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# Conflicts between entrepreneurs and business angels: The impact of core values

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# Abstract

**Problem** – Although core values and conflicts have been thoroughly explored in organizational theory, few attempts have been made to explain their combined impact on the entrepreneurial environment. Since investors and entrepreneurs act as the core decision makers within a venture, understanding the impact of their underlying motivations in relation to conflicts can provide valuable insights.

**Aim** – The purpose of this study is to understand how core values influence the conflicts that occur within the partnership of a business angel and an entrepreneur. More specifically, this study explores how value congruence or incongruence affects the investor-investee relationship within an entrepreneurial context and the effects of these values on conflicts.

**Methods** – In order to answer the research question, a qualitative research approach was selected. Five dyads, investor-entrepreneur, were created and interviewed to explore the different perceptions from both perspectives.

**Results** – The findings indicate that core values, acting as guidance of investors and entrepreneurs' behavior, can influence conflicts in various ways. Value congruence seems to lower the presence of conflicts within the partnership, while specific values have a generally positive effect. Moreover, core values affect the entrepreneurs' pre-investment criteria for selecting investors, the business angels' motivations to invest, the decision-making approaches, and the communication between the dyad.

**Implications** – This study contributes to the entrepreneurial theory by pinpointing the positive effects of value congruence in the relationship of business angels and entrepreneurs, and its conflict minimizing effect. Therefore, it lays the groundwork for further qualitative and quantitative research examining the impact of specific values and how value awareness and value congruence can act as a conflict management mechanism.

**Keywords:** business angels, core values, entrepreneurs, task conflicts, relationship conflicts.

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# 1 Introduction

## 1.1 Background

Different reasons drive entrepreneurs to actively seek external investment, such as developing their product, speeding up the growing process of their venture, and eliminating cash flow problems. In several cases, this external investment comes from informal investors called business angels, wealthy individuals who invest their money in unquoted businesses with whom they have no family connection (Landström, 2017; Ramadani, 2009). Besides the financial contribution that external investors provide, business angels have been found to engage in additional value-adding activities (Politis, 2008). Business angels frequently play different roles within the companies they invest in, namely strategic, monitoring, resource acquisition, and mentoring roles (Politis, 2008); making them highly active in the investee company. Their involvement offers many benefits to the new venture and the entrepreneurial team; however, as argued by Higashide and Birley (2002), a high level of involvement can also negatively influence the investor's perception on the company and the entrepreneur's performance. Therefore, besides the mentioned value-added roles that external investment brings along to the venture, organizational conflicts and disappointments are likely to arise due to the new addition to the entrepreneurial team.

Conflictive situations are commonly encountered during the interactions between investors and entrepreneurs (Parhankangas & Landström, 2004), due to different perceptions of the venture, expectations, and contractual agreements (Yitshaki, 2008). Conflicts influence the entrepreneurial process and the partnership between investors and entrepreneurs on a project and an interpersonal level. On a project level, they affect venture performance (Higashide & Birley, 2002) and venture's innovativeness (Collewaert and Sapienza, 2016). While on an interpersonal level, conflicts influence investors' and entrepreneurs' intentions to exit the venture (Collewaert, 2012) and the confidence in their partner co-operation (Zacharakis et al., 2010). This multidimensional impact of conflicts on an investor-investee partnership makes it necessary to understand the different types of conflicts, the factors that influence their presence and their effects.

Researchers have identified two main types of conflicts, task conflicts, and relationship conflicts. Task conflicts are disagreements that arise due to contrary viewpoints on how to approach work-related assignments and decision-making processes (Brettel et al., 2013; Jehn, 1995; Jehn et al., 2008). They play an important role within the investor-investee partnership. In one hand, task conflicts have the potential to impact the partnership and the venture's performance positively. According to Higashide and Birley (2002), task conflicts encourage discussions that in turn, stimulate critical thinking and creativity. However, in the other hand,

it is argued that task conflicts can be easily confused with personal disagreements (Amason, 1996; De Wit et al., 2013; Jehn, 1997), defined as relationship conflicts. In this case, individuals might feel as being criticized at a personal level (De Wit et al., 2013); therefore, the benefits associated with this kind of conflict might be eliminated (Higashide & Birley, 2002).

Relationship conflicts are interpersonal discrepancies resulting from emotional problems (Jehn, K., 1995; De Dreu, C. & Weingart L., 2003; Brettel, M. et al., 2013). Examples of relationship conflicts include disagreements about personal taste, values, and interpersonal style (De Dreu & Weingart, 2003). Investors and entrepreneurs often describe their partnership as a “marriage”; therefore, a good fit is deemed essential to create the best possible foundation and increase the chances of success in the uncertain entrepreneurial environment (Shepherd & Zacharakis, 2001).

Research has consistently shown that the number one criterion for a business angel to invest in a venture is the entrepreneur as a person and as an advocate of the company (Macmillan et al., 1985; Amah & Ahiauzu, 2014; Macedo & Camarinha-Matos, 2013). There are many other factors that both parties consciously and unconsciously take into consideration during the pre-investment process. For the business angels, these factors are location, nature of the business, capital needed, potential financial returns, and entrepreneur’s competence and reliability (Landström, 2017). While the factors that entrepreneurs consider before accepting an investment are, “terms and conditions” offered by the investors, the valuation of their venture, the investors’ reputation, skills and their value-added services (Valerie & Peterson, 2007). However, both parties agree that soft factors as individuals’ personality, interpersonal compatibility, and previous relationship influence the decision making for the investment (Valerie & Peterson, 2007; Landström, 2017).

Morris and Schindehutte (2005) observed that personal values have an essential role in the decision of an individual to manage his/her venture. Values are “innate, long-lasting views about the relative merits of overarching objectives and ways of behaving in life that individuals bring with them into work settings” (Rokeach, 1973; Matusik et al. 2008, p. 98). Moreover, they are useful for advancing the understanding of human behavior and subsequent change (Kilby, 1992). Being aware of behavior’s underlying reasons, as well as the similarities and differences among individuals within a partnership, in terms of motivations, strengths, and weaknesses can help to build a more stable relationship, by enacting better communication and similar interpretation of events (Adkins et al., 1996). Values cannot be used to explain behavior, as not all behavior is values-driven fully; yet in the presence of unclear situations and uncertainty and especially during conflicts; humans become more aware of their core values and consciously make use of them to make decisions (Kirkley, 2016).

## 1.2 Research Purpose & Objective

The importance of values has been thoroughly explored in organizational theory (Adkins et



al., 1996; Amah & Ahiauzu, 2014; Bolzani & Foo, 2018; Kirkley, 2016; Macedo & Camarinha-Matos, 2013; Matusik et al., 2008; Meglino & Ravlin, 1998; Schleicher et al., 2011; Tomczyk et al., 2013). These studies aim to get a better understanding on the drivers behind individuals' motivation to start their entrepreneurial journey (Kirkley, 2016; Tomczyk et al., 2013) and the dependency on other factors, such as culture (Morris & Schindehutte, 2005). However, few attempts have been made to explore their impact within the entrepreneurial environment. The focus of the present study is motivated by Matusik's (2008) study. Her findings suggested that similar shared values among investors and entrepreneurs, especially in regards to achieving goals, improve their interactions and communication, and act as the base of a positive relationship. In addition, said shared values influence the suggestions and decisions of the investor, regarding funding, strategy, and policy (Matusik, 2008).

Despite its importance, value congruence in entrepreneurial environments has not been thoroughly researched (Adkins et al., 1996; Collewaert, 2012). The present study aims to provide practical implications that can be used by entrepreneurs and investors when assessing whom to collaborate with. As investors and entrepreneurs alike agree on the importance of finding the right people to work with before committing to an entrepreneurial collaboration that might not be a proper fit in the long run (Higashide & Birley, 2002). Moreover, the provided insights of the investor-investee partnership might be used as valuable information for ongoing partnerships to understand better and try to mitigate the most common conflicts that can arise after the investment process has begun.

Various articles have been focused only on one perspective of the dyad (Brettel et al., 2013; Higashide & Birley, 2002; Parhankangas & Landström, 2006; Yitshaki, 2008; Zacharakis et al., 2010). Although there are findings that support that investors and entrepreneurs strongly agree on the perceived level of conflict (Collewaert, 2012), taking into consideration only one of the two perspectives, could still be considered as a bias (Brettel et al., 2013). Therefore, we believe that a dyadic examination of conflicts is needed to understand the individuals' intrinsic motivations and the factors that create these conflicts.

Research on conflicts between investors and entrepreneurs has been mainly conducted by using quantitative approaches (Collewaert, 2012; Higashide & Birley, 2002; Brettel et al., 2013; Zacharakis et al., 2010); since conflict is a dynamic phenomenon and can change from cognitive to affective through time and vice versa, more qualitative approaches to understand the underlying mechanisms that create these problems are necessary. This qualitative study looks to extend the empirical knowledge on current conflict research by addressing the impact of the business angels and the entrepreneurs' core values on conflict formation during their partnership. Through the conducted semi-structured interviews, we strive to understand particular experiences and perceptions of business angels and entrepreneurs who went through the process of investing or accepting investment. Our sample consists of dyads between those two parties. The first part of the dyad consists of five business angels that regularly invest in potentially high growth start-ups and operate in Sweden. While the second part of the dyad consists of five entrepreneurs of five different companies that have received funding from one of the previously mentioned investors.

Overall, this thesis aims to understand how the core values of the entrepreneur and the investor influence the occurrence of conflicts within their partnership. More specifically, this study tries to understand how different or similar values are perceived within the partnership and how they influence the presence of conflicts. Therefore, this research focuses on answering the following research question:

How do core values of business angels and entrepreneurs influence the conflicts that occur within their partnership?

## 2 Literature Review

This chapter starts by exploring relevant literature on core values, an outline of values classification, congruence, and their influence on the investor-investee partnership. Afterward, a deeper overview of the possible effects of value incongruence in the form of conflict is depicted by introducing previously researched aspects of task conflicts and relationship conflicts within the entrepreneurial environment.

### 2.1 Core Values

Values are commonly described by researchers as a set of beliefs, ideas, or cognitive structures that represent the sense of self (Amah & Ahiauzu, 2014; Kirkley, 2016; Macedo & Camarinha-Matos, 2013; Rokeach, 1973; Schwartz, 1992; Schwartz & Bilsky, 1987). According to Schwartz and Bilsky (1987), personal values encompass universal human requirements, such as biological needs, interpersonal communication, and institutional social demands for group welfare and survival. Hence, they cover and can be transferred to multiple areas of individuals' lives, including work settings (Rokeach, 1973).

Due to their nature, values act as one of various guiding principles that help individuals decide what is right or wrong, justify actions and evaluate others (Amah & Ahiauzu, 2014; Hitlin & Piliavin, 2004; Kirkley, 2016; Rokeach, 1973; Schwartz, 1992; Schwartz & Bilsky, 1987); which is represented in the specific mode of conduct that we choose to follow. As they unconsciously influence individuals' behaviors (Rokeach, 1973; Schwartz, 1992), personal values are of particular importance as judging criteria during uncertain situations (Bolzani & Foo, 2018; Matusik et al., 2008; Meglino & Ravlin, 1998; Rokeach, 1973; Schwartz, 1992). Therefore, it can be argued that values might play an important role in the investor-investee dyad, particularly within the entrepreneurial environment, characterized by its high level of uncertainty (Bolzani & Foo, 2018; Davidsson, 2016; Gabrielsson & Politis, 2009; Matusik et al., 2008) and for being a values-driven process (Kirkley, 2016; Morris & Schindehutte, 2005).

