EMOTIONAL ASSURING, TRUST BUILDING, AND RESOURCE MOBILIZATION IN START-UP ORGANIZATIONS

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Abstract

Based on a five-year field study of six new ventures, we investigate whether and how organization founders use affective influence, a form of emotion management, with diverse stakeholders, namely investors, board members, customers, and employees. We found wide differences in founders’ propensity to use affective influence actions and that not all affective influence actions were effective in mobilizing resources for the new firm. We identified a particular form of beneficial affective influence we call “emotional assuring,” which refers to affective influence actions that seek to build three different dimensions of trust in regard to the new firm: 1) the firm’s integrity; 2) the founder’s competence as an entrepreneur, and 3) the founder’s benevolent character. Although firms that practiced little emotional assuring could mobilize adequate resources as well as firms that did so in munificent environments, the latter gained an upper hand and were more resilient under tough economic conditions. We also identified the moderating conditions and limitations of emotional assuring.

Keywords: Affective influence; emotional assuring; emotion; entrepreneurship; organization creation; resource mobilization; trust.

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Introduction

Founders of new organizations need to overcome formidable challenges. First and foremost, they need to convince various resource holders, including new employees, customers and investors, not to mention "the larger community of decision makers," that their "new product or service is worth the cost of replacing the old" (Schoonhoven and Romanelli, 2001, p. 389). And they must do so while operating under conditions of uncertainty and despite being hampered by low legitimacy and a lack of a track record. But how do entrepreneurs reassure nervous stakeholders that their ventures are worthy of support?

Recent research on entrepreneurship suggests that founders of new organizations can use cognition-based social influence actions such as symbolic management or impression management behaviors to legitimize their offerings and acquire resources (e.g., Aldrich and Fiol, 1994; Hargadon and Douglas, 2001; Lounsbury and Glynn, 2001; Zimmerman and Zeitz, 2002; Zott and Huy, 2007). This is consistent with the rational, "cool" evaluation criteria (e.g., market size, customer acceptance, key success factors, competitive rivalry, barriers to entry, founders' education, quality of founders' presentations) that resource holders purportedly consider when they evaluate new ventures (Kaplan and Strömberg, 2004; MacMillan, Zemann, and SubbaNarashima, 1987; Shepherd, 1999). After all, investors and senior executives who are aware of the business risks of new organizations and who have adequate time to ponder their decisions are unlikely to be swayed principally by entrepreneurs' emotional displays (Chen, Yao, and Kotha, 2009). Yet, an intriguing question still remains: are "cool" cognition-based arguments and actions alone sufficient to convince early stakeholders to buy in and support young organizations?

Some entrepreneurship scholars like Baron (2007, 2008) have begun to question this and theorize that affect could also play an important role in the entrepreneurial process. Particularly in unpredictable environments filled with uncertainty (Forgas and George, 2001), addressing stakeholders' affective states could help "tip the balance" in favor of a new

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1 The OED defines the noun Affect as "emotion or desire as influencing behaviour." Like the adjective affective (and not to be confused with effect), it refers to the experience of feeling or emotion, and is a key part of the process of an organism's interaction with stimuli.
organization, prompting these stakeholders to mobilize their resources, i.e., provide cognitive, material, or social support for it (Dorado, 2005; Sirmon, Hitt, and Ireland, 2007). This argument questions the prevailing view of resource holders as predominantly rational, cognition-based decision-makers. However, despite the potential importance of affect in influencing resource holders, empirical research has underexplored this form of influence.

Indeed, very few empirical studies have examined entrepreneurs’ affect-based social influencing actions — what we call, in short, “affective influence” — i.e., actions that elicit, maintain or modify other people’s affective states (Huy, 2002; Rafaeli and Sutton, 1991; Williams, 2007). As a result, we do not know whether investors, clients, employees and other stakeholders may be more willing to support a new venture on affective grounds, in addition to cognitively believing in its promise. We also know little about what kinds of affective influence actions founders use in their interactions with various venture stakeholders or even whether and how founders use affective influence at all. Finally, we also know little about how this might matter for firm-level outcomes, for example, in regard to mobilizing resources to help young organizations weather survival challenges. Therefore, we ask the following research questions: Do founders of new organizations practice affective influence in order to garner support for their ventures and, if so, how do they do this? In what way are such affective influence actions consequential for the building of new organizations? Finally, what are the conditions under which affective influence is more likely to be effective, and why?

To address these questions, we have adopted a grounded theory-building research design. Relying on the findings of a five-year field study of six nascent firms, we build a theory by describing how founders of these firms engaged in varying degrees of affective influence and the conditions under which affective influence actions matter to the building of new organizations. Our research is thus anchored within a social-functional perspective that holds that emotions have important social functions and consequences by which they influence not only the behavior of those experiencing the emotions but also the behaviors of others (e.g., Hochschild, 1983; Keltner and Haidt, 1999). We identified a subset of affective influence actions that seek to build three different dimensions of trust in regard to the new firm: the firm’s integrity, the founder’s competence as an entrepreneur, and the founder’s benevolent character. These actions constitute what we call “emotional assuring.” Although firms that practiced little emotional assuring could mobilize adequate resources as well as firms that did so in munificent environments, the latter gained a resource mobilization advantage under tough economic conditions. We also identified the moderating conditions of affective influence and its limitations.

To the best of our knowledge, our study is the first empirical study that establishes the variety of affective influence actions that founders use, how these actions influence organization-level outcomes, and why this might be the case. Our concept of emotional assuring bridges and contributes to three distinct organizational literatures — entrepreneurship, emotion in organizations, and trust. Our findings show how resource-poor founders can rely on a set of affect-based behaviors to “create something from nothing” (Baker and Nelson, 2005) through mobilizing new resources from stakeholders.

The rest of the paper is organized as follows. We first review the literatures that inform affective influence and resource mobilization in nascent firms. Then we describe how we collected and analyzed our data. Third, we describe our key findings, including the various kinds of affective influence actions, those that shape emotional assuring, and their effects on...

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resource mobilization. Fourth, we develop the theoretical mechanisms that underlie emotional assuring and resource mobilization. We particularly draw on the trust literature, as our findings seem to suggest that trust is an important latent mechanism. We conclude by discussing how our study contributes to the literature on organizations, and we suggest important areas for future research.

Theory

Affective Influence in Young Organizations

In the emotions literature, affective influence is often referred to as “emotion management,” and defined as eliciting, maintaining or modifying other people’s affective states (e.g., Barger and Grandey, 2006; Rafaeli and Sutton, 1991; Williams, 2007). “Affective state” (or affect in short) includes feelings, characterized by their valence (pleasant or unpleasant), their activation level (high or low), as well as specific emotions such as fear, anger, or joy that involve distinct cognitive appraisals (or interpretations) and action tendencies (see Frijda, 1986; Barrett, 2006; Smith and Ellsworth, 1985).

Although emotion scholars study affective influence mainly at the interpersonal level, in an organization founding context affect is likely to be particularly important and relevant at the firm level, not just at the interpersonal level. When resource holders consider supporting an unproven firm in its founding stages, these potential stakeholders expose themselves to high risk (Knight, 1921; Schumpeter, 1934), including the prospects that the new and unproven business model will fail (Thornhill and Amit, 2003) or there will be anemic growth (Aldrich and Ruef, 2006). These business risks, which may be difficult even for experts to evaluate accurately, can translate into risks for stakeholders’ own economic, social, and personal welfare, and can consequently arouse strong emotions. Since emotions generally arise when people appraise matters as personally relevant (Lazarus, 1991), founders and stakeholders of young organizations are often personally affected by highly volatile business performance (Baron, 2008). The strong emotions they feel can influence their subsequent decisions and behavior related to how they support the young organization. As a result, affective influence is likely to play an important role in contexts of high uncertainty, such as those that characterize newly founded organizations.

