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How entrepreneurs regulate their dependence on investors - A critical realist study based on the case of Vietnamese entrepreneurs

Thu Trang Le

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THÈSE
UNIVERSITE DE PAU ET DES PAYS DE L'ADOUR
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Présentée et soutenue le 22 juin 2021
par **Thu Trang LE**

pour obtenir le grade de docteur
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Spécialité : Sciences de Gestion-Management

**HOW ENTREPRENEURS REGULATE THEIR 'DEPENDENCE' ON INVESTORS:
A CRITICAL REALIST STUDY BASED ON THE CASE OF VIETNAMESE ENTREPRENEURS**

MEMBRES DU JURY

RAPPORTEURS

- Madame Emmanuelle DUBOCAGE
- Madame Stéphanie SERVE

Professeur, Université Paris-Est Créteil
Professeur, Université Paris-Est Créteil

EXAMINATEURS

- Monsieur Gilles RECASENS
- Monsieur Raphaël DORNIER

Maître de Conférences, Université de Pau et des Pays de l'Adour
Maître de Conférences, Université Savoie-Mont Blanc

DIRECTEUR

- Monsieur Antoine RENUCCI

Professeur, Université de Pau et des Pays de l'Adour



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CHAPTER 1

Chapter 1: Introduction

We usually consider Google, Facebook or Apple as the best examples of successful venture-backed companies. Equity investors such as venture capitalists or business angels have definitively shaped the current economic landscape. These investors provide start-up firms with funds that are difficult to obtain from other sources such as banks, given the risky nature of startups (Lerner and Gompers, 1999). Yet, the contributions of equity investors are not limited to capital (Gorman and Sahlman, 1989; Hellmann and Puri, 2000; Sapienza, Manigart, Vermeir, 1996; Politis, 2008). Equity investors usually provide start-ups with non-financial resources such as business knowledge, industry experience, and/or a network of contacts (Sahlman, 1990). Researchers suggest that these intangible resources play a more important role in the survival and success of a company than money (Timmons and Bygrave, 1986).

Yet, supporting entrepreneurs is not an obvious mission. Besides the happy-ending stories mentioned above, many other collaborations between entrepreneurs and venture capitalists or business angels end up in conflicts, hostility or litigation. Over the last few decades, the literature on the entrepreneur-investor relationship has extensively examined the factors that make this collaboration succeed or fail. But mainstream research on the topic has largely focused on the investors' perspective. To date, our understanding of the entrepreneurs' perspective, concerns and motivations in the relationship with investors is still limited. Given the key role of startup founders in the creation and development of new ventures, many researchers have stressed the need to shift the focus from the investors' side to the entrepreneurs' (Arthurs and Busenitz, 2002; Shane and Venkataraman, 2000). This shift is essential to restore some balance as a biased focus has the potential for generating normative propositions that deteriorate rather than strengthen the relationship under consideration.

The current imbalance has created a significant gap in the literature as many phenomena need to be explained from the founders' perspective. In particular, the circumstances under which the tangible (i.e., funds) and intangible (i.e., support, advice, contacts, etc.) resources provided by equity investors actually add value to startups remains an open question. Empirical findings on the effects of investors' support on venture performance prove to be inconclusive or even contradictory (MacMillan et al., 1988; Sapienza, 1992; Sapienza et al., 1996; Sweeting, 1991). Considering this, many researchers argue that the potential of investors to add value depends, in part, on the entrepreneurs' willingness to *accept* inputs from investors (Barney, Busenitz, Fiet, and Moesel, 1996; Renucci, 2000; Sapienza, Amason and Manigart, 1994).

Although behaviors such as timely information sharing and help-seeking can improve the quality of the cooperation, the motivation of entrepreneurs to coordinate with investors is not always evident (Cable and Shane, 1997).

Also, little is known about how entrepreneurs select investors or the circumstances under which they choose to avoid resorting to venture capital or business angels. Indeed, many founders decide to ‘bootstrap’, that is, rely on internal funds or carefully manage their customer and creditor relationships (i.e., optimize trade credit) to finance their startups, rather than seek external capital (Winborg and Landstrom, 2001). And even when entrepreneurs raise external funds, research shows that many of them spend considerable time evaluating their potential investors and sometimes decide to reject investments from certain investors (Drover, Wood and Fassin, 2014). This is especially true in mature venture capital markets, where founders typically have many options when it comes to equity financing. For example, in a survey of 136 firms, Smith (2001) have found that more than 70% of entrepreneurs received more than one investment offer while 54% of entrepreneurs had more than three offers.

When examining entrepreneurs’ motivation to collaborate with investors, the traditional approach is to characterize entrepreneurs’ behaviors through the cooperative-opportunistic prism (Cable and Shane, 1997). Accordingly, research often focuses on identifying factors that promote cooperation and on identifying those that inhibit opportunism. However, as soon as we consider the problem from the founders’ perspective, this approach loses some of its appeal. Indeed, entrepreneurs are no less vulnerable than investors in this collaboration. For instance, in exchange for money and assistance, startup founders must sacrifice total independence, allowing investors to influence decision-making processes, or even to replace the founding CEO with a professional one (Wasserman, 2017). Thus, from the perspective of the founders, this relationship is characterized by a typical dependence dilemma (Murray, Holmes and Collins, 2006) which involves both opportunities and vulnerabilities. To establish a satisfying relationship that can help them to achieve their goals, founders must think and behave in ways that increase their dependence on investors. However, this necessarily gives investors the power to influence founders’ outcomes, and thus puts entrepreneurs in a vulnerable position.

In this thesis, we focus on the perspective of entrepreneurs in the hope of understanding how they decide whether or not to engage with investors and what is their motivation to promote quality collaboration. To this end, we take a new approach, suggesting that a more appropriate question to ask is “**How do entrepreneurs manage their dependence on investors?**” rather

than “What make entrepreneurs cooperate or defect?” We note that deciding whether or not to be dependent and how much dependence to risk are frequent and vital decisions entrepreneurs face when dealing with investors.

Drawing on the philosophical position of Critical Realism (Bhaskar, 2013; Danermark, Ekstrom, Jakobsen, and Karlsson, 2002), this research aims to identify the underlying psychological structures and processes that operate under certain environmental conditions to generate the dependence patterns of entrepreneurs. According to Critical Realism, what can be observed and recorded by researchers are merely empirical manifestations of hidden causal objects, entities and structures that lie at the deep levels of reality. A Critical Realist research must go below the empirical surface to the level of structures and mechanisms to provide a causal explanation for the phenomenon under study. Although this paradigm has become increasingly popular in the Social Sciences and is viewed as a viable vehicle for examining entrepreneurial phenomena (Blundel, 2007), little effort has been made to apply its philosophical and methodological implications into research on the entrepreneur-investor dyad. This thesis builds on the innovative research practices of Critical Realism to generate novel insights on the dependence regulation system of entrepreneurs that seem difficult to obtain under other traditional paradigms.

In this study, we expand the dependence regulating principle proposed by Murray, Holmes and Collins (2006) beyond the context of the romantic relationship. Murray et al., (2006) suggest that individuals strategically govern their dependence in order to feel invulnerable to the hurtful experience of being rejected by their romantic partner. The dependence regulation system, they argue, must function dynamically, shifting the priority from self-protection when people feel threatened to dependence-promotion when they feel relatively safe. We argue that this principle also holds in professional settings such as the entrepreneur-investor relationship. Regardless of the nature of interactions, the prospect of putting one’s own outcomes in the hands of others tends to activate the concerns for security and the need to evaluate the situation. But unlike in romantic relationships, the nature of threatening or harmful experience in work-related relationships clearly involves more than the pains and hurts of rejection. We argue that the concept of stressful experience is particularly adequate to capture the multifaceted nature of psychological threats experienced in a professional context (Holmlund-Rytkönen and Strandvik, 2005). But to date, no attempt has been made to examine

what kinds of experience are perceived as stressful by entrepreneurs when interacting with investors.

Building on Stress and Coping Theory (Lazarus and Folkman, 1984) and Relationship Cognition Research (Baldwin, 1992; Safran, 1990), we develop a *preliminary* analytical framework, which sets the starting point for further empirical inquiry and theoretical inferences. The analytical framework focuses on the cognitive processes that operate at two levels of generalization: the situation level and the relationship level. We argue that entrepreneurs' dependence motivation is shaped by their *perceived vulnerability*, i.e., how stressful they feel in the current situation. The feeling or perception of vulnerability to stressful experience is shaped by an appraisal process, which evaluates the current situation. This appraisal process is largely influenced by three cognitive factors – commitments (i.e., specific aspects of the relationship that are perceived as important for entrepreneurs), perceived coping ability (i.e., the ability of the self to handle the stressful aspects of the situation), and expectations (i.e., beliefs in the positive or negative consequences of dependence) (Lazarus and Folkman, 1984). More importantly, we argue that these three cognitive factors are the constituent components of the *relationship knowledge structure*, i.e., the mental representation of the relationship that is stored in the long-term memory. This knowledge has been gradually formed based on past experiences (direct or indirect) with investors; it helps entrepreneurs to interpret and behave in future interactions (Baldwin, 1992).

Based on this *preliminary* analytical framework, we have conducted our empirical investigation. We have collected data from semi-structured interviews with 19 Vietnamese entrepreneurs with working experience with business angels and/or venture capitalists. We investigate the case of Vietnamese entrepreneurs for three reasons. First, the country has a relatively young startup eco-system. Compared to other countries with mature entrepreneurial financing markets, 'venture capital' or 'business angels' are still considered new concepts and Vietnamese entrepreneurs, in general, have little understanding about these forms of financing (Scheela and Van Dinh, 2001). Thus, Vietnam represents an ideal laboratory for investigating more spontaneous behaviors, that is, behaviors not dictated by long-standing norms in the industry. Second, the culture of Asian countries emphasizes the crucial role of personal relationships in conducting business (Pukthuanthong and Walker, 2007). Thus, Vietnam is a natural candidate for studying interpersonal entrepreneur-investor relationships. Finally, our familiarity with Vietnam and our ability to conduct interviews in Vietnamese was also a motive for choosing that country. We refer the interested reader to the Supplementary section at the

end of this first chapter for a review of the main features of the Vietnamese demographics, economy, and venture capital market.

In the first phase, these interviews have been analyzed using flexible deductive thematic analysis (Fereday and Muir-Cochrane, 2006).

Based on preliminary data analysis, we have identified four important demi-regularities (i.e., identifiable tendencies in the data), including *patterns of dependence*, *commitments*, *stressful experience*, and *perceived coping ability* of entrepreneurs.

First, we have found that the thoughts and behavioral patterns of entrepreneurs manifested two qualitatively different *forms of dependence*. We label them as *minimum viable dependence* and *maximum possible dependence*. Broadly speaking, minimum viable dependence reflects a highly selective and limited form of dependence, whereas maximum possible dependence reflects a broad and deep form of dependence. Although the two dependence patterns differ in a variety of characteristics, we show that one can analyze individuals' dependence on others in a professional relationship based on two key aspects, that is, the *benefit-exploitation approach* and *dependence scope*. The benefit-exploitation approach involves two distinct approaches entrepreneurs adopt to realize the benefits derived from the relationship: the benefit-harvesting versus the benefit-cultivating approach. Regarding dependence scope, we have found that entrepreneurs have different motivations to broaden their dependence on investors beyond the scope of business to foster personal connections with investors.

Second, we have identified three main aspects of the relationship, that is, the central '*commitments*' that entrepreneurs have brought into their relationship with investors: *resource-acquisition*, *self-determination*, and *personal connection*.

The third demi-regularity relates to the nature of the *stressful experience* of entrepreneurs in this relationship. We have observed that entrepreneurs are most vulnerable to three kinds of stressful experience, namely, *constraining*, *inefficient* and *hostile experience*.

The fourth demi-regularity involves the *perceived coping ability* of entrepreneurs. We have observed significant differences in the perceived efficacy of entrepreneurs in dealing with the stressful experience that occurred in their interaction with investors. Consistent with Stress and Coping Theory (Lazarus and Folkman, 1984), entrepreneurs' belief in their ability to deal with

stressors tend to play a significant role in shaping their appraisal of stressful events and their behavioral responses.

Together, these demi-regularities highlight the complex and multifaceted nature of the motivational, perceptual and behavioral system of entrepreneurs in their relationship with investors.

We have reinterpreted these empirical tendencies under the process of abductive and retroductive reasoning – the two distinct modes of inference offered by Critical Realism (Danermark, Ekstrom, Jakobsen, and Karlsson, 2002).

With abduction, we have drawn on the concept of Basic Psychological Needs from Self-Determination Theory (Deci and Ryan, 1985, 2002; Ryan and Deci, 2008, 2017) to hypothesize that what entrepreneurs ultimately need in their relationship with investors are three fundamental *experiential nutriments*, namely, autonomy, competence and relatedness. We argue that these three basic needs determine the three identified commitments of entrepreneurs. Likewise, the three stressful experiences identified above are assumed to arise when the three basic needs of entrepreneurs are not supported (or violated). Psychological needs are presumably the motivational underpinnings that generate not only aspirations and desires but also fears and concerns of entrepreneurs in this relationship. We argue that the ‘superordinate’ function of the dependence regulation system is to *fulfill* or *protect* the basic psychological needs of entrepreneurs when dealing with investors.

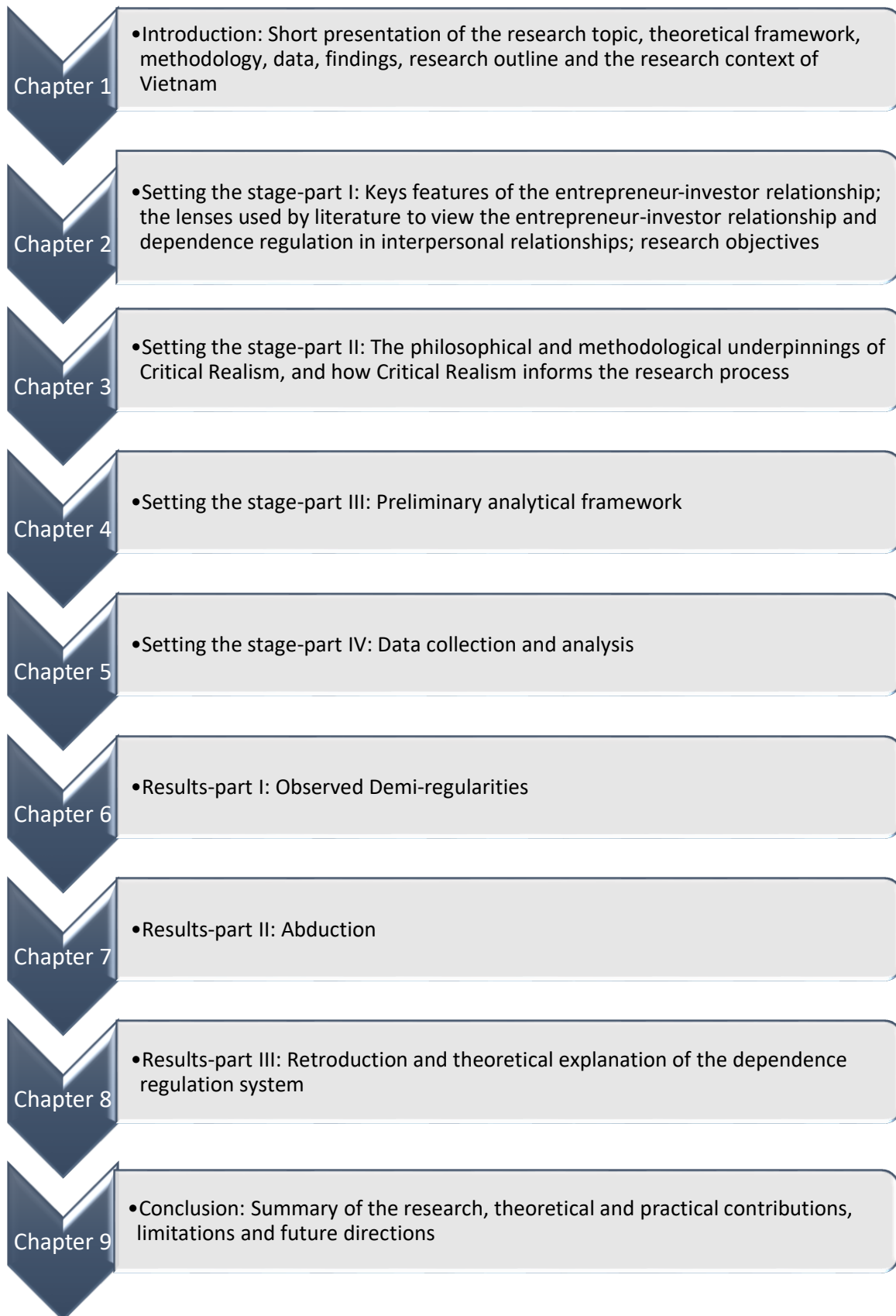
Through retroduction, we suggest that to protect entrepreneurs from the psychological consequences of need frustration, the psychological system must *dynamically* adapt the need-pursuing pattern to each relationship, depending on whether the relationship has supported or violated each of these needs. Accordingly, we have identified a psychological entity called *Basic Experiential Requirement* that reflects intra-individual differences in the need-pursuing patterns of entrepreneurs. On the one hand, it defines the degree to which a relationship is represented in the mental system as a source of support (or violation) for a need (i.e., *perception of experiential function*). On the other hand, it determines the degree to which founders enter the interactions with investors to seek need satisfaction or avoid need violation (i.e., *approach-avoidance focus*). Depending on the entrepreneurs’ knowledge or understanding about the need-supportive or need-violative nature of a given relationship, the Basic Experiential

Requirement serves to optimize the psychological wellbeing of entrepreneurs across various situations.

Finally, we have developed a theoretical explanation model for the dependence regulation system of entrepreneurs. In this model, the way founders regulate their dependence on investors is jointly shaped by two generative mechanisms – *global adaptation* and *on-the-spot reaction*. These two processes operate at different levels of generality and fulfill distinct functions. The on-the-spot reaction operates at the situational level and serves to optimize the immediate experience in an interaction episode. It maximizes benefits when individuals feel relatively safe and minimizes stress when they feel vulnerable. Through the global adaptation process, the Basic Experiential Requirement helps to form a stable dependence pattern by shaping the perceived importance of the relationship and the motivational orientation of entrepreneurs. The main function of this process is to increase the likelihood of and benefit from need satisfaction and to reduce the likelihood of and damage from need violation.

The rest of this thesis is organized as follows (see the Plan on the next page). In the second chapter, we describe the relation between entrepreneurs and investors, and review the literature on the entrepreneur-investor dyad to shed light on the tensions facing entrepreneurs when dealing with investors. Then, we provide a discussion of the phenomenon of dependence regulation in interpersonal relationships. The third chapter introduces the central principles of Critical Realism and how Critical Realism informs the research process. The fourth chapter presents the preliminary framework that sets the analytical foundation for this study. Data collection and analysis are discussed in the fifth chapter. The sixth chapter presents the empirical demi-regularities. The seventh chapter and eighth chapters present the results derived from the abductive and retroductive inference processes, respectively. In the Conclusion chapter, a summary of the research is provided to the reader, and theoretical and practical contributions as well as limitations and directions for future research are discussed.

Thesis Plan



Supplementary section: Vietnam’s startup ecosystem

According to official data from the World Bank, Vietnam’s population was about 96.5 million people in 2019, with 70 % under the age of 35. From 2010 to 2019, Vietnam’s GDP increased from 115.93 billion to 261.92 billion USD, according to official data. GDP per capita increased 2.7 times between 2002 and 2018, achieving over 2,700 USD in 2019. Over the last thirty years, the country has moved from being one of the world’s poorest areas, which had been devastated by decades of war, conflict, and economic sanctions, into one of the fastest growing economies in the world.

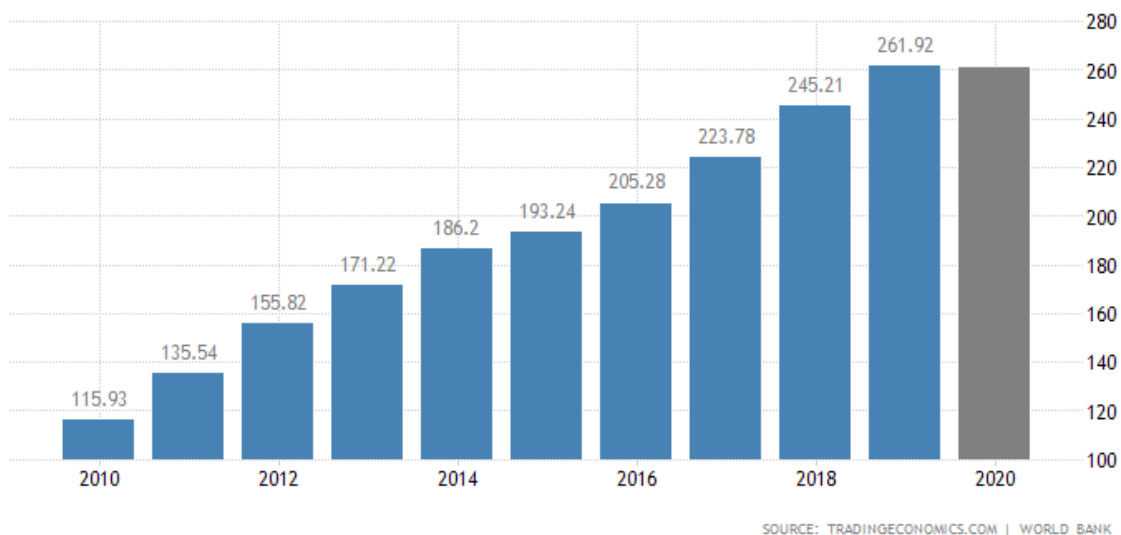


Figure 1. Vietnam’s GDP from 2010 to 2020 (Source: *Tradingeconomics and World Bank*)

This economic growth was accompanied by a booming startup ecosystem. This ecosystem is expanding at a rapid pace and is closing the gap with leaders in the region. The early 2000s witnessed the emergence of the first technology-based startups but it was not until 2016 that the country’s startup ecosystem was fully developed. The year 2014 was the hallmark for the expansion of startups, especially in two major cities – Hanoi and Ho Chi Minh city. From 2012 to 2019, the number of startups increased from 400 to more than 3,000 (Hah, 2018). Recently, the country has made a big leap from the second-least active ecosystem to the third-largest ecosystem in South East Asia. From 2018 to 2019, Vietnam jumped 13 places up to the

59th rank in the ranking of the 100 economies with the best startup ecosystem, according to Startupblink, a global startup research center.

This rapid development can be attributed to a combination of demographic features, infrastructure improvement, and government support. First, Vietnam is the fourteenth populated country in the world. The potential of the domestic market is huge since Vietnam has a young and large population, not to mention the possibility for startups to export products and services to foreign countries. Vietnamese consumers demonstrate strong spending habits, a high level of flexibility and a fast adaptation to new technological trends (Asian Law Portal, 2020). Besides, the recent development in Information and Communication technology also contributes to the burgeoning of technology-based startups. Compared to other Southeast Asian countries, Vietnam has the third largest number of internet users, the second highest mobile penetration rate, and the second fastest average connectivity speed, according to the We Are Social Digital 2020 report. The same report shows that there are 64 million internet users in Vietnam in 2019, representing a 12 billion USD internet economy that is expected to reach 43 billion USD in 2025. The country recently jumped three places up to 42th rank among 129 economies on the 2019 Global Innovation Index. In addition to that, the supporting infrastructure and services have created a favorable environment for new startups to open and grow their businesses. According to Ernst and Young, Vietnam is ranked second in Southeast Asia, only preceded Singapore, in terms of the number of incubators, accelerators, coworking spaces and research labs.

Vietnam's Government has also been an active player in supporting startups and innovation. For the first time in 2017, the concept of 'startup' and 'venture capital investment' was introduced in the Small and Medium Enterprise Support Law. In the past few years, the Government has launched a series of initiatives to create the most favorable environment for startups. Many high-tech parks have been created across the country, such as Hoa Lac high-tech Park, Saigon high-tech Park. In addition, many government programs aim at fostering innovation such as the Mekong Business Institute, Saigon Innovation Hub. Finally, Government programs such as NATECD, NATIF, to name among a few, are created to aid new startups and small enterprises.

Quite logically, there has recently been a rapid growth in the number and size of investments in startups, with both local and foreign investors jointly contributing to foster innovative companies. In 2004, the first venture capital firm – IDG Ventures Vietnam - was

established in Vietnam with an early fund of 100 million USD. It helped to create the first major technology-based firms such as VC Corp, Vatgia, and VNG. The year 2008 witnessed the entrance of CyberAgent Ventures, which funded many successful startups such as Nhaccuatui, Tiki.com, or Nhommua. In the last few years, there has been a surge in the number of investors, the amount of capital invested, and the number of deals closed. Since 2018 Vietnam is the third largest investing destination of South-East Asia, both in terms of invested capital and number of deals done, ranking only behind Singapore and Indonesia (Do Venture, 2020). The record was set up in 2019 for the number of investors entering the market. Also, in that year, technology-based investment in Vietnam reached a peak of 861 million USD invested in 123 venture deals, more than twice the number of deals in 2018 (Figure 2). In 2020, under the influence of the COVID-19 pandemic, this number decreased by 22%, from 284 million USD during the same period last year to 222 million USD.

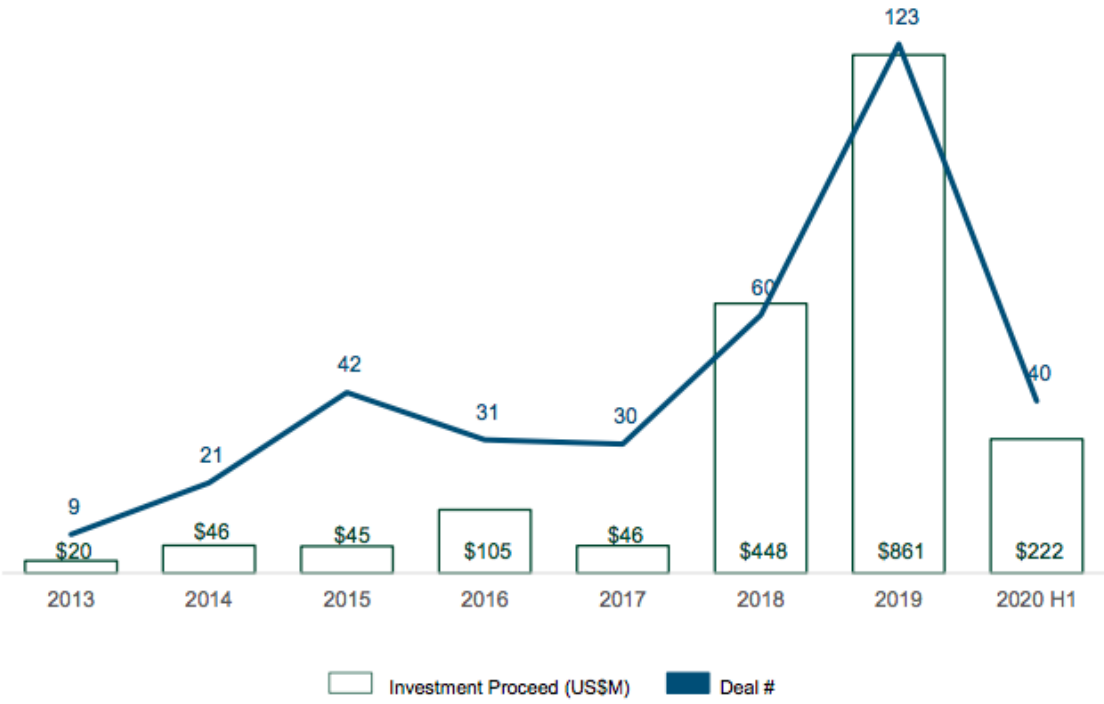


Figure 2. Record deals and capital invested from 2013 to 2020 (Source Vietnam Tech Investment report, 2019-2020, Cento Ventures and DO Ventures Research)

Foreign investors have played a crucial role in the ecosystem. The most active players are Cyber Agent Capital, 500 Startups, Bon Angels, Nextrans, and Genesis Ventures. The recent years have seen the rising interest of investors from Korea, Singapore and Japan. Notably, Temasek, the Singaporean Sovereign Wealth Fund invested 29 million USD in VNG, a technology company specializing in digital content, online entertainment, social networking and e-commerce. After this deal, it was turned into a ‘unicorn’ - a private company with valuation above 1 billion USD - with an estimated market capitalization of 2.1 billion USD. In 2019, the Japan-based Softbank Vision Fund and Singapore-based sovereign wealth fund GIC invested 300 million USD in VNPAY – a financial technology startup.

Besides, local investors are also increasingly active, participating in 36% of the deals in the first half of 2019 (Cento Ventures and ESP Capital, 2019). Vietnam-based funds such as Vina Capital Ventures or ESP Capital have closed many important deals in the recent years, uplifting famous startups such as Luxstay (booking-homestay), Jamja (promotion boosting platform), TheBank (online financial planner), or Kyna (e-learning). In addition to the professional venture capital funds, corporate venture funds such as FPT (Financing and Promoting Technology), Ventures, VIISA (Vietnam Innovative Startups Accelerator), CMC Innovation fund, Vingroup Ventures have played an active role in supporting Vietnam’s startup ecosystem. FPT Venture, established in 2015, was the first corporate venture fund created in Vietnam with 3 million USD committed per year. In 2018, Vingroup Ventures, the investment arm of the Vingroup – the biggest conglomerate in Vietnam, was established with 100 million USD of committed capital. Beside venture capital funds, angel investors play an important role in providing capital and supporting early-stage startups. In 2017, iAngel Network - the first network of business angels in Vietnam was established with more than 80 members, most of them being local investors.

Regarding the proportion of deals closed by sector. It can be seen in Table 1 that Retail and Payment have always been the most attractive industries. From 2018 to 2019, the amount of fund invested in the Payments sector increased three times, from 100 million USD to 300 million USD. Also, the flow of capital invested in the Retail sector almost doubled, from 105 million USD in 2018 to 196 million USD in 2019. In addition to this, there was an increasing interest in emerging sectors such as Logistic, Business Automation, Real Estate, Employment and Infrastructure.

Table 1. Startup financing by sector

(Source Vietnam Tech Investment report, 2019-2020, Cento Ventures and DO Ventures Research)

Proceed (US\$M)	2013	2014	2015	2016	2017	2018	2019	2020H1	Total
Payments	\$12	\$10	\$1	\$29	\$10	\$100	\$300	-	\$462
Retail	\$1	\$15	\$1	\$18	\$15	\$105	\$196	\$64	\$416
Education	\$0	\$3	\$6	\$1	\$5	\$53	\$32	\$3	\$103
Financial Services	-	\$0	\$1	\$2	\$1	\$8	\$40	\$22	\$73
Advertising and Marketing Technology	\$6	\$7	\$30	\$1	\$6	\$3	\$15	\$2	\$70
Logistics	-	-	\$0	\$1	-	\$5	\$58	-	\$64
Business Automation	-	-	\$0	-	\$0	\$1	\$60	\$2	\$63
Real Estate and Infrastructure	\$1	-	\$0	-	\$7	\$6	\$16	\$26	\$56
Employment	-	\$0	\$0	\$0	\$0	\$1	\$3	\$36	\$40
Travel and Hospitality	-	\$1	\$0	\$4	\$1	\$4	\$23	\$3	\$36
Multi-vertical	-	-	-	-	-	-	\$29	-	\$29
Local services	\$0	\$0	\$4	\$2	\$0	\$4	\$5	\$3	\$18
Entertainment/Gaming	-	-	-	-	-	\$0	\$9	\$6	\$15
Healthcare	-	-	\$0	-	\$0	\$0	\$10	\$3	\$13
Entertainment/Non-gaming	-	-	\$0	-	-	-	\$1	\$2	\$3
Communications and Communities	-	\$0	-	-	-	\$0	-	-	\$0
Other	-	-	\$0	-	-	-	-	-	\$0

Although Vietnam's business environment has significantly improved over the last few years, the regulatory environment is still challenging for entrepreneurs and investors. The following major issues relating to the legal framework are identified as the main hindrances for startup financing in Vietnam (Hoang Minh Duc, Special Counsel of Duane Morris Vietnam, Asian Law Portal magazine). The first problem relates to the tax system, which fails to create financial incentives for both investors and startups. The legal framework for venture capital investment is arcane for foreign investors. Although progress has been made, much needs to be done to provide complete and transparent instructions to investors. Another issue relates to the licensing process. For instance, the approval process for app-based taxi services such as Uber or Grab is time-consuming and complicated, with many different governmental bodies involved. As a result, many investors require Vietnamese startups to open a corporate entity in Singapore and use this Singaporean vehicle to invest back in Vietnam. Another issue is the lack of precise legal framework as far as new industries are concerned, especially in the financial

sector (i.e., blockchain, cryptocurrency, equity-based crowdfunding), which represents a hindrance for both foreign and private investors. The final problem involves the lack of transparency of the accounting system. A common practice among local startups is to use a 'dual accounting book system', with one for tax declaration purposes and the other for stakeholders. Yet, despite these shortcomings, the start-up and venture capital ecosystem in Vietnam is definitely booming, and is expected to keep the same trend in the years to come.

CHAPTER 2

Chapter 2: Literature

In this chapter, we first describe the key features of the entrepreneur-investor relationship. Next, we discuss the theoretical lenses through which the literature has examined this relationship. Then, we examine the literature on dependence regulation in interpersonal relationships. Finally, we derive our research objectives.

2.1. Key features of the entrepreneur-investor relationship

In this section, we review the key characteristics of the entrepreneur-investor relationship. Understanding relationship phenomena requires knowledge of the relational context, in which individuals are embedded. After all, the structure of the situation not only defines options and constraints for the behaviors of entrepreneurs but also serves as organizing principles for their perception. As Anderson (1991) puts it “The mind has the structure it has because the world has the structure it has” (p. 428).

Entrepreneurs are resource-constrained players who seek to create a sustainable and competitive advantage from resources that do not yet exist (Brush et al., 2001). Although they can possess unique knowledge of an innovation concept, they often lack both the financial and non-financial resources necessary to transform that innovation concept into marketable products or services (Pratch, 2005). To realize their vision, startup founders often seek to engage with private equity investors such as venture capitalists (i.e., independent venture capitalists, corporate venture capitalists, or Government venture capitalists) or business angels. These equity investors can help to increase their portfolio companies’ value through strategic, operational, and personal support (Gorman and Sahlman, 1989; Hellmann and Puri, 2002; Sapienza, Amason and Manigart, 1994).

Private equity investors typically possess industry-specific knowledge, business expertise and a deep understanding of the entrepreneurial process. Therefore, they often serve as a sounding board when founders make strategic decisions (Hellmann, 2000; Sapienza et al., 1994). Equity investors’ pressure can also exert positive discipline on the startup, helping

entrepreneurs to focus their effort and resources on achieving a limited number of predefined objectives, or ‘milestones’ (Fried and Hisrich, 1995). Besides, venture capitalists’ and business angels’ networks help entrepreneurs to recruit key personnel, find and negotiate with customers and suppliers, and arrange partnerships with other firms (Fried and Hisrich, 1995). Their relationships with other investors also open future financing opportunities (Fried and Hisrich, 1995). Finally, venture capitalists and business angels help to organize the exit of the portfolio company through an initial public offering or an acquisition by a firm operating in the same industry. As a result, it is often assumed that founders who give up equity to attract investors are likely to build a more valuable company; and that it is worth ending up with a smaller slice of a bigger pie rather than a bigger slice of a smaller pie (Wasserman, 2017).

At the personal level, private equity investors occasionally also act as a friend/confidant or coach/mentor of the founder team. In many cases, founders can discuss with them sensitive internal issues and find moral support in times of crisis (Gorman and Sahlman, 1989; Harrison and Mason, 1992; Landstrom, 1991).

We describe below two inherent issues in the relationship, namely, the sharing of information and the controlling mechanisms, which can lead to tensions between the two parties. These issues show that the collaboration with investors involves both opportunities and vulnerabilities for entrepreneurs, resulting in trade-offs. At a higher level of generality, the latter represent typical *dependence dilemmas* that are omnipresent in interpersonal relationships (Murray, Holmes and Collins, 2006). In order to build and maintain a satisfying relationship that can help them to achieve their needs and goals, founders must think and behave in ways that increase their dependence on investors. However, this necessarily gives investors the power to influence their outcomes, and thus, puts founders in a vulnerable position.

2.1.1. The need for sharing information

A quality relationship between entrepreneurs and investors can be interpreted in terms of an effective and timely exchange of information between the two parties (Barney et al., 1996; Bygrave and Timmons, 1992; Fiet, 1995).

On the one hand, entrepreneurs may find substantial benefits in providing investors with timely feedback about the current conditions of the venture. First, timely information enhances

investors' ability to provide useful strategic advice and critical feedback (Gorman and Sahlman, 1989; MacMillan et al., 1989). The uncertainties inherent in the innovation process and market conditions (Utset, 2002), and the dynamic nature of young venture firms, generally lead to radical and unpredictable changes in the strategy of startups (Gimmon et al., 2011). Since investors are not involved in the day-to-day management of startups, they often lack up-to-date information about what might lead to these changes and about the current challenges that the ventures are facing (Fried and Hisrich, 1995; Utset, 2002).¹ Without this information, investors are unable to provide entrepreneurs with solutions and advice that match the companies' needs. Therefore, improving investor understanding of the current state and requirements of the startups is crucial to improve the quality of investors' value added (De Clercq and Sapienza, 2001).

Second, providing timely feedback can have a positive effect on investors' attitude and behaviors such as trust, commitment and willingness to reinvest in the venture (Sapienza and Korsgaard, 1996). Information sharing helps to generate trust and confidence in the cooperative nature of entrepreneurs' behaviors as it sends a clear signal about the openness and integrity of entrepreneurs and the predictability of their behavior (De Clercq and Sapienza, 2001). Given the formal and informal rights of investors to be informed about the current performance of the startup, the absence of (or delayed) feedback can lead to a perception of unfairness and ultimately undermines investors' confidence that their interests are protected in the relationship (Sapienza and Korsgaard, 1996). Moreover, this can reduce investors' ability to make sound judgments about the appropriate future direction of the startup and thus, reduces their commitment to the strategic decisions proposed by entrepreneurs (Sapienza and Korsgaard, 1996).

Third, the timely information provided by entrepreneurs also reduces the time-consuming and costly monitoring burden on investors and frees up valuable resources for more value-adding activities (Zaheer et al., 1998).

¹ Yet, it cannot be ruled out that venture capitalists sometimes have better information than entrepreneurs about the potential of a project because of their industry expertise. See for instance Casamatta and Haritchabalet (2014) for the consequences of this pattern on the negotiation of the contract terms between the two parties.

On the other hand, despite the apparent benefits of timely feedback to both parties, anecdotal and empirical evidence has indicated that the motivation of entrepreneurs to share and update investors is not always evident (Rock, 1987). First, continuous and frequent communication is a time-consuming and costly activity that can divert entrepreneurs' time and effort away from other value-generating activities.

Second, reporting to and consulting with outside investors seem to frustrate the autonomy or self-determination motive of founders, which appear to be a key motivating factor in pursuing the entrepreneurial process (Ang, 1992; Storey, 2016).

Third, full information disclosure about the negative performance of the startup may jeopardize the position of entrepreneurs as CEOs (Bowden, 1994; MacMillan et al., 1998). Entrepreneurs may prefer to withhold positive information about firm performance since investors can increase the price at which they are willing to sell their shares when and if the entrepreneurs want to buy back these shares (Sapienza and Korsgaard, 1996). Finally, entrepreneurs have incentives to tailor information disclosure so that insights about the viability and limits of the venture become less evident for investors when monitoring the ventures' performance (Utset, 2002).

Fourth, besides the sharing of startup performance information, entrepreneurs need to manage the disclosure of innovation-related knowledge to protect their informational advantages against potential opportunistic behaviors on the part of investors (Sapienza and Korsgaard, 1996). Entrepreneurs lose control over their own innovative ideas and knowledge when exchanging with investors. If entrepreneurs' intellectual property is not fully protected, it is possible for investors to steal the idea for their own purposes or other companies' purposes (Bigus, 2006; Ueda 2004).

On top of that, the innovation-related knowledge of entrepreneurs is no longer valuable to investors once the innovation is transformed into a product or service, independent of entrepreneurs' future contributions (Utset, 2000). It means that when the innovation-to-product transformation is complete, founders can be effectively replaced by professional CEOs (Utset, 2000). One can, therefore, expect entrepreneurs to find reasons to hoard information to keep their position.

To summarize, entrepreneurs face a fundamental dilemma in terms of information and knowledge sharing when interacting with investors. On the one hand, open and frequent sharing of information can strengthen investor support, increase trust and enhance the quality of the relationship between parties. On the other hand, constant communication with investors is costly, sacrifices the entrepreneur informational leverage and threatens their controlling power. Thus, the relationship requires decisions about the extent and scope of information sharing with investors, that is, an optimal balance between the obligations and benefits of open and frequent communication, and the potential expense and risk involved.

2.1.2. The need for control mechanisms

Equity-based financing is the ‘technical’ financial solution to the information asymmetry between entrepreneurs and investors, the high-risk high-return profile of the projects financed, the lack of collateral, the intangible nature of the startups’ assets and the necessity to provide investors with adequate incentives to perform monitoring and supporting effort (Gompers and Lerner, 1999).²

Yet, equity-based financing has a hard facet: the formal control mechanisms that govern entrepreneurs’ actions. While these mechanisms help to align entrepreneurs’ actions and investors’ interests, they can put entrepreneurs in an extremely vulnerable position (Lehtonen, Rantanen and Seppala, 2004; Ueda, 2004). Several control mechanisms exist and are often combined.