#### 2.1.1 Value Congruence

Value congruence can be defined as the alignment of core values among two or more individuals (Macedo & Camarinha-Matos, 2013); Meaning that an underlying consistency of beliefs and ideas exist among members of a partnership. Researchers argue that within a partnership with members presenting compatible values, the potential for a conflict to emerge

is low (Adkins et al., 1996; Jehn et al., 1997; Macedo & Camarinha-Matos, 2013). Therefore, it can be derived that the opposite might hold as well; hence, when the core values of a person are incompatible or in discordance with the core values of another person, such misalignment has the potential to develop into a conflictive situation.

In order to explore the role of value priorities on individuals' behavior and choices, Schwartz (1992) classified values in ten different universal categories, organized in two contrasting dimension named *higher-order dimensions*. The ten categories are designated based on the motivational goal that they represent, encompassing a total of 56 values, while the higher-order dimensions consist of two arrays that contrast first "Conservation versus Openness to change" and second "Self-enhancement versus Self-transcendence."

The values used in the study were selected due to their clear underlying motivational goal, taking into account common values shared among 20 different countries (Schwartz, 1992). For a detailed list of the 56 values that constitute the Schwartz value system and their definitions refer to Appendix A.

#### Motivational value categories and higher order value dimensions

According to Schwartz (1992), the placement of the values within this structure of human values was selected based on the underlying motivational goal of each category. Hence, sets of value categories with homogeneous characteristics that serve the same interests, in this case, individual or collective, were placed next to each other within a circular figure; while the value categories that serve mixed interests were used as a frontier between the individual and collective interest bundles, as follows:

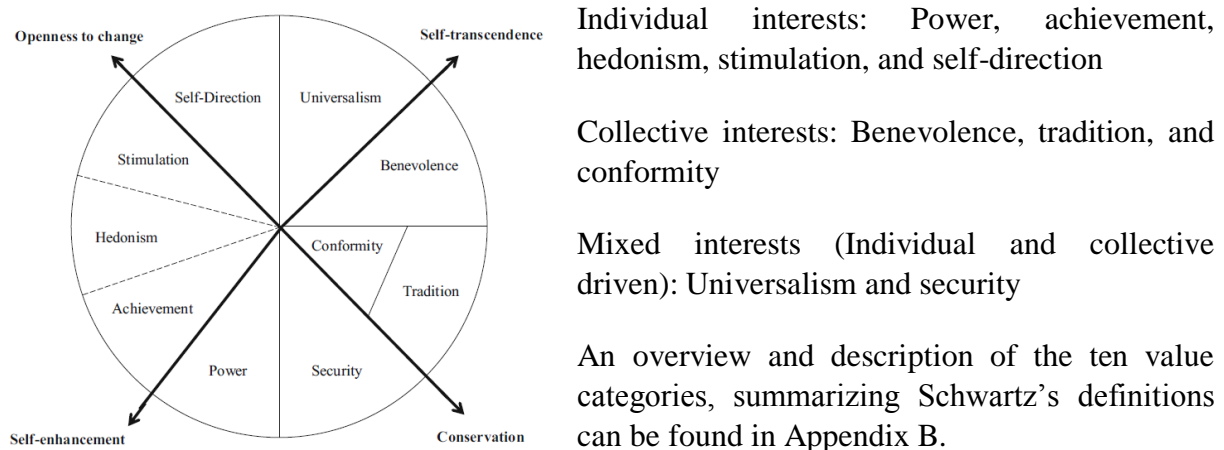


Figure 1 Theoretical structure of relations among motivational types of values. (Schwartz, 1992)

Schwartz (1992) claims that two or more values can be in conflict with one another, in some cases forcing the individual to choose or prioritize one value over the other (Schleicher et al., 2011) when making decisions. Using his theoretical structure, he illustrates that adjacent values are compatible due to an inherent similar motivational goal, while distant ones are in

conflict. Similarly, opposite sides of the higher order dimension indicate a conflict between personal values.

### 2.1.2 Effects on the Partnership

Researchers agree on the results of value congruence among individuals within a partnership. First, shared values are defined as a key element to developing trust (Kehoe & Ponting, 2003). Second, individuals with shared values are prone to foster a collaborative behavior (Adkins et al., 1996; Macedo & Camarinha-Matos, 2013); which in turn might result in a work environment that facilitates communication (Schleicher et al., 2011), crucial to achieving a common goal. Finally, individuals tend to favor those with whom they share a similar set of values, a tendency known as value homophily (Matusik et al., 2008; Meglino & Ravlin, 1998; Rokeach, 1973; Schwartz, 1992).

Within a partnership and due to the intangible nature of values, value homophily is assessed through personal interactions by unconsciously qualifying others' actions and behaviors (Matusik et al., 2008; Meglino & Ravlin, 1998). Therefore, it can be reasoned that value homophily plays a role in the response we give to others on daily interactions. As humans, and especially within the risky and uncertain entrepreneurial environment (Busenitz, 1999), we tend to behave and make decisions guided by unconscious biases (Wasserman, 2012). This premise holds also when evaluating others; according to Matusik (2008), investors tend to positively evaluate entrepreneurs that portray core values align with their own.

In terms of an on-going investor-investee partnership, Meglino and Ravlin (1998) claim that value congruence results in perceiving and interpreting their environment in a similar manner; hence, resulting in similar behavior. Therefore, this congruence might facilitate interactions, ease communication (Matusik et al., 2008), and help to better predict the behavior of the other person (Adkins et al., 1996; Meglino & Ravlin, 1998; Rokeach, 1973; Schwartz, 1992). While the opposite, value incongruence, might have a contrary effect with negative connotations.

In general, it is argued that value congruence between individuals lowers the potential for conflicts to arise (Adkins et al., 1996; Macedo & Camarinha-Matos, 2013). However, even though having aligned values with a partner does not guarantee the total elimination of conflicts (Macedo & Camarinha-Matos, 2013), as mentioned by Amah and Ahiauzu (2014), shared values are a source of integration and coordination that act as facilitators to achieve a common goal. Therefore, within a partnership context, having non-aligned core values between partners will result in opposing behaviors that might trigger conflicts. The available literature focuses on the effects of shared values on organizations' performance (Amah & Ahiauzu, 2014; Macedo & Camarinha-Matos, 2013). This analysis will be taken as a starting point to explore the effects of aligned and non-aligned core values on the partnership between entrepreneurs and investors.

## 2.2 Conflicts between Investors and Entrepreneurs

Conflicts have been extensively researched within organizational literature, and they are generally defined as “perceived incompatibilities or discrepant views among the parties involved” (Jehn & Bendersky, 2003, p. 189). They are usually divided into two categories, task conflicts and relationship conflicts (De Dreu & Weingart, 2003). The following subsections outline the mentioned two categories of conflicts, their relevance, and effects on the investor-investee dyad.

### 2.2.1 Task Conflicts

Task conflicts, also known as cognitive conflicts (Yitshaki, 2008), are defined as disagreements between teams (intergroup) or/and between team members (intragroup) about the tasks that should be performed in a venture (Jehn & Bendersky, 2003). They arise due to the existence of different points of view about the tasks at hand, the way these tasks should be completed and who should be responsible for them (Brettel et al., 2013; Collewaert & Sapienza, 2016; Jehn, 1995; Yitshaki, 2008). Some examples of task conflicts are conflicts about the distribution of resources, procedures, policies, judgments, interpretation of facts, decision-making processes, and level of involvement in the venture (De Dreu & Weingart, 2003).

Many causes trigger the generation of task conflicts within the investor-investee partnership. The most common task conflicts arise from disputes about venture goals and policies (Khanin & Turel, 2015). More specifically, interest and agency problems can be created when the investors value the venture in their favor over the entrepreneur, and vice versa or when control issues are present during their partnership (Khanin & Turel, 2015). These control issues become prevalent when the entrepreneur or the investor believe that they alone should make the decisions that define the strategy and the tactics of the venture (Khanin & Turel, 2015). This type of conflict also arises when each part of the dyad does not contribute to the venture as expected or as previously agreed upon due to different reasons, such as misinterpretation and miscommunication over the task, incompetence to complete it, shirking and opportunistic acts (Parhankangas & Landström, 2006).

Too much control and a high level of involvement, as well as unmet expectations and a low level of involvement, can create task conflicts due to disagreement over the investor’s desired level of involvement (Khanin & Turel, 2015; Yitshaki, 2008). The investors’ desired level of involvement in the venture is frequently tight to differences on the perceptions of the venture, expectations, and contractual agreements (Khanin & Turel, 2015; Yitshaki, 2008). This situation can per se be perceived as a problematic one due to the intrinsic conflict of interests involved. In one hand, the level of involvement of the investor is influenced by personal preferences and firm performance. And on the other hand, a balance between entrepreneur and investor preferences on the matter should be aligned. According to Yitshaki (2008), investor’s high level of involvement in an underperforming firm is associated with high levels

of conflict. However, it can be argued that the less productive a venture is, the more likely an investor will be involved to try and minimize the losses, which as previously mentioned will more likely increase the probabilities of conflicts arising (Yitshaki, 2008). These differences between the desirable and actual state are tight to differences on the perceptions of the venture, expectations, and contractual agreements (Khanin & Turel, 2015; Yitshaki, 2008). In conclusion, task conflicts can manifest themselves in different ways and different stages during the partnership, which influences not only the relationship between investors and entrepreneurs but also the venture.

Relevant research has shown that these conflicts can have multiple impacts on the venture; more specifically on team and venture performance, the intentions to exit the venture, the company's innovativeness and the confidence in partner co-operation.

Regarding team performance, researchers have contradicting views on the effects of task conflicts. Some of them argue that task conflicts can have both negative and positive effects (Brettel et al., 2013; Collewaert, 2012; De Dreu & Weingart, 2003; Jehn, 1995; Jiang et al., 2013). On the negative side, task conflicts influence performance and reduce satisfaction within the teams, as they produce tension and antagonism (De Dreu & Weingart, 2003). On the positive side, task conflicts can create awareness of inefficiencies and act as enablers of creativity. Therefore, task conflict as a disagreement can also be beneficial for venture performance (Higashide & Birley, 2002), especially when working on non-routine tasks (Jehn, 1995; Jehn & Bendersky, 2003). In this case, conflict might spark creativity as it stirs up critical conversations, the vocalization of different perspectives and more in-depth evaluation of opportunities (Brettel et al., 2013; De Dreu & Van Vianen, 2001; Jehn, 1995).

Other researchers claim that there is no positive correlation between task conflicts and team performance, indicating that in the long term, conflicts tend to intensify and harm team's stability (De Dreu & Weingart, 2003); hence, the positive effects described as associated with task conflicts would be minimized or entirely disappear.

Entrepreneurs are influenced by task conflicts as perceived incompatibilities because they are emotionally attached to their ventures and have invested themselves in developing them. Hence, they expect that their external investor will be in the position to understand their vision and goals (Collewaert, 2012). When the investor continuously confronts them with task conflicts, they perceive the investor's suggestions as hostile and as a counteract against their ambitions (Collewaert, 2012). In line with Collewaert's research, Zacharakis et al. (2010) argue that task conflicts can reduce the entrepreneur's confidence in partner cooperation due to the entrepreneur's emotional attachment with his/her venture. Therefore, they suggest that it is essential for the entrepreneurial team to build cohesion and a good partnership with the investor as early as possible.

Moreover, task conflicts can also strongly affect the company's innovativeness in situations when there are disagreements about priorities, imbalanced experience in the investor-entrepreneur team and when communication is frequent (Collewaert & Sapienza, 2016). First, disagreements on priorities become time-consuming until they are resolved, leaving less time for creative processes. Second, less experience means limited acquired cognitive frameworks,

which inhibit the individuals from recognizing opportunities and making the right choices. Lastly, frequent communication worsens task conflicts because of the repetition and exacerbation of the conflict itself (Collewaert & Sapienza, 2016).

