

Making the leap: Negotiating resource acquisition

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ABSTRACT

To suspend uncertainty, we can simply just choose to believe. A leap of faith - or the *suspension* of uncertainty - is the essence of trust, yet it remains a relatively unexplored phenomenon within the entrepreneurship literature. Trust reflects a willingness to bear risks, and as such, it is an underappreciated risk-bearing mechanism. Choosing to trust not only translates into the way entrepreneurs negotiate, but as we will see, also into the negotiated outcome. In the current study, we show that trust relates positively to negotiations, but we find that positional negotiations relate negatively to accomplishments, whereas collaborative negotiations relate positively. We study entrepreneurs who act *as if* those whom they are negotiating with are trustworthy, and we explore the effects of such leaps of faith on not only collaborative, but also positional negotiations, and their interaction effects. Using abductive reasoning, we unpack three related design principles.

“The secret of growth is financing secrets...” – Cooter and Schäfer (2012, p. 124).

“Whenever we try something new, we need positive expectations despite vulnerability and uncertainty. And this is exactly what characterizes trust: to interact with others *as if* everything will be fine, without denying inherent danger.”

Möllering (2017, p. 207)

1. Introduction

Combining capital with novel ideas in entrepreneurial settings requires tackling what Cooter and Schäfer (2011, p. 106) call ‘the double trust dilemma of development’: investors need to trust entrepreneurs with their wealth, and entrepreneurs need to trust investors with their ideas. Indeed, prior research indicates that many investments fail to materialize because investors are reluctant to invest in new ventures unless the entrepreneurs disclose their ideas, and many entrepreneurs are reluctant to do so due to the threat of imitation (Dushnitsky & Shaver, 2009; Gans & Stern, 2003; Laursen & Salter, 2014)—a problem also referred to as Arrow’s paradox of disclosure (Arrow, 1962). Additionally, beyond the risk of imitation (Biais & Perotti, 2008), entrepreneurs also expose themselves to other vulnerabilities when they enter into relationships with resource providers such as venture capitalists (VCs). For example, while tangible financial contributions may be

specified upfront, many of the VC’s more intangible contributions—such as social and human capital—only manifest themselves after the investment has been made, often leaving entrepreneurs significantly disappointed (Berg-Utby et al., 2007). Finally, past studies have revealed that VCs often try to force entrepreneurs to vacate the CEO position post-investment (Wasserman, 2003, 2008; Erikson & Berg-Utby, 2009). Involuntary CEO succession events can be psychologically devastating for entrepreneurs who often form strong psychological attachments to their ventures (Lahti et al., 2019). Nevertheless, if they want to bring their new venture ideas to fruition, entrepreneurs typically have to negotiate cooperative relationships with external resource providers such as VCs despite vulnerability and uncertainty (Leunbach et al., 2020). How do they accomplish this?

Most of the existing research tackles this question by framing it as a persuasion problem (e.g., Chen et al., 2009; Sanchez-Ruiz et al., 2021; Van Werven et al., 2015). Consequently, researchers have looked into how entrepreneurs rely on various mechanisms of social influence—such as negotiation skills and behaviors (Artinger et al., 2015; Mason & Harrison, 1996, 2002), credible signals about the venture’s intrinsic quality (Befara & Kleiner, 2023), and symbolic actions conveying professionalism and personal credibility (Zott & Huy, 2007)—to convince VCs to invest in their ventures. While this work has enriched our understanding of the challenges that entrepreneurs face in securing investments from potential stakeholders and how they can overcome these challenges, existing approaches fall short of fully

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explaining how entrepreneurs navigate negotiation situations characterized by genuine uncertainty where entrepreneurs and investors embark upon “paths that are fundamentally unknowable” (Pidduck, Townsend & Busenitz, 2024, p. 3). For example, whereas signaling theory offers practical guidance for resolving information asymmetries between entrepreneurs and investors about the intrinsic quality of business ventures, it offers no pragmatic solutions for dealing with situations where the deeper knowledge problem is one of “symmetric ignorance” (Skidelsky, 2009, p. 45) about “what has yet to be created or [what is] yet to evolve” (Bronk 2011, p. 9) rather than asymmetric information (see also, Bronk & Jacoby, 2016; Leunbach et al., 2020).

While existing theories fall short of offering pragmatic solutions, the paradigm of design has emerged in recent entrepreneurship research as a promising alternative (Berglund et al., 2018), and entrepreneurship scholars are called upon to unpack the various idiosyncratic interfaces of co-creation (Berglund et al., 2020; Glaser & Lounsbury, 2021; Sarasvathy, 2021a,b). Such interfaces in negotiations entail the interactions between at least two distinct counterparts, each bringing their own set of values to the table, for creative exploration of possible common grounds. The crux of the issue lies in resolving disparities, and choosing negotiation tactics, contingent upon their actions as well as the cognitive and behavioral responses of the counterpart. Through a design lens, we recognize the intentional and adaptive nature of entrepreneurial actions in shaping the dynamics of interactions and influencing the negotiation outcome (Krippendorff, 1989). As such, we conceptualize negotiation as a design issue that occurs when entrepreneurs convert a given situation into a desired one (Simon, 1969). When unpacking these processes, we aim to advance our understanding of the intersection between negotiations, entrepreneurship, and design.

