

# ENTREPRENEUR NEGOTIATION SCHEMA

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ENTREPRENEUR NEGOTIATION SCHEMA

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The path to earning my Ph.D. was challenging, stressful, enlightening, exciting, frustrating, and fun and taught me many things. The most significant of those is how important the love and support of family is. I dedicate my Ph.D. and this dissertation to my loved ones.

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# ENTREPRENEUR NEGOTIATION SCHEMA

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## ABSTRACT

The purpose of this dissertation is to discover how entrepreneurs think about negotiation. Examining cognition has helped answer several important questions in the entrepreneurship field. Some of that research on entrepreneur cognition has increased our understanding of many entrepreneurship phenomena. However, much research to date focuses on the opportunity recognition and decision to exploit phases of entrepreneurship, and pays little attention to later stages of the entrepreneurial process. I aim here to fill that gap in the literature and examine the cognitions entrepreneurs have regarding negotiation-relevant activities.

Using in-depth interviews with entrepreneurs, I uncovered the structure of entrepreneurs' schema about the activities in which they engage that entail negotiation. Six key dimensions of those knowledge structures were identified, along with underlying cognitive subcategories. Differences in the structure (or complexity) of those schema and weightings of schema dimensions on negotiation were analyzed and found. As for the differences, Entrepreneurs tend to possess slightly more complex schema in regard to negotiation than non-entrepreneurs. They also differ on how central a particular schema category was to their thinking, putting more emphasis on building relationships, outcomes for others, and risk taking. Additionally, entrepreneurs put less weight on extracting personal value from negotiations.



Findings from this dissertation contribute to research in the area of entrepreneur cognition, by building a theoretical perspective of how entrepreneurs think in social interactions beyond just the founding of a firm. This approach also provides a framework on which future research is discussed.

# CHAPTER 1

## INTRODUCTION

Entrepreneurial ventures and small start-up companies have a significant impact on the local and global economies. By some records, small businesses account for over 50 percent of the U.S. private workforce and about half of the overall GDP (U.S. Small Business Administration [SBA]). The success of entrepreneurs, however, is less than certain – failure rates for start-ups hover around 80 to 90 percent (Timmons, 1990) – and is highly dependent on their correct execution of core activities, such as exploiting new ideas, raising capital, hiring and training new employees. This being the case, it is highly appropriate to study entrepreneurs so as to better understand their thought processes, and their behavior as they engage in these activities.

With these goals in mind, I chart the following course in this dissertation. In chapter 2, I first review the entrepreneurship literature, focusing on the activities in which entrepreneurs engage. In this inspection, attention is given to the entrepreneurs' activities that are relevant to negotiation (e.g. acquiring capital). Next, I draw upon the negotiation literature summarizing research findings that focus on negotiation behavior.

Subsequently, I link the entrepreneurship and negotiation areas of study by noting that many entrepreneurial activities entail negotiation behavior (e.g. capital acquisition, lease contracts, delivery dates, etc.). Therefore, I use this analysis to suggest that one way to better understand entrepreneurial activities and hopefully improve them is to discern the entrepreneurs' conceptualization and thinking about the negotiation-relevant activities. For example, it is worthwhile to discover which factors entrepreneurs believe are most relevant in a rental negotiation.

In chapter 3, I lay out a theoretical basis for the cognitive structures hypothesized to be held by entrepreneurs regarding negotiation. Having drawn this deduction, I propose to map the schema of entrepreneurs for negotiation-relevant activities. Predictions are also made about how the schema and the structure of that schema may be different for entrepreneurs than other people. Differences in entrepreneurial experience are also used to predict how experience will influence those characteristics of their negotiation schema. The effect of entrepreneurial failure on the entrepreneurs' negotiation schema is also predicted.

Chapter 4 discusses the qualitative approach used in study 1 to find the cognitive patterns entrepreneurs have in regard to activities involving negotiation. This approach entails open-ended interviews with a small sample of entrepreneurs to help identify the schema they hold toward negotiation. The content analytic approach used for detecting schema is reported, along with the results from study 1.

In chapter 5, I describe the process (study 2) of developing an instrument that allows for empirically measuring the entrepreneurs' negotiation schema on a larger scale. The process of translating statements entrepreneurs made in interviews to be represented on the questionnaire is described. This study utilizes an expert panel to help generate and clarify questions.

Chapter 6 reports the quantitative approach used in study 2. In this study, the analytic methods and results are discussed providing details for the structure of the negotiation schema entrepreneurs hold, including the verification of the main themes and the subcategories that comprise them. Hypothesized comparisons of the negotiation

schema are then reported for distinctions between entrepreneurs and non-entrepreneurs as well as for entrepreneur experience and past failure.

In chapter 7 I provide a summary of results obtained from each of the three studies along with the implications of those results. Limitations of the study and some directions for future research are discussed here, followed by concluding remarks.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **ENTREPRENEURSHIP**

Shane and Venkataraman (2000, p. 218) defines entrepreneurship as “the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited.” This definition is adopted here because it highlights the importance of the entrepreneur activities, and the focus of this dissertation is on the cognitive structures entrepreneurs possess about several of these activities. Having adopted this description of entrepreneurship, I now review the literature on entrepreneurship by discussing a couple of common perspectives from which entrepreneurship is studied, highlighting several strengths and weaknesses of each and the discoveries made using them. Next, I point out certain entrepreneur activities that have been found to influence performance of entrepreneurial ventures.

#### **What is Entrepreneurship?**

Scholars commonly use two perspectives on entrepreneurship or factors that contribute to new venture performance. One of these focuses on the central role the external environment plays on entrepreneurial processes and outcomes. This perspective, which is commonly utilized in strategy and organizational theory, focuses on factors outside the direct influence of the entrepreneur. Trends in the general environment, industry characteristics, and continual changes occurring in the external environment have been examined closely for their influence on venture founding and performance (Lumpkin & Dess, 2001). For example, an industry’s density and carrying capacity is likely to influence whether perceptions of opportunities exist, whether an organization

decides to pursue an opportunity, as well as the future performance of the firm (Aldrich, 1990). Other external factors, such as technological changes (Thornhill, 2006), sociocultural characteristics (Lerner & Haber, 2001), geographical settings (Stuart & Sorenson, 2003), economic conditions (Bamford, Dean, & McDougall, 2000), political circumstances (Li, Meng, Wang, & Zhou, 2008), etc. have been shown to influence entrepreneurial processes and outcomes.

The second perspective commonly used in entrepreneurship research is to examine the role of the entrepreneur as well as how characteristics and behaviors of entrepreneurs relate to firm founding and entrepreneurial success (Herron & Robinson, 1993). Research in this area looks at different factors such as demographics (Chuanming & Junhua, 2008), personality (Morrison, 1997), cognition (Mitchell, Busenitz, Lant, McDougall, Morse, & Smith, 2002), competence (Chandler & Hanks, 1994), and other dispositional determinants that influence who seeks entrepreneurial undertakings and what characteristics are most likely to lead to firm performance.

A common method for this latter approach categorizes entrepreneurs from non-entrepreneurs and uses this dichotomous independent variable to make predictions about entrepreneurial processes and outcomes. For example, scholars have examined the extent to which entrepreneurs perceive risk differently than managers (Busenitz & Barney, 1997), suggesting that entrepreneurs are those individuals with a proclivity to take greater risks than individuals who remain in managerial roles within organizations. In addition to perceptions of risk, scholars using this perspective have looked at other characteristics such as motivation (Collins, Hanges, & Locke, 2004), decision-making (McCarthy, Schoorman, & Cooper, 1993), heuristics (Busenitz & Barney, 1997), goals (Kuratko,

Hornsby, & Naffziger, 1997), self-efficacy (Boyd & Vozikis, 1994), self-construal (Gray, 1992), experience (Reuber & Fischer, 1994), etc., and the effect of these characteristics on the entrepreneurial process. Another method for examining individual determinants attempts to discover variance in entrepreneurs and show why some are better than others (Shepherd, 2003).

Each of these perspectives has provided scholars with numerous findings of the factors impacting upon entrepreneurial ventures and small businesses. However, most researchers agree that a combination of external and internal factors influence venture performance. Thus, scholars have provided a number of theoretical frameworks for studying entrepreneur activities that integrate external factors with characteristics of the entrepreneur to provide a more holistic understanding of firm founding and performance (e.g. Cooper, 1993; Herron & Robinson, 1993). While this review does not ignore the importance of environmental factors, it focuses mainly on internal factors that lead to firm success. Accordingly, in the following review, I focus on specific entrepreneur activities that contribute to entrepreneurship.

### **Entrepreneur Activities**

Baron (2004) suggests three basic questions are central to increasing our knowledge about entrepreneurship: Why certain individuals and not others become entrepreneurs? Why are some individuals but not others able to recognize opportunities for entrepreneurial endeavors? And, why are some entrepreneurs more successful than others? To answer these questions, scholars have identified a number of activities that help us better understand the role of the entrepreneur:

- Opportunity Recognition
- Opportunity Exploitation
- Innovation
- Risk Taking
- Resource Acquisition
- Network Development
- Adaptation to Environmental Changes
- Team Assembly
- Conflict Management and Cohesiveness Building
- Effective Communication
- Employee Retention
- Franchise Maintenance

Consider first the recognition of opportunities.

### ***Opportunity Recognition***

Before an entrepreneurial venture can be pursued, an opportunity to create something uniquely valuable must be discovered (Shane, 2000). The idea that individuals differ in their ability to recognize entrepreneur opportunities dates back to Schumpeter's (1936) definition of entrepreneurship which identified the significant impact of the individual on the circumstances of the firm. Scholars have examined a variety of characteristics that help understand why some but not other individuals are able to recognize potential opportunities. Among these characteristics are: personality (McClelland, 1965), bias and heuristics in decision making (Busenitz & Barney, 1997),



perception of risk (Sarasvathy, Simon, & Lave, 1998), prior knowledge (Shane, 2000), and entrepreneur cognition and knowledge structures (Alvarez & Busenitz, 2001).

### ***Opportunity Exploitation***

Once an opportunity has been recognized, an individual must determine whether or not to exploit the opportunity (Shane & Stuart, 2002). Once again, research has identified a number of individual determinants that affect how entrepreneurs decide to exploit opportunities. The ability to successfully exploit opportunities has been found to be affected by entrepreneur cognition (Smith, Mitchell, & Mitchell, 2009), perception of opportunity cost (Amit, Muller, & Cockburn, 1995), ability to use resources in unique creative ways (Baker & Nelson, 2005), knowledge of customer demands (Choi & Shepherd, 2004), perception of development of enabling technologies (Choi & Shepherd, 2004), and the possession of more tacit knowledge (Alvarez & Barney, 2004).

### ***Innovation***

One way to exploit an opportunity is to create a new product or service. Entrepreneurs can create products or services that are not currently available or develop a new way to produce those goods that is more effective than the current way (Johannessen, Olsen, & Lumpkin, 2001). Many consider the ability to innovate or implement creative ideas to be essential for entrepreneurs (Gifford, 1993). Though innovation is not necessarily required of entrepreneurs, it is an activity that many entrepreneurs master and one that has the potential to lead to entrepreneurial decisions.

### ***Risk Taking***

An early assumption, studied by a number of scholars was that entrepreneurs have a disposition to exhibit risk-taking behaviors. Pursuing entrepreneurial activity is

inherently risky, leading some researchers to assume that entrepreneurs have higher propensity for taking risks. However, data suggest that entrepreneurs and non-entrepreneurs have a similar propensity to engage in risky activity (Palich & Bagby, 1992). Instead of having a higher proclivity to take risks, results show that differences in perception of risk influence entrepreneurs' tendency to pursue risky ventures (Sarasvathy, Simon, & Lave, 1998). Entrepreneurs' risk perceptions may result from information asymmetry, whereby certain individuals have better understanding of opportunities and thus appear to take on more risk by attempting to exploit an opportunity that may be perceived as more risky by an individual who lacks knowledge about it (Shane & Venkataraman, 2000).

Perception of risk is also determined by the context (i.e. whether viewed as downside-loss or upside-gain). Tversky and Kahneman (1981) showed that individuals take more risk when decisions are framed as having potential for loss, rather than an opportunity for gain. Extending this conceptualization of risk taking, Janney and Dess (2006) argued that entrepreneurs, as compared to non-entrepreneurs, perceive more utility in pursuing potential positive outcomes above the potential of giving up more certain outcomes by staying with a current employer. Entrepreneur risk taking is another area to integrate how entrepreneurs behave within a negotiation setting. The risks individuals take while negotiating influences the outcomes of that interaction. Thus, understanding how an entrepreneurs' perception of risk influences their negotiation behaviors would contribute to both the literature and practice.

## ***Resource Acquisition***

An abundance of entrepreneurship research shows that acquiring resources is one of the key activities for an organization to go from a beginning idea, through start-up, and onto a growing firm (Greene & Brown, 1997). Aldrich and Martinez (2001) emphasize three main sets of resources that new ventures must acquire: *Human, financial, and social capital*.

*Human Capital.* Human capital is the capability and knowledge an individual possesses and uses to contribute to a firm's performance. Entrepreneurs rely on their education, experiences, attitudes as well as values, and sometimes personal biases to make decisions about the strategic action of their firms (Busenitz & Barney, 1997). The socialization processes of a society also impact human capital and influence fundamental guidelines for establishing strategic actions (Aldrich & Martinez, 2001). Besides being socialized, many small business owners also try to reproduce the practices of other organizations in a population suggesting that some forms of human capital and knowledge are easily available. However, as I describe later, entrepreneurs differ in how they apply their knowledge and thus on how successfully they are at using it.

*Financial Capital.* The next set of resources that Aldrich and Martinez (2001) suggest firms must acquire is financial capital. Most entrepreneurial ventures start small and remain small for the duration of the organization's life. This is sometimes due to the entrepreneurs' goals and intentions. However, firms often remain small because they are unable to acquire capital. In addition to being vital for small business owners, capital acquisition is examined in a great deal of entrepreneurship research. Scholars have found that because of the size and newness of entrepreneurial ventures, being able to acquire

capital is not only important, but is also challenging. The common inability of entrepreneurial ventures to secure outside funding, results in liquidity and cash flow problems for the firm (Gaskill, Van Auken, & Manning, 1993). Being unable to acquire capital also leads entrepreneurs to rely heavily on debt, challenging their ability to pay these obligations and still have cash flow for operations (Osteryoung, Constand, & Nast, 1992).

The inability to acquire external capital often occurs because small business owners lack familiarity with different forms of outside funding. When entrepreneurs have a better understanding of the diverse avenues for generating capital, their ability to raise external financing improves (Van Auken, 2001). Studies also show that an entrepreneurs' experience increases understanding of capital sources and increases their ability to negotiate and price external equity and debt. In fact, acquisition of financing is one of the only places in the entrepreneurship literature where negotiation is mentioned. However, while the importance of negotiation is discussed as something that can help entrepreneurs acquire capital, there are no studies that examine how entrepreneurs negotiate or how negotiation can help them be successful. The abundance of literature on capital acquisition reveals its significance in the entrepreneurship field and thus provides support for why examining how negotiation helps acquire capital is important.

*Social Capital.* The final resource which must be acquired is social capital, and here it is critically important for entrepreneurs to establish social relationships (Aldrich, 1999). Research suggests that social capital is crucial because it allows entrepreneurs to obtain resources they may not otherwise obtain (Aldrich & Martinez, 2001). Social relationships help by developing networks of contacts (Lin, 1999), which Aldrich and

Martinez (2001) suggest is not necessarily developed with a purpose. Lin (1999) also stresses that the benefits of social capital depend on the strength of those interpersonal relationships. A growing area of entrepreneurship research emphasizes entrepreneurial networks and focuses on the influence of personal networks and the benefits of social capital. Low and MacMillan (1988) offer theoretical advice for the benefits of building networks and the potential value it has for entrepreneurs. Since that article, a multitude of researchers have demonstrated empirically those benefits and the characteristics of entrepreneurial networks.

### ***Network Development***

While a sizable amount of research focuses on resource acquisition, other studies have identified additional benefits of social networks (Hoang & Antoncic, 2003). For example, it has been found that entrepreneurial networks can give a new firm access to distribution channels, suppliers, marketing streams, a talented workforce (Brown & Butler, 1995; Freeman, 1999) and provide individual entrepreneurs with knowledge, emotional support, new ideas, advice, and information (Birley, 1995; Bruderl & Preisendorfer, 1998; Johannisson, Alexanderson, Nowicki, & Senneseth, 1994). Access to and the benefit of these networks and their resources depends on various characteristics of the entrepreneurs' social network.

As mentioned, networks are presumed to be important to entrepreneurs partially because of the quantity of resources, both tangible and intangible, those individuals in a network possess. Research shows that being a member of social networks or having ties – particularly strong, direct ones – within a social context potentially increases an entrepreneur's ability to acquire needed resources (Burt, 1992).

### *Adaptation to Environmental Change*

Entrepreneurial ventures often encounter quickly changing environments in which they are forced to make decisions quickly. The ability to respond quickly to new problems influences how well a firm performs in an unstable environment. Hmieleski and Corbett (2007) refer to this characteristic as improvisational behavior, and they examined how this capability related to new venture performance. They found that improvisational behavior used by entrepreneurs with high self-efficacy led to increased firm performance. However, improvisational behavior on the part of entrepreneurs with low self-efficacy actually hurt the performance of the venture.

Responding quickly to change and uncertainty is also influenced by biases and heuristics entrepreneurs use when making decisions. Using non-rational decision making theory, Busenitz and Barney (1997) showed that entrepreneurs are more likely than managers in large corporation to rely on biases and heuristics to make decisions. They argue that because new venture environments are complex and filled with uncertainty, entrepreneurs rely more heavily on them to help make decisions effectively. Since entrepreneurs often start businesses with co-founders, adapting to change can be also be a collective effort.

Clarysse and Moray (2004) used a qualitative approach to look at how founding teams and the members of the top management team (TMT) learn from certain crises. Results indicate it takes the founding team some time to realize their respective roles and to work efficiently together. This process involves becoming aware of and accepting one's strengths and weaknesses, as well as the strengths and weaknesses of other team members. Clarysse and Moray (2004) also found that it is when these things occur that

venture capitalists are more likely to inject more capital into the firm. These findings are based on the idea that venture capitalists understand the importance of an efficient team, and thus place a considerable amount of weight in having a high quality entrepreneurial team.

### ***Team Assembly***

To be successful, entrepreneurs must also be able to assemble a functionally diverse team of managers and employees. A common way entrepreneurs accomplish this is by establishing new firms with multiple owners. It is recognized that multiple founders bring unique skills and capabilities to the venture, and have been found to be more successful than ventures with a sole founder (Chandler & Hanks, 1998; Roberts, 1991). Another way entrepreneurs get functional diversity is by building a top management team with broad experience. Top management teams are assumed to differ in their ability to exploit opportunities and enhance the firm by contributing unique resources, skills, and experience. These differences have been found to be influenced by the demographic characteristics of management. For example, a more heterogeneous management team is positively associated with venture capital acquisition (Beckman & Burton, 2008), new venture growth (Eisenhardt & Schoonhoven, 1990), and achieving important milestones, such as initial public offering completion (Beckman, Burton, & O'Reilly, 2007).

### ***Conflict Management and Cohesiveness Building***

A heterogeneous top management team with a diverse set of characteristics may not always provide benefits for the venture. While different perspectives from various entrepreneurial team members have the potential to benefit the firm, it also provides an opportunity for conflict. Other small firm characteristics such as limited resources and

interdependence leave a management team in a position where there will be conflict. Thus, entrepreneurs must be able to successfully manage conflict within the firm.

Conflict and a venture's performance have been found to be affected by TMT member cohesiveness. A TMT that is more cohesive is more likely to experience cognitive conflict and less likely to experience affective conflict which is found to limit the ability of management to communicate and make quality decisions (Ensley, Pearson, & Amason, 2002). They also found that all else being equal, top management team cohesiveness increases new firm performance. Creating a cohesive team requires that the entrepreneur successfully socialize members into the organization. New ventures able to achieve high social integration were found to have top management teams with increased satisfaction and morale, better cohesiveness and teamwork, and that experienced increased group efficiency (Katz & Kahn, 1978; O'Reilly, Caldwell, & Barnett, 1989; Seashore, 1977). While these findings imply that managing conflict is important for managing a diverse venture, they also prove to be another fitting area to integrate negotiation research with entrepreneurship. Successful negotiation among entrepreneurial team members would likely increase their ability to communicate and create an environment suitable for cognitive or functional conflict.

### ***Effective Communication***

Another dynamic of entrepreneurial teams that has implications for the firms' performance is the founders' ability to communicate effectively with each other. Studying different dimensions of communication, Ancona and Caldwell (1992) found that better communication, both in terms of quality and frequency, results in a superior functioning team. A related process that also affects a venture's performance has to do



with the clarity of a top management teams' goals and the role of each member. When there is a common understanding and sharing of goals and values within entrepreneurial teams the group functions more effectively (Matthes, 1992). Conversely, when there is a lack of common understanding and sharing of values, conflict within the entrepreneurial team is likely to result (Matthes, 1992).