To sum up, task conflicts between the investors and entrepreneurs can play a significant role in their relationship and the venture. Due to the potential of positive effects of task conflicts, Yitshaki (2008) suggests that investors and entrepreneurs should establish conflict management mechanisms, instead of conflict resolution mechanisms. For instance, try to reach a consensus and discuss topics involving a shared vision and similar interpretation of the venture, in order to create the opportunity of increasing team performance (Yitshaki, 2008). Although the literature is divided about the existence of beneficial effects of task conflicts, there is agreement regarding that when task conflicts and relationship conflicts occur at the same time; relationship conflicts can diminish or even eliminate any possible positive effect (Brettel et al., 2013). The following section addresses the second category of conflicts, namely, relationship conflicts. It provides an overview of the relevant literature covering the topic, a definition, and its effects on the investor-entrepreneur dyad.

### 2.2.2 Relationship Conflicts

Relationship conflicts, also known as affective conflicts, are characterized for being non-task-related and can be defined as interpersonal disagreements that arise due to clashes about personal preferences, values, ethical principles, or style (De Dreu & Weingart, 2003; Jehn, 1995; Jehn et al., 2008; Rahim, 2002). Due to their intrinsic nature, relationship conflicts are expressed in an emotional manner and focus on the personal incompatibilities of a relationship (De Dreu & Weingart, 2003; Jehn, 1995; Jehn et al., 2008; Yang & Mossholder, 2004). They are described as dysfunctional, as they are expressed in friction that includes tension, and animosity between members of a partnership (Amason, 1996; Jehn, 1995; Jehn et al., 2008; Rahim, 2002; Yang & Mossholder, 2004; Yitshaki, 2008). Moreover, they are a source of negative emotions such as anger, anxiety, and frustration (Jehn, 1995; Jehn, 1997; Jiang et al., 2013).

According to Yitshaki's study (2008), as opposed to task conflicts, which are perceived by investors and entrepreneurs as inevitable and even important for the development of a new venture, in terms of decision-making processes; when addressing situations involving relationship conflicts, both parties tend to perceive them as a high level of conflict that negatively affects the team and firm performance. Scholars agree on the adverse effects of relationship conflicts, whether the parties involved are engaging on a routine or a more complex task (De Dreu & Weingart, 2003; De Wit et al., 2013; Jehn, 1995; Jiang et al., 2013; Yitshaki, 2008). Some of the major consequences of continuous relationship conflicts between members of a team threaten the stability of the partnership in the long run. It is argued that affective conflicts impact people's levels of satisfaction and motivation (De Dreu & Weingart, 2003; de Wit et al., 2013; Jehn, 1995; Jehn, 1997), which in turn can lead to members of a partnership to be less willing to commit to a common goal and even to prematurely exit the company (Yitshaki, 2008).



Moreover, since the topic addresses human emotions, the consequences of relationship conflicts can also have a spillover effect on task conflicts. A partnership that has been previously tainted by negative relationship interactions is more likely to consciously or unconsciously let it affect task-related matters (De Wit et al., 2013). The members of the partnership would be more inclined to focus on each other rather than on the tasks at hand (Jiang et al., 2013), which can result in a decrease in productivity. Likewise, as argued by de Wit (2013), the occurrence of relationship conflicts can cause rigidity, a sense of competition, and a tendency to biasedly judge the other person's opinions. For instance, if the focus is placed on an existing interpersonal disagreement, reaching a consensus during a decision-making process will become inefficient. In this case, the partners' interaction becomes more emotional, and constructive feedback might be taken as personal grievances (De Wit et al., 2013). Therefore, the parties involved are more likely to present a more hostile attitude towards each other and accepting the other person's input becomes challenging.

According to De Dreu & Van Vianen (2001) and Benitez et al. (2018), people involved in relationship conflicts might adopt an avoiding, collaborating, or contending stance. Researchers' conclusions on which of these positions present the best results when dealing with conflicts are contradictory. The three options present positive and negative effects. Avoiding, as described by De Dreu & Van Vianen (2001), can serve as an attention-diverting strategy, allowing the problem to be solved with the pass of time and focusing the attention on task-related goals. However, one can argue that not focusing on the problem will not always result in a solution, and it might only postpone a clash of opinions. Collaborating and contending require a higher degree of attention towards the problem and at the same time, more time and energy needs to be focused on the conflict per se (Benitez et al., 2018; De Dreu & Van Vianen, 2001). Yet, solving the problem as soon as possible might prevent it from escalating in the future.

Relationship conflicts are a part of human interactions, and as previously mentioned, they can negatively impact the team and firm performance. As mentioned by Jehn (2008), conflicts can also be defined as interactive social processes, which can affect the levels of trust and respect within a relationship. A substantial amount of research has explored the value of trust between the dyad of investor-investee. Shepherd & Zacharakis (2001) propose that entrepreneurs and investors build mutual trust by signaling commitment and consistency, by being fair and just, by obtaining a good fit with one's partner, and with frequent and open communication. Entrepreneurs should also be ready to receive strong reactions from the investors, when the psychological contract violation is perceived to be voluntary and harmful for the company and when the relationship is beyond repair (Parhankangas & Landström, 2004). Overall, the entrepreneur and the investor have to balance the level of control in order to build trust, and the optimal level of confidence in partner cooperation is more likely to be achieved (Shepherd & Zacharakis, 2001). Jiang's (2013) multilevel examination concludes that individuals skilled in emotion regulation are able to limit the effects of relationship conflicts by tackling the root of the problem, emotions. By doing so, it is possible to mitigate their negative effects through the use of different conflict management techniques (Jiang et al., 2013)

Conflict as personal friction has been consistently associated with negative venture

performance (Brettel et al., 2013; De Dreu & Weingart, 2003; Higashide & Birley, 2002; Yitshaki, 2008); however, relationship conflict cannot be completely eliminated as entrepreneurs tend to be emotionally involved with their ventures (Yitshaki, 2008). As an intrinsic part of the relationship between investors and entrepreneurs, a deeper understanding of this phenomenon is needed. We want to better explore how conflicts manifest and what are its effects within the dyad investor-investee.

## 3 Methodology

This chapter starts by presenting an overview of the research design of the study. Followed by the data collection methods, those include the sample criteria for the investors and entrepreneurs, and a description of the interview process. Finally, the coding method that will be used to analyze the collected data is addressed.

### 3.1 Research Design

This study seeks a better understanding of the conflicts that arise between investors and entrepreneurs and the role that their core values play in this scenario. Qualitative research is often regarded as a method that provides valuable data about real-life situations and people and as more suitable to understand behavior within its wider context (De Vaus, 2014), compared to quantitative methods. Moreover, it is inherently exploratory, flexible, context-sensitive and data-driven (Mason, 2002). Consequently, a qualitative approach was chosen to explore and understand the meaning that different individuals give to the phenomenon of conflicts and how values affect this social problem (Creswell & Creswell, 2018).

In line with our research purpose, the nature of individuals' core values and the interpersonal conflicts of the investor-investee dyad, we do not intend to reach a right or wrong conclusion, but to explore different actors' points of view that are subjective in nature and dependent on their own experiences and ways to see the world. Different individuals describe values, their meaning, and arisen conflicts in such a way that represents their own underlying motivations, understanding.

This study closely follows the logic of phenomenological research design as it allows the researchers to understand a phenomenon as seen through the eyes of those who have experienced it. In addition, it is a research design suitable for studying emotional, affective, and often intense human experiences (Merriam, 1998), which directly applies to the purpose of this study. However, the most common phenomenological analysis does not use a theoretical orientation, but the researchers attempt to build the essence of experience from the participants (Creswell & Creswell, 2018). This comes in contrast with the present study, which uses the theory provided by Schwartz (1992) to correlate and systemize the values of the participants with the experience of conflicts.

A total of ten interviews were conducted, five with business angels and five with the entrepreneurs that they have invested in. All interviews were voice recorded with the prior consent of the interviewees. Moreover, the names of the investors and entrepreneurs, as well as the companies they work in, will remain confidential. The interviews were transcribed, and

the generated data was subjected to a coding process. The objective of the coding was to break down the data into smaller sections and be further organized and analyzed (Creswell & Creswell, 2018).

## 3.2 Sample Selection

In order to understand the inter- and cross-sectional relationships of the investors and entrepreneurs, dyads were formed. For convenience, we named them cases and assigned a letter to each dyad. Each case includes one investor and one entrepreneur; in which the latter has accepted external capital from the former (Appendix C). In order to acquire each part of the cases, different methods were followed.

### 3.2.1 Investors

A purposive sampling selection was deemed appropriate for the exploratory nature of this research. Due to their characteristics, business angels were selected for this study. The motivation behind this decision is based on: First, this type of investors are described as being more open to discuss conflicts in a more specific manner; in contrast with other types of investors such as venture capitalists (Yitshaki, 2008). Second, they invest their own money (Landström, 2017); hence, the decision-making process regarding whom to invest in is a personal one. Third, their investment motivations go beyond financial ones (Landström, 2017). Therefore, they tend to be more personally attached to the ventures they invest in. Finally, a network of business angels resides in the proximity to Lund, where the research is being conducted, making it more convenient to have access to one-on-one interviews, which are needed for this study.

Business angels are a very heterogeneous group in terms of behavior, type of companies they choose to invest in, amount of financial contribution, roles, and level of involvement in the venture (Ramadani, 2009; Landström, 2017). Therefore, the following criteria have been set to screen and choose each business angel: i) 5 years of experience of informal investment, ii) to have invested in at least 3 start-up companies, and iii) to invest individually. The reasoning behind the criteria is based on the level of experience that the investor gains. The longer the individual is involved in informal investment activities, the more they become financially sophisticated and knowledgeable (Politis & Landström, 2002). The experience and knowledge that is present within our sample give the authors more opportunities to encounter a broader range and amount of conflicts during interviews.

Due to the delicate nature of our topic and the time constraints for establishing a connection and building trust with the interviewees for them to feel comfortable to express his/her thoughts about conflicts and personal values, the Business Angels were approached through the university network, since an initial connection was already established. A sample of the initial contact can be found in Appendix D and an overview of the qualifications of the five

investors that were selected in Appendix C.

### 3.2.2 Entrepreneurs

In order to examine dyadic relationships, each business angel was requested to refer the authors to a CEO or a founder member from his portfolio, a process defined as a snowball sampling selection method (Bryman & Bell, 2011). For the cases in which the investor referred the authors to more than one entrepreneur, an exponential discriminative snowball sampling was applied. Therefore, after analyzing the profiles of the referred entrepreneurs, the one who was perceived as to have experienced more conflicts with his investor was selected for an interview. As a result, a number of five entrepreneurs were selected to be interviewed as the complementary part of the dyad. A sample of the email that was sent to the sampled entrepreneurs can be found in Appendix E.

## 3.3 Data Collection

Ten semi-structured in-depth interviews were conducted during April and May 2019, with business angels and the respective entrepreneurs they collaborate with. Semi-structured interviews were chosen for the flexibility it gives to the process. The central focus is placed on how the interviewees perceive and understand the different events and issues that occur in the context of the partnership. As such, this type of interview was used as guidance for the discussion but was adapted accordingly to the responses of the participants while the interviews were conducted (Bryman & Bell, 2011).

Before the interviews, two interview guides, one for the investors and one for the entrepreneurs, were created taking into consideration the respective literature and the research problem as the base for the questions (Appendix F and Appendix G). Open-ended questions were included in the interview design to allow the interviewees to freely express their opinions and perspectives. Moreover, this type of questions increase the accuracy of retrospective reports (Collewaert and Fassin, 2011), and allows for a larger and more detailed breadth of data to be collected (Bryman & Bell, 2011). In addition, a combination of semi-structured interviews and open-ended questions allowed the interviewers to ask follow-up questions when deemed needed, referring to important pieces of information given by the participants during the conversation.