To increase their control over strategic decisions, investors typically have a clear preference for reducing the concentration of executive power in the hands of founders. Empirical evidence in the U.S. has revealed that the involvement of venture capitalists reduces the role of the entrepreneurs in strategic decision making (William et al., 2006). To do so, venture capitalists

² These features explain why Government venture capital is prevalent in during the early stages (e.g., Muhammad and Serve, 2020).

often secure a majority of seats on the board of directors (Sapienza et al, 1996; Williams et al., 2006). Rosenstein et al. (1993) have found that when the top twenty venture capital funds are involved, investors have 50% of the seats in 60% of the sample firms. In some cases, they take direct control of the board when founders fail to achieve predefined benchmarks (Hellmann, 1998; Rosenstein et al., 1993). Finally, later-stage investors tend to rely heavily on the board mechanism as they do not have substantial money power over startups (Fried and Hisrich, 1995).

Control over the board of directors also enables investors to replace entrepreneurs with professional CEOs (Dubocage and Galindo, 2014; Wasserman, 2003, 2012) as the board is commonly vested with the ultimate power of selecting and/or replacing officers (Bruton, Fried and Hisrich 1997, 2000). Hannan, Burton and Baron (1996) have found that in Silicon Valley, the likelihood that the founders would be replaced is approximately 10% within the first twenty months, 40% after a year and four months, and 80% after six years and six months. Entrepreneurship literature has indicated that equity investors commonly attribute the failure of a startup to the poor management skills and a lack of business expertise of the founding-CEOs (Cooper and Bruno, 1977; Gorman and Sahlman, 1989). When entrepreneurs succeed in achieving key milestones, their chances of being replaced are even greater if their companies grow to the point where top executives need broader and more complex management skills (Wasserman, 2017). Prior research finds that investors typically consider owner-founders as unable to make a transition to a professional management level or to adapt their management style to the changing needs of the growing ventures (Willard et al., 1992). Although CEO replacement by venture capitalists can overall increase firm performance at the expansion stage (Ewens and Marx, 2018), anticipated founder-CEO dismissal is harmful and has adverse incentive effects at the start-up stage.

Another powerful control mechanism is staged financing, that is, the contribution of funds by venture capital firms in several rounds. First, it gives investors bargaining leverage at the time of the negotiation by threatening not to fund the next stage or to liquidate the firm (Utset, 2002). Investors often delay their staged investment to the point when the venture's cash flow is completely exhausted to leverage their bargaining power (Utset, 2002). Besides, investors' advantage can also be strengthened by contractual provisions that give them a monopoly over future financing. This makes entrepreneurs particularly vulnerable since a refusal to reinvest by existing investors may convey a negative signal to other potential investors, making it harder for entrepreneurs to raise new funds (Utset, 2002).

The covenants included in the formal contract that entrepreneurs sign with investors also place entrepreneurs under substantial risk if they leave the venture. Upon exit, they are obliged to sell back their shares to investors at book value rather than current market value and lose all the stock options that have not been vested (Shishindo, 1993). Besides, entrepreneurs are prohibited from selling their shares unless under investors' approval (Bartlett, 1988). The so-called ratchet anti-dilution provisions can totally wipe out all or most of entrepreneurs' equity stake.

Finally, investors' control over the exit route places entrepreneur's position at risk. Indeed, the investors' interests at the time of exit may not coincide with those of entrepreneurs (Bayar and Chammanur, 2011; Hellmann, 2006, Schwienbacher, 2008). Investors can create pressure to liquidate an economically viable venture if the expected return on investment does not meet their criteria or if the marginal return from allocating their limited attention and resources is not worth their efforts (Sahlman, 1990). In case of an initial public offering (IPO), the rush to gain reputation may provide less-reputed investors with the incentive to take a portfolio firm public prematurely, a phenomenon called 'grandstanding' in the industry. Typically, this occurs at the expense of the venture as it results in a low selling price at the IPO or a low survival capacity after the IPO (Gompers, 1996).

Overall, although entrepreneurs need to attract external resources to actualize their ideas, the involvement of outside investors typically deprives founders from the control over their own business. This dilemma is reflected in the divergent views on the financing preferences of entrepreneurs. Although entrepreneurs are rational economic actors willing to relinquish absolute independence to achieve growth and profitability (Brophy and Shulman, 1992), this conflicts with independence being their key motivator (Ang, 1992; Storey, 2003). Entrepreneurs' impetus to raise outside funds is often a complex and dynamic trade-off between a wealth-maximization desire and a self-determination motive (Sapienza, Korsgaard and Forbes, 2003). Empirical evidence has also demonstrated that (i) the fear of losing total independence and (ii) concerns about investors' ethics can cause some entrepreneurial firms to avoid external funds, even when they are available (Drover, Wood and Fassin, 2013; Storey, 2003). In practice, the drive for independence is manifested by the practice of 'bootstrapping', where entrepreneurs rely as much as possible on internal funds or through careful management of customer and creditor relationships to finance their business (Winborg and Landstrom, 2001). It is generally believed that entrepreneurs whose growth aspiration dominate will be

driven to use external financing even if it might frustrate their desire for independence. In contrast, those with a predominant self-determination motive will try to avoid external financing as much as possible even if it threatens their wealth goals (Sapienza, Korsgaard and Forbes, 2003).

In summary, the two issues discussed above – information sharing and control mechanisms – clearly show the tensions that entrepreneurs must resolve in dealing with outside investors. In the following section, we describe the existing theoretical lenses that have been used to examine the entrepreneur-investor relationship. More importantly, we suggest what is currently lacking in the literature to better understand the entrepreneur-investor relationship.

2.2. The lenses used by literature to view the entrepreneur-investor relationship

Entrepreneurship as an academic field is still in its nascent stage compared to other fields in Management Science. Within the Entrepreneurship literature, the examination of the relationship between entrepreneurs and outside investors has received substantial research interest. This is because an effective cooperation between entrepreneurs and investors can play a vital role in the success of the venture (Fried and Hisrich, 1995; MacMillan, Kulow and Khoylian, 1989). Over the years, researchers have brought in various theoretical frameworks, typically borrowed from more established paradigms, to examine this relationship from different angles.

Agency Theory is probably the dominant theoretical framework used. Agency Theory primarily focuses on the notion of opportunism that may arise in a principal-agent relationship with self-interested, opportunistic agents, seeking to maximize their utility at the expense of principals (Jensen and Meckling, 1976). Research on the entrepreneur-investor dyad that adopts Agency Theory primarily emphasizes the protection of investors' interests from entrepreneurs' opportunistic behavior. The latter includes taking advantage of non-pecuniary benefits (Guidici and Paleari, 2010; Hellmann, 1998; Schwienbacher, 2008), exerting suboptimal 'efforts' (which is a shortcut to capture the idea that entrepreneurs may not allocate their time properly

across different tasks from the investors' point of view³) or taking excessive risk (Biais and Casamatta, 1999), withholding critical information (Amit, Brander and Zott, 1998), or exaggerating the potential of the project (Cornelli and Yosha, 2003) or the qualifications of the venture team. According to this perspective, entrepreneurs' behaviors should be controlled through mechanisms such as formal contracts (see Kaplan and Stromberg, 2003, 2004 and Cumming, 2009, for a review) that design board composition, allow monitoring activities (Dessi, 2005), and specify incentive structures (Casamatta, 2003, Renucci, 2000, Schmidt, 2003).

However, the explanatory value of the theory has raised substantial concerns among entrepreneurship scholars (Arthurs and Busenitz, 2002; Cable and Shane, 1997). For one reason, overreliance on formal mechanisms can do more harm than good. For example, aggressive governance through board control or extensive intervention in the decision-making of the venture may violate entrepreneurs' expectation of autonomy and fairness (Utset, 2002). This, in turn, lowers entrepreneur receptivity to investor support (Busenitz et al., 1997) or increases the urge to retaliate and behave opportunistically, even at the entrepreneurs' perils (Cohen et al., 2007; Utset, 2002).

The concern with (early) Agency Theory focusing on the protection of investors' interests is that it shifts the centrality away from entrepreneurs, despite their key role in the founding process and the development of the venture (Shane and Venkataraman, 2000). Yet, as has been discussed earlier, founders are equally vulnerable to opportunistic behaviors on the part of investors (Amit, Brander and Zott, 1998; Christensen, Wueber, Wustenhagen, 2009; Lehtonen, Rantanen and Seppala, 2004; Shepherd and Zacharakis, 2001)⁴. As argued by Arthurs and Busenitz (2002), entrepreneurship research, particularly on the entrepreneur-investor dyad, should put an emphasis on entrepreneurs' perspectives, interests, concerns and motivations.

³ Take the example of an engineer or a former academic scientist who sets up a start-up company and whose primary interests are related to R&D. He/she may spend too much time and resources undertaking research at the expense of looking for potential customers from the investors' perspective (Gompers and Lerner, 1999).

⁴ Note that the concern raised above should be qualified by the fact that recent Agency Theory literature captures the adverse effects of venture capitalists using their power to impose project versions that differ from what entrepreneurs would prefer (Cestone, 2014), stealing ideas from entrepreneurs (Ueda 2004) or exerting insufficient effort to help entrepreneurs (Casamatta, 2003; Renucci, 2000, 2014).

Another concern with Agency Theory is that it focuses on the dark side of human nature while failing to capture the cooperating and value-generating motives of the parties.

Somewhat as a response to this latter concern, the second stream of research on the entrepreneur-investor dyad sets out to examine the positive side of the relationship, and especially the role of social mechanisms in promoting the cooperative motivation of parties (Bygrave and Timmons, 1992). While Agency Theory assumes that individuals are mainly motivated by narrow self-interest, theory that emphasizes the role of social mechanisms claims that founders' behaviors are influenced by relational norms and personal factors (Cable and Shane, 1997; Fried and Hisrich, 1997; Sapienza and Korsgaard, 1996; Shepherd and Zacharakis, 2001). For example, research based on Social Exchange Theory characterizes the entrepreneur-investor relationship as a social exchange process by which actions are guided by the norm of reciprocity, that is, the tendency to treat others the ways they are treated (Larson, 1992; Huang and Knight, 2017). Similarly, Procedural Justice Theory suggests that the perception of being treated fairly by partners positively and significantly impacts individuals' motivation to cooperate, regardless of the actual outcomes (Sapienza and Korsgaard, 1996). A common factor that repeatedly appears in the above frameworks is trust and its importance in regulating the behaviors of the parties involved. Previous research shows that positive expectations about the other parties' goodwill, benevolence and integrity may increase the willingness to accept vulnerability and foster the decision to cooperate (Yitshaki, 2007, 2012). Besides, some studies argue that a high-quality personal connection can enhance the development of a constructive and cooperative relationship (Fried and Hisrich, 1995; Sapienza, 1989).

Although these studies yield important insights into a set of factors that can influence entrepreneurs' thoughts and actions, they are subject to several limitations. As each stream of research emphasizes only a given aspect of the relationship, it typically gives rise to an incomplete, or worst, distorted picture of founders' motivation. Although several attempts have been made to provide a more comprehensive analysis about this topic (Cable and Shane, 1997; Huang and Knight, 2017; Weber and Gobel, 2010), no theory can fully explain the multifaceted nature of entrepreneurs' social behaviors. This results in a scattered literature and somewhat fragmented understanding about what really drives founders' thoughts and actions.

Additionally, most studies on the topic mainly settle to work with contextual, dyadic or static personal factors. Rarely do researchers try to understand the psychological processes that function dynamically to shape entrepreneurs' thinking and actions under various contexts and situations. Social Cognitive Research shows that, at any given moment, individuals' behaviors are assumed to be the joint product of the complex interactions between psychological and environmental factors (Bandura, 1986; Mischel, 1973). This explains why previous research on the entrepreneur-investor dyad that focuses on either contextual or personal factors can hardly provide sufficient explanation, let alone prediction for parties' behaviors. Approaching the issue from a psychological perspective proves to be promising since it may unfold the fundamental, deeper mechanisms that account for different facets of founder social behaviors.

Also, an important issue with the current literature is that it fails to examine the topic from a truly empathetic approach. The traditional approach to characterize founder behaviors through the cooperative-opportunistic lens clearly ignores the substantial vulnerabilities facing entrepreneurs in their relationship with investors. As soon as the researcher steps into the entrepreneurs' shoes and look at the world through their eyes, the question is not about whether to cooperate or defect. Rather, it is how to manage different aspects of the relationship in a way that minimizes risks and costs, and maximizes outcomes and wellbeing. Thus, the cooperative-opportunistic characterization is imperfect from the startup founders' point of view: founders' behaviors should be characterized in a way that resonates to them. This requires an examination of the topic at the experiential level to understand how founders feel, perceive, and interpret their interpersonal experience within the relationship.

Such a novel perspective may help to explain why empirical studies on the effects of investors' value-adding activities on venture performance remain inconclusive, or even contradictory (MacMillan et al., 1988; Sapienza, 1992; Sapienza et al., 1996; Sweeting, 1991). Indeed, existing literature focuses on the *objective* synergies of resources and knowledge between parties (Gorman and Sahlman, 1989; Sapienza, Amason and Manigart, 1994). Or research employing the Resource-Based View suggests that it does not matter what resources investors possess, but rather whether the support they provide matches against the *objective* needs of the venture (Bengtsson and Hsu, 2010; Saetre, 2003; Large and Muegge, 2008). In that respect, it fails to capture how entrepreneurs interact with investors at the interpersonal level, which potentially explains how successful venture capital or angel backing is. Even studies that have shown that the efficacy of investors' assistance depends, in large part, on

entrepreneurs' motivation to accept investors' inputs (Sapienza et al., 1994) fail to take into account the interpersonal aspects of the relationship.

To integrate this issue in our study, we devote the next section to examining insights from the literature that studies a key phenomenon in interpersonal relationships: 'dependence'.

2.3. The lenses used by literature to view dependence in interpersonal relationships

This section aims to provide a comprehensive understanding about the phenomenon of dependence in interpersonal relationships. We first explain why people are prevented from fostering dependence on others, despite the substantial benefits that social reliance can offer. Next, we discuss how people regulate their dependence on others in social relationships.

2.3.1. The dependence fallacy

The term 'dependence' is often misunderstood and has a negative connotation. Being described as dependent usually evokes a sense of immaturity, weakness, inefficacy, inadequacy or helplessness (Birtchnell, 1988; Ainsworth, 1969). On the contrary, concepts such as independence or self-reliance are associated with positive qualities such as resourcefulness, strength, self-empowerment, competence, and self-determination (Markus and Kitayama, 1991).

However, this general perception has been challenged by scholars in the Social Sciences. On the one hand, there is a growing body of evidence, particularly from the literature on Social Support, indicating the substantial benefits of dependence on others. Studies show that social reliance is associated with greater well-being (Baumeister and Leary, 1995; Cohen and Syme, 1985), increased ability to cope with stress (Greenlass, 1993; Holahan, Moos and Bonin, 1997), or higher relationship quality (Pierce, Sarason and Sarason, 1996). Besides, independence, in the sense of a refusal to turn to others for help when needed, is viewed as 'detachment' or 'isolation' that can do more harm than good to individuals (Ryan and Lynch, 1989).

In a series of important studies, Koestner and Losier (1996) distinguish between two different forms of autonomy – reactive autonomy (i.e., resistance to external influences) and reflective autonomy (i.e., reflective evaluation of support and guidance from others in decision-making). They find that being high on reactive autonomy (i.e., independence) is associated with reporting more negative daily events, a more negative mood, and more negative interactions with others. Conversely, reflective autonomy (i.e., volition) is associated with reporting more positive daily events, a more positive mood, greater self-disclosure, and more pleasant interactions with others. Koestner et al. (1999) have later observed that people with reflective autonomy tend to adjust better in relation to authority figures (e.g., credible experts) and can leverage the recommendations emanating from these authority figures when making decisions. Overall, many of our most important needs and goals are satisfied in interpersonal contexts. Situations in which we know we need to turn to others characterize an important part of our social life. Therefore, dependence has its merits because it allows us to reap the enormous benefits that are only possible when we are willing to rely on others.

Although reliance on others can be beneficial for the reasons invoked above, the decision to foster dependence is not always evident. For many years, relationship scholars and psychologists alike have been intrigued by a pervasive phenomenon. People are unwilling to rely on others, despite the benefits of doing so. Explaining this phenomenon requires a phenomenological approach that examines how individuals feel and perceive their dependence on others. In fact, each dependence situation can be interpreted in terms of a basic dilemma that individuals must resolve. By fostering their dependence on and closeness to others, individuals increase the opportunities to capitalize on the benefits of the relationship. Yet, at the same time, they increase potential costs and risks.

Increased dependence can be considered a threat for at least three reasons. First, dependence means a partial or total deprivation of one's control over one's own outcomes. For example, by sharing difficulties and seeking the support of investors, entrepreneurs necessarily give their investors the power to control (i.e., facilitate or constrain) the satisfaction of their goals and needs. This can also raise concerns that others can abuse such power (Butzel and Ryan, 1997). Ryan and Solky (1996) argue that individuals are unwilling to receive help from others when help provision is accompanied by certain pressure or conditions. For example, entrepreneurs are only receptive to advice from investors when advice is given as a suggestion rather than a command that entrepreneurs must follow.

Secondly, dependence represents a situation in which the reliability, responsiveness and care provided by a partner are put into question. Murray et al. (2006) argue that by turning to others for help in times of need, we run the risk of being neglected or rejected. It implies not only that the partner does not care about our well-being, but also that he or she does not value the relationship itself. The costs and risks of rejection are greatest in close relationships. The more value invested in a relationship, the higher the aspiration to the partner responsiveness, and consequently, the higher the pain felt in rejection (Murray et al., 2008).

Third, depending on others can have threatening implications for the self-esteem of individuals, other than the risk of feeling rejected (Nadler, 2002). Prior research shows that motivation to depend on others is determined by the symbolic meaning of being dependent rather than by the objective characteristics of the situation (Ryan and Solky, 1996). Besides, research shows that individuals are unwilling to share and ask for help from someone who is perceived to be similar to them in some relevant dimensions (e.g., one's IQ, profession). In addition, they avoid seeking help for problems that reveal their inadequacy in the areas relevant to their ego (Nadler, 2002; Nadler and Porat, 1978). For example, an experienced marketer may be reluctant to admit his ignorance of new marketing trends and seek advice from a novice marketer since it threatens his or her social identity.

In sum, an appropriate understanding of dependence is essential for individuals to reap the benefits from an interaction, which is only possible if they are willing to rely on others. Yet, dependence also involves potential costs and threats. Birtchnell (1988) makes a crucial point by observing that dependence can manifest in varying degrees. He notes that normal individuals will adjust their dependence on others to accommodate the current situation. In the next section, we examine the issue of dependence regulation in interpersonal relationships.

2.3.2. *Dependence regulation*

When attempting to explain individuals' behaviors in social situations that involve interdependence, many theories on the topic focus on examining the *objective features* of the situation, that is, those that could be observed by a third party. According to these theories, the degree to which individuals are dependent on others is determined by various factors that *define* the *situation* of dependence in which individuals are embedded (Kelley and Thibault, 1978). In this perspective, a person is more or less in a *position* of dependence on another person when the satisfaction of his/her goals or needs is facilitated or hindered by appropriate actions or

inaction of that person (Emerson, 1962). Accordingly, the degree of dependence is influenced by factors such as the importance of these needs and goals, the capacity to meet the needs of the partner, the availability of alternative gratifying options, and so on (Emerson, 1962). In the entrepreneur-investor dyad, research using Resource Dependence Theory (Pfeffer and Salancik, 2003) suggests that the dependence of entrepreneurs on investors is a function of the perceived importance of investors' resources, the availability of substitutes to these resources, and the existence of alternative funding suppliers (Gomez-Mejia, Balkin, and Welbourne, 1990).

Yet, dependence is not necessarily dictated by the context. Recent years have seen a growing interest among social psychologists in the phenomenon of *dependence regulation*, that is, the extent to which individuals promote or decrease their dependence on others (Collins and Feeney, 2000; Feeney, 2007; Murray, 2008; Murray et al., 2006; Murray et al., 2008; Murray et al., 2009). This stream of research focuses on examining dependence as being shaped by the thoughts and behaviors of individuals rather than solely by the structure of the context. According to this perspective, individuals reserve the right to enter versus steer away from the situation of dependence. Even when the circumstance drives or invites them to depend on others, they can always determine the extent of their dependence. Broadly speaking, dependence motivation can be influenced by the context but need not be prescribed by it. For example, someone who loses a family member in a car accident can benefit from receiving emotional support from friends. But he/she may choose to keep the pain to himself/herself without any intention of relying on someone to comfort him/her. He/she only begins to enter a state of dependence if he/she thinks of his/her friends as people he/she can rely on in difficult moments or if he/she decides to tell these friends about the trauma and looks for comforting words from them.

This example reflects the fact that dependence is a complex phenomenon, which is manifested not only in overt behavior, but also in perceptions. Individuals promote their dependence on others by enacting behaviors that give the partners the power to control their gratification and outcomes. Examples of dependence-promoting behaviors include self-disclosure, revelation of personal difficulties, seeking proximity, contact, support, approval and acceptance from others (Ainsworth, 1969; Murray et al., 2008). Yet, dependence can also arise simply in thought, whereby individuals think about others as a source of security, comfort, support, assistance or guidance (Murray and Derrick, 2005). Just by thinking about others as a source of gratifications, we are promoting dependence on them, even in the absence of action.

Murray et al. (2006) refer to these two facets as the ‘*practical*’ and the ‘*symbolic*’ aspects of dependence. People are dependent on others only to the extent that their thoughts and behaviors place them in a state of dependence. Therefore, dependence regulation is referred to as the willingness of individuals to *think* and *behave* in ways that foster (or limit) their dependence on and connectedness with others (Murray, Holmes and Griffin, 2000). Finally, note that dependence only becomes problematic when it is maladaptive. Some individuals manifest an excessive or unvarying degree of dependence to the detriment of their well-being or their relationship with others (Birtchnell, 1988). On the contrary, others resist or avoid help and support even when it is necessary (Koestner and Losier, 1996; Ryan and Lynch, 1989).

Based on the theoretical insights of dependence regulation, the following section defines the program of our research.

2.4. Research objectives

The aim of this study is threefold:

First of all, we seek to understand how the phenomenon of dependence *manifests* itself in different shapes and sizes in the entrepreneur-investor dyad. Most previous research on dependence regulation has been conducted in intimate or romantic relationships. To date, little is known about how interpersonal dependence manifests itself in work-related relationships.

Second, we study how entrepreneurs *regulate* their dependence on investors. In intimate or romantic settings, the regulation of dependence primarily involves increasing or decreasing one’s dependence on others (Murray et al., 2006). However, dependence regulation in professional settings appears to be more sophisticated and multifaceted. In a work-related context, individuals must manage not only the instrumental aspects of the relationship but also its personal and emotional aspects. Thus, dependence regulation consists in determining not only to what degree individuals should depend on others, but also which facets of relationship are concerned.

Third, beyond the simple description of entrepreneurs’ dependence patterns and dependence regulating principle, we seek to explore the *psychological processes* through which

entrepreneurs regulate their dependence on investors. According to Social Cognitive Research, human behaviors are jointly shaped by environmental and mental factors, which ‘*co-operate*’ within a unified causal structure (Bandura, 1986, 1999). If the structure or characteristics of the relationship between entrepreneurs and investors have been extensively examined in prior research, the psychological determinants of entrepreneurs’ dependence pattern have received much less attention. We aim to fill this gap by uncovering the mental processes that link environmental impacts to the dependence patterns of entrepreneurs. More specifically, we seek to examine these processes at different levels of analysis. Social Cognitive Research suggests that individuals’ behaviors are shaped by immediate *experience*, i.e., the meaning of the situation as perceived by the individuals (Ryan and Deci, 2008). Yet, this experience also depends, in many important respects, on the *knowledge of the relationship*, i.e., the cognitive representation that the individuals have developed about the relationship up to that point (Baldwin, 1992). Therefore, to understand how entrepreneurs regulate their dependence on investors, it is necessary to understand both their knowledge of the relationship and their interpretation of the current experience. Figure 1 presents the rudimentary analytical framework utilized in this study.



Figure 3. Rudimentary conceptual framework

CHAPTER 3

Chapter 3: Methodological framework

In this chapter, we first present the Critical Realist research paradigm. We describe the philosophical underpinnings of Critical Realism which include the ontological assumptions (i.e., the entities, structures, causal powers and mechanisms) and the epistemological assumptions. We describe the two modes of inference in Critical Realist research (i.e., abduction and retroduction). We argue that Critical Realism is a suitable paradigm for Entrepreneurship research. In a second step, we discuss how Critical Realism informs our research process.

3.1. Critical Realist research paradigm

The choice of a methodology must be informed by the paradigm adopted by the researcher. A paradigm refers to a set of assumptions regarding the nature of reality (ontology) and the type of knowledge (epistemology) the research seeks to generate. The ontological and epistemological choices influence the entire research process, from the formulation of research questions to the selection of research methods and data analysis strategies (Crossan, 2003). This research draws on the underpinnings of Critical Realism, which assumes that Science is not only about recording and analyzing *observable* events, but also about discovering *unobservable* objects, entities and structures that generate the events we seek to understand (Archer et al., 1998).

Critical Realism has emerged from the paradigm debate that polarizes Social Science philosophy into two extreme perspectives, with *Realism, Positivism, Nomothetic* and *Determinism* on the one hand, and *Constructivism, Hermeneutics, Ideographic* and *Voluntarism* on the other hand (Burrell and Morgan, 2017). Drawing on the components of these perspectives, Critical Realism serves as a bridge but also addresses the main critiques of both approaches.

Critical realism opposes the common tendency of Positivism and Constructivism to reduce ontology to epistemology. While Positivism reduces reality to what can be empirically observed (i.e., a mirror of reality), Constructivism considers reality as entirely constructed through human knowledge (i.e., a lens of reality) (Danemark et al., 2002). Critical Realism reconciles this contrasting duality by holding that objects of science consists of two dimensions. The *intransitive* dimension indicates objective entities that exist independent of our observation and knowledge. The *transitive* dimension refers to our scientific interpretation of these objective entities as well as beliefs about their causal mechanisms (Bhaskar, 2013). The generation of knowledge is a human activity and depends heavily on our existing theories, experiences, beliefs, or research techniques that may filter or bias researchers' observation of the real world (Bhaskar, 2013). Thus, new knowledge is built on both transitive and intransitive dimensions. Science is necessarily about "a socially produced knowledge of a natural (human-independent) thing" (Archer et al., 1998, p. 65). In this regard, Critical Realism allows for *relativism of knowledge*, which means that some scientific explanations approximate the intransitive domain better than others (Zachariadis et al., 2013).

Although Critical Realism is based on a realistic view of objective existence, what differentiates Critical Realism from other forms of Realism is the assumption that reality consists of deep dimensions, which may or may not be directly visible to our observation (Minger, 2002). In other words, it recognizes that empirical attempts can only capture a small fraction of a much deeper and vaster reality (Figure 4). Therefore, scientific knowledge cannot be reduced to what can be observed and recorded by scientists (Danemark et al., 2002). Instead, the knowledge that Science should pursue is the understanding of the *structures* and *mechanisms*, which have power to generate the events that are observed.

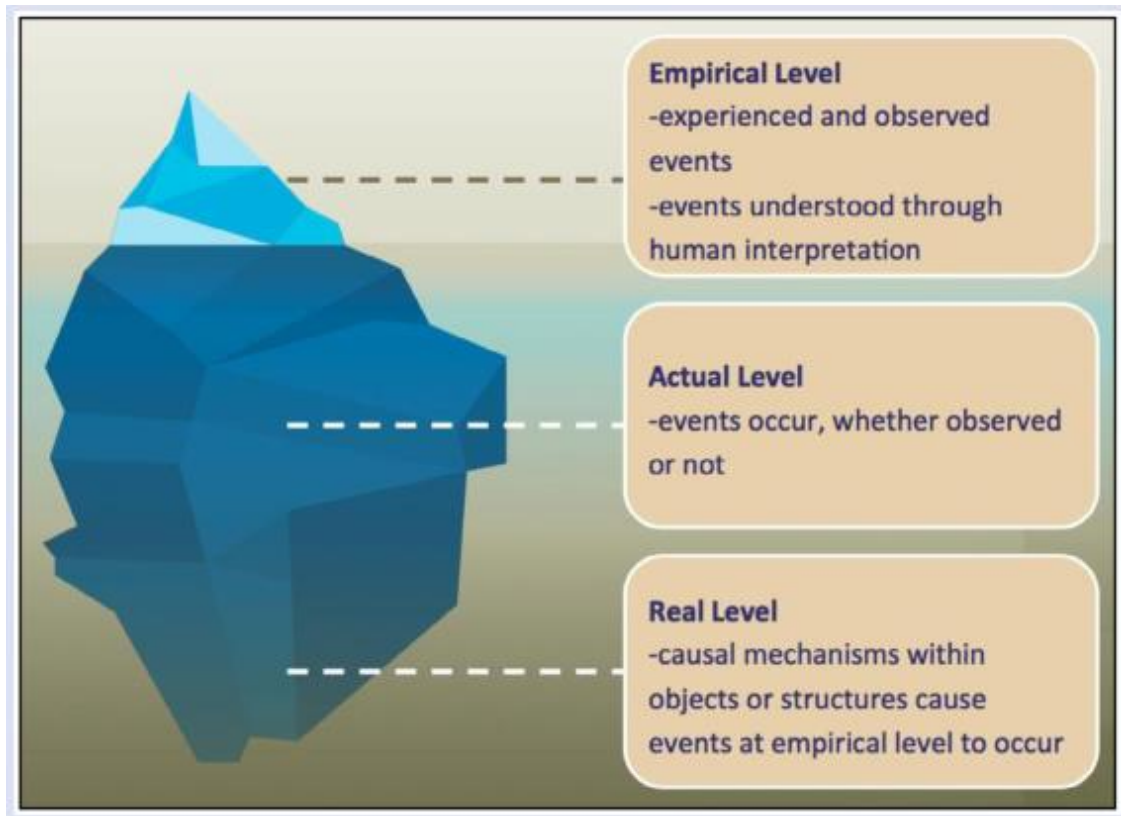


Figure 4. An iceberg metaphor for Critical Realism Ontology (Source: Fletcher, 2017)

3.1.1. Ontological depth of Critical Realism

Critical Realism offers a sophisticated view on the nature of reality. According to Critical Realism, reality is differentiated and structured into three levels: *the empirical* (i.e., the experiences), *the actual* (i.e., the events) and *the real* (i.e., the mechanisms) (Sayer, 1992). This is best illustrated through the metaphor of a three-layer ‘iceberg’ of reality (Fletcher, 2017) (Figure 4). At the top of the iceberg is the empirical domain, which refers to our *experiences* of events or phenomena. At this level, *events* or *objects* are directly or indirectly observed, measured and interpreted through the filter of human cognition. Therefore, the reality experienced at the empirical level is considered to reflect only a fraction of a deeper and broader events, which occur at the actual level. This middle level of reality is where the events occur autonomously, irrespective of whether we experience them or not. It consists not only of things we experience but also of events which happen outside of our consciousness (Bhaskar, 1998).

Underlying the actual domain are the concurrent operations of different generative mechanisms, which belong to the real domain of reality (Sayer, 2000). The real domain refers

to the deep dimension of reality, where *structures* of the research object with its own *causal powers* and *mechanisms* exist. These inherent properties are inaccessible to immediate observation and can only be experienced through their ability to cause empirical events (Minger, 2002). In short, structures and mechanisms are real and distinct from the pattern of events that they generate, just as events are real and exist independent of the experiences upon which they are reflected (Bhaskar, 2013).

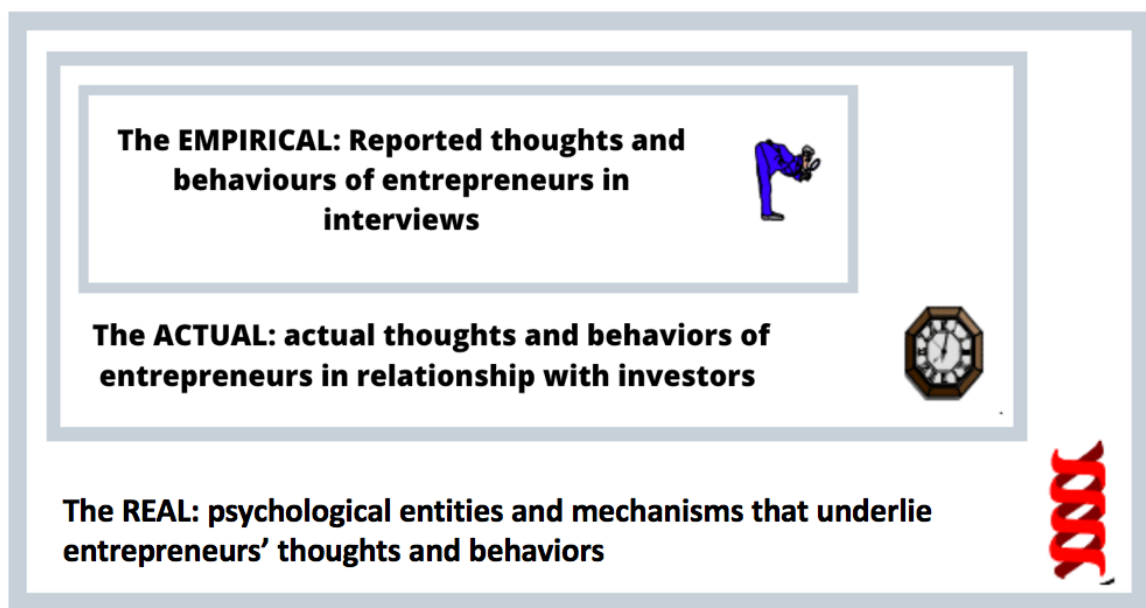


Figure 5. Entrepreneurs' dependence regulation system - the three domains of reality in Critical realism (Source: adapted from Mingers, 2004)

In this study, the real domain consists of the psychological entities and mechanisms, which operate under certain conditions to cause the dependence patterns of entrepreneurs (Figure 5). The actual domain involves the thoughts, feelings, motivations and behaviors of entrepreneurs when interacting with investors, whether or not they realize, remember or tell others (e.g., the researcher) about them. And finally, the empirical domain refers to the empirical records of entrepreneurs' introspection or retrospection of their thoughts, feelings, motivations and actions in the past, present or future. This is where entrepreneurs attempt to recall, make sense of their overt and covert behaviors, and report back to researchers.

Each of the three levels reflects part of reality and interacts with the other levels in a complicated manner. Critical Realism criticizes the Positivist approach for reducing the three levels to one, which they call '*epistemic fallacy*' (Lawson, 2003). The idea that reality is differentiated redresses the limitation of both the Positivist and Constructivist approaches. By separating the three domains of reality, Critical Realism seeks to separate between ontology of '*what is*' from epistemology of '*what we can know about it*'. The idea about the third domain of reality where generative dimensions can be found is what distinguishes Critical Realism from other forms of Realism.

3.1.2. Entities, structures, causal powers and mechanisms

According to Critical Realism, reality consists of entities that cause events and phenomena we experience at the empirical level (Bygstad and Munkvold, 2011). Easton (2010) suggests that the best way to understand entities is to see how they differ from the concept of *variable* that dominates most research traditions in the Social Sciences. If variables denote how we measure *things* that exist in reality, in terms of their quantifiable properties, entities are such *things*. Directing our attention from the measurable properties of things to the nature of things themselves fundamentally changes the way we think about theory. Psychological entities (e.g., beliefs, goals) are mainly unobservable and metaphorical in the sense that we cannot verify their substantive existence in the neurological system, but they are scientifically indispensable for the discovery and explanation of social phenomena. Although their existence can only be inferred through the effects that they generate (e.g., thoughts, behaviors), they are just as real as any forms of material (e.g., chair, table) they serve to reflect.

The term *structure* is used to indicate how an entity is constituted and the interrelations of its constituent components (Bunge, 2004). A structural entity can serve as a component in a broader structure. For example, an organization is structured by many departments that, in turn, group many employees. Here, the structural entity of the department is nested within the structural entity of the organization. The properties of an entity depend not only on its components, but also on how these components are organized. For example, several people may have faced the same traumatic experiences. Yet, the way these experiences are chronically accessible in the cognitive system makes the difference between pessimistic and optimistic people.

Constituents and the structure of an entity determine its causal powers, defined as the capacities or potentialities that enable the entity to act in certain ways (Psillos, 2007). A healthy person has the power to work, speak and influence other people. Causal powers can exist without being exercised. Powers of an entity are not actualized automatically, but need to be triggered in conjunction with certain contextual conditions (Lawson, 2003). For example, the working power of a person is only actualized if the person has a job, whether the person is self-employed or an employee.

Mechanisms refer to the way in which the causal powers of an entity are exercised, either enabling (power) or constraining (liability) what can or cannot happen under certain conditions (Wynn and Williams, 2012). Danemark et al. (2002) define mechanisms as “tendencies which can be reinforced, modified or suppressed in a complex interaction with other mechanisms” (p. 163). In Critical Realism, causality deals with the causal powers of entities or structures, and not with the relationship or regularity between discrete events (i.e., A leads to B) (Clark, Lissel and Davis, 2008). Therefore, causality in Critical Realism is about what an entity is like, what it can do and will do in a given circumstance (Sayer, 2000).

3.1.3. Epistemological assumptions in Critical Realism

It is important to clarify the types of knowledge that Critical Realism aims to generate. In Critical Realism, knowledge acquisition boils down to *causal explanation*, which involves identifying entities and the mechanisms that connect them to cause the patterns of events we seek to understand (Clark et al., 2008). The ultimate purpose of scientific inquiry is to provide a *real definition* of ‘*what things are*’ and the *statements of laws* of ‘*how things act*’ (Bhaskar, 1978). Critical Realist research does this with the generation of theories, since theories conceptualize causal mechanisms. Theories developed through Critical Realist research are not and should not be seen as ordering frameworks (of series of measurable events), but rather as conceptualizations, defined as “a configuration of interrelated concepts” (Jensen, 1991, p. 7). According to Danemark et al. (2002), conceptualizations refer to “the relations between several central concepts in a rigorous and reasoned fashion” (p. 120). They note that: “Theories are necessarily abstractions; they describe phenomena with reference to certain aspects that have been separated from other aspects also characterizing concrete events or phenomena” (p. 121).

Unlike traditional Realistic inquiry, Critical Realist research does not aim to look for generalization in the form of statistical correlations or invariant associations between events. Generalization according to Critical Realism refers to *tendencies* or *demi-regularities* of the identified mechanisms to generate observable effects, depending on the contextual factors (Wynn and Williams, 2012). Demi-regularities are defined as “the occasional but less than universal actualization of mechanism or tendency over a definite region of time-space. The patterning observed will not be strict if countervailing factors sometimes dominate (but)... there is evidence of relatively enduring and identifiable tendencies in play” (Lawson, 2003, p. 204). This mechanistic view to causality contrasts with the *regularities theory of causation*, which focuses on discovering whether there are systematic correlations between inputs and outputs (House, 1991; Salmon, 1989).

Equally important, Critical Realism stands in contrast to Realist tradition in that it seeks to explain social phenomena, and not predict them. Basically, it suggests that to make predictions about regularity, we need to have knowledge about all relevant mechanisms that operate simultaneously to produce the predicted outcome. This is the case for close systems such as machines or apparatuses (e.g., a barometer can predict weather). But being able to predict something does not mean that we can explain the mechanisms that caused it. In a similar sense, understanding how things work does not mean we can predict when they are likely to occur, particularly when we deal with an *open system* (Danemark et al., 2002).

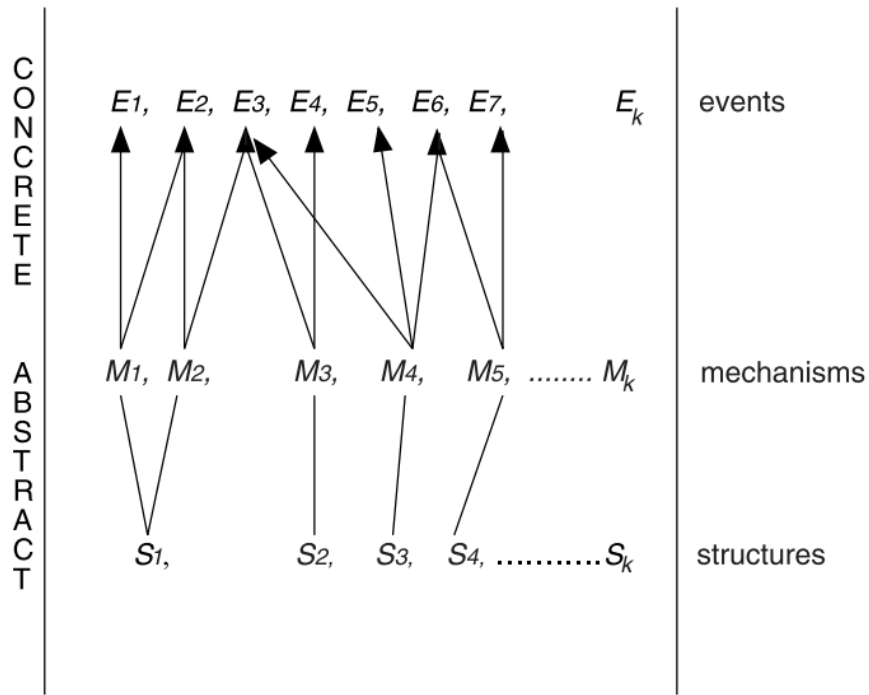


Figure 6. Structures, mechanisms and events (Source: Sayer, 1992)

According to Critical Realism, social reality is an *open system*, and each phenomenon occurring in the actual domain is the outcome of many concurrently active mechanisms at the real domain (Bhaskar, 1978). These mechanisms may reinforce, neutralize or weaken the effects of one another (Sayer, 1992). A mechanism may produce different outcomes, depending on many other associated contingent mechanisms (Figure 6). For example, geologists understand the mechanisms of oil formation, and can tell on which areas oil is likely to be found. However, drilling is still required to find it because knowledge of causal mechanism alone is not enough to make predictions about petroleum existence. This is because petroleum formation operates in an open system, where countless other accidental conditions are involved in activating the underlying mechanisms (Sayer, 1992).