When viewing backwards to contextualize our study within the extant literature, Mason and Harrison (1996) were among the first ones to address the importance of negotiations, as they found that the venturing parties experienced difficulties negotiating contracts, and Mason and Harrison (2002) found that many investments failed due to a lack of negotiation skills. Along similar lines, but more directly, Artinger et al. (2015) show that entrepreneurs close fewer deals due to their negotiation behaviours. However, little has been written about negotiations within entrepreneurship until Sarasvathy and Botha (2022) wrote about negotiations in a recent special issue on entrepreneurship in the Negotiation Journal, and Erikson (2023) followed suit in this journal with another conceptual article writing about the importance of negotiating collaboratively under combinations of known, unknown and unknowable uncertainty.

In the current study, we abductively theorize the relationship between a leap of faith, and how it transforms into negotiations and not least its behavioral accomplishments. Through an iterative *explorative abduction* process, we find that McEvily et al. (2003) perceive trust as a viable organizing principle, and they identified three different ways of conceiving trust; as a willingness to be vulnerable, as a behavioural expectation, and as a risk-taking act. Welter (2012) makes the case that we need to critically address the importance of trust in various contexts of entrepreneurship, and explore its various roles. It is in this context that we find Möllering’s (2006) leap of faith useful, as it serves to suspend the perception of uncertainty by bracketing missing pieces which is often the case in such situations, and a leap of faith can be made given a will to believe is present. Given such a will, the parties are likely to enter into the negotiation phase, and they will there agree on some issues, and disagree on others.

In other words, we empirically investigate the very exchange processes, the transaction process where the parties negotiate new ownership arrangements in fast-growing new firms. Specifically, we investigate how entrepreneurs negotiate the acquisition of resources to fuel their growth aspirations. Such resources are not only venture capital, but also access to viable competence and, not least, to the industrial networks of these resource providers. By doing so, we lend empirical credibility to Pidduck et al.’s (2024, emphasis in original) recent claim

about the practical value of “non-probabilistic modes of entrepreneurial cognition”—such as intuitive insight and religious faith—for contending with the inherent uncertainty of the entrepreneurial process.

The remaining paper unfolds as follows. First, we conceptually interpret and contextualize leap of faith and explain the vital role of suspension, followed by an iteration between data and the emerging conceptual model where we abductively develop and qualify its potential relationships to negotiations, and their behavioral outcomes. We start with abduction and move into induction via inductive abduction. Taken together, and with other labels, we not only move from explorative abduction to exploitative abduction, but also ground the phenomenon under investigation, employing viable inductive methods, unpacking it as if it were a kinder-egg.

2. The unexplained phenomenon

Here, we exploratively posit that entrepreneurs who act *as if* the venture capitalist with whom they are negotiating is trustworthy—by being forthright and frequently sharing information with the VC—are able to achieve better negotiation outcomes for themselves than entrepreneurs who are more reluctant to be vulnerable and share information with the VC. The idea that *Vaihinger’s* (1965) philosophy of *as if* is useful for better understanding economic decision-making under uncertainty is of course not entirely new (see e.g., Beckert, 2013, 2016; Hjorth & Johannisson, 2008). For example, Gartner et al. (1992) suggested that entrepreneurs often “talk and act ‘as if’ equivocal events were non-equivocal” (p. 17). However, there have been no systematic attempts to apply *Vaihinger’s* (1965) philosophy to advance our understanding of entrepreneurship in general, and negotiations, specifically. Fig. 1 illustrates the Pareto-optimal frontier, and the potential benefits of negotiations given that they are practiced wisely.

The point of departure in this study is that the entrepreneurs have done the “homework” and have been invited to the negotiation table. For the entrepreneur, or the entrepreneurial team, the agreement is within reach, but the parties have to settle the overall agreement. X_1 reflects here the resource provider in a very positional situation, with the option of negotiating more collaboratively towards X_3 , or choosing to stay positional. Likewise, X_2 reflects the entrepreneur in a positional good situation who has the option to be more positional, or to negotiate more collaboratively. What to do next? This is the question given that there are no apparent solutions, but it is a realistic exchange situation, and we investigate what role trust plays in the negotiations over new ownership arrangements under not only known, but also unknown and

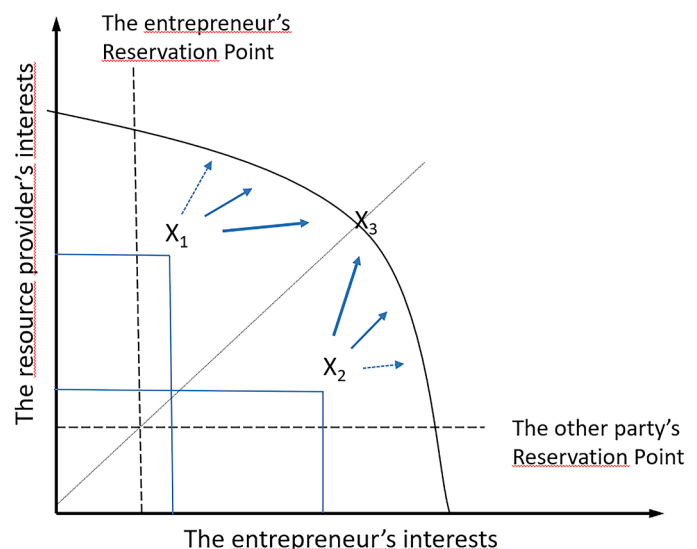


Fig. 1. Illustration of improvements that can be made in most negotiations.