Indeed, research on affect (e.g., Damasio, 1994; Raghunathan and Pham, 1999; Schwarz and Clore, 2006) suggests that faced with uncertainty and incomplete objective information, potential resource holders, such as the first investors, customers, or employees, might consider their affective states when making decisions to support or join the young organization. Schwarz and Clore (1988) have argued that when people make evaluative judgment (e.g., about the potential success of the young firm), they unconsciously ask themselves “how do I feel about (the judgment)?” Moreover, psychological research on affective primacy (Zajonc, 1980) has shown that affective reactions can be evoked instantaneously with very little cognitive processing (Murphy and Zajonc, 1993). As business competence and efficiency cannot be proven in the early days of the young organizations, resource holders might rely more heavily than is commonly assumed on affect to decide whether they should support the firm.

We view affective influence in an organization founding context as distinct from emotion management, which has often been depicted as the deliberate regulation of individuals’ own
emotional expressions in established organizations in accordance with “feeling rules” or “display rules” (e.g., Grandey, 2003; Hochschild, 1979; Rafaeli and Sutton, 1991; Van Maanen and Kunda, 1989). As a result, emotion management in established organizations is sometimes associated with coercive, manipulative, or inauthentic behavior (e.g., displayed emotions that are different from felt emotions, such as smiling to increase sales even if one is not truly happy) that can be harmful to employees’ personal well-being (e.g., Martin, Knopoff, and Beckman, 1998). To avoid this negative connotation of emotion management, we have chosen the term “affective influence.” Affective influence actions do not have to be connected to mandated organizational feeling rules and displays. They also range along a continuum from deliberate to spontaneous and do not always have to be linked to specific instrumental goals. An example is when a spontaneously enthusiastic founder re-energizes her anxious employees even though she did not expressly set out to boost their morale.

To the best of our knowledge, very little and possibly no empirical research on affective influence has focused on its role in resource mobilization for organizational creation. Rather, as noted above, scholars have focused on how individuals regulate their own emotional expressions and the effect this self-regulation has on psychological well-being (e.g., Hochschild, 1983; Martin et al., 1998; Grandey, Dickter, and Sin, 2004; Tsai and Huang, 2002). This research on “emotional labor” has often focused on the behavior of low-status service employees with little discretionary power. It has neglected to look at new stakeholders, such as investors or board members; individuals who typically have more workplace discretion than do low-level service workers. The emotional labor literature has also focused on emotional displays as the main influence mechanism. For example, smiling customer service representatives are more likely to elicit higher satisfaction from their customers and thus higher repeat businesses and sales revenues (e.g., Hochschild, 1983; Grandey, 2003). But that literature has not considered the wider variety of affective influence actions that could be enacted by creative entrepreneurs.2

However, the context of organization creation is very different from that of customer service delivery. In contrast to a known service exchange, high uncertainty exists about the kinds of benefits the various stakeholders will eventually get out of the new business. In addition, the resources that stakeholders provide to the new firm can be consequential. Stakeholders are thus likely to be motivated to consider founders’ affective influence actions carefully insofar as these actions influenced their critical resource commitment decisions (Van Kleef, Homan, Beersma, Van Knippenberg, Van Knippenberg, and Damen, 2009). We have much to learn, therefore, about how independent and intrinsically motivated founders of new firms influence their stakeholders’ affect, and how and why these actions matter for the building of their new organizations.

The few empirical entrepreneurship studies that have considered affective influence have done so mainly as a part of broader research into entrepreneurs’ political and social skills. For example, researchers have examined the affect-related constructs of “expressiveness” – the ability to express one’s emotions and feelings (Baron and Markman, 2000, 2003; Baron and Tang, 2009) – and of “passion” (e.g., Baum, Locke, and Smith, 2001; Baum and Locke, 2004; 2 Similarly, work on emotional contagion has not focused on the specific challenges of organization and institution creation (involving resource mobilization) but, rather, on the influence that one individual’s emotional expression can have on the emotional experience of others (e.g., Barsade, 2002; Sy, Côté, and Saavedra, 2005; van Kleef, De Dreu, and Manstead, 2004; Tan, Foo, and Kwek, 2004). This research has often been conducted in established firms operating in relatively stable environments.
Chen et al., 2009). And these few have not produced consistent results. For example, Baum and Locke (2004) established that the founders’ character trait of “passion” positively influences their competence and motivation, which in turn positively affects venture performance. In contrast, Chen et al. (2009) found that “passion” does not matter for resource acquisition, echoing prior conjectures about investors’ preponderance for cognitive evaluation criteria (Kaplan and Strömberg, 2004; MacMillan et al., 1987; Shepherd, 1999). Other research on entrepreneurs’ passion (e.g., Cardon, Wincent, Singh, and Drnovsek, 2009) has explored links with founders’ own behaviors rather than those of stakeholders.

In sum, the potential importance of affective influence in the organization building context and the social-interactional nature of such influence have remained insufficiently investigated. Although the literature on emotions suggests that affective influence could induce resource mobilization, much of the entrepreneurship literature still portrays resource mobilization and interactions between founders and stakeholders in that regard as predominantly cognitive. And even the emotions literature does not make clear predictions for entrepreneurship settings. For example, emotions and their effects can dissipate relatively quickly (Schwarz and Clore, 2006). It therefore remains unclear whether short-term affective influence actions can actually “induce” (as in lab experiments) vigilant stakeholders, such as savvy investors and experienced managers, to provide the kind of long-term support that nascent firms need. To sustain the short-term effects of affective influence, stakeholders may need a more enduring mechanism, which we posit might be “trust.” Our findings suggest that founders are likely to use affective influence successfully, that is, to mobilize resources for their new firms to the extent that their actions are associated with building trust. We will further elaborate this insight in the discussion section.

**Methods**

We adopted an inductive theory-building research design (Eisenhardt, 1989; Eisenhardt and Graebner, 2007; Siggelkow, 2007; Yin, 1994) because there are many possible kinds of affective influence that entrepreneurs can use, and it is not clear which they actually practice or even if they use any at all. Prior research has not established the precise implications of affective influence on resource mobilization in the context of new-firm-building. We therefore conducted a five-year real-time, longitudinal, and concurrent study of six nascent ventures, all of which were based in London, England, where founders reported varying levels of affective influence, and we investigated how venture stakeholders responded to such influence actions.

**Sample Selection and Data Collection**

To identify entrepreneurs who had recently launched new firms or were in the process of creating them, we searched a business school’s database of alumni who had indicated in a survey administered during an alumni reunion that they had become involved in entrepreneurial ventures after graduation. The resulting list contained 230 names in the United Kingdom. We contacted all by e-mail, and explained the purpose of our research. We asked them to identify themselves if they 1) had launched a company within the past 18 months or were planning to do so in the next six months; if they 2) had their headquarters in the Greater London area, and if they 3) were willing to participate in a research project that might involve a substantial time commitment. We guaranteed participants complete confidentiality and anonymity. We aimed to study entrepreneurs in the early stages of creating their companies for
two reasons: First, we wanted to avoid sampling based on outcomes and, second, most researchers have ignored these early stages. We focused on a confined geographical area to minimize sample variation due to environmental factors (e.g., sociopolitical context, business climate, available resources).

We received 83 replies. After several interactions with these potential firms, we retained an initial set of 26 ventures that seemed to suit our criteria: They were based in London, and they had materially started up during the period we specified. Initially, we intended to study entrepreneurial behavior broadly; our focus on affective influence of stakeholders and its importance for resource mobilization emerged only a few years later during our iterative data analysis. Most of the ventures in our sample started between 1999 and 2001. When we began our research in late 2001, they were at such early stages of development that predictions about their eventual success were premature.

