444 minutes of interviews totaling 668 Word pages of transcriptions.

Our sampling was ‘theoretical’ rather than randomized since our intention was to develop theory rather than testing it (Eisenhardt & Graebner, 2007). This purposeful sampling was negotiated with the VCs and granted us access to 14 cases which illustrate different approaches to conflict management. The cases also allow for theoretical insights from the systematic juxtaposition of a number of complex relationships involving several contentious events and different subjective interpretations by each partner (Eisenhardt, Graebner, & Sonenshein, 2016). The final sample helped us to get an understanding of tense interpersonal relationships between VCs and entrepreneurs with economic outcomes ranging from very positive to failure.

All interviews were semi-structured with an aim at reconstructing the context of each VC-Entrepreneur relationship, and at identifying ‘critical events’. Our choice to concentrate on critical events instead of reviewing chronologically the entire life of the venture was justified to compensate for the time lapse between the moment actual events took place and the date of the interview. As we wanted to consider ventures that had completed a full investment cycle (from investment to exit), it seemed more robust to only concentrate on striking episodes that had left vivid memories to our interlocutors. Questions prompted the narration of events that had significantly impacted the collaboration between actors and aimed at collecting the interviewees’ subjective experience of such episodes.

We asked for recollections of what each partner did (how she communicated, transmitted information, expressed disagreements), how they felt and how they currently feel about it. The questions to VCs and entrepreneurs were similar but entrepreneurs were specifically asked to concentrate on their experience with the VC from NewVenture or Circle Capital.

### *Data Analysis*

Our data analysis followed a multiple step process. First, we summarized each VC-Entrepreneur story by bringing together the visions of both VCs and entrepreneurs. We aimed at setting the context of each relationship by reconstructing the history of partnerships comparing both interlocutors' perspectives. This analysis enabled us to identify the main critical events, their alleged causes and the behaviors and affects associated with them (see Table 2 for the overall number of critical events, and Tables 4-7 for more detailed descriptions). This step was not only factually descriptive but also theoretically exploratory in nature. We read and reread transcripts organized into events and discussed those excerpts in search of empirical patterns around the management of conflict.

Secondly, through this process it became clear that our interviewees demonstrated familiarity with situations of conflict. We were in fact struck by the fact that our informants seemed comfortable with the idea of having conflicts with their associates. No one seemed particularly surprised to be confronted to strong oppositional views. Their reactions when confronted to conflicting situations nevertheless remained varied and required further analysis to explore eventual recurrent behavioral patterns.

Thirdly, we used the diversity offered by our 14 cases to conduct systematic comparisons between them in order to establish commonalities and differences and draw intermediary conclusions about the different behaviors observed. This research method offers

the advantage of producing theoretical propositions that are moderately general because they rely on a number of different cases. It also enables to come up with behaviors that are more subtle and nuanced than the standard variables that often need to be grasped using proxy when studied using for example questionnaire-based surveys (Langley, 1999). Two groups of authors independently matched insights that emerged from events in one case with those of other cases to produce consistent descriptions of patterns and themes (Eisenhardt & Graebner, 2007). We transformed these patterns into NVivo thematic codes that were applied across all our interviews and then grouped together into four second order mechanisms. In the end, we identified two main behaviors for making conflicts cooperative (see Table 3). These constructs are presented in the next section using tables and illustrative quotations.

*Table 3 – Coding Process*

<b>NVivo codes</b>	<b>Second order mechanisms</b>	<b>Behaviors when using conflict</b>
Accompanying formal agreements with explanations	Identifying early sources of potential conflict	Voicing out
Talking about objectives and constraints		
Setting clear priorities right from the start		
Being crystal clear when communicating preferences, objectives and interest	Being transparent in communications	Escalating
Keeping minimum levels of conflict	Raising tension levels	
Use of threats and extreme measures	Radically changing communications settings	
Using third party mediation		
Use of non-conventional settings for discussions		

At the fourth and last stage, we distinguished for all events on the one hand when behaviors had been implemented and not, and on the other hand the results in terms of cooperation. The process was iterative with constants movements between the data and conceptual frameworks from the literature. Research insights emerged while “interpreting and structuring the statements of the informants in light of both contextual factors and prior theorizing” (Nag & Gioia, 2012)(p. 425).

## Findings

As highlighted in the literature review section, conflicts are common in VC-entrepreneur relationships. Several ways are possible to deal with conflict. Our empirical data shows that conflicts can be pro-actively managed to harness the benefits of intense dialogue and to develop cooperation. Indeed, actors embrace conflict and pro-actively use it by developing two behaviors: *voicing out* and *escalating*. When applied, these behaviors make conflict cooperative. If not used, conflict fails to become cooperative and may become detrimental for the relationship. These two behaviors benefit from being used in conjunction as part of a long-standing VC-entrepreneur relationship. Yet, in the rest of this section, we will focus successively on each mechanism for the sake of analytical clarity.

### *Voicing out*

This behaviour consists for one partner to voice their constraints and objectives explicitly to the other as soon as an event is considered conflictual. Spelling out sources of disagreement early on can not only prevent conflict but also trigger cooperation. It creates room for dialogue and opens ways to settle down an emerging dispute. Voicing out a possible conflict is not to avoid it, but to precipitate its disclosure and resolution. By exposing their objectives and interests, and how they may clash with what they understand to be the partner's position, both partners testify that they prefer to learn early, but also regularly, about the other's objectives and constraints. The goal of voicing out is to defuse a conflict by taking the lead through explicating one's interests and preferred options during critical events.

Table 4 presents a selection of events that occurred in the dyads studied which illustrate the use of the voicing out behavior. Each of these events was considered by at least one of the partners as being a situation where they had conflicting viewpoints. All these events also

triggered a voicing out behavior, which resulted in a cooperative settlement. As shown in Table 4, these events are very diverse and highly idiosyncratic to each relationship and venture. Voicing out behaviors differed to some extent from one situation to the next but aimed in all cases at making each other's positions more transparent and explicit. The explicitness of each partner's position in relation to the critical event enabled them to invent ways to settle their initial disagreements and to solve the conflict cooperatively.