Similarly, in Social Science, it is rarely possible to identify a complete set of all relevant determinants, including psychological factors (e.g., beliefs, values, current mood, cognitive biases, needs, goals) and external factors (e.g., weather, noise, light, pressure, social structure) that lead to individual behaviors. Therefore, there cannot be a Social Science law such as “if A then B”, but rather “if A then B, given C, D, E, etc.”. This *contingent causality* gives rise to a claim for contextualized causal explanation knowledge of Critical Realist research (Easton,

2010). It should be noted, however, that Critical Realist research does not seek to identify as many mechanisms as possible, but only the key mechanisms with the strongest explanatory power related to empirical evidence (Pawson and Tilley, 1997).

Another epistemological assumption of Critical Realism is the claim that Social Science entails double-hermeneutics, in which researchers '*interpret other people's interpretation*' (Blundel, 2007). In this study, the actual behaviors and thoughts of entrepreneurs are filtered out through their cognitive activities, which are, in turn, reported to and understood by the researcher during the interviews and data analysis. Critical Realism insists that individuals' subjective conceptualization of the social reality, whether it is based on correct or false assumptions, must be considered as an integral part of the study. In Critical Realist research, wrong ideas and misconceptions are as important as correct ones. First, they are all '*real*' because they underlie, inform and drive actions that constitute social phenomena (Danemark et al., 2002). Second, they can help to illuminate some critical aspects that lead individuals to hold erroneous opinions.

However, Critical Realism also differs from interpretative research in that it does not build theories and concepts based on idiosyncratic interpretations of individual experiences, as the latter only tap to the empirical domain of reality. Instead, it must explain the underlying mechanisms responsible for producing these heterogeneous experiences among subjects, on *what* creates the divergence of views between A and B. The central task of scientists is to go beneath the surface of immediate experience to the deeper dimensions of reality to identify the generating structures and causal mechanisms that can sufficiently explain the phenomenon of interest (Bygstad and Munkvold, 2011).

3.1.4. Modes of inference in Critical Realism

Before discussing data analysis in detail, it is necessary to explicitly discuss the inferential basis of a Critical Realist study. Scientific research necessarily involves making inferences, in which researchers analyze and interpret data. For a Critical Realist research, inferences aim to make sense of the deeper structures of reality, otherwise Science simply involves a thick description of the facts observed at the surface (Danemark et al., 2002). A distinguishing feature that separates Critical Realist research from research based on other paradigms is its modes of interpretation, which encompasses abduction and retroduction, instead of induction or

deduction. Abduction and retroduction are integral parts of a creative and logical process designed to identify, describe and verify the generative mechanisms of the phenomenon of interest (Bertilsson, 2004). These mechanisms are basically unobservable and must be theoretically inferred through abductive and retroductive inferences. Critical Realism suggests that these two modes of inference should not be considered as mutually exclusive, but rather as complementary in different manners.

3.1.4.1. Abduction

Abduction implies the reinterpretation of an established phenomenon within the framework of new conceptual theories. At the same time, it involves recontextualization of theories by applying them to a new context they have never been applied to (Bergene, 2007). Here, we interpret empirical experience of events in the *intransitive* domain with the help of scientific knowledge in the *transitive* domain. While deductive and inductive logic works with the attributes of events at the empirical level, abduction and retroduction deal with the deep dimensions of reality, which are mainly hidden to direct observation. Thus, their description necessarily resorts to scientific concepts that generally cannot be found in empirical data (Bunge, 2004, p. 201). Why is this theoretical reinterpretation so important? Because theories may afford researchers a deeper understanding of the phenomenon by exposing important (and possibly hidden) explanatory factors that may be otherwise overlooked (Bergene, 2007). On the other hand, insights from new cases can help to modify and refine the theories. That is how abductive research advances existing scientific knowledge.

According to Danemark et al., (2002), what is challenging about the abductive logic is the ability to discover associations between the phenomenon of interest and its generating structure. This is no small task, they argue, because the associations and the structures are not always obvious. It requires researchers to have not only a thorough knowledge of the literature, but also creativity and imagination, to dialectically link the concrete to the abstract, to think of the familiar in light of the novel, and to “see something as something else” (Danemark et al., 2002, p. 93). By using a new and unconventional set of ideas to interpret a familiar phenomenon, abduction gives new meanings to the phenomenon by isolating and illuminating some important aspects that have been overlooked so far. And this can rarely be achieved using either induction or deduction (Danemark et al., 2002).

3.1.4.2. Retroduction

Retroduction searches for the fundamental preconditions underlying the existence of these structures (Bhaskar, 2013; Sayer, 1992). To illustrate this point, consider the example of a car. We observe how it runs and accelerates, or listen to the noise it makes. With abduction, we make a fallible hypothesis that inside this car is a diesel engine, but we do not know how the engine is structured and how it interacts with other components of the car. Although working based on the same physical principles, the engines of two brands may have different properties because they were made with different materials, and they may be structured differently. The car can be viewed as an integral structure, the quality of which depends not only on its components (including the engine), but also on how these components were organized into an integrated whole.

In retroductive inference, researchers ask questions such as: “What reality must be like for the events to occur?”, “What properties must exist for the phenomenon of interest to exist and to be what it is rather than something else?” or “What makes the phenomenon of interest possible?” (Danemark et al., 2002, p. 97). Put it differently, retroduction involves identifying the elements of this structure, its properties and causal mechanisms (Zachariadis, Scott, and Barrett, 2013). Since these deep dimensions of reality are not directly observable, their identification requires inferring from the effects they have created. The unobservability of these deep dimensions of reality implies that researchers do not directly assess structure and causal mechanisms, but rather observe and hypothesize from their empirical manifestation. In other words, “where we cannot observe them, we must depend on an ability to identify them by *inferring* their existence based on the observable experiences we believe them to have caused” (Wynn and Williams, 2012, p. 794).

3.1.5. Critical Realism as a suitable research paradigm for entrepreneurship

The adoption of Critical Realism in this study could be viewed as a response to a growing demand for new research designs, analytic techniques and interpretative approaches to understand entrepreneurial phenomena (Neergaard and Ulhøi, 2007). Critical Realism represents one of the most recent advances in the philosophy of Social Science in general and

Management Science in particular (Smith, 2010). Based on disruptive ontological assumptions about layered reality, open system and unobservable mechanisms, it opens up entirely new methodological possibilities for generating Entrepreneurship theories. Compared to other fields in Management Science, Entrepreneurship represents a relatively new field of research. Probably, for the sake of rigor or convenience, most entrepreneurship studies have been conducted employing developed theories and paradigms. Yet, Bygrave (1989) argues that to grow it as a separate discipline, Entrepreneurship researchers need to stop borrowing established theories from other sciences and build Entrepreneurship-specific theories with their own instruments and models. The present study is a response to this emerging call for paradigm expansion and theory development in Entrepreneurship (Neergaard and Ulhøi, 2007).

The recent years have witnessed an increasing number of Critical Realism-based Entrepreneurship research (Bowney and Easton, 2003; Forsell and Paloniemi, 2010; Hu, 2018; Leca, Naccache, 2006; Mole, 2012), despite the substantial challenges associated with a complex and developing paradigm. In the Handbook of Qualitative Methods in Entrepreneurship research, Blundel (2007) argues that Critical Realism can be a legitimate vehicle for qualitative research on Entrepreneurship for multiple reasons:

“.. first, that Critical Realism can help to revive a long standing realist tradition in entrepreneurship research; second, that Critical Realism can promote the much-needed contextualization of entrepreneurial phenomena in research studies; third, that Critical Realism can facilitate greater theoretical integration between disciplines and across multiple levels of analysis; fourth, that Critical Realism can enhance the explanatory potential of existing qualitative research techniques...; and fifth, that as a consequence; Critical Realism has the potential to contribute more 'useful' knowledge than rival paradigms” (p. 58).

3.2. The research process guided by Critical Realism

Although Critical Realism provides a sound ontological and epistemological basis at a general level, there was a lack of explicit and practical methodological guidance for researchers who adopt this perspective (Yeung, 1997). The fundamental challenge facing Critical Realism researchers is that they embark on the quest for something unobservable, something that exists

independently of its manifestation and our recognition of it (Wuison, 2005; Wynn and Williams, 2012).

Some attempts have been made to provide stepwise frameworks for conducting Critical Realist research (Bygstad and Munkvold, 2011; Danemark et al., 2002; Fletcher, 2017) or Entrepreneurship research (Blundel, 2017). But these frameworks are designed to study phenomena at the social level rather than the psychological level. A causal explanation of psychological phenomena represents a relatively unique context, and therefore requires many adjustments along the way to accommodate the specificities of the research problems. Figure 7 presents the general research flow of this study. Although it gives the impression of a linear process, the actual conduct consisted in constant back and forth movements between the concrete (the data) and the abstract (the theories).

The research process has begun with the identification of research questions. The first purpose of the research is to understand how entrepreneurs *manifest* and *regulate* their dependence on investors. Our second aim is to explore the psychological processes at work that are responsible for the observable dependence patterns of entrepreneurs. While the first question focuses on the empirical and actual levels, the second one focuses on the real level of reality. In Critical Realist language, the three central research questions we addressed in this study were:

1. “What are the different ways through which entrepreneurs *manifest* their dependence on investors?”
2. “What are the different ways through which entrepreneurs *regulate* their dependence on investors?”
3. “What are *psychological entities* and *interacting mechanisms* that, under certain conditions, generate or cause the dependence patterns?”

Equipped with clearly defined research questions, the next task has been to identify a functional theoretical framework that defines the direction and boundaries of the research. As suggested by Danemark et al. (2002), it is quite restrictive to think of methodology only in terms of data collection and analysis methods, as an essential part of Critical Realism involves the *use* and *development of theories*. In Chapter 4, an analytical framework is developed from existing theories. It identifies tentative causal components and possible relationships between

them. But it is also important to note that these initial conceptualizations have been subject to changes as the research progressed.

The next stage has involved data collection, which has taken place concurrently with data analysis. As data collection progressed, data analysis has started with the search for the ‘*demi-regularities*’, or identifiable patterns in the observable events (Fletcher, 2017). Next came the heart of Critical Realist research, where abductive and retroductive reasoning have been deployed to interpret the empirical results. The outcomes of these processes are the psychological structures and mechanisms that are assumed to shape entrepreneurs’ dependence patterns.

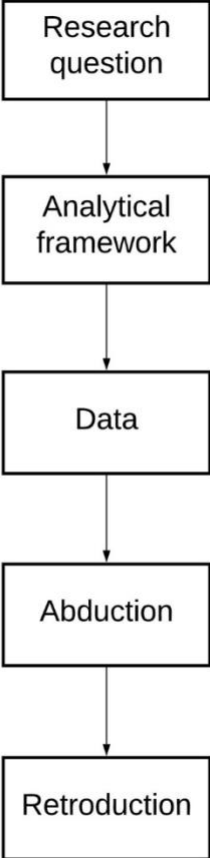


Figure 7. Research process guided by Critical Realism

CHAPTER 4

Chapter 4: Analytical framework

Social phenomena are intrinsically complex, making it impossible to study any phenomenon without focusing on some aspects and not on others (Danemark et al., 2002). Therefore, it is necessary to set the boundary and focus of research by specifying a number of tentative causal components that can act as key generating factors. Building on the general idea of a Social Cognitive perspective, we seek to identify the psychological *factors* and *processes*, through which entrepreneurs regulate their dependence on investors. We refer to these factors and processes as the *dependence regulation system* (i.e., a part of the mental system) which works under specific environmental conditions (i.e., the environmental determinants) to generate the observable dependence patterns of entrepreneurs.

Social Cognitive theory suggests that human behaviors are shaped by both environmental and psychological determinants that act as co-factors within a unified causal structure (Bandura, 1986, 1999). A full understanding of human behaviors “requires an integrated causal system in which socio-structural influences operate through psychological mechanisms to produce behavioral effects” (Bandura, 1999, p. 24). Of course, the environment, because of its structure, has the causal power to create effects. Yet, these effects are necessarily mediated by the mental system, which, by itself, has its own structure and causal power to generate behavioral effects (i.e., thoughts and actions) (Bodenhausen and Morales, 2012). Thus, the same social context can create a specific effect on some individuals but give rise to totally different effects on others. Although we have little control over what happens to us, we do have some leeway in how we interpret and respond to it (Bandura, 1999).

The environmental characteristics of the entrepreneur-investor relationship have been widely examined in prior research (see Chapter 2). However, little effort has been made to examine the psychological processes that mediate these environmental characteristics to shape the behaviors of entrepreneurs. This study aims to fill this gap by exploring the mental system, that is, the psychological factors (or determinants) and mechanisms (or processes) that drive entrepreneurs to depend or discourage them from depending on investors.

Among many psychological factors (e.g. cognition, motivation, emotion, value), we begin by focusing on cognition, which reflects how individuals perceive or make sense of the world. Social Cognition literature suggests that understanding human behavior requires the

analysis of the cognitive activities at different levels of generality, namely, the situation level and the relationship level (Baldwin, 1992). Presumably, the most proximal determinant of individuals' thoughts and actions in a specific context is their experience or interpretation of the current situation (i.e., the meaning of the situation as they perceived it) (Ryan and Deci, 2008). But the cognitive activities at the situation level (e.g., attention, interpretation, evaluation, attribution) depend in many important ways on the mental representation of the relationship. This mental representation, or relationship knowledge structure, reflects individuals' general understanding about the relationship context (i.e., the partner, the self in that relationship, and the nature of interactions between parties) (Baldwin, 1992). It is generalized (i.e., organized and abstracted) based on previous experience (both direct and indirect) with the partner.

Therefore, we argue that the dependence regulation system of entrepreneurs consists of two types of cognitive determinants which deal with the environmental inputs at two levels of generality. At the situation level, the cognitive system makes sense of the current situation to help entrepreneurs determine their current experience (here, their vulnerability if fostering their dependence on investors). This interpretation of the immediate situation is, in turn, influenced by the relationship knowledge structure, which reflects the overall quality or nature of the relational context between parties.

Based on previous research on Stress and Coping (Lazarus and Folkman, 1984), Social Cognition research (Bandura, 1999; Baldwin, 1992) and related works on Interpersonal Dependence (Murray et al., 2006), the following sections present an analytical framework that delineates the main psychological elements that will be examined in this study. This framework is presented in Figure 8.

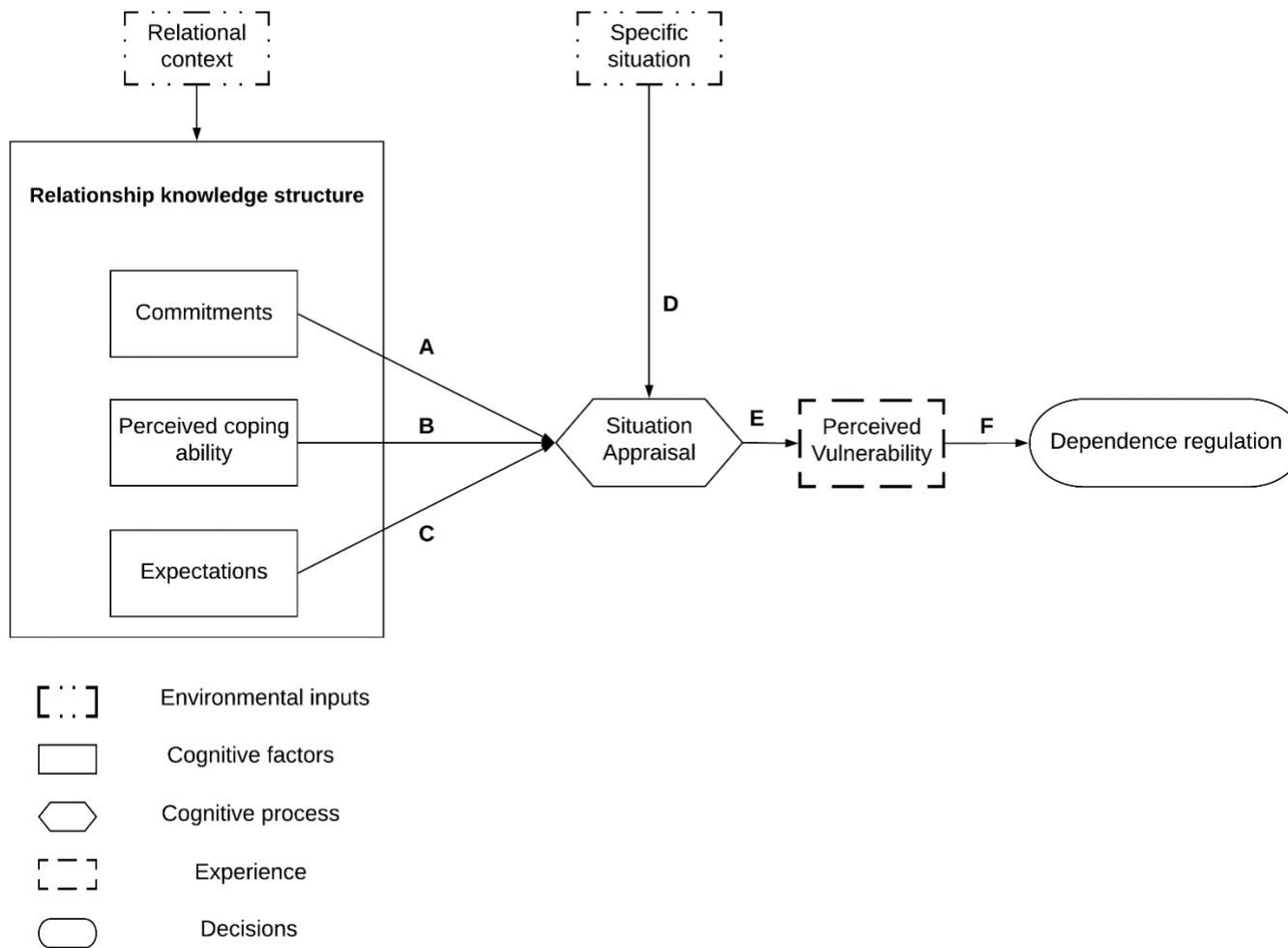


Figure 8. Preliminary analytical framework

4.1. Perceived psychological vulnerability

In an extensive discussion of dependence in romantic relationships, Murray et al. (2006) argue that at the heart of the dependence regulation system is a chronic desire to feel safe from painful experiences. From the early attachment behaviors of infants to their caregivers to certain forms of self-protective behaviors in adult relationships, striving for a sense of security underlies many of our most important behaviors (Murray and Derrick, 2005). Murray et al., (2006) suggest that individuals strategically govern their dependence to optimize a sense of assurance. This risk regulation system, as they call it, must function dynamically, shifting the priority from self-protection when people feel threatened to dependence-promotion when they feel relatively safe. In other words, people need to believe that they are protected from harm before thinking about relying on a partner. Murray et al. (2006) note that “people only risk as much future dependence as they feel reasonably safe given recent experience” (p. 644).

This principle of assurance optimization presumably holds far beyond intimate relationships. Regardless of the nature of interactions, the prospect of putting one’s own outcomes in the hands of others tends to activate the concerns for security. In this study, we extend Murray’s dependence governing principle to the professional context. More specifically, we argue that the degree of assurance (or, symmetrically, the degree of vulnerability) founders experience in a specific situation (Path D on Figure 8) is the most proximal determinant of their dependence motivation (Path F). Thus, we need to understand whether entrepreneurs feel secure versus threatened in that situation (Path E).

Yet, unlike intimate or romantic relationships, the entrepreneur-investor relationship is inherently multifaceted (Huang and Knight, 2017). Different relational systems coexist in parallel. On the one hand, the relationship is governed by formal rules of hierarchical and professional relationships. On the other hand, it is also influenced by the social rules that govern informal and interpersonal relationships. Thus, the nature of a threatening or harmful experience in this context clearly involves more than the pain and hurt from rejection experienced in intimate relationships. Unfortunately, no research, to our knowledge, has investigated what exactly makes a dependence situation psychologically threatening for entrepreneurs. To do so, we will build in what follows on Stress and Coping theory.

Stress and Coping theory provides us with the interesting concept of *psychological vulnerability* that can shed light on the stressful experience of entrepreneurs. The concept of

psychological vulnerability is used to describe patterns of response to stressful stimuli. Researchers have found that some individuals facing difficult events (e.g., the loss of a family member) cope more effectively with and more successfully survive stress than others (Rutter, 1979). While the former ones are described as resilient or stress-resistant, the latter ones are considered vulnerable to these stressors and experience psychological instability and distress (Hauser et al., 1985). In a given situation, individuals are regarded as vulnerable to a stressful factor if the stressor puts something valuable to the individual at risk (Lazarus and Folkman, 1984).

Yet, it is important to note that perceived psychological vulnerability is the joint product of environmental stimuli and the psychological structure of the perceiver. Specifically, vulnerability is the outcome of a situation appraisal process (Path E in Figure 8), which is jointly shaped by situational features (Path D) and personal factors (Path A, Path B, and Path C) (Lazarus and Folkman (1984). This situation appraisal process is discussed in the next section.

4.2. Appraisal of situation

The appraisal or evaluative function of the cognitive system serves to quickly judge the incoming stimuli, whether an event, an action by someone or by oneself, in terms of their consequences for one's outcomes. This is probably the most important cognitive function for human survival and thriving in contexts of ongoing vulnerability. Individuals' interpretation of a situation, or the story they tell themselves about what is happening in the immediate occurrence, may be considered the most proximal determinant of their behavioral responses (Ryan and Deci, 2008).

Cognitive appraisal is the process of categorizing an encounter or stimulus based on its significance or implications, now or in the future, for the well-being of the perceiver (Lazarus and Folkman, 1984). It is the evaluative component of encoding activity. It works by assimilating a stimulus to a category that is already defined in terms of consequences (e.g., gain, loss) (Hoffman, 1986). In Stress and Coping theory, any encounter can only fall under one of three categories: *irrelevant*, *benign/positive*, and *stressful* (Lazarus and Folkman, 1984).

Irrelevant situations are encounters that have no implication for the person's well-being. A situation labelled as irrelevant signals to the cognitive system that no further cognitive or

behavioral resources are needed. *Benign/positive* connotes situations that preserve or enhance the person's well-being or promise to do so. *Stressful* situations include harm/loss and threat. Harm/loss refers to damage that has already been done to the person, whereas threat refers to detected negative implications for the person's welfare in the future.

Naturally, the concept of stressful experience is of particular importance for our study - as previous research mentioned above shows that individuals only consider entertaining gains provided that they overcome fears. A crucial question is whether entrepreneurs always feel vulnerable whenever stressful stimuli are detected. In other words, does a stressful situation always provoke a sense of vulnerability? Lazarus and Folkman (1984) suggest that, in the face of stressful inputs, three cognitive factors (or determinants) shape the perceived vulnerability of the person - *commitments*, *perceived coping ability*, and *expectations* (Lazarus and Folkman, 1984). They are discussed in detail in the section that follows.

4.3. Cognitive determinants of situation appraisal

4.3.1. Commitments

The first cognitive factor that shapes the appraisal of the experience is individuals' *commitments*. According to Stress and Copying theory, commitments refer to something which is perceived as important and meaningful to a person in a situation (Lazarus and Folkman, 1984).⁵ Based on Feather's (1992) terminology, commitments affect "a person's subjective definition of a situation, so that some objects, activities, and potential outcomes within the immediate situation become invested with goal properties" (p. 112), and are considered '*relevant*' (the others being '*irrelevant*'). According to Lazarus and Folkman (1984), individuals who are strongly committed to something or some things tend to become extremely sensitive to the environmental cues that signal facilitation or threats to their commitments.

⁵ Note that in this sense, this concept shares many properties with the concept of value proposed in Expectancy-Value theory (Wigfield and Eccles, 2000). The only difference is that '*value*' refers to the normative evaluation of goodness and badness, whereas '*commitment*' distinguishes between importance and unimportance.

In this study, entrepreneurs' commitments within their relationship with investors refer to the aspects of the interaction that matter to the founders. Broadly speaking, commitments can be seen as the cognitive manifestation of the aspirations that entrepreneurs seek to achieve, as well as the threats founders try to avoid in this relationship (Zirkel and Cantor, 1990). The feeling of vulnerability arises when certain commitments of entrepreneurs are put at risk. And the more founders commit to something, the more vulnerable they are to commitment-threatening stimuli within the current situation (Lazarus and Folkman, 1984).

4.3.2. *Perceived coping ability*

The second cognitive factor that shapes the appraisal of the experience is the belief in the ability of the self to handle the demands of the situation (Lazarus and Folkman, 1984). Precisely, individuals hold beliefs regarding their ability to enact certain efforts used to manage, master, tolerate, reduce or minimize the aversive conditions and emotional distress in a given domain (Folkman and Moskowitz, 2004; Lazarus and Launier, 1978). Part of the reason why people interpret the same stimuli differently is due to the fact that individuals differ in their perceived ability to respond to the social world (Gollwitzer and Moskowitz, 1996). Bandura (1988) notes that: "There is not a fixed property of situational events. Nor does the likelihood of the aversive happenings rely solely on the reading of the external signs of danger or safety. Rather, threats are a relational property concerning the match between the perceived coping capabilities and potentially hurtful aspects of the environment" (p. 78). In other words, humans do not evaluate the world. They evaluate their *relationship* to the world. If people believe that they can cope with or manage stress through intrapsychic coping or specific behavioral actions, they are less vulnerable to adverse events.

Intrapsychic coping refers to the conversation people have with themselves to rule their feelings and reasoning in a way that minimizes negative consequences of the circumstance on themselves (Lazarus and Folkman, 1984). What differentiates humans from non-human animals is the capacity of the former to negotiate with themselves. For example, when confronted with a terminal illness diagnosis, some patients deal with the event by maintaining a positive attitude. Although they know that there is little they can do to change the current situation, they try to maintain a belief in their ability to control their feelings, reasoning, or willingness to accept whatever is happening (Krantz and Schulz, 1980).

Perceived coping ability also stems from the belief that certain actions can be taken to change certain dimensions of the context. In the interpersonal domain, it implies that individuals believe that they can adopt the behaviors necessary to handle stressful relational events (e.g., conflict, rejection) (Cui, Fincham and Pasley, 2008). Research shows that this can significantly influence how people deal with relationship difficulties. For example, the belief that one can successfully resolve a conflict with his or her partner influences the persistence, efforts, and strategies he or she employs to resolve the conflict (Fincham and Bradbury, 1987; Fincham, Bradbury and Grych, 1990).

Stress and Coping theory asserts that individuals' coping resources play a crucial role in shaping perceived coping ability. More specifically, stress arises when the demands and pressures generated by the situation exceed a person's coping resources (Lazarus and Folkman, 1984). Coping resources are some relatively stable characteristics of the person's disposition and social environment that can influence the appraisal of events (Terry, 1991).

Coping resources include personal resources and social resources. Important *personal* coping resources suggested by prior research include optimism, a sense of mastery, self-esteem and problem-solving skills; important *social* coping resources include actual or perceived support from others. Specifically, optimism refers to the belief that good outcomes rather than bad outcomes will happen (Taylor and Stanton, 2007). A sense of mastery (or self-efficacy) is the belief that one can effectively cope with an adverse event by taking certain actions to change the current configuration of the context (Bandura, 1977, 2006). Self-esteem refers to the positive image that one holds about oneself (Taylor and Stanton, 2007). Problem-solving skills refer to the belief that one has a general ability to identify problems and generate, select and execute adaptive action plans (Janis, 1974, cited from Lazarus and Folkman, 1984). And finally, social support reflects the belief that one has emotional, informational, and/or tangible support from others (Lazarus and Folkman, 1984).

4.3.3. *Expectations*

The third important cognitive factor that influences the appraisal of a situation (here, vulnerability) is the expectation of the outcomes that derive from fostering dependence. Relationship Cognition researchers suggest that, through repeated experiences with similar interactional patterns, humans can recognize regularities and develop expectations about what

is likely to happen in a given situation (Baldwin, 1992). These expectations are encoded in the memory in the form of ‘*if-then*’ contingencies (e.g., if I lose my temper, he will keep silent) (Anderson, 1983; Smith, 1984). They refer to “a sequence of actions and events that defines a stereotyped relational pattern” within a given relationship (Baldwin, 1992, p. 468). Interactional expectations help people not only to understand social experience, but also to plan appropriate behaviors to achieve desired outcomes or avoid undesired consequences.

Yet, interpersonal expectations do not always arise from direct experience. Rather, they can develop even before the relationship under consideration begins. In many cases, they arise from indirect experience, that is, interpersonal expectations are *transferred* from one’s interactional history with another person who is perceived to be similar to the target partner (Chen and Andersen, 1999). But more often than not, expectations about the general patterns of interactions that have been formed throughout a person’s entire interpersonal history can shape how he or she thinks and behaves in new relationships (Collins, 1996). Attachment theory claims that the expectations of caregiver responsiveness that children develop in the early years of life are then carried forward into their adult relationships to shape how they view the social world and manage interactions with others (Bartholomew and Horowitz, 1991; Collins, Clark and Shaver, 1996).

Empirical studies have evidenced that individuals can differ chronically in their interpersonal expectations (Baldwin et al., 1993; Collins and Read, 1990; Hazan and Shaver, 1987). And these expectations may be the underlying mechanisms for differences in individuals’ attachment style and social behaviors (Baldwin et al., 1993). For example, some people generally feel secured in social relationships because they generally expect others to be emotionally available, responsive and interact in positive ways. Conversely, many people chronically experience insecurity and become avoidant in social relationships because they expect others to be unresponsive, rejecting or manipulative. Finally, some anxious/ambivalent individuals who had inconsistent or unpredictable experiences regarding the sensitivity of others may develop uncertain expectations about social interactional patterns (Collins and Read, 1990).

To give an example of how expectations shape perceptions and behavior, consider the case of a founder who, when looking for help, has always come across responsive and supportive investors. Accordingly, he or she tends to develop positive expectations about the responsiveness and supportiveness of his or her investors in the future. Such interactional

expectations, once formed, may function automatically, without the perceivers' awareness (Kihlstrom, 1987; Smith, 1984).

It is therefore reasonable to claim that the perceived vulnerability of entrepreneurs in a given situation is partly shaped by their expectations about the potential outcomes from fostering dependence. These expectations may be the result of prior interactions with the same investors or they can be the expectations entrepreneurs carry from previous relationships with other investors and indirect experiences (i.e., stories told by others).

4.4. Relationship knowledge structure

We usually think that the main function of human cognition is to process incoming stimuli and give meaning to current experience. However, beneath the surface, a large part of our cognitive activity involves the organization of prior experience into generalized knowledge units that are stored in the long-term memory (Zimmermann, 1999). As far as relationships are concerned, the knowledge structure has been examined extensively in the literature on Relationship Cognition. It is defined in various ways using different terminologies, such as relational schema (Baldwin, 1992), relationship schema (Horowitz, 1989), interpersonal schema (Safran, 1990), internal working models (Bowlby, 1969), etc.

Regardless of the terminology used, previous studies postulate that the knowledge about a relationship that is stored in the long-term memory can strongly influence how people interpret and behave in specific situations when interacting with others. It is found to shape the entire processing of social information, from attention, encoding, interpretation to memory and retrieval (Baldwin, 1992; Safran, 1990). Specific situations are rarely interpreted or appraised as separate and unique events. In interpreting a given event or interaction, our cognitive system moves back and forth between the current experience and pre-existing knowledge (Morgan and Schwalbe, 1990). Thus, each event or interaction can be seen as a piece of a puzzle that both builds in and fits into a larger picture that people have already taken. Therefore, a complete analysis of the dependence regulation system of entrepreneurs requires an understanding of the knowledge structure that encapsulates their prior experience.

Yet, what is encapsulated in the knowledge structure is still a matter of controversy despite a significant amount of research devoted to this topic. Based on the Relationship

Cognition literature, we argue that it must contain *at least* the three cognitive components we have discussed above: commitments, perceived coping ability, and expectations. Consider the internal working model of attachment developed by Collins and Allard (2001). They argue that relationship knowledge consists of four interrelated components: (1) memories of specific interactions; (2) beliefs, attitudes and expectations; (3) goals and needs; and (4) plans and strategies. Beliefs refer to the general or specific beliefs about the self and the social world. Prior studies suggest that these beliefs are related to the perceived controllability over the outcomes of one's life (Collins and Read, 1990). Thus, the concept of beliefs in that model resembles the concept of perceived coping ability in our study. Also, in Collins and Allard's conceptualization, goals and needs can be seen as reflecting commitments of individuals in a relationship. What people wish to satisfy or avoid losing tend to determine the importance and significance of various relational aspects. Finally, the storage of memories about past experience serves as a foundation that helps people to form expectations about future interactions.

More generally, although previous research has remained without consensus about the content of the relationship knowledge structure, a widely accepted idea is that it is organized around three pillars: knowledge of the self, knowledge of the other, and knowledge of the interactional patterns between the two (Baldwin, 1992; Horowitz, 1988). Knowledge of the self and knowledge of the other refer to the cognitive representations that reflect individuals' attempt to organize information about the self and the other around certain aspects (Baldwin, 1992; Markus, 1977). This knowledge consists not only of a collection of features and traits individuals view as describing themselves and their partner, but also of motivational aspects (i.e., goals and how to achieve these goals, and fears and how to avoid these fears, see Epstein, 1973) or efficacy-related aspects (i.e., the ability to achieve goals or to handle adverse conditions, see Bandura, 1986). In addition to this, relationship knowledge is also represented in long-term memory in the form of interactional scripts, defined as cognitive structures representing a sequence of actions and events that define the stereotyped interactions between parties (Baldwin, 1992).

Overall, commitments, perceived coping ability, and expectations are linked to the three pillars discussed above. Commitments and perceived coping ability refer to two different types of knowledge of the self. Previous research suggests that self-knowledge derives from different

kinds of information about the self, each giving rise to a distinct aspect of the person (Neisser, 1991, 1993, 2006). In this regard, commitments refer to the motivational aspect⁶ and perceived coping ability refers to the efficacy aspect of the self⁷. Finally, expectations about how the interactions are likely to unfold can be considered as an integral element of the relationship knowledge.⁸

⁶Theories on self-knowledge have considered the cognitive structures associated with personal goals, plans, motives, values, hopes, fears and threats as essential facets of the self. Cantor, Markus, Niedenthal, and Nurius (1986) argue that “motivation does not reside outside the self-concept but, instead, derives from enduring self-knowledge that represents individual’s potentials, desires, and values” (p. 100). Within Relationship Cognition research, Horowitz (1988) argues that one important aspect of the self-schema in interaction with another is the desire or motive that individuals pursue in the interaction. For example, many researchers have long noted that social behaviors are, in large part, motivated by the desire to be securely connected to others (Sullivan, 1953; Safran, 1990). But in addition to aspirations, self-relevant knowledge also contains cognitive representations of fears and dreads (Markus and Nurius, 1986). For instance, research on relationship commitments shows that individuals’ motivation to continue and maintain a relationship may be associated either with a desire for future relationship incentives and rewards or with a desire to avoid the negative consequences of relationship dissolution (Strachman and Gable, 2006). By definition, commitments of individuals in a relationship represent a specific type of knowledge with motivational quality that reflect individuals’ goals, aspirations, and fears in that relationship. Commitments, therefore, reflect the motivational aspects of individuals in a given relationship. Thus, it is reasonable to consider commitments as an integral component of the relationship knowledge structure.

⁷ Perceived coping ability, or how people evaluate their ability to cope with stressful aspects of the relationship can be viewed as an integral component of the relationship knowledge structure. This is because perceived coping ability reflects perceived efficacy, one of the most important self-relevant knowledge. Gibson (1993) argues that people observe changes in the environment caused by their own actions, and experience the self as a causal agent. He notes: “perceiving oneself as an agent, a source of control, the possessor of causal efficacy, is the epitome of perceiving oneself” (p. 35). In Social Cognitive theory, Bandura (1986, 1999, 2006) claims that a distinctively core property of human agency is *self-reflectiveness*. People are “self-examiners of their own functioning...they reflect upon their personal efficacy, the soundness of their thoughts and actions” (Bandura, 2006, p. 165). Since humans are social creatures; it can be expected that one of the most important sources of input for such self-reflectiveness comes from the relational context. Through interactions with others, people learn about their ability to cope with stressful relational events. For the reasons we have just discussed, perceived coping efficacy should be treated as a component of relationship knowledge.

⁸ In his seminal work, Baldwin (1992) suggests that the mental representation of a relationship is characterized by interpersonal scripts about all typical interactional patterns that people have experienced in that relationship. He argues that while the mental representation of physical objects is characterized by representative features and attributes, interpersonal script or expectations of future interactions are the foundation of relationship knowledge. A similar approach can be found in other Social Cognitive theories (Cantor and Kihlstrom, 1985; Mischel, 1973). Horowitz’s (1988, 1989, 1991) role-relationship models posit that individuals develop “a mental schematization of the relative characteristics of the self and other, and a sort of script of what each may do to the other in a sequence of interactions” (Horowitz, 1988, p. 42). For these reasons, we argue that relational expectations are an essential component of relationship knowledge.

In this chapter, we have identified the psychological determinants that are candidates for affecting the dependence regulation of entrepreneurs. Based on previous research, we suggest that the dependence decisions of entrepreneurs are the outcome of the cognitive processes that operate at two levels of generality. At the situation level, the entrepreneurs' willingness to foster their dependence on investors is shaped by a cognitive appraisal process. This process evaluates the incoming stimuli to determine whether entrepreneurs are vulnerable to stressful experience when interacting with investors. The situation appraisal process is also influenced by the knowledge structure about the relationship that is stored in the long-term memory, i.e., the second level of generality. This relationship knowledge structure is assumed to determine the three cognitive factors that largely shape the evaluation of stressful experience: commitments, perceived coping ability and expectations.

CHAPTER 5

Chapter 5: Method and Data

We first present the method we have followed. Next, we discuss how we have collected the data. Finally, we detail the data analysis process.

5.1. Method

The selection of a research method, either qualitative or quantitative, depends on the issues researchers wish to address since each method applies to specific classes of problems (Danemark et al., 2002). The aim of the current study is to explain the psychological processes through which entrepreneurs regulate their dependence on investors. In this sense, qualitative methods seem most appropriate for several reasons. First, while quantitative methods are useful to establish empirical regularities at the empirical level, the exploration of the unobservable causal mechanisms remains a unique strength of qualitative methods (Yeung, 1997). Consistent with the view of Critical Realism of the interpretative nature of social phenomena, qualitative research illuminates how the phenomenon (e.g., entrepreneurs' thoughts and actions) under study is experienced and perceived by the subjects (Hood, 2016). Second, it also helps researcher to deal with the complexities of the research issues. Very often, causality emerges from an in-depth examination of specific cases (Maxwell, 2004). Besides, Critical Realism places considerable emphasis on the context-dependence nature of the causal explanation (Sayer, 1992). Pawson and Tiley (1997) sum it up in their formula "mechanism + context = outcome" (p. XV in the preface). Unlike quantitative studies, qualitative research can elucidate the importance of contextual factors as an integral part of the causal process (Pawson and Tiley, 1997). Arguing for a larger use of qualitative methods in Critical Realist research, Sayer (1992) notes that: "Realism replaces regularity model with one in which objects and social relations have causal powers which may or may not produce regularities, and which can be explained independently of them. In view of this, less weight is put on quantitative methods for discovering and assessing regularities and more on methods of establishing the qualitative nature of social objects and relations on which causal mechanisms depend" (p. 2 - 3).

Although researchers have suggested that Entrepreneurship can be studied using a wide variety of methods, be it qualitative or quantitative techniques, this field is still considered as

lacking of methodological diversity (Neergaard and Uihøi, 2007). Bygrave (2007) notes that: “95 percent of the entrepreneurship articles published in nine ‘A’ journals used statistical analysis; our prime instrument is the questionnaire – 35 percent of the ‘A’ articles used phone or paper questionnaires with multiple-scale items; only 10 percent were based on interviews, and less than 1 percent on observation; it’s extremely difficult to get qualitative research published in ‘A’ journals” (p. 24).

In response to an emerging call for more qualitative contributions in this field (Bygrave 2007; Huse and Landström, 1997; Gartner and Birley, 2002; Hindle 2004a, 2004b), the current study employs semi-structured interviews to collect empirical data. The rationale behind this decision concerns the nature of the phenomenon under investigation. This study focuses on cognitive structures and mechanisms that shape entrepreneurs’ dependence regulation. For this reason, interviews have specific advantages in capturing both behavioral and mental events that direct observations from a third-party’s viewpoint cannot. In addition to this, as mentioned earlier, Critical Realist research seeks to find causal mechanisms, which can be exercised but are unobservable. In-depth interviews with founders have the potential for providing a profound understanding of many hidden psychological aspects surrounding their behaviors such as fears, desires, values, and concerns.