We began by recording entrepreneurial behavior (both in real time and retrospectively) by interviewing the founders. Most had graduated from the same top-tier business school, had very high GMAT test scores, had several years of professional experience before enrolling in the MBA program, and could access the school’s vast and high-powered alumni network. In this way, our selection controlled for key aspects of human capital, such as educational background, analytical skill, and managerial experience, as well as aspects of social capital — all of which are usually considered sources of heterogeneity in entrepreneurial ventures. We thus followed Gartner’s (1985) suggestion to increase the homogeneity of entrepreneurial sub-groups and look for variations within them to develop precise mid-range theories.

Beginning in February 2002, we conducted face-to-face interviews, mostly at work sites, with all entrepreneurs in our sample. We established a personal rapport with each of them individually. Each interview in the first round lasted between one and two hours. The second round of interviews took place between October and December 2002, the third in October–November 2003, the fourth in January–February 2005. For these later rounds, we relied mainly on telephone interviews, each of which lasted between 30 and 90 minutes. We interviewed stakeholders between November 2005 and July 2006. In all cases, we not only recorded and transcribed the interviews but also made extensive handwritten notes. We asked our informants to provide us with comprehensive accounts of their activities since the earliest days of their ventures. In replying to these questions, our informants often mentioned affective influencing actions and emotionally charged situations without any prompting. We also asked open-ended questions that triggered concrete examples of affective influence such as the following: Can you tell us about some emotionally high and low moments in the last period? How did you deal with them? How did you convince potential investors or motivate your employees?

As our interviews with these 26 founders progressed, we narrowed our focus to six ventures that we believed would allow us to explore in depth affective influence and its influence on organization-level outcomes. The founders of three of these ventures exhibited noticeably high levels of affective influence, and the other three displayed low levels. (We will elaborate on this in the findings section.) Focusing on only six cases enabled us to interview a large range of venture stakeholders in each, something that would have been difficult with a larger number of ventures. Indeed, we expended significant effort to convince the six founders to give us unlimited access to their important stakeholders — co-founders, investors, employees, spouses, and board members. These sources, as well as our longitudinal research design, enabled us to triangulate our findings to build stronger interpretations (Yin, 1994). Some of the questions that we asked these stakeholders were: Have you (and/or the founder) experienced any emotionally
intense moments with the venture? How did you interact with the entrepreneur or with others to deal with these situations? How would you describe the relationships among various people in the venture? How would you describe the founder? Interviews with these third parties lasted between 15 minutes and two hours.

We thus followed Eisenhardt’s (1989, 537) recommendation for a theoretical sampling approach that involves between four and ten extreme cases in which the phenomenon of interest (here, affective influence) is “transparently observable.” Using a finite number of cases enables researchers to find a balance between generating a reasonably textured theory and having to cope with large amounts of data (e.g., Brown and Eisenhardt, 1997). By focusing on affective influence we cannot (nor do we wish to) claim that it is the only means to build support for new ventures. Other largely non-affective approaches may also be at work in entrepreneurial contexts, such as impression or symbolic management (e.g., Higgins and Gulati, 2003; Lounsbury and Glynn, 2001). And sometimes such cognition-based approaches can be highly effective (e.g., Chen et al., 2009; Zott and Huy, 2007). Our primary intention with this paper, however, was to examine the outcomes and boundary conditions of affective influence, and not to prove or disprove the effectiveness of other forms of social influence.

Table 1 presents short descriptions of our six cases (the names of the companies and respondents are disguised to ensure confidentiality).
### Table 1
Cases and Interviews Per Case

<table>
<thead>
<tr>
<th>Case</th>
<th>Business Description</th>
<th>Founder Interviews</th>
<th>Interviews With Others</th>
<th>Interview Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUDGET</td>
<td>Formed in September 2001 to operate high quality limited service hotels. Develops sites for new budget motels in partnership with financiers and brand owners. Negotiates license agreement, interprets brand standards, implements these standards, and optimizes required resources. Then manages the operations (e.g., recruits and trains staff, performs sales and marketing) of the newly built motels under well-known brands, such as Holiday Inn, without owning the properties. Opened first hotel in March 2003, and by January 2005 had 17 hotels under management (including 11 from an acquisition). Backed by financial and strategic investors.</td>
<td>4</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>CONSULT</td>
<td>Founded in May 2000 by former partners of a well-known large global IT consulting firm. Provides IT-supported consulting services to large and mid-sized companies. Specializes in procurement (e.g., outsourcing) solutions, but also offers recruiting services. Over five years, grew to over 40 strategy, business process, and IT consultants. Seed-funded by business angels, and founders’ equity contributions (in total about £300k), but grew mostly organically (i.e., investments financed by firm’s own revenues).</td>
<td>4</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>DRINK</td>
<td>Founded in September 2002 to build a whiskey distillery with a production capacity of 40,000 cases per year. At the same time, produces and markets a range of innovative white spirits using only natural ingredients for consumers of alcoholic beverages around the world. Funded by a large number of private investors, as well as government subsidies.</td>
<td>4</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>INCUBATE</td>
<td>Founded in December 2000. Originally, aimed at helping large companies develop new ventures. Then changed business model to acquiring ailing on-line retail businesses (e.g., for pet food, and for gardening products), consolidating these businesses and running them on a common IT infrastructure. After consolidation, experienced modest growth rates (e.g., pet food business got to size of 20 employees). One of the founders withdrew, others became involved part-time. Largely self-funded.</td>
<td>4</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>INVEST</td>
<td>Assembled team in January 1998, and closed first deal in September 1998. Provides financial services and specialist financing for European early-stage hi-tech companies, especially in biotech, computing and communications infrastructure. After several years of operations, in 2002 essentially had to wind down first fund and get restarted as a company by raising a new fund (size: over €100 million) from new investors with a new management team after some of the original founders had left. As a result, changed the name of the company. Funded by third party institutional money from financial sponsors such as the European Investment Fund and well-known investment banks.</td>
<td>4</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>TECH</td>
<td>Founded in December 1999 to provide wireless telephony solutions for offices and factories. Develops technology that turns mobile phones and headsets into extensions of corporate networks and gives portable data devices and smart phones access to local area networks. Grew to more than 40 staff (mostly engineers) within three years of founding. Yet failed to produce a commercially viable product. Backed with more than £10 million by venture capital firms.</td>
<td>4</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>24</td>
<td>36</td>
<td>60</td>
</tr>
</tbody>
</table>

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3 Others include co-founders. Some stakeholders provided more than one interview. Therefore, the interview count in each cell of this column might be greater than the total number of stakeholders.

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The ventures in our sample are active in many industries, including hotel management (BUDGET), beverage production (DRINK), consulting services (CONSULT), online retailing (INCUBATE), financial services (INVEST), and wireless communications (TECH). Thus our sample includes diverse industries. All entrepreneurial teams were first-time founders, apart from the founder of DRINK who had limited entrepreneurial experience in a different industry.

Data Analysis

We used the case-replication method, in which cases serve as independent experiments that either confirm or reject emerging insights (Eisenhardt, 1989). We analyzed our data in three broad steps. First, based on our interviews with the initial set of 26 founders, we noticed the prevalence of emotional experiences in the context of building new companies. Most entrepreneurs who spoke to us reported emotionally intense situations. Many of them referred to the process of creating a new business as an “emotional rollercoaster.” We found, however, that there were stark differences in the way entrepreneurs described their affective experiences: some presented very richly textured accounts of emotional situations and how they dealt with them, whereas others presented very terse ones – even when describing situations, such as the firing of a partner, that could have been intensely emotional. This first analytical step helped us focus our attention on the six cases with noticeably rich or terse accounts of emotions.