### ***Employee Retention***

It is also important for entrepreneurs to successfully retain valuable employees and keep management teams intact by avoiding dismissals of important managers. Retaining valuable employees is important because replacing them is very costly, and it can send a bad signal to investors (Fiet, Busenitz, Moesel, & Barney, 1997). Fiet et al. found that venture capitalists value functionally diverse entrepreneurial teams and are thus more likely to fund them. In addition to influencing venture capitalists' decision to finance start-ups, exits from founding teams is found to decrease the likelihood that a firm will carry out an initial public offering (Beckman et al., 2007). Beckman and colleagues argued that having a top management team with diverse functional experience not only brings value to the organization through increased human and social capital, but is also attractive to institutional investors. These findings also suggest the importance of effective negotiation skills of entrepreneurs. The increasing use of different covenants such as those to limit top management salaries, force changes in the entrepreneurial team, force earn-out arrangement, etc. advocate for increased entrepreneurial negotiation research.

### ***Franchise Maintenance***

Another area of entrepreneurship that highlights the importance of entrepreneurial behavior is the successful maintenance of franchises. Empirical data show that franchise chains experience inferior performance and are less likely to survive when another franchise from the same chain is located within close proximity to it (Azoulay & Shane, 2001). Results indicate that when new franchise chains adopt exclusive territories, whereby geographic restrictions are placed on the addition of new franchises, they are more likely to survive over time than those that do not. Azoulay and Shane (2001) argue that entrepreneurs possess different information about designing contracts and thus differ in their ability to include exclusive territory clauses. I suggest that in addition to possessing different degrees of information about designing contracts, entrepreneurs differ in their abilities to negotiate different issues involved in contracts with franchise chains. Thus, it seems that the ability of an entrepreneur to negotiate a larger exclusive territory in a franchise contract would increase their chance of survival and their performance.

### **Summary**

The above review identifies a number of activities which entrepreneurs perform. These main activities are listed in Table 1. In the review above, I list the central activities in which entrepreneurs engage. A focused perusal of the proceeding leads to the conclusion that many of those activities (e.g. achieving an exclusive territory clause for a franchise) both entail and require negotiation behavior. This being the case, it is worthwhile to review and understand these negotiation behaviors. To these ends, I begin with a brief overview of general negotiation literature, and then highlight certain

negotiation behavior that has been found to impact bargaining outcomes. Connections will be made between those negotiation behaviors and fundamental activities in entrepreneurship.

Table 1

*Entrepreneur Activities*

<b>Entrepreneur Activities</b>	
<i>Non-Negotiation</i>	<i>Negotiation-relevant</i>
Opportunity Recognition	Resource Acquisition
Innovation	Manage Conflict
Opportunity Exploitation	Network Development
Adapt to Environment	Team Assembly
Risk Taking	Employee Retention
Effective Communication	Franchise Maintenance

## **NEGOTIATION**

Negotiation is a fundamental tool used by two or more parties who want to manage conflict between them or who are attempting to reach a settlement when they are in disagreement (Carnevale & Pruitt, 1992). Negotiation literature suggests that four characteristics are present in all negotiations. Those characteristics include two or more parties, the perception of conflict (or disagreement), interpersonal exchange (or communication), and each party desires to reach an agreement (Lewicki, 1992). Negotiations can take place over quantifiable resources, such as agreeing to a specific price to buy a certain number of goods. Or, they can entail non-quantifiable resources, such as one's idea about how a task should be accomplished.

Scholars identify two main types of negotiations: Integrative and distributive. The different characteristics of integrative and distributive negotiations have a significant impact on the negotiation process as well as behavior of parties in the negotiation (Putnam, 1990). Integrative negotiations are commonly described as “win-win” situations, in which it is possible to create value for both parties. In integrative negotiations, parties can use collaborative efforts to maximize the value of the outcomes to each disputant. Conversely, distributive negotiations are typically viewed as “win-lose” circumstances whereby the outcomes are defined as zero-sum. This type of negotiation encourages forcing or competing behaviors where negotiators try to gain value from the negotiation equal to the value lost by their opponent.

As suggested, negotiation is commonly used to help resolve conflicting interests of two or more parties. As such, scholars pay particular attention to how the negotiation process results in agreement or settlement of disagreement. Many factors related to the

negotiation process have been found to impact whether agreements are achieved. A primary determinant, on which I focus here, is the behavior of the negotiating parties. Individual behavior within a negotiation has the potential to encourage agreement, or influence the type of agreement reached, but can also lead to escalated conflict and increase the chance of impasse. In the following section, I focus on individual behavior in negotiation and highlight how it influences the negotiation process as well as the outcomes that result.

### **Negotiation Behavior**

As the above description of negotiation indicates, negotiators' behaviors are a key component of the negotiation process. A commonly studied factor of negotiation behavior that receives substantial attention in the literature is derived from a framework which identifies different negotiation styles of behavior. This two-dimensional framework for managing conflict, introduced by Blake and Mouton (1964) and further developed by others (i.e. Pruitt, 1983; Rahim, 1983), describes the degree to which a negotiator is concerned for self-interests and the degree to which interests of others are emphasized. Those two dimensions develop a framework that describes five distinct conflict management styles of behavior: collaborating (sometimes referred to as problem solving or cooperating), accommodating (sometimes referred to as yielding), compromising, forcing (sometimes referred to as competing or contending), and avoiding (sometimes referred to as inaction). Researchers contend that appropriate use of each behavior depends on the type of conflict, context of the negotiation (Lewicki, Weiss, & Lewin, 1992), as well as individual differences of the negotiators (O'Connor & Arnold,

2001). Thus, different relationships have been found among the negotiation styles and outcomes of the exchange (Butler, 1994).

I now review the behaviors designated by the above framework along with other relevant negotiation behaviors.

### ***Collaborating***

According to Blake and Mouton's (1964) framework, collaborating is characterized by a high concern for self-interests and a high concern for the interests of the other. As a result, negotiators use joint problem-solving to find integrative issues in order to create value for both parties. Collaborative behavior in negotiation has been found to result in outcomes that are valuable to both parties in a negotiation, and has been found to be influenced by individual characteristics such as personality (Antonioni, 1998). If an entrepreneur wants to establish a long-term relationship with an important supplier, a collaborative negotiation style is likely to be used. This would help the entrepreneur to be able to consistently rely on that supplier while still focusing on ways in which the venture can benefit.

### ***Forcing***

Forcing behaviors result when a negotiator has high concern for self, but low concern for the other party. This reflects a negotiator's desire to obtain outcomes they value, while disregarding outcomes that would benefit the other party. For example, if an entrepreneur has many suppliers from which to choose, but is not dependent on one in particular, a forcing behaviors may be used to attempt to squeeze the most out of a supplier.

### ***Accommodating***

An accommodating strategy is characterized by a low concern for personal interests but high concern for the others. When negotiators display accommodating behavior, they are likely to make concessions and agree to a resolution that mainly benefits the other party, but does not provide them with value. An entrepreneur may accommodate with an important customer who is likely to buy in the future. In that situation, the price a customer pays may be unimportant compared to the likelihood of having a repeat customer for the long-term.

### ***Avoiding***

Avoiding behaviors would be enacted by a negotiator with low concern for self and for others. With no motivation to attempt to create value, individuals simply try to avoid conflict and not engage in negotiation. This might occur if two firms share a parking lot that only occasionally reaches capacity. The entrepreneur may avoid negotiating with the other business owner about how many spaces each “owns” and which ones belong to whom. Frequent vacancy in the lot creates a situation whereby the entrepreneur is not overly concerned about either party’s interests, and thus avoids negotiating altogether so as not to call attention to potential conflicting interests in such a trivial matter.

### ***Compromising***

Finally, compromising behaviors show up when the negotiator has a moderate concern for both self and others. Compromising results when negotiators basically attempt to meet half-way in order to address both parties’ needs.

While the dual-concern model provides a framework for describing certain behaviors negotiators use, other behaviors are also discussed in the literature. I now review many of those behaviors beginning with trust building.

### ***Trust Building***

Negotiators can also use trust building behaviors during negotiation. Trust building behaviors create a bargaining environment whereby negotiating parties are more likely to focus on reaching an agreement (Fells, 1993). When negotiators practice trust building negotiation behaviors, the negotiation process is likely to exhibit more integrative bargaining (De Dreu, Giebels, & Van de Vliet, 1998) and result in higher net outcomes (Butler, 1999; Olekalns & Smith, 2005). Trust building behaviors are extremely important for an entrepreneur negotiating with a co-founder or members of an entrepreneurial team. The benefits of the relationships among TMT members make nurturing trust enormously valuable.

### ***Offer Making***

Among the more basic behaviors in a negotiation are the offers made by one party, and the subsequent concessions or counter-offers from the receiving party. How an offer is structured has a substantial impact on how it will be received by the opposing negotiator, and can thus be very challenging. Determining when to make an offer is another important decision in a negotiation. The first offer often shapes how the negotiation will proceed, establishing an anchor around which concessions are made. Of course other factors contribute to an agreement, but the order of offers and counter-offers has been found to influence outcomes of the negotiation (Galinsky & Mussweiler, 2001). In general, good negotiators try to avoid making an initial offer (Galinsky, Seiden, Kim,



& Medvec, 2002), particularly when the boundaries around acceptable offers is ambiguous (Shell, 1995). This avoids making an offer that is better than the other party was hoping to achieve. The way negotiators communicate offers and counter-offers also influences how favorably they are perceived by the other party and thus how effective they are (Olekalns, Smith, & Walsh, 1996). Skillful negotiators can successfully construct and communicate offers and counter-offers, which lead to whether more distributive or integrative agreements are reached (Adair, Okumura, & Brett, 2001).

### ***Concession Making***

Another behavior that significantly impacts the negotiation is whether and how concessions and tradeoffs are presented. Making concessions is often crucial to avoiding stalemates, keeping negotiation opponents at the bargaining table, and can aid in building momentum (Watkins, 1998). An entrepreneur who wants to keep valuable employees may make concessions to certain demands, understanding the importance of keeping important employees satisfied. Making concessions can also help negotiators bundle issues for creating value and are a means by which integrative negotiation can take place, whereby one party concedes on less important issues and in return wins on more important issues (Keeney & Raiffa, 1991; Raiffa, 1982).

### ***BATNA Formation***

Another behavior engaged in by negotiators is having and raising their reservation point or best alternative to a negotiated agreement (BATNA). Having a good BATNA gives a negotiator the option to walk away from a negotiation, because they can rely on another alternative (White & Neale, 1991). When negotiators possess good BATNAs, they are more likely to obtain more beneficial personal outcomes (Brett, Pinkley, &

Jackofsky, 1996). Increasing one's BATNA thus would allow them to achieve even higher outcomes from a negotiation. In the case of an entrepreneur negotiating with a venture capitalist over percentage of ownership, it might be beneficial to go in with an alternative offer from another investor.

### ***Information Sharing***

Negotiators must also determine how much information they will share with their negotiation partner. Negotiators can decide to withhold information or even provide inaccurate information, in order to achieve better negotiation outcomes. The consequences of this behavior should be considered and information sharing helps to build trust and develop norms in the negotiation (Butler, 1999). Information sharing also increases the chances an agreement will be reached, and aids in achieving integrative outcomes (Weingart, Thompson, Bazerman, & Carroll, 1990). For example, when negotiating for raw materials from a supplier, a firm founder will have to determine how much information to share (or withhold) about the price structure they have with customers.

### ***Emotional Display***

Another behavior that is of increasing interest in the literature is the use of emotional displays in negotiation. Historically thought of as detrimental to one's bargaining position, some scholars have shown that displaying emotions, particularly in strategic ways, may be beneficial (Van Kleef, De Dreu, & Manstead, 2004). While expressing emotions such as anger, fear, or excitement can have both positive and negative effects on a negotiation (Friedman, Anderson, Brett, Olekalns, Goates, & Lisco, 2004), the ability to successfully manage one's emotions is seen as a form of expertise in

negotiation, positively affecting outcomes of the interaction (Potworowski & Kopelman, 2008). Entrepreneurs may use emotional displays to show potential investors how passionate they are about their venture.

### ***Risk Taking***

A factor that has been found to be of importance in negotiation is the amount and type of risk taking behaviors practiced by negotiators (Ghosh & Ghosh, 1994). Risk taking behaviors can take on a number of characteristics such as being too aggressive, making extreme demands, revealing too much information, or delaying offers or counter offers. The risk inherent in those behaviors could result in the other walking away from the table and thus achieving no agreement. Some of those behaviors might also leave the negotiator in a vulnerable position and likely lead to a reduction in one's outcomes.

### ***Threatening***

Making threats is another behavior that is known to impact negotiations. While threats can often be considered risky, they can also help negotiators assert power over another (Shapiro & Bies, 1994) and help to speed up the bargaining process (Weingart, Thompson, Bazerman, & Carroll, 1990). If an entrepreneur thinks it might help the amount paid in rent, threats of moving to another building might be used.

### ***Lying***

Most negotiation behaviors are influenced by social norms and expectations, rather than hard and fast rules on ethics. Therefore, lying and other deceptive behaviors can be used by negotiators to improve their bargaining position. This deceptive behavior falls along a continuum on which the lies may be extremely unethical (Reilly, 2009), or just slightly bend the truth (Strudler, 1995). Whether extreme or relatively

inconsequential, it and other dissimulating behaviors are sometimes used by negotiators. Such behaviors can be risky however, because individuals have different perceptions about how appropriate lying is, and if used excessively can deteriorate trust (Strudler, 1995)

### **Summary**

In the review of the entrepreneurship literature, I noted that many of the entrepreneurs' core activities entail negotiation (that is, they are negotiation-related). Subsequently, in the negotiation review, I delineated the negotiation behaviors that an entrepreneur can engage in when conducting these negotiation-relevant entrepreneurial activities. A list of the reviewed negotiation behaviors is provided in Table 2. Given this overlap (e.g. an entrepreneur can use threats when negotiating over resource acquisition), it seems worthwhile to explore potential sources of how entrepreneurs approach negotiating in these activities (e.g. whether an entrepreneur threatens or rather chooses to build relationships to attain a good rental price). Because a strong link between cognition and behavior exists (Gioia & Manz, 1985), a logical approach is to examine how entrepreneurs think about negotiation. In the next chapter, I pursue this task by developing an understanding of the cognitive schema entrepreneurs have about negotiation.

Table 2

*Behaviors in Which Negotiators Engage*

<b>Negotiation Behaviors</b>	
Collaborating	Forcing
Accommodating	Avoiding
Compromising	Offer Making
Making Concessions	BATNA Formation
Information Sharing	Emotional Display
Risk-taking	Threatening
Trust Building	Lying/Deceiving

## CHAPTER 3

### THEORY AND CONCEPTUAL DEVELOPMENT

Since negotiation is a significant aspect in several entrepreneurial activities it is worthwhile to investigate the entrepreneur's cognitions, that is, to explore how entrepreneurs think about these negotiation activities. Such an investigation will prove useful by increasing our understanding of how entrepreneurs process information while engaged in those behaviors. Identifying the cognitive representations entrepreneurs have about negotiation activities will result in a deeper understanding of how decisions are made in entrepreneurial transactions. It will also provide rich information that can be used to help entrepreneurs become better at these activities.

Considering these goals, I develop the following conceptual understanding of entrepreneurs' schema in negotiation activities. First, I review the prominent research on entrepreneur cognition, highlighting what types of questions have been answered. Then I describe social cognition theory and explain its importance in understanding the individual entrepreneur. Specifically, I focus on social cognition theory's detection of schemas and how those knowledge structures influence human behavior. Finally, I contribute to research on entrepreneur cognition by proposing the cognitive schema entrepreneurs hold in a context that has not been examined, but that is critical in the entrepreneurial process – negotiation.

#### **Entrepreneurial Cognition**

Research on entrepreneurial cognition has been useful in answering some of the central research questions in the entrepreneurship field. This research stream has leveraged the notion of entrepreneur cognition to provide answers to Baron's (2004)

questions of (1) Why do some individuals become entrepreneurs while others do not (Simon, Houghton, & Aquino, 2000)? (2) Why do some individuals recognize opportunities for unique products and services while others do not (Gaglio & Katz, 2001)? And (3) why are some entrepreneurs more successful than others (Mitchell, Smith, Seawright, & Morse, 2000)? Consistent with these discoveries, Mitchell and colleagues (e.g. Mitchell et al. 2007; Smith, Mitchell, & Mitchell, 2009) suggest that studying entrepreneur cognition helps to better understand phenomena related to opportunity evaluation, venture creation, and growth. They also call for research to look at entrepreneur cognition within the context of specific situations relevant to the entrepreneurial process. Since negotiation is a significant aspect in at least the venture creation (e.g. acquiring capital), and growth (e.g. acquiring a supplier) phases of entrepreneurship, it is a domain in which understanding how entrepreneurs think is valuable. Consequently, the central question which I intend to investigate is how entrepreneurs think about and process information in negotiation activities.

### **Cognition and Schema**

The stream of research on entrepreneur cognition draws from the field of social psychology and specifically social cognition theory. The main notion of social cognition theory is that individual behavior is shaped by knowledge structures that develop in various social settings. Knowledge structures are formed when information is received through individuals' interaction with the environment. This development is described in information processing theory (Salancik & Pfeffer, 1978), which describes how individuals acquire, store, and later retrieve information stored in memory which is then used to make decisions. Since information processing within social contexts is rather

complex, individuals develop categories/dimensions referred to as schema to help organize information received. A schema is a knowledge structure developed through person-environment interactions that individuals use as a framework to make sense of social situations (Fiske & Taylor, 1984). This cognitive framework helps individuals organize knowledge about social interaction enabling routinized decision making when more thoughtful consideration is not necessary or the situation does not permit more rational processing (Jones, 1991). Additionally, schema formed from cognitive interpretation of information play a significant role in one's subsequent behavior (Lord & Smith, 1983). Research has identified four types of schema for which humans organize knowledge: *person schemata*, *self-schema*, *role schemata*, and *event schemata*. For my purposes, I focus on event schemata because I am interested in how information is processed in a particular social event – negotiation activities.

### ***Event Schema***

Event schemas, or scripts, are knowledge structures about behaviors of self and others that shape behavior in specific contexts (Fiske & Taylor, 1984). These schemata identify conventional or acceptable behavior and action sequences that are context-specific. Therefore, they guide behavior in particular situations and help to make sense of others' decisions in that setting. Individuals cannot actively process all information observed in a social exchange, and thus rely on schemas to guide sequences of behavior. For example, chess players develop chess schema that guide sequential moves which have been reinforced through experience (Chase & Simon, 1972). Schemas have also been found to influence behavior in a number of settings including organizations (Giola & Poole, 1984).



## **Entrepreneur Cognition**

Schema research has also received attention in the entrepreneurship literature. In fact, a growing stream of research on entrepreneur cognition extends the thinking-behavior relationships to examine how entrepreneurs use scripts in new venture activities. Using expert information processing theory, scholars explain how entrepreneurial expertise influences venture success (Mitchell, 1994). This research approach is valuable, because gaining an understanding of how expert entrepreneurs think helps to shed light on the entrepreneurial process and provide suggestions for entrepreneurship pedagogy. According to expert information processing theory, schemas are developed that correspond with behaviors associated with successful entrepreneurial activity. This method has been used to show that entrepreneurs and non-entrepreneurs process information differently (Mitchell et al., 2000). The perspective has also been applied to examine differences among entrepreneurs, whereby expert entrepreneurs develop schemas that allow them to make better decisions than and outperform non-expert entrepreneurs (Mitchell & Chasteen, 1995).

The basis of expert information processing theory is that entrepreneur cognitions impact their decisions. The organization of schemata influences the use of shortcuts or heuristics when making decisions about certain actions (Tversky & Kahneman, 1981). Applying this perspective to entrepreneurship, Busenitz and Barney (1997) found that entrepreneurs regularly use heuristics when making decisions. The impact of cognition on decision making has also been examined in the negotiation literature. Suggesting that negotiation be conceptualized as a set of decisions, Bazerman and Neale (1986)

examined the use of heuristics in negotiation and found their use to impact negotiation behavior and performance.

Research on entrepreneur cognition has also examined the role of risk taking in entrepreneurship. The literature has found limited support for the commonly held assumption that entrepreneurs are more likely to take risks than non-entrepreneurs. However, examining the differences in how information is processed, Janney and Dess (2006) found that entrepreneurs and non-entrepreneurs do differ in regards to cognitive perceptions about risk, explaining why they pursue new ventures that are inherently risky. This provides evidence for my future prediction that risk taking will appear in entrepreneurs' schema about negotiation activities. Risk taking and cognition are also important at the bargaining table. For example, information processing related to goals set by negotiators influences the amount of risky behaviors in the negotiation (Larrick, Heath, & Wu, 2009).

### **Schema in Entrepreneurial Negotiation**

The above review indicates that schemas provide useful information when studying human behavior and performance in various settings, including entrepreneurial situations. The approach of identifying entrepreneur schema and scripts has increased our understanding of many facets of entrepreneur behavior. The majority of research on entrepreneur cognition focuses on how entrepreneurs think about and develop schema in connection with opportunity recognition and decisions to exploit opportunities. However, to date the literature has not examined the role of entrepreneur cognition on processes involving activities beyond the recognition and decision to act phases of entrepreneurship, such as negotiation-relevant activities (e.g. resource acquisition,

developing networks, maintaining franchises, etc.). Certainly though, the actions entrepreneurs take and activities in which they participate after deciding to pursue an entrepreneurial opportunity impact the firm's ability to remain sustainable. Additionally, scholars have called for researchers to examine entrepreneur cognition in various contexts (Mitchell et al., 2007).