In order to try to minimize biases influencing the answers of the participants, the topic and purpose of the research was summarized as, a better understanding of the relationship between investors and entrepreneurs, without mentioning values or conflicts as the main focus. Like this, the participants were able to answer the question without a preconceived idea of what kind of information the interviewers were trying to obtain, which could potentially taint the provided information.

The interviews were divided into four sections, defined as introduction, conflicts, values, and conclusion.

The first section starts with an introduction of the topic, the disclaimer of anonymity, and the authorization request to audio-record the interview. Followed by two introductory questions, also known as opening questions (Creswell & Creswell, 2018), that were used to create a safe environment for the interview in the process. They let the interviewee open up by addressing a familiar topic and letting them talk about themselves and their motivations. In addition, these questions served as a gradual transition to the more sensitive topic, the occurrence of conflicts in the partnership.

The second section focused on the conflicts that arise during their partnerships. This section included content questions in direct relation to the research purpose of the study. Hence, real-life examples were asked for to the interviewees and were used as the base for more specifying questions. By asking for specific events, the authors tried to minimize the risk of inaccurate data. Since the interviewees were talking about factual details, they revealed how they acted in certain situations as opposed to how they would react to a fictional situation that the interviewers could have presented to them.

The third section is dedicated to values, and as the second section of the interview, it includes content questions in direct relation with the research purpose of the study. This section is divided into two phases. The initial phase included open-ended questions about the interviewees' perception of their personal values within the entrepreneurial environment, while the second phase included Schwartz's 56 values inventory (Schwartz, 1992). This inventory was given to the participants in the form of 56 value cards, each one with a short description of the value. The interviewees were asked to select the five values that they believe are the most important in their lives at the current stage. As in Kirkley's (2016) study, which used a survey based on these values, the results were used as an "aide-memoire" to initiate discussion around each person's selected values. The goal of this second phase is to determine the meaning that the participants associated with the chosen values and how they practically correlate them with their investing or entrepreneurial career.

The fourth and final section was dedicated to thank the interviewees for their time, reassure the anonymity of the interview, answer final questions, and establish the possibility of another interview in case it would be needed. When interviewing investors, this section of the interview was also used to ask to be directed to an entrepreneur they are collaborating with, to complete the dyad investor-entrepreneur.

The interpretive nature of the analysis and the fact that underlying notions, body language and "reading between the lines" are necessary to direct the conversation towards the topic of conflicts, a one-on-one meeting to conduct the interviews was pursued in all cases. All the interviews were audio recorded, with the prior consent of the interviewees. Each interview lasted between 40 to 90 minutes, were conducted in the English language by the two authors. All the interviews were audio recorded after the consent of the interviewees, and later transcribed.

### 3.4 Data Analysis

All the interviews were independently transcribed and reviewed by the two authors of the study. For the data analysis, NVivo12 was used. This software significantly reduces manual tasks and gives the researchers more time to recognize patterns, themes, and extract conclusions (Hilal & Alabri, 2013). Although the most qualitative analysis in social sciences allow the codes to develop during the data analysis (Creswell & Creswell, 2018), the codes to systemize the results for this study were previously selected. These codes are the 56 values included in the inventory, which in turn belong to Schwartz's ten value categories (Schwartz, 1992), as they include commonly cited values that have been administered to over 30.000 respondents over the last 27 years (Kirkley, 2016). See Appendix B.

Each time a statement was representing one of these values, they were categorized in the coding software. These statements were also categorized in terms of the presence of task conflict, relationship conflict, and absence of conflict. The coding of the data was done separately by both authors, and the results and emerging patterns were compared later on, in order to minimize the presence of biases (Bryman & Bell, 2011).

Once all the interviews were transcribed, and an agreement was reached by the authors, in regards to the results of the coding, the data were analyzed as follows. First, each dyad forming a case was analyzed. Thus, the results from the interviews of investors and entrepreneurs forming a dyad were compared and contrasted with each other, resulting in a specific case. The coding categories assigned for the values placed in the theoretical structure of relations among motivational types of values (See Figure 1) were used to determine the underlying drivers of each individual. The results of investors and entrepreneurs were compared with each other to determine the existence of value congruence, following Schwartz theory. Subsequently, the resulting value congruence is evaluated to identify its effect on the conflicts present along with the partnership. Second, the resulting cases (Investor-Entrepreneur) were compared and contrasted with each other in order to generate final conclusions on the impact of core values in the conflicts between investors of entrepreneurs, as the results of this study.

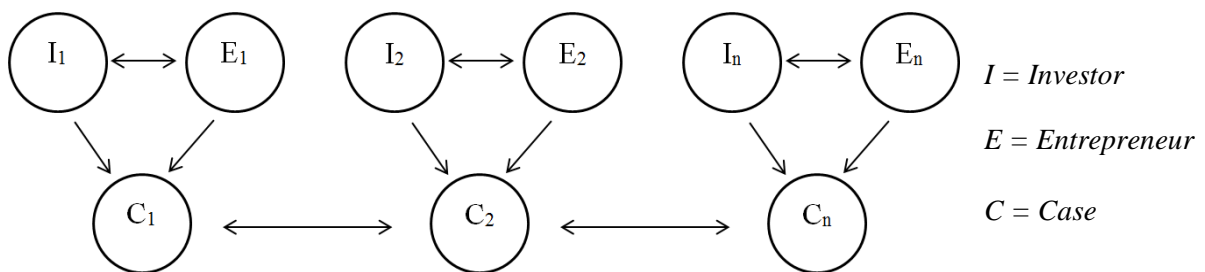


Figure 2 Data analysis format

## 4 Findings

In this chapter, first, detail description and analysis of the findings of the interviews are presented. Since dyadic relationships are being explored, the findings are presented case by case, to understand the impact that each person's values have on each other. Second, a comparison between the cases is introduced, where common patterns, similarities, and differences are addressed. In turn, this second section is divided into the identified topics impacted by core values according to the empirical data. Finally, the discussion section correlates the findings with current literature and answers to the research question are provided.

### 4.1 Case Analysis

#### 4.1.1 Case A

In Case A, the dyad started working together initially in a mentor-mentee relationship; therefore, a sense of hierarchy was established, which has been transmitted to the new investor-investee stage.

The investor sees his knowledge and his contribution as a more valuable asset than the money he invests in a company. He places great importance on influencing the venture and the entrepreneurs he invests in; which he manages through the shareholders' agreement and by being a board member. He mentions, *"The reason I put the money in the company is because I want to have a say. So if I say something I want it to be listened to. And in some cases, it should be done."* When he is selecting an entrepreneur to invest in, he is looking for someone that is *"obedient or coachable,"* meaning a person that can become more entrepreneurial over time, is open to suggestions and not defensive when he or she receives feedback. Despite the high importance that Investor A ascribes to having control and power over the entrepreneurial process and the company, this case did not include any major conflicts. Throughout the interview, the entrepreneur acknowledged how important the investor's opinion is for the company. He appreciates the continuous communication with the investor and takes his advice into account as a decisive factor when making decisions.

Both Investor A and Entrepreneur A place great importance on the value of responsibility. Investor A perceives responsibility as encompassing commitment and delivering what was promised. He wants to monitor the progress of the business, and receiving monthly reports is considered a must for him. These aspects are shared by entrepreneur A, who feels responsible for delivering and living up to the expectations of the investor that trusted him enough to



invest in him. Entrepreneur A mentions, *“You feel responsibility that he has invested some money in you. (...) We keep them in the loop. As long as we do that, it feels right.”* In the past, this aspect has been a source of conflict for Investor A, when the lack of structure and follow up information from a different entrepreneur resulted in a premature exit of the investor. This irresponsible act is important for Investor A, as he places a high value in his independence and by not delivering these reports, he risks becoming personally liable. Therefore, it is suggested that the combination of the investor who wants to have control and the entrepreneur who has a high sense of responsibility towards the investor works complementary.

Another value that Investor A and Entrepreneur A agree on is having a meaningful and purposeful life. It reflects on their need of understanding the reasons behind what they are doing, to make decisions based on their long-term goals. Both parts of the dyad want to create things and explore new ideas, but they do not want to do it only for individualistic reasons, but as a contribution or a positive influence to their social circle and their families. Entrepreneur A places a high value on his family and pointed out that he likes that his investors have families of their own as they tend to talk about them, giving them a mutual understanding and relatable priorities in life.

Moreover, as a former entrepreneur, Investor A can relate to the struggles that entrepreneurs face. However, he also believes that entrepreneurs must demonstrate their commitment and motivation towards the company by enduring the difficulties and not giving up. In the case of Entrepreneur A, he signals his commitment by investing all his time and effort to the company. He commented, *“We do not require large salaries to do the job. And our part is also that we are investing in it in time and low salaries.”*

When asked about possible sources of conflict, Entrepreneur A expressed that having an investor telling him what to do instead of making suggestions is a possible source of conflict. And since the investor places the value category of power as one of his main drivers, which includes authority and social power that emphasize having control over others, it can be argued that this might be a possible source of conflicts between the dyad in the future. Quoting the investor, *“there will be decision points where I have a veto, which means that they are not allowed to decide without me saying yes.”*

Overall, Case A presents a low level of conflict. Both parts of the dyad complement each other. Investor A as an individual that regards the category of power as one of his drivers feels that the role of advisor fits him, allowing him to coach the entrepreneur he is working with. While for Entrepreneur A, this is exactly what he was looking for in an investor, someone with more experience in the business that can be relied upon for guidance.

#### 4.1.2 Case B

Case B represents a relatively new partnership; the dyad has been working together for seven months. The partnership started on a mentor-mentee structure and developed into an investor-investee one. In the case of the entrepreneur, and based on the previous structure of the relationship, it has become a challenge to make a division between friendship and business.

On the other hand, Investor B mentioned that the best partnerships and exits that he has been part of are the ones that became friendships. Which reflects on one of his main investment criteria, he has to like the people he invests in; a good partnership is described by him as one where you have fun with the people you work with.

The importance of having a close relationship with the entrepreneur is reflected on the regularity of the communication the dyad maintains. Both parties stated that they communicate with each other on a daily basis. The partnership is based on communication that is equally described by the investor and the entrepreneur as honest and very direct. The decision-making process is clear, the investor acts as an advisor, but the final decision is made by the entrepreneur. The entrepreneur stated, *"We don't have a contract. (...) But the final say is mine. I'm the person that is taking all daily decisions, but I do take his opinion in consideration a lot."*

Their values also reflect on the way that they reach a consensus when a major disagreement of opinions takes place. The investor's value of openness and the entrepreneur's value of creativity create the conditions to challenge each other to come up with better ideas until a consensus is reached, and it is possible to move forward. As the entrepreneur stated, *"if you say no, you need to have a better idea. And if you don't have a better idea, it's okay; we can talk. But until a better idea comes up, that idea cannot be totally rejected."* This consensus is reached by being straight-forward to each other, but still respectful and open-minded. As the entrepreneur mentions, *"We both try to respect each other. We know that if we don't both agree on something, we cannot really move forward. (...) If we don't agree, we just keep on talking, or we keep discussing it until we find a way to move forward."*

As mentioned by the entrepreneur, no formal contracts have been signed so far; the relationship works on verbal agreements. For the investor, this aspect is considered a signal of trust; he added, *"I work without a contract in the beginning. (...) I try to really help you and say what I think. (...) If you don't trust me from the beginning and think that I will run away, then there is already no balance."* However, the entrepreneur expresses her worries about the informalities of the partnership, and how it intervenes on *"what we can actually ask of each other and what we cannot"*; hence the extent of the responsibilities of each party becomes unclear, including the investor's level of involvement. From the investor's perspective, he has an advisory role in the venture, but from the entrepreneur's perspective, the multiple business responsibilities of the investor do not allow him to have a more hands-on approach to the partnership.