unknowable uncertainty conditions. The underlying *as if* phenomenon which is the mechanism that serves to suspend the unknown and the unknowable is not shown here, which we regard to be a trusting relationship.

This study employs abduction and induction as a research methodology. In fact, the study moves from abduction to induction via inductive abduction, or what Bamberger (2018) labeled *exploitative abduction*, compared to *explorative abduction* where the former goes deeper. With abduction, we seek to capture an unexplained phenomenon, and the unexplained phenomenon in this study is Möllering’s leap of faith concept in interaction with negotiations. The central underlying element of this concept is that it serves to suspend uncertainty.

Guiding our inquiry, we employed abductive reasoning involving four steps, starting with *observing* and *confirming* the presence of anomalies, before *developing* and *evaluating* hunches, a process that is *abductive* in nature (Sætre & Van de Ven, 2021a). In developing hunches, we were guided by an explorative literature review, blended with deep insights from quantitative field data, and experience. We abductively qualified the relationships between trust and negotiations, and their behavioural outcomes. Again, Möllering (2006) *observed* and *confirmed* the leap of faith concept, and he not only qualified the concept *up close*, but also from *a far*. What remains for us is to employ the concept in a behaviourally challenging uncertainty context and assert the validity of the behavioural relationships before delineating any useful yet testable principles.

Whereas a deductive qualifying approach moves from general principles to specific instances, it is vice versa with an inductive approach. As argued by Sætre and Van de Ven (2021a, p. 685), deductive reasoning makes use of *logical validity* as a criterion, and inductive makes use of *empirical truth* as a criterion, whereas abductive approaches move from the unexplained toward plausible explanations and employs *plausibility* as an assessment criterion. Table 1 shows the movement from the conceiving of the phenomenon through inductive abduction to induction. In reality, we then move from the phenomenon to the data, trying to also capture its empirical truth. We then shift from plausibility as the assessment criterion to empirical truth as the main criterion.

3. Exploiting viable relationships abductively

3.1. Abductively exploiting the relationship between trust and entrepreneurial accomplishments

A leap of faith is fundamentally a *suspension* of uncertainty and captures the essence of trust (Möllering, 2006). In contrast, McEvily et al. (2003) conceived of trust in three other ways, trust can be regarded as a willingness to be vulnerable, as a behavioural expectation, and as a risk-taking act. However, Möllering (2006) holds that the leap of faith serves to suspend the perception of uncertainty, and by bracketing missing pieces, a leap of faith can be made provided that a will to believe exists. Within the context of entrepreneurship, we may understand uncertainty in terms of cross-sectional (Akerlofian) uncertainty, or as

longitudinal (Knightian) uncertainty, basically what Alvarez and Porac (2020) label fundamental uncertainty. In entrepreneurship, we are in many ways referring to various layers of these unknowns, and that is challenging to deal with conceptually and behaviourally, but if the entrepreneur can suspend some of these uncertainties by bracketing them, and choose to act *as if*, it is typically one useful step towards entrepreneurial achievements and accomplishments. Henceforth, we make our first hunch on the relationship between trust and its achievements:

Hunch 1: Trust will relate positively to entrepreneurial achievements and accomplishments.

3.2. Abductively exploiting the mediating mechanisms and their accomplishments

In the former section, we reasoned the case that leap of faith relates positively to accomplishments, but we did not discuss the behavioral mechanisms that produced them. In an entrepreneurial setting, leap of faith is expected to relate positively to resource-acquisition negotiations. That is, the willingness to trust, means that professional individuals will approach any negotiation situation positively, so we argue that trust, or leap of faith, will relate positively to both collaborative negotiations (Hunch 2a), as well as to positional negotiations (Hunch 3a).

With trust, the two parties will negotiate, but what type of negotiation depends on the other party. As briefly mentioned in the introduction, Mason and Harrison (1996) found that the parties discovered difficulties negotiating the contract, whereas Mason and Harrison (2002) discovered that many investments failed due to a lack of negotiation skills. However, collaborative negotiations are expected to be beneficial for both parties, due to the likelihood of resource complementarities (Hunch 2b), whereas in positional negotiations, the outcome is likely to be less attractive for the resource seeker. That is, we depart then from the belief that others could be motivated primarily by self-gain Stavrova and Ehlebracht, (2015) - a conjecture from cynical lay theory - and therefore would be overly concerned with their rights, which would result in a positional attitude, and would limit information sharing (Saravathy & Botha, 2022), so the overall negotiation outcome is then likely to be less attractive for the resource seeker (Hunch3b).