A major premise of schema theory is that actors develop schema for particular activities (Fiske & Taylor, 1991). The schemas are developed from perceptions about one's interaction with the environment. Information is processed and stored during such interactions and is then activated the next time a similar circumstance with the environment is experienced. Social learning theory (Bandura & Walters, 1963) helps, at least in part, describe how schemas are initially constructed. Social learning begins with an observation of behavior within social situations. Based on these observations, individuals determine the consequences of those behaviors. When the consequences of a behavior are desirable, the individual then models those behaviors. Conversely, when the outcomes of a behavior are undesirable, the individual learns to avoid them.

Individuals have a similar learning process through which their own behaviors are evaluated. In this regard, when individuals experience positive results for a behavior, they are conditioned to continue the behavior (Skinner, 1953). Conversely, negative consequences lead to the cessation of a behavior. These two theories suggest that the consequences – both negative and positive – of one's own and others' behaviors are learned and either avoided or continued. Entrepreneurs partake in a number of activities that involve negotiation. Thus, it is reasonable to assume they follow this evaluative course in negotiation-relevant activities. That is, they develop schemas from their

interactions in the negotiation. The schema is constructed by evaluating ones' own behavior and the negotiation behaviors of other entrepreneurs. While some of those processes experienced during negotiation-relevant activities may share some characteristics with schema from other activities, the uniqueness of these interactions should formulate specific negotiation schema. Thus, I posit that entrepreneurs possess schema about negotiation-relevant tasks.

### **Entrepreneur Negotiation Schema Structure**

Similar to the schema found in other social cognition research, the schema that entrepreneurs construct in negotiation-relevant activities will likely be composed of separate themes that involve various categories/dimensions of thought regarding negotiation. I intend to identify these independent knowledge structures by content analyzing information gathered from interviews with entrepreneurs. The literature also provides a basis for hypothesizing underlying knowledge structures that will exist in the schema. Drawing upon existing theory and research, I hypothesize categories likely to show up in entrepreneurs' schema in negotiation-relevant activities.

The preceding review of negotiation behaviors provides the basis for the categories I propose are present in entrepreneur negotiation schema. These predictions are also developed from theory and prior studies about cognition. Previous work has shown a strong correlation between individuals' thoughts and behavior (Langer, 1978). This thinking-doing relationship that is the focus of much cognitive schema research provides evidence that this approach is a sufficient initial perspective for studying how entrepreneurs think about negotiation. As mentioned earlier, individuals learn from the behaviors of self and others. Thus, within the context of negotiation activities,

individuals take note of their own bargaining behaviors and that of others. These behaviors are then evaluated and further emulated by the individual entrepreneur. One facet of social learning theory describes how cognitive processing of observations and subsequent learned behaviors results in attention and retention of information (Bandura, 1977). This information is categorized into knowledge structures, or schema, individuals hold about specific contexts. Applied to the entrepreneurial process, entrepreneurs should also form schema about various activities – here those activities involving negotiation. Below I delineate the schema I expect to find in entrepreneurs as they engage in negotiation activities.

### ***Personal Outcomes***

Many of the negotiator behaviors identified in Table 2 reflect a desire to gain outcomes for the self (e.g. offer making, BATNA formation, forcing, threatening, lying, and concession making). According to Pruitt's (1983) model, negotiator bargaining behavior reflects some degree of concern for one's own outcomes. Entrepreneurship literature also offers strong evidence that small business owners should hold some regard for personal benefit when negotiating. Entrepreneurs often operate with limited resources and on a lesser scale. To overcome those constraints, small businesses must achieve more sizable profit margins. Inability to do so makes it difficult for entrepreneurial ventures to remain solvent. Additionally, margins are significantly impacted by pricing structures within a firm's supply chain. Thus, the amount of money exchanged in transactions involving overhead (i.e. rent), supplies, and the sale of products and services is likely to factor into their cognitive evaluation when negotiating.

Several negotiation behaviors displayed in Table 2 indicate cognitions that represent a focus on personal outcomes. A major purpose of those behaviors involves seeking to maximize personal outcomes in a negotiation. The behaviors I believe correspond to this focus include forcing, making offers and concessions, seeking to obtain good BATNAs, threatening, and lying. Given that (a) entrepreneurs probably are attempting to get outcomes by using those behaviors; (b) the opponents they are negotiating with engage in these same behaviors; and (c) other entrepreneurs they observe are engaged in these outcome-gaining behaviors, it is reasonable to conclude that entrepreneurs are thinking about these outcome-gaining, personal value activities; therefore, such a category/dimension will emerge in their negotiation schema.

*Hypothesis 1: Entrepreneurs' negotiation schema will include a dimension focused on receiving personal outcomes.*

### ***Relationships***

From the above reviews, it is apparent that certain bargaining behaviors are used to build relationships and that relationships are important to entrepreneurs. Drawing from relational embeddedness theory (Granovetter, 1985), entrepreneurship researchers have predicted that entrepreneurs rely upon networks to gain access to resources (Aldrich, Elam, & Reese, 1996). In addition to resources and capital (human and financial), constructing entrepreneurial networks has been found to help gain tacit knowledge, legitimacy, and ideas (Johannisson, 2000), as well as creating social value (Mair & Marti, 2006). Additionally, those studies suggest that entrepreneurs are deliberate in constructing networks and social relationships.

Developing relationships is also important within negotiation settings. When negotiators show concern for a relationship with the other negotiator, increased trust has been found to result (Nicholson, Campeau, & Sethi, 2001). By gaining trust, negotiators are more likely to use integrative bargaining (De Dreu et al., 1998), reach an agreement (Fells, 1993) and achieve higher outcomes (Olekalns & Smith, 2005). Other negotiation behavior delineated above that might represent relationship cognitions include collaborating, accommodating, and compromising. Given that (a) entrepreneurs probably are attempting to build relationships by using those behaviors; (b) the opponents they are negotiating with engage in these same behaviors; and (c) other entrepreneurs they observe are engaged in these relationship-building behaviors, it is reasonable to conclude that entrepreneurs are thinking about relationship-building activities; therefore, such a dimension will emerge in their negotiation schema.

*Hypothesis 2: Entrepreneurs' negotiation schema will include a dimension focused on building relationships*

### ***Emotional Control***

A recent focus on emotion in the negotiation literature emphasizes its importance on negotiation outcomes. Once considered strictly detrimental in a negotiation, it is now considered potentially beneficial to a negotiator's position (Barry, Fulmer, & Van Kleef, 2004). Emotion is also prevalent in the entrepreneurship literature. In fact, a major theme in entrepreneurship is that entrepreneurs are passionate about their business. This passion is often expressed in the form of emotion (Russell, 2003). These emotional displays have been found to influence entrepreneurs' ability to acquire venture capital (Chen, Yao, &

Kotha, 2009), gain credibility (Merrilees, 2007), and motivate employees (Cardon, 2008). However, in both the negotiation (Potoworowsk & Kopelman, 2008) and entrepreneurship (Branzei & Zietsara, 2003; Chen et al. 2009) literatures, successfully managing emotion has been found to be essential. Given that (a) entrepreneurs probably are expressing emotion while engaged in negotiations; (b) the opponents they are negotiating with are expressing them; and (c) other entrepreneurs they observe display emotion, it is reasonable to conclude that entrepreneurs consider these emotions; therefore, such a dimension will emerge in their negotiation schema.

*Hypothesis 3: Entrepreneurs' negotiation schema will include a dimension focused on emotional control.*

### ***Risk Taking***

The negotiation literature also highlights the importance of risk taking bargaining behaviors (Zarankin, 2009). Risk taking includes several behaviors such as making the first offer, revealing ones BATNA, and making large concessions too early. They are risky because they may drive the other party to walk away, and when used in certain instances, they leave the negotiator vulnerable to be taken advantage of by their opponent. Risk taking is also prevalent in the entrepreneurship literature (Covin & Slevin, 1991). Covin and Slevin suggest that starting a business is inherently risky because entrepreneurs pursue risky projects for the chance to achieve high returns from those opportunities. Due to the uncertainty of pursuing such opportunities, entrepreneurs often choose to take on risk while foregoing more stable conditions (Ekelund, Johansson, Jarvelin, & Lichtermann, 2005). Thus, for years scholars have examined a number of



aspects regarding entrepreneurs' tendency to take risks, acknowledging that many entrepreneurial activities entail risk taking (Das & Teng, 1997). Though many of these studies have failed to observe any differences in the risk propensity of entrepreneurs and non-entrepreneurs, research has found that entrepreneurs know entrepreneurial activity is risky (Schultz, 1980) and they cognitively perceive the riskiness of an activity differently (Palich & Bagby, 1995). The importance of and emphasis on risk taking in negotiation as well as entrepreneurship leads to the prediction that it will emerge in the cognitive evaluations entrepreneurs form when engaging in negotiation-relevant activities.

*Hypothesis 4: Entrepreneurs' negotiation schema will include a dimension focused on risk-taking.*

#### **Schema Variance – Structure Complexity and Dimension Weighting**

While I propose that schema exist for entrepreneurs in regard to negotiation-relevant activities, it is reasonable to posit that entrepreneurs will likely vary in regards to activation, content, and complexity of that schema. Evidence for this idea can be found in the literature on new venture creation, where studies have shown different schema for entrepreneurs and non-entrepreneurs (Mitchell et al., 2002), and for expert and novice entrepreneurs (Mitchell, 1997; Mitchell, Smith, Seawright, & Morse, 2000). For example, entrepreneurs with more experience were found to develop expert scripts about entrepreneurial decision making while those with less experience did not.

Variance in schema about negotiation is reasonable to expect because these individuals have varying experiences engaging in negotiation activities and their observations of others' bargaining activities. This being the case it is logical to contend that entrepreneur negotiation schemas will vary among different groups (i.e.

entrepreneurs versus non-entrepreneurs; or experienced versus inexperienced entrepreneurs) and individuals. I propose this variance will involve complexity of negotiation schemas between groups (i.e. number of schema categories/subcategories) as well as differences in regard to the extent to which certain dimensions of the schema are emphasized (i.e. more or less focused on relationships).

There are basically two ways in which the schemas about negotiation activities might differ between the entrepreneur and non-entrepreneur. One way schema can vary is the presence, or absence, of specific dimensions within the schema. In the context of negotiation-relevant schemas, entrepreneurs may have certain knowledge structures, while non-entrepreneurs do not. In the current study, this would result if the dimensions that are identified within entrepreneurs' negotiation schema are not the same factors that load when analyzing non-entrepreneurs or the non-entrepreneurs' data do not fit the negotiation schema structure as well.

The second way their schemas might vary is that the two groups might hold identical schema dimensions, but one group would place more (or less) weighting to certain dimensions. Schema dimensions are commonly examined as Likert scale variables, where higher levels of a dimension mean it is more important or more often considered by the person (Smith, Mitchell, & Mitchell, 2009). In the current investigation, this might be represented by varying levels on any one of the schema dimensions of negotiation. Consider that both entrepreneurs and non-entrepreneurs hold a personal outcomes dimension within their schema on negotiation. However, if say entrepreneurs demonstrate a higher emphasis on achieving personal value than do non-entrepreneurs, then the negotiation schema for the two groups would be said to vary.

In the next section, predictions are made regarding variance in negotiation schema between relevant groups. I begin by looking at variance in schema complexity. In this regard, predictions will be made about entrepreneur experience and its effect on complexity. Distinctions between entrepreneurs and non-entrepreneurs will then be used to postulate how those two groups will differ in regard to the complexity of their negotiation schema. I will follow this section by continuing my focus on differences between entrepreneurs and non-entrepreneurs, but will concentrate on variance in the strength of schema dimensions each group holds. I will conclude by investigating how experiencing past venture failure will impact entrepreneurs' schema on negotiation.

### **Schema Complexity**

#### ***Entrepreneur Experience***

Schema are developed when information is processed in social settings and cognitive categories are constructed. Those cognitive themes are then activated when a similar situation is experienced. When a situation is distinct from those that helped form the schema, unique information is compared to current cognitive patterns (Mitchell & Beach, 1990). If new information helps to disconfirm or improve upon current schema, it may replace the previous schema, or new knowledge can complement the current schema by altering it. Thus, over time, categories and subcategories (dimensions and sub-dimensions) are built into existing schema, adding to its complexity (Fiske & Taylor, 1991). Schema complexity describes the number of categories and sub categories that exist within an individuals' schema. The variance in quantity of knowledge structures results from information processing in a variety of different settings. Thus, it is reasonable to contend that the more information an entrepreneur receives, the more

complex will be their schema. Since increased experience usually entails more information being cognitively processed, it can then be deduced that experience will increase schema complexity. Accordingly, when entrepreneurs practice more negotiation-relevant activities, their schema for negotiation should develop more categories and increase in complexity.

*Hypothesis 5: More experienced entrepreneurs will have more complex schema about negotiation-relevant activities than less experienced entrepreneurs.*

### ***Entrepreneurs versus Non-entrepreneurs***

An accepted research strategy in the entrepreneurship literature is to compare entrepreneurs and non-entrepreneurs along various facets. Here cognition research has been quite successful in discovering that entrepreneurs and non-entrepreneurs think differently (Baron, 1998). For example, studies have shown that entrepreneurs have different cognitive processes regarding opportunity recognition and evaluation (Baron, 2000) and when deciding whether to exploit an opportunity (Busenitz & Barney, 1997). Given these findings it seems feasible and probable that entrepreneurs would have a different cognitive schema about negotiation than non-entrepreneurs. The reasoning here is that entrepreneurs, in their daily activities have engaged in negotiation activities, have noted that their opponents engage in them, and have observed other entrepreneurs' negotiations and have concluded that competence in negotiation is important. These experiences and observations have led them to develop cognitive schema that sensitizes them to negotiations and provides guidance for them.

In contrast, non-entrepreneurs have likely not had the same variety of negotiation experience, or observed as many various negotiation behaviors. Therefore, their cognitive schemas are less apt to reflect the same dimensions as entrepreneurs. That is, their cognitive schema would differ from that of the entrepreneurs.

Since schema complexity results from information processing in various situations with distinct characteristics, factors beyond experience will influence differences in schema complexity. A likely factor is breadth of activities that evoke a schema. In regard to schema developed for negotiation settings, complexity should increase with increases in the number of different bargaining situations in which a negotiator is involved.

The review in chapter 2 suggests a broad spectrum of negotiation-relevant entrepreneur activities (i.e. resource acquisition, team assembly, conflict management, develop networks, etc.). Examining the list in Table 1 it is evident that some of the negotiation-relevant activities entrepreneurs engage in may not be enacted by non-entrepreneurs (or managers in larger corporations). In fact, larger, non-entrepreneurial firms have separate actors in multiple functional areas and these members have more focused activities than entrepreneurs (McClelland, 1965).

Even though this specialization may lead to more effective context-specific performance, it may leave non-entrepreneurs unable to effectively maneuver other business related activities (McClelland, 1965). This distinction also holds true in negotiation-relevant activities. Large firms often have different individuals negotiate with suppliers, buyers, advertisers, property managers, etc. However, entrepreneurs often engage in negotiations with each of the parties with whom their firm does business. This

results in entrepreneurs carrying out a broader array of activities that entail negotiation than non-entrepreneurs. This broad experience with negotiation-relevant activities provides the entrepreneur with overlapping bargaining situations. As a result, the schemas they construct about negotiation-relevant activities will include more categories and subcategories to help make sense of these different types of negotiations.

*Hypothesis 6: Entrepreneurs will have more complex schema about negotiation-relevant activities than non-entrepreneurs.*

## **Schema Dimensions**

### ***Entrepreneurs versus Non-entrepreneurs***

I initially predicted four dimensions to emerge in entrepreneurs' schema on negotiation. Those dimensions include: *personal outcomes; relationship; emotional control; and risk taking*. Hypotheses about those dimensions are based on cognition theory and literatures from both entrepreneurship and negotiation. Those dimensions are used below as a basis for predicting variability in the cognitive structure (i.e. schema dimensions)

I will describe in more detail how actual schema dimensions were identified, but in addition to confirming those four dimensions, two unpredicted dimensions were also uncovered. Those additional dimensions were: *outcomes for others* and *ethics*. Thus, in total, six major categories eventually emerged to encompass the entrepreneur negotiation schema. Those six dimensions are used below for developing hypotheses regarding variance in the extent to which schema dimensions are emphasized.

### ***Personal Outcomes***

Passion is a frequently observed characteristic of entrepreneurs (Smilor, 1997). Business owners need to convincingly sell a business plan to investors, sell a vision to employees, and sell customers on the value of a product or service (Chen, Yao, & Kotha, 2009). Entrepreneurial passion generally presents itself as an intense feeling, and activates emotional experiences (Russell, 2003). Though these emotions can potentially be both positive and negative, entrepreneurial passion is usually conceptualized as involving love, joy, and other positive feelings (Belitz & Lundstrom, 1997).

Heightened passions, often present in entrepreneurial undertakings, can serve both functional and dysfunctional purposes. For example, higher levels of entrepreneur passion has been found to increase the likelihood that entrepreneurs discount negative information when faced with a decision (Branzei & Zietsma, 2003). The emotion associated with being passionate about one's entrepreneurial endeavor can also trigger irrational conduct, such that when individuals act on emotions, they are more likely to demonstrate irrational economic behavior (Koenigs & Tranel, 2007). In a negotiation setting, not focusing on extracting personal value illustrates an irrational cognition, and one that entrepreneurs likely fall victim to more than non-entrepreneurs.

*Hypothesis 7: Entrepreneurs will be lower on the personal outcomes dimension of the negotiation schema than non-entrepreneurs.*

### *Relationship*

Developing and maintaining relationships is a fundamental objective of most entrepreneurial firms (Hoang & Antoncic, 2003). Referred to in the literature as entrepreneurial networks, these webs of social relationships help entrepreneurs obtain resources necessary in every aspect of the organization.

Entrepreneurs rely on these networks for the tangible (e.g. capital) and intangible (e.g. tacit knowledge) resources that those social connections give them access to. Because entrepreneurs are often resource constrained (Van Anken, 2001), they rely on interdependencies within their entrepreneurial networks to overcome those deficiencies. These interdependencies form the basis for which the following argument evolves.

Individuals' perceptions about social relationships are influenced by interactions with external actors and the interdependence created by them (Salancik & Pfeffer, 1978). Research on resource dependence suggests that organizations must manage those interdependencies in order to be effective. One way entrepreneurs do this is by developing relationships with those on whom they depend (Larson & Starr, 1993).

The success of an entrepreneurial venture, when compared to larger organizations, relies more heavily on the entrepreneur's ability to access resources through those networks (Street & Cameron, 2007). From this, I posit that entrepreneurs' schemas on negotiation will have more emphasis on relationships than that of non-entrepreneurs. Non-entrepreneurs likely have many more avenues to acquire needed resources and thus should be less concerned about enhancing a long-term relationship with any one party.

*Hypothesis 8: Entrepreneurs will be higher on the relationship dimension of the negotiation schema than non-entrepreneurs.*

#### *Emotional Control*

A sizable amount of research explains how being an entrepreneur is central to the identity and self-concept of many small business owners. Entrepreneurial identity has been found to be a dispositional characteristic that is sometimes used to describe individual differences between entrepreneurs and non-entrepreneurs (Vesalainen &



Pihkala, 1999). Entrepreneurial identity has elements of need for achievement (McClelland, 1961), locus of control (Rotter, 1966), as well as tolerance for ambiguity. This sense of personal identity is generally seen as a conscious career decision that individuals make based on value of perceived alternatives. When individuals have a high entrepreneurial identity, they are more likely to give up other, often more certain, alternatives to start a venture. Entrepreneurs, like others, make cognitive appraisals of the self and of their roles (Brewer & Gardner, 1996). In that thinking, firm founders' self-concept as an entrepreneur is often tied to the success of the business (Vesalainen & Pihkala, 1999).

Self-construals impact how individuals interpret various contexts and settings (Brewer & Gardner, 1996). Thus, the extent to which an individual identifies with being an entrepreneur will certainly influence how they process information in situations that have an impact on their ventures; including situations involving negotiation.

Negotiations are generally defined by conflicting interests between parties, so when entrepreneurs negotiate with another party, they too will perceive their interests as being opposed. If an individual's identity is strongly integrated with being an entrepreneur, a negotiation is likely to encourage feelings that the entrepreneurs' identity is being threatened. Threats to identity generally activate stress, which leads to negative feelings about the situation (Mossakowski, 2003). Negative feelings resulting from attacks on self-concept create responses aimed at defending one's self, and if persistent create a great deal of stress (Epstein, 1973). Thus, persisting conflict of interests, present in ongoing negotiations, create a scenario where the defense of one's entrepreneurial self-concept leads to increased stress and more negative emotions.

It is not just the entrepreneur's self-concept being attacked in a negotiation. Rather, the entrepreneurs' livelihood is also often at stake. The business, which is the source of the entrepreneurs' identity, is also likely the source for fulfilling other crucial needs. The feeling of fear and anger caused by attacks on an entrepreneur's self-concept and livelihood are likely to lead to expression of those felt emotions. On the other hand, a non-entrepreneur involved in a negotiation is likely not having their identity challenged nor their livelihood undermined, and will thus be less likely to express those negative emotions. The ability to deal with the emotions associated with these attacks to self-concept and identity are important in any interpersonal interaction and can impact the outcomes of the exchange. This characteristic – of emotional control – includes elements proposed by Goleman (1995) of awareness of self and others' emotions and the ability to control emotions in a situation, and pertain to one's ability to balance them in the context of negotiation.