Second, we noted quickly sharp distinctions among founders’ ways of influencing other people’s affect. Some founders appeared to attend to them more often and in a wider variety of ways than others. From that, we surmised that the affective influence of other stakeholders (and not just the regulation of one’s own emotions) was potentially important.

In our third analytical step, we focused on founders’ affective influence of other stakeholders. We analyzed statements made during our interviews and assigned them to various categories of affective influence actions that founders might use. To avoid biasing our findings towards “successful” affective influence actions, we coded these statements irrespective of any associated outcome, and it was only later that we looked for the consequence, if any, of each of these actions. Although (as we will show in the findings section below) many affective influence actions can be causally linked to organization-level resource mobilization outcomes, some cannot. For example, when Catherine (the founder of DRINK) described her approach for eliciting interest (an emotional state) from potential organization stakeholders she mentioned how she would pay close attention to other people’s needs, specifically, to “what would make them tick... what’s going to be the finger on the pulse that’s going to make the other person react.” Catherine did not mention, in that case, whether her tactic was successful and how so.

The two authors, working independently and proceeding on the basis of shared definitions of specific emotions, coded founders’ affective influence actions only when these actions were clearly associated with affective states in other people, such as joy, fun, interest or fear. We then compared our results and discussed disagreements. Then each of the authors independently went through the codes again to identify any potential associated outcomes. Again we compared our results and discussed disagreements. If we could not reach consensus on either affective influence action and/or its link to (or lack of) specific outcomes, we dropped the respective code. For example, we discarded the following quote from the CONSULT founder because it was not clear whether he had affectively influenced others. When asked how he had dealt with the disappointment of having been turned down by a particular investor, the founder said: “Well, you talk about it. Shit, you just pull each other up. You know, come on, we’ve got
plenty of other investors, it's no major thing.” We interpreted this account as founder’s regulation of his own emotions rather than influencing other stakeholders’ affect.

We coded and labeled affective influence action categories (and outcomes, if we could discern any) very closely to the meaning of the data, which include concrete actions such as displaying passion with potential investors or organizing energizing events for employees. As summarized in Table 2 and discussed in the findings below, we also analyzed emotional events (e.g., firing of the CEO or board conflicts) where affective influence actions might have been needed but were not practiced. By grouping various actions into increasingly abstract (or higher order) categories, we noted that founders’ affective influence actions sought to convey implicitly to stakeholders three distinct aspects: 1) the quality of the firm; 2) the quality of the founder as an able entrepreneur, and 3) the quality of the founder as a caring person. Subsequent reading of the literature about trust suggests that these three aspects can be linked to various characteristics of trustworthiness. They can be construed as implicit mechanisms that underlie the link between affective influence and resource mobilization (we will elaborate on this in the discussion section below). Using the same analytic method, we coded whether affective influence actions can have beneficial, harmful, or neutral effects on firm outcomes. We discerned two dimensions of resource mobilization. We also triangulated these firms’ outcomes with stakeholders’ accounts.

Findings

Before describing the kinds of affective influence actions that helped young organizations “tip the balance” in their favor in regard to mobilizing resources, we wish to emphasize that we are not advocating the benefits of affective influence unconditionally. First, some affective influence actions may not have any discernible effects at the organization level, their effect may be contingent on other variables, or they may even lead to undesired outcomes, as we will show later in this section. Second, firms that favor a cognitive-rational approach and use few affective influencing actions can also mobilize adequate resources. This is particularly true when firms operate in predictable, resource-rich environments. Our data support this nuance: All six firms in our sample were reasonably successful in their early days, in and around the years 2000-2001, which was a time of high environmental munificence (Zott and Amit, 2007). They managed to acquire vital resources, such as paying customers (with the exception of DRINK and TECH, who focused initially on R&D), highly qualified employees, and sufficient external funding, so that they could begin developing products and building operations. But then the environment changed drastically to one of low munificence, and all founders had greater difficulty in acquiring new resources to ensure firm survival and growth. It was at that point that differences in resource mobilization began to be seen, differences that we argue can be explained in part by the founders’ differing propensity to make use of affective influence.

Founders’ Affective Influencing Actions

Our data suggest three types of affective influence actions that helped mobilize resources for the young organization, namely those that sought to influence stakeholders’ perceptions about the firm in regard to three categories: 1) the integrity of the new firm; 2) the ability of the founder as an entrepreneur, and 3) the quality of the founder as a caring person. We found significant differences among founders in regard to how they used these three types of affective influence actions, as shown in Table 2. (A fourth category of affective influence actions evoking threat was used as well, albeit less frequently. We nonetheless explain it below.)
## Table 2
Affective Influence Actions Performed by Founder

<table>
<thead>
<tr>
<th>Affective Influence Actions Conveying Integrity Of New Firm by...</th>
<th>BUDGET</th>
<th>DRINK</th>
<th>CONSULT</th>
<th>INCUBATE</th>
<th>INVEST</th>
<th>TECH</th>
</tr>
</thead>
<tbody>
<tr>
<td>...emphasizing venture risks</td>
<td>✓</td>
<td>•</td>
<td>✓✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...displaying inclusive and transparent organizing actions</td>
<td>✓✓</td>
<td>✓**</td>
<td>✓**</td>
<td>✓</td>
<td></td>
<td>✓†Oo</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Affective Influence Actions Conveying Ability Of Founder as Entrepreneur by...</th>
</tr>
</thead>
<tbody>
<tr>
<td>...emphasizing valued entrepreneurial characteristics</td>
</tr>
<tr>
<td>...displaying certainty-related emotions</td>
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<table>
<thead>
<tr>
<th>Affective Influence Actions Conveying Benevolence of Founder by...</th>
</tr>
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<tbody>
<tr>
<td>...organizing energizing events for venture stakeholders</td>
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<tr>
<td>...paying customized attention to stakeholders’ needs</td>
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<tr>
<td>Affective Influence Actions Conveying Threat</td>
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<td>---------------------------------------------------------------------------------</td>
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</tbody>
</table>

Table entries:

- ✓✓: At least one self-reported action per founder interview
- ✓: Less than one self-reported action per interview, but at least one self-reported action in all founder interviews
- ○: At least one opposite action taken by founder (e.g., displaying opaque rather than transparent organizing action)
- •: At least 0.5 reported actions per stakeholder interview across all interviews with stakeholders
- •**: Less than 0.5 reported actions per stakeholder interview across all interviews with stakeholders, but at least one reported action
- †: Any evidence given by stakeholders that affective influence action was not performed
- ○**: Any evidence given by stakeholders that founder performed opposite affective influence action (e.g., displayed opaque rather than transparent organizing actions)

The checkmarks and dots are measures on a per interview basis and thus take into account that we conducted varying numbers of stakeholder interviews for the various ventures. They make the table entries comparable across cases. The cutoff points were chosen to highlight the variation among the cases.
Table 2 depicts our analysis of founders’ affective influence actions independent of their outcomes, i.e., whether these actions had positive, neutral, or negative consequences for the young organization. Affective influence actions inferred from founders’ accounts are presented as checkmarks (✔) in the table. When founder actions were confirmed by stakeholders’ interviews, we indicate this using dots (●) in the table. Besides, we also indicate actions that were the exact opposite of the respective action category in Table 2. For example, if the action category was “Influencing affect by displaying transparent and inclusive organizing actions” then an action that influenced stakeholders’ affect but that was neither transparent nor inclusive would be entered as “0” if the action was inferred from the founder’s account, or “o” if it was inferred from a stakeholder’s account. Finally, situations where a founder could have used an affective influence action but clearly did not are reported using a cross (†) in the table. These situations were inferred from stakeholders’ interviews. For example, one manager of TECH deplored the fact that he had not received “public or private praising” from the founder, and we considered this an indication that the founder had failed to take care of that manager’s personal needs.