Accordingly, we offer the following two hunches regarding the mediating mechanisms:

Hunch 2: Collaborative negotiations will partly **positively mediate** the relationship between trust and the negotiated outcome, so the higher the trust, the more significant the negotiations (Hunch 2a), the higher their accomplishments (Hunch 2b).

Hunch 3: Positional negotiations will partly **negatively mediate** the relationship between trust and the negotiated outcome, so the higher the trust, the more significant the negotiations (Hunch 3a), the lesser their accomplishments (Hunch 3b).

Table 1
Showing the movement from abduction to induction via inductive abduction.

	<i>Abduction</i>	<i>Inductive abduction</i>	<i>Induction</i>
Strength of knowledge claim	We started with the idea that a viable antecedent of resource acquisition must be that choosing to believe matters. The strength of the claim is so far weak	The idea gains traction, and we find tentative support for our claims since trust indeed covaries with negotiations, thus providing evidence of medium strength	Erikson and Berg-Utby (2009) demonstrated divergent and convergent validity of the negotiation constructs, and we find strong support for our claims with 57 cases
Reasoning	Considering employing the philosophy of ‘as if’ by Hans Vaihinger (1965).	Moving towards ‘Leap of faith’ as a viable ‘as if’ concept initially unpacked by Möllering (2006), where we link it to negotiation behavior (Erikson & Berg-Utby, 2009)	We conjecture behavior in the form of negotiations will mediate between trust and a good agreement
How data is used	The phenomenon is largely <i>unobserved</i> and serves as a speculation that needs to be qualified (Sætre & Van de Ven, 2021a, p. 687–688)	The data plots help us to evaluate meaningful relationships through the generation of hunches, and we conjecture that how one negotiates could make or break a <i>good agreement</i> .	With 57 cases, we are able to <i>establish</i> and <i>confirm</i> what is <i>operative</i> with variance-based methods (Sætre & Van de Ven, 2021b, p.11)

3.3. Abductively exploiting interactional effects with trust on the two types of negotiations

In collaborative negotiations, such as when the negotiations are integrative and interest-based (Erikson, 2023), a leap of faith may serve to increase the outcome of the bargain, creating an improved 'win-win' solution. Collaborative negotiations typically also have an element of empathy embedded, so trusting in a collaborative context may be beneficial, and turn out well (Hunch 4a). Recall that the situation is what Alvarez and Porac (2020) label *fundamental uncertainty*, or the move into the various unknowns according to Phan and Wood's (2020) concepts of uncertainty. In contrast, with positional negotiations, a leap of faith is usually good, but too much trust may actually backfire, and affect the outcome negatively, as is likely the case when contentious negotiations interact with trust (Hunch 4b). Hence, we offer two more hunches:

Hunch 4a: Trust will **positively interact** with collaborative negotiations, so the stronger the trust, and the more collaborative the negotiations, the better accomplishments.

Hunch 4b: Trust will **negatively interact** with positional negotiations, so the stronger the trust, and the more positional the negotiations, the lesser their accomplishments.

Fig. 2 graphically illustrates the conjectured relationships.

Möllering (2006) observed the anomaly of a leap of faith and confirmed its presence under conditions of uncertainty, but we here iteratively generate theoretically informed hunches about its relationships to various types of negotiations that we inductively evaluate. We describe how next. For the record, an anomaly is a novel, but poorly understood phenomenon, and in the current context, we conceive of it as an underlying mechanism in challenging negotiations.

4. Data curation and measurements

In the current study, we draw on a survey conducted among of 240 venture capital-backed companies in Norway. These companies are from different technological disciplines with a potential for high growth, given access to scaling resources such as capital and scaling competence, as well as networks. That is, the negotiations regard the overall conditions for accessing these scaling resources. The data was collected in March 2004 through an eight-page survey that was distributed by mail to the CEOs of all portfolio companies of the members of the Norwegian Venture Capital Association at the time of the data collection. As such, our dataset contains 25 % of the population, but due to some missing data on certain variables, we have only 57 valid cases. However, a sample size between 50 and 54 facilitates sufficient statistical power for mediation analysis, assuming a power of 0.80 (Schoemann et al., 2017). We targeted CEOs of the companies as they possess knowledge of history, strategy, and processes within the firm (Zahra & Covin, 1995). Such rich data is hard to acquire and would be difficult to collect today for many different reasons. For instance, busy leaders do not respond to such surveys in the same manner as they did, and the more recent GDPR survey protocol makes it more difficult to reach through with surveys.