Case B presents a new partnership with a low level of conflicts, investor and entrepreneur share several values as a base for the partnership, such as honesty that allows them to maintain open and continuous communication. However, the informality of the agreement reveals several potential sources of conflict. For instance, the level of involvement of the investor, the decision-making process in the long term, the level of accountability, and expectations of deliverables from both parts of the dyad.

### 4.1.3 Case C

Case C represents an ongoing partnership of four years, where the expressed values of the investor and the entrepreneur are aligned. Investor C was the first person to invest in this venture at a very early stage. During the interview, the investor showed an exceptional level of self-awareness. The characteristics chosen by the investor to describe himself are aligned with the perception of the ones that Entrepreneur C had for him.

Entrepreneur C places great importance on curiosity. She believes that this is the main trait of a good entrepreneur. She stated, *“Without being curious, open-minded and continuously challenging yourself, (...) you will not be moving forward. (...) Things change all the time, and you need to be able to change with that”*. Similarly, Investor C motivation for becoming a business angel is curiosity. He describes himself as an *“extremely curious person,”* that is not investing for *“wealth, or status, or network or whatever, I am doing it for knowledge, I really enjoy learning.”* Moreover, he expects that the entrepreneurs he collaborates with share his passion for acquiring knowledge and for growing. In fact, growth mentality is described by the entrepreneur as one of his main criteria for choosing whom to invest. He also expects from his investees to implement this growth mentality and personal development within and outside their business. Entrepreneur C knows that she can contact Investor C anytime for advice, and trusts him completely, as she mentions that *“sometimes he gives advice that it's better for me as a founder, and it's less favorable for him as an investor. (...) he cares about the founders and the company more than he cares about his personal return.”*

Another significant value for this dyad is equality. The investor seeks a partnership characterized by an equal horizontal relationship, and he defines the relationships as, *“I'm their sibling, not their parent, we have a peer relationship.”* He considers himself non-operational but as an advisor and *“an ecosystem designer”* that will direct the entrepreneur in the right track and introduce the best person for the job to be done in the best way possible. He wants to offer suggestions; he expects to be listened and respected but does not engage in micromanaging and dictating what needs to be done. In line with this view, Entrepreneur C was looking for an investor with a broad experience that could fulfill the role of an advisor, with whom to discuss ideas.

Moreover, for the investor, equality also encompasses diversity, which he believes is the key to innovation and growth. When an entrepreneur cannot see the reason why he or she needs to diversify their team or does not take the decision to do it, Investor C prefers to become more passive and engage with them only on subjects that the entrepreneurs consider essential. In line with her investor, Entrepreneur C believes that without equality and diversity, *“we can't build the future,”* and this is a value that she applies in the daily activities of the company. She stated, *“I make sure that our products do not discriminate based on different factors. Our team is very diverse, unlike other technology companies, and people actually get equal treatment and equal opportunities.”*

The underlying motivations of both parts of the dyad are aligned. When it comes to conflicts, the curious nature of both investor and entrepreneur allow them to explore the differences that can arise and try to reach an understanding. For instance, the entrepreneur expressed that

since her investor is a male, it was difficult for him to understand and relate to her struggles to raise capital as a female working in the tech industry. She mentioned, *“He couldn't understand why it was happening to me because he has never experienced that (...) After that, he just talks a lot to his founders. And now he, he probably will say, this hasn't been my experiences, but I understand where you're coming from and understand why it's happening to you.”* When her other investors do not show this curiosity and willingness to understand, she decides to avoid the topics that could trigger conflicts.

Overall, Case C presents an example of how value congruence can ease the process to reach an understanding and minimize the appearance of conflicts. At the same time, it is interesting to notice, that since the investor has such strong world-views, and based on his past reactions, in case Entrepreneur C changes her values and beliefs, it will change the dynamics of the relationship and the investor will possibly become passive in the process.

#### 4.1.4 Case D

Case D is formed by a dyad that presents a significant age difference between the investor and the entrepreneur. The investor act as an advisor and mentor for the entrepreneurial team, but Entrepreneur D also perceives him as someone who offers him moral support during the entrepreneurial process. As he mentioned *“In different times, there's gonna be hard times and you will need help, but you need to believe in it, then you need to, keep going, and you've come so far. So it's like, he's a motivational guy. (...) He's like, my dad in the business world. So, I admire him.”* This situation allows this dyad to combine up to date ideas from the entrepreneur with the experience of the investor.

Both the entrepreneur and the investor ascribe great importance in the value of helpfulness. Entrepreneur D was looking for an investor that could contribute to the business by providing advice, credibility, network, and experience. He expressed that for him, it is crucial to work with an investor that is interested in who the entrepreneur really is, beyond the financial returns. This view goes in line with the motivation of Investor D on becoming a business angel. He mentions, *“My main driver is not the money in startups. This is more of an interest in helping, giving back.”* The fact that the investor does not fixate on financial returns can potentially explain why this dyad showed a very low level of conflicts.

Even before the investment process begins, Investor D tries to understand the character of the prospective investee. During the personality due diligence, he is searching for entrepreneurs who are honest, loyal, open-minded, and persistent, while he also looks to understand their motivations behind creating their businesses. He values freedom and does not like to micromanage the entrepreneur or dictate decisions. Entrepreneur D presents all of these qualities; he is a person driven by the value of passion and having a purpose and meaning in his actions, who knows what his long-term goals with his company is; hence they have a mutual understanding and the freedom to learn from each other.

Conflicts and tensions that are present with other investors and entrepreneurs have not appeared in this dyad. The only time that Investor D did not thoroughly check the

entrepreneurs in which he invested, and relied on the opinion of a trusted friend, he partnered up with people that he eventually understood did not follow his value system and were dishonest. These people avoided contacting him and lied about their progress. On the contrary, Entrepreneur D keeps close communication with him through emails and social networks, which makes their relationship respectful to the investor's expectations to be informed about the progress, but also less formal and straight forward.

The tensions that Entrepreneur D states that he has experienced with most of his other investors relate to his business model, which is focused on attracting users, but currently is not creating revenue. Investor D understands the value of this because of his previous entrepreneurial experience on creating an online platform, where he followed a similar path. Furthermore, his motivations are not financial, and he operates in the same city as the entrepreneur, which makes communication more frequent, and he receives a more significant flow of information.

Another factor contributing to making this partnership uneventful lies on the entrepreneur maintaining a positive attitude towards suggestions, even though he is aware that his knowledge about the nature of the venture is superior to the investor's. He brings all the ideas to the other members of the team, evaluate them, and then inform the investor about their decision. This combination of broad-mindedness, respectfulness towards the investor and at the same time, the freedom to make decisions alleviates potential task and relationship conflicts.

Overall, their relationship did not show any type of conflicts, due to a very open mindset, continuous communication, and a mutual understanding of how they should run the business.

#### 4.1.5 Case E

Case E dyad has been working together for 10 years. The relationship started as a mentor-mentee type of collaboration until the business angel decided to take on the role of investor and board member. Their commonalities are based on the values of helpfulness, broad-mindedness, honesty, and ambition. Although the investor cares about the financial returns, it is not his only driving force for investing. He stated, *"I want to bring something to the table more than the money or the other way around. I think that I can learn something from doing an investment."* This motivation is shared by the entrepreneur, who expressed, *"I'm not running this company to get money or be rich. I'm doing it because it is fun. But of course, if I do it well, I hope that that will be the side effect."*

As the company grew, the investors' knowledge about a Life Science business was not sufficient to meaningfully contribute, so the decision to replace him was taken. According to the entrepreneur, this did not create any changes in the dynamics of the relationship, since the investor still contributes within his area of expertise, which is Finance. From the investor's perspective, he is aware of his contribution to the venture, in terms of knowledge and capabilities. He expressed how his strong views on financial structuring have previously been a source of conflict. His long experience in investment banking and working with

multinational companies have created strong views on how a business should be financially and legally structured. As he mentioned, *“I can be really hard on what I want because I know it's right.”* However, in line with his value of self-discipline, which he explained as the control over emotions and the decision to act upon them or not, is his reaction when an agreement cannot be reached. He stated that in some cases, “you just have to let it go.”

Both parts of the dyad value direct communication and place great importance in the value of intelligence. This value encompasses being guided by reason, logic and acting practically, which clearly reflect the relationship investor-investee in Case E. The investor mentions his desire to act independently from his feelings, which he defines as self-control, one of the values he believes as very important in his life. Similarly, the entrepreneur expresses the importance of maintaining the relationship investor-investee strictly on a business basis, separating it from a friendship, even though he has worked with Investor E for ten years.

The entrepreneur mentions that the conflicts appear only *“during crises”* when the company does not perform as expected, due to the fear of the investors of losing their invested capital. His way of alleviating these problems is working collaboratively with the other party and trying to find solutions. This aligns with the perception of the investor, who expects from the entrepreneurial teams to openly discuss the problems they encounter, ask for advice, and offer proposals of action. From his personal experience, the biggest conflict and failure that he encountered in his career relates to unfair communication (Collewaert & Fassin, 2011). This communication type is defined by the over-communication of successes without mentioning the difficulties. This avoidance of talking about the negative aspects of the company did not allow them to plan a course of action that would avoid these complications resulting in big financial losses for the investor and the company.

The levels of conflict for Case E were inconclusive; more in-depth interviews about this relationship are needed.

## 4.2 Effects of Core Values in the Partnership

Conflicts can arise for various reasons within a company. Our empirical findings indicated three main categories that they have influenced the course of action within the cases. These categories are: first, the pre-investment criteria for entrepreneurs and the motivations behind investing for business angels, second the set strategy and the way decisions are made and third, the communication between the two parties during their collaboration.

### 4.2.1 Influence on Entrepreneurs' Criteria to Take External Investment and Business Angels' Motivations to Invest

When comparing the cases, it became clear that entrepreneurs engage in a due diligence process when it comes to taking external investment. Even in cases such as B and C, when the

capital was offered by only one investor, the entrepreneurs had clear criteria that the investor should fulfill to join the venture.

Among the five cases, the likeability of the potential partner, the importance given to the entrepreneur, and the investors' previous entrepreneurial experience played a very important role. All entrepreneurs mentioned that they liked and believed that the specific investor they decided to take on board of the company will help them, and the venture, to be better at what they do. In Cases A, B, and E, the fulfillment of these criteria can be closely linked to the existent pre-investment mentor-mentee relationship of the different dyads. This previous relationship allowed the dyad to know what the other party would bring to the table, their drivers, and goals. In Case B, it allowed the entrepreneur to better understand the investor's values and motivation to invest in this specific venture and to assess the level of alignment with her own personal motivations. Similarly, in Case E, the previous relationship allowed clear communication; hence, the entrepreneur is prone to openly communicate what he wanted to do and what he needed help with.