Table 4 – Voicing out used resulting in cooperative settlements

Venture - Event	Event description	Voicing out behaviours	Cooperative Settlements
Blackbird - 3 <sup>6</sup>	A last minute financial bridge is granted by VC3 at a very financial cost that is understood and accepted by E5	VC3 accepts to lend some money for a succession of short periods of time at a very high price  E5 accepts the money as he has little other choice, but he keeps the discussion going with VC3 and understands his positions	Short term loans allow E5 to pay his employees during a very difficult transition period for the venture and VC3 is financially rewarded for the risks he takes doing so.
Blackbird - 5	Major disagreement between E5 and VC3 about the future of Blackbird	E5 believes that the business model should be entirely revised in partnership with an industrial and that there is no room for VC in the future financing round.  VC3 takes the lead in negotiations to find an exit agreement that is acceptable to all parties	Constraints of the different parties are taken into account to arrange a suitable agreement regarding the sale of NewVenture's shares.
Buzz - 1	Information leaks about the coming deal with NewVenture prompt a demand for monetary compensation from a former partner of E2.	E2 blames NewVenture for sharing the information with other investment companies before the deal was completed  VC2 accepts to pay the k€ 250 asked by E2's former associate	VC2 pays some extra money in the initial investment round and E2 accepts to sell NewVenture the equivalent of that money in shares
Confluence - 2	E13 is facing growing criticism from board members. His relations with several investors deteriorate rapidly.	E13 keeps informing VC5 about the economic situation of the company and about his difficulties with other investors.  VC5 keeps being friendly with E13 but also reminds him of Confluence's current managerial priorities (increase in capital) and challenges.	E13 keeps his job until the capital increase is completed and is not mad at VC5 for firing him right after. There is no resentment on both sides. Relations remain close and courteous.
Fitness - 1	Disagreement about Fitness' strategy in time of economic difficulties	VC4 wants to cut the costs and change the strategy.  E6 does not want to change the strategy but and is also tired of his job	VC4 lays off E6 and an agreement is found for a transition period and a golden check.
Fitness - 2	After VC4 brought-in E7 as new CEO with the objective to sell Fitness quickly, successive bids failed	VC4 wants to sell as quickly as possible and trust E7 to do that  E7 finds potential buyers but is confronted to two successive failures. She offers to buy the company herself	After two unsuccessful bids, E6 buys NewVenture's shares.
Food - 2	In the second round of financing VC7 offers investment conditions that aren't as good as initially planned during the first round	VC7 does not take into account the extraordinary circumstances explaining a delay in turnover targets for the second round  E15 decides not to take all the money available from VC7 because it is too dilutive	The tough conditions are negotiated so as to keep the other investors happy.
Food - 3	VC7 strongly encourages a reluctant E15 to hire a VP sales	VC7 is convinced that there is a need for a VP sales for developing the company  E15 is not convinced at first as he believes operations are the priority	E15 finally follows the recommendations of VC7 and is very happy with the recruitment
G5 - 1	VC1 wants to sell their minority shares quickly to an industrial partner but it is seen as reducing the future attractiveness of G5 by E1.	VC1 had explained early on that his investment was short-term and primarily aimed at making a good financial multiple.  E1 knew from the beginning that the VC had tight exit deadlines and accepted the idea that they had different priorities.	E1 takes VC1 interests on-board and finds an alternative strategy offering VC1 acceptable exit conditions early-on.
Lien - 1	E3 discovers during the due diligence process that the level of sales he communicated to potential investors are erroneous and should be lower.	E3 contacts VC2 immediately to inform him of the error they made when recording the company's sales	VC2 thanks E3 for sharing the information and does not change his valuation of the company

<sup>6</sup> As mentioned in Table 2, each critical event was coded using the venture's name and numbered chronologically: 'Blackbird-3' is therefore the third critical event in chronological order identified by the VC3 – E5 dyad.

Venture - Event	Event description	Voicing out behaviours	Cooperative Settlements
Lien - 2	Tense negotiations about the shareholder agreement at exit stage first regarding distribution of wealth and then renegotiation	E3 hired lawyers to defend their interests and impose a distribution in proportion of shares. VC2 accepts to negotiate the initial shareholder agreement and its actual implementation at time of exit	At exit stage VC2 finally accepts to take more of the fixed price and none of the performance-based variable. E3 is happy with that.
Lien - 5	E3's remuneration is considered excessive by VC2 in times of economic difficulties	VC2 mentions that E3's wages and benefits are rather high E3 is reluctant but accept to reduce his benefits temporarily, the time for the venture to develop further	Temporary reduction in the founders' salaries is a compromise.
Lien - 6	E3 wanted to start distributing dividends whereas VC2 was more keen on selling the company	E3 thought it was time to cash in some money after several years of growing the business VC2 convinced E3 that dividends were not in the interest of investors but that both could benefit from selling the venture	VC2 helped in the process of selling the company to an industrial partner who offered a good price and hired E3.
Metallo - 3	Renegotiation of the share distribution at a time when the company shows sign of recovery from close to bankruptcy to some promising future growth	E8 wants to bring in new operational partners and needs to interest them in the capital of the society VC4 accepts to distribute some capital to new entrants once they've demonstrated their ability to improve the financial situation	Investors redistribute some of their shares to newly hired executives in order to increase chances for the firm to get into a better situation

Many events reported in Table 4 are linked to exit issues (e.g. G5-1, Lien-2, Lien-6, Blackbird-3, Blackbird-5, or Fitness-2), and some to entry negotiation (e.g. Buzz-1, Metallo-3, Food-2). The other events concern managerial issues such as remuneration levels (Lien-3), severe tensions within the management team (Confluence-2), problems with financial information reporting (Lien-1), strategic change (Fitness-1), or critical hiring decisions (Food-3). Each time, the problem is explicitly tackled and one partner or both demonstrate their will to deal with it by taking into account their respective interests. What is common to all events in Table 4 is that Entrepreneurs and/or VCs trust dialogue to be the way forward to deal with conflicting viewpoints. For illustrative purpose, we can quote VC1 and E1, from the G5-1 event, who clearly expose their positions towards the incoming industrial partner into the venture. “At that time [of the merger offer], I felt that we could do a good multiple... [E1] perfectly understood that, so he agreed even if it was not in line with his own plans” (VC1 - NewVenture). E1 says the same thing: “At the time of the merger offer, [VC1] said that it would support the deal only if it was a mean for him to exit... so he put a sine qua non condition. It was complicated for me but indeed it is better to set explicitly the goal because then you can negotiate” (E1 - G5). The same voicing out behavior that makes discrepant viewpoints explicit can be seen in the quotation of E3 concerning Lien-1 event : “As soon as I knew it [an error in financial

accounts], *before signing, I decided to call [VC2] and I told him: ‘We have a problem, our turnover is lower than what we wrote’ – which could have led him to reconsider not the investment but our valorization or another condition. But I chose to be transparent immediately on problems. I think it has helped us to work in trust because he knew that if there was a problem, I would not hide it to him, I would put it on the table.*” (E3 – LIEN)

What is worth noticing is that voicing out behaviors are adopted at times when it would be easier to simply ignore and silence divergent perspectives. Indeed, sharing one’s motives and opinions at that stage may generate tensions. It can therefore appear to be preferable to avoid such discussions in order not to alienate the other partner. Although it is undoubtedly more comfortable to shy away from stating one’s objectives and constraints at a time when there is no absolute necessity to address such concerns, voicing them out early makes such conflicting viewpoints and divergent interests much more acceptable and less detrimental.

Table 5 presents a list of events that triggered discrepant views between partners but ones that were not voiced explicitly. These events are very similar to the ones presented in Table 4: exit issues (G5-2, Balla-2), entry issues (Blackbird-1) or managerial ones (e.g. too much spending for Buzz-3, not enough involvement from the entrepreneur in Fixit-2 and Invest-1, or difficult hiring decisions in Lien-4) and raised up conflicting situations just like those in Table 4. If the events between the two tables are comparable, the actors’ behaviors are quite different: indeed, no voicing out proceeds and the discrepant views remain unnoticed, untreated and finally result in non-cooperative relationships. In most events, one of the partners does not even notice the embarrassment of the other. He is not compelled to face it due to his partner remaining silently wrathful.