*Hypothesis 9: Entrepreneurs will be lower on the emotional control dimension of the negotiation schema than non-entrepreneurs.*

### *Risk Taking*

Common perception of an entrepreneur is someone who is not only willing to accept the uncertain, but almost cavalier in their desire to seek out risk. Scholars have found this perception, that entrepreneurs are dispositionally more willing than non-entrepreneurs to assume risk, to be unsupported (Palich & Bagby, 1992). While the idea that entrepreneurs tolerate more risk than non-entrepreneurs lacks empirical support, research shows that cognitive perceptions of risky behavior differ for the two groups (Sarasvathy et al., 1998). Instead of having a higher willingness, Sarasvathy et al. (1998)

found that entrepreneurs tend to attribute less risk to a given activity than non-entrepreneurs. Thus, entrepreneurs do not perceive as much risk in a given activity, so they are more likely to pursue it even though others might find it too risky.

Applying this logic to negotiation situations, I expect entrepreneurs would use more risk taking negotiation behaviors than non-entrepreneurs, even though they may not think they are more risky. This leads me to predict that entrepreneurs' risk taking schema about negotiation will be higher than non-entrepreneurs. Rather than attributing this to some inherent enthusiasm for risk taking, I postulate that they do not consider certain behavior to be risky, and therefore are more likely to consider partaking in it.

*Hypothesis 10: Entrepreneurs will be higher on the risk taking dimension of the negotiation schema than non-entrepreneurs.*

#### *Outcomes for Others*

Highlighted above is the importance entrepreneurs place on developing and maintaining social ties with others. Entrepreneurs rely on members of those social networks for many reasons. Because they rely on others and therefore strive to make connections with others, entrepreneurs likely focus on making sure their bargaining opponent is pleased with the outcomes of the negotiation. Due to resource constraints, many small business owners rely heavily on others for things they are unable to carry out due to their limited size. Thus, I posit that entrepreneurs will be very focused on creating value for the other party in hopes those kind gestures will be reciprocated. This reasoning leads me to predict that entrepreneurs' schema will have a heightened focus on the outcomes others will receive than non-entrepreneurs.

*Hypothesis 11: Entrepreneurs will be higher on the outcomes for others dimension of the negotiation schema than non-entrepreneurs.*

### *Ethics*

Individuals have a strong desire to match their actions and behaviors with their cognitions; including ideas, beliefs, attitudes, and values. When the two are not aligned, the psychological discomfort experienced motivates individuals to minimize the incongruence (Festinger, 1957). In this manner, individuals either avoid inconsistencies between behavior and attitudes, or try to reduce the dissonance by changing an action or changing their cognition.

Considering ethics, negative attitudes are generally held toward unethical behavior. Thus, most individuals should avoid being unethical, including while engaged in negotiation activities. However, I posit that the desire for an entrepreneur to uphold that consistency would be even greater than that of a non-entrepreneur. Because an entrepreneur's self-identification is tied so closely to his or her venture, negotiating for the venture is practically equivalent to negotiating for personal reasons. Conversely, a non-entrepreneur negotiating for an organization is doing so on the company's behalf. In those instances, the negotiator is likely to align his or her bargaining behaviors with the values and goals of the organization. Thus, in an attempt to uphold a self-evaluation as an ethical person, an entrepreneur is very likely to negotiate in a way that is consistent with that personal appraisal. However, a non-entrepreneur can separate the self as an ethical person from behaviors enacted on the part of the organization, and be more likely to engage in behavior that many individuals would see as slightly less ethical because

they rationalize it as doing what the organization wants. Thus, I expect entrepreneurs to hold a schema of negotiation that has a stronger focus on ethics.

*Hypothesis 12: Entrepreneurs will be higher on the ethics dimension of the negotiation schema than non-entrepreneurs.*

### ***Past Venture Failure***

As the saying goes “fool me once shame on you, but fool me twice shame on me.” Individuals learn from past failures, presumably altering the areas perceived to have led to the disappointment (Thorndike, 1927). The same is true for entrepreneurs.

One reason entrepreneurial activity is considered risky is because of the frequency with which small firms fail. A leading cause of entrepreneurial failure is struggling to achieve adequate profit margins (Berger & Udell, 1995). An entrepreneurial failure resulting from a firm’s inability to achieve acceptable profit margins can result from a variety of factors. One of those determinants is the price that entrepreneurs pay for materials and overhead expenses. Another is the price they charge customers for their products and services. Each of these potential elements reflects dollar amounts the entrepreneur pays or receives. All else equal, lower amounts paid and/or higher amounts received will raise margins, thus increasing the likelihood of venture growth and survival.

Cybernetic process theory (Carver, Blaney, & Scheier, 1979) provides an explanation for how failure affects entrepreneurs. According to cybernetic theory, consequences of events or behavior are evaluated and subsequently affect future events (Carver & Scheier, 1990). This process creates a feedback loop in which positive consequences encourage persistent behaviors, while negative consequences stimulate modification (Kim & Hamner, 1976). Consequence of negative experience is also

addressed by Locke and Latham's (1990) goal setting theory. According to the theory, discrepancy between one's goal and reality makes an individual change a plan of action and persistence for goal attainment. This change of plan as a result of failure has also been observed in entrepreneurship.

Many entrepreneurs do not give up after a failed attempt at starting a business (Ucbasaran, Westhead, Wright, & Flores, 2009). Rather, they have been found to persist after numerous failures as a result of being overly optimistic (de Meza & Southey, 1996). In addition to persisting after such setbacks, entrepreneurs learn from past failures applying that new knowledge to subsequent endeavors (Deakins & Freel, 1994).

According to schema theory, individuals' knowledge structures of an event are also shaped and altered by information received from an event's outcome (i.e. failure) (Isenberg, 1987). If an individual is unsuccessful at accomplishing a task, new information is added to the current schema they hold. In some instances, that new information provides new knowledge structures that are more accurate or effective for future recall (Mitchell & Chesteen, 1995).

If an entrepreneur perceives past failure as reflecting deficiencies in prices paid to suppliers or money received from customers, it is likely to influence what they think about future transaction costs. In most instances, the price structures along the supply chain are negotiated by the entrepreneur. Thus, previous entrepreneurial failure will likely alter an entrepreneur's schema about negotiation, making them more concerned about the value they receive in the negotiation. This argument leads to the following prediction.

*Hypothesis 13: Entrepreneurs who have experienced past venture failure will be higher on the personal outcomes dimension of negotiation schema than entrepreneurs who have not previously failed.*

## CHAPTER 4

### STUDY 1

This research utilized three studies to determine how entrepreneurs think when engaged in negotiation activities. Study 1 relied on in-depth interviews with entrepreneurs and utilized a qualitative data analysis to map the prime categories in entrepreneurs' cognitive schema. Building on information from those interviews, study 2 focused on the development of questions (to be utilized in study 3) that allowed us to determine the sub categories in the schema, and to test hypothesized relationships about the entrepreneurs' schema. Study 3 presented these questions to a sample of entrepreneurs as well as non-entrepreneurs in order to learn the entrepreneurs' total schema and to compare it to that of non-entrepreneurs. In this chapter, the methodologies, analysis, and results of study 1 are presented. The successive two chapters report those for studies 2 and 3 respectively.

#### **Schema Identification Methods**

The purpose of the first study was to inductively examine the cognitive representations that entrepreneurs have in negotiation-relevant activities. The primary goal was to delineate the entrepreneurs' schema: that is, to ascertain the broad categories of the issues and goals entrepreneurs think about when interacting with others in negotiation activities.

#### *Participants*

Participants in the qualitative study were entrepreneurs from two states in the Mid-western United States. Individuals were identified as entrepreneurs by an outside party and were asked about participating until 20 interviews were scheduled and



conducted. Participants were also verified by the interviewer, who made determinations about whether the interviewee fit the criteria of being an entrepreneur. Every individual who was contacted agreed to be interviewed. Of the 20 initially scheduled, two cancelled at the last minute. In order to reach the desired number, two additional interviews were scheduled and conducted. In all, 20 full interviews were completed, transcribed, and coded.

The sample represented a wide range of entrepreneurs from areas such as engineering, specialty retail, software development, consulting, marketing, construction, pharmaceuticals, property management, information technology, and several others.

#### *Procedure*

A semi-structured interview process was used to gather cognitive information from participants. In the interviews, I did not mention the word “negotiation,” because this term can trigger different meanings for individuals and therefore inadvertently narrow an individual’s thinking, or prime certain responses. Instead, entrepreneurs were told to consider various activities (that necessarily involve some negotiation), such as interactions with investors, suppliers, customers, landlords, employees, etc. Such a wide array of activities was mentioned in order to ascertain how entrepreneurs think, broadly, about negotiation-relevant activities. After such negotiation-relevant interactions were mentioned, the participants were asked a series of open-ended questions designed to detect their thought processes about negotiation activities. Examples of questions asked about these activities include: “Considering those interactions in which you are involved, what are the interactions generally like” and “When you are involved in those interactions, what do you tend to think about?” A full list of the questions used to elicit

that information is found in Appendix A. All interviews were audio recorded and later transcribed to be content analyzed.

Data from the qualitative interviews were used to verify the hypothesized dimensions within entrepreneurs' schema on negotiation, and to develop a questionnaire in study 2 that was used to test relationships about the schema.

### **Analysis**

The analysis for study 1 was a qualitative content analysis designed to analyze the data gathered through in-depth interviews. The 20 interviews lasted between 25-60 minutes (Mean = 38 minutes), and the transcription produced 94 single spaced pages of text (Mean = 4.7 pages per interview). In order to detect comments that were relevant to negotiation, a manual open coding technique (Berg, 1954) was used. Since a major contribution of this study is to identify entrepreneurs' schema (and sub-schema) about negotiation, the goal of the analyses was to pinpoint common themes as to how entrepreneurs cognitively process information regarding negotiation-relevant activities.

Following the techniques outlined by Creswell (2007), the transcripts were coded to detect the major themes that appeared in the content. An inductive approach to coding was used whereby each participant's statement or series of statements was conceptualized and labeled (Glaser & Strauss, 1967). Two raters coded all 20 interviews independently and a third coded 10 randomly selected interviews (they will be referred to as rater 1, rater 2, and rater 3, respectively). Once the first two raters had completed coding 10 interviews each, they compared and discussed their categories. Agreement was high between the two regarding presence of categories.

At that point, rater 1 had observed 18 themes, while rater two had observed 14. Of those categories, slight differences in labels were used, but the meaning was found to be essentially the same (i.e. Handling Emotions vs. Emotional Control). Where there was a disparity in numbers, the raters noted that the extra four categories identified by rater 1 resulted from his splitting several categories into two sub-categories (e.g. while rater 2 used just Ethics, rater 1 labeled the same statements either Ethics-honesty or Ethics-fairness). After raters 1 and 2 had come to a consensus, they coded the remaining 10 interviews. After another session of comparison was conducted, a similar process took place producing a total of 21 category labels.

Inter-rater reliability was checked by comparing the presence of a single category within each interview. Agreement was found in 17 of 20 cases for an inter-rater agreement of 85%. Once the first two raters were finished coding, a third independent rater coded the 10 transcripts chosen at random. It should be noted that raters 1 and 2 each had knowledge of the hypotheses, and therefore could have been biased, finding what they were looking for. Rater 3 was utilized to control for this possible bias, and was given no information of the study. In her coding, rater 3 identified and labeled all the categories found by the first two (albeit with slightly different label names).

## **Results**

The major goal of study 1 was to uncover the structure of schemas entrepreneurs have about negotiation. To accomplish this, the categories (and subcategories) that were detected during content analysis were grouped into like-themed categories.

Turning to the hypotheses, hypotheses 1-4 relied on the entrepreneurship and negotiation literatures, as well as social cognition (Bandura, 1988) and information

processing (Salancik & Pfeffer, 1978) theories to predict the major components of an entrepreneurs' schema on negotiation. Hypothesis 1 posited that an entrepreneur's schema regarding negotiation activities would include a focus on extracting personal outcomes from the exchange. As can be noted in Table 3, all three raters observed statements pertaining to personal outcomes in the interviews. One example of such a focus came when an interviewee was discussing what he hopes to achieve from an interaction with a vendor: "Well if you really want to break it down to the chase, without sugar coating it, is to get what you want." Regular statements such as this provide evidence of a personal outcomes schema category and support for hypothesis 1. As Table 3 indicates, rater 1 detected statements conceptualized in the personal outcomes category in 20 of 20 interviews; rater 2 also detected it in 20; and rater 3 identified it in 10 of 10 of her interviews.

As described in chapter 2, entrepreneurs are reported in the literature to rely heavily on entrepreneurial networks and social relationships to remain sustainable. This being the case, hypothesis 2 predicted that an entrepreneur's schema on negotiation would include a dimension on relationships. In every interview transcript, a relationship component of the entrepreneurs' cognitions was detected, providing support for hypothesis 2. An example: one respondent, while talking about negotiating with a customer said "So you're not just talking about the facts and the price, but about building a relationship with them and talking about goals." As can be seen in Table 3, rater 1 found relationships to be mentioned in all 20 interviews, rater 2 detected it in 20, and rater 3 found it in all 10 she coded.

With entrepreneurial passion being central in the entrepreneurship literature, an element of emotional control was expected and hypothesized (hypothesis 3) to emerge in the entrepreneurs' schema. A good example came when one entrepreneur was discussing successful and challenging exchanges and said "That is when it is important to listen to what he is saying and try to get beyond the sheer emotion. I think one of the most important things to do, and the mistakes I've made, is that I've allowed my frustrations and anger to get the better of me in a given situation. I see nothing wrong with being forceful and showing some anger if it suits the situation to advance a position. Getting angry, and responding with anger, doesn't necessarily advance the situation, but it might. What I want to do is try to figure out what is really behind what I'm hearing, because often times I'll hear stuff said that isn't really the problem, but the frustration."

As Table 3 indicates, rater 1 observed elements of emotion in all 20 cases, while rater 2 found them in 18. Rater 3 detected emotion elements in all 10 cases she observed. These results strongly suggest that emotion is a common cognition in the majority of entrepreneurs' schema on negotiation. Thus, hypothesis 3, like hypothesis 1 and 2 was supported.

Hypothesis 4 predicted that the entrepreneurs would have an element of risk taking included in their negotiation schema, and this proved to be the case. As Table 3 illustrates, rater 1 identified risk taking in 18 of 20 interviews and rater 2 observed it in 16. Rater 3 found risk taking to be present in all 10 interviews, and this concordance suggests that risk taking is an important cognition entrepreneurs have regarding negotiation situations. For example, while discussing his strategy for making an offer to a supplier, one entrepreneur mentioned that he "did not want to miss the opportunity of

getting the right amount of money, or risk losing the project all together.” In sum, hypothesis 4 was supported.

Table 3

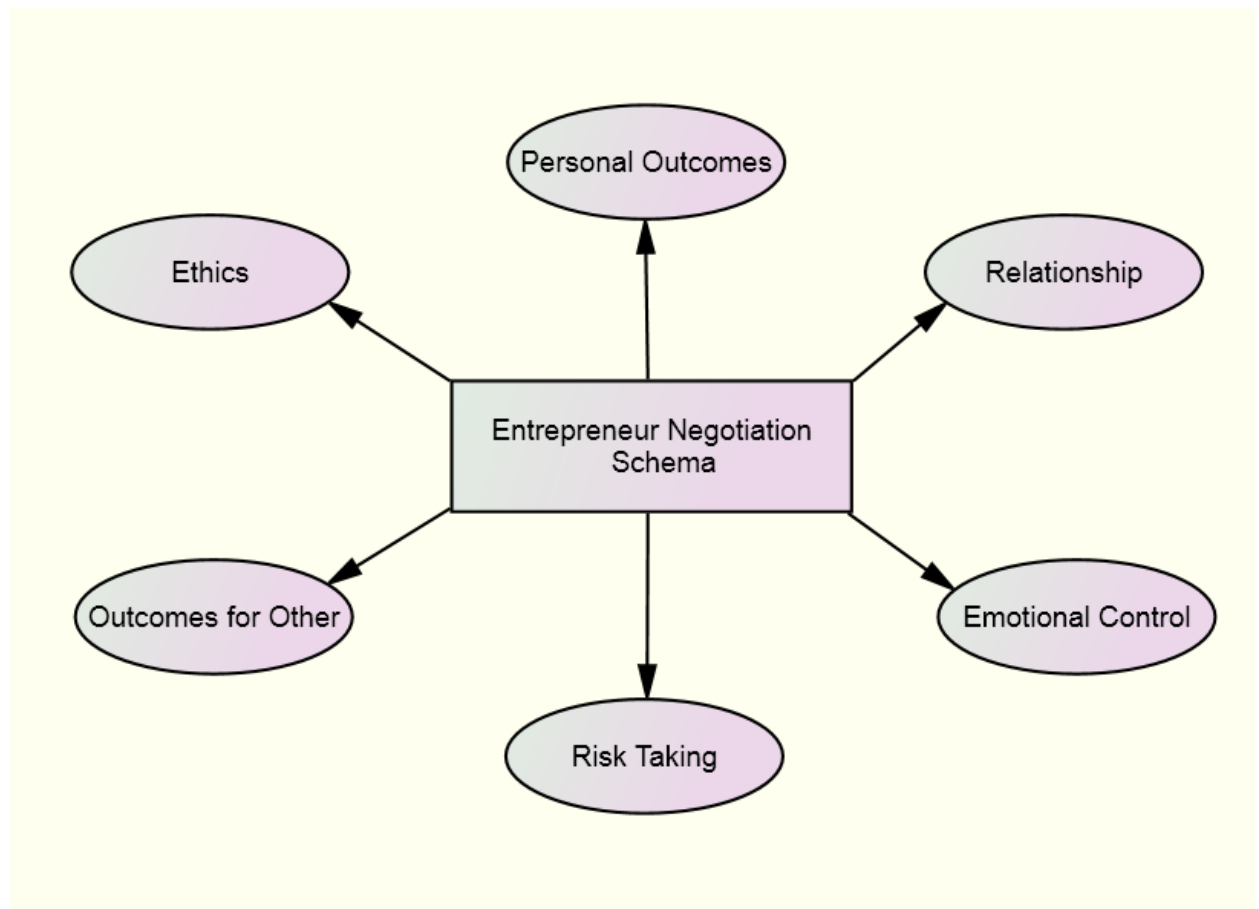
*Content Analysis Statistics from Independent Raters*

<b>Schema Category</b>	<b>Rater 1</b>	<b>Rater 2</b>	<b>Rater 3</b>
	Number of Cases Observed (Out of 20)	Number of Cases Observed (Out of 20)	Number of Cases Observed (Out of 10)
Personal Outcomes	20	20	10
Relationships	20	20	10
Emotional Control	20	18	10
Risk Taking	18	16	10
Outcomes for Others	20	20	10
Ethics	20	19	10

In addition to the aforementioned categories, two other major categories emerged from the analysis: *outcomes for others* and *ethics*. The outcomes for others category can be characterized by the entrepreneurs’ desire to ensure the negotiation is worthwhile for the other party. As Table 3 indicates, in every case, all three raters identified an outcome for other category in the interviews. An example of such recognition came from an entrepreneur who said “If I have a supplier, I need to recognize his need to be able to sell me something at a profit.” Another owner said “I tend to not want to make any enemies. I want to make them as happy as I can.” Ethics was found almost as often, with rater 2 being the only one not to observe it every time, but did label it in 19. This category became obvious by the concern that interviewees indicated about fairness and honesty of

their own behaviors and those of the negotiation partner. One entrepreneur was telling a story about a time when he could have made a much higher demand, but stated “that doesn’t fit my personality, because I think it would be a lie.”

Having detected these six schema categories (delineated in Figure 1) the goal now was to uncover the (sub) components in each category. To this end, study 2 was designed to develop a questionnaire, and study 3 utilized it.



**Figure 1**  
**Conceptual Model of Basic Entrepreneur Negotiation Schema**

## CHAPTER 5

### STUDY 2

#### Questionnaire Development

In study 1, the main structure of entrepreneurs' schema on negotiation was uncovered. The purpose of study 2 was to craft a questionnaire that would enable me to quantitatively determine the subcategories for each category in this schema; for example, to determine the subcategories for the broad category "relationship."

To this end, the transcripts from the interviews were attentively studied so as to translate the entrepreneurs' thoughts into specific statements that a second set of entrepreneurs could respond to. For each category, all statements indicating that category were read to determine its meaning, context, and motivation. Approaching each main category this way, I, along with my dissertation advisor, developed representative statements that encompassed the various facets of each category. When doing so, we attempted to be as broad as possible so as to capture the true nature, variety, etc. of the entrepreneur's concerns. For example, when discussing relationships, several entrepreneurs emphasized the importance of developing trusting relationships with others using comments such as "... when I say that, sometimes they are disappointed, but they may also see it as an opportunity to solidify the relationship" and "It's a lot harder for me to get new customers, so I try to make any particular interaction with someone to be a long-term relationship." Thus, one statement generated from those comments was: *I strive to get the other person to trust me* (And the question was, "To what extent do you agree with this statement?"). Additionally, a number of entrepreneurs spoke to the importance (i.e. personal outcome) of keeping negotiations brief, because they were so



busy doing other things. For comments such as those, an item was crafted that stated: *I focus on reaching an agreement quickly because my time is so limited* (And respondents were asked to what extent they agree with this statement).

In addition to utilizing this systematic approach, I reviewed the relevant literatures in order to find relevant sub-topics of the categories in the schema. Within these literatures, existing constructs were partially adapted for purposes here. Some studies from which statements were drawn include: Brett & Okumura (1998); Brett et al. (1998); Goldberg et al. (2006); Goleman (1995); Pruitt (1983); Thomas (1976).