Moreover, for the entrepreneurs, the knowledge exchange and the benefits should be mutually shared; hence, the involvement of the investors are perceived as bringing more benefits than purely financial ones. Entrepreneur C mentions, *"I like how pro-founder he is. Even when he invests in companies, he thinks about that not as an investor, but as how I can help the company, how I can help the founder."* Likewise, entrepreneur A mentions that having someone that is available to discuss ideas with adds value for him. This specific criterion is in line with the values that the investors presented as their main drivers when it comes to deciding whether or not to invest, namely meaningful life and helpfulness. Even though financial returns are not the main motivation for the analyzed investors, making a positive exit is considered a measure of success for investors A, B, and E. Investor A recalled a specific positive partnership in terms of the relationship with the investor. However, it ended with a negative financial outcome. When asked to evaluate the partnership in general, he stated, *"it was a failure, I lost my money, and the company doesn't exist anymore."*

In the other hand, Investors C and D do not consider financial returns as a motivation to invest. Investor C is motivated by his passion for acquiring knowledge, some of his investments are made only based on him wanting to keep track of the companies he is interested in, which are characterized by being diverse, having growth potential and making a contribution to make the world better. In Case D, the investor is motivated by having fun, giving back, and sharing his experience. He mentioned, *"I want to invest in interesting companies. Maybe two will make it, and the rest will not make it. But I'm willing to lose everything in that area. My main driver is not money. This is more of an interest and helping, giving back."* In turn, the lack of interest in financial returns in Cases C and D might be reflected in the relationship established with the entrepreneurs. These relationships are characterized by the freedom given to the entrepreneurs and the level of trust in the decisions that they make.

Finally, the entrepreneurs' decision to take external investment is also influenced by the perceived sense of relatability of having someone with previous entrepreneurial experience as an investor. It gives entrepreneurs a sense of mutual understanding and empathy throughout

the process. Entrepreneur C mentioned, *“he’s a serial entrepreneur himself. So I knew that he knows the struggle and has been in my shoes and he’s done it before.”* A reflect of the investors’ previous experience as entrepreneurs in Cases A, B, C, and D is manifested in their need to create something new and their desire to keep up with the trends and continue being part of the entrepreneurial ecosystem. Said experience also motivates the investors to give back and help the entrepreneurs to continue their personal development process. The investors mentioned that they engage in coaching activities in terms of confidence, development, and motivation.

Entrepreneurs A, D, and E, specifically mentioned that they had larger offers of capital from different investors. However, the previously mentioned characteristics, as criteria for an investor to be considered suitable to be part of the ventures of the analyzed dyads, were prioritized over the amount of potential capital provided. Entrepreneur A mentioned, *“We met with other investors who could actually bring in more capital directly. But those persons weren’t really; the feeling was not as good as with Investor A.”*

#### 4.2.2 Influence on Decision-Making and Decision-Making Style

Identifying your core values, staying true to them, as well as to the company’s values, was a repetitive statement from most of the entrepreneurs and the investors. In Case A, since founding time, founders and investors set company values that would reflect the organizational culture and aligned them with their personal values. They took the time to get to know each other and discuss this topic, and based on these values, they defined a strategy and how to run the company. Investor A considers that determining their values and aligning them with the other members is what makes this collaboration so fruitful and successful. On the opposite side, Investor B considers that “personal values” is a very theoretical concept and is better applied in bigger organizations. He focuses more on practical, but also empathetic interpersonal approaches that he considers common sense.

Excluding Case A, the participants have not explicitly talked about their values, but they stated that values come up in conversations and are used consciously and subconsciously as a driver to run their company. A clear example of values awareness is Case C, where the entrepreneur had to examine her core values in order to make an important strategic decision that she knew would have implications for her company and her relationship with her investors. She and her team had to evaluate if they were going to continue distributing a service that was used unethically by her customers and could harm others. Her investors, except for Investor C, insisted on continuing the distribution of the service, as it would bring significant revenues. For her, this was an ethical dilemma, but her value for justice, in terms of caring for the weak, drove her decision to dismiss this service altogether. Her decision created conflicts with her investors but kept her company on the track that she had envisioned. This incident is also an indication that there are not “good or bad” values for an individual or a company, but it is about aligning them or complementing them with each other.

Core values also influence decision making in daily operations. The main values identified to influence entrepreneurs’ decision making are freedom, power, challenge, and curiosity.



Although most decisions are made by the entrepreneurial teams and not by the investors in the examined cases, the values of the business angels also play a crucial role in the creation or avoidance of conflicts and disagreements. All the investors value freedom or independence, but they express it in different ways in their invested companies.

A unique example was observed in Case A, where even though the investor places a high value on his personal independence, he wants to have control over the entrepreneurial team and their decisions. In order to make sure that this will be implemented, he has an active role in the board and sets vetoes in the shareholder agreement. The entrepreneur of this case does not perceive these as negative attributes. The combination of the entrepreneur's open-mindedness, the investor's intelligence, and their combined curiosity serve them to challenge each other in a way that enhances the quality of ideas and decisions that positively impact in the business. Entrepreneur A used the term "*sparring partner*" to describe Investor A, which he interprets as continually challenging each other to obtain a better outcome that both agree on. A similar approach is observed in Case B, where entrepreneur and investor make key decisions together by finding middle grounds when they do not agree, in order to move forward. From these findings, two conclusions are drawn. First, misaligned core values can create conflicts due to proposals from the investors that do not reflect the vision and the principles of the entrepreneur. And second, personal values influence the preferred decision-making style.

#### 4.2.3 Influence on Communication

By cross-examining the cases, it became apparent that values have a positive and negative effect on the communication between the investors and the entrepreneurs. The central values that influence communication are broad-mindedness, honesty, and helpfulness. The way and the degree that these values were applied in each case differ.

The value of broad-mindedness is manifested as open communication between entrepreneurs and investors, who are willing to give and receive feedback. In all cases, investors wanted to contribute to the venture beyond capital investment, for example, by sharing knowledge and experiences. Therefore, they expected that their opinion would be taken into consideration. Hence entrepreneurs dismissing ideas before examining them are frowned upon. When open-mindedness is shared among the dyad, a balance and good communication are achieved, as everyone feels respected, listened, and understood. This respect should remain intact even when the entrepreneur's knowledge in some aspects of the business surpasses the investors', as it was indicated in Case D, where the entrepreneur has a clear understanding of what is beneficial for his venture but still evaluates the ideas of his investor. Or as in Case C, where the entrepreneur tailors her questions to specific investors depending on their areas of expertise. These courses of action make their communications more efficient and make it possible to avoid conflicts and disagreements.

Another value found to be crucial for the dyad is honesty. In all cases, investors are aware of the changing nature of the companies; therefore, they look for entrepreneurs capable of being open and realistic about the options and problems during the process. Investors D and E

encountered problems with entrepreneurs over-communicating positive outcomes while avoiding to mention problems or even limiting communication altogether by not sending reports or answering phone calls. Based on these experiences, the investors believe that in order to avoid conflicts, entrepreneurs must take ownership of their mistakes and be open to exploring new courses of action. As indicated by Cases A, C, and D, when the entrepreneurs are being realistic, asking for advice and contributing suggestions, there is no room for conflict, as problems are confronted as soon as possible, everyone is informed, and a collaborative mindset is established. Therefore, a mutually honest and straightforward way of communication can prevent detrimental conflicts within the venture.

Finally, in every case, entrepreneurs highly appreciate investors' value of helpfulness; even though in- person communication does not happen as often as the entrepreneurs would prefer (Cases A, C, D) due to significant work-loads of both parties. However, the investors' value of helpfulness in terms of communication is manifested by the entrepreneurs knowing that they can always reach them for advice, connections, or information. This approach creates a sense of security for the entrepreneurs, who have a reliable person on their side that they can count on when needed. A difference is observed in Case B, where the investor has daily contact with the entrepreneur. In this case, from the entrepreneur perspective, the advisory role undertaken by the investor seems not to be enough. The entrepreneur requires a more operational contribution due to the early stage of the business that does not allow for employing external human capital. However, the entrepreneur struggles to understand what can be expected from the investor in that regard since their partnership is still kept very informal. Overall, when helpfulness is expressed within the dyad, and the entrepreneurs perceive the investors as being on their side, conflicts can be avoided, and everyone can contribute and feel appreciated.

# 5 Discussion

## 5.1 Aim & Objectives

The aim of this study was to understand how the core values of entrepreneurs and business angels influence the conflicts that occur within their partnership. Core values act as underlying motivations and drive behaviors and actions during the entrepreneurial process (Bolzani & Foo, 2018; Matusik et al., 2008; Meglino & Ravlin, 1998; Rokeach, 1973; Schwartz, 1992). Their impact during conflicts has not been thoroughly explored, while research indicates that value congruence can lower the occurrence of conflicts (Matusik et al., 2008). The study focuses on exploring how investors and entrepreneurs perceive each other's values, whether these are similar or different, and how these values affect the conflicts.

## 5.2 Discussion of the Results

The findings regarding the influence of core values on the entrepreneurs' criteria to take external investment and on business angels' motivations to invest are: first, performing due diligence to determine value congruence and underlying motivation among both parts of the dyad, result in partnerships with a low level of conflicts. And second, likeability among the parties reduces the probability of perceiving situations as conflictive.

### 5.2.1 Due Diligence to Determine Value Congruence

As described by most of the interviewees, a partnership can be compared to a long term commitment; therefore, it is important to try to find the right fit during the screening phase. As stated by Shepherd and Zacharakis (2001), the right partnership increases the possibilities of a successful outcome. As the findings indicate, choosing the right partner means to find a person that not only shares the goals and vision for the company, but that also understand the values that drive and influence the people involved; in one side, the values of the entrepreneurs motivating them to start the venture and in the other side, the values of the business angels influencing their decision to make a capital investment. Therefore, it is key to devote time to identify and evaluate whom to work with. Most of the interviewees mentioned that they engage in several meetings before deciding to formalize a partnership; some of them even started by having a mentor-mentee relationship that allowed them to know and assess each other through a longer period of time. As mentioned in the findings, the five analyzed cases had started their relationship in a mentor-mentee structure or had clear criteria to screen

each other, which resulted in the current investor-investee partnership with a low level of conflicts. However, when pinpointing a past failed partnership, one of the investors mentioned a case when he failed in performing due diligence before investing. He made the investment decision based on a personal reference. In hindsight, he can see the red flags, but without taking the time to analyze the potential partner, the probabilities of making a good assessment diminished.

Even when due diligence is performed, it is neither a guarantee of a “perfect fit” for a dyad nor a guarantee that no conflicts will arise. According to Matusik (2008), investors tend to positively evaluate entrepreneurs that portray core values align with their own, meaning that they are guided by unconscious biases that might or might not be correct. Which is in line with the repeated argument of investors “*It is a gut feeling*” when identifying the reason for choosing an entrepreneur over another. Therefore, due diligence can only be seen as a precaution mechanism, since individuals tend to be unaware of their own values and underlying motivations. Therefore, it is common to have discordance between how someone perceives him/herself and who someone really is.

## 5.2.2 Value Congruence and Interpersonal Likeability Reducing the Perception of Situations as Conflictive

Value homophily subconsciously influences how individuals determine the degree of likeability of a person, tending to favor people that present similar characteristics (Matusik et al., 2008; Meglino & Ravlin, 1998; Rokeach, 1973; Schwartz, 1992). Three of the analyzed cases had a previous relationship before engaging in an investor-investee partnership, while the other two conducted thorough due diligence beforehand. Therefore, the existence of a degree of likeability can be concluded. As individuals, each person brings their own set of beliefs and opinions that most certainly are not always the same as their counterpart. However, the dyads similarly presented partnerships characterized by a low level of conflicts. By having value congruence among both parts of the dyads, the possibilities of perceiving disagreements on opinions as conflicts seem to decrease. A finding that has been supported by relevant literature arguing that value congruence lowers the potential of conflicts to arise (Adkins et al., 1996; Macedo & Camarinha-Matos, 2013).