*Table 5 – No voicing out used resulting in non-cooperative settlements*

<b>Venture - Event</b>	<b>Event description</b>	<b>No voicing out behaviour</b>	<b>Non-cooperative settlement</b>
Balla – 2	VC5 decides to sell Circle Capital’s shares of Balla on the market without concertation with E12.	VC5 want to exit quickly following Balla’s introduction on the stock exchange and decides to sell without waiting for a concerted move.	VC5 does not coordinate the selling to the detriment of E12’s interests. CircleCapital’s

Venture - Event	Event description	No voicing out behaviour	Non-cooperative settlement
		E12 is furious because of the lack of concertation: "CircleCapital sold their shares like thugs, They put us in deep [trouble] without thinking about the others" (E12)	decision results in extreme tensions.
Blackbird - 1	VC3 discovers that E5 will use part of the money NewVenture is about to invest in Blackbird to pay back a loan contracted from family members	VC3 wants all his money to support Blackbird's growth and not to help E5's repay earlier debts. He resents that E5 did not inform him earlier about his intention.  E5 believes that VC3 should have known about the debt from the due diligences.	VC3 imposes a last-minute reduction in the company's valuation and E5 has no choice but to accept the revised value but is resentful.
Buzz - 3	Buzz is burning too much cash and must be refinanced	VC2 brings in another investment fund but they do not really help in relaying the message that there is an urgent need to make savings  E2 continues to spend too much money.	E2 does not change his habits and VC2's frustration increases.
Fixit - 2	Misplaced expectations on the partner's roles: E14 was surprised that VC6 did not help during the bankruptcy process and VC6 did not understand that E14 spent so much time on other ventures than his own	VC6 resents the fact that E14 sells shares to buy himself a sports car and to play the Business Angel.  E14 finds himself on his own when confronted to major operational issues.  E14 does not know about VC6's reproach and VC6 does not suspect E14 would want to see him getting involved in managerial decisions	Both E14 and VC6 complain about the other's behaviour but none is making his frustration heard
G5 - 2	Clauses in the shareholder agreement were not clear to E1 and he feels robbed at the time of the exit	E1 had to accept the fact that the percentage of shares he owns does not reflect exactly the distribution of wealth at the time of the exit  VC1 does not notice the reluctance of E1 concerning the shareholder agreement's clause that gives NewVenture a higher proportion of the selling price than their actual ownership	VC1 reaps the benefits of the clause not noticing the resentment it creates to E1
Invest - 1	VC5 discovers that E11's attention is not dedicated full-time on Invest	VC5 regrets that E11 is not dedicating all his time to Invest and blames some of the venture's problems on the entrepreneur's other activities.  E11 regrets that no VC is working alongside him on Invest's operations and he does not discuss his agenda with them	All actors think the other should be working more but do not say it and keep doing what they have been doing since the deal was signed
Lien - 4	Disagreement about whether there is a need to recruit a board member with sector-specific market expertise	VC2 suggests to hire an expert at board level to help the founders develop their marketing strategy  E3 does not feel compelled to hire someone for fear of losing some control over his society	Although both partners know about the other's preference, they do not discuss it together and each stays on their positions

E5's account of the Blackbird-1 event is a typical illustration of a situation in which the absence of discussion about a well identified potential cause for problems leads to subsequent detrimental tensions making the cooperation difficult: *"Well, that my family asked for their money at that very moment [deal closing] was not cool at all, but that VC3 lowered the valorization in regard to this publicly available information was not so smart either. [...] Some bitterness emerged on both sides. Objectively they had everything to track this loan, but yes, indeed, I did not explicitly pinpointed the loan [to them]."* (E5 - BLACKBIRD). In the Invest-1 event, both VC5 and E11 recognize in their own words that they have not been able to correctly raise the problems encountered: *"You take one week, night and day, to prepare a board meeting and finally when it takes place, it takes a disgusting form: we focus on insignificant details, board members had obviously not read the board information pack, they*

*looked at their phones, nobody was focused... indeed all this were weak signals that show that financial partners are not motivated, not engaged in your venture!”* (E11). VC5 concurs by saying: “[...] *each VC thought that the others had worked on the file, but in fact no... it happens when we are too many VCs on board, this leads to getting ourselves off the hook. In fact it is true that I was far from the file... at that time, I had about 20 ventures in my portfolio*” (VC5). In that case, none of the pressing concerns about the venture was actually discussed during the boards.

All events reported in Table 5 illustrate disagreements that are not explicitly voiced out by the partners. Consequently, the disappointed partner keeps his opinions for himself, noticing that the other does not fix the issues of concern, not realizing that his attitude is actually encouraging the incriminated other not to take change anything either because he doesn't know something different is expected from him or because he can pretend not to know. Such situations lead to non-cooperative outcomes and sources of detrimental conflicts are sown.

*Voicing out* possible sources of conflict as early as possible prevents them from impacting the quality of the collaboration on the longer term and to become detrimental. Conflicts are not avoided when partners straightforwardly convey their respective views and objectives to the other. These open discussions make their respective future behaviors more predictable, rational and therefore acceptable by the other. It normalizes situations where partners held diverging views and raises confidence of their respective capacities to settle down quickly their conflicts.

### *Escalating*

This behavior consists for one partner or both to deliberately surge conflict level. *Escalating* is an instrument to signal issues of great concern that require immediate attention. Sudden increases in tensions create momentum to make oneself heard and listened to with greater

attention. It is a powerful way to warn the other partner that a crucial point of contention has been reached and has to be fixed urgently. It signals a tipping point in the relationship which, if nothing is done to settle things down, will become detrimental.

Table 6 presents events in which discrepant views emerge, one partner or both growing aware of a critical point for him or them. Facing these events, one partner takes a more forceful tone that strongly contrasts with his behavior so far. This sudden change aims at alerting the other partner of the necessity to settle down their discrepant views.

The subjects of conflict in Table 6 are very similar to the ones reported in Table 4 and 5 and include concerns with exit modalities (see Alea-2, Metalo-2, Balla-1 or Simulation-1), valorization issues (at the entry stage in Alea-4 and Food-1 or at the exit stage in Alea-3) and managerial disagreements (in Lien-3, Metalo-1 or Confluence-1). What is common to all events reported in Table 6 is that they are considered highly critical and in need to be settled without delay. For each event, one partner decides to suddenly spiral up conflict levels. This takes several forms: a clear threat (as in Alea-2, Alea-3, Balla-1, Simulation-1), a steadfast stand (see Alea-1, Lien-3, Metalo-1 and, Metalo-2), an outright enforcement (e.g. Food-1), or the initiative to shout and bawl out (Confluence-1). They all lead to cooperative settlements in which partners try to balance their respective interests.

*Table 6 – Conflict escalation resulting in cooperative settlements*

Venture-Event	Event description	Escalating behaviours	Cooperative settlements
Alea – 1	E4 and VC3 do not manage to reach an agreement over the valorisation of Alea. E4 decides to put an end to official negotiations.	E4 definitely refuses VC3's financial offer but invites VC3 to engage in informal discussions about a position as CFO in Alea. VC3 accepts E4's invitation to move to informal talks and finally decides to contact his hierarchy to convince them to raise Alea's valuation	VC3 himself convinces NewVenture's top management to make a better valorisation offer to E4.
Alea – 2	E4 decides to sell his company to an industrial partner but VC3 wants to postpone the transaction to a later date to sell at a higher price.	VC3 suggests that NewVenture could make an additional investment in Alea instead of selling it to the industrial partner E4 <i>threatens</i> to quit Alea and join the buying company leaving VC3 proprietor of an empty shell.	VC3 accepts to sell its shares to the industrial partner and suggests the investment banker for the transaction in order to secure his position. E4 agrees.
Alea – 3	E4 finds the super-profit clause in the shareholder agreement unbearable at the exit stage.	E4 <i>threatens</i> again VC3 to quit Alea and thus considerably damage its value if CircleCapital doesn't renounce to its rights to a super-profit clause negotiated in the shareholders agreement VC3 accepts to renounce to the super-profit clause with the knowledge that the multiple of this investment is already comfortable.	E4 makes sure once the super-profit clause is removed that the financial interests of VC3 are still very comfortable.