Based on an *explorative* abduction process, not unlike Dorst's *Abduction-2 process* (2011, p.524), we first identified viable concepts that seemed to be plausible. It was followed by an *exploitative* abduction process, not unlike Dorst's *Abduction-1 process* (Ibid. p. 523), and we iteratively generated hunches to explain the mechanism between trust and their behavioral outcomes, in the context of fast-growing new firms. To further qualify our hunches, we did not just look at each case, but inspected the frequencies and thus the correlates before we ran several checks employing the PROCESS scripts developed by Andrew Hayes (2013). We utilized Hayes' mediation protocols, facilitating the Sobel test (a test statistic for mediation), before entering the most parsimonious analytical model, Model 74, which reflects a special case of *moderated mediation* analysis where the moderator is also the independent variable. Employing bootstrapped confidence intervals, we also avoided the typical problems caused by non-normal sampling

distributions of an indirect effect (Cole, Walter & Bruch, 2008). The analytical approach is then rather deep and asserts not only the *direct*, and *indirect* effects of the conjectured relationships, but also *conditional indirect* effects. As such, the abduction process has moved from explorative abduction to induction via exploitative abduction what Sætre and Van de Ven, (2021a) labeled as inductive abduction.

4.1. Measurements

The *dependent variable*, the **negotiated outcome**, was measured and coded in the following way: How do you perceive the outcome of the negotiations between the management team and the investor? The response option went from 'Completely in the favor of the investor' (1) to 'Completely in the favor of the venturing management team' (5) - on a five-point scale.

The *independent variable*, the proxy for our *as if* beliefs is **trust**. Specifically, trust reflects the willingness to accept vulnerability (i.e., capable of being wounded, or to take risk). For the sake of our study, it could be any measure of trust, as long as it reflects a willingness to be vulnerable. In the current study, we draw on trust items developed by Heide and John (1992), and Zhang et al. (2003), and the three items that we employ are: The business relationship to the VC is characterized by a high level of trust; The parties expect to be able to make adjustments in the ongoing relationship to cope with changing circumstances; The exchange of information occurs frequently and informally, not only on the basis of prior agreements. A 7-point Likert scale was used, with '1' representing very low agreement with the statement and '7' representing very strong agreement. The scores of these items were aggregated and averaged.

The *first mediating mechanism*, **collaborative negotiations**, was measured using the same items validated in Erikson and Berg-Utby (2009)). The items included in collaborative negotiations were as follows: 'The negotiations were characterized by the parties having a considerable degree of understanding of each other's interests', 'The venture capitalist's demands were largely reasonable', 'The outcome of the negotiations was largely characterized by consensus', and 'Creating mutual confidence between the parties is very important for being able to enter into an agreement'. These were measured using a 7-point Likert scale, going from 'Completely disagree' to 'Fully agree' (7).

The *second mediating mechanism*, **positional negotiations**, was measured using the three items validated in Erikson and Berg-Utby (2009)), and employed in Erikson and Knockaert's (2021) study of the formation of incomplete contracts. The items included in positional negotiations were the following: We used a lot of time working out details in the contract; the venture capital firm was very concerned about securing its own interests; the negotiation focused on rights to a large extent. These were measured using a 7-point Likert scale, ranging from 'Completely disagree' (1) to 'Fully agree'. The two latter constructs exhibit satisfactory convergent and divergent validity, as also demonstrated in Erikson and Berg-Utby (2009)). The three antecedent variables load on three separate factors, providing satisfactory evidence for convergent and discriminant validity. The items can then be interpreted at their face value, and given satisfactory statistical conclusion validity, we have evidence for appropriate internal validity.

As *control variables*, we controlled for the number of venture team members (Team size), as the human resources available in the management team could contribute to sharpen the outcome. The underlying assumption is that more management resources, the better the negotiation results.

5. Empirical results

Table 2 presents the descriptive statistics for the variables used. The table shows that collaborative negotiations correlate positively to the negotiated outcome, whereas positional negotiations correlate negatively. We can also see that trust is positively correlated to both

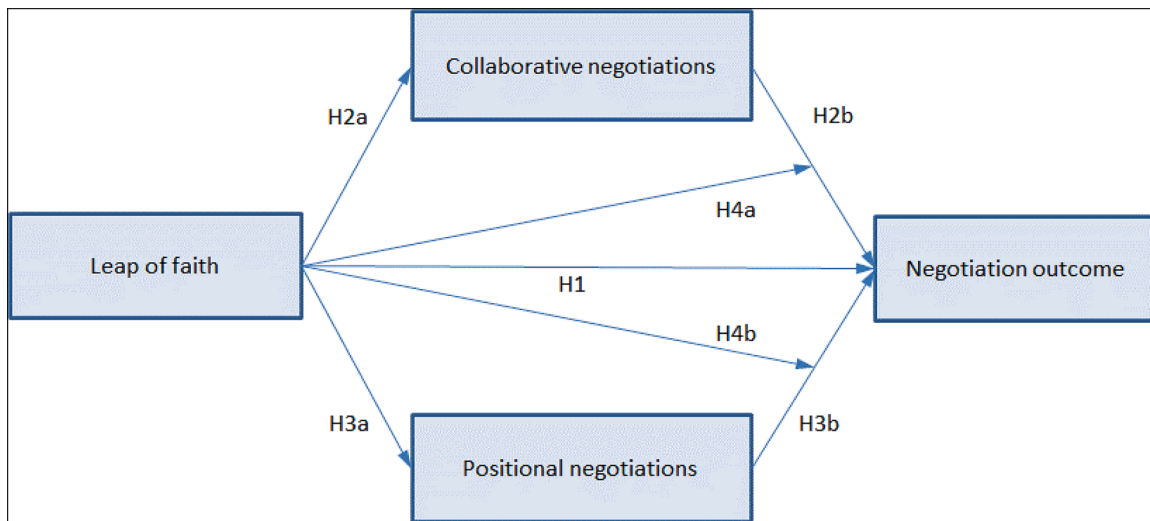


Fig. 2. The conjectured relationships between leap of faith and a good agreement.