Researchers argue that task conflicts can easily be confused with relationship conflicts, which are more emotional and defined as harmful for the partnership (De Dreu & Weingart, 2003; De Wit et al., 2013; Jehn, 1995; Jiang et al., 2013; Yitshaki, 2008). However, this is not the case in the analyzed dyads. The findings confirm the literature that supports that task conflicts can have beneficial effects in the partnership and that they act as enablers of innovation and creative thinking (Higashide & Birley, 2002). According to the findings, dyads that have the values of open-mindedness, varied life, and curiosity, welcome challenges in their process, as they see it as a way to improve, acquire more knowledge and improve the performance of their venture. Therefore, since the investors and entrepreneurs present value congruence among them and a degree of likeability have been established, task conflicts have been perceived as normal situations that take place in a business relationship. In fact, it was mentioned that having different opinions results in a positive scenario with the parties

involved challenging each other to come up with innovative solutions. This might not be the case if their values were not aligned, and a degree of likeability was not present. Moreover, differences in opinions are not seen as personal attacks, but as constructive criticism. In this case, liking each other and sharing the same values act as a shield that prevents ordinary task conflicts from being perceived as relationship conflicts. This might be one of the factors making the cases presented in this study to continue functioning with a low level of conflicts.

### 5.2.3 Decision Making and Decision-Making Style

In the examined cases, the findings indicated that core values play a significant role in the way that entrepreneurs make managerial decisions affecting their businesses. These findings are supported by relevant literature, which concludes that entrepreneurs reflect their personality in their business (Morris and Schindehutte, 2005; Dvir et al., 2010) and values are being used as conscious or subconscious criteria to reach a decision in uncertain situations (Bolzani & Foo, 2018; Matusik et al., 2008; Meglino & Ravlin, 1998; Rokeach, 1973; Schwartz, 1992). The examination of the dyads indicated that business angels' values also play an important role in those decisions, which is in accordance with the related literature (Matusik, 2008). Furthermore, as it is also indicated by the cases, business angels have different levels of involvement and undertake different roles within a partnership (Yitshaki, 2008; Politis, 2008; Khanin & Turel, 2015). The different level of involvement and decision power that each investor manifested was closely correlated with the presence of the values freedom and social power. When investors and entrepreneurs had freedom or independence as a value, they did not perceive high levels of conflicts in their partnership, as there was a mutual understanding on who makes the final decisions in the venture.

More specifically, two investors presented values motivating their investment decisions that do not relate to financial returns, namely purpose, helpfulness, and knowledge. In these cases, the non-financial underlying motivations were reflected in a partnership characterized by independence and freedom of both parts of the dyad. The investors were not closely monitoring the activities of the entrepreneurs; while the entrepreneurs were comfortable making decisions of their own and seeing the investors as advisors that they could contact when deemed necessary. The benefits provided by this type of collaboration are perceived by investors and entrepreneurs alike. The investors maintain their participation in a new venture, which allows them to be within the entrepreneurial ecosystem, keep up with trends and give back to fellow entrepreneurs; while at the same time not being forced to commit more time than the necessary which would restrict their own freedom. The entrepreneurs, on the other hand, benefit from the expertise of the investors, their network, and financial contribution without being forced to giving up their decision making power.

However, as the findings indicate, the majority of investors consider financial-returns as one of their motivating factors to invest. In that case, clear communication of the level of control is needed beforehand. Since a high level of involvement is argued to be associated with high levels of conflict (Yitshaki, 2008). For instance, an investor wanting to be highly involved and making decisions in a venture would not be the best fit for an entrepreneur that values self-direction as his/her main drivers.

An interesting finding is observed in Case A, Investor A, as previously mentioned, places great importance to the value of control and having power over the venture, which by examining the theoretical structure of relations among motivational types of values is characterized as an individualistic value (Schwartz, 1992). On the other hand, Entrepreneur A presents a high sense of responsibility for the investor's contribution, which is characterized as a collective value. According to Schwartz (1992), these distant values are in conflict, which can be assessed as a sign of a high chance of creating conflicts among the dyad. Surprisingly, these two values, in Case A, complement each other and enhance the collaboration. Therefore, it can be suggested that in some cases, value congruence is not needed if the manifested values act complementary to each other.

Moreover, the findings indicated a clear example of how values are used to approach ethical dilemmas. As literature states, values act as guiding principles that help the individual to decide what is right or wrong, and they become conscious in front of uncertainty and conflicts (Kirkley, 2016). During these conflicts, individuals consciously make use of them for decision-making (Kirkley, 2016). Since the entrepreneurs often encounter these type of situations, a deep understanding of their values and principles would be valuable. It is also important to align these values with the entrepreneurial team and the investors, to be able to perceive and interpret the environment in a similar manner, thus avoiding conflicting viewpoints and courses of action. Overall, value congruence is crucial for decisions and the decision-making style of the investors and entrepreneurs.

#### 5.2.4 Communication

Literature has stressed the impact of inefficient communication in the development of conflicts (Collewaert & Fassin, 2011), which is also supported by the findings of this study. Unfair communication or avoidance of communication has negative effects for the relationship of investors and entrepreneurs, as the business angels perceive withholding crucial information as a hidden agenda (Collewaert & Fassin, 2011). On the opposite side, this study indicated that open and frequent communication acts as a catalyst for the development of trust and a good collaboration, which reflects the study of Shepherd & Zacharakis, (2001). Since values influence individual's behaviors (Rokeach, 1973; Schwartz, 1992), they also drive the way that a person communicates. Entrepreneurs and investors who mutually valued honesty, broad-mindedness, and helpfulness had a respectful approach to each other, while their disagreements did not transform into relationship conflicts. This value congruence on the way of communication leads to attitudinal similarity, which is associated with more enjoyable collaborations, fewer difficulties, ease of communication and fewer ambiguities (Matusik et al., 2008; Adkins et al., 1996; Macedo & Camarinha-Matos, 2013; Khan et al., 2014).

As Khanin & Turel, (2015) suggested, acting proactively and cooperatively improves the rapport with investors and open up communication channels that prevent escalation of conflicts. This type of communication is congruent with the values that the individuals showcased in the studies. The values of honesty, helpfulness, and broad-mindedness are part of the categories Benevolence and Universalism motivational values of the Schwartz circle, which represent values that promote and enhance the welfare of the people (Schwartz, 1992).

By communicating in that way, the investors and the entrepreneurs build a stable and positive relationship, because, as the findings indicated, they collaboratively try to explore options, find solutions and there is less information asymmetry within the partnership. These values in communication appear to have a positive effect, regardless of the investor having a low or high level of control and involvement within the business. Investors want to be heard in the aspects of the business that they have expertise in; while the entrepreneurs with the pinpointed values are always open to reevaluating their suggestions and decisions. This mutual contribution creates a balance in the relationship and a sense of trust. More research needs to be done, in evaluating how different values than the ones found in this study, affect the communication and the interpersonal interactions.

### 5.3 Research Implications

The present study addresses the lack of research on core values and its effects on conflicts within an entrepreneurial collaboration, specifically within the context of an investor-investee partnership. It complements previous research concerning the impact of core values on conflicts (Matusik et al., 2008), by providing insights on the importance of value congruence as criteria when assessing and selecting an investor or entrepreneur to collaborate with. In addition, the study unveils how value congruence act as a conflict minimizing or preventing factor.

Despite the fact that the sample was limited and the findings cannot be safely generalized, entrepreneurs and investors are encouraged to express their core values before or during the initial stages of their partnership, in order to create the best possible conditions for a mutual understanding and good communication as early as possible.

Moreover, since value congruence has been found to act as a base for better communication, the present study can be used to have an overall better understanding of the sources of the most common conflicts that arise after the investment process begins.

### 5.4 Research Limitations

Even though the present study is able to provide answers to the formulated research questions, as with any research, this thesis contains limitations that should be considered.

First, due to practical constraints, this study focuses on a sample with a larger male representation in terms of both investors and entrepreneurs. Moreover, only one member of the founding team and one investor of each company were interviewed, which addresses the partnership investor-investee without including the influences of other members of the entrepreneurial team and other investors. Second, by using a snowball sampling method, the business angels referred the authors to a CEO or a founder member from their portfolio. This

led to entrepreneurs with whom the investors have an overall good relationship. This fact limits the exploration of conflicts that might have detrimental effects on the partnership. Furthermore, due to the inherent negative association with conflicts, the participants inhibit themselves on pinpointing and relating specific conflicts with the specific person involved in it. Third, the study is bound to an unavoidable degree of subjectivity bias from the authors and the interviewees.

In spite of its limitations, the study builds on exploring five specific cases composed by both parts of the investor-entrepreneur dyad, hence providing a holistic overview of the partnership and as such generates valuable insights and implications for further research.

## 5.5 Further Research

Understanding the core values of the individuals involved in the entrepreneurial process is a complex and subjective process, as it depends on the perceptions of past experiences and interpretation of events. In order to avoid recall and confirmation biases in future research, an observational approach is suggested in order to collect data as the events are taking place and are more objective. Moreover, longitudinal approaches would also be beneficial to take into consideration investment processes that did not come into fruition, that otherwise would be difficult for the researcher to sample. A longitudinal study can also be used in order to identify the development or change of an individual's values throughout time and after gaining experience.

Based on the findings of this study, further quantitative research is required for a more comprehensive analysis on the impact of specific core values in the identified topics of this research, namely communication, decision-making, and pre-investment criteria. With that type of research, conclusions on which specific values and how they affect these topics the most could be drawn, acting as a practical guide for the investors and the entrepreneurs. Moreover, we suggest future researchers explore how seemingly conflicting values within the pairs achieve a good collaboration and which of these values can act as a complement to each other.

Since our findings suggested that value congruence and value complementarities can facilitate communication in a way that task conflicts do not transform into relationship conflicts, it is recommended to researchers who want to explore the beneficial aspects attributed to tasks conflicts to take into consideration the values of the individuals into account. Furthermore, future qualitative and quantitative research could assess if and how conflicts occur in partnerships that have communicated their values and have reached a value alignment prior to the initial investment. More specifically, it would be of interest to explore if aligning core values can act as a conflict management mechanism (Yitshaki, 2008).



## 6 Conclusion

By analyzing five business angel-entrepreneur partnerships, this study aimed to answer the following research question, how do core values of business angels and entrepreneurs influence the conflicts that occur within their partnership? Previous research had shown that personal values significantly impact the way entrepreneurs manage their ventures (Morris and Schindehutte, 2005) and the way that they perceive conflicts that can be detrimental in the entrepreneurial process (De Dreu & Weingart, 2003; Yitshaki, 2008), showcasing the importance of exploring the role of core values in the dyad investor-entrepreneur.

Overall, the findings from the selected cases indicated that value congruence or incongruence influence conflicts in various aspects of the entrepreneurial process, namely pre-investment phase, on the way decisions are made, and on the communication between partners.

During the pre-investment phase, it is important to perform personality due diligence to have a better understanding of the underlying motivations that drive both parties and to determine value congruence. This, in turn, can lower the probabilities of conflicts' occurrence and increase the chances of a positive outcome for the venture. Moreover, deciding to invest in a person or get investment from a person that is perceived "likable" reduces the probability of perceiving situations as conflictive. This value homophily prevents task conflicts to be perceived as relationship conflicts, and influence the dyad to perceive their partnership as having low levels of conflicts.

Value congruence is also essential for decision-making. In uncertain conditions, having the same set of values creates a mutual understanding of the situations at hand. When the core values are not clearly stated, conflicts occur due to unexpected courses of action taken by the decision-makers. Moreover, values like freedom and social power, impact the level of involvement and the decision power an investor wants to exercise within the partnership. Both parties should be aware of the presence of these values, to create a balanced relationship that satisfies both parties.

Finally, core values also have an impact on the way investors and entrepreneurs communicate with each other. When values like helpfulness, broad-mind, and honesty are expressed during the interpersonal interactions, a collaborative and beneficial relationship is achieved, while problems of the venture are proactively dealt with.