Venture-Event	Event description	Escalating behaviours	Cooperative settlements
Balla - 1	E12 wants to go for an IPO and VC5 believes that it is too early	E12 threatens VC5 that he could let the company go bankrupt if they do not accept the IPO VC5 accepts to listen to E12's opinion and to follow his preferred option	The IPO is done earlier than what VC5 would have liked but the financial return is acceptable.
Confluence – 1	VC5 identifies tension between the top management team and decides to lay off the CEO	VC5 decides to organize and chair a meeting where the management team of Confluence can voice their problems to E13. E13's management is hammered down by his subalterns	E13 is laid off by VC5 but without resentment as it became blatantly clear that his position was untenable.
Food - 1	VC7 changes the term sheet at the last minute	VC7 imposes a trenching of the financing at the last minute or does not invest in Food E15 is very upset but has no choice but to accept the revised version of the deal	The deal is done
Lien - 3	The burn rate in Lien was very high immediately after VC2 transferred the money to the venture	VC2 raised firmly his voice and made it very clear that the owners were burning too much cash too soon E3 reduced expenses and concentrated on making the venture profitable	VC2 and E3 found a balance between investing in development and generating profits
Metalo – 1	VC4 wants to recruit an executive director to assist the founder-CEO against his will	VC4 visits the CEO's office to share the news directly with him The founder-CEO physically throws VC4 out of his office before calling him immediately after to apologize,	Both the founder-CEO and VC4 negotiate a golden check. The two still get on well
Metalo – 2	VC4 wants to sell NewVenture's participation E8 has other priorities for his firm	VC4 insists heavily on the urgency to sell their shares E8 understands VC4's constraints, genuinely looks for industrial investors and finally finds a way to buy the shares from him.	VC4 understands why E8 refuses to let NewVenture sell their shares to any buyers and E8 accepts to make an offer for NewVenture's shares that is giving them a good multiple
Simulation – 1	E9 wants to sell the company to an operational investor VC4 does not want to sell as it is too early to make a good multiple	E9 insists that if the deal fails because of VC4, he will be very very upset and it is not good for the company's value to upset its CEO VC4 insists that he has money to further invest in the company and that it is early to sell	VC4 accepts the idea to sell without delay and makes his anger known to the purchaser in order to increase the selling price for the benefit of both himself and VC4

During the Alea-3 event, E4 loudly and categorically refused to accept the super profit clause in favor of VC3's and threatened VC3 to deeply damage the venture valuation: *“We had incredibly hard discussion around the super profits... to the point that I ended up telling them that there would be no added-value at all to their shares because I was about to ask the buyer to hire me and forget about the company. I said [to VC3]: ‘Aren’t you forgetting that a large part of the value is because of me, me and me! Do you have any idea of the company’s value without me? Think again.’ I was really ready to destroy everything.”* (E4-Alea). In the Metalo- 1 event, it was VC4 who took the initiative to tell the founder-CEO that: *“As an investor, we wanted a far better controlled budget”* and that they were about to recruit an executive director to help him in his tasks. The founder-CEO physically threw VC4 out of his office when he heard the news. VC4 then changed his plans: *“OK! So we changed the board agenda, and in place of budget vote, we propose his firing!”* (VC4 – NewVenture). Following that violent altercation, the founder-CEO apologized and started a negotiation directly with

VC4 accepting the fact that he had to go but not without compensation. The two reached an agreement and still get on well.

Deliberately escalating tension levels is instrumental in the management of VC-entrepreneur relationships. Escalating conflict is used as a legitimate, relevant and useful instrument to attract attention from the other party on specific issues of great importance. Escalating behaviors aim at creating a shock in the relationship to urge for the urgent settlement of an issue.

The success of an escalating behavior is strongly dependent on the perceived intensity with which it is used. Table 7 presents events that triggered some concern for one of the partner, these concerns were voiced but their expression was not audible enough as it did not increase conflictuality to the point where discussions were unavoidable. In all events reported in Table 7, the VC or the entrepreneur mentions some disagreement (see for example Buzz-2, Blackbird-4, or Forecast-1) or urges the other to listen to their advice about the venture (see for example Buzz-4, Buzz-5, Buzz-6, Blackbird-2 or, Fixit- 1) without provoking any substantial reaction. None lead to a change in attitude by the partner incited to do so. Indeed, for all events in Table 7, the message was not imperative enough to trigger a perceived urgent obligation to find a cooperative settlement.

*Table 7 – No conflict escalation resulting in non-cooperative settlements*

Venture-Event	Event description	No escalating behaviours	Non-cooperative settlements
Blackbird – 2	E5 understands that he is expected to get more involved in the daily operations of Blackbird but what VC3 expects is neither explicit nor clear	VC3 finds that Blackbird should be more closely managed but they hesitate between asking E5 and recruiting a full-time director E5 feels that his position more as a chairman than a CEO is not to the satisfaction of his investors but he is reluctant to change	Both VC3 and E5 finally took no actions and respectively think that a firm decision should have been imposed.
Blackbird – 4	Board meetings are seen as useless as no one commits to make important decisions	VC3 regrets that the boards are not chaired properly by E5 E5 would like VC3 to take the lead and impose his views.	Everyone quietly agrees that boards are not helpful but no one takes decisive action about it
Buzz – 2	E2 and his executive partner gave themselves very comfortable salaries and did not reconsidered them despite the economic difficulties	VC2 had noticed that the entrepreneurs' salaries were high and told them that they should reduce them due to difficult economic situation E2 was expecting to be forced to cut his salary but did not take any action as no ultimatum was ever given.	E2 kept his very comfortable salary until the very conclusion of Buzz's bankruptcy procedure.
Buzz - 4	Disagreement over the need to recruit an executive director to help the founders with the management of their company	VC2 mentions explicitly but quietly that there is a need to recruit a top managerial profile to manage the company E2 does not take action and deliberately ignores VC2's suggestion	No further cooperation on the topic of executive recruitment.
Buzz - 5	Suggestions are made by VC2 regarding potential partnerships to support the	VC2 sets up meetings with potential partners to help with technical platform and access a larger audience	VC2 get more and more frustrated with E2 inability to build a partnership with

Venture-Event	Event description	No escalating behaviours	Non-cooperative settlements
	company's technical and marketing development	E2 attends meetings diligently but never go any further than quietly dismissing their relevance	other companies but no drastic decision is made.
Buzz - 6	An open conflict between the two executives (E2 and his executive partner) lead them to call for VC2's arbitrage	E2 asks VC2 to take a firmer stance against his associate VC2 organizes a meeting between the associates to encourage them to settle their disputes but he does not take side, make no specific threats or set any ultimatum	The situation at the head of Buzz is very temporarily stabilized until it deteriorates again until bankruptcy.
Fixit - 1	VC6 asks E14 to change Fixit's CFO	VC6 tells E14 several times that the CFO is not good enough but does not really get angry about it E14 sticks to his CFO for a long time	The CFO is not fired until very late in the collapse of the venture.
Forecast - 1	VC4 tells E10 that they are not quite going in the right direction but he is not heard	VC4 asks questions about the judiciousness of several decisions and investments E10 does not really hear the word of caution and regrets not to have been told more explicitly that the firm was going into the wall	Relationships are very enjoyable but E10 believes that he could have been challenged by VC4 earlier and with more insistence for the benefit of the venture.