As a result of our evaluations and use of the negotiation literature we generated between 15 and 25 statements for each of the six categories, for a total of 75 items. A small sample of the statements includes:

#### *Personal Outcomes*

- I would rather win than end up compromising
- I am mainly focused on an agreement that is good for me

#### *Relationship*

- I try to build a relationship with the other person
- I strive to foster harmony in a negotiation

#### *Emotional Control*

- I try to understand how the other person is feeling
- I am always aware of my feelings while negotiating

#### *Risk Taking*

- Negotiations are not as risky as they seem
- It pays to take risks in a negotiation

### *Outcomes for Others*

- I want the other party to enhance his or her self-interests in our negotiation
- I try to help others avoid losing face in a negotiation

### *Ethics*

- It is unacceptable to misrepresent my own payoffs
- It is OK to lie if I know I'm being lied to

Following recommended practice (DeVellis, 2003); a panel of PhD students was then utilized to refine the statements. The objective of this phase was to improve the quality and clarity of the statements to be used for quantitatively measuring aspects of entrepreneurs' schema. Panel participants were recruited from accountancy, finance, management, and marketing PhD programs of a large Midwest research university.

These individuals were asked to thoughtfully analyze each statement and provide feedback about its quality and how appropriately it represented the relevant main categories. In addition to providing evaluation of the statements, the experts were also asked to suggest relevant topics that may not be tapped by the current statements. Their responses resulted in 11 amended statements, 13 that were removed, and five added, leaving a total of 67 statements on the questionnaire.

The next step to improve the statements and the overall questionnaire further, was a pilot test. To accomplish this, statements were once again amended, removed, or added to better encompass the desired meaning. The objective was to determine the reliability and other psychometric properties of the questionnaire. A sample from three upper-level business courses in a large Midwest university was used. Students attending

class on the day data was collected were asked to participate by responding to the questionnaire. Of the 92 students who attended, 81 completed the instrument for a response rate of 88 percent.

To determine the quality of questions and their representativeness of the schema dimensions, an exploratory factor analysis (EFA) was conducted to examine the factor structure. The EFA produced 10 factors that had Eigenvalues greater than 2. For a couple of reasons, the number of factors was not the main focus for the analysis in this study. One, the sample was not from the same population to be used for hypothesis testing, so they are expected to potentially have different characteristics. Also, the relatively small sample of 81 students makes it difficult for accurate factors to emerge. Rather, the purpose was to evaluate items in order to further refine the survey to be used in study 3.

With this in mind, items were analyzed to determine whether they tend to correlate with like-items, cross-load across categories, or if they failed to load with any others. Items with poor factor loadings or that had high cross-loadings were then removed, unless a strong theoretical argument could be found to keep the item. In a couple instances, when items loaded only slightly with other items with which they were intended to group, additional questions were added in order to accurately and reliably encompass a schema category or subcategory. As a result of this analysis, 12 questions were removed and an additional 6 were included on the final questionnaire, which appears in Appendix B.

## CHAPTER 6

### STUDY 3

The purpose of study 3 was to obtain entrepreneur's and non-entrepreneur's responses to the statements developed in study 2 – to determine how much they agreed with each of the statements crafted there. These responses allowed for the identification of sub categories for each of the six main categories and for tests of hypothesis 5 – hypothesis 13.

#### *Participants*

Participants were entrepreneurs/small business owners and non-entrepreneurs from the United States. To generate an acceptable level of generalizability, participants were identified through multiple approaches. One approach involved contacting various Rotary Club organizations in a Midwestern state, to access various small, medium, and large business owners as well as business people who were not entrepreneurs. The second approach involved sampling entrepreneurs associated with an innovation incubator. A third approach involved contacting entrepreneurs and non-entrepreneurs whose companies had received consulting from an MBA program at a large Midwestern university.

*Approach I:* Rotary presidents from five rotary clubs were contacted, informed of the study, and asked for club participation. All five presidents permitted the survey to be administered at their weekly meeting.

At the beginning of each meeting, I was introduced by the rotary president and was given an opportunity to give a short description of the study. Participants were then asked to complete and return the surveys to me. In addition to paper surveys

administered at the meeting, an e-mail was sent to rotary members with a link to an identical electronic questionnaire. This procedure was used in order to reach rotary members not in attendance that day, or who did not have time to complete the survey on site.

Table 4

*Sample and Response Statistics*

	<b>Approach 1 (Rotary Clubs)</b>	<b>Approach 2 (Incubator)</b>	<b>Approach 3 (Consulting)</b>	<b>Total</b>
Number Solicited	568	86	58	712
Number Responding	282	43	34	359
% Rate	50%	50%	59%	50%

As shown in Table 4 rotary members produced a sample of 282 participants, of whom 94 were entrepreneurs and 188 were non-entrepreneurs. Of those, 177 were Male (75 entrepreneurs; 102 non-entrepreneurs) and 105 were female (19 entrepreneurs; 86 non-entrepreneurs). The average age of rotary members participating in the study was 51 years.

*Approach II:* To increase the diversity of participants and industries, a second approach was to submit the questionnaire to participants associated with an incubator at a major research university in the Midwest. Participants accessed with this approach were associated with the incubator, but were located in all regions of the United States.

The director of the incubator sent an e-mail out to all entrepreneurs who had previously worked in or with the center and it asked the entrepreneurs to participate and included a link to the electronic survey.

Eighty-six entrepreneurs associated with the incubator were sent e-mail questionnaires and requests for their participation. Of these, 43 completed the survey, for a response rate of 50 percent (Table 4).

*Approach III:* A third approach used a sample of entrepreneurs and business managers who had received consulting in the past three years from students in a consulting seminar in a Midwestern MBA program.

The instructor of the consulting course sent e-mails to all participants of the program over the past six semesters with a brief description of the study, asking them to participate in the electronic survey. A total of 58 individuals were contacted and 34 completed the survey for a response rate of 56 percent (Table 4). This data included responses from 33 entrepreneurs and one non-entrepreneur. Twenty-five of the 34 were male and nine were female. Average age was 50 years and all respondents had college degrees.

As depicted in Table 4, 712 individuals received either a paper questionnaire or an e-mail with a link to the electronic survey. Of those, 359 completed and returned it, making for an overall response rate of 50.4 %. From the total sample (n = 359), 170 of participants were entrepreneurs or small business owners, while 189 were non-entrepreneurs. The average age of all respondents was 46 years (Entrepreneurs = 45; Non-entrepreneurs = 47). There were 242 male respondents (67 %) and of those 139 (57 %) were entrepreneurs. There were 117 female respondents (33 %) of whom 31 (26 %) were entrepreneurs or small business owners. Within the overall sample, 322 participants had college degrees (Entrepreneurs = 152; Non-entrepreneurs = 170).

### *Procedure*

Prior to soliciting participants for the study, I obtained approval from the Campus Institutional Review Board (IRB) to conduct this research. Upon approval, data collection began by attending weekly rotary meetings. Participants were asked to consider activities in which they likely engage that involve negotiation, such as those with business partners, employees, landlords, suppliers, buyers, etc. While considering those interactions, they were asked to complete the questionnaire and return it to the researcher. Sample statements from the survey are: *I want the other party to enhance his or her self-interest in our negotiation* and *I am mainly focused on an agreement that is good for me*. The participants were asked to indicate the extent to which they personally agreed with these orientations when engaged in negotiation activities by responding on a 7-point Likert scale in which 1 = strongly disagree and 7 = strongly agree. (A full list of statements can be found in Appendix B).

### **Measures**

#### *Dependent Variables*

*Personal Outcomes*. This schema category was measured using 12 statements with a 7-point Likert scale depicting the extent to which entrepreneurs think about achieving outcomes that will directly benefit themselves in negotiation-relevant activities. As noted earlier, the statements were crafted from information obtained during in-depth interviews with entrepreneurs, as well as relevant constructs from the negotiation literature (e.g. Brett et al., 1998; Thomas, 1976). Sample questions from this schema dimension are “I would rather win than end up compromising” and “I don’t focus on coming out victorious in my negotiations (reverse code)”

*Relationship.* This schema dimension was explored using 10 statements with a 7-point Likert scale describing the extent to which entrepreneurs think about building relationships when engaging in negotiation-relevant activities. Sample statements for this dimension are “I try to build a relationship with the other party” and “I always strive to preserve relationships in a negotiation”

*Emotional Control.* This category – that describes the extent to which entrepreneurs think about the expression and control of their own and the other party’s emotions – was measured using seven questions on a 7-point Likert scale. Statements were drawn from the entrepreneurs’ conversation as well as adapted from other relevant scales of emotion (e.g. Goldberg et al., 2006; Goleman, 1995). Sample statements for this category are “I always try to put myself in the other person’s shoes while negotiating” and “I seldom get emotional when negotiating”

*Risk Taking.* This schema category was measured with participant responses to 10 statements on a 7-point Likert scale designed to determine how entrepreneurs cognitively process uncertainty and risk taking in regard to negotiation-relevant activities. Sample statements for this category are “It is best to play it safe in a negotiation (reverse code)” and “There is a lot of uncertainty involved in negotiations”

*Outcome for Others.* There were eight statements used to measure this category, which represents cognitive processes that focus on outcomes another party will receive in the negotiation. These items too were developed from information gathered in interviews as well as negotiation literature (e.g. Brett, Shapiro, & Lytle, 1998; Pruitt, 1983; Thomas, 1976). Sample statements from this schema category are “I want the other party to



enhance his or her self-interests in the negotiation” and “It is not necessary to make the other party happy” – (reverse code).

*Ethics.* This cognition dimension intended to quantify how entrepreneurs think regarding ethics within negotiation activities was measured using nine 7-point Likert statements. Sample statements for this dimension are “It is not appropriate to misrepresent what I am willing to accept” and “It is OK to lie if I know I am being lied to (reverse code)”

*Schema Complexity.* Schema complexity refers to the number of categories and sub-categories that exist within the entrepreneurs’ schema about negotiation, and was measured to test differences between groups. Complexity was measured by examining the number of factors (i.e. subcategories) that emerge when an exploratory factor analysis (EFA) is conducted for items on the negotiation schema questionnaire.

### ***Independent Variables***

*Entrepreneurial Status.* This dichotomous independent variable depicts whether the individual is an entrepreneur/small business owner or a non-entrepreneur. This self-report measure asked participants if they are an entrepreneur or small business owners: yes or no?

*Entrepreneur Experience.* Participants were asked to indicate the number of years they had owned their current business. Those falling below the average value were categorized as low experience, while those above the average (mean) were classified as high experience.

*Past Venture Failure.* This dichotomous independent variable illustrates whether an entrepreneur has ever had a venture they started/were a part of starting fail.

Participants were asked to answer whether (yes or no) they have ever had an entrepreneurial venture fail.

### **Analysis and Results**

To test the accuracy of the six dimension entrepreneur negotiation schema – found in study 1 – a confirmatory factor analysis (CFA) was used. To determine how well the data fit the model, a CFA model of the six unobserved variables (i.e. schema dimensions) was tested. Confirmatory factor analysis of the data was conducted using AMOS. Results from this analysis indicated an acceptable, but not perfect, level of fit: RMSEA = .072; CFI = .639; RFI = .517; and IFI = .643. This finding can be expected, but provides evidence that the six main schema structures do exist for entrepreneurs. However, the less than perfect fit is worth investigating further.

It is common for cognition researchers to identify not only main categories within a schema, but also to uncover underlying knowledge structures (or subcategories) within them. To examine whether this is true here, exploratory factor analysis (EFA) was used to determine if such subcategories exist. In order to do this, an EFA was conducted for each main category, which allowed for determining whether a category is unidimensional or whether it is comprised of multiple dimensions. Unrestricted principal component factor analyses with varimax rotation revealed that the responses to the statements representing the personal outcomes category loaded onto 3 factors, those from the relationship, emotional control, and risk taking loaded on 2 factors, and the outcomes for others and ethics items loaded onto 1 factor each. A closer look at these underlying factors (or subcategories) will be examined shortly. In addition to revealing the structure of the sub-factors of the entrepreneurs' schema on negotiation, the factor analysis also

served to determine possible cross-loadings among the schema categories; that is, a subcategory that crossed various prime categories. Results confirmed partial cross-loadings of certain categories.

### *Personal Outcomes*

The unrestricted principle component factor analysis with varimax rotation on the entrepreneurs' responses to personal outcomes statements produced 3 factors with Eigenvalues greater than 1.0. Examination of different factors provided a clear picture of the underlying knowledge structures that make up entrepreneurs' thinking about negotiation. As is illustrated in Table 5, the factor explaining the most variance deals with issues pertaining to time and being efficient. This finding suggests that core to an entrepreneurs' thinking is their desire for efficiency while engaged in negotiation activities. This is also consistent with the fact that time is a scarce resource for many entrepreneurs and business owners. In many entrepreneurial firms, founders may take on additional tasks that might typically be delegated, thus leaving them less time for those numerous roles. With this in mind, it makes reasonable sense that time is salient to entrepreneurs when negotiating with another.

Another clear sub-component of this category was comprised of responses to the statements indicating desire to bargain integratively. The three statements loading on this factor all spoke to the importance of creating a mutually satisfactory agreement.

The third subcategory within the personal outcomes category can be characterized by an emphasis on winning or gaining personal value in a negotiation. Results from the EFA illustrating the three subcategories of the personal outcomes schema are shown in Table 5.

Table 5

*EFA of Entrepreneurs' Personal Outcomes Schema*

	<b>Efficiency</b>	<b>Integrative</b>	<b>Self Winning</b>
<b><i>Efficiency Statements</i></b>			
I focus on reaching an agreement quickly because my time is so limited	<b>0.856</b>	-0.058	0.123
Time is of essence in a negotiation	<b>0.856</b>	-0.017	0.032
I try to make the negotiation process quick	<b>0.841</b>	0.055	0.066
My main focus is to not waste time while negotiating	<b>0.784</b>	-0.019	0.162
I want the negotiation to be efficient - not a waste of time	<b>0.693</b>	0.168	0.054
<b><i>Integrative Statements</i></b>			
I look for a mutually satisfactory solution	0.015	<b>0.857</b>	-0.126
I want both parties to feel like they've won	-0.055	<b>0.835</b>	0.009
I want the negotiation to end in a win-win	0.16	<b>0.777</b>	-0.118
<b><i>Self Winning Statements</i></b>			
I always focus on winning in a negotiation	0.171	0.027	<b>0.752</b>
I don't focus on coming out victorious in my negotiations	0.065	-0.026	<b>-0.707</b>
I am mainly focused on an agreement that is good for me	0.138	-0.266	<b>0.699</b>
I would rather win than end up compromising	0.119	-0.096	<b>0.637</b>
Eigenvalue	3.59	2.44	1.53
Variance explained	29.88	20.30	12.78
Alpha	0.87	0.78	0.67

*Relationship*

An EFA of entrepreneurs' responses to questions pertaining to the relationship category revealed a 2-factor model. The first subcategory explained the majority of the variance, with seven questions loading on it, while two items loaded on the second factor,

and a single item failed to load on either. The subcategory labeled positive relationship in Table 6 is a relatively broad category that seems to entail steps to establish and maintain positive relationships. This description is consistent with the entrepreneurship literature, and the theoretical argument used to predict a relationship schema category in hypothesis 2. High responses on the questions making up this dimension would result if an entrepreneur cognitively thinks about constructing entrepreneurial networks while engaged in negotiation. The two statement factor within the relationship schema can be characterized by the entrepreneur's focus on getting the other person to like them. Interestingly, while the nature of the questions could suggest ways to possibly establish a relationship, they are clearly oriented toward an affective component of the negotiation partner.

Table 6

*EFA of Entrepreneurs' Relationship Schema*

	<b>Positive Relationship</b>	<b>Other Likes Me</b>
<b><i>Positive Relationship Statements</i></b>		
I strive to get the other person to trust me	<b>0.793</b>	-0.038
I always attempt to establish a cooperative relationship	<b>0.770</b>	-0.144
I strive to foster harmony in a negotiation	<b>0.762</b>	-0.035
I am focused on furthering a long-term relationship	<b>0.714</b>	-0.317
I always strive to preserve relationships in a negotiation	<b>0.708</b>	-0.277
I want to develop a relationship where people openly share information	<b>0.664</b>	-0.097
I try to build a relationship with the other person	<b>0.610</b>	-0.361
I always focus on establishing a trusting relationship	<b>0.607</b>	-0.181
<b><i>Other Likes Me Statements</i></b>		
I don't stress about getting the other person to like me while negotiating	-0.032	<b>0.845</b>
I don't care whether the other person likes me	-0.262	<b>0.754</b>
Eigenvalue	4.57	1.15
Variance explained	45.65	11.54
Alpha	0.87	0.55

*Emotional Control*

An analysis of the responses to the statements representing the emotional control dimension of entrepreneurs' schema produced a 2-factor model with three questions loading on each factor and two not loading on either. Table 7 displays factor loadings from the EFA. Combining these factors for an explanation of the two sub-categories reveals

that questions pertaining to the first involve an understanding of self and others' emotions during the negotiation. Observing the other subcategory reveals a focus on handling the emotions. These two sub-categories are consistent with literature on emotional intelligence, which delineates one's awareness of and ability to control self and others' emotions. In the review in chapter 2, the important role of entrepreneur passion was articulated. Because entrepreneurs often pursue ventures to follow a calling, they tend to be passionate about the undertaking. Many small business owners also have a lot personally invested in these entrepreneurial ventures, and therefore associate themselves more closely with the business. In fact, one business owner was describing a negotiation with a supplier and stated "I don't believe the saying 'well it's just business.' I believe what I do as a business is a direct correlation of who I am as a person." To her, and likely many other entrepreneurs, business is personal and something she is passionate about. With that in mind, it might be difficult to refrain from expressing those felt emotions when negotiating. A strong emphasis on these schema dimensions would likely mean the entrepreneur has an understanding of emotions within the negotiation, while also handling them through either expression or refrain.

Table 7

*EFA of Entrepreneurs' Emotional Control Schema*

	<b>Understand</b>	<b>Handle</b>
<b><i>Understand Statements</i></b>		
I try to understand how the other person is feeling	<b>0.868</b>	-0.080
I always try to put myself in the other person's shoes while negotiating	<b>0.769</b>	-0.099
I don't attempt to understand the other person's emotions in the negotiation	<b>-0.753</b>	0.161
<b><i>Handle Statements</i></b>		
I am not very good at handling my emotions in negotiation settings	-0.111	<b>0.838</b>
I am not very good at handling the other person's emotions in a negotiation	-0.099	<b>0.757</b>
I seldom get emotional when negotiating	0.106	<b>-0.692</b>
Eigenvalue	2.474	1.393
Variance explained	35.34	19.91
Alpha	0.74	0.66

*Risk Taking*

An analysis of questions corresponding with the risk taking schema category produced a 2-factor model with four questions loading on each factor and three items not loading on either. Table 8 displays factor loadings from the EFA. Exploration of the questions corresponding to the two sub-categories brings out two distinctly important elements pertaining to risk. The first set of questions can be characterized by an approval of risk taking behavior in the course of a negotiation. A second subcategory suggests a separate knowledge structure concerning how much risk exists in a bargaining situation. These unique classifications make intuitive sense, as does the idea that a strong emphasis



on one does not necessitate an application on the other. For example, a risk-averse individual may be high on the questions about risk being present in negotiation, but is likely to be low on the other subcategory. This is also consistent with existing entrepreneur cognition research which has found entrepreneurs to perceive risky undertaking differently than others, while also pursuing entrepreneurial activities that are often perceived as carrying risk.

Table 8

*EFA of Entrepreneurs' Risk Taking Schema*

	<b>Accept Risk</b>	<b>Risk Exists</b>
<b><i>Accept Risk Statements</i></b>		
It is best to play it safe in a negotiation	<b>0.764</b>	0.064
I try not to take risks when negotiating	<b>0.749</b>	-0.121
I am conservative in negotiations - that's the smart way to play it	<b>0.731</b>	0.149
Today, people take too many risks when negotiating	<b>0.706</b>	0.149
It pays to take risks in a negotiation	<b>-0.551</b>	0.363
<b><i>Risk Exists Statements</i></b>		
You can expect risk in negotiations	-0.034	<b>0.787</b>
Risk taking is a prevalent element in negotiations	-0.170	<b>0.695</b>
There is a lot of uncertainty involved in negotiations	0.298	<b>0.671</b>
Negotiations are seldom a sure thing	-0.043	<b>0.565</b>
Negotiations are not as risky as they seem	-0.096	<b>-0.448</b>
Eigenvalue	2.62	2.26
Variance explained	26.17	22.60
Alpha	0.75	0.64

### *Outcomes for Others*

The analysis of entrepreneurs' responses to questions associated with a focus on outcomes for others determined that one factor explained all the variance in the model. One question designed to represent this schema had a factor loading lower than .4 and was thus removed. Factor loadings from the EFA are shown in Table 9. An important piece of this finding is that this one factor schema category forms the core of the factor from the overall EFA that shared several subcategories.