In the text below we will focus on the presentation of those data that a) helped us build our concepts (namely, the various affective influence action categories), and that b) suggest a causal link between affective influence and resource mobilization, mainly because this link has not yet been shown empirically in the literature and has been under-explored theoretically. (For easier interpretation of the quotations displayed below, code indicating affect is in bold-face type, and code referring to resource mobilization outcomes of affective influence actions is underlined.)

Affective influence actions conveying integrity of the new firm. Integrity here refers to honesty and truthfulness in regard to the motivation for one’s actions. Our data show that founders can influence potential stakeholders’ feelings about their firms in ways that suggest that the new firm has integrity in several key ways. They can emphasize the risky nature of the business, they can promote transparency in their operations, and they can display inclusiveness. We were surprised by the finding that founders influenced stakeholders’ affect by emphasizing business risks during communications with potential investors and employees. We had thought that founders would be more likely to emphasize their ventures’ upsides and tone down references to any downsides, both to increase stakeholders’ comfort in the firm and because this might be expected from people who are prone to overconfidence (Busenitz and Barney, 1997). We had also believed that whenever founders mentioned the downsides of their new businesses, they would elicit or reinforce stakeholders’ anxiety, leading them to withdraw support. Our data showed the opposite effect.

The founder of CONSULT, Sam, explained to us how he had emphasized the risks of his venture to potential new employees, with the surprising result that this made them ready to join:

In recruiting...the more you try to push people away, the more they want to get involved. Absolutely phenomenal. We tell people what we do and say yes, you know, this is really exciting stuff, but let’s tell you about the downsides, and boy, there are some downsides. We could really screw up on this, we could really screw up on that... there are real risks involved (Founder, CONSULT).
Sam furthermore explained to us how he had emphasized the risks of his planned venture to private investors – again with quite surprising results: “The more that I said, ‘Oh, but there’s risk. Oh it’s a bit dodgy. I don’t want to lead you astray, guys,’ – the more I tried to push them off... the more they liked it.” Roman, a private investor, confirmed this approach, as well as its effectiveness at mobilizing resources: “We've all made investments because we wanted to make the investment. We weren’t badgered into making an investment. In fact, we were actively encouraged not to invest.” Our data thus suggest that emphasizing venture risks may elicit positive emotions in potential stakeholders, who then support the young organization.

Another way of enhancing stakeholders’ perception of a new firm’s integrity is through displaying transparent and inclusive organizing actions. This involves enacting management actions (e.g., with respect to sales, operations, personnel, or resource allocation) in ways that can be observed and verified by stakeholders (i.e., transparent) and/or that involve the stakeholders’ participation (i.e., inclusive). Contrary to conventional wisdom, we found that successful founders did not take a centralized, secretive, commanding approach to their business, as is often used when firms are in a vulnerable stage (e.g., Huy, 2001). For instance, BUDGET, a small firm of about 20 people, became a large company of more than 600 employees virtually overnight when it acquired a large and established hotel chain. Employees (staff and middle managers) of the hotel chain were worried about being managed by such a small and unproven company. The BUDGET founder, James, assuaged their concerns by involving them in projects that gave them an opportunity to actively shape their future.

We’ve started to set up project teams to do things. One of the things they’ve said is look, we need to think about uniforms. So we said okay, fine, two of you as general managers are now responsible for thinking about new uniforms. We've put another project team together to simplify and restructure food and beverage. So you start to get them involved. That’s one way of dealing with nervousness (Founder, BUDGET).

Giving new employees the opportunity to take ownership of business projects reduced their worries and paid off in producing resource mobilization benefits anchored in a sense of ownership and belonging among the newly acquired employees. Employees reacted positively to the founders’ efforts to include them in decision-making. One middle manager, Nelson, commented: “He [James] engenders a sort of cooperative spirit, and he involves you in his venture, makes you want it to succeed... that does give me hope in the future.” By being transparent and inclusive, BUDGET founders calmed nervous and worried employees, and this stimulated their employees to share important information upward.

You ask for information and then when [the employees] see that they’re not going to get beaten up or they’re not going to get punished for it and you genuinely want it for the reason that you said you wanted it, then they start to relax. Then they start to open up and they start being more confident about expressing their ideas (Founder, BUDGET).

In contrast, in some of the firms we studied, members were more engaged in opaque, behind-the-scenes moves (e.g., building secret political coalitions) to try to overpower one another. As our data show, such actions were unlikely to establish the new firm as a high-integrity organization. Phil, the founder of TECH, for example, tried to prevent a venture capitalist whom he did not appreciate from joining the board of directors, which led to continuous tensions at the board level, and negatively affected resource mobilization. Phil commented: “Unfortunately, he ended up being on the board anyway, and he was aware that we had vetoed his idea of being a board member. So there was tension happening, which wasn’t great.”
Affective influence actions conveying ability of the founder as entrepreneur. A second category of useful affective influence actions that founders used related to stakeholders’ believing in the entrepreneurs’ abilities. Abilities refer to the skills, competencies, and characteristics that enable the founders to have influence within some specific domain (Mayer, Dadis, and Schoorman, 1995). Founders play a central psychological role in building new businesses, as Jordi, a consultant for DRINK, explained: “Everything revolves around [the founders]: their ego, their insecurities, their ambitions.” Our data show that in these founder-centric environments, some founders managed to elicit stakeholders’ positive affect toward the young organization by emphasizing socially valued characteristics, such as entrepreneurial background and achievements, total commitment, high personal energy, and also by displaying what we call “certainty-related emotions.”

In terms of emphasizing valued entrepreneurial characteristics, Christine, the founder of DRINK, described how she addressed a private investor’s initial reluctance by first explicitly acknowledging his pride in having created a venture of his own and deliberately drawing parallels to her own entrepreneurial situation:

He said, “I’m still not sure that you’re going to deliver.” I said, “Yes, you’re right, but you started with three people three years ago – that’s all I’m doing. I’ve got the same drive, so do you recognize that in me?” That very quickly went to the heart of this person’s identity, which is, he was hugely proud of having built up this thing in three years (Founder, DRINK).

This deliberate triggering of a stranger’s emotions was vital for Christine’s firm acquiring funding. She continued, “That’s what clicked. The next morning, he was trying to buy me and the team. So it changed that fast. From being, ‘Who the hell are you?’ to, ‘Are you up for sale?’”

Socially valued entrepreneurial characteristics can also include specific emotional displays. Our data suggest that venture founders can shape stakeholders’ perceptions of their ability by displaying feelings of certainty, such as enthusiasm, passion, or calm. Christine, the founder of DRINK, illustrated the favorable outcomes for her venture:

I think we come across as a much bigger and more impactful firm than we really are. I also think [that this is because] the sheer amount of enthusiasm and drive in all the people comes across, just in the [way they speak] (Founder, DRINK).

One of her employees confirmed that, “Christine’s enthusiasm was contagious,” and elaborated on the resulting resource mobilization as follows: “So you couldn’t help but actually listen to her and think yeah, oh my gosh, she’s right. Everyone was sharing her enthusiasm and wanted to get the company going.” Such emotional displays can influence external stakeholders’ (e.g., investors’) affect even if these stakeholders work in seemingly unemotional and rule-bound institutions, like governments: “The government had to select British companies for their funding, and they gave it to us, [based on] the criteria that we seemed to be working so hard and they felt that our enthusiasm would [make] the innovation work” (Founder DRINK). (Note how government officials linked the founder’s display of enthusiasm to a specific organizational outcome.) Interestingly, negative emotions such as anger and annoyance could produce a similar effect. When the co-founders of TECH, for example, were raising funds in the early days of their venture, they “would get outright annoyed if people challenged us about it not being a go... So we signaled this amazing belief that we knew what we were doing,” and this helped them win financial support, as Phil (the TECH founder) told us.
The literature supports our finding on the importance of passion, enthusiasm, and anger for decision-making under uncertainty. Appraisal theory of emotion has shown that these emotions occur with a sense of certainty (Roseman, 1984; Scherer, 1984; Smith and Ellsworth, 1985). They promote heuristic processing and lead to greater certainty in subsequent judgments (Tiedens and Linton, 2001). Regarding their effect on others, Elsbach and Kramer (2003) showed that decision-makers in the uncertain business of movie production tend to assess screenwriters who are demonstrably passionate about selling their script as being creative and committed. Displaying certainty-related emotions can therefore help project perceptions of ability in stakeholders’ minds. This action strategy may not always work or can even backfire, however, if the emotional displays (in particular those of negative emotions such as anger, frustration or annoyance) are made in personally insensitive and hurtful ways, which could undermine the perceived benevolence of the founder, as we discuss next.