Buzz-2 event is an example of the detrimental consequence of a lack of escalating behaviour. E2 even expressed regrets about not having been called to order by VC2 more explicitly: *“Four-five months before the VC’s investment, when we were sure of it, we decided to vote very generous revenues for us as CEOs. [...] [VC2] never dared to question it, and never expressed with strenght its disagreement. They said at the beginning: ‘Well, you have quite comfortable salaries so you will have to reconsider them if things get tough’. But then, we kept having troubles and they never decided to have our backs against the wall, or at least to threaten us with it. [...] I think it would have been a nice thing to do, to improve the company’s management.”* (E2 - BUZZ). During the Forecast- 1 event, the contrast between how the situation was experienced by E10 and VC4 is striking: indeed if VC4 considers that *“For each problem, [E10] had always solutions. That was really delightful! It led to a really positive and nice dialogue atmosphere”*, E10 is much more critical: *“I think that [VC4] has had this discourse [not to burn money so rapidly], but it was not firm enough firm. Generally speaking, investors are really polite persons... relationships always has been really courteous... they have never said: ‘You’re such a stupid fool, if only we had never met!’, no, no, no, it was always so polite... but, as a consequence we have never taken stock of what it is said... he never really said that he was upset!* (E10 - Forecast)

Table 7 illustrates the consequences of being reluctant to escalate conflicts: an inability to attract the other's attention and to convince him to act differently. Those events illustrate situations where disagreements are voiced, and therefore known by both partners, but they can also be ignored or unheard. In such situations, not escalating conflicts creates frustration and impedes the possibility for partners to reach a common understanding of difficult situations. It means that the resulting relationships will be tensed, but that tensions are perceived as 'tolerable' and not worth being pro-actively embraced by at least one of the partner who feel comfortable enough not to reconsider his position.

*Escalating* conflict levels attracts the other's attention on key issues. It represents a last call for the necessity to find a cooperative way to settle down the problems at stake. If the call is heard, then the relationship can proceed and the partners' cooperation reinforced. If it is not, the relationship is irremediably hurt and cooperation broken, with one of the partners considering that a dead-end has been reached.

## **Discussion**

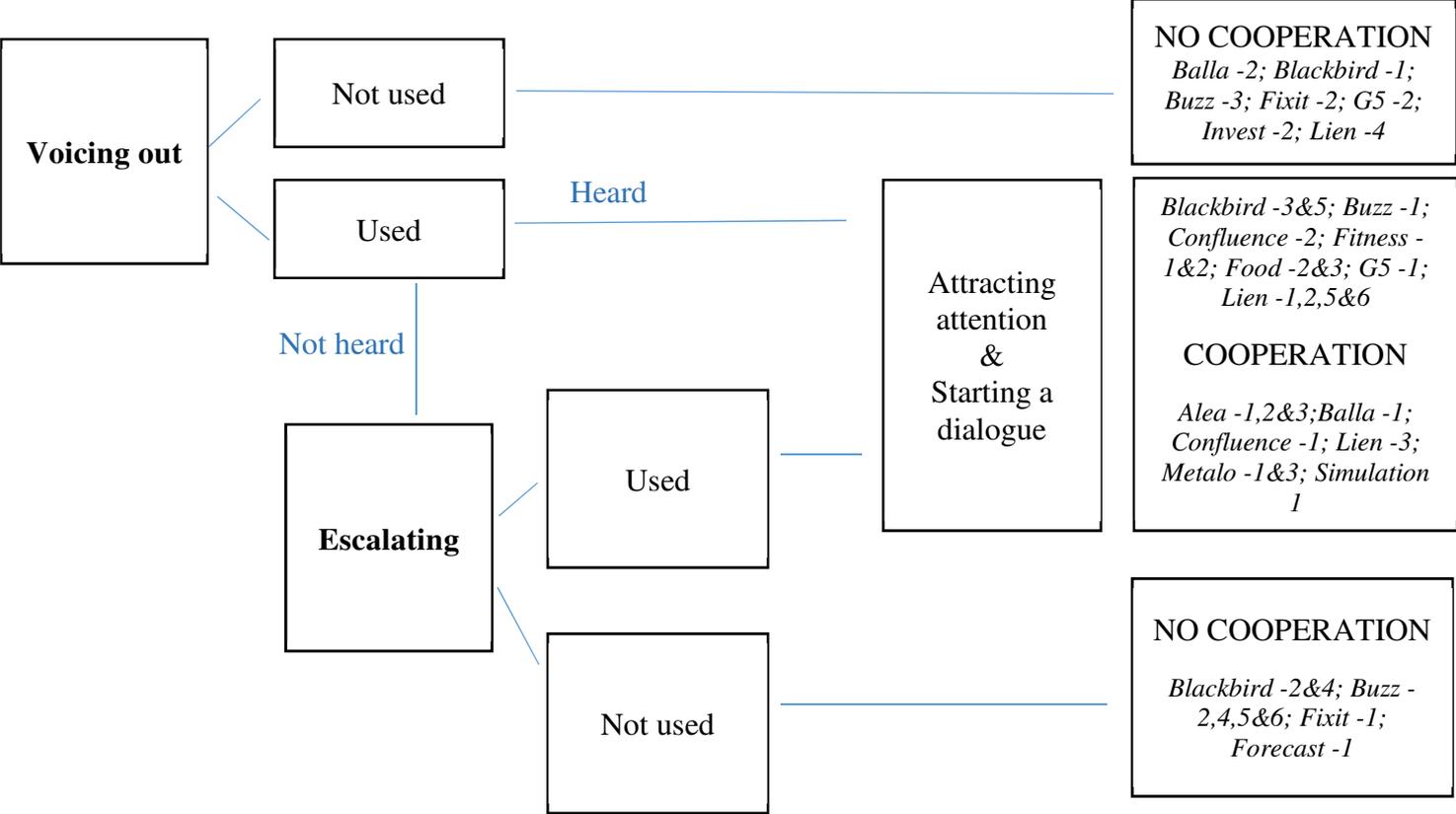
In this section we propose a theoretical model of 'making conflict cooperative' that reflects how entrepreneurs and venture capitalists actively deal with conflicts in their relationships. This section also argues that the voicing out behavior makes the pursuit of one's own interests more legitimate in the partner's eyes. Lastly, it argues that escalating conflict is a means to attract the other party's attention and to signal concerns that both partners should address quickly.

### *Making conflict cooperation through voicing out and escalating*

This research responds to calls to increase our knowledge about concrete practices and interpersonal processes in stakeholders' involvement with top management team (Vandenbroucke et al., 2019). Our findings contribute in several ways to both the entrepreneurial finance

literature, especially to the stream dedicated to VC-entrepreneurs relationships, and to the conflict management theory that underpins our study. It shows that being explicit about sources of conflict early (*voicing out*) and the willingness to escalate conflict to make one's point heard (*escalating*) not only limit chances that conflicts become detrimental but actually turn them into opportunities for cooperation (see Figure 1). Conversely, disagreements that are not communicated to the other (not voiced) as well as the ones that are voiced but, not being heard do not lead to an escalation in conflict (escalating not used), lead to an absence of cooperation.

Figure 1 - Toward a theoretical model of making conflicts cooperative in VC-entrepreneurs relationships



Our results complement knowledge on VC-entrepreneur dyadic relations, following the preliminary publications of Locket et al. (2006) and Collewaert (2012). Research on post-equity deals remains little developed and focuses mainly on the VC value-added (Busenitz, Fiet, & Moesel, 2004; Large & Muegge, 2008; Sapienza, Manigart, & Vermeir, 1996). Collecting both VCs and entrepreneurs' perspectives on their relations and crossing their views enable to overcome the limits of one-sided visions (Parhankangas & Landström, 2006) and to limit empirical biases. As pointed out by Collewaert (ibid), this current lack of research attention is surprising in view of its practical importance.

We enrich research on VC-entrepreneurs relationship and conflict by shifting the focus from the consequences of conflictual situations towards the way agentic partners concretely face conflicts and turn them into opportunities for cooperation. We show how VCs and entrepreneurs shape the outcome of conflicts by adapting specific behaviors that support cooperative communication: they lay out personal objectives clearly and early in the relation and they do not hesitate to escalate conflict when the need for attention becomes urgent. These findings reveal the existence and importance of specific skills for both VCs and entrepreneurs: the ability to communicate one's preferences, to listen to and understand the other's position, to maintain open communication channels even in tensed situations, and to judge when and how to voice out and escalate conflicts. VCs and entrepreneurs do not necessarily avoid conflicts but make them cooperative.