Table 9

#### *EFA of Entrepreneurs' Outcomes for Other Schema*

	<b>Outcomes for Other</b>
I want the negotiation to be worthwhile for the other party	<b>0.813</b>
I am concerned for the other party's financial well being	<b>0.805</b>
I want the other party to be satisfied with the negotiation	<b>0.786</b>
It is not necessary to satisfy the other party's needs	<b>-0.734</b>
I try to help others avoid losing face in a negotiation	<b>0.682</b>
It is not necessary to make the other party happy	<b>-0.636</b>
I want the other party to enhance his or her self-interest in our negotiation	<b>0.470</b>
Eigenvalue	3.58
Variance explained	44.77
Alpha	0.81

### *Ethics*

The results from factor analyzing the responses to the statements in the ethics dimension also revealed a single factor model with all responses loading on the factor. Table 10 shows the factor loadings for this schema. Combined with findings from the

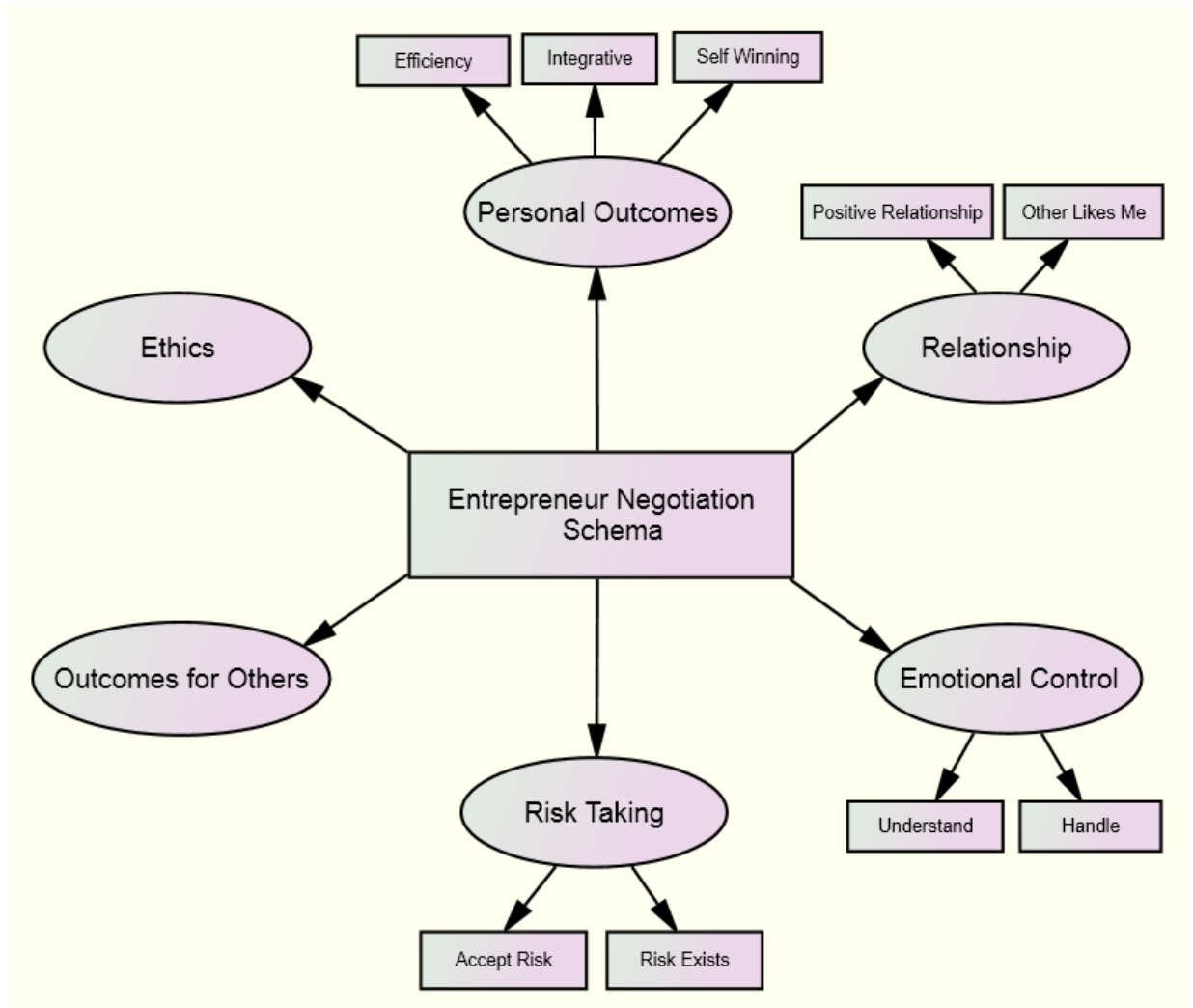
content analysis, which revealed that ethics are salient for entrepreneurs engaged in negotiation, these results suggest that ethics are considered by entrepreneurs, but that their thoughts about this topic are not multi-faceted or complex.

Table 10

*EFA of Entrepreneurs' Ethics Schema*

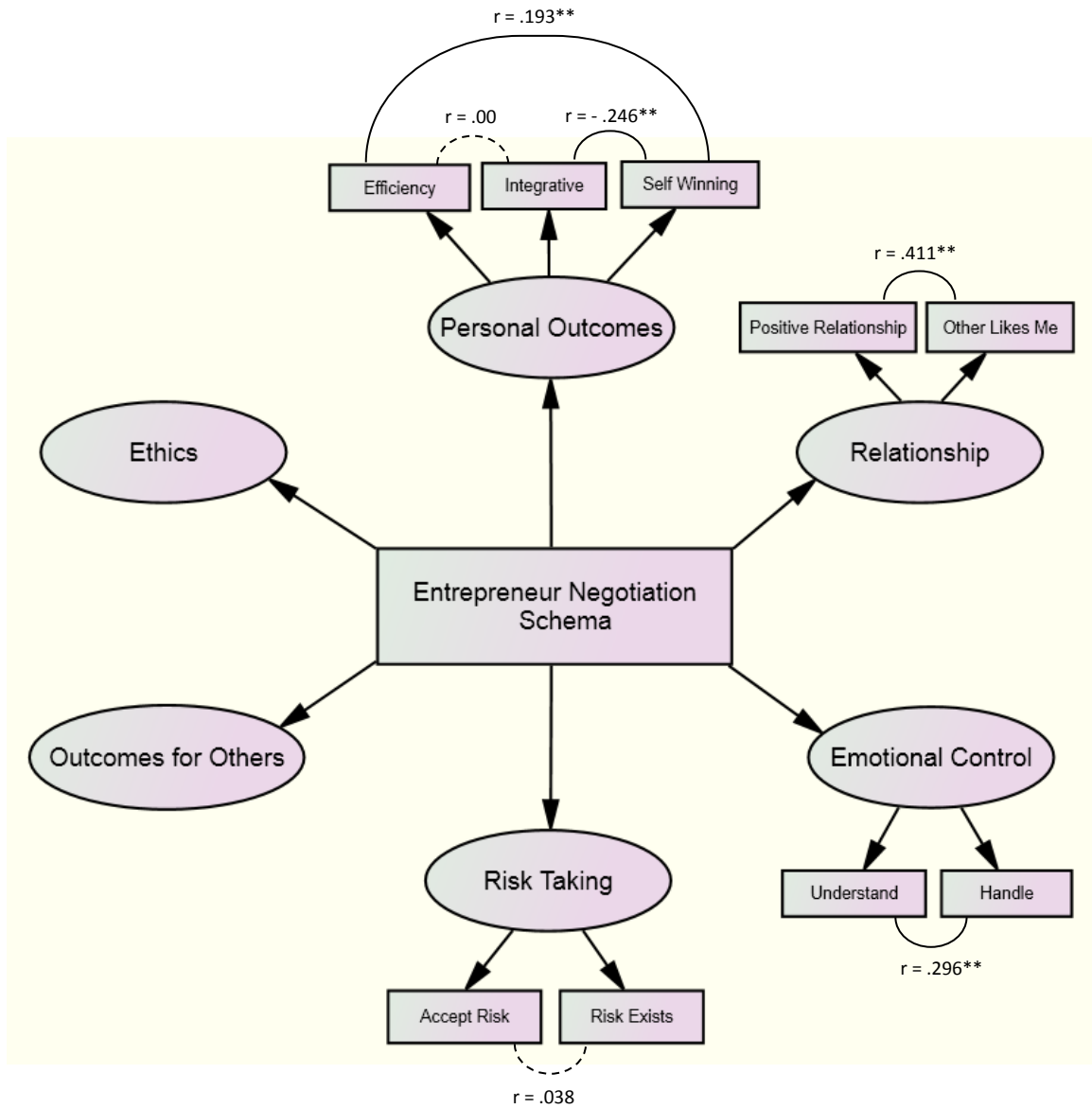
	<b>Ethics</b>
Telling the exact truth is always necessary	<b>0.769</b>
It is acceptable to exaggerate the risks to me in a negotiation	<b>-0.698</b>
It is unacceptable to misrepresent my own payoffs	<b>0.657</b>
Misrepresentation is to be expected in a negotiation	<b>-0.640</b>
It is not appropriate to misrepresent what I am willing to accept	<b>0.594</b>
It is appropriate to threaten to walk away when I know I won't	<b>-0.550</b>
I always try to get what's best for all parties	<b>0.543</b>
It is OK to lie if I know I am being lied to	<b>-0.532</b>
It is inappropriate to use the other person to get what I need in a negotiation	<b>0.511</b>
Eigenvalue	3.42
Variance explained	37.94
Alpha	0.84

The Tables above (5-10) indicate how items loaded within each central category. Those factors can be conceptualized as subcategories for the primary categories of the entrepreneurs' schema on negotiation. A graphical representation of the more precise conceptualized schema is presented in Figure 2.



**Figure 2**  
**Precise Conceptual Model of Entrepreneurs' Negotiation Schema**

It is also important to understand how the subcategories within a major dimension are correlated. In order to interpret the meaning of a category weighting, knowing how the underlying factors correlate is useful. In Figure 3, correlations between and among subcategories are provided. Significant correlations are indicated by a solid arched line while non-significant correlations are designated by dashes.

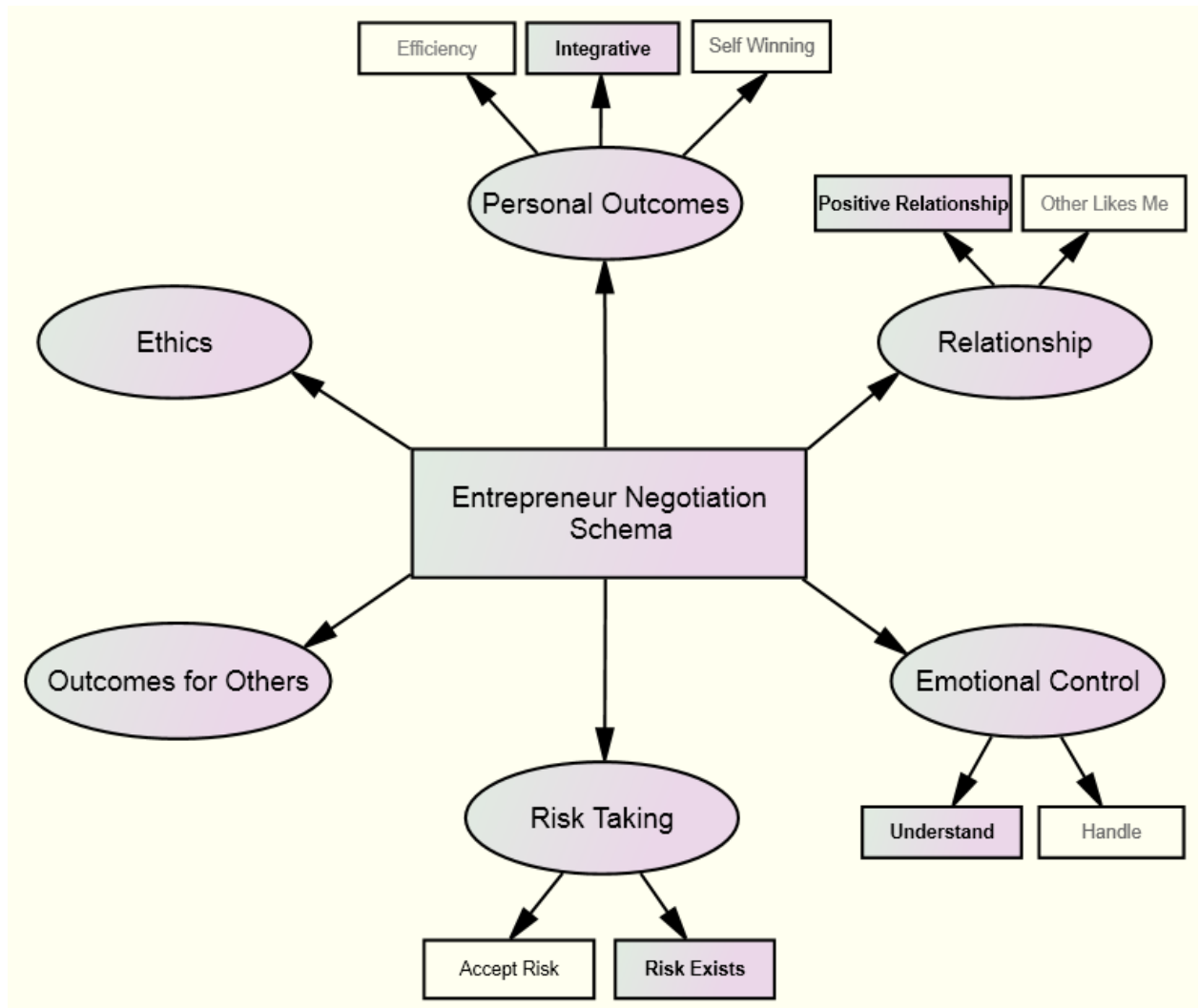


**Figure 3**  
**Entrepreneurs' Negotiation Schema Subcategory Correlations**

### ***Relative Importance of Subcategories***

Having determined the subcategories, I conducted a test to establish which of these were most important in each of the categories. Specifically, I averaged the participants' responses to all the questions in each subcategory (e.g. those of efficiency, self-winning and integrative in the personal outcomes category) and conducted a paired samples *t*-test to determine if there were significant differences for the averages. Results of this test are illustrated in Figure 3, whereby the most prominent subcategory is bolded (e.g. positive relationship scored significantly higher than other likes me in the relationship category).

An examination of the results comparing entrepreneurs' subcategories proved interesting. In the personal outcomes domain, one might expect the self winning and efficiency subcategories to be rated higher than the integrative one. Such a finding is suggested in the negotiation literature, and shows a higher concern for self than for social utility in business contexts (Loewenstein, Thompson, & Bazerman, 1989). Results here however, provide evidence that for entrepreneurs, such an egoistic orientation is not the norm. The analysis determined that entrepreneurs' answers to questions concerning mutually beneficial outcomes ( $M = 5.85$ ,  $SD = 0.82$ ) were significantly higher than their answers to questions about winning personal value ( $M = 3.93$ ,  $SD = 1.00$ ),  $t(169) = 17.75$ ,  $p < .001$  and higher than negotiation efficiency ( $M = 4.45$ ,  $SD = 1.24$ ),  $t(169) = 12.56$ ,  $p < .001$ . Entrepreneur responses about the efficiency subcategory were also found to be statistically greater than self winning,  $t(169) = 4.78$ ,  $p < .001$ .



**Figure 4**

**Entrepreneurs' Negotiation Schema Subcategory Comparison**

According to mean comparisons of the two relationship subcategories, entrepreneurs are more concerned for building positive relationships with others ( $M = 5.79$ ,  $SD = .67$ ) than they are in getting the others to like them ( $M = 3.94$ ,  $SD = 1.20$ ),  $t(169) = 21.90$ ,  $p < .001$ . At first, this seems counterintuitive. Since entrepreneurs have a stronger desire for integrative bargaining, getting others to like them may also seem fundamental. However, further reflection leads to the conclusion that the positive

relationship subcategory was more about what the responder can do to help a relationship, whereas the other subcategory (i.e. other likes me) implies a level of mutual liking indicative of an equality of affective investment.

Results from the paired samples *t*-test for the emotional control subcategories revealed that entrepreneurs tend to emphasize understanding ( $M = 5.44$ ,  $SD = .80$ ) self and others' emotions more than they do the handling ( $M = 4.94$ ,  $SD = 1.06$ ) of those emotions,  $t(169) = 5.79$ ,  $p < .001$ . This finding supports the notion that entrepreneurs are highly passionate about their business, and even though they may be aware of the emotions involved in the negotiation, curbing those emotions is likely a bigger challenge (i.e. scored lower on handling than understanding).

Analysis of the risk taking subcategories produced results which revealed higher evaluations of the presence of risk in negotiations ( $M = 4.74$ ,  $SD = .78$ ) than responses to statements pertaining to accepting risk ( $M = 4.42$ ,  $SD = .89$ ),  $t(169) = 3.41$ ,  $p < .001$ .

### ***Subcategory Loadings***

Having identified the subcategories and their relative importance, I examined the entrepreneurs' responses to determine if there were over-arching categories in this schema; that is, ones that are composed of segments from each category. Results from a single EFA found this and it was composed of elements of the integrative subcategory (personal outcomes), the positive relationship subcategory (relationship), the understand subcategory (emotional control), the outcomes for others category, and one statement from the ethics category. Factor loadings for this comprehensive category are displayed in Table 11.

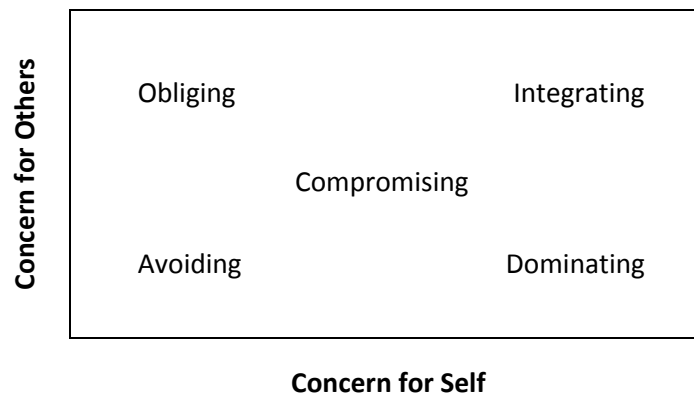


Table 11

*EFA for Entrepreneurs' General Concern for Others Overarching Category*

	<b>General Concern for Others</b>
<b><i>Personal Outcomes Statements</i></b>	
I want both parties to feel like they've won	<b>0.807</b>
I look for a mutually satisfactory solution	<b>0.748</b>
I want the negotiation to end in a win-win	<b>0.641</b>
<b><i>Relationship Statements</i></b>	
I strive to foster harmony in a negotiation	<b>0.701</b>
I always attempt to establish a cooperative relationship	<b>0.609</b>
I strive to get the other person to trust me	<b>0.583</b>
I always strive to preserve relationships in a negotiation	<b>0.563</b>
It is not necessary to satisfy the other party's needs	<b>-0.455</b>
I am focused on furthering a long-term relationship	<b>0.446</b>
<b><i>Emotional Control Statements</i></b>	
I try to understand how the other person is feeling	<b>0.578</b>
I always try to put myself in the other person's shoes while negotiating	<b>0.549</b>
<b><i>Outcomes for Others Statements</i></b>	
I want the other party to be satisfied with the negotiation	<b>0.764</b>
I want the negotiation to be worthwhile for the other party	<b>0.755</b>
I try to help others avoid losing face in a negotiation	<b>0.697</b>
I am concerned for the other party's financial well being	<b>0.678</b>
I want to develop a relationship where people openly share information	<b>0.451</b>
<b><i>Ethics Statement</i></b>	
I always try to get what's best for all parties	<b>0.750</b>
Eigenvalue	11.05
Variance explained	18.12
Alpha	0.92

The fact that these subcategories load primarily with the outcomes for other schema provides a good starting point for interpreting this grand factor. An exploration of the emotional control statements that load on this factor provides a useful explanation. These statements come from the understanding subcategory, but include only the statements pertaining to understanding the others' emotions and not those about understanding one's own emotions. Examples of those questions are "I always try to put myself in the other person's shoes while negotiating" and "I try to understand how the other person is feeling." Taken together, the characteristics of the statements that merge onto this conglomerate lead me to label it *general concern for others*. This finding is consistent with the literature and the dual-concern model (Pruitt, 1983), which is illustrated in Figure 4.



**Figure 5**  
**Dual Concern Model of Styles for Handling Interpersonal Conflict**

Consistent with the vertical axis in Figure 4 (i.e. dual concern model), this grand category in the entrepreneurs' schema on negotiation shows the entrepreneurs' emphasis on making sure the other party's wellbeing is protected. The two-by-two model also

notes that having a high concern for others does not conflict with one's desire to obtain personal outcomes from the negotiation.