Table 2
Descriptive statistics and correlations.

Variables in the model:	Mean	SD	1.	2.	3.	4.
1. Negotiated outcome	2.51	.63				
2. Trusting relationship	5.01	1.19	.229 ⁺	(0.887)		
3. Collaborative negotiations	4.39	.68	.464**	.436**	(0.789)	
4. Positional negotiations	4.69	1.31	−0.296*	.365**	.194	(0.672)
5. Team size	4.05	1.65	.334*	.034	.005	−0.025

Significance levels: ⁺p<.1, *p<.05, **p<.01. N = 57. (Inter-item reliability alphas in parentheses).

collaborative and positional negotiations. The number of new venture management team members is somewhat correlated to attainments and accomplishments, in this case, the negotiated outcome.

Table 3 presents the main outcome of the six regressions needed for this study.¹ The first column shows the initial control model before any of the focus variables are introduced. Model 1 shows that the relationship between trust and a good agreement is statistically not significant.

That is, we find support for the conjecture that collaborative negotiations will *positively* mediate the relationship between trust and the negotiated outcome, so the more trusting the entrepreneur, the better the negotiation outcome. In contrast, we also find support for the conjecture that positional negotiations will *negatively* mediate the

¹ Specifically, Table 2 presents the overall statistics related to the main outcome of the six regressions needed to conduct this study. The first column shows the initial control model before any of the focus variables are introduced. Model 1 shows that the relationship between trust and a good agreement is statistically not significant (B= .132; p<.10), although the relationship is significant at the .1 level. However, Models 2 and 3 provide support for both the first legs of the two *mediation* mechanisms. That is, we find support for both Hunch 2a (B= .483; p<.001), and Hunch 3a (B= .319; p<.05). Model 4 addresses the second leg in the mediation analysis, and we find support for Hunch 2b (B= .324; p<.001), and Hunch 3b (B= −.193; p<.01). The corresponding Sobel tests – the mediation statistic - are both statistically significant (Sobel z being −2.167 (p<.05) for the positional relationships, and 2.490 (p<.05) for the collaborative relationships), indicating strong support for both mediation mechanisms. The inter-item reliabilities, Cronbach alphas, shown in Table 1, were also within acceptable limits.

relationship between trust and the negotiated outcome. The corresponding Sobel tests – the mediation test statistic - are both statistically significant, indicating strong support for both mediation mechanisms. Since the bootstrapped 95 % confidence intervals do not contain any zeros, we conclude that we have empirical support for two mediation mechanisms and may therefore delineate at least two design principles.

However, Model 2, Model 3 and Model 4 provide support for both *mediation* mechanisms. As for the *moderation* analysis, Model 5 shows that neither of the moderation hunches were supported, so we do not have any inductive support. The variance inflation factors were initially very high, indicating a possible multicollinearity issue. We, therefore, centered the variables prior to the moderation analysis, and that dealt effectively with the multicollinearity issue, but the conjectured relationships are not present, which suggests that there are no interactional effects, only direct and indirect effects. Next, we turn to the interpretations of the various effects before we delineate three design principles.

6. Discussion

6.1. Study implications with suggestions for design principles

Our inquiry shows that *as if* beliefs affect the negotiation process and its outcome indirectly through the way entrepreneurs negotiate. We find that collaborative negotiation is a behavioural mechanism that mediates the relationship positively, whereas positional negotiation is a mechanism that mediates these relationships negatively. As such, *as if* beliefs do not have a direct relationship to accomplishments, but indirectly, through the way negotiations are conducted. Implications are that *as if* beliefs are vital to collaborative negotiations. In contrast, *as if* beliefs and positional negotiations do not deliver value, it may be that collaborative negotiations interacting with positional negotiations would do so, although our post hoc explorations aside do not support such a notion. Möllering (2006) holds that the leap of faith serves to suspend the perception of uncertainty, and we made the claim that such a leap cannot be made without trust involved. As such, the role of trust and negotiations also needs to be investigated more thoroughly. In the current study, we have shown that trust may serve to bracket some of the inherent uncertainties enabling the parties to behave *as if* (Möllering, 2006, p. 123), but only collaborative negotiation is the behavioural mechanism that delivers some favourable results. These insights lead us to a set of related design principles for entrepreneurs in fast-growing new firms.

The first design principle holds that by suspending uncertainty, and

Table 3
Regression results with unstandardized coefficients (standard errors in parentheses).