*Voicing out conflict for legitimating the pursuit of one's personal interests to others*

Our study sheds light on the necessity for both actors to understand the reasons of conflicts to accept them. VCs and entrepreneurs accept to cooperate despite conflicting positions when they know and understand the other's position. When the rationale for one of the partner's behavior

is not shared openly, his/her decisions may appear irrational and, therefore, unacceptable. Conflicts are relational phenomena, in which both partners are deeply engaged and constantly interpreting the other's behavior. Our results deepen the understanding of interpersonal fit between investors and backed entrepreneurs. That conflicts are more likely to be cooperative when the different positions have been voiced out contributes to explain why VCs tend to favor in their decision making process entrepreneurs who think in similar ways to themselves (cf. the 'similarity effects' in Murnieks et alii, 2011). Yet, rather than being given from the start (*'I like how you think'*) (J. Murnieks, Haynie, Wiltbank, & Harting, 2011), the required level of interpersonal understanding can be actively constructed by partners in the course of their relationships (*'I like how you explain to me how you think'*). This insight invites to study further the social and cognitive processes through which the fit between entrepreneurs and their partners is constructed.

As empirically documented in this article and quite surprisingly, being fired by their VC does not necessarily generate strong anger nor resentment from entrepreneurs if the VC's reasons and interests are, and always have been, clearly communicated to the entrepreneur. This study illustrates how actors make situations of non-cooperation, 'precarious partnerships' (Schelling, 1980), appear acceptable and legitimate. This shows that a condition to justify the use of coercive means in the pursuit of one's own best interests is to make one's preferences known and therefore legitimate. VCs and entrepreneurs can limit the negative impacts of future dissents by communicating early the rationale that will justify their decisions to privilege their interests over those of their partners. When disagreements arise, they are seen as the normal pursuit of the relationship: their behaviour is understood as self-interested but fair enough. Stability and collaboration is maintained over time, not because partners ensure that they continuously reach a compromise and prevent conflicts from developing, but because they

create right from the start of their collaboration the necessary conditions for future tensions to be acceptable.

Our results also points in the direction that negative affects can be *rationalized* through individual interests' explicitness (i.e. the ability to share these interests with others). Our findings complement research on the role of affects in the entrepreneurial process (Cardon, Foo, Shepherd, & Wiklund, 2012; Delgado García, De Quevedo Puente, & Blanco Mazagatos, 2015) and on the antecedents of entrepreneurial affects (Jenkins, Wiklund, & Brundin, 2014). Scholars have demonstrated the role of conflict nature (task vs. relationship) and the team context on the intensity of negative affects experienced by entrepreneurs facing interpersonal conflicts within their entrepreneurial team (Breugst & Shepherd, 2017). Our study reveals another antecedent: explicitly conveying one's interests and constraints triggers a rationalization of the other's affect which, in turn, precludes strong negative affect such as resentment or anger by the other. The skillful communication of one's aims make the eventual use of power and coercion seem 'normal' and 'fair'. Knowing precisely what the other party is after is not removing causes of conflict but reduces the chances for them to turn sour.

Our results also provide insights on the acceptability of formal agreements. Relying exclusively on formal forms of agreement to convey one's interests and objectives may actually be detrimental to the relationships. For example, when VCs secure higher financial multiples using obscure legal jargon in shareholder agreements, it is not considered legitimate by entrepreneurs who will later contest the right for VC to make more money from it (see examples of Alea - 3, G5 - 2 and Lien - 2). The implications of what is formally agreed between parties must be explained in plain words during their elaboration or face the risk to be challenged when implemented later. This is a particularly sensitive topics as it is known that situations in which negotiations are conducted formally leading to an explicit distribution of measurable benefits

between parties are particularly likely to raise sentiments of unfairness, frustration and higher levels of tension (Molm, Collett, & Schaefer, 2006).

### *Escalating conflict as instrument to manage cooperation*

By empirically documenting and demonstrating how diverse the behaviors of actors in situation of conflicts can be, we follow invitations to investigate the heterogeneity of conflict management strategies that actors actively implement in tense situations (Deutsch, 1994, 2006; M. A. Rahim, 2002; Thomas, 1992). We show that not only do VC and entrepreneurs choose different strategies in conflicting situations but that they sometimes deliberately and drastically escalate conflict to attract their partner's attention. So we suggest that there is strategic use of rises in conflict levels.

We therefore argue that all increases in conflict levels are not symptoms of a situation getting out of control. Such surge in conflicts can be purposefully used to impact the ways in which communication between parties is conducted (e.g. changes in tone, in the frequency of interactions, in the range of topics covered). They also raise awareness about specific concerns such as deadlines or one-off opportunities. Even explicit threats (e.g. Alea-2&3 regarding the initial valuation of the company and the distribution of super profit at the exit stage but also Balla-1 and Simulation-1), can be useful to restore communication. It is nonetheless a risky strategy as it can be difficult to prevent tension escalation due to interlocutors' reactions which are unpredictable. Yet, it is not an uncommon tactic, especially when the initiator of the tension jolt is confident that the other party will react to the signal and engage in constructive dialogue generating richer debates. Actors may benefit from increasing tensions especially when they trust their partners (Barki & Hartwick, 2004).

VC attention, that is the efforts and time that a VC dedicates to one of its portfolio company is variable from one venture to the other, yet, yields a better performance for the

venture (Bacon-Gerasymenko et al., 2020). Catching attention is, therefore, crucial for entrepreneurs. Our findings reverse the proposition made by Bacon-Gerasymenko and her colleagues: not only do conflicts require more VC attention, but the wish to receive VC attention may require conflict.

This insight nuances the correlation between cooperative styles of handling conflicts and positive outcomes (Tjosvold, 1998a, 2008) as we find possible positive outcomes in non-cooperative handling modes of conflict management. Competing (i.e. raising tensions) rather than cooperative handling of conflict can be a way to signal the high stake to find way toward cooperating and can actually enable cooperation.

Our results refine the knowledge on conflict management by presenting additional strategic use of conflicts in inter-personal tensions in a professional context. This article demonstrates that a sharp rise in conflict, in contrast to a previous situation that testifies of a ‘quiet’ collaborative spirit, can change the nature of relations for the better. Raising tension levels is part of a dialogic interaction in which people’s statements are made in reaction to earlier statements, sometimes with the intention to mark a stark contrast with the ‘business as usual’ tone. Significant escalation in conflict levels really attract attention.

Scholars are increasingly paying attention to the entrepreneur’s networking skills (Miller & Le Breton-Miller, 2017; Zheng, Ahsan, & DeNoble, 2020) but it is only part of the story. Future research should investigate the skills that enable entrepreneurs to create VCs’ (and other partners’) attention on key messages for the venture’s performance and survival. Our findings suggest that conflicts are not only a problem to solve, but also a part of the solution, and a piece of cooperation to emerge.