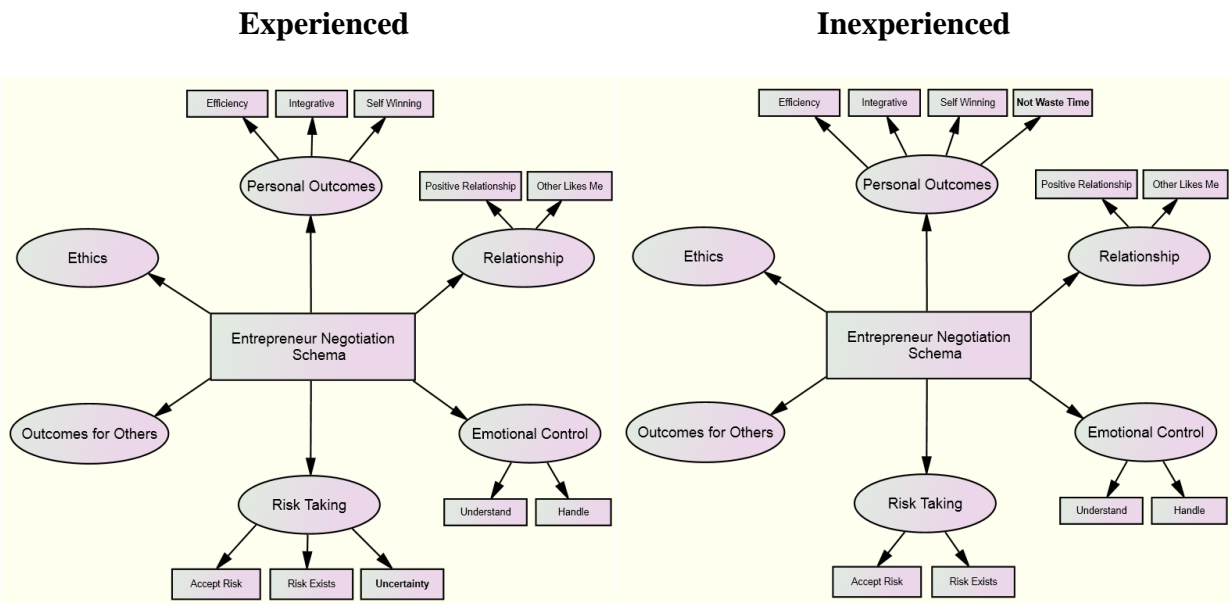
## **Schema Complexity**

### ***Experienced versus Inexperienced Entrepreneurs***

Hypothesis 5 predicts that experienced entrepreneurs will have more complex schemas regarding negotiation activities than will entrepreneurs with less experience. In order to test this proposition, I divided the subjects into two sets. The experienced group were entrepreneurs whose experience owning a business was above the mean ( $M = 13.9$  years) and the less experienced were those whose experience was less than the mean. Converting a continuous variable into a dichotomous one, admittedly limits its explanatory ability, but it was necessary for the current test of schema differences. Additionally, using a three category measure of experience was attempted, but did not improve upon the two category variable analysis.

Results from the EFA, which included all questions, revealed that more experienced entrepreneurs' schema about negotiation was approximately as complex as that of the inexperienced entrepreneurs and (Figure 5) that hypothesis 5 is therefore not supported. Here are the details: the analysis for the experienced group produced nine factors with Eigenvalues greater than 1.0, while the inexperienced sample had formed eight factors. Since this slight discrepancy did little to explain the difference, this test was then used at the major category level. As Figure 5 shows, an EFA for each category found that two schema dimensions had differing numbers of factors. Surprisingly though, the inexperienced group had more factors load on one of the categories, and on the other it was the experienced group. For the *personal outcomes* category, it was the

less experienced entrepreneurs whose schema had more factors (i.e. Inexperienced = 4) compared to the more experienced (i.e. Experienced = 3). However, the additional factor in the inexperienced sample only had an Eigenvalue of 1.00.



**Figure 6**  
**Comparison of Negotiation Schema Complexity for Experienced versus Inexperienced Entrepreneurs.**

The extra subcategory of the personal outcomes category for the inexperienced entrepreneurs was comprised of two questions from the efficiency sub-dimension described earlier. Examination of the two questions that took on the other factor reveals that each of the questions allude to not *wasting* time, while the others focus more on the speed of reaching an agreement. This finding suggests that inexperienced entrepreneurs think about speed differently than time wasted, whereas experienced entrepreneurs

perceive them as being the same. This difference seems negligible from a practical standpoint. Additionally, the two questions on that extra factor cross-loaded with the other efficiency questions with values greater than .40, which suggests that the difference is fairly insignificant.

A confirmatory factor analysis was conducted to provide a more rigorous test of whether the two groups varied on these schema dimensions. Results of the CFA confirmed that a 4-Factor model of personal outcomes fit the data better for the inexperienced group than did a 3-Factor model [4-Factor ( $\chi^2 = 67.2$ ,  $df = 48$ ); 3-Factor ( $\chi^2 = 81.7$ ,  $df = 51$ )]. To determine if one model was statistically better, a Chi-square difference test was calculated. For models with a difference in degrees of freedom of 3, a change in chi-square of 7.815 signified a statistically better fit at the  $\alpha = .05$  level. Since the difference in chi-square from the 3-factor to the 4-factor model exceeded that critical value, the 4-factor model is found to fit the data better. For the experienced group however, the 4-Factor model did not improve the fit above that of the 3-Factor [4-Factor ( $\chi^2 = 40.0$ ,  $df = 48$ ); 3-Factor ( $\chi^2 = 40.7$ ,  $df = 51$ )]. These findings suggest a true difference in complexity, but in the opposite way as predicted.

Turning to the risk taking category, the schema for the experienced entrepreneurs differed from that of the inexperienced. Varying from the overall sample's 2-factor loadings (see Table 8); experienced entrepreneurs risk taking schema resulted in one extra sub-dimension. Further investigation of the statements within this extra factor experienced entrepreneurs hold revealed specific use of the word "risk taking," whereas other statements within the risk exists subcategory speak to uncertainty involved in negotiations. Considering the risk taking schema, results from a CFA suggest that a 3-

Factor model of risk does not fit the experienced entrepreneurs significantly better than a 2-Factor [3-Factor ( $\chi^2 = 46.5$ ,  $df = 32$ ); 2-Factor ( $\chi^2 = 48.4$ ,  $df = 34$ )]. Additionally, results for the inexperienced group suggest a 2-Factor model is not a significantly better fit than a model with three [3-Factor ( $\chi^2 = 77.2$ ,  $df = 32$ ); 2-Factor ( $\chi^2 = 78.7$ ,  $df = 34$ )]. These results do not support hypothesis 5. However, the initial factor analysis results suggest a modest difference in complexity, thus hypothesis 5 was slightly supported.

In sum, a comprehensive analysis of the experienced entrepreneurs' questionnaire responses indicated that the personal outcomes category has three sub-categories – efficiency, integrative, self-winning. For this category, the inexperienced entrepreneurs' responses yielded four categories.

As for the relationship, emotional control, outcomes for others and ethics categories, the subcategories (or lack thereof) were approximately the same for the experienced and inexperienced entrepreneurs.

And for the risk taking category, the experienced entrepreneurs revealed three subcategories whereas the inexperienced, only two.

Having examined the entrepreneurs' detailed schema, we now examine that of the non-entrepreneurs and how the two differ.

### ***Entrepreneur versus Non-entrepreneur***

To compare entrepreneurs and non-entrepreneurs, the same process from above was followed. Hypothesis 6 predicted that entrepreneurs' schema about negotiation would be more complex than their counterpart non-entrepreneurs. The results for various analyses did not support this hypothesis. An exploratory analysis for the two groups produced seven factors for entrepreneurs and five for non-entrepreneurs with Eigenvalues

greater than 1.0. This suggests that entrepreneurs have more schema categories, and therefore more complexity than non-entrepreneurs, providing initial support for hypothesis 6.

EFA's were then conducted for each of the six major categories that were detected. These separate analyses produced differences in number of factor-loadings between the two groups for one of the schema categories, providing more evidence that entrepreneur's schema are only moderately more complex. The category where entrepreneurs and non-entrepreneurs varied was on the risk taking schema, which resulted in a 2-factor model for entrepreneurs and a 1-factor model for non-entrepreneurs. An examination of this difference suggests that while entrepreneurs perceive the presence of risk and the appropriateness of risk taking negotiation behavior as uniquely different, non-entrepreneurs perceive no such distinction.

Confirmatory factory analysis was then used to verify whether the two samples are different using a more rigorous test. For the entrepreneur sample, the Chi-square fit statistics for the 2-factor model was significantly better than the 1-factor model [2-Factor ( $\chi^2 = 73.3$ ,  $df = 34$ ); 1-Factor ( $\chi^2 = 170.8$ ,  $df = 35$ )]. However, for the non-entrepreneur group, the 2-factor model also fit the data significantly better than the 1-factor model suggested in the exploratory analysis [2-Factor ( $\chi^2 = 70.0$ ,  $df = 34$ ); 1-Factor ( $\chi^2 = 100.0$ ,  $df = 35$ )]. This difference was more significant for the entrepreneurs than for the non-entrepreneurs, providing additional support for the hypothesized difference.

The analysis above reveals that entrepreneurs have moderately more complex schema in regard to the risk taking schema of negotiation-relevant activities than do non-entrepreneurs. However, since there were not significant differences in the other five

dimensions, the overall schema complexity for the entrepreneurs is practically equal to that of non-entrepreneurs, providing no support for hypothesis 6.

## **Schema Dimensions**

### ***Entrepreneurs versus Non-entrepreneurs***

As noted above, one way to test differences in schema is to look at the differences in structure between entrepreneurs and non-entrepreneurs (i.e. complexity). A second way is to examine the importance (weights) of the statements in each category (and subcategory) and then compare these weights between entrepreneurs and non-entrepreneurs. To test these differences in schema dimensions, analysis of variance (ANOVA) was used. This analysis compared the relative strength of one group's schema dimension to that of another group. This approach was used to test hypotheses 7 through 12, which compare entrepreneurs and non-entrepreneurs. Means, standard deviation, and correlations for the variables in the study are presented in Table 12.

*H7: Entrepreneurs will be lower on the personal outcomes dimension of the negotiation schema than non-entrepreneurs.*

*H8: Entrepreneurs will be higher on the relationship dimension of the negotiation schema than non-entrepreneurs.*

*H9: Entrepreneurs will be lower on the emotional control dimension of the negotiation schema than non-entrepreneurs.*

*H10: Entrepreneurs will be higher on the risk taking dimension of the negotiation schema than non-entrepreneurs.*

*H11: Entrepreneurs will be higher on the outcomes for others dimension of the negotiation schema than non-entrepreneurs.*

*H12: Entrepreneurs will be higher on the ethics dimension of the negotiation schema than non-entrepreneurs.*



Table 12

*Means, Standard Deviations, and Correlations among Variables in the Study*

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Personal Outcomes	4.57	.63	1													
2. Self Winning	4.09	1.06	.578**	1												
3. Efficiency	4.43	1.15	.840**	.193**	1											
4. Integrative	5.72	.88	.192**	-.246**	.000	1										
5. Relationship	5.34	.72	.221**	-.138**	.098	.678**	1									
6. Positive Relationship	5.68	.73	.219**	-.167**	.102	.723**	.949**	1								
7. Other Likes Me	3.95	1.25	.128*	-.009	.046	.274**	.677**	.411**	1							
8. Emotional Control	5.16	.74	-.001	-.102	-.108*	.409**	.356**	.419**	.050	1						
9. Understand	5.40	.79	.071	-.083	-.063	.517**	.455**	.499**	.151**	.796**	1					
10. Handle	4.84	1.10	-.069	-.081	-.110*	.148**	.124*	.182**	-.066	.814**	.296**	1				
11. Risk Taking	4.56	.57	.057	.103	-.043	.039	-.058	-.018	-.127*	.125*	.118*	.083	1			
12. Accept Risk	4.34	.86	-.014	.023	-.092	.042	-.049	-.011	-.116*	.226**	.128*	.234**	.777**	1		
13. Risk Exists	4.78	.72	.107*	.135*	.043	.011	-.034	-.015	-.062	-.072	.034	.147**	.659**	.038	1	
14. Outcomes for Others	4.94	.89	.074	.252**	-.026	.714**	.715**	.727**	.373**	.457**	.536**	.207**	-.028	-.001	-.043	1
15. Ethics	4.95	.95	.071	.316**	.143**	.420**	.471**	.503**	.186**	.121*	.214**	-.014	.197**	.176**	-.101	.471**

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\*\* Correlation is significant at the .01 level

\* Correlation is significant at the .05 level

Hypothesis 7 predicted that entrepreneurs would be lower on the personal outcomes schema than non-entrepreneurs. Results from the analysis revealed no significant group differences in terms of the overall schema category for entrepreneurs ( $M = 4.57$ ) and non-entrepreneurs ( $M = 4.57$ ),  $F(1, 357) = 0.01$ , ns. However, analysis of the three sub-categories revealed a significant difference on two of them. As it turns out, entrepreneurs do place less emphasis on winning than non-entrepreneurs ( $M = 3.93$  versus  $M = 4.23$  respectively),  $F(1, 357) = 7.43$ ,  $p < .01$ , but were no different in terms of efficiency focus,  $F(1, 357) = 0.37$ , ns. These results provide partial support for hypothesis 7, and can be seen in Table 13.

As is depicted in the results from Table 13, entrepreneurs and non-entrepreneurs also differed on the integrative schema subcategory ( $M = 5.85$  versus  $M = 5.61$  respectively). This difference, while significant, was in the opposite way as predicted for the main personal outcomes category, with entrepreneurs' integrative dimension receiving a higher weighting,  $F(1,357) = 6.74$ ,  $p < .01$ . The polar difference between self winning and integrative (i.e. significant negative correlation) suggests that entrepreneurs treat integrative questions as more of a sacrifice to the other.

These findings suggest a rather intriguing contrast between entrepreneurs and non-entrepreneurs. Using the dual concern model (Pruitt, 1983) to interpret these details suggests that entrepreneurs' conception about integrative negotiation statements involves less concern for self and more concern for others than that of non-entrepreneurs. In business negotiations, this *win* (a little for self) – *win* (a lot for others) approach may not be conducive to achieving outcomes that encourage sustainability.

Table 13

*Analysis of Variance Results for Entrepreneurs & Non-entrepreneurs  
Personal Outcomes Schema*

		Sum of Squares	df	Mean Square	F-Value	Significance
Personal Outcomes	Between Groups	0.00	1	0.00	0.01	0.458
	Within Groups	143.52	357	0.40		
	Total	143.53	358			
Self Winning	Between Groups	8.15	1	8.15	7.43	0.004
	Within Groups	391.54	357	1.10		
	Total	399.00	358			
Efficiency	Between Groups	0.40	1	0.40	0.09	0.38
	Within Groups	382.99	357	1.07		
	Total	383.39	358			
Integrative	Between Groups	5.09	1	5.09	6.74	0.005
	Within Groups	269.58	357	0.76		
	Total	274.66	358			

Hypothesis 8 predicted that entrepreneurs would be more focused on relationships in negotiation situations. Results support this notion, indicating that entrepreneurs score significantly higher on the main relationship schema than non-entrepreneurs ( $M = 5.42$  versus  $M = 5.26$  respectively),  $F(1, 357) = 4.23$ ,  $p < .05$ . Additional analysis showed that they were also more focused on the positive relationship sub-dimension ( $M = 5.79$  versus  $M = 5.59$  respectively),  $F(1, 357) = 7.11$ ,  $p < .01$ , but not for the dimension of others liking ( $M = 3.94$  versus  $M = 3.97$  respectfully),  $F(1, 357) = 0.062$ , ns. These results provide strong support for hypothesis 8, as illustrated in Table 14.

Table 14

*Analysis of Variance Results for Entrepreneurs & Non-entrepreneurs  
Relationship Schema*

		Sum of Squares	df	Mean Square	F-Value	Significance
Relationship	Between Groups	2.19	1	2.19	4.23	0.02
	Within Groups	184.95	357	0.52		
	Total	187.14	358			
Positive Relationship	Between Groups	3.72	1	3.72	7.11	0.004
	Within Groups	186.83	357	0.52		
	Total	190.55	358			
Other Likes Me	Between Groups	0.10	1	0.10	0.06	0.40
	Within Groups	557.10	357	1.56		
	Total	557.10	358			

Hypothesis 9 predicted that entrepreneurs would be lower on the emotional control dimension within their schema about negotiation than would non-entrepreneurs. This prediction was not supported. The investigation found the mean emotional control for entrepreneurs ( $M = 5.22$ ) and non-entrepreneurs ( $M = 5.10$ ) to be statistically equal,  $F(1, 357) = 2.34$ , ns. The same results were found for the understand subcategory ( $M = 5.44$  versus  $M = 5.37$  respectively),  $F(1, 357) = .74$ , ns, and the handle scale ( $M = 4.94$  versus  $M = 4.75$  respectively),  $F(1, 357) = 2.52$ , ns. Results from the emotional control analysis, as illustrated in Table 15, suggest that non-entrepreneurs are no more attuned to emotional control than entrepreneurs.

Table 15

*Analysis of Variance Results for Entrepreneurs & Non-entrepreneurs  
Emotional Control Schema*

		Sum of Squares	df	Mean Square	F-Value	Significance
Emotional Control	Between Groups	1.29	1	1.30	2.34	0.06
	Within Groups	196.88	357	0.55		
	Total	198.17	358			
Understand	Between Groups	3.03	1	3.03	0.74	0.20
	Within Groups	429.60	357	1.20		
	Total	432.63	358			
Handle	Between Groups	0.47	1	0.47	2.52	0.057
	Within Groups	224.48	357	0.63		
	Total	224.95	358			

Hypothesis 10 predicted that entrepreneurs would rate the risk taking schema dimension higher than non-entrepreneurs. Results from the analysis of the main schema category revealed no difference between the two samples ( $M = 4.58$  versus  $M = 4.58$  respectfully),  $F(1, 357) = 0.43$ , ns. However, entrepreneurs did score significantly higher on the risk acceptance sub-dimension ( $M = 4.42$  versus  $M = 4.27$  respectively), which is more representative of risky negotiation actions,  $F(1, 357) = 2.76$ ,  $p < .05$ . No significant difference was found on the risk exists dimension ( $M = 4.74$  versus  $M = 4.81$  respectively),  $F(1, 357) = 0.88$ , ns. These findings are interesting in that entrepreneurs do not perceive negotiation to be more risky than non-entrepreneurs, yet have more of an inclination to cognitively evaluate risk taking bargaining behaviors more favorably. These results provide support for the main premise of hypothesis 10 and are depicted in Table 16.

Table 16

*Analysis of Variance Results for Entrepreneurs & Non-entrepreneurs  
Risk Taking Schema*

		Sum of Squares	df	Mean Square	F-Value	Significance
Risk Taking	Between Groups	0.14	1	0.14	0.43	0.26
	Within Groups	117.83	357	0.33		
	Total	117.97	358			
Accept Risk	Between Groups	2.05	1	2.05	2.76	0.05
	Within Groups	265.53	357	0.74		
	Total	267.58	358			
Risk Exists	Between Groups	0.46	1	0.46	0.88	0.17
	Within Groups	186.92	357	0.52		
	Total	187.38	358			

Hypothesis 11 postulates that entrepreneurs would put more emphasis on the outcomes for others schema than non-entrepreneurs. ANOVA results confirmed this prediction, revealing that entrepreneurs score significantly higher ( $M = 4.85$ ) on that dimension than non-entrepreneurs ( $M = 4.73$ ),  $F(1, 357) = 3.33$ ,  $p < .05$ . This main category did not have subcategories, so this result provides full support for hypothesis 11. Results from analysis of the outcomes for others schema are presented in Table 17.

Table 17

*Analysis of Variance Results for Entrepreneurs & Non-entrepreneurs  
Outcomes for Others Schema*

		Sum of Squares	df	Mean Square	F-Value	Significance
Outcomes for Others	Between Groups	2.60	1	2.60	3.33	0.03
	Within Groups	278.69	357	0.78		
	Total	281.29	358			

Hypothesis 12 predicted that entrepreneurs' cognitions about negotiation would include a higher emphasis on ethics. No support was found for the hypothesized difference in ethics ( $M = 4.96$  versus  $M = 4.93$  respectively),  $F(1, 357) = 0.05$ , ns. Results from the analysis for ethics schemas are depicted in Table 18.

Table 18

*Analysis of Variance Results for Entrepreneurs & Non-entrepreneurs  
Ethics Schema*

		Sum of Squares	df	Mean Square	F-Value	Significance
Ethics	Between Groups	0.04	1	0.04	0.05	0.41
	Within Groups	324.62	357	0.91		
	Total	324.66	358			

Overall, results indicate moderate to strong support for the varying strength of schema dimensions between entrepreneurs and non-entrepreneurs. While not all hypothesized differences were supported, at least partial support was found for five of the six schema dimensions. Of the six major categories, significant differences were detected between entrepreneurs and non-entrepreneurs on two of them. Examination of the two groups revealed mean differences on four of the nine subcategories.

***Past Venture Failure***

In hypothesis 13, I postulated that entrepreneurs who had experienced past venture failure would place higher emphasis on the personal outcomes schema category than would those entrepreneurs who had not previously failed. ANOVA results did not support the hypothesized difference ( $M = 4.52$  versus  $M = 4.57$  respectively),  $F(1, 162)$

= 0.29, ns. Breaking the personal outcomes schema down into its three sub-dimensions also failed to observe a difference related to past venture failure. Results from this analysis can be seen in Table 19.

Table 19

*Analysis of Variance Results for Experienced & Inexperienced Entrepreneurs' Personal Outcomes Schema*

		Sum of Squares	df	Mean Square	F-Value	Significance
Personal Outcomes	Between Groups	0.21	1	0.21	0.29	0.30
	Within Groups	119.72	162	0.74		
	Total	119.93	163			
Win for Self	Between Groups	2.43	1	2.43	2.38	0.06
	Within Groups	165.56	162	1.02		
	Total	168.00	163			
Efficiency	Between Groups	0.07	1	0.07	0.06	0.41
	Within Groups	205.68	162	1.27		
	Total	205.75	163			
Integrative	Between Groups	0.04	1	0.04	0.06	0.40
	Within Groups	108.73	162	0.67		
	Total	108.77	163			



## **CHAPTER 7**

### **DISCUSSION**

Entrepreneurial activity is an important driver in global as well as local economies. And when entrepreneurs handle their negotiation-relevant activities, they have a lot to think about. This being the case, it is wise to consider how entrepreneurs think about those activities (Mitchell et al., 2007). To this end, I posited a cognitive schema for entrepreneurs and found that it did exist; plus, it contained two additional categories – thoughts about “outcomes for others” and “ethics” – that I had not predicted. Subsequent analyses allowed me to detect subcategories – of varying importance – for the prime categories, personal outcomes, relationship, emotional control, and risk taking. In addition I identified a major overarching subcategory, general concern for others.