Affective influence actions conveying benevolence of the founder. Founders can also influence the affect of venture stakeholders by organizing energizing events for venture stakeholders and by paying personalized attention to stakeholders’ needs. These actions communicate information about the founders’ benevolence. Benevolence here refers to kindness and altruism; it involves giving and doing good for others (Mayer et al., 1995).

When founders and stakeholders go out to restaurants or bars together or attend sporting events or evening concerts, they move their relationships to a more personal level and augment their professional, business relationships. Our data show that these informal interactions, promoted by founders, were usually appreciated as energizing experiences for the attendees. They evoked such high-activation emotions as fun, excitement, and joy. John, an employee of CONSULT, confirmed the invigorating relationships that employees had developed with their managers as a result of these energizing events. “Just going out for an evening with Sam or Matthew [the co-founders] - it’s great fun.” He further elaborated on Sam’s often spontaneous organizing actions to elicit joy among the members of the young firm: “One day when we just won a contract... Sam just disappeared off and came back with a crateful of beer and just bonked it on the desk and told everyone to stop working and have fun and celebrate.” Although such actions may seem obviously useful, not every entrepreneur in our sample used them. Alex, a former partner of INVEST, for example, complained that, “so very little time was spent celebrating successes.”

Eliciting stakeholders’ positive affect (e.g., fun) by celebrating successes and creating opportunities for personal interaction can lead to resource mobilization. For instance, it can foster the informal and spontaneous sharing of ideas to develop new products:

We have fun around the office... it makes people feel like they’re really part of what’s going on. They really are. They can come and talk to us, genuinely about how the firm [is] doing. Hey, I had a great new idea for a new product – what do you think about this? (Founder, CONSULT).

This affective influencing approach may be important not just with employees, but also with other stakeholders, such as clients. As Sam of CONSULT explained: “You take [clients] to a football match and all of a sudden you have something in common. The relationship takes on a very different angle... I suppose we’ve got a very loyal set of clients.” Indeed, cash-flow-negative fledgling young organizations depend on the loyalty of paying customers. (Note how both stakeholders and founders interpreted how emotions elicited from energizing events could be associated with people feeling valued for their contributions to the young firm.)
Beyond organizing collective energizing events, founders in our study elicited stakeholders’ positive affect by personalizing the attention they paid to individual stakeholders. The founders of BUDGET, for example, made a deliberate effort to travel and talk to all the managers of the hotels they acquired to find out about their individual problems and help resolve them. Sevin, a middle manager, confirmed founders’ caring actions:

If I don’t phone them or speak to [the co-founders] within a week, they will phone me, and they’ll say to me, is your phone broken or something? Why haven’t you spoken to us? They want to hear from us, they want to know how we are. They want to make sure that we’re alright and that we haven’t got any problems. So it is an excellent company to work for (Hotel general manager, BUDGET)

Sevin (BUDGET) went on to note that the founders’ attention to his personal needs made him “comfortable” and “happy” to work for them and mobilized his support for the new firm: “I’ve always been very supportive of the company.”

In one of the ventures we studied (TECH), by contrast, when resources became tight a few years after founding, the entrepreneur did the exact opposite to caring for organization members’ personal needs. According to one top executive who had been recruited into the company, the founder “shouted down [the employees] in front of their fellow staff members, which is a very demoralizing thing to do.” Public displays of anger at TECH hurt employees’ feelings and nurtured the image of a “dictatorial” rather than benevolent leader, which negatively affected employee motivation and initiative.

Affective influence actions conveying threat. We also found evidence (though less than for the other three affective influence action categories explained above) that founders used brinkmanship tactics, aggression and threats in order to secure benefits for their ventures in negotiations with investors and suppliers. Catherine, the founder of DRINK, illustrated this when she recalled how she had handled her high-profile London City lawyers after she had found out that they would charge significant fees even though their services had not yielded the desired benefits for the young organization:

[I suggested] to pay small amounts every month, and said that’s what it’s going to be. You’ll either bankrupt me or accept it this way. And because I’ve come close to bankruptcy, I can say that to them and look them in the eye. Don’t mess with me. You push me to do this – it’s over. So you choose (Founder, DRINK).

Such actions may have entailed short-term benefits for the young organization, as Phil (the founder of TECH) suggested when he mentioned how they had accelerated their first fundraising round by pressuring prospective financiers to make an equity investment: “We were putting a huge amount of pressure on them, saying we need it early or we’re going to feel doubts. They said okay, we’re going to do it.” The long-term effects of these actions on stakeholders, however, were more difficult to ascertain, and could be even questionable, given how difficult it is to threaten someone while at the same time building a trustful long-term business relationship.

Emotional Assuring

Based on these findings and on the theoretical links between affective influence and trust developed in the discussion section below, we call the first three types of affective influence
actions shown in Table 2 – conveying integrity of new firm; conveying ability of founder as entrepreneur; conveying benevolence of founder – “emotional assuring.” This label for the new construct was suggested by our data. Thad, who had learned about DRINK while browsing through a trade journal, explained why he had made the decision to support the fledgling organization at a very early stage: “The team had passion and drive. They seemed to love their products, they seemed to enjoy selling and they seemed to enjoy the thrill of marketing something... I felt totally reassured.” As a result of his reassurance, Thad invested £50,000 of his own funds, and joined DRINK as a board member. Emotional assuring, then, refers to affective influence actions that seek to build three different dimensions of trust in regard to the new firm (see Butler, 1991; Gabarro, 1978; Mayer et al., 1995): 1) the firm’s integrity; 2) the founder’s competence as an entrepreneur, and 3) the founder’s benevolent character. Next, we examine the effects of these emotional assuring actions on organization-level outcomes; more specifically, on resource mobilization.

Resource Mobilization

Our data suggest that resource mobilization refers to personal discretionary support from stakeholders and to collective support. In Table 3 we present definitions of these dimensions, as well as data that illustrate and support the construct.
Table 3
Resource Mobilization (RM) Consequences of Founders’ Affective Influence Actions