5.2. Data collection

5.2.1. Sample

Case selection is not done randomly, but rather carefully and selectively so that the sample exhibits the structures and mechanisms identified by the chosen theories (Danemark et al., 2002). This is because the main purpose is not to develop a theory inductively based on random data. Instead, researchers deliberately select the data that carry important *properties* that can “illuminate and further develop formerly obscure or undertheorized aspects” of the chosen framework (Bergene, 2007, p., 22). The present sample consists of 19 Vietnamese entrepreneurs who have received funding from business angels or/and (institutional or corporate) venture capitalists. Entrepreneurs have been recruited through personal connections or contacted randomly through their social media profile. To preserve anonymity, each entrepreneurs’ name has been coded from 1 to 19 and their company’s name have been replaced. Background information of respondents regarding their operating industry,

entrepreneurial experience and working history with investors is presented in Appendix 1. As can be seen from Appendix 1, the selected informants represent a very diverse sample in terms of their industries (ranging from Food and Beverage to E-Commerce to AI technology) and experience of collaboration with investors (ranging two years to eleven years).

The sample has been selected so as to consist of four types of cases: *pathology cases*, *extremely varied cases*, *critical cases*, and finally, *normal cases* (Danemark et al., 2002). A ‘*Pathology*’ case refers to an odd case, which can provide important and relevant information compared to a normal, average case. ‘*Extremely varied cases*’ are cases selected on the basis of their differences regarding some important dimensions, which are considered to influence the empirical manifestation of the mechanisms under study. For example, experience could be considered as an influential dimension. Thus, entrepreneurs have been chosen so that they differ both in their *entrepreneurial* experience and their experience of *collaboration* with investors. While some entrepreneurs have collaborated during five to eleven years with both business angels and venture capitalists, some others only received pre-seed funding from an angel investor. A ‘*Critical case*’ designates a case where one symptom should (respectively, should not) arise but ends up not appear (respectively, appear). Finally, an ‘*average case*’ refers to a most commonly occurred case, whose importance is to provide information about “current prevailing generative mechanisms” (Danemark et al., 2002, p. 171).

5.2.2. Interview scope

During interviews, entrepreneurs were asked to recall, make sense, and identify mental and behavioral events. This may not necessarily be complete or correct conceptions about these activities and why these activities occurred (Fleetwood, 2005). Based on the analytical framework, the interview aims to cover three main areas: (1) the dependence patterns of entrepreneurs (including overt behaviors and the value they invest in the relationship); (2) their interpretation of critical experiences when interacting with investors, and why these events matter to them; (3) their perception of the most central aspects of the relationship. An example of a typical interview schedule is presented in Appendix 2. The exact interview questions and their order were adapted to each circumstance to minimize potential bias in the answer.

5.2.3. Interview process

The interviews were conducted either face-to-face or via Skype, in Vietnamese. Their duration varies from 30 minutes to one hour, with an average around 45 minutes. The conversations were managed so that they were flexible enough to give the respondents the freedom to fully express their perspectives and allowed novel or unpredicted issues to emerge (Berglund, 2007). At the same time, the prepared interview schedule helped put the exchanged topics on the right track and facilitated discussion of sensitive issues.

Before the interview, all background information relevant to the entrepreneurs had been collected, including their entrepreneurial journey and their published history of working with investors. This information is important to capture contextual factors, within which the psychological processes are embedded. This step is critical to overcome the inherent complexity of the phenomena, which requires researchers to draw on multiple sources of data (Blundel, 2007). Furthermore, it has allowed us to adjust and adapt the schedule of the interview to each entrepreneur to reduce redundant inquiries and enhance the quality of the collected information. Besides, the demonstrated familiarity with the entrepreneur's background has helped the researcher to generate initial trust, leaving the entrepreneur an impression that both interviewer and interviewee are speaking the same '*language and vocabulary*' and enabling the interviewer to easily step into the '*flow*' of conversation. Respondents were briefly informed about the scientific purposes of the research and the protection of their confidentiality through case codes. The consent of the respondents regarding the audiotaping of the interview was also obtained to meet the research ethics.

5.3. Data analysis

5.3.1. Analysis method

Having in mind the methodological issues discussed above, data was analyzed using a flexible deductive thematic analysis (e.g., Fereday and Muir-Cochrane, 2006). Flexible thematic analysis is "a method for identifying, analyzing and reporting patterns (themes) within data" (Braun and Clark, 2006, p. 6). With this flexible deductive approach to thematic analysis, an a priori template was first created, based on the chosen frameworks, to code and organize data around a few preconceived analytical categories (Crabtree and Miller, 1999). However,

this template was then modified as new codes arose, changed, replaced or eliminated the prior codes to accommodate novel insights throughout the data analysis (Saldaña, 2015). In this way, the final codes and themes were viewed as challenging, illuminating and reformulating the existing theoretical frameworks from which they were drawn (Fletcher, 2017). Although presented as a linear, step-by-step procedure, the analysis, in fact, followed an iterative and reflexive process. The data collection and analysis were conducted concurrently so that emergent insights helped to guide and modify subsequent data collection.

5.3.2. *Immersion in the original data*

The ability to make sense of the data depends in large part on the researcher's closeness to data, which requires a full and active immersion (Vaismoradi et al., 2016). First, all interview records were transcribed into written text by the author. All verbal as well as nonverbal (e.g., laugh) utterances were transcribed to reflect as truly as possible the original audio version. Next, the interview transcripts were printed on wide-margin papers, leaving ample room for remarks and codes.

One key step in the data analysis process is the careful and repeated reading of the data. In this stage, the researcher highlights key words or data segments that contain important, novel and interesting ideas, or unusual comments that may contradict the researcher's perspective. This annotation process enables the researcher to fully immerse in the data and actively engage in searching for meaningful patterns and insights, without imposing preconceived concepts. Given the importance of this step for the next round of analysis, we carefully followed the '*hermeneutic circle*' (Smith and Flower, 2009), where we moved back and forth between '*the part*' (each sentence, each single data unit, each interview) and '*the whole*' (the complete text, the whole research project). The outcome of this stage is not only a set of elaborative comments but also a list of ideas about potential analytic interests and possible patterns that emerge in the researcher's mind. The example below illustrates how the initial comments were assigned to some important data points in the interview with Entrepreneur 1.

Table 2. Assignment of descriptive comments

Transcripts	Descriptive Comments
<p><i>Many people are worried that this project would be acquired and I would just work for them as employee. With X (a venture fund), I believe that this would not be the case.</i></p>	<p>Initial trust in investor</p>
<p><i>The worst and most disappointed thing is when you realize you have chosen the wrong person to trust and together actualize your dreams.</i></p>	<p>Disappointment and loss of trust</p>
<p><i>It made you lose faith and it is difficult to trust one more person.</i></p>	<p>Losing faith, no longer trusting anyone else</p>
<p><i>It seems almost inevitable that two people build a business together and end up splitting up because of incompatible goals and visions...</i></p>	<p>Reasons for breakup - goals and visions conflicts</p>

5.3.3. Developing the analytical scheme

In Critical Realist research, qualitative data is analyzed with specific theoretical interests and aim at generating a close examination of certain aspects of the phenomenon (Braun and Clarke, 2006). This step involves developing an analytical scheme (Miles and Huberman, 1994). In our case, it was based on the research questions and the analytical framework developed in Chapter 4. To avoid a rigid coding approach where preconceptions may distort the objective interpretation of the accounts, this scheme contains only broad, topic-based categories (rather than an elaborate list of codes). It helps the researcher to determine which aspects in the accounts are of interest and should be subject to further investigation (Willig, 2013). These categories not only facilitate data management where related segments can be organized around meaningful topics (Crabtree and Miller, 1999), but also create coherent and structural order for the whole data analysis process (Miles and Huberman, 1994).

Considering the research question and the analytical framework, we approached the data focusing on six main aspects of the thinking and behaving processes of entrepreneurs: *dependence pattern, stressful experience, commitments, perceived-coping ability, relationship quality, and relationship nature*. Together these topics have allowed us to approach the data with clear guidelines to proceed the data effectively, without being overwhelmed by the rich

and vague meaning contained in qualitative accounts. Table 3 presents the definition of each category that provided us with clues as to whether a segment fits into this category.

Table 3. Analytical scheme

Category	Definition
Dependence pattern	Thoughts and behaviors reflecting that entrepreneurs are willing to put themselves in a dependence position by: <ul style="list-style-type: none"> - considering the relationship as a source of satisfaction for their needs and wants - revealing personal difficulties and relying on investors for help
Stressful experience	Experiences perceived as stressful or potentially stressful for entrepreneurs
Commitments	Aspects of the interaction and relationship perceived as important for entrepreneurs.
Perceived coping ability	Explicit evaluation and implicit perception of entrepreneurs about their own capability to manage, master, tolerate, reduce or minimize the adverse conditions and emotional distress in a potentially stressful situation
Relationship quality	Dimensions or aspects of the relational context with which founders are satisfied or unsatisfied
Relationship nature	Normative beliefs about the nature of the relationship and how interactions are going to occur

5.3.4. Coding data

Coding refers to the process of data reduction, in which a large amount of qualitative data is broken down into smaller, more manageable segments, relevant to the research questions, identified as codes (Polit and Beck, 2009). With coding, explicit and implicit meanings of raw data are extracted and concrete data segments are transformed into abstract insights at a higher level of generality (Vaismoradi et al., 2016). The interview transcripts were coded as soon as each interview finished, based on the guidance of (but hopefully not biased by) the predefined

categories. Data segments generating important and relevant insights were assigned either data-driven codes or theory-driven codes, depending on the researcher’s sensitivity to theory. Codes which failed to fit the predetermined categories were re-identified with subsequent analysis to determine whether they represented a new category or a subcategory of an existing category (Hsieh and Shannon, 2005). After each interview, generated codes were revised and modified in light of new insights and emerging patterns. Since coding is a heuristic and cyclical process (Saldana, 2015), data was coded and recoded several times, until the final set of codes reached the desired level of analysis. Vaismoradi et al. (2016) suggest that to demonstrate the rigor of qualitative data analysis, the researcher should reduce ambiguities surrounding the transformation of concrete data segments into abstract insights. Table 4 illustrates this abstraction process by showing how comments were assigned the data-driven code of *Inadequate* or *Confident*, which are grouped under the *Perceived coping ability* category.

Table 4. Example of data coding – an abstraction process

Category	Perceived coping ability	
Name of code	Inadequate	Confident
Explanation of code	Perceiving oneself as incapable to take intrapsychic or behavioral actions to cope with a stressful event.	Perceiving oneself as capable to enact intrapsychic or behavioral actions to cope with a stressful event.
Extract	<p><i>“If I could do it again, I would let the investor intervene to a lesser degree in my job. But, I think without knowledge and experience, everyone would have acted like me...</i></p> <p><i>...If the founder can run the company to achieve the objective, investors need not participate in. Otherwise, with their experience, then when the company runs off course, they need to jump in to get it in the right direction” (Entrepreneur 15).</i></p>	<p><i>“The most important thing is to believe in yourself and build your trust in your investor...</i></p> <p><i>... Everyone can be replaced. I see no reason to have that condition in the term sheet to avoid this or that. You must prove that you are the only and the best person who can run and grow the company” (Entrepreneur 13).</i></p>

5.3.5. Identifying themes

After data was coded, we began the process of organizing and comparing codes in terms of similarities and differences, to cluster them under a common theme (Vaismoradi et al., 2016). A theme can be understood simply as something important about the data that helps to answer the research question (Braun and Clark, 2006). In this study, we seek to understand the thinking processes that lead to dependence decisions of entrepreneurs. Here, two types of themes were of analytical interest – one that related to the causal factors, that is, the ‘*thinking process*’, and the other related to the outcomes, that is, the ‘*dependence patterns*’. In Table 5, we illustrate the process of connecting codes to develop the theme ‘*Relationship quality*’, defined as the dimensions or aspects of the relational context with which founders are satisfied or unsatisfied.

The themes developed in this stage helped to generate materials for the identification of what Critical Realism referred to as ‘*demi-regularities*’, that is, the patterning observed in the empirical data. Since the main purpose of this chapter is to discuss the data analysis process, details about the most important themes and how they relate to the research question will be presented in the next chapter.

Table 5. Connecting codes to develop the theme ‘Relationship quality’

Theme	Relationship quality		
Code	Demands and complexities	Constraints	Closeness
Explanation of code	<p>Demanding aspects and complexities inherent in the relationship that influence overall satisfaction of entrepreneurs.</p>	<p>Limitations and restrictions inherent in the relationship that influence overall satisfaction of entrepreneurs.</p>	<p>Quality of connection between parties that influence overall satisfaction of entrepreneurs.</p>
Extract	<p><i>“We have so many obligations when working with them, whereas a startup prefers something flexible. Sometimes they required so much from the startup in terms of legal and administration” (Entrepreneur 7).</i></p> <p><i>“There are decisions that cannot be measured or analyzed quantitatively. Whatever we do, we must seek approval from investors, present things in so much detail, then it will impede our speed, we cannot decide in time. And then we lost the opportunity” (Entrepreneur 12).</i></p>	<p><i>“My first investor, after a while, he jumped in to run the company and became CEO. He thought: “it’s my money, then I should drive the company as I wish”. He participated so deeply that we could no longer control the product development process. And finally, we failed” (Entrepreneur 7).</i></p> <p><i>“The flip side is that once we received the investment, we could not freely do whatever we wanted like before” (Entrepreneur 12).</i></p>	<p><i>“I feel quite happy with this relationship. When we cooperate with each other, there must be something beyond business, because business is a roller coaster. When it gets bad, we have another relationship to connect us and make us feel comfortable working with each other. My relationship with my current investors is really good” (Entrepreneur 14).</i></p>

CHAPTER 6

Chapter 6: Demi-regularities

According to Critical Realism, although the world is an open and complex system, it is far from chaos. On the contrary, it is patterned. The first stage in the data interpretation process is to identify ‘*demi-regularities*’ in the empirical data. They reflect the context-contingent actualization of the mechanisms we seek to describe (Wynn and Williams, 2012).

In this chapter, we describe some of the most important themes that represent identifiable patterns in the thoughts and behaviors of the entrepreneurs we have interviewed. The first demi-regularity - *patterns of dependence* – relates to how entrepreneurs manifest and regulate their dependence on investors through specific thoughts and behavioral patterns. Earlier, we have suggested that the most proximal determinant of the dependence decision in any given situation is the degree to which founders feel vulnerable to stressful experience. The second demi-regularity - *stressful stimuli* – illuminates the nature of interactions that were experienced as stressful by entrepreneurs. The third demi-regularity describes the aspects of the relationship that were considered as important and meaningful to entrepreneurs. These were the *commitments* that founders brought to the relationship, which determined their psychological vulnerabilities. The fourth demi-regularity concerns the *perceived coping ability* of entrepreneurs. This theme captures the perception of entrepreneurs about their ability to handle stressful situations. The following table briefly describes what each theme addresses.

Table 6. Demi-regularities

Theme	Brief description
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<i>Patterns of dependence</i>	<p>Identifiable characteristics of the two distinct forms of dependence of entrepreneurs: Minimum viable dependence and Maximum possible dependence.</p> <p>Two dependence regulating goals – Stress minimization and Benefit-maximization</p>
<i>Stressful experience</i>	<p>Three types of experience that can cause distress for entrepreneurs in their collaboration with investors: Constraining experience, Inefficient experience, and Hostile experience.</p>
<i>Commitments</i>	<p>Three aspects of the relationship that are perceived as significant and important to entrepreneurs: Self-determination, Resource acquisition and Personal connection.</p>
<i>Perceived coping ability</i>	<p>Entrepreneurs' explicit evaluation and implicit perception of their own ability to handle a stressful experience in their collaboration with investors.</p>

6.1. Patterns of dependence

In analyzing the data, we have found that entrepreneurs exhibited two qualitatively different forms of dependence, which we refer to as *minimum viable dependence* and *maximum possible dependence*. Each represents a specific pattern of thoughts and behaviors that places founders in a distinct position of dependence. Minimum viable dependence reflects a highly selective and limited form of dependence, whereas maximum possible dependence reflects a broad and deep form of dependence. These two forms of dependence differ primarily in two key aspects: the *benefit-exploitation approach* and the *dependence scope*. The first aspect indicates the approach entrepreneurs take to realize the benefits from the relationship. The second concerns the motivation of entrepreneurs to extend their dependence on investors beyond the scope of business.

Before diving into the details of each aspect, it is important to note that the two dependence patterns reflect both inter-individual and intra-personal differences. This means that, in some cases, founders demonstrated a stable dependence-regulating style based on an underlying set of beliefs about investors and the collaboration process. In other cases, founders demonstrated a minimum viable dependence with some investors while maintaining maximum possible dependence with others.

We begin by describing and comparing the key characteristics that differentiate these two dependence patterns. These characteristics are summarized in Table 7. Next, we provide a discussion of the two dependence-regulating goals and how they might work simultaneously to shape the dependence patterns of entrepreneurs.

Table 7. Minimum viable dependence and maximum possible dependence

	Minimum viable dependence	Maximum possible dependence
Benefit-exploitation approach	Benefit-harvesting approach	Benefit-cultivating approach
Belief about the supporting ability of investors	Fixed and limited to their domain of expertise	Malleable ability that can be cultivated with the efforts of entrepreneurs
Viewing the collaboration as:	Resource-transferring process	Resource-transforming process
Entering the interactions from the position of:	Recipient	Contributor
Attributing dissatisfied experience to:	Factors on the part of investors (e.g., lack of competency, lack of care)	Factors on the part of entrepreneurs (e.g., lack of cultivating efforts)
Reacting to dissatisfied experience	Reduce dependence and communication	Increase dependence and foster communication
Dependence scope	Narrow (Instrumental dependence)	Broad (Instrumental <i>and</i> Emotional dependence)
Perceived importance of the relationship is tied to:	Instrumental value	Instrumental <i>and</i> Emotional value
Motivation to promote personal connection	Reluctance or unwillingness	Willful choice

6.1.1. Benefit-exploitation approach

The first important dimension along which minimum viable dependence differs from maximum possible dependence is the benefit-exploitation approach followed by the entrepreneurs. Entrepreneurs rely on investors to capitalize on the value and opportunities that this relationship can offer. Yet, we have found that founders could take very different approaches to leveraging or realizing the relationship's benefits. Minimum viable dependence is characterized by a *benefit-harvesting* approach, whereas maximum possible dependence is characterized by a *benefit-cultivating* approach.

The benefit-harvesting approach reflects the tendency of entrepreneurs to enter in the collaboration from the position of a *recipient*, whose primary goal is to reap certain ready-made resources. Under this approach, entrepreneurs tended to view the collaboration process merely as a *resource-transferring* process, in which resources are transferred passively from investors to entrepreneurs. For instance:

"I only ask for their help with fundraising issues. They have an extensive network with other investors. On operational issues, I have exchanged with them several times before, but their advice was useless. As I told you, they are not experts in our field. Therefore, most of our problems, we solve ourselves" (Entrepreneur 11).

In many cases, underlying a benefit-harvesting approach was the belief that the ability of investors to support was *fixed* and *limited* to their domain of expertise. In other words, founders tended to believe that the competency of investors to facilitate the achievement of entrepreneurs' needs and goals was an unchanged reality, based on the presence or absence of certain resources that founders required. The extent to which entrepreneurs viewed investors as supportive figures (i.e., a source of support and guidance), depended mostly on whether investors had the resources that founders currently needed. The belief that the investors' ability was limited in their areas of expertise was also present. Each investor was specialized in certain areas, and outside these areas, their advice, guidance, or assistance was generally '*useless*'. This point is illustrated in the above excerpt of Entrepreneur 11. For this reason, minimum viable dependence reflects a *highly selective* form of dependence, in which entrepreneurs rely on investors only in a few areas that they believe are investors' domain of expertise. Outside these areas, they tend to rely minimally on investors or be self-reliant.

When deciding whether to enact behaviors that fostered their dependence on investors, entrepreneurs needed to be convinced that the time or energy that they invested in building and maintaining the relationship would generate an immediate and worthwhile return. Entrepreneurs who adopted a benefit-harvesting approach only shared their difficulties and sought support from investors when they were certain that investors had the resources that entrepreneurs currently needed. For instance:

“I only share my problems with them if I know they have the answer. Otherwise, it’s a waste of time” (Entrepreneur 6).

The limited nature of the minimum viable dependence was manifested clearly in the way entrepreneurs behaved when they expected that investors did not have the resources they needed. They communicated with investors primarily to discuss formal issues such as updates on current conditions of the business, achievements of the milestones, strategic issues and so on. In general, communication was deliberately limited to fulfill legal obligations or/and a sense of duty. In this case, the fundamental concern of entrepreneurs was to keep the effort, time, and energy invested in the relationship to a minimum. For instance, Entrepreneur 17 shared that:

“We rarely exchange outside the meeting room” (Entrepreneur 17).

A benefit-harvesting approach was particularly evident in the entrepreneurs’ attribution of experiences and response to interactions that did not meet their expectations. We have observed that founders who took a benefit-harvesting approach tended to attribute unsatisfactory experiences to the incompetence or irresponsibility of investors. More importantly, they tended to believe that there was nothing they could do to change this reality. As a result, they usually responded to this situation by refusing to turn to investors if they needed similar help in the future. The interview excerpt from Entrepreneur 11 quoted above illustrates this point. After receiving assistance that did not meet his requirements, the founder attributed the experience to a lack of competency on the part of investors. And the founder decided he would be self-reliant if he faced a similar problem in the future.

In contrast to minimum viable dependence, maximum possible dependence is characterized by a benefit-cultivating approach. This approach was usually associated with the belief that the supporting ability of investors was malleable and contingent on the cultivation

effort of entrepreneurs. In her famous research on Self-theories, Dweck (2000) argues that individuals can adopt two different views of their own ability. While some people believe that their intelligence or ability is fixed, others view their ability as a malleable quality that can be increased through effort and diligence. In this study, we have found that the fixed/malleable distinction applies not only to the self-view but also to how individuals view the ability of others when collaborating.

Instead of viewing investors simply as providers of some ready-to-harvest resources, benefit-cultivating founders believed that these resources existed merely in the form of potential value. Whether this pool of untapped potential was transformed into appropriate assistance for startups depended largely on how well investors understood the characteristics of the founders and the startups:

“When they understand the specific attributes of each founder, then they’ll know how to help them achieve their vision” (Entrepreneur 13).

An interesting example comes from Entrepreneur 3, who has shared with us an experience in which he wanted to buy a famous video game from a company in the United States and brought it to Vietnam. Despite his interest and persuasion, the company in the U.S. refused to sell the game, stating that *“there’s no way you can buy it”*. Then, one day, his Korean investors learned of his desire and tried to connect the two companies. With the introduction and recommendation of the investors, the U.S. company became extremely open to his proposal and finally accepted the deal:

“Once they (investors) learned of our desire to bring that game to Vietnam, they introduced us to that company. Then, suddenly, they became very open and they accepted our proposal. We were finally able to sign the contract to the surprise of the whole market” (Entrepreneur 3).

Entrepreneur 3 would not have been able to capitalize on the network of investors if he had not shared his aspirations with them. Similarly, the investors could not provide the assistance that met the startup’s needs if they had not been informed of the entrepreneurs’ specific interest.

Benefit-cultivating founders usually believed that the investors’ ability to help was not limited to their domain of expertise, but rather by a lack of understanding of the business and

the founders. Thus, instead of entering the interaction from the position of a recipient, they actively took on the role of a contributor. They felt that it was their own responsibility to exert effort to make investors better understand them and their company. For example, Entrepreneur 18 shared that the main goal of communicating with investors was:

“...to understand each other better, to see what they think, and (I) want them to understand what I think. There’s a lot of simple things that we couldn’t talk about in a boardroom. Meetings are only about numbers and objectives” (Entrepreneur 18).

Equally important, benefit-cultivating founders did not have a priori beliefs about whether investors had the answer to their question or not, and whether it was a waste of time to share their difficulties and seek investors’ support. This mindset fundamentally changed their motivation to turn to investors for help in difficult moments. First, they were willing to reach out to investors even when they knew that the problems they faced were outside of their investors’ area of expertise. For instance:

“We share a lot of things with each other, other than just work-related issues. Maybe they are not experts in our field. But from the stories they share, about their own life experience, we will learn something from them. And in most cases, these stories have helped me to solve my problems” (Entrepreneur 13).

Additionally, benefit-cultivating founders tended to view the resources needed to develop and maintain the relationship as an investment rather than a cost. Specifically, they did not view communication with investors as an obligation, but rather as an opportunity to improve investors’ understanding of their business and themselves. They believed that the more time and energy they spent fostering mutual understanding and engaging investors in their business, the more they could benefit from the collaboration. For instance:

“We need to constantly update investors on the current state of the company. The more we share, the more they can contribute. Normally, they are very busy. If we want their advice, we must come forward to reach them first rather than wait for them to come to us” (Entrepreneur 14).

Benefit-cultivating founders saw the upside potential of the cooperation as unlimited. Indeed, they viewed collaboration as a *resource-transforming* process, where the joint contribution of both parties could generate value greater than the value generated by each party

in isolation. Dyer and Singh (1998) refer to this value as a ‘*relational rent*’, defined as “supernormal profit jointly generated in an exchange relationship that cannot be generated by either firm in isolation and can only be created through the joint idiosyncratic contributions of the ... partners” (662).

Benefit-cultivating founders often blamed themselves first for not working hard enough to improve the investors’ ability to support and engage them in the business. In contrast, benefit-harvesting founders often attributed relational outcomes to investor-dependent factors (e.g., lack of competency or responsibility). Also, while benefit-harvesting entrepreneurs responded to disappointing experience by reducing their dependence on investors (e.g., refusing to seek future help), benefit-cultivating founders tended to take a different approach. They fostered dependence on investors by promoting communication and support-seeking:

“There are some investors, in the beginning, I felt like that they were more...deeply involved and supportive. But there were times, it seemed like they were abandoning us when my company was having a lot of problems. And in that case, I thought: “Maybe I didn’t share enough with them”. If I don’t constantly update them, then they can’t know how to help us. So, I decided that I needed to share more. I needed to develop other things besides business, like taking them out to dinner to update them on our business” (Entrepreneur 4).

Notice in the above excerpt that Entrepreneur 4 decided to “*try to develop other things besides business*”. This important point illustrates that the dependence regulation in business was about determining not only the *degree*, but also the *scope* of dependence. By trying to “*develop other things besides business*”, the founder was *extending* his dependence on investors beyond the scope of business. This brings us to the second important distinction between minimum viable dependence and maximum possible dependence, namely the scope of dependence.

6.1.2. Dependence scope

By relying on investors, entrepreneurs can access invaluable resources (e.g., money, network connection, entrepreneurial knowledge, etc.) that facilitate the achievement of their economic objectives. We define *instrumental* dependence as the fact that individuals rely on others to achieve their economic or professional goals. We define *emotional* dependence as the fact that founders rely on investors for the satisfaction of their emotional needs. This is the case when founders view investors as confidants or friends with whom they can share personal matters and seek moral support.

In business settings, relationships are generally built on the basis of instrumental dependence. The entrepreneurs' willingness to broaden the scope of their dependence beyond the business boundary and rely emotionally on investors can be viewed as an important feature that differentiates the dependence patterns of entrepreneurs. In this study, we have found that there was a significant difference (both within-person and between persons) in the willingness of entrepreneurs to view investors as a source of emotional support and behave in a way that promotes personal connection with them. More specifically, minimum viable dependence was characterized by a narrow dependence scope, i.e., entrepreneurs' dependence on investors was limited to the instrumental benefits of the collaboration. Under this kind of dependence, entrepreneurs sought to keep the personal and emotional aspects of interactions to a minimum and viewed the relationship as having only an instrumental meaning. Under minimum viable dependence, founders believed that there should be a clear boundary between business and personal life. For instance:

"I never confuse this relationship with friendship... Work and life are very separate"
(Entrepreneur 5).

A narrow dependence was usually evident in the way entrepreneurs evaluated the importance of the relationship. When founders limited their dependence scope within the business boundary, the perceived importance of the relationship was strictly tied to the investors' instrumental resources. In other words, a relationship was considered important to the extent that the investors had the critical resources to help founders achieve their economic or business goals. If these instrumental benefits were removed from the equation, the relationship had little emotional significance. Thus, a common characteristic of minimum

viable dependence was the belief that investors are outsiders, rather than an integral part of the business. For instance:

“They simply provide capital, experience and a network. But they are still outsiders” (Entrepreneur 15).

Also, a narrow dependence scope was clearly manifested by a lack of interest and effort on the part of founders to develop friendships with investors:

“I don’t have friendship or personal relationships with them, just... casual and occasional interactions. I don’t emphasize personal connection in this relationship. It’s not that I don’t consider them my friends. It’s just that the relationship... doesn’t evolve naturally to the level of friendship. Naturally, I don’t try to be their friends, and don’t try to make them my friends. I just care about the project and the work...”

...I don’t have any emotional or personal connection with them (investors), just superficial. Maybe another co-founder - B (the co-founder’s name), he may be closer to our investors than I am, but it doesn’t reach the level of friendship” (Entrepreneur 15).

In the above excerpt, Entrepreneur 15 simply lacked the motivation to promote a personal connection with investors. But in many cases, founders deliberately sought to avoid developing friendship with investors, as in the following example:

“I don’t make friends with investors because it will influence my work. If I consider them as my friends or they consider me as their friend, the collaboration will certainly be affected. It’s no longer professional, like between two strangers. Partners and friends are totally different. Therefore, I don’t need friendship with investors” (Entrepreneur 11).

The reluctance to promote closeness to investors was associated with a tendency to restrict the scope of communication to business issues. When the conversation simply revolved around work and rarely extended to personal matters, it was difficult for the relationship to evolve and develop beyond an impersonal, superficial transaction.

“If we get a chance to meet in person, we can go out for dinner. But everything is all about work” (Entrepreneur 11)

Conversely, maximum possible dependence was characterized by a broader scope of dependence. In addition to resources such as capital, information, or network, founders were also willing to view investors as a source of moral support to help them through difficult moments:

“... I need someone who can cheer me up and show me the way forward. Sometimes, it’s very important to know how to deal with difficulties” (Entrepreneur 14).

In many cases, founders emphasized that both instrumental dependence and emotional dependence must be achieved simultaneously. For instance:

“Don’t tell me I collaborate with you because I like you personally. I must also have an economic motive. But in many cases, the decision whether to receive your investment or not depends on the second motive – the emotion and personal connection... Here, I believe that in the entrepreneur-investor relationship, the two aspects must be achieved concurrently – the personal feelings and the economic objectives” (Entrepreneur 4).

Another difference between a narrow and a broad dependence was the way founders evaluated the importance of the relationship. On the one hand, under minimum viable dependence, the perceived importance of the relationship could be measured by the instrumental benefits derived from the investors’ money, experience, or network. In other words, the more economic benefits founders could derive from the relationship, the more important it was. On the other hand, in the case of maximum possible dependence, the perceived importance of the relationship was not only attached to its economic value but also to its emotional value. This emotional value was tied to its symbolic meaning, i.e., the significance of the relationship for the entrepreneurs on a personal level rather than the tangible benefits it provided. Thus, when founders considered a relationship to be important, it was not a matter of how much instrumental benefits they received, but rather that the relationship had significant symbolic meaning to them. The following excerpt illustrates this point:

“My first investor is someone I deeply respect. He’s a Japanese man, and he has the mindset of a true investor. He is a supporter, and I considered him my Khong Minh (a genius advisor in a famous Chinese story - Clash of the three kingdoms) ... He supported me in everything I did. He helped me realize my strategic vision. He is a person I cannot forget in my

whole life. My current investor is also someone I consider a friend. He gave me a hand in the most difficult times” (Entrepreneur 13).

In emphasizing the importance of the relationship, Entrepreneurs 13 did not associate it with the instrumental benefits that investors had provided. Instead, he attached the value of the relationship to its symbolic meaning. The emotional value of the relationship with the first investor was associated with the supportive attitude of the investor. Here, what mattered was not the actual resources the founder received, but rather the feeling of being supported in everything he did. Again, in the relationship with the second investor, the symbolic meaning of the experience was illustrated not only by the amount of money the investor had invested, but rather by his willingness to help the founder in the most difficult times. When the relationship carries an emotional value, investors play a more important role not only in the business but also in the founders’ lives. Unlike impersonal transactions, whose value is strictly tied to the economic or professional gains, genuine connections such as friendship usually have emotional value independent of their economic value.

A broader dependence scope was manifested not only in the perception of the relationship’s value but also in the way the entrepreneurs developed the personal connection with investors. While minimum viable dependence was characterized by a tendency to remain at the level of casual and superficial interactions, maximum possible dependence featured a motivation to invest in building a meaningful and authentic connection with investors. For instance:

“If we develop the relationship based on friendship, the way we work with each other is very different...

...To have such conversations, and to share such things, you need friendship.

...There’s no need for formal presentation. It is so simple that we can talk to each other like two friends. You must understand that when we work in a comfortable atmosphere, everyone will be more open-minded. Here, besides the economic benefits for the company, we also have personal benefits” (Entrepreneur 13).

The above findings highlight the complex and multifaceted nature of the entrepreneur-investor relationship, where different relational systems coexist in parallel. These findings are

consistent with prior research (Huang and Knight, 2017). On the one hand, the relationship is governed by formal rules of hierarchical and professional relationships (Duffner, 2003; Kaplan and Stromberg, 2001; Sapienza and Gupta, 1994). On the other hand, it is also influenced by the social rules that govern informal and interpersonal relationships (Sapienza and Korsgaard, 1996; Shepherd and Zacharakis, 2001). An important theme developed by previous research is the importance of the personal connection between entrepreneurs and investors for the success of the cooperation (Cable and Shane, 1997; Fried and Hisrich, 1995). Our research supports this idea by showing that when entrepreneurs enter the collaboration considering investors as their friends or confidants, it significantly improves the quality of the collaboration. But our results also show that founders may not always be motivated to develop a close relationship with investors. This is consistent with the observation of Fried and Hisrich (1995) that many founders view investors as ‘*commercial bankers*’ or ‘*evils*’ (Fried and Hisrich, 1995, p. 107), while investors view the personal relationship with entrepreneurs as an important source of power.

Prior research on dependence regulation has mainly focused on the *degree* of dependence, i.e., the motivation to increase or decrease the dependence and closeness to the other (Murray, 2008; Murray et al., 2006; Murray et al., 2008). In the next section, we show that interpersonal dependence in the workplace differs not only in quantity but also in quality. Indeed, the minimum viable dependence and the maximum possible dependence do not designate the end points of a continuum, but rather reflect two distinct ways individuals manage different facets of a complex relationship.

6.2. Two dependence regulating goals

In this section, we examine the dependence-regulating *principle* that underlies the two dependence patterns of entrepreneurs. Based on the analytical framework (from Chapter 4) and the empirical findings (discussed in the previous section), we argue that the thoughts and actions of entrepreneurs are jointly shaped by the two dependence-regulating goals: benefit-maximization and stress-minimization (see Figure 9). Under benefit-maximization, the

fundamental concern of entrepreneurs is to reap the potential benefits of the relationship. Under stress-minimization, entrepreneurs primarily seek to avoid the distressing aspects of the collaboration. When a relationship involves both benefits and distress, the way entrepreneurs manage their dependence can be interpreted as reflecting the resolution to the inner conflict between benefit-maximization and stress-minimization. In Figure 9, the y -axis represents the motivation to minimize stress and the x -axis represents the motivation to maximize benefits.

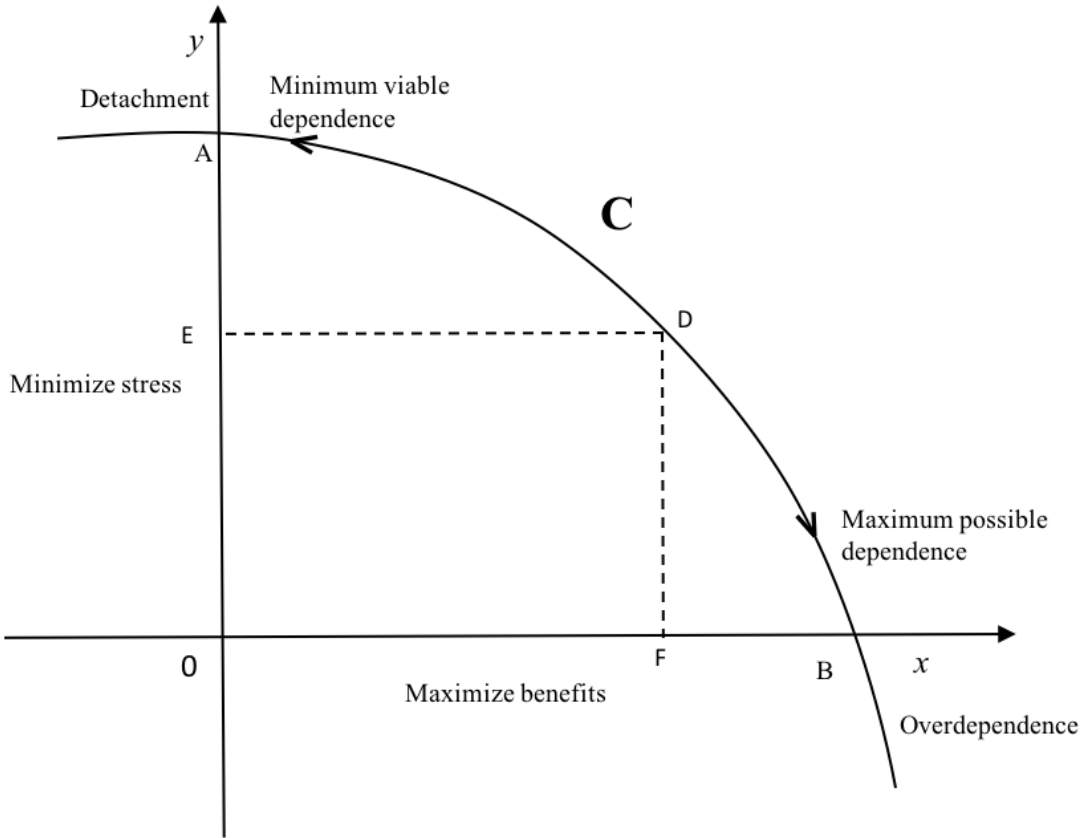


Figure 9: Dependence regulation

At any point in time, the willingness of entrepreneurs to depend on investors can be viewed as the result of a combination between a certain degree of benefit-maximization and a certain degree of stress-minimization. The area under the C-curve captures all possible combinations of these two goals. For any given degree of benefit-maximization, the closer entrepreneurs move toward the C-curve, the more they seek to minimize stress. Similarly, for any given degree of stress-minimization, the closer founders get to the C-curve, the more they

seek to maximize benefits. We can see that all combinations *on* the C-curve represent the optimal dependence options for a given choice of benefit-maximization and stress-minimization. Take point D for instance, which is the highest degree of benefit-maximization for an E degree of stress-minimization. As well, it is the highest degree of stress-minimization for an F degree of benefit-maximization.

Entrepreneurs regulate their dependence based on their current perception of the benefits and stress derived from depending on investors. When perceived stress is high and perceived benefits are low, they are driven to emphasize stress-minimization rather than benefit-maximization. Graphically, they move toward the left of the C-curve and manifest minimum viable dependence. In contrast, when the perceived stress is low and benefits are high, they tend to prioritize benefit-maximization over stress-minimization. Visually, they move to the right of C-curve and adopt maximum possible dependence.

On the *x*-axis, point B represents the highest level of maximum possible dependence before entrepreneurs become *over-dependent* on investors. In this case, individuals place too much emphasis on maximizing benefits while putting themselves at risk. For example, Entrepreneur shares her bitterness as:

“If I could turn back time, I would know with certainty what to say no and what I can accept. The milestones and objectives they set for me, I’ve already achieved. But I paid a very high price, the price that I couldn’t realize at that time” (Entrepreneur 1).

On the *y*-axis, point A is the highest level of minimum viable dependence that founders can incur before manifesting *detachment* (or *under-dependence*). If minimum viable dependence represents a reluctance to depend on investors unless it is required by the context, detachment indicates a willingness to refuse to collaborate with investors or to end the relationship, even at the founders’ own expense. This is illustrated in the following excerpt:

“Normally, we would have 7 investors, but I bought out one investor... He was very frustrating and didn’t let me do my job. I immediately gather the shareholders together and bought him out. Even I did it at my expense” (Entrepreneur 3).

To summarize, this section sheds light on an alternative perspective to examine the motivation of entrepreneurs when interacting with investors. The traditional approach assumes

that the relationship context offers entrepreneurs two viable choices - either to cooperate or to act opportunistically (Cable and Shane, 1997). Yet, based on our interviews, we argue that entrepreneurs face a different class of issues, namely whether to minimize stress or maximize benefits from the relationship. In our interviews, we have never heard founders share that they must decide whether they want to cooperate with investors or to take advantage of them. The cooperative/opportunistic framework was not the perceptual lens they used to look at the world or to interpret their own behaviors. From the founders' perspective, the most important decision to make is whether to foster closeness and dependence on investors, or to protect themselves from the potential stress that can arise in this dependence relationship.