When I compared the experienced entrepreneurs’ schema to that of inexperienced, I found minimal differences in the schema structure. As for the schema of the entrepreneurs and non-entrepreneurs, there was no difference between the structures but there were differences between strengths of the categories. Consider now, some of the details.

#### **Schema Identification**

Taking a phenomenological approach, I listened to what entrepreneurs had to say while reflecting on negotiation activities. As reported in chapter 4, certain themes in entrepreneurs’ thinking began to emerge as they discussed how they think. Results confirmed four schema dimensions I expected to find (hypotheses 1 – 4) – personal outcomes, relationship, emotional control, and risk taking – and also indicated the two additional dimensions: outcomes for others and ethics. Thus, a total of six primary

themes materialized out of the initial study, providing the structure for the cognitive categories/dimensions that exist within entrepreneurs' negotiation schema. These categories offer not only a conceptual model for the schemas entrepreneurs have, but also provide a framework for further examination of the characteristics of the schema – that is, identification of subcategories.

### **The More Complex Schema**

I was able to determine that the personal outcome dimension split into sub-dimensions of (Figure 2) self winning, efficiency, and integrativeness. Self winning was characterized by an emphasis on extracting value from the negotiation that is aimed at benefitting personally. Within the entrepreneurial context, this might be represented in a negotiation with a venture capitalist, whereby the entrepreneur wants to obtain capital, but also retain ownership.

The efficiency subcategory describes a focus on the time negotiations can take and how that time could be used for other things. For entrepreneurs, who often wear many hats within an organization, time is often of essence. Thus, a drawn out negotiation with a supplier that improves the purchase price slightly, may not justify the time it took to reach that agreement. The integrative subcategory refers to the entrepreneurs' focus on achieving an outcome that is mutually beneficial for all parties.

Results indicate that the relationship schema dimension was constructed of a positive relationship dimension and a dimension about affective liking. The positive relationship component entailed an emphasis on building and maintaining relationships with the negotiation opponent. This finding is consistent with past research which shows the benefit that entrepreneurial networks have on a venture's ability to survive. The

liking factor can be described as an emphasis on getting the other party to like them personally.

The emotional control dimension was parsed into two components, which focused on understanding and handling emotions, respectively. The understanding dimension, as its name suggests, entails how much the entrepreneur is aware of and understands the emotions involved in negotiations. The other sub-dimension was more about how the entrepreneur would respond to felt emotions. For an entrepreneur, who is passionately pursuing an entrepreneurial undertaking, it might be challenging to withhold emotional displays. Thus, being cognitively aware might help to avoid possible pitfalls of or to attain possible benefits from showing emotion.

Results also showed that the risk taking schema dimension had two parts. The first, labeled accept risk, had to do with the general endorsement of risk taking bargaining behaviors. Risk is of central importance in entrepreneurship inquiry, and thus finding that risk is a dimension within their schema on negotiation is important. The other dimension in this prime category had to do with the evaluation of negotiations as being risky activities.

Investigations comparing the importance of the entrepreneurs' schema subcategories also proved productive. As for the personal outcomes category, entrepreneurs place the highest amount of importance on the integrative subcategory. This is important for a couple reasons. First, this finding is inconsistent with the negotiation literature that has found negotiators to be more concerned for self than others in business negotiations.

Analysis of the weights entrepreneurs place on relationship subcategories suggests more of a heightened awareness of building positive relationships over getting the other to like them. This subtlety supports my primary postulation and is consistent with the entrepreneurship literature on developing entrepreneurial networks: entrepreneurs are concerned with relationships because of the benefits these social networks afford.

Within the major category of emotional control, entrepreneurs put more emphasis on one of the two subcategories – understanding – which is also basically consistent with an other focused approach. And for the risk taking schema category, entrepreneurs tend to respond higher to statements indicating that risk exists.

#### ***Experienced versus Inexperienced Entrepreneurs' Schema Complexity***

Shifting the investigation to comparisons of schema complexity for the experienced versus inexperienced entrepreneurs turned out to be less clear. Predictions that experienced entrepreneurs would have more complex schema than less experienced ones (Hypothesis 5) was not strongly supported.

#### ***Entrepreneurs versus Non-entrepreneurs' Schema Complexity***

Predictions that entrepreneurial status would affect schema complexity – whereby entrepreneurs were predicted to have more complex schema than non-entrepreneurs (Hypothesis 6) – was also unsupported. Only subtle differences in complexity were detected and those differences were mixed for the two groups.

#### ***Schema Dimensions of Entrepreneurs versus Non-entrepreneurs***

It was hypothesized (hypotheses 7 – 12) that entrepreneurs and non-entrepreneurs would differ in the extent to which a schema dimension is accentuated. Results from

analysis of variance revealed that entrepreneurs' schema about negotiation at least partially differed from non-entrepreneurs regarding four of the six schema dimensions: personal outcomes, relationship, outcomes for others, and risk taking. I will now discuss how they differed and the implications of those differences.

#### *Personal Outcomes*

For each of the dimensions, I tested for differences in the overall schema dimension as well as on the sub-dimensions of those principal themes. Entrepreneurs did not score significantly lower on the main personal outcomes dimension as predicted by hypothesis 7. However, entrepreneurs and non-entrepreneurs did differ in the importance placed on the integrative and self-winning subcategories, with entrepreneurs placing more emphasis on the integrative, but less on the self-winning subcategory.

#### *Relationship*

Results supported hypothesis 8, revealing that the entrepreneurs' schema stresses relationship more than that of non-entrepreneurs. This finding supports the notion that entrepreneurs rely on networks of social ties to gain access to resources. At the subcategory level, entrepreneurs were also found to place more emphasis on the positive relationship sub-dimension than did non-entrepreneurs, but this was not true for the "others like me" subcategory.

#### *Emotional Control*

No support was found for hypothesis 9, which predicted that entrepreneurs would indicate less emotional control than non-entrepreneurs. Findings also suggest no mean difference between entrepreneurs and non-entrepreneurs for either subcategory within the emotional control negotiation schema.

### *Risk Taking*

Another dimension where differences were found between entrepreneurs and non-entrepreneurs was on risk taking. While no difference in the core risk taking schema was found, and so hypothesis 10 was not fully supported, the accept risk sub-dimension was more heavily weighted for entrepreneurs. Interestingly though, that result was found even though the groups were equal regarding their perceptions of risk being present in negotiations. This finding first seems at odds with Sarasvathy et al.'s (1998) findings that entrepreneurs perceive risk differently than non-entrepreneurs. However, instead of differing in their perception of whether negotiation is risky per se, entrepreneurs and non-entrepreneurs do differ in how risky they perceive certain negotiation behaviors to be.

### *Outcomes for Other*

In addition to being higher on the integrative sub-dimension of personal outcomes, entrepreneurs were also found to place more emphasis on the outcomes the other party will receive; providing support for hypothesis 11.

### *Ethics*

Failing to support hypothesis 12, results indicated that entrepreneurs and non-entrepreneurs do not differ in regards to their negotiation schema on ethics.

### *Past Venture Failure*

#### *Personal Outcomes*

In hypothesis 13, it was predicted that entrepreneurs, who had experienced past venture failure, would place more emphasis on the personal outcomes schema dimension than those that had not experienced such failure. The data did not support that prediction.

### ***A Concise Summary***

To summarize my findings, all hypotheses (1 – 4) with regards to the prime entrepreneur negotiation schema were supported. Hypotheses (5 – 6) about differences in schema complexity on the basis of entrepreneurial experience (i.e. experienced versus inexperienced) and entrepreneurial status (i.e. entrepreneur versus non-entrepreneur) were not supported. For those hypotheses (7 – 12) comparing entrepreneurs and non-entrepreneurs on the importance placed on schema categories, two out of six were supported. Additionally, the hypothesis (13) about past entrepreneurial failure was not supported. In total, support was found for six of 13 hypotheses.

### **Contributions**

The nature of entrepreneurs' roles includes a multitude of activities in which they must engage (Table 1). These fundamental activities include activities which entail minimal negotiations and activities that are highly underpinned with negotiations. Entrepreneur effectiveness depends a great deal on entrepreneurs' ability to master these latter activities. Therefore, it is important to understand entrepreneurs' thinking in regards to negotiation-relevant activities. Also, because there is such a connection between individuals' thoughts and subsequent behavior, this study gives us a glimpse into how entrepreneurs may behave when engaged in negotiation activities.

A primary significance for this work was the uncovering of the cognitive structures (i.e. schema) entrepreneurs possess and utilize regarding negotiation. This schema, which held constant across entrepreneurs that were interviewed, was found to include six unique themes (Figure 3). The main categories within entrepreneurs' schema on negotiation (personal outcomes, relationships, emotional control, risk taking,

outcomes for others and ethics) represent what entrepreneurs think about negotiation and how they process and categorize that information. Findings that entrepreneurs think primarily about these six things means there are other important characteristics about such interactions that do not garner their attention. For example, they do not focus on power even though the negotiation literature suggests they would do so (Mayer, 1987). Also, our entrepreneurs did not attend strongly to conflict (Harinck, DeDreu, & Van Vianen, 2000), third parties (Conlon & Ross, 1993), or litigation (Shell, 1995).

The entrepreneurs' negotiation schema also sheds light on the characteristics of the environment in which they operate. Results suggest that the entrepreneurs' negotiation environment is rather benevolent in that they regularly emphasize each of these categories, rather than survival or conflict reduction.

Turning to some theory building, since there is a strong link between cognitions and actions (Gioia & Manz, 1985), it can be predicted that the entrepreneurs' schema will play a significant role in their behaviors. From an expectancy perspective (Vroom, 1964), we can say that the schema shapes the cognitive instrumentality about obtaining objectives. That is, the entrepreneurs' knowledge structures about negotiation are the areas they will attend to in order to achieve desired outcomes.

If entrepreneurs wish to achieve organizational goals, they are apt to monitor the six categories/dimensions (rather than the power relationship) of the negotiation schema. Information processed during bargaining situations will be evaluated to determine if stability exists for those salient thought structures. If it does not, the entrepreneurs – according to control theory (Carver & Scheier, 1981) – will make modifications in these areas. For example, if a landlord indicates that an entrepreneur is dishonest (an ethical



violation) the entrepreneur will be sensitive to this implication and will correct it to bring the negotiation back to a stable state.

We could also draw a similar conclusion for entrepreneurs who want to be adventurous rather than monitoring a stable state. With this goal in mind, the entrepreneurs are apt to focus on these six dimensions. As they survey their various options, these entrepreneurs will consider the outcomes to self, changes in the relationship, risks etc. rather than power levels, conflict probabilities, outcomes to third parties, or survival chances. Then they will consider how the changes to these will impact on the overall situation.

### **Limitations**

As any study, the current one has its limitations. One primary weakness is that respondents were allowed to self-select into the entrepreneurial status (i.e. self-report choice of entrepreneur or non-entrepreneur). This approach leaves open the possible bias to declare oneself an entrepreneur when this label may not be accurate. It would have been better to obtain information about participants and use that to assess this indicator.

A second limitation is that the selection of statements for the instrument used in studies 2 and 3 required a lot of judgment of how to translate entrepreneurs' general statements to specific ones. The researchers' choices could have determined the subcategories. To combat this possibility, a rigorous process was used to develop the questionnaire relying on existing literature and feedback from independent panel.

The fact that this research was conducted mainly in the Midwest area of the country also limits its external validity. In an attempt to improve generalizability though, participants from a broad range of industries were utilized. However, in the qualitative

section of the study, certain high technological industries with high entrepreneurial activity (e.g. pharmaceuticals) were not contacted. An effort was made to overcome this deficiency by spreading the net a little wider for the quantitative portion.

A main focus of this dissertation was to ascertain the overall schema entrepreneurs hold regarding negotiation. This broad approach limits its ability to detect contextual influence on their cognitions. This limitation does not provide a serious concern for the structure of the entrepreneur negotiation schema, but does pose some restraints on the weightings found in those dimensions. For example, an entrepreneur will likely put more (or less) emphasis on a particular dimension depending on who the negotiation is with. Factors such as the other party's power, the importance of that exchange, or whether the entrepreneur has an alternative to that negotiation (i.e. BATNA) will likely influence those concentrations.

Potential demand effects (Campbell & Stanley, 1963) could also limit the internal validity of the study. In this regard, social desirability of what constitutes appropriate responses could have impacted what entrepreneurs talked about and their remarks on the questionnaire.

Another threat to the studies' internal validity was the lack of control group while detecting the negotiation schema. Only entrepreneurs were identified and interviewed for analyzing cognitions about negotiation. The absence of interviews with a non-entrepreneurial control group does not rule out the notion that the cognitions identified are unique to entrepreneurs.

## **Future Research**

A principal goal of this dissertation was to uncover the cognitive schema entrepreneurs use in negotiation-relevant activities. In so doing, I have provided a framework upon which further research can build.

An appropriate step would be to examine how context affects entrepreneurs' negotiation schema. The current objective was to examine broadly the schema entrepreneurs hold about negotiation-relevant activities. While that initial breadth is an important first stride, there are likely context-relevant factors worth examining. For example, entrepreneurs' negotiation schema may be different concerning negotiations with long-time business relationships than about one shot interactions.

Another helpful extension of this work will be to include performance or behavior variables. This would be useful in order to determine whether an entrepreneur's schema on negotiation related to their performance at the bargaining table, and even to firm performance. Since negotiation performance is challenging to measure using self-report survey, an experimental design would allow a researcher to match certain negotiation schemas with outcomes of the negotiation.

Another area that would benefit from future inquiry is to continue to tease out schema complexity. While results from the current study revealed some disparity in complexity, lack of a precise explanation in those differences makes them difficult to understand. Further research could focus on those dimensions of variance and hopefully uncover nuances not identified here.

A major focus of this dissertation was to identify differences between entrepreneurs and non-entrepreneurs. To some extent, I was not able to accomplish this goal. Thus, one of the next steps would be to discover such differences. Here, it would be appropriate to more accurately define the entrepreneur and non-entrepreneur samples.

### **Conclusion**

This study has increased our understanding of entrepreneurs' cognitions in an important set of activities. Hopefully the method and results prove useful to scholars as well as practitioners, and no less importantly, serve as a guide for future investigation.

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## APPENDIX A

### Interview Questions for Detecting Cognitions

1. Considering those types of interactions in which you are involved, what are the interactions generally like?  
What do you talk about? What is the nature of the exchanges? How do they usually go for you?
2. When you are involved in those interactions, what do you tend to think about?  
What are your perceptions about them?
3. What are your goals? What is your purpose? What are you trying to obtain?  
Long-term goals? Short-term goals?
4. What is your approach to these interactions?  
How do you go about the activity or exchange?
5. What do you need in order to do well?  
What would make you feel good about the interaction?
6. When you walk away from such interactions, what makes you feel like you've been successful?
7. When you walk away from such interactions, what makes you feel like you were a failure?  
What would you change or do differently?
8. What do you think the other person's perceptions and goals are?

## APPENDIX B

### Entrepreneur Negotiation Schema Questionnaire

Section 1.

**Consider the situations in which you are interacting/negotiating with a supplier, vendor, investor, landlord, customer, co-owner, employee etc. In such situations, what would be your thinking? To indicate your answer, please note how much you agree with the following statements.**

	Strongly Disagree					Strongly Agree	
I want the other party to enhance his or her self-interest in our negotiation	1	2	3	4	5	6	7
I always focus on establishing a trusting relationship	1	2	3	4	5	6	7
I try to get the other person to remove emotions from a negotiation	1	2	3	4	5	6	7
It is best to play it safe in a negotiation	1	2	3	4	5	6	7
It is not appropriate to misrepresent what I am willing to accept	1	2	3	4	5	6	7
I always focus on winning in a negotiation	1	2	3	4	5	6	7
There is a lot of uncertainty involved in negotiations	1	2	3	4	5	6	7
I don't care whether the other person likes me	1	2	3	4	5	6	7
It is acceptable to exaggerate the risks to me in a negotiation	1	2	3	4	5	6	7
My main focus is to not waste time while negotiating	1	2	3	4	5	6	7
I am not very good at handling my emotions in negotiation settings	1	2	3	4	5	6	7
I would rather win than end up compromising	1	2	3	4	5	6	7
I try to build a relationship with the other person	1	2	3	4	5	6	7
I am conservative in negotiations - that's the smart way to play it	1	2	3	4	5	6	7
I am mainly focused on an agreement that is good for me	1	2	3	4	5	6	7

	Strongly Disagree					Strongly Agree	
I always try to put myself in the other person's shoes while negotiating	1	2	3	4	5	6	7
I will walk away from a negotiation even if it might be detrimental to me	1	2	3	4	5	6	7
It is not necessary to satisfy the other party's needs	1	2	3	4	5	6	7
I want the negotiation to be efficient - not a waste of time	1	2	3	4	5	6	7
I always attempt to establish a cooperative relationship	1	2	3	4	5	6	7
I am always aware of my feelings while negotiating	1	2	3	4	5	6	7
It is OK to lie if I know I am being lied to	1	2	3	4	5	6	7
I don't focus on coming out victorious in my negotiations	1	2	3	4	5	6	7
It pays to take risks in a negotiation	1	2	3	4	5	6	7
I don't stress about getting the other person to like me while negotiating	1	2	3	4	5	6	7
It is unacceptable to misrepresent my own payoffs	1	2	3	4	5	6	7
It is not necessary to make the other party happy	1	2	3	4	5	6	7
Time is of essence in a negotiation	1	2	3	4	5	6	7
I want the negotiation to end in a win-win	1	2	3	4	5	6	7
Telling the exact truth is always necessary	1	2	3	4	5	6	7
Negotiations are seldom a sure thing	1	2	3	4	5	6	7
I try to put the needs of others above my own	1	2	3	4	5	6	7

	Strongly Disagree					Strongly Agree	
It is appropriate to threaten to walk away when I know I won't	1	2	3	4	5	6	7
I am focused on furthering a long-term relationship	1	2	3	4	5	6	7
I look for a mutually satisfactory solution	1	2	3	4	5	6	7
Negotiations are not as risky as they seem	1	2	3	4	5	6	7
I want the other party to be satisfied with the negotiation	1	2	3	4	5	6	7
Today, people take too many risks when negotiating	1	2	3	4	5	6	7
I focus on making the other person happy	1	2	3	4	5	6	7
I try to make the negotiation process quick	1	2	3	4	5	6	7
I always try to get what's best for all parties	1	2	3	4	5	6	7
I don't attempt to understand the other person's emotions in the negotiation	1	2	3	4	5	6	7
In negotiation situations, I focus on the future	1	2	3	4	5	6	7
I always strive to preserve relationships in a negotiation	1	2	3	4	5	6	7
I seldom get emotional when negotiating	1	2	3	4	5	6	7
I focus on reaching an agreement quickly because my time is so limited	1	2	3	4	5	6	7
Risk taking is a prevalent element in negotiations	1	2	3	4	5	6	7
I am concerned for the other party's financial well being	1	2	3	4	5	6	7
I want the negotiation to be worthwhile for the other party	1	2	3	4	5	6	7
In a negotiation, it is better to be the tortoise than the hare	1	2	3	4	5	6	7

	Strongly Disagree					Strongly Agree	
I try to help others avoid losing face in a negotiation	1	2	3	4	5	6	7
You can expect risk in negotiations	1	2	3	4	5	6	7
I am not very good at handling the other person's emotions in a negotiation	1	2	3	4	5	6	7
I strive to get the other person to trust me	1	2	3	4	5	6	7
It is inappropriate to use the other person to get what I need in a negotiation	1	2	3	4	5	6	7
I want to develop a relationship where people openly share information	1	2	3	4	5	6	7
Misrepresentation is to be expected in a negotiation	1	2	3	4	5	6	7
I strive to foster harmony in a negotiation	1	2	3	4	5	6	7
I try to understand how the other person is feeling	1	2	3	4	5	6	7
I want both parties to feel like they've won	1	2	3	4	5	6	7
I try not to take risks when negotiating	1	2	3	4	5	6	7

**Section II. Background Information**

Are you an Entrepreneur or Small Business owner?                      Yes      No

How long have you owned your business? \_\_\_\_\_ years

How many people work at your company? \_\_\_\_\_

How many people work for you? \_\_\_\_\_

What industry(s) is your business in? \_\_\_\_\_

How many businesses have you started/been a part of starting? \_\_\_\_\_

Have you ever had an entrepreneurial venture fail?                      Yes      No

    If so, how many failed ventures have you had? \_\_\_\_\_

What is your current age? \_\_\_\_\_ years

What is your gender?     Male       Female

## VITA

Timothy Dunne received his BSBA at the University of Missouri in 2003 and earned All-American honors as a member of their track and field team. Timothy completed his MBA at the University of Missouri in 2006, before going to work in the banking industry. Timothy was then selected by the Trulaske College of Business at the University of Missouri to pursue a Ph.D. in management. Timothy's research has been published in Conflict Resolution Quarterly, Group Decision and Negotiation, and Negotiation Journal. He has taught courses in Organizational Behavior and Strategic Management. He has accepted a tenure track position as Assistant Professor of Management at Middle Tennessee State University to begin in August of 2012.