<table>
<thead>
<tr>
<th>RM Dimension</th>
<th>Definition</th>
<th>Representative Codes (Outcomes of Founders’ Affective Influence Actions)</th>
</tr>
</thead>
</table>
| Personal Discretionary Support from Stakeholders | Discretionary actions are distinct from transactional ones in that the former are largely voluntary and *a priori* unspecified. They are neither formally nor implicitly contracted (e.g., unexpected offers from potential investors to provide equity finance, or ideas about product development from employees who were not hired for this role). | “We’ve all made investments because we wanted to make the investment.” (Investor CONSULT; firm-level benefit because the venture received equity funding from private investors.)
“So in the first week of January, I had a call with an outline term sheet saying, we want to put a million £ in.” (Founder DRINK; firm-level benefit because an angel investor puts forward a proposal for providing equity financing to the venture.)
“That’s what clicked. The next morning, he was trying to buy me and the team. So it changed that fast. From being, who the hell are you? To, are you up for sale?” (Founder DRINK; firm-level benefit because an angel investor inquires about the possibility for providing equity financing to the venture.)
“She quit her job and came to work for us. Actually, we had an investor do exactly the same thing as well.” (Senior Manager, DRINK; firm-level benefit because venture was able to attract two new employees.) |
| Collective Support from Stakeholders | Stakeholders – e.g., employees – can develop a sense of shared responsibility and collective involvement in building up their nascent companies, often in response to unforeseen problems. This wide involvement reduced dependency on a few leaders at the top. Employees became involved in innovation (e.g., developing new products) or displayed flexibility in operations (e.g., by economizing on scarce resources). | “They start to open up and they start being more confident about expressing their ideas.” (Founder BUDGET; firm-level benefit because employees collectively communicate their ideas for organizational improvements.)
“No one felt pause to do something just because it’s your job and you have to do it. Everyone was more like sharing the enthusiasm of Caroline wanting to get the company going.” (Employee DRINK; firm-level benefit because employees collectively perform supporting actions beyond their job description to help the venture progress.)
“They can come and talk to us, genuinely about how is the firm doing. Hey, I had a great new idea for a new product - what do you think about this?” (Founder CONSULT; firm-level benefit because employees collectively make suggestions for product innovations.) |

Note: To ensure focus on the resource mobilization construct we display only the relevant code parts in this table. The full codes include the affective influence actions that helped produce the respective resource mobilization outcomes. They can be provided by the authors upon request.
We summarize the qualitative findings of our analysis of the effects of affective influence actions on resource mobilization that we inferred from founders’ interviews (triangulated through stakeholders’ accounts) in Figure 1. The three affective influence actions that constitute emotional assuring frequently, though not always, led to positive resource mobilization outcomes. Other affective influence actions (such as the opposite of emotional assuring actions, indicated in Table 2 through “o” and “O”) were either often associated with negative resource mobilization outcomes or (e.g., if they involved the use of threats and aggression) their long-term benefits were doubtful based on previous research (e.g., Jackson and Dutton, 1988; Williams, 2007). Overall, these findings strongly suggest a positive link between founders’ emotional assuring and young firms’ resource mobilization.

Figure 1
Affective Influence Actions and Organization-Level Outcomes

<table>
<thead>
<tr>
<th>FOUNDERS’ ACTIONS</th>
<th>ORGANIZATION-LEVEL OUTCOMES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emotional Assuring</td>
<td></td>
</tr>
<tr>
<td>• Affective Influence (AI) Actions Conveying Integrity Of New Firm</td>
<td>Resource Mobilization</td>
</tr>
<tr>
<td>• AI Actions Conveying Ability Of Founder As Entrepreneur</td>
<td>• Positive outcome (frequent)</td>
</tr>
<tr>
<td>• AI Actions Conveying Benevolence Of Founder</td>
<td>• No discernible outcome (rare)</td>
</tr>
<tr>
<td></td>
<td>• Negative outcome (very rare)</td>
</tr>
<tr>
<td>Other Affective Influence Actions</td>
<td></td>
</tr>
<tr>
<td>• Opposite of Emotional Assuring Actions (see above)</td>
<td>• Positive outcome (rare)</td>
</tr>
<tr>
<td>• Affective Influence Actions Conveying Threat</td>
<td>• Negative outcome (frequent)</td>
</tr>
<tr>
<td>• Absence of Affective Influence Actions in Situations Where They Could Have Been Used</td>
<td>• Positive short-term outcomes (some observed)</td>
</tr>
<tr>
<td></td>
<td>• Negative long-term consequences (posited from previous research)</td>
</tr>
<tr>
<td></td>
<td>• Did not deter positive development when resources abundant</td>
</tr>
<tr>
<td></td>
<td>• May have «tipped the balance» negatively when resources scarce</td>
</tr>
</tbody>
</table>

We did not only rely, however, on micro-evidence based on individual codes which suggested a causal link between emotional assuring and resource mobilization outcomes. We also performed a qualitative analysis of the overall level of resource mobilization in our six firms. This analysis is shown in Table 4 (Panels A and B). Juxtaposing panels A and B of Table 4 with Table 2 allows us to see that firms in which founders engaged in high levels of emotional assuring (BUDGET, CONSULT, DRINK) also achieved high levels of resource mobilization (Panel A of Table 4), whereas those in which founders used low levels of emotional assuring (INCUBATE, INVEST, TECH) only achieved low levels of resource mobilization (Panel B of Table 4).
# Table 4. Panel A
Resource Mobilization: Qualitative Assessment and Representative Quotations from "High AI" Cases

<table>
<thead>
<tr>
<th>Personal Discretionary Support from Stakeholders</th>
<th>BUDGET</th>
<th>CONSULT</th>
<th>DRINK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong</td>
<td>“I suggested a few things, [such as] printing our guest directory that we designed ourselves, and you know, the [founders] said let’s do it.” (Nelson, Middle Manager.) “You can get people to do things when they wouldn’t normally want to do them.” (Peter, Co-founder.)</td>
<td>Strong “It’s probably more of an irrational investment, based on personalities.” (Private investor.) “Sam’s way of convincing me to join CONSULT was effective.” (Employee.)</td>
<td>Strong “I’ve since been asked to sit on two other government boards, one of which is monitoring a billion pounds spending a year... That’s been very good, and I think long-term will bear a lot of fruit. I’m one of only five external members, and there’ve been articles in the Financial Times.” (Christine, Founder.)</td>
</tr>
<tr>
<td>Moderate</td>
<td>“There have been mistakes made, but it’s been acknowledged that those mistakes have been made and now we get on with it and find a solution...It’s about how can we all get together and make it a bit better.” (Ruth, HR Manager.)</td>
<td>Strong “The growing dot.com industry suddenly collapsed. We decided as senior managers to actually go out and get involved in projects because we didn’t have many employees and needed to bring revenue in. We were trying to ensure that we stayed a viable organization.” (Lorenzo, Senior Manager.) “There’re a lot of us that joined at the start that are still left, and there hasn’t been a great deal of turnover.” (Employee.)</td>
<td>Strong “Everyone has the opportunity to contribute, and that makes a phenomenal difference to my motivation to the company.” (Josephine, Finance Director.) “That time when it became a real low point, was that the rest of us could pick up all the other elements of what was going on in the company to allow Christina to give total focus to that one situation and to deal with it and to clear it up and resolve it.” (Rupert, Employee.)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Collective Support from Venture Employees</th>
<th>Moderate</th>
<th>Strong</th>
</tr>
</thead>
<tbody>
<tr>
<td>“There have been mistakes made, but it’s been acknowledged that those mistakes have been made and now we get on with it and find a solution...It’s about how can we all get together and make it a bit better.” (Ruth, HR Manager.)</td>
<td>“The growing dot.com industry suddenly collapsed. We decided as senior managers to actually go out and get involved in projects because we didn’t have many employees and needed to bring revenue in. We were trying to ensure that we stayed a viable organization.” (Lorenzo, Senior Manager.) “There’re a lot of us that joined at the start that are still left, and there hasn’t been a great deal of turnover.” (Employee.)</td>
<td>“Everyone has the opportunity to contribute, and that makes a phenomenal difference to my motivation to the company.” (Josephine, Finance Director.) “That time when it became a real low point, was that the rest of us could pick up all the other elements of what was going on in the company to allow Christina to give total focus to that one situation and to deal with it and to clear it up and resolve it.” (Rupert, Employee.)</td>
</tr>
</tbody>
</table>

Ratings of “strong,” “moderate” and “weak” reflect our qualitative assessment mainly of stakeholder accounts, to triangulate the dimensions of RM.
Table 4. Panel B
Resource Mobilization: Qualitative Assessment and Selective Quotations From "Low AI" Cases