6.3. Stressful experience

In this section, we present the empirical findings on the critical experience that appeared to hinder the dependence motivation of entrepreneurs. As discussed in Chapter 4, the degree to which founders feel vulnerable to stressful experience is assumed to be one of the most proximal determinants of their dependence decisions. However, it is still unclear what kinds of experience are felt to be psychologically taxing by entrepreneurs in their interactions with investors. The empirical findings presented in this section help answer this question. We have observed that founders showed signs of distress in three types of experiences: *constraining*, *inefficient*, and *hostile*. As discussed earlier, the quality of the experience in a situation is assumed to be the joint product of both environmental and personal factors (Bandura, 1986; Mischel, 1973). Thus, the stressful experience presented below is not simply indicative of the environment in which founders are embedded. More than that, it reflects a troubled environment-person relationship since stressful stimuli can only create stress in individuals who are vulnerable to those stressors (Lazarus and Folkman, 1984). Therefore, these kinds of stressful experiences can shed light on intrapsychic factors that made some founders more vulnerable to environmental stimuli than others.

6.3.1. Constraining experience

We call the first kind of experience that was appraised as stressful by entrepreneurs '*constraining experience*'. The entrepreneurs' negative view of investors' controlling

mechanisms and their aggressive involvement in the internal management of the venture has been mentioned in the literature (Barney et al., 1996; Berg-utby, Sørheim, and Widding, 2007; Gomez-Mejia et al., 1990). However, what makes these situations psychologically stressful needs to be further explored. In this study, we have found that entrepreneurs felt constrained when they were coerced, pressured or manipulated to act in specific ways that did not correspond to their personal values, interests, desires or moral standards. We have observed that a situation was experienced as constraining when it had one of the following three characteristics.

First, founders were blocked from pursuing a specific course of action necessary to achieve their desires and goals. For instance:

“We were proposing concrete steps of execution, we were doing 99% of the work, but they (investors) had the power to approve or reject the projects. They would tell us what to do. Or they would modify and adjust and pressure us to do what they wanted. Three years ago, I proposed a project that I thought was really promising. But it wasn’t accepted until this year. Then, they agreed. But I’m three years behind” (Entrepreneur 15).

This type of experience generally occurs in situations that involve conflicts of interests or vision (Yitshaki, 2008), which requires one or both parties to make sacrifices (Kelly and Thibaut, 1979). If entrepreneurs are the only ones who must compromise their goals to foster those of investors, they are deprived of opportunities to actualize their vision and realize their potential.

A key finding rarely mentioned in the literature is that the control and pressure from investors can take subtle forms. One such form involves the key performance indicators or milestones that investors demand as a condition for investing. As shared by Entrepreneur 10:

“Investors are very wise, they gave us certain objectives, if we can’t achieve them, then they will gradually take over the company” (Entrepreneur 10).

Many founders, who considered themselves neophytes, typically sought out investors to help them discover their true potential and understand what they could achieve. Yet, do the bright future envisioned and the ambitious milestones fixed reflect the founders’ vision? What is both interesting and dangerous about milestones is that they generally give founders the illusion of being in command, of being the owner of their actions. These goals help to build confidence and make entrepreneurs believe that they can and should achieve these ‘*big hairy goals*’ to

prove to the world, and to themselves what they can do. It is a lot like parents who think that becoming a doctor would be good for their child, while making the child believe that she/he can become a great doctor in the future. With little clues about what she/he really wants, the child may strive for years to achieve that dream, only to realize that it is not her/his true calling. In many cases, founders were unable to recognize that the goals fixed would do more harm than good, both for them and for the company if these goals were not based on realistic judgment and, more importantly, their true selves. And the more ambitious these milestones were, the more vulnerable entrepreneurs were to the financial, managerial and emotional consequences of not being able to achieve them. It was not uncommon for founders to work day and night to achieve these goals, and finally realize that they were not what they had always aimed for in the first place. Entrepreneurs 1 expressed her bitterness during the interview:

“Investors have the ability to challenge you, to make passionate and audacious people feel that they ‘must’ and ‘can’ achieve what they (investors) define for us. But achieve these goals for what? I really don’t know” (Entrepreneur 1).

Second, entrepreneurs felt constrained when under pressure to act against their personal values and ethics. For example, Entrepreneur 1 shared the pain she felt when she was compelled to restructure the entire company and replace her first employees:

“I started this company out of passion and for the friends who have been with me since the early days. We are like a family. Now just for the money to grown I must leave them behind. Was that worth it?” (Entrepreneur 1).

Third, entrepreneurs felt constrained when they failed to control their own behavior. A typical constraint of this type was found to be associated with the formal requirements of the investment process. Some entrepreneurs in the sample viewed these requirements as a constraining factor because the latter limited the time and energy that they could spent on other mission-critical tasks, such as product development. For instance:

“There were too many obligations with the venture capital funds. For instance, they asked us to open a company in Singapore. Or they required us to standardize everything, from financial to legal things, when we had no experience in these areas. And especially when we

had to focus as much as possible on technological development. We had to spend too much time on these things” (Entrepreneur 19).

What these situations have in common was that they violate the self-determination motive of entrepreneurs. Entrepreneurship research establishes that the primary goal of entrepreneurs to start a business is the desire to pursue unrealized opportunities (Johnson, 1990), to discover and actualize their full potential (Shane, Locke and Collins, 2003), and to be the creator and commander of their own company (Sapienza, Korsgaard and Forbes, 2003). Excessive investor control significantly undermines these goals⁹ by (1) limiting founders’ decision-making agility sometimes to the extent that it prevents founders from seizing ephemeral opportunities (Khanin and Turel, 2016; Steier and Greenwood, 1995), (2) creating coordination problems, and (3) weakening their managerial authority in the company (Berg-utby, Sørheim, and Widding, 2007; Parhankangas and Landström 2004, 2006).

6.3.2. Inefficient experience

We call the second category of experience that was appraised as stressful by entrepreneurs ‘*inefficient experience*’. We have found that inefficient situations typically have at least one of the following two main features.

First, an inefficient situation has occurred when founders perceived that their resources were invested on low-value, unproductive or unnecessary activities. And many entrepreneurs reported that one of the most inefficient activities involved the procedures imposed by investors to monitor the startup. For example, many founders said that they preferred business angels over venture capitalists because the former required less effort, energy and time to close a deal and to meet investors’ requirements. The following excerpt illustrates this point:

“Venture capital funds wasted so much of our time by asking us for a cash flow plan, a business plan, financial statements, etc. I think it’s all redundant. What’s more important is the

⁹ It can even jeopardize these goals when investors compel founders to accept a business idea with which entrepreneurs disagree (Barney et al., 1996).

product, the market size and the timing. While we struggled every day to put food on the table, they wasted our time with these unnecessary requirements. And that's one of the reasons why we have refused to receive funding from them. I received funds from [angels] investors” (Entrepreneur 18).

Second, entrepreneurs experienced inefficiency when they failed to acquire benefits that could justify the resources they spent to build and maintain the relationship. The following excerpt from the interview with Entrepreneur 1 illustrates this point:

“During three weeks in England, Hong Kong and Singapore, I met hundreds of funds...I spent 200 million VND (USD 10, 000) for this trip...

...I thought that finding investors was the hardest part, but then I realized that the most stressful time was the negotiation. I had to hire the best lawyers in Saigon and international experts to negotiate with them. Their fees were huge.

...I felt very stressed. The growth was so fast. Every day I must make many decisions but I had no one to ask what I should do. I felt like I didn't have partners who were closely supporting me” (Entrepreneur 1).

Despite the tangible and intangible resources they spent to engage investors, many founders reported that the support they got did not live up to their expectations. For instance:

“The most meaningful support to date has been limited to money. Sometimes, they helped us to find several people, but not so effective” (Entrepreneur 17).

This finding confirms prior research, which has shown that investors' support does not always meet the expectations of entrepreneurs (Berg-utby, Sørheim, and Widding, 2007). Particularly, investors often fail to provide the right type and amount of support or, worse, provide a service that entrepreneurs do not need or actively oppose (Barney et al. 1996; Smith 2001; Sætre 2003; Parhankangas and Landström 2004, 2006).

An extreme case of inefficient experience was reported in the interview with Entrepreneur 3, who showed a clear evidence of distress in dealing with one of his investors:

“Not only did he do nothing to support me. He also literally tortured me by demanding all kinds of documents. He asked for a lot of information. Demanding reports, reports...in very frustrating ways. He would always ask “Did you do what you promised me?”, or if I just missed a deadline, he would push me immediately. He didn’t leave me alone to do my work. How can I keep up to serve him all day?” (Entrepreneur 3).

This excerpt illustrates the two features of an inefficient situation. Not only did the founder not receive investor support, but he also had to spend a considerable amount of resources to meet the investors’ ‘*excessive*’ demands.

Overall, the two features of inefficient experience are consistent with Conservation of Resources Theory (Hobfoll, 1989, 2011). In general, people must invest resources to gain resources. Conservation of Resources Theory argues that stress tends to occur in any of three contexts: when people experience a loss of resources, when resources are threatened, or when people invest their resources without subsequent gain. In the current study, founders were averse to lose their scarce and valuable resources for something they felt was not worth investing.

6.3.3. Hostile experience

We call the third type of stressful experience ‘*hostile experience*’. This type corresponds to a situation in which entrepreneurs could not develop or no longer had a friendly and meaningful relationship with investors. Hostile experience was usually associated with negative emotion such as aversion or hostility toward investors.

“If I don’t feel that I can be close to that person (investor) on an interpersonal level, it’s best not to receive the investment. When we don’t like each other personally, it is better not to enter into the relationship” (Entrepreneur 3).

We have found that the experiences that made entrepreneurs feel hostility generally involved at least one of the following three features: negative regard, personal friction, and opportunism.

The first feature of a hostile experience was the entrepreneurs’ perception that investors disrespected them and viewed them as an instrumental object in their quest for profit rather than

as a friend. For many founders, a meaningful relationship must be based on a respectful and friendly regard. A hostile experience, therefore, arose when the expectation of esteem and friendly regard was violated, as the following excerpt illustrates:

“I don’t like investors who see me as a tool, or who can’t see me as their friend. If they disrespect me, or if it’s just predation, or the big fish eating the little fish, I don’t like it. That’s because I don’t want to become a tool of the rich. Don’t think that they have money and they can buy me. No way” (Entrepreneur 3).

The stressful experience of being disrespected and considered as a ‘*tool*’ by investors reflects what William (2007) call ‘*identity damage*’. It is “the experience of having one’s valued self-image denied or having one’s self-esteem undermined” (p. 598). As human beings, we have a natural desire to feel positively esteemed and respected by others (Leary and Baumeister, 2000). Previous research about close and intimate relationships suggests that individuals are highly motivated to feel positively regarded and valued by their intimate partners (Murray et al., 2006). In the workplace, the concern for how others view a person’s value and quality becomes even more important (William, 2007). For instance, Entrepreneur 3 stated:

“When I find investors, I always care about what they think of me” (Entrepreneur 3).

Disrespectful or unfriendly experiences were particular stressful for entrepreneurs as entrepreneurs generally held a positive image of themselves and viewed the relationship with investors as a peer-to-peer relationship rather than a hierarchical one. This is illustrated in the following excerpt:

“I view the relationship with investors as a peer-to-peer relationship, not a hierarchy. Investor does not mean superior. Because they teach us, but we teach them too. I’m sure we are equals” (Entrepreneur 18).

Second, hostile experience could occur in case of personal frictions due to ‘*interpersonal incompatibilities*’ (Jehn and Bendersky, 2003).

“I’ve met investors whose behaviors are very childish. And I decided not to receive their investment. Basically, the interactions between entrepreneurs and investors are interpersonal.

So when their perspective, the perception and personality don't match with us, it's best not to work together. Because it's very difficult to talk to each other" (Entrepreneur 13).

Jehn and Bendersky (2003) refer to this as '*relationship conflict*' and distinguish it from '*task conflict*'. Relationship conflict often involves differences in personality, opinion or preferences regarding issues unrelated to the collaborating task (e.g., politics, religion). To date, little attention has been paid to the importance of personality fit in the entrepreneur-investor dyad. Yet, in this research, we have found that many founders were very concerned about the personality fit between them and investors. In many cases, interpersonal incompatibilities were the main reason that prevented founders from receiving funding from investors. For instance:

"If I see that we are not similar in terms of personality, there is a good chance that I won't receive the investment. If I see that a person's personality is unacceptable...I won't take the deal. If I feel that there is no common ground between us, I don't feel safe to receive the investment" (Entrepreneur 10).

"Personal perspective, personal relationship and informal communication play a fairly important role. If I find that we don't match, it's better to say goodbye" (Entrepreneur 4).

The entrepreneur-investor collaboration is a long-term relationship that requires extensive interaction between the parties. It is therefore understandable that some founders have an aversion to interpersonal conflict. According to Pelled (1996), relationship conflict can cause stress and have a negative impact on group performance in at least three ways. First, it inhibits cognitive functioning in the processing of complex information and reduces the ability of individuals to evaluate information provided by others. Second, it makes individuals less receptive to the ideas of others, whom they do not like or who do not like them. Third, personal conflict distracts individuals' attention from the task at hand and causes them to spend time and energy resolving or ignoring the conflict.

Finally, hostile experience occurred when entrepreneurs were aware of investors' opportunism, which is defined as self-interest seeking with guile (Williamson, 1975). Previous studies show that entrepreneurs can be vulnerable to opportunistic behaviors on the investors' part (Amit et al. 1998; Christensen, Wueber, Wustenhagen, 2009; Lehtonen, Rantanen and Seppala, 2004; Shepherd and Zacharakis, 2001). In line with this, several founders in our

sample expressed significant concerns for opportunism and unethical behaviors on the part of investors:

“Some investors want the company to incur losses. Because under the contract, they can control part of the company. They make sure it incurs losses and then they try to take over the company. Or they can be spies, they want to steal our technology” (Entrepreneur 10).

“Once they enter the company, they’ll know everything about us? If they are malicious, they want to harm us, then the risk is huge” (Entrepreneur 3).

In many cases, a mere detection of opportunistic intent was enough to generate hostility on the entrepreneurs’ part. For instance:

“My relationship with my first investor broke down because he intended to take over my company” (Entrepreneur 18).

The perception of investors’ opportunism signals to founders that they cannot develop a meaningful and genuine connection with investors as it violates the trust in the goodwill and integrity of investors. Founders often put kindness and integrity ahead of competence or material resources when assessing the trustworthiness of investors. Any evidence of investors’ malice or opportunism typically puts an end to the collaboration, or can leave indelible and detrimental consequences on the relationship. This concern is expressed in the following excerpt:

“If I have reason to doubt their ill will, we can still work together. Because there is always a legal contract that protects me. Even you are malicious, but in legal terms, you can’t hurt me. But we won’t get far. That means we can try to keep it, but if we’ve lost the trust, it’s very difficult to cooperate. And for sure that there will be no second collaboration. That means if the trust decreases after a while, we can always try to work. But, if the relationship hasn’t started yet, then we must stop immediately” (Entrepreneur 18).

Although the hard facets of the entrepreneur-investor relationship have been extensively studied by literature, how entrepreneurs experience various stressful situations has received little attention. The three stressful experiences we have discussed provide a deeper understanding of the psychological aspects of the interaction with investors from the

entrepreneurs' perspective. More importantly, they confirm our initial speculation that the nature of a stressful experience in the entrepreneurs-investor dyad should involve more than the pain and suffering of rejection proposed in the original model of Murray et al. (2006). Moreover, the vulnerability of entrepreneurs to constraining, inefficient, and hostile experience also highlights the multifaceted nature of the entrepreneur-investor relationship.

6.4. Commitments

The next important demi-regularity revolves around entrepreneurs' commitments. The commitments of entrepreneurs in the relationship with investors refer to specific aspects of the interactions and the relationship that are perceived as important to or meaningful for them. Commitments significantly influence the subjective meaning of the situation and determine where stress can arise. As argued by Lazarus and Folkman (1984), people are vulnerable to stress only when the event they encounter jeopardizes something they consider important to them. Logically, the more importance or value founders attach to something, the more vulnerable they should be to the prospect of that thing being put at risk.

In complex relationships such as those between founders and investors, the parties typically carry along different commitments, most of which are hidden from direct awareness. We have observed that entrepreneurs were most vulnerable when it came to three areas: *self-determination*, *interpersonal connection*, and *resource acquisition*. Before discussing in detail each commitment, it should be noticed that these three areas were not *equally* emphasized by different interviewees.

6.4.1. Resource acquisition

The first aspect of the relationship that proved to be important for entrepreneurs was resource acquisition. This is understandable because entrepreneurs sought to engage investors to obtain resources that are essential to achieve their goals (Fried and Hisrich, 1995). Our data have revealed important qualitative insights regarding the entrepreneurs' commitment to resource acquisition. More specifically, we have found that the perceived importance of a resource depended, in large part, on the extent to which it met the founders' idiosyncratic needs. Indeed, entrepreneurs did not look for the same thing from investors. Many founders in the

sample reported that their resource requirements tended to vary as the startup evolved. For example, when being asked about the relative importance of each investor, Entrepreneur 4 mentioned that:

“It’s hard to say who is more important. I think at each stage, the startup needs different things. In the beginning, I needed someone to cheer me up when I was down, or to teach me how to overcome obstacles. After this phase, the second investor had better knowledge of the sector. He helped me access a network of other potential investors... At the third phase, I need a lot of knowledge on operation, infrastructure and so on...” (Entrepreneur 4).

The above excerpt illustrates that the relative importance that entrepreneurs attach to different types of resources can be identified based on the *evolving* and *qualitatively different* resource needs of the young venture. This finding is in line with the broader organizational literature, which has suggested that each stage of a firm’s evolutionary process represents unique external resource needs and resource acquisition challenges (Bhide, 2003; Hite and Hesterly, 2001). For each specific phase, entrepreneurs must configure a portfolio of resources that meet the current demands of the venture (Jarillo, 1989; Sullivan and Ford, 2014). Entrepreneurship research has also addressed different strategies used by entrepreneurs to meet the evolving resource needs of their venture. Sullivan and Ford (2014), for instance, has found that entrepreneurs intentionally modify different elements of resource acquisition strategies, such as the content and structure of their social network, to adapt to changing resource requirements as their business grows.

Another important feature was the difference in the preferences of entrepreneurs for non-financial resources over investors’ money. The assumption that value-added services from investors are even more important than their capital has been widely shared in the literature on the entrepreneur-investor dyad. For example, Bygrave and Timmons (1992) state: “It’s far more important *whose* money you get than how much you get or how much you pay for it” (p. 208). Or “From whom you raise capital is often more important than the terms” (Sahlman, 1997, p. 107). However, in this study, we have found that whether these extra-financial contributions were considered more important than money was a matter of subjective judgment rather than an established fact. Indeed, the founders in the sample had divergent opinions regarding the importance of money versus non-financial support. Some founders insisted on the support side:

“Don’t just look at the money. Sometimes, they don’t have a lot of money, but they have a lot of other things” (Entrepreneur 3).

“Money is not enough; the more important thing is how to use that money. I need someone to guide me and bring me opportunities. If they just throw me a bunch of money, without any guidance, we will have a lot of trouble” (Entrepreneur 8).

“To me, a bad investor is an investor who has only money, and nothing else. They [these bad investors] typically come from industries that are irrelevant to the startup. They do not have network to support for us in the next round” (Entrepreneur 17).

In contrast, other founders insisted on the crucial role of capital:

“Between money and other things, I think money is more important. For example, between two investors, one offers me 14 million, the other gives me 1 million, I will take the first deal straight away, regardless how brilliant, well-connected or experienced the latter is” (Entrepreneur 15).

“I don’t know much about others, but for me, I don’t expect much from investors. Indeed, I accept that this is a fair game. That means, if they only have money and nothing else. That’s fine if they have others to offer, it’s good. If they don’t, no problem” (Entrepreneur 11).

A qualitative research conducted by Saetre (2003) has yielded a similar result. According to this study, venture-backed firms emphasized different types of resources when selecting their investors. While some companies considered capital as a scarce resource, and were motivated solely by investors’ capital, other companies in their sample viewed money as a commodity and exerted extra efforts to ensure that the selected investors could provide human and social capital other than just capital.

In our study, this divergence in resource preferences has direct implications for how entrepreneurs characterized different types of investors. If founders placed greater importance on financial resources, they classified investors into two classes: *deep-pocketed* investors and *shallow-pocketed* investors. If entrepreneurs prioritized non-financial contributions, they classified investors into two other categories: *helpful* investors versus *unhelpful* investors. This finding suggests that entrepreneurs do not view investors the same way. They tend to have their own classifying systems, depending on which resources – financial versus nonfinancial – they value most.

6.4.2. *Self-determination*

Previous research has shown that the need to be in charge of the company, responsible for the success or failure of the startup, to master of one's destiny, characterizes the central motive of founders in pursuing their entrepreneurial journey (Lumpkin, Cogliser and Schneider, 2009; Sapienza, Korsgaard and Forbes, 2003). Consistent with prior research, we have observed that one thing that was perceived as significant by many founders was the ability to preside over the destiny of their company, as illustrated in the following excerpts:

“That means I still run this company, but it won't go my way. At some points, my ownership will become as small as...you could say I'm their employee...My style is...I have to own the majority” (Entrepreneur 10).

“They think that they are investors then they have the right to control us. That's just not true. Money cannot create money. Only humans can. Investing means investing in people. It means believing in the founders and letting them decide how to grow their business” (Entrepreneur 13).

“Of course, we have to compromise the control of our company...In many cases, it won't go in the direction we want” (Entrepreneur 14).

The data analysis has elucidated two important themes that could significantly improve our current knowledge about this issue.

The first qualitative insight concerns the *underlying reason* for several entrepreneurs' desire to protect their decision-making autonomy. In previous research, founders are depicted as being mainly concerned by how their control power will be threatened in the presence of investors (Wasserman, 2017). In this study, we have found that founders only sought to protect their decision making autonomy if they believed that this was *best* for the company. For instance, Entrepreneur 10 shared that:

“My principle is that I must always control the company. If the company has a founder who controls it, at least, it will go in one direction. If the investors take control and want to go in another direction. Then it’s likely to fail” (Entrepreneur 10).

In contrast, if founders believed that the company needed another person who could run it better than they would, then they were willing to step aside:

“It’s like a long driving, and when we face an obstacle... like in a mountain road, there must be a professional driver. If we don’t know how to drive, but keep driving, then we’re all going to die. If I feel that there is another person who can do better than me, then I will let him do” (Entrepreneur 5).

The second qualitative insight is the entrepreneurs’ concern about investors’ control intent. As discussed in the previous section, the main reason for founders to address outside investors is because they need certain resources that can help them to solve their current problems. But many founders shared that investors’ money, network or expertise were no longer attractive to them if they found out that investors wanted to use these assets as means of control. This concern is illustrated in the following excerpts:

“There are investors, who think that they have money, then they are our parents, telling us to do this or that. But that’s bullshit. I once rejected an investor for this reason” (Entrepreneur 13).

“Initially, when you start talking with them, you’ll understand their personality, whether they have a dominant or advising style. The dominant style will throw you a bunch of money and then intervene aggressively in your company. That kind of investor, I will eliminate right away” (Entrepreneur 4).

These excerpts illustrate that entrepreneurs are highly averse to the control intent of investors. And founders tend to avoid at all costs investors that they perceive as susceptible of using their power or influence to coerce or manipulate them.

6.4.3. Personal connection

We have observed a third area of commitment for entrepreneurs. It concerns the need to secure a genuine connection with investors. In professional settings, people may relate to each other for instrumental resources that others can contribute to. Yet, according to several entrepreneurs, a meaningful relationship with investors must be founded on mutual respect, caring and genuine interest to each other. This is exemplified in the following excerpts:

“The most important thing is the respect for each other. We feel respectful and show respect to each other; and we think we may be attached to this person. You should only say yes when you have that feeling. If you feel that, as between two humans, you can’t be close to him. When you don’t like each other personally, it’s best not receiving the investment. (Entrepreneur 3).

“The most important thing comes from the heart. We feel that when we talk, we respect each other, and feel that we can stay with this guy for a long time. The personal factor is very important” (Entrepreneur 3).

Specifically, some founders did not want a superficial and impersonal relation with investors. Rather, they sought to build and *maintain* a meaningful relationship with supportive and trustworthy investors. For these founders, the quality of the personal connection was as crucial as the instrumental benefits in determining their willingness to address and depend on investors. This is illustrated in the following excerpt:

“It’s friendship, if there is no friendship, there is nothing. The first thing is that we must be able to make friends, to respect each other like between two humans. Okay, you have a lot of money, you are a great man. But I don’t care. I do my job, you do your job. But we have to respect each other. We have something in common. We like each other and we can help each other. That’s the first thing, money comes second. Between friendship and business, friendship should be half” (Entrepreneur 3).

According to these founders, a meaningful entrepreneur-investor relationship is not a transient transaction but rather a stable and long-term relationship. They indicated that they wanted to maintain the relationship with investors even after the investors exited the project, whereas most typical working relationships terminate as soon as there are no longer commitments binding the parties (Weiss, 1998). For instance:

“Of course, we will keep the relationship. Even we want to cooperate with each other in the next project. Or I think they even don’t want to exit this project (smile)” (Entrepreneur 14).

When selecting and interacting with investors, founders who cared about the human aspect of the collaboration paid significant attention to the evaluation of the personal characteristics of investors. The following excerpt illustrates this point:

“It’s not a matter of meeting today and accepting the investment tomorrow. We need to talk to each other, have dinner together at least a few times to understand and trust one another personally” (Entrepreneur 4).

Literature shows that *trust* is an important aspect of any interpersonal relationship. Young and Albaum (2002) define trust as “an evolving, affective state including both *cognitive* and *affective* elements and [that] emerges from the perceptions of competence and a positive, caring motivation in the relationship partner to be trusted” (p. 255). In any work-related relationship, trust involves not only positive beliefs in the competence, ability or expertise of the partners but also in their benevolence, goodwill and integrity. Cognitive and affective trust have long been recognized as two fundamental dimensions of trust (Jones, 1996; McAllister, 1995; Rousseau, Sitkin, Burt and Camerer, 1998; Young and Daniel, 2003). In this study, we have found that entrepreneurs tended to emphasize the importance of securing the goodwill or integrity (i.e., affective trust) of investors before evaluating their supporting ability (i.e., cognitive trust). This concern is illustrated in the following excerpt:

“In essence, trust in this relationship is interpersonal trust. At the very least, they must be good people in some respect. They are not deceitful or evil. And they don’t have bad intentions toward us. This is very important. That’s the prerequisite that we have to ensure in the first place. In my case, I lost the trust on my first investor. Then I decided to let the collaboration die” (Entrepreneur 18).

Another theme worth mentioning is that while many founders shared the idea that a meaningful and lasting relationship with investors must be built on the basis of friendship, it became apparent that friendship in the relationship with investors could have a different

meaning compared to friendship in personal life. Even Entrepreneur 3, who shared that: “*if it is not friendship, then there is nothing*”, carefully elaborated:

“*Actually, our personal relationship doesn't extend too far to our personal life. In fact, we meet because of work. But, after that, outside of work, we respect and like each other. That's why, beside the working tie, we appreciate the friendship with them. Its 'just that'*” (Entrepreneur 3).

Also:

“*Friendship is built on the basis that we feel good and comfortable when we are together. But the relationship with investor is not based on fun. But it is...the kind of relationship that allows us to build a great organization, where we all have benefits. It's a relationship based on economic benefits. It's very different in the ways we develop each type of relationship*” (Entrepreneur 4).

In this sense, the friendship in the entrepreneur-investor relationship can be viewed as falling in the middle of the continuum between *friendship* and *work relationship* proposed by Weiss (1998). Although this relationship shares some commonalities with friendship, as both involve mutual liking, respect, comfortability and loyalty, personal connection between entrepreneurs and founders clearly cannot reach the degree of *intimacy* that defines a typical friendship.

To sum up, the following table presents the words that were repeatedly used by entrepreneurs to express the three commitments discussed above.

Table 8. Commitments of entrepreneurs

Commitments	Wording
Resource acquisition	Capital, money, support, feedback, advice, consulting, professional, industry experience, ability, expertise, network, help, expectations, specialization, reputation, growth, inputs, solutions, challenge, strategic, success, backing, promises.
Self-determination	Involvement, intervention, influence, take-over, control, dilution, ownership, majority, pressure, manipulation, determination, imposing, win, replacement, loss, power, board of director, assertive, overbearing, report...
Interpersonal connection	Friendship, partnership, relationship, trust, personality, closeness, ethic, integrity, human nature, emotion, affect, work, respect, intangible responsibilities, face saving...

6.5. Perceived coping ability

The fourth demi-regularity we have observed concerns the perceived coping ability of entrepreneurs, that is, the belief in their ability to enact intrapsychic or behavioral actions to cope with adverse conditions and emotional distress in a given situation. In this study, we have found significant inter-individual differences in the perceived coping ability to deal with situational demands. Differences in perceived coping ability, in turn, led to differences in how entrepreneurs interpreted the situation as stressful versus challenging. For example, entrepreneurs differed in their confidence to handle the complex requirements of the venture capital investment process, which is illustrated below:

“The most difficult thing, which still keeps me from seeking professional venture capitalists, is that they ask so much of the founders. It is their formal requirements that

intimidate me the most. They ask for so many things, from financial statements to budgeting” (Entrepreneur 18).

This stands in sharp contrast to Entrepreneur 4’s perspective:

“A necessary preparation involves the reporting system. Because when you raise funds, your financial reporting system must be always ready and as transparent as possible. And that’s normal” (Entrepreneur 4).

A situation that is interpreted as benign by one person can be felt as overwhelming by others who must struggle to deal with it. The difference in the belief in self-efficacy between Entrepreneur 18 and Entrepreneur 4 can be attributed to their respective backgrounds. While Entrepreneur 18 is an engineer, Entrepreneur 4 is a business school graduate. Lacking relevant knowledge to prepare financial statements and reports, Entrepreneur 18 interpreted the situation as overwhelming because it was implicitly perceived as taxing his coping ability. In contrast, his knowledge of business, accounting and finance gave Entrepreneur 4 a sense of confidence in his ability to handle the demands of the situation. Therefore, he viewed the situation as a challenge, rather than a stressor. This difference in the two founders’ perceived coping ability made a real difference in terms of their behavioral outcomes, that is, their willingness to seek funding from venture capitalists.

Perceived coping ability can be based on other coping resources than knowledge and skills. In many cases, optimism, self-esteem and social support are also important coping resources for entrepreneurs. The following excerpts illustrates this point:

“In their contract, there are a lot of complex terms, like anti-dilution. At that time, I didn’t understand much of it. But I had a vague feeling that there must be some problems with these terms. Such a small amount of money and it will never get diluted. How can you accept that? Maybe, they wanted to put me in a deal that I couldn’t get out...So I decided not to work with them” (Entrepreneur 10).

“They (founders) can’t tell whether they get trapped, because they just don’t understand (the terms sheet), and they don’t care. They just care about the product. But I think the most important thing is to build your own confidence, and build absolute trust in your investor. And both parties need to see that we are in the same boat. Of course, I also asked my friends who understand these terms to explain them to me” (Entrepreneur 13).

Here, the two founders shared the liability of ignorance for not fully understanding the arcane terminology of venture capital investment contracts. While contractual terms such as ‘*anti-dilution*’ posed a real threat for Entrepreneur 10, they were simply appraised as a challenge for Entrepreneur 13. This could be attributed to different coping resources that Entrepreneur 13 drew upon in interpreting the situation. The first resource was optimism: the founder held positive beliefs about the future outcomes. This was in contrast to the negative expectations of Entrepreneur 10. Second, instead of focusing on his inexperience or ignorance, Entrepreneur 13 had a positive self-esteem, which boosted his confidence. And finally, the perceived coping ability of Entrepreneur 13 was also reinforced by social support (i.e., he sought help from friends). Most importantly, these two examples show that an implicit, sometimes imperceptible difference in the perceived coping ability of entrepreneurs can ultimately lead to substantial difference in their decisions about whether or not to enter the relationship with investors.

In this chapter, we have presented the most important demi-regularities that we have identified through data analysis. In the next chapter, we will draw on abduction to find the best explanation for these demi-regularities based on existing theories. Put in simply, we will reinterpret these demi-regularities as empirical manifestation of a hidden generating structure.

CHAPTER 7

Chapter 7: Abduction

Abduction refers to a deliberate and creative attempt to connect the observed demi-regularities to their root causes by introducing some fallible causal factors (Wuisman, 2005). The aim is to expose the possible generative entities or structures based on existing theories (Wynn and William, 2012). The demi-regularities are the empirical manifestation of the generative mechanisms we seek to explore. Yet, just as observing a car gives us no clue as to how its engine works, these regularities may give no hint to their generative mechanisms. Indeed, there may be no direct relationship between the deep dimensions of reality and the identifiable events, because each event occurs under various mechanisms that operate simultaneously in an open system (Sayer, 1992). To fill this ontological gap, specific modes of reasoning are needed that involve a ‘*creative leap*’, a mission that excludes the possibility of using induction and deduction (Wuisman, 2005). At this point, abduction is specifically required to address the gap between the observable and the unobservable.

7.1. Psychological needs and commitments

Our abductive reasoning process is primarily anchored on two of the demi-regularities that we have observed in the data: the commitments and stressful experiences of entrepreneurs. We reason that the causal structure that could explain these findings must have sufficient explanatory power both in terms of breadth and depth. In terms of breadth, the structure must adequately explain the three different commitments we have identified (i.e., resources, self-determination, personal connection) and the three specific experiences that felt psychological taxing for entrepreneurs (i.e., inefficient, constraining, hostile). In terms of depth, it must represent the underlying structures that reside at the deep dimensions of reality rather than what can be readily observable.

Conceptually, commitments reflect the *cognitive manifestation* of the underlying desires and aspirations founders seek to achieve, as well as the fears and threats they seek to avoid when interacting with investors. This suggests that the generative entity that we seek to expose must have a motivational quality that makes certain aspects of the environment become more important than others.

Considering these points, we argue in what follows that the basic psychological needs for autonomy, competence, and relatedness proposed in Self-Determination Theory (Deci and Ryan, 1985, 2002; Ryan and Deci, 2008, 2017) are the generating structure underlying the commitments of entrepreneurs. Our proposal is by no means the first attempt to connect commitments to the concept of need. Rokeach (1973) also defines commitments as “cognitive representation[s] of human needs on the one hand and societal demands on the other” (p. 109).

Here, the concept of need can imply a wide range of requirements that must be met for organisms to survive and thrive. Self-Determination theorists propose that in addition to certain physiological requirements (e.g., water, food, air), there are also psychological nutrients that humans need for an optimal development and functioning of the psyche (Deci and Ryan, 1985).

After years of conducting a series of empirical studies on motivational processes, Ryan and Deci (2008) have concluded that: “a deep and meaningful theoretical explanation of phenomena that were otherwise isolated required an assumption of a small set of basic psychological needs” (p. 655). The theory posits that there are three and only three such needs: autonomy, competence and relatedness (Ryan and Deci, 2008). It is assumed that people have an innate desire to feel volitional and responsible for their actions, to feel connected to others in their social milieu, and to function effectively in that milieu (Deci, Ryan and William, 1996). In this sense, the concept of psychological needs can represent a comprehensive and powerful tool that unifies different streams of research on the motivation of entrepreneurs.

The need for autonomy “encompasses people’s strivings to be agentic, to feel like the origin of their actions, and to have voice or input into determining their own behavior” (Deci and Ryan, 1991, p. 243). Competence refers to the need to feel effective in one’s interactions with the environment and to experience opportunities and support for the exercise, expansion, and expression of one’s capacities and talents (Ryan and Deci, 2017, p. 87). Finally, relatedness concerns the need to feel connected with others, the longing to be close, and the desire to experience warmth, care and tenderness and to provide it in return (Andersen, Reznik and Chen, 1997). While the need for competence and the need for autonomy relate to intrapersonal growth and development, relatedness emphasizes the importance of interpersonal integration (Bowlby, 1969; Baumeister and Leary, 1995).

Self-Determination Theory emphasizes the *universal necessity* of the basic needs. That means the attainment of each of these three needs - not one or two, but all three needs – is

necessary for an optimal functioning of human psyche, regardless of age, gender, race or culture (Ryan and Deci, 2014). An important and direct implication of the universality of the basic needs is the claim that none of these needs can be thwarted or neglected without significant negative consequences (Deci and Ryan, 2000).

Self-Determination theorists refer to psychological needs strictly as ‘*experiential*’ nutriments, that is, one has to ‘*feel*’ autonomous, competent and related within one’s social milieu (Ryan and Deci, 2000). Recently, however, some authors have argued that psychological needs also have inborn behavioral motives. For instance, Sheldon (2011) defines psychological needs as “evolved tendencies to seek out certain basic types of psychological experiences and to feel good and thrive when those needs are obtained” (p. 552).

Compared to utilizing previous theories that have been used to examine the entrepreneur-investor relationship, resorting to the notion of psychological needs appears to have many advantages, both in terms of breadth and depth. In terms of breadth, it provides a more comprehensive analytical framework that highlights the multifaceted nature of the relationship. It is one of the few concepts that can unify different streams of research that currently divide the literature on the entrepreneur-investor dyad. In terms of depth, rather than dealing with recorded thoughts and observable behaviors, psychological needs reveal the deep mechanisms underlying the motivation of entrepreneurs.

In the next sections, we leverage the theoretical insights from Self-Determination Theory to shed light on the nature of the experience that entrepreneurs pursue when interacting with investors.

7.1.1. The need for competence

We argue that the commitment of entrepreneurs for resource-acquisition and their vulnerability to stressful experience reflects their fundamental need for a sense of competence. Self-Determination Theory’s view of competence is grounded in White’s (1959) conceptualization of ‘*effectance*’ motivation. It posits that humans are born with an urge toward competence, namely the perceived progress in their knowledge and ability to master the surrounding environment. According to White (1959), human motivation to gain new competence has an adaptive purpose in an evolutionary sense because it increases our chances

of survival. In Self-Determination Theory, competence refers to the “need to feel *effective* in one’s ongoing interactions with the environment and [in] experiencing opportunities to *exercise, expand, and express* one’s capacities” (Ryan and Deci, 2008, p. 658) (italics added). This definition suggests that a sense of competence necessarily involves two interrelated aspects – a perceived expansion in one’s efficacy and a sense of mastery of the surrounding environment. While the relationship with investors presents opportunities to satisfy the first aspect, it often involves complexities and demands that thwart the second aspect of competence.

The first dimension of competence involves the need to express, exercise, and expand the efficacy of the self. Social psychologists have suggested that human beings are born with a natural desire to actualize the full potential of the self (Maslow, 1970), and to seek opportunities to exercise and expand one’s efficacy to achieve important goals and vision (Ryan and Deci, 2008). Dweck (2000) develops self-theories in which she argues that humans have a natural tendency to value learning and growth, to acquire knowledge and exercise new skills. And it can be argued that humans acquire many of their most important competences through interactions with other humans. Thus, it is plausible that the motivational foundation for any form of collaboration is the need to expand one’s skills and the knowledge that helps individuals to reach their full potential and “conquer the world” (Deci and Ryan, 2002).

Aron, Aron and Norman (2004) refer to this as a sense of self-expansion which occurs in one’s relationship with others. This is the extent to which the relationship provides individuals with new resources and experience, introduces new perspectives, offers new opportunities and leads to learning new things that make individuals a better person and facilitate the attainment of their goals (p. 92, 93). The feeling of competence is not derived from the actual attainment of the goal per se. Rather it relates to a sense of growth in the self-efficacy to achieve these goals through the accrual of goal-facilitating resources. In line with literature, we have observed that entrepreneurs are likely to feel that the relationship with investors promotes their sense of competence when investors’ money, knowledge, reputation or network help facilitate the achievement of their important business goals. For example, Entrepreneur 13 shared that:

“Besides money, I think the biggest contribution from investors is their network. For example, without their connection, we can’t get the free hosting and server packages that normally cost several hundred of thousand US dollars from Google, Digital Ocean or Amazon” (Entrepreneur 13).

Another important facet of competence involves the need to feel effective in one's interaction with the environment (Ryan and Deci, 2008). As noted by Deci and Vansteenkiste (2003), "Throughout life, people engage their world in an attempt to master it and to feel a sense of 'effectance' when they do" (p. 25). This facet of the competence need consists of two main aspects: the ability to (1) *understand* and (2) *exert effective impact* on the surrounding environment.

First, the relationship with investors often involves complexities and demands that make founders feel overwhelmed, chaotic and unpredictable. Self-Determination Theory allows us to understand that the interactional environment violates the entrepreneurs' need to *understand* the surrounding environment because it does not give them a sense of *structure* (Deci and Ryan, 2002). A sense of structure is achieved when entrepreneurs have appropriate knowledge or receive clear guidance to navigate the complex and ambiguous aspects of the relationship (e.g., arcane terminology of the investment contract). According to theory (Ryan and Deci, 2017), such knowledge or guidance should allow founders to recognize and predict the contingencies between their behaviors and the associated outcomes in the sense of. By being aware of the behavior-outcome contingency, founders could make behavioral plans that could help them to achieve desirable outcomes or avoid undesirable outcomes. In line with theory, we have observed that founders tended to feel overwhelmed and were discouraged from entering a relational context that required substantial efforts to understand and navigate through.