## References

- Amason, A. C. (1996). Distinguishing the Effects of Functional and Dysfunctional Conflict on Strategic Decision Making: Resolving a Paradox for Top Management Teams. *Academy of Management Journal*, 39(1), 123-148.
- Amason, A. C., & Sapienza, H. J. (1997). The Effects of Top Management Team Size and Interaction Norms on Cognitive and Affective Conflict. *Journal of Management*, 23(4), 495.
- Appelhoff, D., Mauer, R., Collewaert, V., & Brettel, M. (2016). The conflict potential of the entrepreneur's decision-making style in the entrepreneur-investor relationship. *International Entrepreneurship and Management Journal*, 12(2), 601-623. doi:10.1007/s11365-015-0357-4
- Bacon-Gerasymenko, V., Arthurs, J. D., & Cho, S. Y. (2020). How and When Investment Horizons Determine Venture Capital Firms' Attention Breadth to Portfolio Companies. *Entrepreneurship Theory and Practice*, 44(3), 475-503. doi:10.1177/1042258718824957
- Barki, H., & Hartwick, J. (2004). Conceptualizing the Construct of Interpersonal Conflict. *International Journal of Conflict Management*, 15(3), 216-244. doi:doi:10.1108/eb022913
- Bettis, R. A., Gambardella, A., Helfat, C., & Mitchell, W. (2015). Qualitative empirical research in strategic management. *Strategic Management Journal*, 36(5), 637-639.
- Blake, R. R., & Mouton, J. S. (1964). *The Managerial Grid*. Houston: Gulf.
- Brettel, M., Mauer, R., & Appelhoff, D. (2013). The entrepreneur's perception in the entrepreneur-VCF relationship: the impact of conflict types on investor value. *Venture Capital*, 15(3), 173-197.
- Breugst, N., & Shepherd, D. A. (2017). If you Fight with Me, I'll Get Mad! A Social Model of Entrepreneurial Affect. *Entrepreneurship: Theory and Practice*, 41(3), 379-418. doi:10.1111/etap.12211
- Busenitz, L. W., Fiet, J. O., & Moesel, D. D. (2004). Reconsidering the venture capitalists' "value added" proposition: An interorganizational learning perspective. *Journal of Business Venturing*, 19(6), 787.
- Butterfield, L. D., Borgen, W. A., Amundson, N. E., & Maglio, A.-S. T. (2005). Fifty years of the critical incident technique: 1954-2004 and beyond. *Qualitative Research*, 5(4), 475-497. doi:10.1177/1468794105056924
- Cardon, M. S., Foo, M. D., Shepherd, D., & Wiklund, J. (2012). Exploring the Heart: Entrepreneurial Emotion is a Hot Topic. *Entrepreneurship Theory and Practice*, 36(1), 1-10. doi:10.1111/j.1540-6520.2011.00501.x
- Champenois, C., Devigne, M., & Puyou, F.-R. (2016). How Can Venture Capitalists-Owner Managers Conflicts Be Managed? If You Want Peace, Agree to Keep the Peace. *Journal of Small Business Management*, 54, 189-215.
- Chell, E. (1998). Critical incident technique. In G. Symon & C. Cassell (Eds.), *Qualitative methods and analysis in organizational research: A practical guide* (pp. 51-72). London: Sage.
- Collewaert, V. (2012). Angel Investors' and Entrepreneurs' Intentions to Exit Their Ventures: A Conflict Perspective. *Entrepreneurship: Theory & Practice*, 36(4), 753-774.
- Collewaert, V., & Sapienza, H. (2016). How Does Angel Investor-Entrepreneur Conflict Affect Venture Innovation? It Depends. . *Entrepreneurship Theory and Practice*, 40(3), 573-597.
- Coser, L. A. (1956). *The Functions of Social Conflict*. Glencoe, IL: Free Press.

- De Clercq, D., & Manigart, S. (2007). The venture capital post-investment phase: Opening the black box of involvement. In H. Landström (Ed.), *Handbook of Research on Venture Capital* (pp. 193-218). Cheltenham, UK: Edward Elgar.
- de Dreu, C. (2006). When Too Little or Too Much Hurts: Evidence for a Curvilinear Relationship Between Task Conflict and Innovation in Teams *Journal of management*, 32(1), 83-107.
- De Dreu, C. K. W., & Gelfand, M. J. (2008). *The Psychology of Conflict and Conflict Management in Organizations*. New York: Lawrence Erlbaum Associates, Taylor & Francis Group.
- De Dreu, C. K. W., & Weingart, L. R. (2003). Task Versus Relationship Conflict, Team Performance, and Team Member Satisfaction: A Meta-Analysis. *Journal of Applied Psychology*, 88(4), 741-749.
- de Wit, F. R. C., Greer, L. L., & Jehn, K. A. (2012). The Paradox of Intragroup Conflict: A Meta-Analysis. *Journal of Applied Psychology*, 97(2), 360-390.
- Delgado García, J. B., De Quevedo Puente, E., & Blanco Mazagatos, V. (2015). How Affect Relates to Entrepreneurship: A Systematic Review of the Literature and Research Agenda. *International Journal of Management Reviews*, 17(2), 191-211. doi:<https://doi.org/10.1111/ijmr.12058>
- Deutsch, M. (1990). Sixty Years of Conflict. *The International Journal of Conflict Management*, 1(3), 237-263.
- Deutsch, M. (1994). Constructive Conflict Resolution: Principles, Training, and Research. *Journal of Social Issues*, 50(1), 13.
- Deutsch, M. (2006). Cooperation and Competition. In M. Deutsch, P. T. Coleman, & E. C. Marcus (Eds.), *The Handbook of Conflict Resolution: Theory and practice* (pp. 23-42). San Francisco: Jossey-Bass.
- Eisenhardt, K. M. (1989). Building Theories from Case Study Research. *The Academy of Management Review*, Oct, 14( 4), 532-550.
- Eisenhardt, K. M., & Graebner, M. E. (2007). Theory Building from Cases: Opportunities and Challenges. *Academy of Management Journal*, 50(1), 25-32.
- Eisenhardt, K. M., Graebner, M. E., & Sonenshein, S. (2016). Grand Challenges and Inductive Methods: Rigor without Rigor Mortis. *Academy of management journal*, 59(4), 1113-1123.
- Eisenhardt, K. M., Kahwajy, J. L., & Bourgeois Iii, L. J. (1997). How Management Team Can Have a Good Fight. *Harvard Business Review*, 75(4), 77-85.
- Eisenhardt, K. M., & Sbaracki. (1992). Strategic decision making. *Strategic Management Journal*, 13(2), 17-37.
- Flanagan, J. C. (1954). The Critical Incident Technique. *Psychological Bulletin*, 51(4), 327-358.
- Follett, M. P. (2003). Constructive conflict. In K. Thompson (Ed.), *The early sociology of management and organizations (Vol. III Dynamic Administration. The collected papers of Mary Parker Follett)*. London and New York: Routledge.
- Forbes, D. P., Korsgaard, M. A., & Sapienza, H. J. (2010). Financing decisions as a source of conflict in venture boards. *Journal of Business Venturing*, 25(6), 579-592.
- Garg, S., & Eisenhardt, K. M. (2017). Unpacking the CEO–Board Relationship: How Strategy Making Happens in Entrepreneurial Firms. *Academy of Management Journal*, 60(5), 1828-1858. doi:10.5465/amj.2014.0599
- George, B., Erikson, T., & Parhankangas, A. (2016). Preventing dysfunctional conflict: examining the relationship between different types of managerial conflict in venture