In general, this study provides insights on core values research; specifically related to the context of business angels and entrepreneurs' partnerships by showcasing the impact that presence of value congruence or incongruence has on the dyad.

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# Appendix A

Schwartz value system, overview, and definition of the fifty-six values of the Schwartz value system.

Interests served	Motivational type	Values
<b>Individual</b>	<b>Power</b>	Social power: Control over other, dominance Wealth: Material possessions, money Authority: The right to lead or command Preserving my public image: Protecting my “face” Social recognition: Respect, approval by others
	<b>Achievement</b>	Ambitious: Hardworking, aspiring Influential: Having an impact on people and events Capable: Competent, effective, efficient Successful: Achieving goals Intelligent: Logical, thinking
	<b>Hedonism</b>	Pleasure: Gratification of desires Enjoying life: Enjoying food, sex, leisure, etc.
	<b>Stimulation</b>	An exciting life: Stimulating experiences A varied life: Filled with challenge, novelty, and change Daring: Seeking adventure, risk

	<b>Self-direction</b>	<p>Freedom: Freedom of action and thought</p> <p>Creativity: Uniqueness, imagination</p> <p>Independent: Self-reliant, self-sufficient</p> <p>Choosing own goals: Selecting own purposes</p> <p>Curious: Interested in everything, exploring</p> <p>Self-respect: Belief in one's own worth</p>
<b>Collective</b>	<b>Benevolence</b>	<p>Helpful: Working for the welfare of others</p> <p>Responsible: Dependable, reliable</p> <p>Forgiving: Willing to pardon others</p> <p>Honest: Genuine, sincere</p> <p>Loyal: Faithful to my friends, group</p> <p>Mature love: Deep emotional and spiritual intimacy</p> <p>True friendship: Close, supportive friends</p> <p>A spiritual life: Emphasis on spiritual, not material matters</p> <p>Meaning in life: A purpose in life</p>
	<b>Tradition</b>	<p>Respect for tradition: Preservation of time-honored customs</p> <p>Devout: Holding to religious faith and belief</p> <p>Accepting my portion in life: Submitting to life's circumstances</p> <p>Humble: Modest, Self-effacing</p> <p>Moderate: Avoiding extremes of feeling and action</p> <p>Detachment: From worldly concerns</p>



	<b>Conformity</b>	<p>Obedient: Dutiful, meeting obligations</p> <p>Self-discipline: Self-restraint, resistance to temptation</p> <p>Politeness: Courtesy, good manners</p> <p>Honoring of parents and elders: Showing respect</p>
<b>Mixed</b>	<b>Universalism</b>	<p>Equality: Equal opportunity for all</p> <p>Unity with nature: Fitting into nature</p> <p>Wisdom: A mature understanding of life</p> <p>A world of beauty: Beauty of nature and the arts</p> <p>Social justice: Correcting injustice, care for the weak</p> <p>Broad-minded: Tolerant of different ideas and beliefs</p> <p>Protecting the environment: Preserving nature</p> <p>A world at peace: Free of war and conflict</p> <p>Inner harmony: At peace with myself</p>
	<b>Security</b>	<p>National security: Protection of my nation from Enemies</p> <p>Reciprocation of favors: Avoidance of indebtedness</p> <p>Family security: Safety for loved ones</p> <p>Sense of belonging: Feeling that others care about me</p> <p>Social order: Stability of society</p> <p>Healthy: Not being sick physically or mentally</p> <p>Clean: Neat, tidy</p>

Source: Schwartz 1992

# Appendix B

Overview and description of the ten value categories of the Schwartz value system

**Power:** Focused on social esteem, image, prestige, authority, wealth, and dominance over resources.

**Achievement:** Represents personal success viewed from generally accepted social standards.

**Hedonism:** Seeking pleasure, enjoying life and satisfying personal needs.

**Stimulation:** Encompasses excitement, novelty, and challenge.

**Self-direction:** Stressing independent thought and action.

**Universalism:** Involves understanding and promoting the welfare of people and nature.

**Benevolence:** Preserving and enhancing the wellbeing of people that we are in continuous contact with.

**Tradition:** Encompasses values that focus on traditional culture and religion.

**Conformity:** Restraining actions to minimize the risk of upsetting or harming others.

**Security:** Safety, harmony, and stability of the individual, loved ones and the surrounding community.

# Appendix C

A general overview of the participants of the study

Case	Investors				Entrepreneurs			
	Gender	Years of experience	# of investments	Level of involvement	Gender	Industry	Duration of the partnership	Status of investment
A	M	10	20	Advisor / Board member	M	Legal tech	9 months	Active
B	M	7	+20	Advisor / Board member	F	Tech consulting	7 months	Active
C	M	9	+30	Advisor / Board member	F	Tech	4 years	Active
D	M	3	7	Advisor / Board member	M	Tech platform	10 months	Active
E	M	8	20	Passive investor / Board member	M	Bio-Tech	10 years	Active

# Appendix D

Initial email/message template used to contact the sampled investors

Dear ...name of the investor...,

We are two students from the master programme in Entrepreneurship & Innovation at Lund University.

As part of our thesis project, we are looking to understand more about the internal motives and values of investors and entrepreneurs and explore the mechanisms that make their partnerships work. In order to achieve this, we need to conduct some interviews, and we were wondering if you would have time for an interview in the next couple of weeks?

Looking forward to hearing from you.

Kind regards,

# Appendix E

Initial email template used to contact the sampled entrepreneurs

Dear ...name of the entrepreneur...,

We are two students from the master programme in Entrepreneurship & Innovation at Lund University.

As part of our thesis project, we are looking to understand more about the internal motives and values of investors and entrepreneurs and explore the mechanisms that make their partnerships work. In order to achieve this, we need to conduct some interviews, and we were wondering if you would have time for one the next week? We have already conducted an interview with ...name of the investor..., which we know has invested in your company, therefore it would be ideal if we could hear your perspective.

Looking forward to hearing from you.

Kind regards,

# Appendix F

## Questionnaire guideline for investors

### Section 1

- 1 Why did you decide to become a business angel?
- 2 What makes you decide to invest in an entrepreneur?

### Section 2

- 3 How involved are you in the companies you invest?
- 4 How much of a saying do you have in the decision making?
- 5 How would you describe the relationship with the entrepreneur on the day to day operations?
- 6 What makes the personal relationship a success?
- 7 What makes the personal relationship a failure?
- 8 What do you most frequently argue with the entrepreneur?
- 9 Why do you think these conflicts come up?
- 10 Can you pinpoint one partnership that was a failure in terms of a personal relationship? Why do you think it happened?
- 11 Can you give an example of a disagreement that generated a conflict?

### Section 3

#### Phase one

- 12 Have you discussed your personal values with the entrepreneurial teams?
- 13 Do you believe that your personal values play a role within your partnerships? And how?

#### Phase two: Value Cards: Selection of the 5 most important

- 14 Why do you think this value is important to you?

15 How these reflect in your career as an investor?

16 Do you think they have created problems in your relationship with the entrepreneur?

# Appendix G

## Questionnaire guideline for entrepreneurs

### Section 1

1 Why did you decide to take external investment from ...name of investor...?

2 Did you have any criteria to pick the investor?

### Section 2

3 How involved is your investor in the daily activities of the company?

4 How much of a saying does he have in the decision making?

5 How would you describe the relationship with the investor on the day to day operations?

6 What do you like the most in the personal relationship with the investor?

7 What do you think is the most challenging part of the personal relationship with the investor?

8 What do you most frequently argue about? (decision-making process, financial matters, different priorities, level of involvement, distribution of power, communication)

9 Why do you think these conflicts arise?

10 Can you give us an example that has been significant to you (that had an effect)?

### Section 3

#### Phase one

11 Have you discussed your personal values with your investor?

12 Do you believe that personal values play a role within the partnership? And how?

#### Phase two: Value Cards: Selection of the 5 most important

13 Why do you think these values are important to you?

14 How do they reflect in your career as an entrepreneur?



15 Do you think that your values are aligned with the ones of your investor?

16 Do you believe that your values have been a source of conflict in your relationship with your investor?

# Appendix H

## Coding the Values

Values extracted from the interview:

Value categories	Quote
Stimulation	<b>Investor 2:</b> (...) I don't really like to think in terms of failure. I like to think in terms of like improvement or like process because sometimes you develop something and it doesn't really work. And then you can see okay, but we built this. What kind of results did we got out of this?
Achievement	<b>Investor 2:</b> (...) So that's we tried to find kind of ways all the time trying to find called sweet spots like where, what's going on? What do people want?
Power	<b>Investor 2:</b> (...) We don't want to say that we are better but at least we would like to have a dialogue. And if this dialogue is not there, it's already like, yeah, it's not really in balance.
Benevolence	<b>Investor 2:</b> I'm honest and direct but my intention is always to be kind of supportive and helpful
Universalism	<p><b>Investor 2:</b> They're always like, they're shy, I think in a way there. And then you really you do the other way around. So then I just say like, Yeah, but you can do it and you have the possibility to create something cool.</p> <p><b>Investor 2:</b> Some people you try to kind of push them down and say like, relax and the other one, you tried to lift up a bit and said, like, give confidence and say, Look, I think you really have a good concept, competence, and experience to actually pull this off and don't be uncertain and it's a process and uncertainty is normal and risk you have to take and then you start to kind of help them in another way.</p>
Self-direction	<b>Investor 2:</b> If you have some entrepreneurs, they're always like, ambitious and positive and we are going to be a unicorn and everything is going to be smooth and great. Okay, awesome. But then you said like, okay, what's the reality? You know, if you want to become a unicorn and you have like 1000 euros in the bank? I mean, where's the balance?
Universalism	<b>Investor 2:</b> So it's always like if you're in the game if you're in the process, You can create stuff. If you say no to everything. You cannot build on top of this.
Benevolence	<b>Investor 2:</b> If you really feel you can help each other if you really strive for the same goal, not only we as investors, and then the partners but also like the entire team working for us and the team members or the employees. Yeah, it's like about the vibe.
Achievement	<b>Investor 2:</b> There are always different roadmaps, different ways to go [eg10]. But if the team is feeling each other and have this kind of like commitment and given take then you can produce the best stuff.

Hedonism Achievement Benevolence	<b>Investor 2:</b> If you can kind of take those people back from there and put them in a new company and they will lead that ship. Then again, you have this vibe and you already know each other really well, so you already know how they work.
Universalism	<b>Investor 2:</b> Things happen in life, so sometimes you have good days sometimes you have bad days. (...) But that's understandable.
Benevolence	<b>Investor 2:</b> I don't really try to work formal. So I work like without contract without in the beginning. without some kind of setup. We meet in all my honesty, I tried to really help you and say what I think maybe introduce you to some context.[eg14]

Values chosen by the investor:

Category	Values	Quote
Security	Health	<b>Investor 2:</b> If you feel good. You can do good, I think
Security	Family	<b>Investor 2:</b> If things are getting good or things are getting tough, this is where you go home to so this is kind of your stability,
Hedonism	Pleasure	<b>Investor 2:</b> If you feel good, you can do good. And you. Yeah, like this positive energy positive flow, which makes life worth living and think if life is not fun, or if you're depressed, or if you're sick, then it's can be a torture.
Self-direction	Realism	<b>Investor 2:</b> It is like that. Some kind of common sense, you know, like some kind of unwritten law like [eg16], what is good or bad? Like for me, like respect and just don't treat others like others don't want to be treated this kind of
Benevolence	Responsibility	<b>Investor 2:</b> When I look at myself, I think this one is really important to take responsibility for your own actions. And if you don't do that, then there is a consequence, obviously
Universalism	Tolerance	<b>Investor 2:</b> I really personally, don't care that much what people do as long as makes them happy. So I wish them the best.