Second, on top of *understanding* the relational environment, theory suggest that entrepreneurs need to feel that they are able to *master* it (Deci, Ryan and Williams, 1996). A sense of mastery or effectance is achieved when founders observe that their behaviors generate desirable and meaningful outcomes. We argue that the resources (e.g., time, energy, money) entrepreneurs invest in building and maintaining the relationship reflect their attempts to exert an effective influence on the environment. When they feel or expect that their limited and valuable resources are invested inefficiently in unproductive areas that do not make desirable impacts, they are likely to feel unable to control the outcomes and ineffective in dealing with the environment.

While the literature on the entrepreneur-investor dyad has mainly examined the degree to which the relationship fulfills the self-expansion need of entrepreneurs, how this relationship possibly violates the need to understand and exert effective impact on the interactional

environment has received little attention. Our findings suggest that the latter is an important factor that can influence the entrepreneurs' motivation to depend on investors, as illustrated in the following excerpts:

“Clearly, raising money from professional investors is much better. But it is usually tied to other obligations. For example, we were asked to establish our company in Singapore. Or they strictly asked us to standardize everything, whether it was finance, legal issues and many other things when we have no experience in these areas. And especially, when we need to focus as much as possible on product development, we get distracted by these issues. That’s why we refused to engage with VCs. And we decided to choose Angel Investors, who could close the deal quickly and did not require too many procedures and obligations” (Entrepreneur 7).

In brief, entrepreneurs enter the relationship with investors in order to experience a sense of self-expansion in their capacity to achieve their goals and realize their potential. But we argue that they also need to experience a sense of mastery and effectiveness when dealing with the complex and demanding aspects of the relationship.

7.1.2. The need for autonomy

We argue that entrepreneurs' concerns for self-determination when interacting with investors basically reflect a deeper and more fundamental need to feel autonomous. Interpreting the commitment for self-determination as reflecting the fundamental need for autonomy affords deeper insights into this commitment. It is necessary to understand the real meaning of autonomy satisfaction. According to Self-Determination Theory, individuals who feel autonomous experience their behaviors as expressive of their true self and congruent with their internal values, interests and needs. They tend to feel both authentic and responsible for their actions (Ryan and Deci, 2004). The need for autonomy in Self-Determination Theory is derived from deCharms' (1968) distinction between actions that have an '*internal locus of causality*', namely the sense of oneself as the '*origin*' of one's actions, from those that have an '*external locus of causality*', or the experience of feeling like a '*pawn*' of social pressures and inducements.

Yet, arguing that entrepreneurs need to feel autonomous does not imply that they should avoid dependence on investors. While autonomy is defined in terms of intrapersonal experience

of volition; independence refers to the interpersonal processes of not relying on others (Butzel and Ryan, 1997). An unwillingness or inability to seek help from others, even at one's own expense, is referred to as '*detachment*', not autonomy (Ryan and Lynch, 1989). While early conceptualizations of autonomy define autonomous behaviors as exclusive resistance, defiance or absence of external influences (Bandura, 1989; Murray, 1938), Self-Determination theorists argue that autonomous actions can reflect both independent choices and '*volitionally consenting actions*' to environmental pressures, obligations, and inducements (Ryan and Deci, 2004). It implies that entrepreneurs can feel autonomous even under the external influence of investors, provided that this influence is assimilated into their internal interests, needs and values (Ryan and Deci, 2004; Ryan, Koestner and Deci, 1991).

What are the main features of a relationship that facilitate a sense of autonomy? Ryan and Solky (1996) define autonomy-support as "the readiness of a person to assume another's perspective or internal frame of reference and to facilitate self-initiated expression and action" (Ryan and Solky, 1996, p. 252). According to Ryan and Solky's (1996) definition, autonomy-supporting investors are those willing to elicit and acknowledge entrepreneurs' thoughts and feelings and provide them with a desired amount of choice without attempting to control their behaviors and experience. Niemiec, Soenens and Vansteenkiste (2014) detail strategies that can be used to support autonomy. They suggest that autonomy support is based on a genuine interest in understanding the inner values, feelings, perspectives and preferences of the other. This requires a real empathy and sensitivity on the part of investors to acknowledge and remain open-minded toward founders' self-expression. This does not mean that investors must accept every idea proposed by entrepreneurs. According to Niemiec et al. (2014), investors can reject founders' ideas without frustrating their autonomy if they can provide persuasive rationale for their decisions or constructive feedback to improve entrepreneurs' ideas. The following extract illustrates this point:

"When they disagree, they have reasons to do so, and not because they don't like me. They proved me that I need to be better prepared and more persuasive. They can challenge you because they see that your strategy is not good enough. Then, you have their feedback and inputs to improve your strategy. The other investors have annoyed me but can't add anything good to the project" (Entrepreneur 5).

In this sense, an autonomy-supporting context is not equal to a '*laissez-faire*' approach to interaction, which refers to neglect and a lack of involvement and discipline (Ryan and Solky,

1996). An important feature of autonomy-supporting investors is that they must be actively engaged in helping founders discover their true potential (Skinner and Edge, 2002). This is illustrated in the following excerpt:

“My Korean investor told us “I want J (his company) to become the “M” of Southeast Asia”. M is China’s biggest discount website, a unicorn worth up to 20 billion dollars. By saying that, he gave me a bigger vision. That I have ability to realize that vision and that I should have that ambitious vision. He gave me the confidence in dreaming a big dream. When you can work with professional investors like them, that makes you grow up” (Entrepreneur 4).

Yet, it is important to remember that autonomy is facilitated only when the advice and support from investors are given in a respectful and non-confrontational way rather than in an imposing manner (Niemi et al., 2014). This is exemplified in the following excerpt:

“They just advise on strategies. I can follow or not, because it’s my right. They don’t manipulate, they just advise. And they never repeat it” (Entrepreneur 14).

The opposite of autonomy, according to Self-Determination theorists, is ‘heteronomy’, rather than independence, that is, the experience of being controlled or coerced by forces alienated to the self (Ryan and Deci, 2006). These forces, be it external controls, evaluative pressures, rewards, and punishments, or internal demands, compel individuals to behave in specific ways without self-endorsement (Chirkov, Ryan, Kim and Kaplan, 2003). Autonomy-controlling experiences are those that deflect or block individuals from their genuinely desired course of action (Skinner and Edge, 2002). Social contexts that constrain one’s autonomy have a common feature, that is, they involve ‘coercion’ (Ryan, 1982). In this sense, a constraining experience, which we have discussed in the section on demi-regularities, refers in our setting to the specific events that make entrepreneurs feel that they are coerced to act heteronomously rather than autonomously, as illustrated in the following extract:

“Everything became very different from what I wanted. I became extremely pressured. I have always wanted to create something in my own way – in a natural and gradual manner. I wanted to enjoy the whole journey of building the company rather than just create benefits to meet someone’s financial objectives” (Entrepreneur 1).

In sum, we argue that the entrepreneurs’ need for autonomy is satisfied when investors encourage the exploration and expression of their feelings, perspectives and values, while

facilitating their self-endorsed actions. In contrast, autonomy is violated if investors use resources as a controlling vehicle or put pressure on entrepreneurs to take specific actions that are not congruent with their inner sense of the self.

7.1.3. The need for relatedness

We argue that the importance the entrepreneurs we have interviewed attached to personal connection reflects the fundamental need for a sense of relatedness with investors. Relatedness concerns the basic human need to form and maintain lasting, positive and significant interpersonal bonds with a few others (Baumeister and Leary, 1995). Social psychologists have long argued that the feeling of being securely connected to others is crucial to well-being and a healthy development. Bowlby (1969), in his classic Attachment Theory, suggests that the motivation of infants to attach to their caregivers keeps them from dangers and thus increases their chances of survival. Infants only begin to explore the surrounding environment with confidence and assurance when they know that they are surrounded by a reassuring presence. In adulthood, individuals appear to function better, be more resilient to stress, and have less psychological difficulties when they feel securely connected with, and loved and supported by others (Kasser and Ryan, 1999). Likewise, experiencing others as a source of support for one's need for relatedness, independently of the instrumental resources the relationship can provide, is an important factor that contributes to a satisfying relationship (Ryan and Deci, 2017, p. 295).

The importance of personal connections has been highlighted in the literature on the entrepreneur-investor dyad (Fried and Hisrich, 1995). But prior research has rarely examined the relationship with investors as one that can satisfy the entrepreneur's inborn need for relatedness. Viewing the motivation of entrepreneurs to build lasting relationships with investors as an effort to build secure connections can shed light on the psychological dynamics of the relationship.

Clearly, people do not seek to satisfy their need for relatedness in all social contacts. Certain interactions are merely impersonal transactions with little interpersonal and emotional elements. Individuals only feel genuinely and closely connected with a few significant others, with whom they experience a sense of safety, support and pleasantness (Andersen, Reznik and Chen, 1997). The commitment for personal connection discussed earlier suggests that many entrepreneurs consider the relationship with investors not merely as an impersonal transaction,

but rather seek to form and maintain lasting, positive and significant interpersonal bonds with certain investors (Baumeister and Leary, 1995).

According to Self-Determination Theory, a relationship that satisfies the need for relatedness is characterized by three main features: positive regard, frequent and pleasant communication, and sensitive caring (Deci and Ryan, 2000, 2017).

First, positive regard in the entrepreneur–investor context refers to a sense of mutual liking and respect. Positive regard reflects human’s natural desire to feel valued and liked by others (Leary and Baumeister, 2000). Also, previous research shows that relationships in which parties relate to each other only for their instrumental value (e.g., status, beauty, resources) are unlikely to be experienced as truly connected (Ryan and Deci, 2017). In line with this, entrepreneurs in the sample indicated that they were closely related to investors who were genuinely interested in them for who they were, rather than for what they could do to help investors achieve economic objectives (La Guardia and Patrick, 2008). For instance:

“There are always investors who care about you and the company more than others (investors). Not only because we help them to grow their investment, but also because they feel they like our business model and like the founder as a person. And they want to impart their experience to the founder. And when you can find such investors, they will become your mentor, your advisor. And you can become closer to them than others. You share more with them, more than just the spreadsheet or monthly growth.” (Entrepreneur 4).

In addition, we have observed that the need for relatedness of entrepreneurs is satisfied when investors treat them with special care. This kind of relationship is gratifying because it signals to the founders that the investors value the relationship and invest in it personally and emotionally. For instance:

“There are investors who always attend our annual company retreat, even when they have to pay for the trip (smile). Because they like my company and its culture. And there are others who are very proud of my company, even if they don’t invest much in it. And you know, they’re proud of our success and tell everyone about it. And whenever they have important information, they always share it with us.” (Entrepreneur 3).

Second, a relationship that supports relatedness is characterized by frequent and pleasant communication. Individuals are unlikely to develop close and gratifying connections with other persons if the interactions between them mainly involve hostility or conflict (Baumeister and Leary, 1995). For instance, one entrepreneur noted that:

“There is no partnership where partners hate each other like dogs and cats or don’t respect each other but can still work with together” (Entrepreneur 7).

Empirical studies show that entrepreneurs generally view conflicts negatively. Even task conflict, that is, conflict about how to achieve a common goal, can potentially diminish entrepreneurs’ confidence in the investors’ cooperation (e.g., Zacharakis et al., 2010).

Finally, a relatedness-supporting relationship is also characterized by sensitive caring (Niemec et al., 2014). This implies that investors are attentive to ‘*needing*’ signals (i.e., the expression by entrepreneurs that they need help) and are responding with caring behaviors (Patrick et al., 2007). Entrepreneurs need to be sure that investors care about their welfare and are willing to give a helping hand whenever they need it to experience a sense of genuine connectedness. For instance:

“Investors should be like friends. Sometimes, when you say that “I need you now. Can we have a coffee? They will come immediately, or within a week, or a couple of days... That’s the key to have a lasting relationship” (Entrepreneur 13).

Through repeated interactions with responsive and supportive investors, entrepreneurs can gain confidence that the investors will be available when needed. This consistent signal-support pattern can generate a stable sense of attachment security – a sense that individuals can rely on their relationship partners for protection and support (Bowlby, 1969; Murray and Derrick, 2005). And at the same time, it helps to convey a positive self-perception as worthy of attention and care (Mikulincer and Shaver, 2003).

7.2. Psychological needs and expectations

In the previous sections, we have connected the three commitments of entrepreneurs (i.e., competence-acquisition, self-determination, personal connection) to their generative structure, that is, the three psychological needs of competence, autonomy, and relatedness. This finding provides us with insights into the motivational foundation of entrepreneurs. More importantly, it highlights the fundamental link between motivation and cognition, a notion that has been widely supported within Social Cognition research. As suggested by Gollwitzer and Moskowitz (1996), people bring to their encounters with the surrounding environment a set of selective interests (reflected in needs, motives and goals) that shape their perception of the world. In this study, we propose that the psychological needs of entrepreneurs can influence the development of the knowledge structure about the relationship with investors. More precisely, we argue that the three basic needs not only determine the commitments of entrepreneurs, but also shape two other components of relationship knowledge, that is, expectations and perceived-coping ability.

As we have observed in Chapter 4, a large part of our cognitive activities involves organizing previously acquired information into knowledge structures that are stored in long-term memory. Based on these knowledge structures, interpersonal expectations about future interactions are formed to guide our perception and behavior in subsequent interactions (Baldwin, 1992; Bowlby, 1969). Why is it so important for the mind to learn how the social world works? And why does our mind choose to encode and retain some pieces of information and not others among a vast amount of interpersonal information processed?

Most research in Relational Cognition suggests that expectations stem from repetitive interaction patterns (Baldwin, 1992, 1995; Baldwin and Main, 2001; Baldwin et al., 1993). This approach emphasizes the information processing aspect of cognition, in which our mind is supposed to function like a computer; and knowledge is formed on the basis of repeated exposure to particular occurrences of a phenomenon. For example, through repeated encounters with dogs, a child learns to form a mental representation of this animal, which helps him or her to recognize other dogs in the future. However, there is a fundamental difference between the way a computer processes static information and the way humans acquire knowledge (Safran, 1990). As human beings, we are not passive collectors and organizers of experience. The formation of knowledge is not solely dictated by the static features of the environment. As

Olson, Roese and Zanna (1996) point out: “Memory obviously has survival value, but a simple historical record of past contingencies is useless if it is purely historical; the record must have implications for the future if it is to maximize rewards and minimize punishments” (p. 212).

Clearly, expectations are formed because humans need them to regulate their future behavior. For example, through repeated interactions with a venture capitalist, an entrepreneur may develop a set of expectations about how the investor is likely to behave in specific circumstances. By learning from experience, behaviors that produce desired outcomes will be reinforced and those that lead to negative consequences will be avoided. The knowledge that underlies most goal-directed behaviors is formed and maintained because it is *useful*. At the very least, it helps individuals to answer the basic question of “how to approach pleasure/gain” or “how to avoid pain/loss”; otherwise it will be replaced by more useful ones. The most useful and important knowledge pertains to the survival and well-being of individuals. Humankind would certainly go extinct if we did not learn about where and how to get food or find shelter to hide from danger. The implicit rules such as “If I go to this direction, then I will see a tree” and “If I climb that tree, then I will get fruit” are among the most significant pieces of knowledge that a cave man could have.

The same rule applies to psychological well-being. A relationship can be evaluated on a variety of dimensions based on different aspects of that relationship. Yet, these aspects may not play equally important roles in contributing to individuals’ well-being in that context. Thus, we should expect each aspect to receive different cognitive weights in the development of relationship knowledge. If we ask what type of knowledge is essential to maintain an optimal functioning of humans in social relationships, it seems that understanding a relationship’s support (violation) for basic psychological needs is crucial for the goal of adaptation and survival. Ryan and Deci (2017) argue that in order to help individuals to orient toward the ‘*right*’ environment, humans have inherent tendencies and perceptual sensitivities to assess the social context in terms of need support or frustration (p. 84). In their analysis of the self-system, Connell and Wellborn (1991) emphasize the importance of the three psychological needs by arguing that they are the organismic priorities, around which individuals evaluate their status within particular social contexts.

In line with this, we argue that the most important interpersonal expectations revolve around the three psychological needs of autonomy, competence and relatedness. Given the vital role of these needs for individual and relational well-being, one of the most crucial tasks of the

cognition system should be to determine whether the target relationship has supported or frustrated these needs. To foster one's well-being and adaptation within a relational context, encoding and organizing experience related to the need-supporting (or violating) facet of that relationship appears to be more important than an experience that was repeatedly encountered but had little implications for one's well-being. To illustrate, consider the following excerpts from the interview of Entrepreneur 7, in which he organized previous experience and developed expectations around the three pillars:

- Competence:

“One of the advantages of professional investors is that they have a large network, which means they can help facilitate our next rounds by showing us what to do or introducing us to other investors. But one of their drawbacks is their strict obligations. If we raise fund from them, we must meet their rigid requirements, whereas startups prefer something more flexible”.

- Autonomy:

“Compared to VC, business angel tends to intervene very deeply. My first investor, he even jumped in and run the company. As a result, we couldn't control the product development process. We felt very frustrated because we felt that's unfair”

- And relatedness:

“I think that personal relationship won't influence too much because this is a business relationship. The fact that I can be closer to one investor than others has little meaning for me. What counts is whether we meet the obligations in the contract”
(Entrepreneur 7).

In sum, given the significance of the basic psychological needs in the personal and relational well-being, we argue that entrepreneurs organize interpersonal information and form expectations around the three areas – autonomy, competence, and relatedness.

7.3. Psychological needs and perceived coping ability

In the demi-regularities section, we have shown that how entrepreneurs appraise and respond to stressful events depends, in part, on the perception that they can (or cannot) handle the adverse aspects of the situation. We have also shown that differences in the perceived coping ability of entrepreneurs can be attributed to differences in the coping resources they use to deal

with these adverse conditions. In this section, we discuss the importance of the three psychological needs in shaping the perceived coping ability of entrepreneurs. More specifically, we argue that the experience of receiving support for the basic psychological needs from investors can foster the coping resources of entrepreneurs and enhance their confidence in dealing with the constraining or demanding aspects of the relationship. Conversely, a lack of support or the frustration of the basic needs can erode the coping resources of entrepreneurs and diminish their confidence in coping with stressful interactions.

Prior research has suggested that the basic psychological needs are central in shaping how we appraise and cope with stressors (Skinner and Edge, 2002). Generally, it establishes that the satisfaction of the basic psychological needs leads individuals to *appraise* stressful incidents in a more positive light. At the same time, need satisfaction improves their ability to *deal with* adverse conditions and the emotional distress derived from these events (Ntoumanis, Edmunds and Duda, 2009; Weinstein and Ryan, 2010). Based on this idea, we argue that the degree to which entrepreneurs experience autonomy, competence, and relatedness in their relationship with investors significantly affects their ability to deal with stressful episodes of the relationship. This is because need satisfaction can foster different coping resources founders can call upon to deal with situational difficulties.

For example, an important coping resource is self-esteem, which typically reflects a sense of confidence, worthiness and self-acceptance (Leary, 1999a, 1999b; Leary and Baumeister, 2000). Self-Determination theorists suggest that a deep and real sense of self-esteem is an outcome that arises when the three basic needs are satisfied (Ryan and Deci, 2017). Another important source of coping resources is social support, which refers to the perception or experience that one has emotional, informational, or tangible support from others (Lazarus and Folkman, 1984). However, social support can leave receivers with a sense of incompetence, rather than enhance their confidence and coping ability if it is given with a controlling purpose or is associated with the feeling of humiliation or inadequacy. Previous research maintains that social support only fosters self-confidence when it is given in a way that respects the psychological needs of individuals (Butzel and Ryan, 1997; Heller, Swindle and Dusenbury, 1986). Other theoretical arguments come from Attachment Theory. Bowlby (1969, 1973) shows that when an attachment figure is consistently available and sensitive to signals from an individual looking for help, a sense of attachment security is established. Having secure attachment relationships is crucial for individuals to experience a sense of the self as worthy of love and attention (i.e., positive self-regard) and a confidence in the partner's availability and

responsiveness to their needs in crisis moments (i.e., perceived social supports) (Mikulincer and Shaver, 2004). As a result, individuals can leave this satisfying relationship with increased confidence in their own resources to deal with stress and adversity in other areas of life (Mikulincer and Shaver, 2003).

Symmetrically, need-violative relationships can erode the self-confidence of individuals. In this study, we have found that whenever the sense of inefficiency or inadequacy was present, there were signs of need deficit or frustration. A typical case was Entrepreneur 15, who had relationships with investors characterized by a violation of autonomy and competence, accompanied by a neglect of relatedness. Facing investors who intervened aggressively in his company, obstructed the founder from pursuing his initiatives, and harshly rejected his ideas was certainly an important factor that significantly impacted his self-esteem. Throughout his relational history with investors, his deep sense of self just never had the chance to be revealed, let alone acknowledged or accepted by investors. As a result, the founder developed a sense of inadequacy or inferiority toward his investors. This is exemplified in the following excerpt:

“When you don’t have experience...you tend to think that what they say must be right. At that time, I didn’t understand, and I simply thought that I didn’t have experience, and what they analyzed, what they changed in my project, I thought that they were probably right” (Entrepreneur 15).

More importantly, the undermining effects of need violation on self-esteem, especially for novice entrepreneurs, can persistently shape their sense of inadequacy *over the long term*, regardless of evidence that reinforces self-esteem. During the interview, Entrepreneur 15 cited at least two instances that clearly showed that he was competent, and that his sense of inferiority was unfounded. The first evidence came from the project in which he had deeply believed and that had initially been denied by his investors, before being ultimately approved by them three years later (see the ‘*constraining experience*’ section). The second evidence was when the founder commented that:

“Now everything is clear. It’s obvious what I can do. And this company is big enough. That means I can do a lot of things very well, I can do it on my own, by myself” (Entrepreneur 15).

Although these positive experiences could have appeared to be strong enough to foster the entrepreneur's self-esteem, the self-perception of being inadequate and inferior in the relationship with investors, coupled with an image of investors as 'superior', or 'genius' remained particularly persistent:

"I think that almost all investors are more competent than founders, both in terms of expertise and financial management. I think they're just brilliant, not just good, but kinds of genius" (Entrepreneur 15).

Equally important, we have found that a *single* need-supportive relationship is critical for building the sense of confidence of entrepreneurs. More confident entrepreneurs, like less confident ones, had need-frustrating experiences in dealing with investors. Yet, the difference stemmed from the fact that confident founders also had a truly need-satisfying relationship with at least one investor. The reason is that a supporting environment creates a sense of autonomy, competence and relatedness. These feelings can contribute to what Grolnick et al. (1991) refer to as '*inner resources*' that promote confidence and initiative to come up with effective coping strategies.

According to Self-Determination Theory, an autonomy supportive relationship encourages founders to clarify and express their true self and behave according to their real feelings, motives and perceptions (deCharms, 1968; Deci and Ryan, 1985). Consistent with the literature, entrepreneurs in the sample reported that autonomy-supportive investors did not force them or tell them what to do. Instead, they encouraged '*reflective*' decision making, where founders had the freedom to make a thoughtful assessment of the inputs from investors and choose whether or not to use their help (Koestner and Losier, 1996). This context reinforces a sense of agency and confidence because it makes entrepreneurs feel understood and accepted (Butzel and Ryan, 1997; Deci et al., 1981; Ryan and Grolnick, 1986). As indicated by most founders, they tended to be more confident when investors accepted them for who they were, understood and shared their values and strategic visions.

Competence-supportive investors provide founders with '*effectance-relevant inputs*' (Deci and Ryan, 1985), under the form of information, references, constructive feedback and mentorship, which facilitate effective decision-making. But more than just the quality of investors' inputs, their '*availability*' in response to founders' calls for help are cited by many founders as a crucial element of a supportive relationship. This finding confirms a fundamental

idea in Social Psychology according to which the sensitivity and responsiveness of a partner to the person's signals of need is a key to the formation of a secured attachment, which satisfies the basic need for relatedness (Winnicott, 1971; Bowlby, 1969). Empirical research on Social Support has found that it is the *perceived* availability of support, rather than *actual* support that enhances people's confidence in their ability to cope with stress (Barrera, 1986; Helgeson, 1993; Wetherington and Kessler, 1986). This is because besides the instrumental benefits of concrete help, and the conviction of being supported and cared for by investors, the feeling of being supported also carries emotional value. Research shows that having supportive social connections can improve individuals' adaptive strength and resilience to stress which might otherwise be overwhelming (Holahan, Moos and Bonin, 1997; Sarason, Sarason and Pierce, 1990). Emotional support elicits warm feelings and satisfies the need for relatedness. In our case, it signals to the founders that their investors value and emotionally invest in the relationship. This builds up a sense of the self as worthy of likeliness, respect and attention, and accordingly, fosters the self-esteem and confidence (Butzel and Ryan, 1997).

In contrast, need frustrating environments can erode self-confidence and coping effectiveness just as need supporting environments can enhance them. Chronic exposure to an unresponsive, unsupportive and controlling environment can result in the loss of creative nature and ability to freely undertake autonomous actions (Winnicott, 1971). According to Self-Determination Theory, a controlling relationship shuts down the feeling of confidence and self-worth (Ryan and Deci, 2017). In the above example of Entrepreneur 15, the history of being constrained and refused by investors seems to have left irreversible damage to his self-esteem, which may never fully recover, regardless of the self-esteem enhancing evidence that may come in the future. Many other entrepreneurs suggested that having investors who usually pressured them, demanded additional information, and forced founders to act in certain ways could diminish their confidence by signaling to entrepreneurs that investors did not believe in their capacity and that founders were not trustworthy.

Moreover, investors' inputs, if given insensitively and disrespectfully, can do more harm than good to the self-esteem of entrepreneurs. Founders have indicated that unsolicited advice and guidance from investors, without evidence of entrepreneurs' needs, can violate their autonomy and make them feel ineffective and inadequate, as suggested by Schneider, Major, Luhtanen, and Crocker (1996). Research on Social Support distinguishes *partial* support that provides the means to solve the problem from ready-made, *complete* support that provides a full solution to the problem (Nadler, 1997, 1998, 2002). In the current study, while partial

support was found to be associated with greater entrepreneur confidence, complete support tended to diminish their self-esteem, because it signaled to the founders that investors did not believe that they could solve the problem on their own. This appears in the following excerpt:

“Another negative element is that they often give too much and too detailed advice about how to build a product or how to build a business, which exceeds our requirement” (Entrepreneur 19).

If insensitivity refers to overprovision of support, unresponsiveness reflects underprovision of support. Entrepreneurs who did not receive help from investors, despite their request, tended to feel abandoned or rejected. For instance:

“I felt terribly stressed. The growth was too fast. Of course, I liked it, but I had to deal with so many things. And I didn’t feel like I had partners, who were there to support me” (Entrepreneur 1).

This signaled to the founders not only that they did not deserve investors’ attention, but also that investors did not value this relationship.

In sum, we argue that having controlling, unresponsive or insensitive investors is a coping liability rather than a coping resource, which undermines entrepreneurs’ self-confidence to overcome challenges and handle stressful events within the relationship (Ebata and Moos, 1994; Fondacaro and Moos, 1989).

In the next chapter, we will employ retroductive reasoning to identify the specific mechanisms that connect the generating structure uncovered in this chapter with the phenomenon we seek to explain.

CHAPTER 8

Chapter 8: Retroduction

With abduction, we have argued that the three psychological needs for autonomy, competence and relatedness are the underlying structures that generate the commitments, perceived coping ability and expectations of entrepreneurs. With retroduction, we hypothesize about the *properties* of these three needs and the generative mechanisms that link their causal powers to the outcomes we observe (Wynn and Williams, 2012).

Earlier, we have described abduction as the act of making a fallible hypothesis, e.g., based on the observation of its noise and functions, we hypothesize that there is a diesel engine inside a car. But we do not know how this engine is constituted and how it interacts with other components of a whole mechanical system that makes the car work.

In the present study, the entire dependence regulation system of entrepreneurs can be compared to the car with its own structural components. With abduction, we have hypothesized that the three basic psychological needs can be the underlying ‘*engine*’ behind the identifiable commitments and stressful experience of entrepreneurs. But what about the properties of these needs and their interaction with other components of the dependence regulation system that have given rise to different dependence patterns of entrepreneurs? Retroduction is devised to address these questions. Retroductive reasoning aims to answer two questions: (1) What does this generating structure must be like for certain outcomes to occur rather than others (i.e., real definitions of what things are)? And (2) through what mechanisms does this structure generates the observable outcomes? In other words, we are looking for the real definitions of what things are and strive to state the laws of how things act (Bhaskar, 1998).

To answer these questions, we first come back to the data to show that there are significant differences in the structure and properties of the psychological needs ‘*engine*’ of entrepreneurs. Next, we formulate ‘*conjectures*’ about what this engine must be like and the interrelation of this engine with other entities for the empirical observations to be valid (Bygstad, Munkvold and Volkoff, 2016). Because psychological entities are largely unobservable, both empirical data and existing theories are needed to find the most robust explanations for the observations.

8.1. Empirical considerations

One of the key properties of the basic psychological needs that has been consistently emphasized in Self-Determination Theory is that these needs are universal (Ryan and Deci, 2008). Humans require them, not just one or two, but all three, irrespective of their age, gender, race or culture (Ryan and Deci, 2014). In every sphere of life, individuals are assumed to respond predictably when these needs are satisfied or violated, regardless of their recognition and the value attached to them (Ryan and Deci, 2000, 2014). The presence versus absence of environmental conditions that support these basic needs is thus a key predictor of personal and relational outcomes (Ryan and Deci, 2000).

Yet, contrary to this principle, we have observed significant differences in (1) the commitments of entrepreneurs to different aspects of the relationship, (2) how they are sensitive to and mobilized by either need satisfaction or need frustration.

First of all, we have observed significant inter-individual differences in the emphasis by entrepreneurs on each commitment. Put it differently, although self-determination, competence-acquisition and personal connection characterized the most *commonly* reported themes, entrepreneurs were not committed to the same degree to each of these areas. When talking about the areas they were most concerned about, entrepreneurs have spent more time to elaborate their answers with ample details and examples. As a result, the terms used to express their main commitments were repeated more frequently compared to other terms indicating other areas. For example, when self-determination was the most important concern of the founders, terms such as “*control, power, risk, conflict, takeover, anti-dilution*” represented a significant proportion compared to other terms used to indicate other concerns. But the most reliable indicator of the central commitments of entrepreneurs can be found in their answer to the question: “What makes the difference between a good investor and a bad investor?” In analyzing the data, we have found that responses varied considerably from one individual to another. Usually, the first answer that comes to mind reflects the most important concerns or commitments. Following are examples of three different spontaneous responses that characterized three different concerns of entrepreneurs:

“What worries me the most is that they want to control my company” (Entrepreneur 10).

“To me, a bad investor is one who only has money and nothing else” (Entrepreneur 4).

“I don’t like investors who see me as a tool, or they can’t see me as their friend”
(Entrepreneur 3).

The second observation that sheds light on the properties of the psychological needs are the differences in how the perception and behaviors of entrepreneurs were influenced either by need satisfaction or by need violation. With abduction, we have suggested that psychological needs are the underlying factors that generate the commitments of entrepreneurs, which in turn influence their subjective perception of stressful experience in a given situation. This assumption has important implications for our understanding of the nature of the stressful versus beneficial experience of entrepreneurs in dealing with investors. To this point, a stressful experience reflects a situation, in which founders’ fundamental needs are not respected or violated. A beneficial or satisfying experience reflects a situation in which founders feel that their needs are fulfilled.

In several cases, the emphasis on either need satisfaction or need violation varied *across different relationships*. This can be attributed to the knowledge structure entrepreneurs develop about each relationship. Based on prior interactions with investors, they learn to form expectations about how the interactions are likely to unfold, and adjust accordingly. In most cases, founders have developed distinct expectations about different investors. This is illustrated in the interview with Entrepreneur 5, who had extensive experience of working with U.S. investors:

“Professional investors, they look at our strategies, support us and challenge us to take our business to the next level. Non-professional investors, they just frustrate us but do nothing to improve our strategies. For example, they asked for information, sometimes, very irrelevant one, in a very time-consuming manner. Instead of doing something good for the company, they were wasting our time.” (Entrepreneur 5).

In other cases, founders have shown a *chronic* preoccupation with either the positive or the negative side of the relationship. An interesting case comes from the interview with Entrepreneur 10, who has stated that he had a relatively easy relationship with his first investor, a business angel who lived abroad and rarely got involved in his business. Even though his autonomy was never threatened, his interview was filled with ‘*fears*’ about losing control of his

company if he obtained more funding. We have selected the following excerpts to illustrate this point:

“I am afraid of the risks that..., then it would be very difficult for me...

Founders can easily lose in the negotiation table...even if we agree with it, we still have regrets...

They [the investors] may be afraid of losing money, so they would like to control the company...

In my mind, I'm always afraid of being taken over, or giving away a secret...

I don't feel safe...

If there is conflict, then it would be very dangerous...

I always think of the worst scenarios. And those worst-case scenarios have made me disinterested” (Entrepreneur 10).

By the way, what is interesting in this case is that this fear derived mainly from vicarious experience, rather than from his direct experience. Entrepreneur 10 could recite with ease many ‘famous’ examples of other founders, who had troubles with their investors. This case shows that a general bias toward either rewarding or threatening aspects of the relationship can be a chronic tendency of the founders. And this personal factor can increase their sensitivity and vulnerability to either positive or negative information in a biased manner.

Overall, these findings have left us with more questions than answers about the structures and properties of psychological needs: Within each founder, are there differences in the causal power of each need? Are there any differences in the centrality of these needs (some being at the core of the generating structure whereas others being at the peripheral)? Why are entrepreneurs differently sensitive and mobilized by need satisfaction versus need violation? What about the generating structure that could have caused such valence bias? Based on these questions, the two phenomena described above led us to two conjectures about the structural components and properties of the psychological needs structure, which will be discussed in the next sections.

8.2. Retroductive reasoning and basic experiential requirement

The main purpose of retroductive reasoning is to reconstruct the preconditions for the empirical findings to be valid. At this stage, we seek to answer the question of how psychological needs – the architecture of human psyche (Ryan and Deci, 2008) – function specifically in each relationship for the observed events to have occurred. Simply put, with retroduction, we reconcile the inconsistency between theory and empirical data by making conjectures about what the reality must be like for the empirical observations to have happened. In the previous section, we have described the two important observations that seem to challenge Self-Determination Theory's claim of the universal necessity of psychological needs. That is, entrepreneurs were (1) not equally committed to different aspects of the relationship; and (2) not equally sensitive to and mobilized by need satisfaction versus need violation.

The question of whether the impact of need satisfaction or violation is universal remains a controversy. On the one hand, Self-Determination theorists suggest that (1) these differences would be rather minimal and (2) the relationship between need satisfaction (respectively, violation) on personal and relational well-being does not depend on individuals' explicit recognition or valuing of these needs (Deci and Ryan, 2000). On the other hand, other scholars argue that people do not benefit (or suffer) in the same way from the satisfaction (or violation) of different needs (Harackiewicz and Sansone 1991; Hofer and Busch, 2011; Sheldon and Gunz, 2009). These authors attribute this variability to inter-individual differences in *need strength*, that is, the preference for certain needs, which may result in varying importance attached to the fulfillment or frustration of these needs (Chen et al., 2014).

Yet, these two streams of literature cannot fully explain the findings described above. Self-Determination Theory may fail to consider how the generating power of psychological needs is influenced by personal factors. Yet, the explanation for these differences does not necessarily lie in inter-individual differences in need strength. Here, instead of attributing this phenomenon to the chronic difference in need strength, we argue that this empirical manifestation reflects individuals' attempts to adapt their *need pursuing pattern* to each relational context, based on their knowledge of how their psychological needs are supported or violated by that relationship. The main function of this adaptive mechanism is to help increase the possibility and benefits of need satisfaction, as well as to decrease the likelihood and consequences of need frustration.

From an ecological perspective, human beings survive and prosper because they have developed specific functions that allow them to successfully adapt to the environment through evolution (Gibson, 1979). According to Tooby and Cosmides (1990), each context represents a distinct adaptive problem, and individuals are assumed to be ‘*fitness-maximizers*’, who strive to function adaptively under the circumstances they face (p. 377). Safran (1990) notes that: “It is conceptually useful to inquire into what type of adaptive role a given aspect of human functioning has played in the history of the species. Rather than viewing human beings as disembodied computing machines, it is important to regard them as biological creatures who have evolved specific features that play a functional role in the environment of ecological adaptedness” (p. 92).

Thus, any analysis of the human psyche that does not consider its adaptive significance deems to a lack of ecological validity (McArthur and Baron, 1983; Neisser, 1976). In this respect, cognition, behaviors, and personality are merely the manifestation of deeper adaptive mechanisms that have evolved throughout history in response to the diverse and changing environment (Millon, 2003). In this study, we argue that individuals will adapt their need pursuit to each relational context based on their knowledge about the need-supportive (-violative) nature of the relationship.

Self-Determination Theory emphasizes the universal consequences of need thwarting. Ryan and Deci (2017) note that: “if the fulfillment of any of need is blocked within a given domain... specifiable experiential and functional costs within that domain are to be expected” (p. 93). Very often in social life, individuals have to compromise one need in exchange for the fulfillment of another. For instance, to acquire resources from investors, entrepreneurs must sacrifice their autonomy. The question is: Can something be done to reduce their suffering in the future if individuals have learned that a partner is unsupportive, and this experience is painful and detrimental to their wellness? Given the amazing capacity of humans to adapt to the surrounding context (Anderson, 1991), are we going to sit passively and accept everything that happens to us, regardless of the costs to our well-being? Are there any differences in the way people pursue or protect their need in a supporting relationship versus a need-thwarting relationship?

This brings us to a conjecture about the existence of a hypothetical entity that represents the psychic adaptation to each relational context. We argue that entrepreneurs enter the relationship with investors carrying a psychological entity, which we call ‘*Basic Experiential*

Requirement'. This entity defines the basic psychological experience they pursue or protect within the relationship. The fundamental purpose of the Basic Experiential Requirement is to optimize the global welfare of entrepreneurs, given their understanding of the need-based quality of the relationship. The adaptive function of the Basic Experiential Requirement (BER) is illustrated in Figure 10.

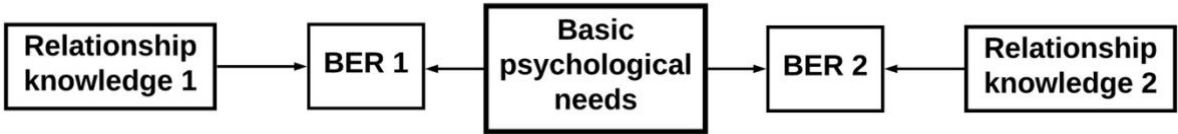


Figure 10. The Basic Experiential Requirement

In this figure, we have two hypothetical relationships with investors – relationship 1 and relationship 2. Based on prior experience, individuals develop relationship knowledge 1 and relationship knowledge 2, respectively, regarding the support (or lack of support) of each relationship for their basic psychological needs. In relationship 1, Basic Experiential Requirement 1 is born to help people deal with the discrepancy between what they naturally need on the one hand and the relationship’s support for their needs on the other hand. In the same way, Basic Experiential Requirement 2 is specifically conceived to adapt with relationship 2. By proposing the concept of Basic Experiential Requirement, we do not refuse the essential and universal role of the three basic needs for human’s wellness. Figure 10 implies that the three psychological needs are still there, and we all require them to the same degree. But we have to rely on a psychological *instrument* that allows us to increase the probability and benefits of need satisfaction if the relationship is supportive, and reduce the likelihood and costs of need violation if the relationship is unsupportive. The Basic Experiential Requirement is this instrument, without which we may persistently endure frustration or neglect potential benefits in our relationships with others.

It is important to distinguish the Basic Experiential Requirement from need strength. Need strength refers to chronic individual differences in the explicit value or importance that people attach to a need (Chen et al., 2015; Schwartz and Bardi, 2001). It concerns individual differences in the motivational system which manifest relatively consistently across different relationships. Differently, the Basic Experiential Requirement is specifically tailored to each relationship. And it reflects the intertwined nature of cognition and motivation, namely what individuals understand about the relationship and what they need to experience in that relationship. The notion of need strength is born to deal with the question of whether there are *inter-individual* differences in impact of need frustration. The Basic Experiential Requirement helps to explain *intra-individual* differences in the impact of need deficit on the same person in different relationships. In other words, the Basic Experiential Requirement implies that individuals may not suffer to the same degree from the frustration of a certain need in different relational contexts.

The properties of the Basic Experiential Requirement are determined by the knowledge structure that people develop about how the relationship supports or violates their basic needs. Based on the empirical findings presented in the previous section, we argue that the properties of this structure are characterized by two constituent components: the *perception of experiential function*, and the *approach – avoidance focus*. The perception of experiential function reflects the cognitive association between the representation of a relationship and a specific need in the mental system. The approach-avoidance focus indicates whether entrepreneurs enter the relationship with a focus on achieving need satisfaction or on avoiding need frustration. Together, these two components combine to dictate the potential power of the Basic Experiential Requirement to generate the dependence regulating decisions of entrepreneurs.

8.2.1. *Perception of experiential function*

We maintain a healthy diet by consuming a wide variety of foods. Each type of food, such as fruit, provides us with certain types of nutriments, and not others, but it does not make it less important to our well-being. By looking for missing nutriments (e.g., fat, protein) in other types of food, we become healthy in a general manner. This analogy also applies to social life. Depending on how individuals perceive the nature of interactions with another, social relationships differ significantly in their *purposes* and *importance*. Each type of relationship is

assumed to have specific *experiential functions* in as much the same way we think about the functions of each type of food in terms of the nutriments they provide. We argue that the notion of need satisfaction should be considered in a general sense, where individuals seek different psychological nutriments from different sources.