- capital-backed firms. *Venture Capital*, 18(4), 279-296. doi:10.1080/13691066.2016.1224457
- Gorman, M., & Sahlman, W. A. (1989). What Do Venture Capitalists Do? *Journal of Business Venturing*, 4(4), 231-248.
- Greer, L. L., Jehn, K. A., & Mannix, E. A. (2008). Conflict Transformation: A Longitudinal Investigation of the Relationships Between Different Types of Intragroup Conflict and the Moderating Role of Conflict Resolution. *Small Group Research*, 39(3), 278-302.
- Higashide, H., & Birley, S. (2002). The consequences of conflict between the venture capitalist and the entrepreneurial team in the United Kingdom from the perspective of the venture capitalist. *Journal of Business Venturing*, 17(1), 59-81.
- Jehn, K. A. (1995). A Multimethod Examination of the Benefits and Detriments of Intragroup Conflict. *Administrative Science Quarterly*, 40(2), 256-282.
- Jehn, K. A. (1997). A Qualitative Analysis of Conflict Types and Dimensions in Organizational Groups. *Administrative Science Quarterly*, 42(3), 530-557.
- Jehn, K. A., & Bendersky, C. (2003). Intragroup Conflict in Organizations: A Contingency Perspective on the Conflict-Outcome Relationship. *Research in Organizational Behavior*, 25(0), 187-241.
- Jehn, K. A., & Mannix, E. A. (2001). The Dynamic Nature of Conflict: A Longitudinal Study of Intragroup Conflict and Group Performance. *Academy of Management Journal*, 44(2), 238-251.
- Jenkins, A. S., Wiklund, J., & Brundin, E. (2014). Individual responses to firm failure: Appraisals, grief, and the influence of prior failure experience. *Journal of Business Venturing*, 29(1), 17-33. doi:<https://doi.org/10.1016/j.jbusvent.2012.10.006>
- Khanin, D., & Turel, O. (2014). Conflicts and Regrets in the Venture Capitalist-Entrepreneur Relationship. *Journal of Small Business Management*, doi: 10.1111/jsbm.12114.
- Langley, A. (1999). Strategies for Theorizing from Process Data. *Academy of Management Review*, 24, 691-710. doi:10.5465/amr.1999.2553248
- Large, D., & Muegge, S. (2008). Venture capitalists' non-financial value-added: an evaluation of the evidence and implications for research. *Venture Capital*, 10(1), 21.
- Miller, D., & Le Breton-Miller, I. (2017). Underdog Entrepreneurs: A Model of Challenge-Based Entrepreneurship. *Entrepreneurship Theory and Practice*, 41(1), 7-17. doi:10.1111/etap.12253
- Molm, L. D., Collett, J. L., & Schaefer, D. R. (2006). Conflict and Fairness in Social Exchange. *Social Forces*, 84(4), 2331-2352.
- Mooney, A. C., Holahan, P. J., & Amason, A. C. (2007). Don't Take It Personally: Exploring Cognitive Conflict as a Mediator of Affective Conflict. *Journal of Management Studies*, 44(5), 733.
- Moroz, P. W., & Hindle, K. (2012). Entrepreneurship as a Process: Toward Harmonizing Multiple Perspectives. *Entrepreneurship Theory and Practice*, 36(4), 781-818. doi:10.1111/j.1540-6520.2011.00452.x
- Murnieks, C. Y., Cardon, M. S., Sudek, R., White, T. D., & Brooks, W. T. (2016). Drawn to the fire: the role of passion, tenacity and inspirational leadership in angel investing. *Journal of Business Venturing*, 31(4), 468-484.
- Murnieks, J., Haynie, M., Wiltbank, R. E., & Harting, T. (2011). 'I Like How You Think': Similarity as an Interaction Bias in the Investor-Entrepreneur Dyad. *Journal of Management Studies*, 48(7), 1533-1561.
- Nag, R., & Gioia, D. A. (2012). From Common to Uncommon Knowledge: Foundations of Firm-Specific Use of Knowledge as a Resource. *Academy of Management Journal*, 55(2), 421-457. doi:10.5465/amj.2008.0352

- Parhankangas, A., & Landström, H. (2004). Responses to psychological contract violations in the venture capitalist-entrepreneur relationship: an exploratory study. *Venture Capital*, 6(4), 217-242.
- Parhankangas, A., & Landström, H. (2006). How venture capitalists respond to unmet expectations: The role of social environment. *Journal of Business Venturing*, 21(6), 773-801.
- Rahim, A., & Bonoma, T. V. (1979). Managing Organizational Conflict: A Model for Diagnosis and Intervention. *Psychological Reports*, 44(3\_suppl), 1323-1344. doi:10.2466/pr0.1979.44.3c.1323
- Rahim, M. A. (2002). Toward a Theory of Managing Organizational Conflict. *International Journal of Conflict Management*, 13(3), 206-235.
- Rubin, J. Z., Pruitt, D. G., & Kim, S. H. (1994). *Social Conflict. Escalation, Stalemate, and Settlement (2nd ed.)*. New York: McGraw-Hill.
- Sahlman, W. A. (1990). The structure and governance of venture-capital organizations. *Journal of Financial Economics*, 27(2), 473-524.
- Sapienza, H. J., Manigart, S., & Vermeir, W. (1996). Venture capitalist governance and value added in four countries. *Journal of Business Venturing*, 11(6), 439-469.
- Schelling, T. C. (1980/1960). *The strategy of conflict*. Cambridge, MA and London: Harvard University Press.
- Sobrero, M., & Schrader, S. (1998). Structuring Inter-firm Relationships: A Metaanalytic Approach. *Organization Studies*, 19(4), 585-615. doi:10.1177/017084069801900403
- Thomas, K. W. (1976). Conflict and conflict management. In M. D. Dunnette (Ed.), *Handbook of industrial and organizational psychology* (pp. 889-935). Chicago: Rand McNally.
- Thomas, K. W. (1992). Conflict and conflict management: Reflections and update. *Journal of Organizational Behavior*, 13(3), 265-274.
- Tjosvold, D. (1998a). Conflict Over the Study of Conflict: The Challenge to Make it Cooperative. *Applied Psychology: An International Review*, 47(3), 336-342.
- Tjosvold, D. (1998b). Cooperative and Competitive Goal Approach to Conflict: Accomplishments and Challenges. *Applied Psychology: An International Review*, 47(3), 285-313.
- Tjosvold, D. (2006). Defining conflict and making choices about its management. *International Journal of Conflict Management*, 17(2), 87-95. doi:10.1108/10444060610736585
- Tjosvold, D. (2008). The conflict-positive organization: it depends upon us. *Journal of Organizational Behavior*, 29(1), 19-28.
- Turcan, R. V. (2008). Entrepreneur-venture capitalist relationships: mitigating post-investment dyadic tensions. *Venture Capital*, 10(3), 281-304.
- Van Burg, E., Cornelissen, J., Stam, W., & Jack, S. (2020). Advancing Qualitative Entrepreneurship Research: Leveraging Methodological Plurality for Achieving Scholarly Impact. *Entrepreneurship Theory and Practice*, First Published Online August 7(doi.org/10.1177/1042258720943051). doi:10.1177/1042258720943051
- Vandenbroucke, E., Knockaert, M., & Ucbasaran, D. (2019). The relationship between top management team-outside board conflict and outside board service involvement in high-tech start-ups. *Journal of small business management*, 57(3), 891-908.
- Weingart, L., Behfar, K., Bendersky, C., Todorova, G., & Jehn, K. (2015). The Directness and Oppositional Intensity of Conflict Expression. *Academy of Management Review*, 40(2), 235-262.
- Yin, R. K. (2005). *Case study research: Design and methods* (4th ed. Vol. 5). London, New Delhi: Sage Publications, Thousand Oaks.

- Yitshaki, R. (2008). Venture capitalist-entrepreneur conflicts. An exploratory study of determinants and possible resolutions. *International Journal of Conflict Management*, 19(3), 262-292.
- Zacharakis, A., Erikson, T., & George, B. (2010). Conflict between the VC and entrepreneur: the entrepreneur's perspective. *Venture Capital*, 12(2), 109-126.
- Zhang, X.-a., Cao, Q., & Tjosvold, D. (2011). Linking Transformational Leadership and Team Performance: A Conflict Management Approach. *Journal of Management Studies*, 48(7), 1586.
- Zheng, C., Ahsan, M., & DeNoble, A. F. (2020). Entrepreneurial Networking During Early Stages of Opportunity Exploitation: Agency of Novice and Experienced New Venture Leaders. *Entrepreneurship Theory and Practice*, 44(4), 671-699.