	Control model Negotiated Outcome	Model 1 Negotiated Outcome	Model 2 Collaborative negotiations	Model 3 Positional negotiations	Model 4 Negotiated Outcome	Model 5 Negotiated Outcome
(Constant)	1.985*** (0.208)	2.018*** (0.209)	.038 (0.319)	.159 (0.343)	2.038*** (0.179)	2.073*** (0.181)
Team size	0.130** (0.048)	.121* (0.048)	-0.008 (0.073)	-0.036 (0.078)	.116** (0.039)	.114** (0.040)
Trust		Hunch 1: .132+ (0.078)	Hunch 2a: .483*** (0.119)	Hunch 3a: .319* (0.128)	.048 (0.078)	.020 (0.089)
Positional negotiations				Hunch 2b:	-0.193** (0.069)	-0.196** (0.070)
Collaborative negotiations				Hunch 3b:	.324*** (0.112)	.325*** (0.085)
Trust x positional negotiations					Hunch 4a:	-0.048 (0.079)
Trust x collaborative negotiations					Hunch 4b:	-0.015 (0.071)
F-value	2.594**	4.976**	8.211***	3.126*	11.341***	7.433***
R ²	.114	.156	.233	.104	.466	.471
Adjusted R ²	.099	.128	.205	.071	.425	.408

Significance level: + $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$; $n = 57$.

by bracketing the unknown, entrepreneurs may choose to approach negotiations positively. In light of Simon (1969), negotiations are a matter of design and reflect one way for entrepreneurs to achieve desired outcomes. Hence, we delineate the following design principle for entrepreneurs:

Design principle 1: Make the leap and create trust in negotiations.

The second design principle underscores that the mechanism is collaboration - the mutual interaction between two or more parties. These interactions and moves are illustrated in Fig. 3, where the bolder arrows reflect collaborative negotiations, and the stippled arrows the effects of positional negotiations. In other words, X_1 reflects the resource provider in a rather positional situation, with the option of negotiating more collaboratively towards X_3 , or being more positional. Likewise, X_2 reflects the entrepreneur in a positional good situation who has the option to negotiate more positional, or to negotiate more collaboratively. Overall, both parties will make a final evaluation of the settled agreement and compare it to their best alternative to this particular negotiation. Entrepreneurs who received better agreements elsewhere

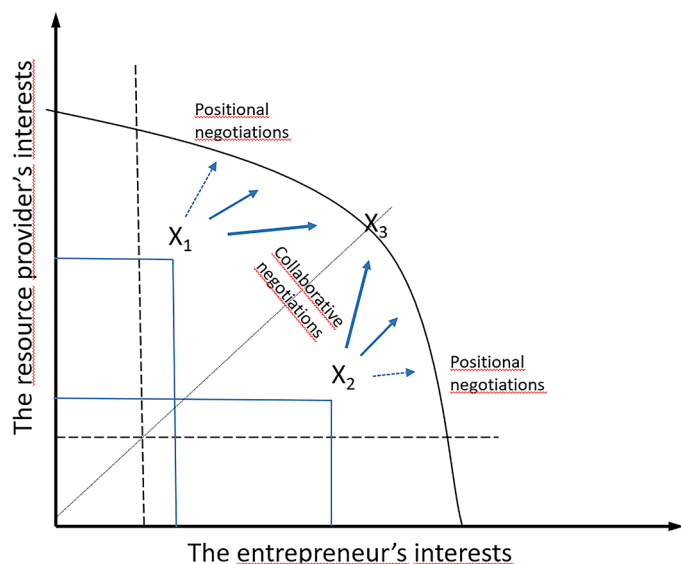


Fig. 3. The effects of the various negotiation strategies graphically illustrated.

will choose to do so. Likewise, with the resource providers, those who get better agreements elsewhere will choose so.

From a pragmatic perspective, this principle considers the negotiation mechanism with an emphasis on making integrative agreements where entrepreneurs 'trade issues' of similar value, in a creative manner to reach settlements that are near the Pareto optimal frontier of agreement (Thompson, 2009, 2015) which means that "no other feasible agreement exists that would improve the one party's outcome, while simultaneously not hurting the other party's outcome" (2009, p. 77). Henceforth, we delineate the following design principle for entrepreneurs:

Design principle 2: Choose collaborative negotiations to facilitate value creation and capture.

The third design principle highlights the need to balance value capture with value creation, as positional negotiations tend to facilitate a "win-lose" situation through its underlying value-claiming approach. In other words, value-claiming regards the distribution of value, and positional negotiation is also known as distributive negotiation. In distributive negotiation, the parties typically haggle over an issue instead of trading them. That is, instead of haggling over the net worth of a bucket of apples, it can instead be traded with a bucket of pears. Instead of haggling over an issue, the challenge is to identify another issue that can be traded away with that difficult issue. That is, *logrolling* all the identified issues in this way may balance the agreement, and turn the negotiations into an integrative one. Perspective-taking (McMullen, 2010) is the tool that unleashes this potential, and the challenge is actually to find and identify another issue that can be exchanged or traded so that the final agreement becomes an integrative one. In order to balance an integrative agreement, overall fairness is useful to consider (Busenitz et al., 1997), and procedural, interactional, and distributive fairness matters where the fairness principles for the latter are equality, equity, and the needs-based rules. Accordingly, we delineate the following principles for entrepreneurs:

Design principle 3: Avoid too much positional negotiation to ensure value creation.