This idea seems to challenge Self-Determination Theory's assertion that neither one nor two but *all* three basic needs must be satisfied in *every* sphere of social life for individuals to have an optimal experience in any social context (Bartholomew, Ntoumanis, Thøgersen-Ntoumani and Ryan, 2011; Deci and Ryan, 2008, Vansteenkist and Ryan, 2013; Vansteenkist, Ryan and Soenens, 2020). However, the view we develop here is *implicitly* recognized in many studies that argue that there are qualitative differences in the significance and meaning of different relationships. Regarding the need for relatedness, Safran (1990) notes that an "individual's goal is not necessarily one of maintaining relatedness to a specific person in a specific interaction, but rather, one of acting in a fashion which enhances his or her sense of potential relatedness in an abstract, generalized sense" (p. 95). Similarly, Mikulincer and Shaver (2003) claim that attachment figures in adulthood are context-dependent, i.e., they are viewed as sources of support only in specific settings, such as teachers in academic context, managers in an organization context. In examining different nutriments of '*secure attachments*', La Guardia, Ryan, Couchman and Deci (2000) argue that "people often find routes to efficacy satisfaction that are not within their primary relationships... As such, they may not need a great deal of support for competence from a relational partner in order to feel secure in that relationship" (p. 369).

Human cognition is designed so that it can discern the typical interactional patterns that people encounter repeatedly within a relationship. The mental representation of the relationship is assumed to revolve around these patterns (Baldwin, 1992). For example, the interactions with teachers primarily serve to broaden individuals' knowledge, while the interactions with intimate partners are mostly about making them feel loved and cared for. If interactional qualities are encoded in terms of the psychological experience they leave on the perceiver (i.e., autonomy, competence, relatedness), then different relationships should be represented in the cognitive system as different sources of nutriments for the psychological needs. Therefore, we should expect the mental system to be designed so that each psychological need is mentally linked to specific relationships that are perceived as sources of nutriments for that need. This can be a crucial function of the mental system because it facilitates behavioral planning and ultimately increases the likelihood of need fulfillment.

Also, this idea is analogous to the association between goals and their corresponding means of attainment in the Goal System Theory postulated by Kruglanski et al. (2002). In our study, the extent to which a relationship is associated with a basic need in the mental system defines the perceived experiential function of that relationship. A relationship can be associated with more than one need, just as a means (e.g., physical exercise) is mentally connected to many goals (e.g., losing weight, building body, fighting disease). For example, the relationship with an investor can concurrently enhance the sense of autonomy, competence and relatedness. At the same time, people can pursue the same need in different relationships, just as a goal (e.g., losing weight) may be connected to many means (e.g., exercise, healthy diet). For instance, entrepreneurs may pursue the need for competence in the relationship with investors as well as in relationship with other mentors.

The properties of the Basic Experiential Requirement are determined to a lesser extent by how many '*perception of experiential functions*' it has, and to a greater extent by the *strength* of each mental connection. Depending on the perceived support or frustration of the relationship, the strength of perception of experiential function is adjusted to help increase the benefits of need satisfaction and reduce the psychological costs of need frustration. The adjustments in the association strength have important implications for the degree to which people will suffer from need violation. Presumably, the strength of the perception of experiential function indicates the perceived importance of the relationship as a source of nutriment for the need. When the relationship consistently supports a need, the perception of experiential function is strengthened. This signals to the mental system the need to invest more resources in the future to build and maintain the relationship. We seek out a person's company, spend time with him or her, and invest emotionally in the relationship because we value that relationship.

In contrast, when a relationship fails to support (or frustrates) a need, the perception of experiential function is weakened or dissociated. From the founders' perspective, a weakened perception of experiential function or a dissociation means a decrease in the perceived importance of the relationship as a source of experiential nutrients. Take Entrepreneur 15 for example. Like many entrepreneurs, he initially entered the relationship expecting that investors would not intervene in his business. But after repeated experience with controlling investors, he learned that the relationship was a source of autonomy frustration and that it was not the right place where he could pursue this need:

“When I started, like other founders, I expected to have money, network, and experience, and, at the same time the lowest level of influence from investors. But I gradually realized that reality is not like that. Indeed, they gave us a lot, but they pushed us, and they participated in making the main decisions in the company...And I think it’s fair” (Entrepreneur 15).

A reduction in the perception of experiential function strength or a dissociation means founders say to themselves: “I shouldn’t look for the experience of autonomy (competence, relatedness) in this relationship”, or “I shouldn’t rely on this investor to satisfy my autonomy (competence, relatedness)”. And there are reasons to believe that by devaluing the perceived importance of a relationship, the psychological consequences of need violation may be mitigated. Basically, the perception of experiential function serves as the standard that individuals use as a basis for assessing their satisfaction with the relationship. Previous studies show that in most cases, dissatisfaction is the result of a cognitive comparison between the standard and the current perception of the relationship (e.g., Simpson, Fletcher and Campbell, 2001).¹⁰ People experience need satisfaction when support from the relationship meets a certain criterion, and feel dissatisfied when the perceived support falls below that threshold. The more salient the relationship in the mental system as an important source of nutriment for the need, the higher this threshold, and thus the further the standard for satisfaction.

Therefore, holding a high standard means facing a higher risk of disappointment (Eidelson and Epstein, 1982). Relationships would be more stable and endured if people learn to accept a lower relational standard (Miller, 1997). By downplaying the value of a relationship when the probability of need frustration is high, people protect themselves from such disappointment (Murray, Holmes, MacDonald and Ellsworth, 1998). Murray et al. (2006) note that “By diminishing their partner’s value, people... give their partner less power to hurt them in the future by making the partner a less important source of need satisfaction” (p. 655). This explains why need violation is experienced as most painful in close, valuable and important relationships (Miller, 1997). This is illustrated in the following example of Entrepreneur 1. She

¹⁰ Baucom et al. (1996) found that in established marriages, spouses who perceived that their standard was being met were more satisfied with the relationship than those who did not perceive that their standard was being met.

entered the relationship viewing investors as her ‘*brothers*’ and regarding the relationship as a place to fulfill her need for relatedness:

“They were like my brothers. They supported me and made me feel stronger because I knew there was someone behind who were willing to advise me and support me in my decisions” (Entrepreneur 1).

Subsequently, the relationship turned sour and the founder was forced to leave her company in a disadvantaged financial condition. But the pain she suffered could have been limited to a purely financial loss and perhaps less excruciating if she had not sought to satisfy her need for relatedness in this relationship:

“One of the saddest things in business is when the cooperation breaks down. And the worst and biggest disappointment is when you realize that you chose the wrong partners to trust and to build together your dream. That makes you lose faith and it is really difficult for you to trust someone else again” (Entrepreneur 1).

When founders regard the relationship as a source of nutriment for their relatedness, the psychological damage that they suffer when they realize that their investors do not genuinely care about them and do not consider them as their friends is much higher than when they simply view the relationship as a transient and superficial social transaction.

In sum, the notion of perception of experiential function suggests that differences in how different people benefit (or suffer) from the fulfillment (or violation) of a need may not reflect differences in needs strength, but rather differences in the perception of different relationships as different vehicles for satisfying different basic needs. It concerns individuals’ understanding about discernable relational patterns rather than differences in the need system as suggested in prior research.

8.2.2. Approach - avoidance focus

The second constituent component of the Basic Experiential Requirement that helps entrepreneurs to adapt to each relational context involves the approach-avoidance focus. This refers to the extent to which founders are oriented toward need-satisfying versus need-frustrating experience. Earlier, we have shown that there were qualitative differences in the way

entrepreneurs were motivated by the rewarding versus distressing aspects of specific interactions and the whole relationship. This phenomenon has been researched since the dawn of Psychology, and it refers to one of the oldest concepts that lay the foundation for many important theories on motivation and personality. The fundamental principle of the concept is that human behaviors are regulated by two motivational systems: the desire to ‘approach’ positive outcomes and the desire to avoid negative outcomes (Higgins, 1998). The former designates an ‘*approach system*’ or ‘*behavioral activation system*’ that activates behaviors in response to reward signals. The latter designates an ‘*avoidance system*’ or ‘*behavioral inhibition system*’ that inhibits behaviors in response to punishments signals (Gray, 1987; 1990).

Based on this notion, we argue that entrepreneurs can adapt to each relationship by focusing on approaching need satisfaction or avoiding need frustration, depending on their understanding of the degree to which the relationship respects or undermines any of their basic needs. In this study, approach-avoidance focus does not indicate short-term goals, nor does it reflect a dispositional trait. Rather, it represents an abstract motivational orientation that predisposes individuals toward certain end-states that differ in their valence (Elliot, 2006; Elliot and Church, 1997). Such motivational orientation has an impact on the dependence-regulating goals that people adopt in specific situations. Specifically, an approach-focus guides founders toward the pursuit of need-supporting experience; and it functions to prioritize benefit-maximizing goals. In contrast, an avoidance-focus orients them away from need-frustrating experience; and it functions to prioritize stress-minimizing goals.

The crucial role of the approach-avoidance system in social adaptation has been an important notion in previous research (Gable, 2006, Gable and Berkman, 2013; Gable and Impett, 2012; Gable and Strachman, 2008; Gable, Reis and Elliot, 2000, 2003). For example, in their risk-regulation model in intimate relationships, Murray et al. (2006) suggest that feeling more positively regarded by a specific partner (i.e., perceived support for relatedness) sensitizes individuals to the benefits of dependence and closeness (i.e., an approach focus), which, in turn, prioritizes relationship-promotion goals. Conversely, feeling less positively regarded (i.e., perceived deficit of relatedness support) sensitizes them to the potential pain and hurt from rejection, which, in turn, activates self-protection concerns.

In this study, we expand the risk regulation model in intimate relationships of Murray et al. (2006) to work relationships between entrepreneurs and investors. We have found that the

approach-avoidance system not only applies to the need for relatedness but also to the need for autonomy and competence. We argue that when a relationship consistently supports a need, an approach focus is activated and predisposes entrepreneurs to adopt benefit-maximizing goals in order to increase the probability that these needs will be fulfilled. Conversely, if the relationship undermines a need, the avoidance system is activated to prioritize stress-minimizing goals to reduce the likelihood of having need-violating experiences.

Specifically, when investors consistently support entrepreneurs' *autonomy*, entrepreneurs tend to enter the relationship seeking autonomy-supporting experience. For example, they are inclined to seize the opportunities to share their authentic feelings and perspectives with investors, as well as to seek constructive feedback to make better-informed decisions. This is illustrated in the following excerpt:

“They are very open and sharing. They are like my mentors. They always try to give us all of their experience, like advisors. They are really patient when listening to us and try to give us the best advice. So, I feel very comfortable sharing what I really think. For example: “I have the Vietnamese market perspective. This is what I see and understand. And this is what I plan to do”. You see, share with them to see what they think and get their feedback” (Entrepreneur 8)

In contrast, when investors repeatedly reject founders' ideas, or when investors repeatedly use resources as controlling instruments or create pressure toward specific behavioral outcomes, the avoidance system is activated. In this case, entrepreneurs are motivated to avoid situations that put their autonomy at risk. For example, entrepreneurs can avoid accepting funds from an investor if they expect the investor to have the intention to control their company. If the relationship has already begun, entrepreneurs can be willing to terminate the relationship to avoid being coerced or manipulated by investors, as illustrated in the following example:

“They always act to maximize their benefits. They forced us to change our (business) model. And then we decided to break with them because we felt very frustrated” (Entrepreneur 7).

When the relationship consistently provides support for entrepreneurs' need for *competence*, they tend to enter the interactions with investors with an approach focus on

competence satisfaction. When interacting with investors, their behavior is shaped by the motivation to obtain inputs that facilitate effective decision-making (Deci 1975; Deci and Ryan, 1985) or enhance their ability to achieve important goals (Aron, Aron, Norman, 2004). For example:

“Whenever I need advice I always look for their help. Whatever we need to know, we must take initiative to ask...Even they cannot give specific comments because they are not involved on a daily basis. But they can comment on the perspective, the broad picture, our strengths and weaknesses. Based on these comments, we can make better decisions” (Entrepreneur 14).

In contrast, when entrepreneurs feel that the relationship fails to enhance their efficacy or frustrate their sense of competence, they are likely to focus on minimizing this sense of inefficacy by avoiding circumstances that revolve around their competence, such as refusing to ask investors for help in times of need.

When founders believe that their relationship with investors is built upon the foundation of liking, mutual respect and positive regard, an approach focus on *relatedness* is activated. In this case, entrepreneurs seek to build and maintain a secure and close connection with investors. Thus, entrepreneurs’ behaviors are motivated by a search for a sense of warmth and a truly connectedness to a sensitive and caring partner (Deci and Ryan, 2014). For instance:

“Our relationship with investors is like a predefined destiny. And it involves certain degree of trust and intimacy. The way we talk and work with each other is much like between husband and wife. We must share with each other everything in life on a daily basis” (Entrepreneur 13).

In contrast, when entrepreneurs feel that investors do not value them for who they are, but simply regard them as objects to achieve economic goals, they will limit their interactions with investors to a superficial level. Murray et al. (2006) posit that people deal with social rejection by distancing oneself from the relationship partner. The following excerpt exemplifies this:

“Your parents can invest in you without expecting anything in return. In business, it’s not like that. What they care about is whether you can help them earn money. Although friendship

can make it easier for us to communicate and collaborate, but I don't depend on that" (Entrepreneur 10).

8.3. A theoretical explanation of the dependence regulation of entrepreneurs

In this study, our objective is not only to examine how entrepreneurs *manifest* and *regulate* their dependence on investors (i.e., the observable phenomenon), but also to seek to explain the *psychological mechanisms* underlying dependence regulation (i.e., the causal explanation). This is the purpose of this final stage. It is important to repeat that in Critical Realist research, causal explanation is not about relating an observable event to another observable event, that is, to discern empirical regularities (e.g., longevity is negatively associated with smoking rate). This is because reality, from the perspective of Critical Realism, is '*layered*' rather than '*flat*' (Danemark et al., 2002). Critical Realism separates events that can be observed from the mechanisms that generate these events. A Critical Realist theory consists of causal entities and mechanisms at work that, under some conditions, generate the phenomenon under study (Sayer, 1992). It refers to a configuration of the causal entities that interact with each other in a rigorous and reasoned manner (Jensen, 1991).

In the previous section, we have postulated that for the empirical results to be valid, there must exist a hypothetical entity, which we refer to as Basic Experiential Requirement. We now need to determine how Basic Experiential Requirement interacts with other components of the dependence regulation system to generate observable dependence patterns of entrepreneurs under contingent factors. Based on our empirical findings and existing theories in the field of Social Psychology and Relationship Cognition, we develop a theoretical model of the dependence regulation system of entrepreneurs, which is illustrated in Figure 11. In this model, although motivational (e.g., psychological needs) and cognitive factors (e.g., relationship knowledge structure) are presented as separate factors, it should be emphasized that motivation and cognition are conjoint in nature, and should be separated only for the purpose of discussion.

This causal model is by no means exhaustive. Indeed, we attempt to capture the most salient explanatory paths offered by the empirical data and related theories examined in this study. Moreover, it should be clear that in complex and open systems such as human psyche,

there are always possibilities of multiple mechanisms that concurrently operate to generate the phenomenon under study. The conceptualization proposed herein represents only one of them.

In Figure 11, we represent the link between the relationship knowledge structure and Basic Experiential Requirement as unidirectional. Yet, these two entities interact and influence each other in complex manners. For the sake of simplicity and within the scope of this study, we focus on explaining how the relationship knowledge structure shapes the Basic Experiential Requirement in the global adaptation process.

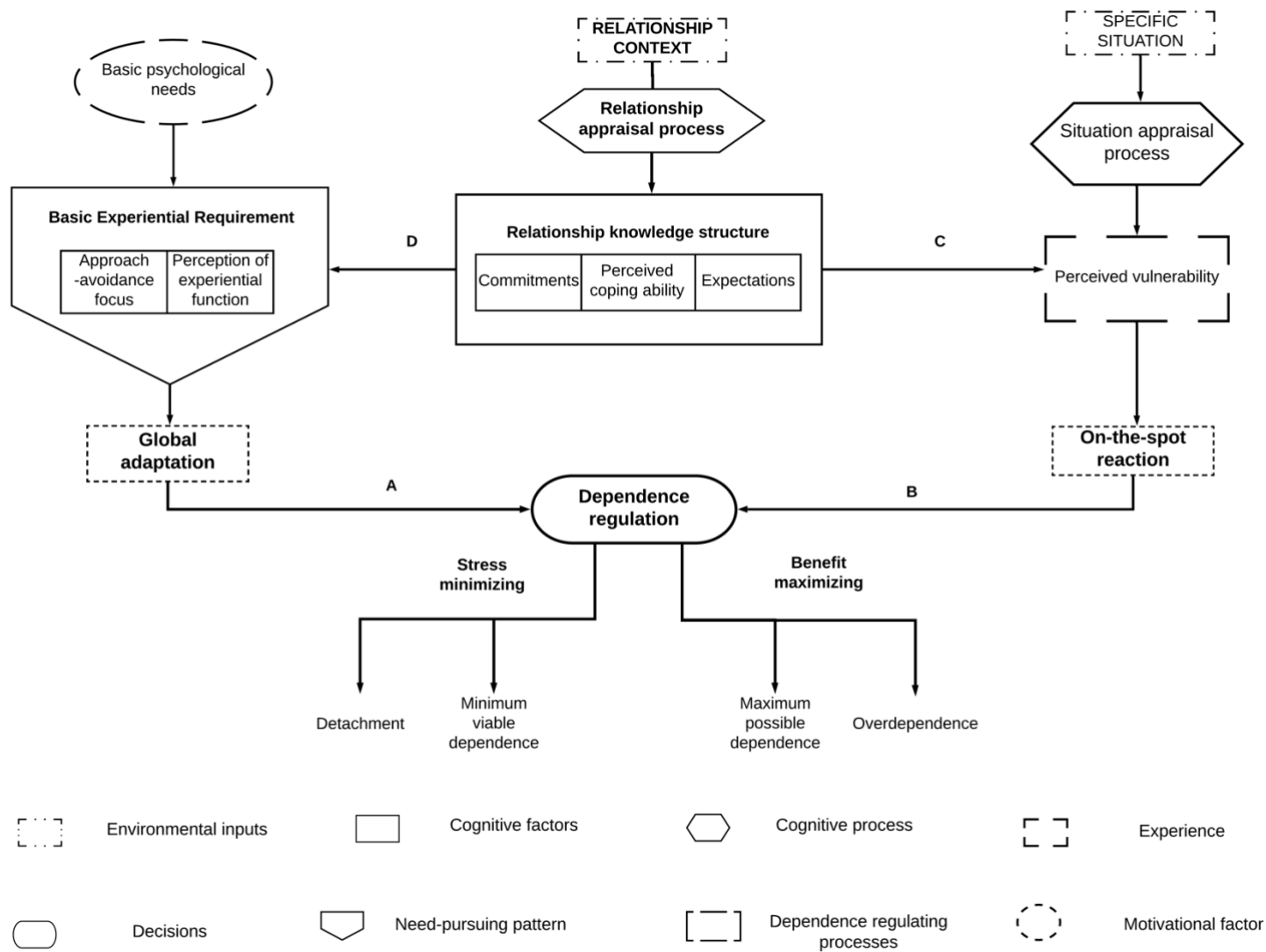


Figure 11. A theoretical explanation of the dependence regulation of entrepreneurs

As can be seen in Figure 11, entrepreneurs regulate their dependence on investors based on a *dependence regulation* process, which involves two objectives - to minimize stress or to maximize benefits. These two goals are *not* mutually exclusive, and at any given moment, the dependence patterns of entrepreneurs can be guided by both goals. A focus on stress minimization moves founders toward minimum viable dependence, whereas a focus on benefit-maximization moves them toward maximum viable dependence. If founders place too much emphasis on maximizing benefits, they are subject to overdependence and place themselves at a disadvantageous and vulnerable position. In contrast, if they are overly concerned about minimizing stress, they may become detached at their expense and sacrifice the opportunities offered by the collaboration with investors.

We propose that, at any given moment, the dependence regulation process is jointly shaped by two generative mechanisms: a *global adaptation* process (Path A) and/or an *on-the-spot reaction* process (Path B). These two processes operate at different levels of generality and each fulfills a distinct function of the dependence regulation system.

At the situational level, the on-the-spot reaction process operates to optimize the immediate experience, that is, to maximize benefits when individuals feel relatively safe and to minimize stress when they feel vulnerable. This process works based on a situation appraisal process, through which entrepreneurs evaluate their vulnerability to stressful experience in the current situation. This situation appraisal process is partly shaped by the three cognitive factors: commitments, perceived coping ability and expectations (Path C), that is, the three integral components of the relationship knowledge structure.

At the relationship level, the global adaptation process functions to optimize the overall wellbeing of entrepreneurs within a given relationship. More specifically, it aims to increase the likelihood and benefits of need satisfaction and reduce the likelihood and consequences of need frustration. Based on the general knowledge structure of the need-supportive (or – violative) nature of a given relationship, entrepreneurs tend to adapt their need-pursuing pattern (i.e., Basic Experiential Requirement) to that relationship (Path D). The Basic Experiential Requirement, in turn, shapes a stable dependence pattern across various situations.

In the next sections, we elaborate on these two mechanisms in detail.

8.3.1. *Dependence regulation as an on-the-spot reaction process*

When interacting with investors, entrepreneurs usually find themselves in situations that require them to make *immediate* decisions that will determine their dependence on and closeness to investors. For example, entrepreneurs who will soon run out of cash must determine whether to raise outside funds or '*bootstrap*' their business. Or entrepreneurs must decide whether they should share a problem they currently face and seek investors' help or solve the problem on their own. As has been discussed above, dependence situations lead to either rewards or stress. Thus, at the situational level, the dependence regulation system must operate to optimize the immediate experience of entrepreneurs.

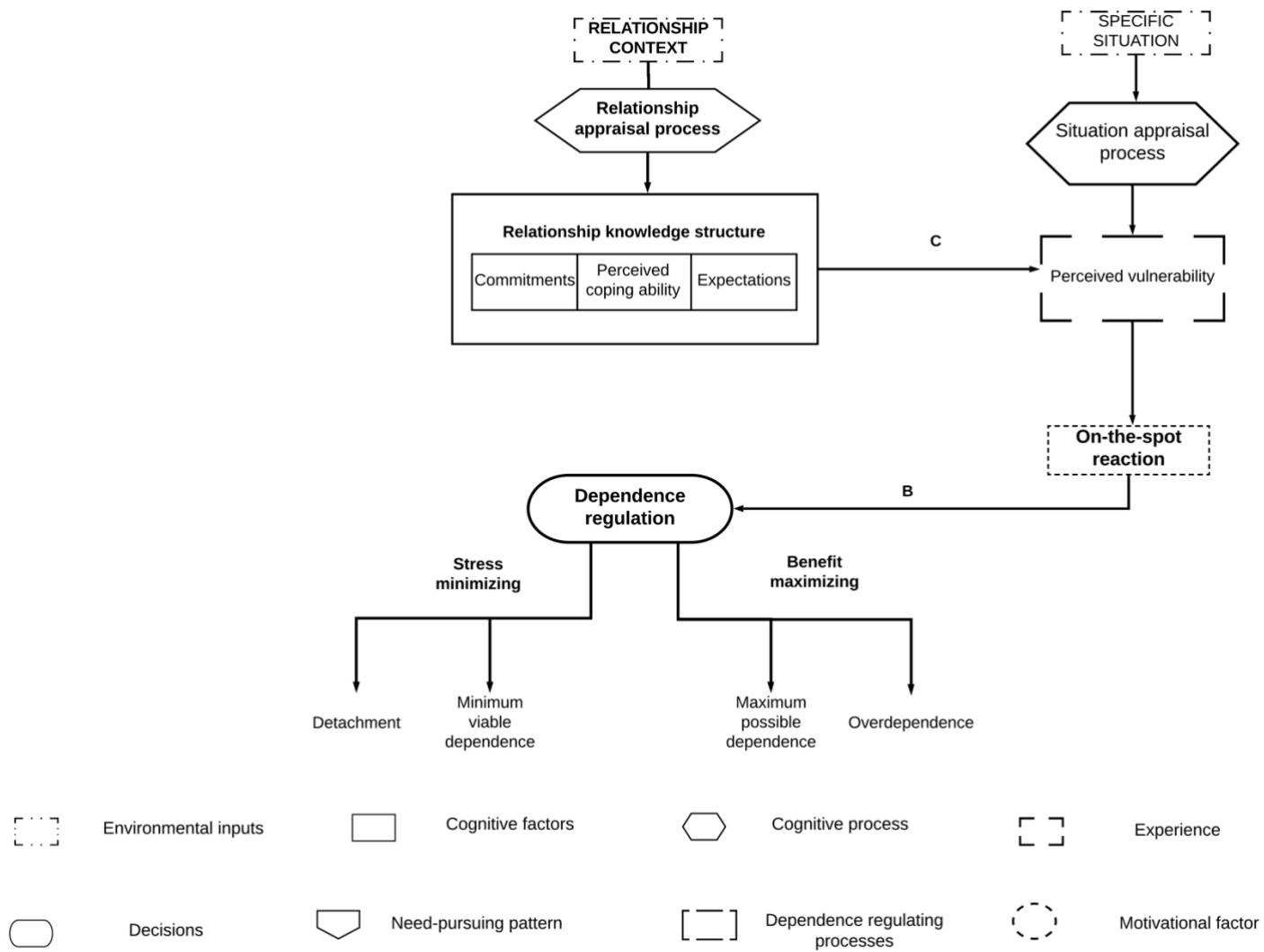


Figure 12. The on-the-spot reaction mechanism

We refer to this situational operation as the *on-the-spot* reaction (Figure 12), which is usually activated when entrepreneurs are confronted with a situation of dependence. Based on the risk-regulation model of Murray et al. (2006) and Stress and Coping theory (Lazarus and Folkman, 1984), we argue that entrepreneurs are only willing to put aside self-protection concerns to promote dependence and connectedness when they feel safe or invulnerable to stressful experience. In other words, it is assumed that dependence decisions are made contingent on the *perceived vulnerability* of entrepreneurs to stress that can result from putting oneself in the dependence position.

The mechanism through which entrepreneurs can discern their vulnerability is the *situation appraisal process* (Lazarus and Folkman, 1984), which evaluates the features of a specific situation to determine the degree of stress it can generate. The three cognitive factors (i.e., commitments¹¹, perceived coping ability¹² and expectations¹³) are theorized to play a critical role in shaping this process. As shown in Chapter 4, these factors are assumed to be integral components of the knowledge structure of the relationship.

Below is a concrete example of the situational appraisal process (Path C) and the on-the-spot reaction of entrepreneurs (Path B). The situation is a negotiation of the financial terms of the investment contract between an entrepreneur and a venture capital firm. This type of situation leaves room for ambiguity as the Term Sheet uses jargon that entrepreneurs are not used to. Terms such as ‘*full ratchet down*’ or ‘*anti-dilution*’ are arcane to the standard entrepreneur. Entrepreneurs can interpret this situation as either stressful or not, depending largely on the three cognitive factors. Consider the following excerpt from Entrepreneur 10:

¹¹ Commitments refer to the specific aspects of interactions and of the relationship that are perceived as meaningful or important to entrepreneurs. We have found that entrepreneurs have three types of commitments: self-determination, resource-acquisition, and personal connection.

¹² Perceived coping ability reflects a belief in a person’s ability to handle situational demands or to make effective autonomous decisions.

¹³ Expectations indicate beliefs, perceptions or anticipations about the outcomes of a given dependence decision.

“In their contract, there are a lot of complex terms, like anti-dilution. At the time, I didn’t understand much about it. But I had a vague feeling that there must be some problems with those terms. Such a small amount of money and [they] will never be diluted. How can you accept that? Maybe, they wanted to put me in a deal that I couldn’t get out...So I decided not to work with them” (Entrepreneur 10).

Entrepreneur 10 appraised the situation as stressful because it jeopardized his *commitment* for self-determination. The situation was perceived as exceeding his handling capacity and was expected to have negative consequences. Among the other entrepreneurs in the sample, Entrepreneur 10 demonstrated a very strong commitment to retaining autonomy and control of his company, as he noted:

“My principle is that I must always control the company” (Entrepreneur 10).

In the above circumstance, the founder felt that his autonomy was threatened because he detected terms such as ‘*anti-dilution*’ in the contract. The second cognitive factor that determined the stress appraisal was the founder’s *perceived coping ability*. It was found that Entrepreneur 10 had a low confidence about his ability to cope with the situational demands. Notice in the following excerpt how the founder emphasized his inexperience, ignorance or lack of courage to deal with stressors:

“Since I have very little experience, I am very intimidated to enter into this relationship because it requires a contract. It takes a long time to understand each other, to negotiate a very complex contract...Well, I don’t know if the experienced founders...they can handle even the vilest investors. Those [entrepreneurs] who have been in business for a long time may have the ‘courage’. Myself...I don’t have experience, so I am discouraged from entering this relationship” (Entrepreneur 10).

Finally, the situation was appraised as stressful because the founder formed a negative *expectation* regarding putting himself in a dependence position. As indicated in the excerpt, the entrepreneur anticipated negative consequences if he signed the contract:

“But I had a vague feeling that there must be some problems with those terms” (Entrepreneur 10).

As a result of this situational appraisal process, the founders felt vulnerable. Consequently, his *on-the-spot reaction* was to refuse to engage with the investor. In brief, the

three cognitive factors – commitment, perceived coping ability and expectations – played a significant role in shaping the perceived vulnerability of the founder, which dictated his on-the-spot reaction.

8.3.2. *Dependence as a global adaptation process*

The on-the-spot reaction process helps to protect entrepreneurs from stressful experience in a specific situation. But the cognitive system is designed to learn from previous experience so that individuals do not have to start from scratch in assessing a circumstance that they have encountered repeatedly in the past. For example, a founder may worry about being abandoned by an investor the first time he asks for help. But his concern will disappear if this is the tenth time he considers seeking advice from the investor, given that his or her investor has always supported him or her the previous nine times. As the relationship evolves, people tend to rely on previously acquired knowledge to interpret future interactions and make interpersonal decisions (Baldwin, 1992). As knowledge about the relationship partner accumulates, there is a decreasing need to consider every single clue to determine the vulnerability of the self. By using past information to make decisions, the need to activate the on-the-spot-reaction process is diminished and a substantial burden for the cognitive system can be relieved.

In social interactions, much of what we think and how we behave within a relationship is fundamentally shaped by the knowledge we have acquired about the relationship up to that point (Bowlby, 1969). Our mental system is designed to encode and store prior experience in the long-term memory, so that it can be used to guide the interpretation and behavior in future interactions (Collins and Allards, 2001). Indeed, in the long term, in addition to the need to optimize a single episode of interaction, the overarching purpose of any self-regulation system is to optimize the individuals' well-being in a social milieu. The *global adaptation* process is designed to fulfill this purpose. Under this process, entrepreneurs' dependence patterns are regulated by their knowledge of the relationship rather than by the appraisal of specific situations. We illustrate this process in Figure 13.

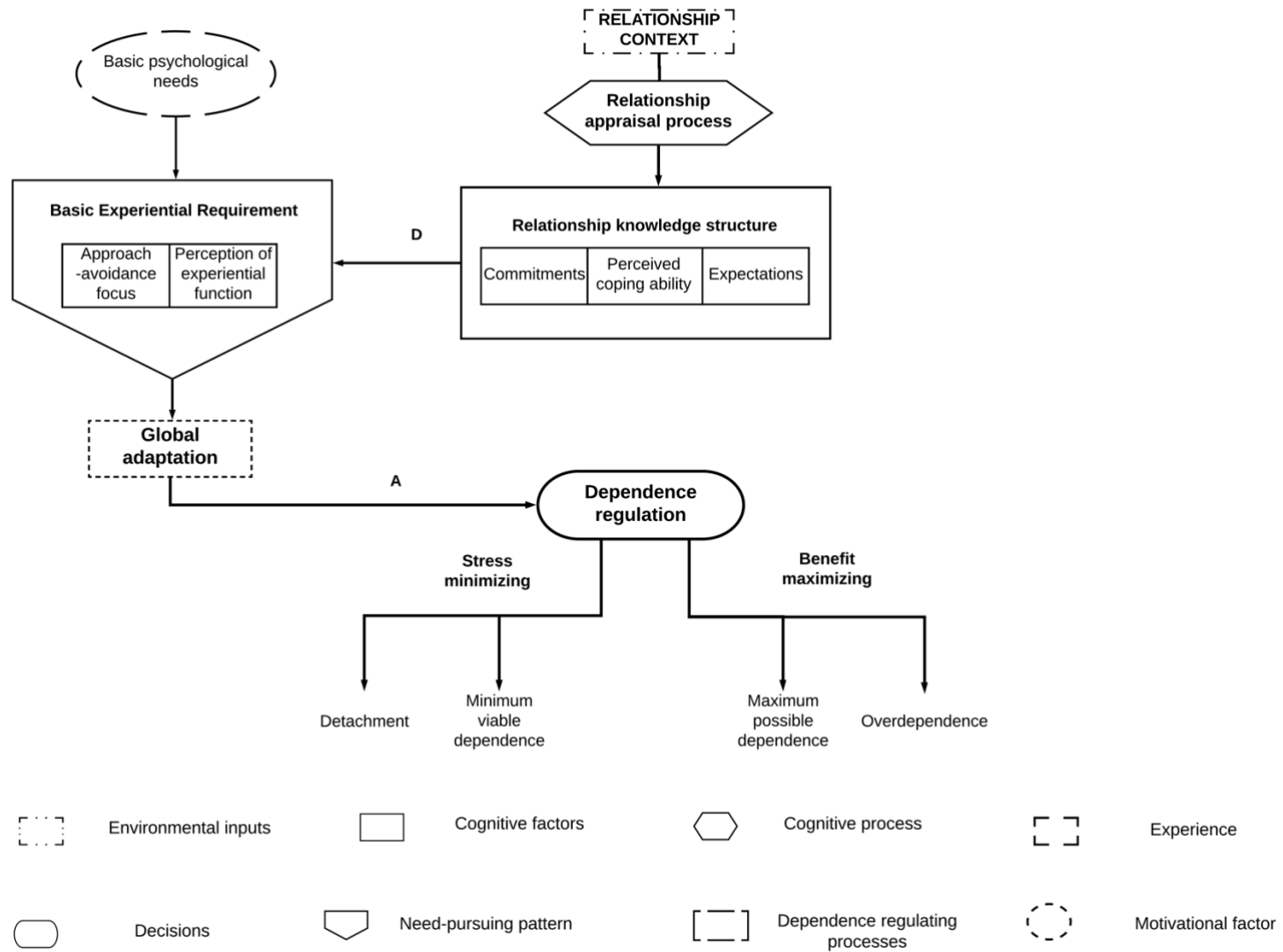


Figure 13. The global adaptation mechanism

As can be seen in Figure 13, the global-adaptation process begins with the knowledge structure entrepreneurs develop about a given relationship. This relationship knowledge is formed through a *relationship appraisal process*, which evaluates and organizes previous interactional experience (direct or indirect) with investors to determine the *quality* of the relational context with regard to its need-supportive or -violative nature. An ideal relationship is one that provides nutriments for all three needs. In reality, however, this is rarely the case. Social relationships often require people to sacrifice certain needs in exchange for the fulfillment of the others. In professional settings, for example, a person may be willing to work with an authoritarian boss to improve his or her knowledge and skills to the detriment of relatedness. In intimate settings, a woman (respectively, a man) may be willing to stay with a controlling spouse to satisfy a sense of relatedness at the expense of her (respectively, his) autonomy. Probably, one of the most important functions of the global adaptation process is to regulate dependence when individuals need a partner for the fulfillment of a given need at the expense the others.

Since individuals cannot change their basic needs (because they are innate requirements), they must adapt their need-pursuing pattern, that is, the way they pursue or protect these needs in each relational context. The Basic Experiential Requirement (i.e., a need-pursuing pattern) plays a key role in this adaptive process. It is a powerful adaptive instrument because it deals both with the inner world by shaping the way people evaluate the relationship, and the outer world by changing their interactional patterns with others. When the relationship fails (or is expected to fail) to meet any of the basic needs, adaptive effects are generated at the psychic level, forming or modifying the two structural components of the Basic Experiential Requirement (i.e., the perception of experiential function and the approach-avoidance focus). First, the perception of experiential function is either weakened or dissociated as a self-protection mechanism to reduce the psychological costs associated with need thwarting. At the same time, the avoidance system is activated to help entrepreneurs steer away from frustrating experiences. In this case, entrepreneurs are inclined to prioritize stress-minimizing goals over benefit-maximizing goals. As a result, an avoidance focus on need frustration predisposes entrepreneurs to minimum viable dependence. This implies that differences in dependence patterns of entrepreneurs at the relationship level can be attributed to differences in their need pursuing patterns (or Basic Experiential Requirement).

It is important to note that the nature of frustrating experiences varies depending on which need is blocked. For example, an autonomy-frustrating experience involves investors forcing or pressuring entrepreneurs to act in a way that the latter do not endorse. A competence-frustrating experience may relate to a sense of inefficiency when one has to spend their valuable and limited resources (e.g., time, energy) in some areas (e.g., formalizing the financial statements, reporting procedures) that may not generate worthwhile returns. Entrepreneurs' concern for avoiding a specific need-thwarting experience, again, dictates the nature of the stressful experience that they seek to minimize in a given situation.

Consider the specific case of Entrepreneur 11, in which the relationship was perceived as supporting his autonomy but not satisfying the need for competence and relatedness. In the first place, the autonomy of the founder was satisfied within the relationship. The following extract suggests that he experienced a sense of freedom in decision making. His investors did not impose any restriction or pressure on him:

“Our investors, they trust us a lot. That’s why they let us make decisions. They don’t want to get too much involved in the company. They just check the milestones and give us advice.

...In my company, the investors did not set milestones. I set the milestones. Then I give them, and they confirm and approve...

...Indeed, my pressure doesn’t come from investors. Rather, it comes mainly from within the company.” (Entrepreneur 11).

However, the relationship was perceived as not sufficiently supportive of his competence. It is clear that the investors' financial contribution played an important role in the survival and growth of the startup. But beyond the money, the founder did not achieve a sense of personal development. According to the founder, his investors lacked experience and expertise in the industry in which his firm operated, which made their advice typically ‘*useless*’. Consequently, the founder was not able to take advantage of the learning opportunities that could have resulted from the interactions with investors:

“They specialize in financial investment and they are not expert in our industry. Their perspective is that of normal users rather than an expert, who has 10 years of experience in e-learning...

...On operating issues, I have exchanged with them several times before, but their advice was useless” (Entrepreneur 11).

As the founder failed to experience a sense of self-expansion within the relationship, adaptive adjustments were generated on the two components of the Basic Experiential Requirement. The first adaptive response involved a weakened perception of experiential function, which was designed to reduce the psychological stress derived from a competence-frustrating experience. A weak perception of experiential function meant that the relationship was not perceived as an important vehicle for satisfying the inborn need for competence acquisition. Simply put, it means that the entrepreneur realized that this was not the right place to seek out the sense of growth and competence expansion (Aron, Aron and Norman, 2004). By diminishing the competence-fulfilling function of the relationship, the founder also lowered the standard on which he based his evaluation of the interactional experience. This is illustrated in the following comment:

“I don’t know about others, but I don’t have high expectations for investors. And I accept that it’s a fair game. That means if they only have money, and nothing else, that’s fine. If they can add something else, that’s great. If they don’t, it’s still good. Here, I expect nothing, and I’m not disappointed” (Entrepreneur 11).

As we have seen earlier, dissatisfaction occurs when the current experience does not meet the evaluative standard of the individuals. Therefore, by lowering this standard, the founder was less likely to suffer from negative feelings such as disappointment or resentment compared to when he had high expectations.

The second adaptive response involved the activation of the avoidance focus, which aims at reducing the likelihood of an inefficient experience to occur. In this case, Entrepreneur 11 perceived that the target investors were unable to help. Thus, the time and effort spent seeking investors’ advice was seen as wasted. In other words, the entrepreneur felt that this experience was inefficient because the resources invested did not generate worthwhile returns. To avoid such inefficient experience, the founder was inclined to rely on himself rather than on investors, as he stated:

“[M]ost of our problems, we solve them ourselves”.

Finally, the founder believed that the relationship did not fulfill his need for relatedness. As shown in the following excerpt, the founder regarded this relationship as being built on purely instrumental motives. In addition to this, he believed that his investors considered him as a social object with identified ‘value’, rather than a person with feelings, needs and interests. According to the founder, his investors were concerned only with profits, and they would always put profits ahead of his interests. Finally, his investors were expected not to ‘save’ him when he needed them the most:

“In my opinion, I don’t believe that friendship can save your company when it’s drowning. For them to give you money, what they care about is your value. Maybe they won’t push you over the edge, but to save you...no. Because, they’re investors, and they invest in you to make money. There’s no way they invest in you because of friendship. It’s very, very difficult. And I don’t depend on that.

...I don’t want and need friendship with investors” (Entrepreneur 11).