These principles interact and have deep meaning as what is important is that not only the viability of the firm is taken care of, but also the best interests of the resource provider, and the entrepreneurial team. These principles offer valuable and actionable guidance. They encourage entrepreneurs to creatively confront uncertainty, build trust, and seek a good balance between collaborative and positional

negotiations while acquiring resources to fuel the firm's growth. Too much positional negotiations will only be on the cost of the other party, or the firm. Henceforth, the optimal feasibility space (inspired by Dimov's (2016) archetypal design problem), is where *the three circles* overlap with each other, as illustrated in Fig. 4.

Here, the optimal feasibility area, or the opportunity space, is where the three circles overlap, as compared to Figs. 1 and 3, where the opportunity space, or feasibility area, is above the parties' reservation points, but beneath the Pareto-optimal frontier line.

6.2. Study limitations and future research

All studies have weaknesses. Although our study is based on a small sample, the sample size has the power to show the presence of the conjectured mediation relationships, given their existence. Moreover, we robustness-checked the results by bootstrapping the outcome with 10,000 re-samples, and the findings are robust across these, facilitating statistical conclusion validity.

Given satisfactory internal validity, these results may be the basis for deductive testing. What remains is to deductively flesh out the conjectured relationships, and empirically test them. Despite these limitations, our study is unique in untangling the relationship between *as if* beliefs and negotiations, and their likely outcomes. It is also unique in showing that collaborative negotiations positively mediate between trust and accomplishments and that positional negotiation does so negatively. Instead of assuming that negotiations take place, as is often the case in economic theory, we directly measured the negotiation conduct, and we captured the very ownership transfer under conditions of fundamental uncertainty, essentially addressing the call for new insights that make leaders deal with not only the unknown but also the unknowable (Alvarez & Porac, 2020). Few studies within entrepreneurship have done so before and given the discretions often surrounding such real-life negotiations, the current study has its weaknesses in being a first mover in delineating an entrepreneurial theory of contracting where negotiations play a central role. As such, the current work also second the call from Foss and Klein (2016) to conduct more field studies, and to take the theorizing away from the drawing board and instead relate to the real world. That is, Foss and Klein (2016) made a call for an entrepreneurial theory of contracting, and we argue that negotiations should be an integrated part of such a theory. In the current study, we departed from realistic exchange situations, and we investigated what role trust plays in the negotiations of new ownership arrangements under conditions of fundamental uncertainty. In principle, our study contributes to an evolving theory of entrepreneurial negotiations.

In summary, we have shown that *as if* in the form of trust relates positively to negotiations, and we showed that collaborative negotiations were more beneficial to negotiation outcomes for the venturing team, whereas positional negotiations were not. Implications for entrepreneurs are to negotiate collaboratively and make integrative bargaining solutions whenever possible. Instead of turning positional, negotiating parties should try to create win-win solutions, instead of win-lose solutions that positional negotiations facilitate. The challenge in such negotiations is to turn positional battles into collaborative ones, and a thorough understanding of integrative negotiations may be a way forward. Since integrative agreements rely on trust, it must be carefully nurtured.

In contrast to Sarasvathy and Botha (2022) who *wrote about* negotiations in entrepreneurship, we have here *researched the processes* of negotiations in challenging entrepreneurial practice, and given the constraints, we delineated three useful design principles. As such, these principles will not always lead to accomplishments, but they will increase the likelihood of doing so. Future studies may seek to disentangle other constructs of entrepreneurial negotiations.

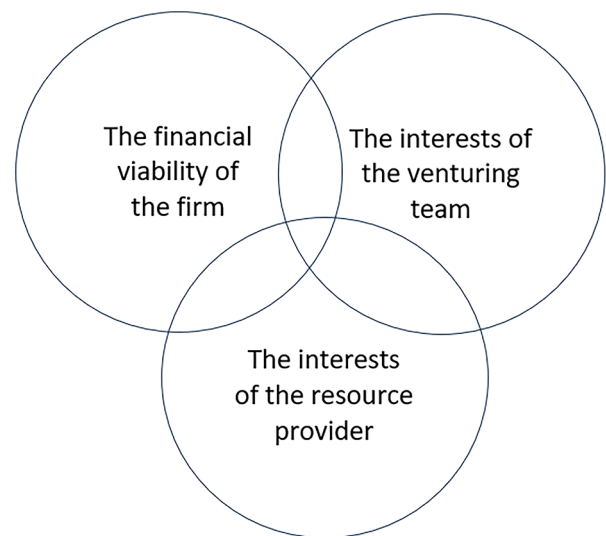


Fig. 4. The core and peripheral interests of the various parties involved.

CRediT authorship contribution statement

Truls Erikson: Conceptualization, Data curation, Formal analysis, Writing – original draft. **Daniel Leunbach:** Conceptualization, Formal analysis, Methodology, Writing – original draft, Writing – review & editing. **Yangyang Zhao:** Conceptualization, Investigation, Methodology, Project administration, Writing – review & editing.

Declaration of competing interest

None

Data availability

Data will be made available on request.

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