The founder’s knowledge of the relationship’s lack of support for relatedness also shaped his relatedness-pursuing pattern in a similar way as it shaped his competence-pursuing pattern. In the first place, the founder did not consider the relationship as having a relatedness-fulfilling function, that is, the perception of experiential function was dissociated. Humans seek to build and maintain close and stable connections with a few others from whom they can turn for (tangible and emotional) support in difficult moments (Baumeister and Leary, 1995). When the founder stated that he did not ‘depend on’ the personal connection with his investors, he was refusing to consider the investors as his friends, and to regard the relationship as a source of secured connection, on which he could rely when needed. In other words, the founder refused to broaden his dependence scope beyond the business boundary to depend *emotionally* on investors (Ryan et al., 2005). In doing so, he also reduced the power of the investors to hurt his feeling in case they were inconsiderate or unresponsive to his search for help. By devaluing the relationship’s importance in terms of its relatedness function, the founder removed the affective elements from the equation, thereby limiting the potential costs to a financial aspect.

The entrepreneur not only sought to reduce the emotional suffering of relatedness frustration, but also the likelihood of having such a negative experience. Individuals protect themselves from the potential pain of relatedness frustration by maintaining a safety distance

with others (Murray et al., 2006). In this study, Entrepreneur 11 deliberately kept the relationship with investors at a superficial level, as illustrated in the following comment:

“If we get a chance to meet in person, we can go out for dinner. But everything is all about work...”

...I always distinguish business partnership and friendship. They are two different things. I almost never make friends with investors. My relationship with investors is limited to the partnership level” (Entrepreneur 11).

In summary, this section presents the theoretical explanation for the psychological processes underlying the dependence regulation of entrepreneurs. Based on both empirical data and relevant theories, we have identified two generative mechanisms that jointly shape the dependence motivation of entrepreneurs in dealing with investors: on-the-spot reaction and global adaptation. The former operates at the situational level to optimize a sense of assurance in the immediate circumstance, depending on perceived vulnerability. The latter generates stable dependence patterns that optimize the overall wellbeing of founders. The global adaptation process reflects the attempts of entrepreneurs to adapt their need-pursuing pattern to each relational context. Depending on their knowledge of the need-supportive (-violative) nature of a relationship, the Basic Experiential Requirement can be formed and modified to shape how founders define the need-fulfilling function of the relationship (i.e., perception of experiential function) and whether they pursue need-satisfaction versus avoid need-violation when interacting with investors (i.e., approach-avoidance focus).

CHAPTER 9

Chapter 9: Conclusion

First, we provide the reader with a summary of our research. Then, we discuss the contributions of our research to existing literature. Next, we present managerial implications of our results for both investors and managers. Finally, we discuss some limitations of this thesis and avenues for future research.

9.1. Summary

Existing research on the entrepreneur-investor dyad generally characterizes entrepreneurs' behaviors along the cooperative-opportunistic dimension and examines factors (i.e., contextual, dyadic, or personal) that foster cooperation and mitigate opportunism. This approach results in a non-empathetic and necessarily fragmented knowledge about the social motivation of startup founders. We argue that from the entrepreneurs' perspective, the relationship with investors represents a typical dependence dilemma, whereby the thoughts and behaviors that help increase the benefits of the cooperation can also put entrepreneurs in a vulnerable position. This thesis has aimed to explore the psychological processes through which entrepreneurs regulate their dependence on investors.

We have drawn on the philosophical and methodological underpinnings of Critical Realism (Bhaskar, 1998, 2013; Danemark et al. 2002) that argues that scientific inquiry should go beneath the surface of what can be observed and recorded to identify the causal mechanisms at work under certain conditions to generate the phenomenon of interest. Based on theoretical insights (e.g., Murray et al., 2006; Lazarus and Folkman, 1984, Baldwin, 1992), we have developed a preliminary analytical framework to set the focus for the empirical inquiry. It suggests that the dependence decision of an entrepreneur is determined by the degree to which the entrepreneur feels vulnerable to stressful experience in a specific situation, which is in many important ways influenced by the knowledge structure the entrepreneur has developed about the relationship.

Qualitative data has been collected from 19 semi-structured interviews with Vietnamese entrepreneurs. First, we have employed flexible deductive thematic analysis (e.g., Fereday and Muir-Cochrane, 2006) to search for demi-regularities, that is, the observable patterns in the

data. We have found four central demi-regularities: *patterns of dependence*, *commitments*, *stressful experience*, and the *perceived coping ability* of entrepreneurs. The first demi-regularity involves two distinct dependence patterns of entrepreneurs that not only differ in quantity but also in quality. They are referred to as *minimum viable dependence*, which focuses on stress minimization, and *maximum possible dependence*, which focuses on benefit maximization. The two patterns differ in the approach founders take to exploit and realize the benefits of the collaboration. Also, they differ in dependence scope, that is, the willingness of founders to extend their dependence on investors beyond the business scope and consider the latter as a source of moral and emotional support. These two dependence patterns reflect both intra-individual and inter-individual differences. In some cases, founders demonstrate a stable dependence-regulating style based on a set of underlying beliefs about investors' ability and about the collaboration process. In other cases, founders demonstrate a minimum viable dependence with some investors while maintaining maximum possible dependence with others.

The second demi-regularity involves three *commitments* of entrepreneurs, that is, specific aspects of the interactions or the relationship that are viewed as meaningful or important for them (Lazarus and Folkman, 1984). We have identified three commitments: *resource-acquisition*, *self-determination* and *personal connection*.

The third demi-regularity pertains to the nature of the *stressful experience* that entrepreneurs face when interacting with investors. We have found that situations perceived as *constraining*, *inefficient* and *hostile* are the main sources of stress.

The fourth demi-regularity involves the *perceived coping ability* of entrepreneurs. This refers to the perceived capacity to handle stressful experience and to make autonomously effective decisions. We have found significant differences in the perceived efficacy of entrepreneurs in dealing with stressors that arise within the relationship. Especially, differences in one's *self-confidence* can give rise to differences in the appraisal of stress and behavioral responses.

The abductive and retroductive processes are at the heart of a Critical Realist research. They are two specific modes of inference specially adapted to connect demi-regularities to the deeper dimensions of reality, and to uncover their hidden mechanisms and events (Bhaskar, 1998; Sayer, 1992). Under abductive reasoning, we have reinterpreted the three commitments of entrepreneurs as reflecting the inborn and universal psychological needs of humans for

autonomy, competence, and relatedness (Ryan and Deci, 2000; 2017). Compared with existing constructs that are employed to examine the topic, psychological needs provide a more comprehensive explanation for the multifaceted nature of entrepreneurs' motivation when interacting with investors. This suggests that explaining adequately how and how much entrepreneurs are willing to depend on investors requires looking at the relationship as a source of nutriment for entrepreneurs' psychological needs. A fulfilling and healthy relationship should be one that provides support for founders' basic needs for autonomy, competence, and relatedness.

Through retroduction, we have identified a psychological entity we call Basic Experiential Requirement. Basic Experiential Requirement reflects intra-individual differences in the need-pursuing patterns of entrepreneurs in different relationships. First, it defines the degree to which a relationship is mentally represented as a source of support (or violation) for a given need. Second, it determines the degree to which founders enter the interactions with investors to approach need satisfaction or avoid need violation. Our conceptualization of Basic Experiential Requirement highlights the adaptive function of the dependence regulation system that allows founders to optimize their overall well-being, depending on their knowledge about the need-based quality of a given relationship.

Based on empirical evidence and existing theories, we have developed a causal explanation model for the psychological process through which founders regulate their dependence on investors. In this model, the dependence regulation of entrepreneurs is jointly shaped by two generative mechanisms – a *global adaptation* process and an *on-the-spot reaction* process. These two processes operate at different levels of generality and fulfill different functions. At the situational level, the on-the-spot reaction process works to optimize immediate experience, that is, to maximize benefits when individuals feel relatively safe and minimize stress when they feel vulnerable. The global adaptation operates at the relationship level and helps to form a stable dependence pattern across various situations. It fundamentally shapes the perceived importance of the relationship and the motivational orientation of entrepreneurs. The main function of this process is to increase the likelihood and benefit of need satisfaction and to reduce the likelihood and damage of need violation.

9.2. Theoretical contributions

This study proposes contributions to existing literature in three areas of research – the entrepreneur-investor dyad, Self-Determination theory and Relationship Cognition research. We discuss in detail these contributions in the sections that follow.

9.2.1. Contributions to the literature on the entrepreneur-investor dyad

Our study contributes to the literature by redefining the function of entrepreneurs in the *collaboration* process with investors. When examining this process, existing research has mainly focused on the inputs provided by investors, considering the *value-adding* function as their ‘*mission*’ – naturally, the intrinsic value of each project resides in the hands of the entrepreneur (MacMillan et al., 1988; Sapienza, 1992; Sapienza et al., 1996; Sweeting, 1991). To date, the importance of entrepreneurs in fostering value in this *collaboration* has been underemphasized. We show that entrepreneurs can create value by exerting time and effort in sharing information with and seeking support from investors. In that sense, the inputs from entrepreneurs and investors are ‘complements’ rather than ‘substitutes’.

This study also contributes to the literature by offering a novel approach to analyze and explain the perceptual, behavioral and motivational system of entrepreneurs. We show that conceptualizing the phenomenon as ‘dependence regulation’ can be a viable and promising research path.

First, it helps to reflect the motivation of entrepreneurs in a way that resonates with their perspective. Traditionally, entrepreneurs’ motivation has been characterized along the cooperative-opportunistic dimension (e.g., Cable and Shane, 1997). But when talking directly with entrepreneurs, we have observed that their decisions-making scheme is not to determine whether to cooperate or not. Rather, it is mainly about the conflict between self-protection concerns versus promoting the potential benefits of the relationship. We suggest that an adequate examination of founders’ motivation must stem from a genuine understanding of what founders really think and experience. Without such an understanding, any attempts to analyze and predict entrepreneurs’ behaviors is likely to be misdirected.

Second, examining entrepreneurs’ dependence regulation allows us to capture the complex and multifaceted nature of the entrepreneur-investor relationship, which involves both work-related

and personal aspects. Specifically, we show that understanding entrepreneurs' dependence on investors requires understanding not only their benefit-exploiting approach, but also their motivation to depend on investors emotionally. In this regard, our conceptualization challenges the conventional cooperative-opportunistic characterization by accounting for the emotional facet of the relationship.

Besides, an examination of dependence regulation emphasizes the distinction between motivation and behavior. Traditionally, research implicitly conflates the motivation to cooperate (respectively, deceive) and cooperative (respectively, opportunistic) behaviors. In our study, the thoughts and behavioral patterns of entrepreneurs are distinguished from the two underlying goals that generate them, namely stress-minimization and benefit-maximization.

Additionally, ours is the first study, to the best of our knowledge, to use Self-Determination Theory's basic psychological needs (Ryan and Deci, 2008, 2017) to explain the motivational system underlying the desires and fears of entrepreneurs when interacting with investors. Compared to the existing concepts that have been used to examine the relationship, psychological needs seem to have unique advantages, both in terms of breadth and depth.

In terms of breadth, this approach elucidates the multifaceted nature of the relationship from the founders' perspective. Diverse streams of research currently divide the entrepreneur-investor literature and provide a fragmented and incomplete picture about the motivation of entrepreneurs. The first body of research mainly highlights the concerns for opportunism and control within the relationship (e.g., Duffner, 2003; Osnabrugge, 2000). The second stream of research emphasizes the importance of trust and a personal relation in fostering cooperation and mutually gratifying relationships (e.g., Sapienza and Korsgaard, 1996; Yitshaki, 2012). When we examine the relationship from the theoretical lens of basic human needs, these seemingly separate streams appear to reflect different angles of a multifaceted phenomenon.

In terms of depth, the basic psychological needs represent the motivational underpinnings that operate at the deep dimensions of reality to shape the perception and behaviors of entrepreneurs. They offer a powerful framework to analyze interactional experience and explain the dependence motivation of entrepreneurs. Gratifying interactions and satisfying relationships are those that provide entrepreneurs with a sense of autonomy, competence and relatedness. In contrast, interactions that frustrate these needs tend to give rise to dissatisfaction and deteriorate the relationships' quality. Our model suggests that the satisfaction (or frustration) of basic needs

influences not only short-term dependence decisions of entrepreneurs but also their dependence patterns that are shaped gradually over time. Thus, the key to understanding the dependence motivation of entrepreneurs is to understand whether they achieve satisfaction of their basic needs within the relationship.

The final contribution of this study to the literature on the investor-entrepreneur dyad lies in our explanation of the psychological processes underlying the dependence regulation of entrepreneurs. Prior studies on the topic mainly examine the contextual, dyadic or static personal factors and thus can hardly provide sufficient explanation, let alone prediction for the parties' behaviors. This is because, at any given moment, individuals' behaviors are assumed to be the joint product of the complex interactions between psychological and environmental factors (Bandura, 1986; Mischel, 1973). This study addresses this issue by identifying the psychological processes that function dynamically to shape entrepreneurs' thoughts and actions under different contexts.

9.2.2. Contributions to Self-Determination Theory

The main contribution of this study to Self-determination theory lies in the introduction of the concept of Basic Experiential Requirement. This concept helps us to resolve an important controversy in the existing literature. According to Self-Determination Theory, psychological needs are inborn and universal requirements. Individuals require the satisfaction of all three needs in every social sphere. Self-Determination theorists argue that one should expect to see people benefit to a similar degree to need satisfaction or suffer to a similar degree from need frustration (Deci and Ryan, 2000). However, many researchers have observed that people do not benefit (or suffer) equally from the satisfaction (or violation) of different needs (Harackiewicz and Sansone 1991; Hofer and Busch, 2011; Sheldon and Gunz, 2009). And they explain this variability as reflecting individual differences in *need strength* (i.e., the preference for certain needs) which can give rise to a different importance attached to the fulfillment or frustration of these needs (Chen et al., 2014).

While we support the assertion of the universal necessity of the basic needs, we also suggest that an individual may not suffer in the same way from need frustration in different relationships. Unlike previous research, we do not attribute such variance to inter-individual differences in need strength. Instead, we provide an alternative explanation, suggesting that

there are intra-individual differences in the need-pursuing pattern of individuals in different relational contexts. With the identification of the Basic Experiential Requirement, we highlight the adaptive capacity that has helped humans to successfully cope with diverse and changing environments (Gibson, 1979). The Basic Experiential Requirement functions so as to increase the likelihood of and benefits from need satisfaction, and to decrease the likelihood of and consequences from need frustration. First, it shapes the way founders regard the relationship as a source of support for their basic needs. Second, it influences their motivational orientation and behavioral tendency, which in turn, change the course of the interaction between parties. Therefore, our conceptualization suggests that the Basic Experiential Requirement generates powerful adaptive responses in both the internal and psychological world and the external world.

The second contribution of this study to Self-Determination Theory lies in our theoretical model. To date, much has been written about the impacts of the basic needs on our well-being. However, how the experience of autonomy, competence, and relatedness (or lack thereof) is linked to perception and behaviors has received little attention. This is because Self-Determination Theory conceptualizes psychological needs primarily as experiential nutriments. Recently, researchers have begun to consider these basic needs as behavioral motives and examine how our behaviors and perception are shaped by the natural tendencies to seek out these experiential nutriments (Sheldon, 2011; Vallerand, 1997). These studies attempt to link the satisfaction (frustration) of needs to individual perception and action (e.g., Connell, 1990; Connell and Wellborn, 1991; Vallerand, 1997, 2000). However, their causal links are quite general, which hinders a thorough understanding of the generative mechanisms of humans' basic needs. Our theory sheds light on the specific mechanisms through which psychological needs function at different levels of generality to govern the thoughts and actions of individuals.

9.2.3. Contributions to Relationship Cognition research

The main contribution of this study to the research on Relationship Cognition is to provide an alternative organizing principle to the formation of a relationship knowledge structure. To date, research on the mental representation of the relationship has mainly focused on the consequences of this knowledge structure, i.e. how it functions to influence individuals' thoughts and actions (Baldwin, 1992; 1997; Baldwin, Carrel and Lopez, 1990). Much less

attention has been paid to the organizing principles, on the basis of which experience is selected to be encoded and stored into long-term memory. Besides, to explain the formation of our mental models, most research on the topic draws on the concept of representativeness. This research suggests that people can discern relational patterns from repeated experience with others, and generalize these common patterns into organized knowledge units (Baldwin, 1992). This perspective simply views humans as passive collectors and organizers of what happens to them. By contrast, we argue that relational cognition involves more than a neutral process of pattern recognition and organization of social data. Many Social Cognition theorists have also criticized this neutral perspective, arguing that social representations are intrinsically evaluative (Augoustinos, Walker and Donaghue, 2014). The evaluative nature of Social Cognition is noted by Moscovici (1984) who suggests that social information is organized in the mental system according to its importance: “Neutrality is forbidden by the very logic of the system where each object and being must ... assume a given place in a clearly graded hierarchy” (p. 30).

In this study, we argue that information about a relationship’s support for the basic needs is closely linked to the mental health of individuals and thus represents one of the most important types of social information. Therefore, the three needs - autonomy, competence and relatedness - should serve as the three pillars, around which interpersonal information is organized. This innovative approach not only addresses (even if it is in a modest way) the aforementioned limitation of Relationship Cognition research, it also represents a step forward in linking motivation and cognition. Prior attempts to integrate motivation into Social Cognition research only consider goals and other motivational constructs as particular components of the relational schema (Baldwin, 1992; Collins and Allard, 2001). By arguing that psychological needs serve as the principle for organizing social information, we propose an alternative principle to the *representative* notion that currently dominates Relationship Cognition research.

9.3. Practical contributions

Our findings could encourage entrepreneurs and investors to consider the nature of their collaboration in a slightly different manner. Particularly, we highlight the importance of entrepreneurs in *unlocking* the value-creation potential of investors. We suggest that it is

beneficial for both parties when entrepreneurs can put aside self-protection concerns to promote a mutually satisfying and close relationship with investors.

9.3.1. For investors

Although business angels and venture capitalists are typically identified as value-adding investors, we argue that investors should think about their job as a value-*creating* business rather than a value-*adding* business. Let us be more specific. Investors do not bring along a bundle of resources and add it to their portfolio companies as such. Indeed, how (and how much) value is created depends on an effective coordination between parties. Investors' resources such as knowledge, network or experience only exist in the form of *potential* value. Whether these resources are transformed into *actual* value for startups depends largely on entrepreneurs' willingness to overcome their vulnerability and enter the relationship with a focus on maximizing benefits. When entrepreneurs are willing to disclose their current difficulties, to enhance investors' understanding about their business, and to seek investors' support, the output derived from the synergy of efforts is greater than the inputs of each party in isolation. In contrast, when they are unwilling to engage with investors, to share their problems with them, and to reach out investors for help, it is unlikely that the valuable resources of investors can be translated into appropriate support for the startup. Investors, therefore, should consider entrepreneurs as joint contributors, rather than the receiving end of this collaboration.

Besides, it is important for investors to be aware that it is their responsibility to make entrepreneurs feel safe from stressful experience. We suggest that this task should be one of their priorities, before any attempt to add value to the venture. It is only to the extent that entrepreneurs feel protected from distress that they can put aside self-protection concerns and focus on maximizing the benefits of the relationship.

To do this, investors need to understand where entrepreneurs' satisfaction and fears take root. As humans, entrepreneurs have three basic psychological needs - autonomy, competence and relatedness. A relationship that makes entrepreneurs feel safe to foster dependence is one that makes them feel autonomous, competent and securely related. Besides, entrepreneurs tend to feel stressed out and prioritize self-protection concerns in a relationship or an interaction that frustrates these experiences. Therefore, we encourage investors to think about each interaction

with entrepreneurs in terms of whether it is supporting or violating these basic needs. This is especially important at the outset of the relationship. This is because a frustrating experience tends to trigger the stress-minimizing goal, which keeps entrepreneurs away from the source of frustration and reduces the likelihood of distress. When the frustration is strong enough, entrepreneurs can give up the intention to enter the relationship or terminate the relationship all together, even at their economic expense. However, *not frustrating* the three basic needs is not enough to foster the dependence motivation. We have found that entrepreneurs who are fully committed to maximizing relationship benefits are the ones who experienced *satisfaction* of all three needs over the long run. Thus, to thrive in this value-creating business, investors must provide support for the founders' need for competence, autonomy, and relatedness.

When it comes to autonomy frustration, the results we have obtained suggest that investors should be cautious when using power or resources to control and create pressure on entrepreneurs. Even when mutual consensus cannot be achieved in making critical decisions, investors still need to make sure that the entrepreneurs' voice is listened to and respected. In the long-term, the sense of autonomy is supported when investors encourage entrepreneurs to discover, express and actualize their own potential. By acknowledging and accepting entrepreneurs for who they are, investors can make founders realize that they are in control of their behaviors and destiny, which facilitates autonomy satisfaction.

Regarding the need for competence, investors should be aware of the difficulties facing some entrepreneurs, especially novice founders, in managing the complex and strict requirements of venture capital investment and monitoring processes. While many founders understand the advantages of venture capital, they still prefer the flexibility of business angels. Very often, founders are intimidated by the requirements of venture capitalists such as standardizing the reporting system or opening a company in a foreign country such as Singapore to protect the venture capitalists' interests. During the negotiation of the deal process, entrepreneurs can be overwhelmed by the arcane terminology of the investment agreements. Our data suggests that these are important sources of competence frustration. It is an important barrier that prevents many founders from seeking venture capital in the first place (not to mention the fact that closing a deal with business angels is much shorter, which is important as time is a vital factor that influences the scaling speed and competitive advantage of startups). Investors can explain to entrepreneurs the key terms of the agreement, so that the latter feel confident when entering the relationship. Equally important is the support for the entrepreneurs' innate desire to expand their knowledge and skills. In this sense, frequent and open communication is essential to foster

investors' understanding of entrepreneurs' current needs. Based on this understanding, investors should make sure that their advice, referrals or support *match* against the specific demands of each founder.

Finally, the entrepreneurs' need for relatedness is frustrated when entrepreneurs perceive that investors consider them as a 'tool' to achieve their profit-seeking objective or when communication is felt hostile. Investors should send clear signals that they respect entrepreneurs as humans with their own feelings, interests and values. Besides, conflict is an important factor that undermines the sense of relatedness of entrepreneurs, especially of Asian entrepreneurs. It is an established fact that in Asia, conflicts about work (i.e., cognitive conflicts) very often translate into hostility (i.e., affective conflicts). Thus, we suggest investors should strive to avoid conflicts whenever they can and favor persuasion. Particularly, affective conflicts should be avoided at all costs. When conflicts are inevitable, investors should make the best efforts to maintain a 'healthy' conflict, that is, a conflict that fosters problem solving and at the same time does not hurt the feelings of the entrepreneurs. Over the course of the relationship, investors should remind entrepreneurs that they are on the entrepreneurs' side and whenever needed, they will be available to help. In doing so, investors can cultivate on entrepreneurs an image of the relationship as a source of security that entrepreneurs can turn to in difficult times.

9.3.2. *For entrepreneurs*

This research can help to draw entrepreneurs' attention to their crucial role as value-creators in the *collaboration* process. Much has been said and written about the importance of selecting the 'right' investors who possess the 'right' resources at the 'right' moment. However, little attention has been paid to how to collaborate to get the most out of this relationship. Our study can give entrepreneurs a clue as to how their thoughts and behaviors can fundamentally transform the collaboration from a passive, unidirectional transfer of resources into a value-fostering process. Investors' resources are only the seeds. It is the entrepreneurs' responsibility to plant these seeds and cultivate them with care and attention so that they can thrive in a favorable environment.

In this collaboration, entrepreneurs do not simply allow investors to provide the 'right' resources. They also play an important role in discovering opportunities for value-creation that help investors to 'actualize their full potential'. Collaboration can generate more value when

entrepreneurs are willing to share information and ask questions even if no answer is guaranteed. In this case, the key is frequent and open communication, which can significantly improve the quality of investors' support. Moreover, effective communication is essential to foster mutual understanding and closeness, which lay the foundation for a personal bond between parties. This personal connection not only motivates investors to help but also increases their personal responsibility toward entrepreneurs.

However, even when entrepreneurs are aware of their role in promoting the benefits of the relationship, they are not always willing to do so. In this study, we have found that the entrepreneurs' motivation to plant and grow the seeds of value may be overshadowed by their concern for self-protection. The first type of concern that entrepreneurs face is the fear of dilution and losing control of their business. We suggest that the best way for entrepreneurs to protect themselves and reduce their anxiety is to conduct thorough due diligence (i.e., 'homework' in their parlance) when looking for the 'right' investors. We encourage entrepreneurs to do their best to understand the specificities of each potential investor they address by gathering as much information as possible from different sources. This can include public information about their operating history, direct discussions with investors to understand their investment philosophy, or better yet, talking with the founders who have worked with these investors in the past to understand their 'style'. While this process requires a great deal of time and effort, it allows entrepreneurs to avoid serious problems in the future and give them the confidence to relinquish part of their control to engage with outside investors.

The second concern that prevents some entrepreneurs from addressing sophisticated investors such as venture capitalists is the fear of the complex requirements related to the investment process. In order to receive funding, entrepreneurs can be required to standardize the reporting system, restructure the entire company, or simply negotiate an investment contract with many arcane clauses. The easiest antidote to this concern is to openly share these difficulties with investors and ask them for help. Some investors have years of experience and they are likely to know how to deal with these issues, or at least know someone who can. If investors are unable or unwilling to help, it makes sense to question their motivation and dependability in the future. In addition, entrepreneurs should improve their knowledge of the vocabulary utilized in the standard venture capital term-sheet, especially, of the critical terms such as full-ratchet, anti-dilution, tag-along rights and so on. Understanding the investment contract will help them to focus on the most important issues so the deal can move forward quickly, instead of getting

bogged down in unimportant clauses at the negotiating table. The integrity of an investor unwilling to clarify these terms and their consequences in the future should be questioned.

Another concern is the reluctance of entrepreneurs to establish a close relationship with investors. On the one hand, we have found that some founders do not believe in the potential role of personal bonding in improving the quality of the relationship. On the other hand, entrepreneurs may not be aware that their motivation to maintain a shallow relationship with investors stems from the fear of being hurt if that friendship breaks down. We challenge this belief by suggesting that the most satisfying and beneficial relationships are those in which entrepreneurs maintain a close and intimate relationship with investors. As discussed before, a meaningful relationship with entrepreneurs can significantly increase investors' motivation and moral obligation to help.

In addition, we have observed that problems within the relationship can arise due to a lack of self-understanding on the part of entrepreneurs. Our theory emphasizes the fact that founders' thoughts and behaviors are largely influenced by a variety of psychological factors (e.g., psychological needs, self-confidence, etc.) that interact with each other. Together, these factors serve as a lens through which entrepreneurs view the world. However, individuals are not accustomed to check their thought processes to determine whether this lens is clean enough to reflect reality with minimal distortion. Quickly, the lens they wear to make sense of reality leads them to think and behave in a way that shapes their interactions with investors which, in turn, shapes reality. The lesson for entrepreneurs, therefore, is to get into the habit of checking their lens when making important decisions to detect potential flaws.

In this study, we emphasize the importance of a psychological factor that entrepreneurs cannot afford to ignore, namely psychological needs. In many cases, entrepreneurs' inadequate understanding of the three needs (i.e., autonomy, competence, and relatedness) is the root cause for a problematic relationship. Founders, without realizing the necessity of all these three needs, may overemphasize some needs at the expense of others. For example, an entrepreneur may be willing to receive funding from an investor who has a great deal of experience, but at the same time, is known to intervene in his portfolio companies and to always consider founders as a pawn in his quest for profit. As a result, the entrepreneur's need for competence is enhanced while the need for autonomy and relatedness is violated. When psychological needs are not met, it leaves individuals with a sense of dissatisfaction, even when their predefined goals are achieved. This feeling of dissatisfaction, in turn, diminishes their motivation to foster closeness

and cultivate the benefits of the relationship. In summary, the well-being of entrepreneurs depends in part on an adequate understanding of their psychological needs, and, more importantly, of what they can do to ensure that these needs are satisfied or protected in the relationship with investors.

9.4. Limitations

While conducting this research, we were aware of the challenges associated with studying psychological phenomena. First, by exploring the cognitive structures and processes that guide entrepreneurs' behaviors, we have ventured into what behaviorists call a 'black box' since these structures and processes are not easily amenable to direct introspection (Bodenhausen and Morales, 2012). As discussed earlier, entrepreneurs' thoughts and behaviors are the outcomes of complex interactions between environmental and personal factors. The sophisticated influence of cognitive processing typically occurs in the absence of our conscious awareness (Lewicki and Hill, 1992). The interview data can shed light on hidden psychological structures and processes which operate under various circumstances to shape thoughts and behaviors. Yet, there is no simple way to disentangle the proportion of the environmental impact from the proportion of the psychological impact in analyzing the introspection and retrospection of individuals' thoughts and behaviors. This is because the observable thoughts and behavioral patterns of entrepreneurs are the manifestation of various mechanisms that operate concurrently in an open system (Bhaskar, 1978). Unfortunately, quantitative methods are not much useful in that respect.

Second, although participating entrepreneurs represent a diversified sample in terms of industries and a variety of experiences in terms of collaboration with investors, this study has been conducted only on Vietnamese entrepreneurs (with two entrepreneurs operating in the U.S.). As discussed earlier in this thesis, the case of Vietnam is well-suited for this study since the newness of the venture capital industry allows us to observe thoughts and behaviors that have not been standardized. Yet, we cannot exclude that the data used can be influenced by the specific characteristics of Vietnam such as its culture (e.g., the fact that in Asia, conflicts about work very often translate into affective conflicts), startup eco-system, and entrepreneurial financing market.

Third, our data has been analyzed and interpreted by the author, and the analysis was then discussed with the supervisor. While this approach has facilitated the process and allowed for consistency, it could be subject to potential biases and a lack of variety of analytical perspectives (i.e., triangulation). With this in mind, future research should leverage a variety of data sources (e.g., interview, archival data, observation, participation) to overcome this perceptual limitation. In addition, multiple methods of analysis could be used and multiple interviewers could be recruited to interpret the same data set to reduce potential biases in data interpretation. This leads us to discuss future directions for research.

9.5. Future directions

Based on the findings discussed above, we propose several avenues for future research. First, an interesting path would be to identify the different ways through which founders discover and unlock investors' value-creating capacity. Research could explore *how* entrepreneurs combine their knowledge with investors' inputs to solve their specific problems. For instance, one interviewee referred to the fact that he learned a lot from the stories his investor had shared with him about the investor's own life experience. These stories helped the founder to solve his problems. Importance could be paid to the role of the entrepreneurs' *patience* and *attentiveness* in processing investors' advice and information.

Second, the characteristics of the dependence patterns of entrepreneurs that we have identified in the demi-regularity section suggest that the perceptual and behavioral system of entrepreneurs is highly complex and our current understanding of the phenomenon is still limited. Therefore, further investigation needs to be made to provide a more complete conceptualization of the *content* of the dependence patterns of entrepreneurs (e.g., benefit-cultivating approach versus benefit-harvesting approach, narrow versus broad dependence scope, perception of investors' supporting capacity as fixed versus malleable) in their relationship with investors.

Third, the stress-minimization/benefit-maximization distinction can provide a useful lens through which the researcher could examine the thoughts and behaviors of entrepreneurs. Instead of measuring entrepreneurs' intention to cooperate versus act opportunistically, researchers could investigate how the perceptual and behavioral patterns are concurrently shaped by the two dependence-regulating goals we have identified.

Fourth, an interesting research path would be to examine whether the dependence patterns of entrepreneurs are adaptive to the relationship context. More specifically, our data shows that some entrepreneurs may invariably focus on minimizing stress and manifest the ‘detachment’ or ‘under-dependence’ pattern we have identified, thus overlooking the opportunities to reap value from the relationship. In contrast, some entrepreneurs fail to hedge against potential threats and become chronically ‘over-dependent’ at their own expense. Future research could be conducted to investigate these maladaptive forms of dependence. For example, an interesting question is “To what extent these dependence patterns are based on direct experience with investors and to what extent are they based on secondhand experience”. Or: “What kinds of beliefs are responsible for these maladaptive dependence patterns?”

Fifth, future research on Self-Determination Theory could further explore the concept of Basic Experiential Requirement that we propose in this study. Researchers could focus on the adaptive function of Basic Experiential Requirement in helping individuals to deal with need-violating relationships. For example, researchers could examine the differences in the degree to which people suffer from competence violation in two different types of relationships. The first one would be assumed to fulfill the need for competence (e.g., a relationship with a business partner). The second one would not be assumed to fulfill the need for competence (e.g., a relationship with a romantic partner). In this way, we could better understand the function of the Basic Experiential Requirement in reducing the psychological costs and likelihood of need frustration.

Finally, according to Critical Realism, our theories and knowledge of causal entities and mechanisms represent scientific attempts to reflect reality. Yet, these theories are fallible and can only be regarded as ‘best truth’ at a given moment and not as ‘ultimate’ knowledge (Danemark et al., 2002, p. 22). Our explanation model represents a first step in the path toward a deeper understanding of the psychological system that shapes how individuals regulate their dependence on others in a work-related relationship. Our model needs to be further examined, tested, and revised to ensure that it has sufficient causal depth to explain the phenomenon (Wynn and Williams, 2012). Thus, future research could corroborate this model with empirical data from other types of professional relationships and from the entrepreneur-investor relationship in other countries with a different culture, startup eco-system or startup-financing market development.

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Appendix 1. Background information on entrepreneurs

Entrepreneur	Industry	Entrepreneurial experience	Experience of working with
1	Food and Beverage	2 years	1 VCs
2	E-commerce	8 years	2 VCs
3	Mobile Services	10 years	6 VCs
4	Discount hunting platform	4 years	1 BA, 2 VCs
5	Educational App.	7 years	1 BA, 3 VCs
6	Bus ticketing platform	5 years	2 VCs
7	AI Technologies	7 years	3 BAs
8	E-commerce	2 years	1 BA, 1 VC
9	Real estate online media	11 years	6 VCs
10	News and Media	3 years	1 BAs
11	E-learning	4 years	2 BAs
12	Mobile Services	4 years	3 VCs
13	Video Messaging App.	6 years	2 VCs
14	Food and Beverage	5 years	2 Bas, 1 VCs
15	Search Engine	10 years	3VCs, 1 BA
16	Fitness	2 years	2 BAs
17	Travel search engine	4 years	3 VCs
18	Business management software	6 years	1 BA
19	Market place App.	4 years	2 VCs

VC: Venture Capitalist

BA: Business Angel

Appendix 2. Example of interview schedule

Part 1. Dependence pattern

- Could you describe a typical communication session with an investor?
 - How often do you seek out help from investors?
 - What are the main forms of communication?
 - Could you please describe the atmosphere of the communication sessions between the two parties?
 - How effective are the communication sessions with investors?
- In what areas will you seek for advice and support from investors? In what areas will you handle things by yourself?
- If you encounter a problem that you think investors can help to solve, what might be the reason that refrains you from seeking help?
- What are your motivations to invest or not in building a close relationship with an investor?
- Imagine this relationship suddenly breaks down, what do you feel about this loss?

Part 2. Critical experience

- Could you please recount an experience that has changed the way you view your investors or the relationship between you and your investors?
- What are your main concerns or fears when addressing an equity investor?
- In exchange for investors' money and support, what do you have to sacrifice?
- What do you think about the current influence of investors in your company?
- Suppose that you have the ability to change things. What would you change about your investors' involvement?

Part 3. Perception about the relationship

- What are the most important things that you look for when addressing an investor?
- What is the main difference between a good investor and a bad investor?
- What is the importance of investors' personality in your decision of whether or not to accept their funds?
- What role does your intuition play in evaluating a potential investor?

- How do you evaluate the personal relationship with your investors, besides the business or working relationship?
- How does a personal relationship influence the working relationship, especially the way you handle conflicts?
- How do you think about the role of trust in this relationship?
- What do you think are the main factors that can deteriorate the relationship between entrepreneurs and investors?
- How do you define the nature of the relationship between investors and entrepreneurs?
- How has your definition of the founder-investor relationship changed over time?
- Suppose that you can give some advice to a young founder who considers raising funds from equity investors. What would you suggest?

Abstract

This thesis examines the relationship between entrepreneurs and business angels or venture capitalists. The corner stone of our analysis is that the thoughts and behaviors that increase the benefits entrepreneurs derive from that relationship also increase their dependence on investors and place them in a vulnerable position. The aim of this Critical Realist study is threefold. First, we examine how the phenomenon of dependence *manifests* itself in the entrepreneurs' thoughts and behaviors. Second, we examine how entrepreneurs *regulate* their dependence on investors. Third, we seek to explain the *psychological mechanisms* underlying the dependence regulation process.

Data from nineteen semi-structured interviews with Vietnamese entrepreneurs are analyzed using flexible deductive analysis, followed by a process of abductive and retroductive reasoning.

The data analysis reveals that entrepreneurs can depend on investors in two qualitatively different ways. A minimum viable dependence implies a narrow and shallow form of dependence, whereas a maximum viable dependence involves a broad and deep form of dependence. These two dependence patterns differ depending on how entrepreneurs approach the collaboration (i.e., harvesting versus cultivating), view the supporting ability of investors (i.e., as fixed versus malleable), consider the collaboration process (i.e., as resource-transferring versus resource-transforming), assume responsibility in the success or failure of the collaboration, evaluate the relationship's value (i.e., instrumental value versus emotional value) and seek to promote or not a personal connection with investors.

Underlying these two dependence patterns is the inner resolution of two conflicting goals: stress-minimization and benefit-maximization. While benefit-maximization drives entrepreneurs toward the rewarding aspects of the relationship, stress-minimization steers them away from the distressing aspects of the collaboration. Minimum viable dependence arises when founders focus on minimizing stress, whereas maximum possible dependence occurs when they give priority to maximizing the potential benefits of the relationship.

Through abduction, we argue that underlying the dependence regulation are the three basic psychological needs for autonomy, competence and relatedness (Deci and Ryan, 1985). We develop a theoretical explanation model, in which the dependence regulation is jointly shaped by two generative mechanisms: on-the-spot reaction and global adaptation. The former seeks to optimize the immediate experience in an interaction episode while the latter generates a stable dependence pattern that optimizes the overall welfare of entrepreneurs.

Through retroduction, we identify a psychological entity we call Basic Experiential Requirement. The Basic Experiential Requirement helps entrepreneurs to increase the probability of and benefits from need satisfaction. It also helps them to reduce the likelihood of and damage from need frustration in dealing with investors.

Overall, this study advances our understanding of the psychological dynamics underlying the success or failure of the collaboration between entrepreneurs and investors. Based on these findings, it offers entrepreneurs and investors practical implications for how to build and maintain a mutually beneficial relationship.

Résumé

Cette thèse étudie la relation entre entrepreneurs et business angels ou capital-risqueurs. La pierre angulaire de notre analyse est que les représentations, sentiments et comportements qui accroissent les avantages que les entrepreneurs tirent de cette relation augmentent également leur dépendance à l'égard des investisseurs et les rendent vulnérables. Le but de cette étude, qui s'inscrit dans la perspective du Réalisme Critique est triple. Premièrement, nous examinons comment le phénomène de dépendance se *manifeste* dans les représentations, sentiments et comportements des entrepreneurs. Deuxièmement, nous étudions comment ces derniers *régulent* cette dépendance. Enfin, nous cherchons à expliquer les *mécanismes psychologiques* qui sous-tendent le processus de régulation de la dépendance.

Les données de dix-neuf entretiens semi-directifs avec des entrepreneurs vietnamiens sont analysées à l'aide d'une analyse déductive flexible, suivie de processus de raisonnement abductif et réductif.

L'analyse des données révèle que la dépendance des entrepreneurs vis - à - vis des investisseurs diffère selon la manière dont les fondateurs abordent la relation (i.e., simplement en récolter les fruits versus planter les graines), considèrent la capacité de soutien des investisseurs (i.e., fixée ex ante versus dépendante du contexte), le processus de collaboration (i.e., transfert de ressources versus transformation de ressources) et assument la responsabilité du succès ou de l'échec de la collaboration. Elle diffère également par l'étendue de la dépendance (i.e., étroite ou non), la manière dont la relation est valorisée (i.e., valeur instrumentale versus valeur émotionnelle) et la motivation à promouvoir ou non un lien personnel avec les investisseurs.

Fondamentalement, ces modèles reflètent deux principes de régulation de la dépendance: la maximisation des avantages et la minimisation du stress. Dans le premier cas, les entrepreneurs se concentrent principalement sur la maximisation des bénéfices potentiels de la relation. Dans le second, ils mettent l'accent sur la réduction du stress pouvant résulter de la proximité avec les investisseurs.

Grâce à l'analyse abductive, nous soutenons que les trois besoins psychologiques fondamentaux d'autonomie, de compétence et de relation sous-tendent la régulation de la dépendance (Deci et Ryan, 1985). Nous développons un modèle d'explication théorique, dans lequel la régulation de la dépendance est façonnée conjointement par deux mécanismes : réaction instantanée et adaptation globale. Le premier cherche à optimiser l'expérience immédiate dans un épisode d'interaction, tandis que le second génère un modèle de dépendance stable qui optimise le bien-être global des entrepreneurs. Grâce à la rétroaction, nous identifions une entité psychologique que nous nommons Exigence Expérientielle de Base. Celle-ci aide les entrepreneurs à augmenter la probabilité de satisfaire les besoins psychologiques fondamentaux et les avantages liés à la satisfaction de ceux-ci ainsi qu'à réduire la probabilité que les besoins fondamentaux soient frustrés et les dommages causés par la frustration.

Au total, cette étude contribue à faire progresser notre compréhension de la dynamique psychologique sous-jacente au succès ou à l'échec de la collaboration entre entrepreneurs et investisseurs. Les résultats obtenus permettent de proposer aux entrepreneurs et investisseurs des recommandations pratiques sur la manière de construire et de maintenir une relation mutuellement bénéfique.