<table>
<thead>
<tr>
<th></th>
<th>INCUBATE</th>
<th>INVEST</th>
<th>TECH</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal Discretionary Support from Stakeholders</strong></td>
<td><strong>Weak</strong>&lt;br&gt;“We didn’t feel we could realistically go back to our shareholders and ask for more money until we’d sorted out what we got. We did try, in a relatively low-key way, and got a fairly direct [negative] response from our shareholders.” (Kurtis, Co-founder.)</td>
<td><strong>Weak at first, then moderate</strong>&lt;br&gt;“[The partners] were all concerned to protect their interest. So they got very personally protective and individually greedy” (Alex, Former CEO and Director.)&lt;br&gt;“We spent a considerable amount of time trying to identify and convince [a finance provider], and that proved difficult. That proved very difficult….” (Michael, Founder.)</td>
<td><strong>Strong at first, then weak</strong>&lt;br&gt;AT FIRST: “We didn’t get any [skilled engineers] turning down our job offers. Not a single one.” (Patrick, Founder.)&lt;br&gt;THEN: “We do not have at the moment a true customer that is using the product.” (Kevin, Co-founder.)</td>
</tr>
<tr>
<td><strong>Collective Support from Venture Employees</strong></td>
<td><strong>Weak</strong>&lt;br&gt;“The employees were people who were working in the warehouse... They were more like workers in a factory.” (Susan, Spouse of Founder.)</td>
<td><strong>Weak</strong>&lt;br&gt;“[The managers] were still behaving at the end as they were at the beginning, individually. So you have...their individual politicking.” (Alex, Former CEO.)</td>
<td><strong>Strong at first, then weak</strong>&lt;br&gt;AT FIRST: “We asked people to defer salary. People turned back and wanted to defer actually more than we’d asked for.” (Patrick, Founder)&lt;br&gt;THEN: “There was resignation among the employees.” (Jim, new CEO.)</td>
</tr>
</tbody>
</table>

Ratings of "strong," "moderate" and "weak" reflect our qualitative assessment of stakeholder accounts. As in Panel A, this further triangulates the three proposed dimensions of RM. We draw on quotations from founders here, too, because most reported outcomes in this table are classified as "weak," and we assume founders have little extrinsic or intrinsic motivation to exaggerate weak outcomes.
The importance of the hypothesized link between emotional assuring and resource mobilization for firm survival and growth can be further assessed when considering key business challenges that the young firms in our sample faced. To do so, we divided our sample into three sub-samples; each included two firms that had to deal with a similar critical business challenge. (That the ventures in our sample could be matched according to the similar challenges they faced was fortuitous. This only became clear to us during the data analysis stage, and was not part of our sampling strategy.) In each of the three pairs, there was one firm that used emotional assuring heavily. That firm also happened to be the one that dealt successfully with the respective challenge at hand by mobilizing adequate resources. Below, we display the results of this analysis for one pair of firms (DRINK and TECH) who suffered from a lack of product readiness. The remainder of the analysis for the other sample firms is shown in Appendix A.

Differential Resource Mobilization Responses to Similar Business Challenges

DRINK and TECH suffered from a lack of marketable products, which caused a shortage of sales-generated cash. DRINK’s main product (whiskey) required the time-consuming construction of a factory. Moreover, it had to store the final product for at least seven years before it attained a quality that could be sold. TECH developed wireless-communication solutions based on radio-frequency technology, and this required a substantial up-front R&D investment. Although the founders of both firms had been successful in gathering initial resources to launch their ventures (e.g., TECH had raised several million pounds in venture capital financing), both were depleting that initial investment fast, and they faced pressure to obtain additional support.

DRINK was able to mobilize resources from stakeholders, individually as well as collectively, to creatively address the adverse conditions that threatened its survival. For example, many employees at all levels of the company contributed to the development of a new vodka drink. According to one employee, “Everyone wanted to be involved, everyone wanted to help. Actually, the name of the vodka was invented by an accountant.” In another example, one board member of DRINK hand-delivered a product sample to an important customer in Singapore – someone who had threatened to take business elsewhere after being sent the wrong sample. This action affectively influenced and impressed the customer and resulted in important resource benefits for the venture. Christine, the founder of DRINK, describes what happened:

[The board member] walked in one hour before the deadline, undid the suitcases, put the product sample onto the bar and there they were. They were shocked… They think we walk on water as a result. It turns out that this key buyer also buys for all the Swiss hotels around the world, which is an unexpected benefit, and we got all this press from doing the press release on it. (Founder, DRINK.)

TECH faced a similar business challenge in terms of product readiness. For the firm’s first two years, it had used its munificent venture capital funding for product development. Then, when Patrick, the founder, believed that the product was ready for market (and the existing venture financiers were becoming increasingly impatient), he switched the company’s focus away from product development to marketing and sales. However, sales remained very slow. Some members of the top team believed that the product was still having technical problems, but no one took care of their concerns. One sales director commented:
If you’re out on the front lines you’re seeing how everything is working, you’re seeing all the holes. I was just coming back and saying, “Boy, guys, this isn’t as good as we think it is. There are many problems ....” [The founder] would hear nothing of it. I was basically told that I was going to be fired if I brought it up again. (Sales Director, TECH.)

Under pressure, the founder’s affective influence actions (as indicated in Table 2) discouraged employees from taking initiative. Rather than support the company in new and unexpected ways, like the members of DRINK, “the employees [of TECH] would just end up doing what they were told,” noted the new incoming CEO. “[There was] resignation among them.” The lack of resource mobilization made the company slide into a downward spiral. Relations among organization members deteriorated, the founder was fired by a divided board of directors, and the assets of the company were finally sold.

We can only speculate that more frequent use of emotional assuring (as practiced, for example, by Christine of DRINK) could have helped TECH deal more constructively with the critical survival challenge of lack of sales-generated cash. It could have given the young organization some “breathing room” to explore and find alternative approaches to its business problem, and thus tipped the balance toward a more positive outcome.

**Contingency Conditions Related to Emotional Assuring**

The relationship between emotional assuring and resource mobilization can be further nuanced. When founders performed emotional assuring, our data suggest two important moderating conditions. We call the first “high-touch” interaction, meaning the quality of interactions between founders and stakeholders. We call the second “authenticity,” meaning the way stakeholders evaluate the honesty of founders in social interactions.

**High-touch interaction as a moderator.** Emotional assuring seems well received when it occurs in a high-touch (that is, open, safe, and face-to-face) environment. Stakeholders saw the founders as approachable, willing to listen to others, and engaging in non-threatening dialogue. Sevin, a middle manager at BUDGET, described it this way:

> What makes me feel **comfortable** working for this venture is that the founders are very contactable, they’re very approachable. They’re easy to talk to. If I have a problem, I know that I can talk about it. If something goes wrong, I know that I can talk about it without any repercussions. (Middle manager, BUDGET.)

And Roman, an investor in CONSULT, confirmed this: “I do know that [the founders] operate a very open-door policy. They’re both very approachable people. They’re receptive to the needs and wants of their employees.” This context encourages employees to express their thoughts and a wide range of emotions honestly. It also fosters respect for personal sensitivities and diverse ways of expressing emotion (Putnam and Mumby, 1993; Martin et al., 1998), and provides opportunities for emotional assuring to be enacted in customized, timely, and situation-specific ways. Managers can recognize situations in which their employees need emotional support and tailor emotional assuring to their personal needs. Recipients of emotional assuring are more receptive to such influence when the founders take them seriously, understand their problems, and believe that they can contribute to the company. Based on our data and on the theoretical arguments above, we speculate that this factor moderates the relation between emotional assuring and resource mobilization: The higher the “touch,” the stronger the positive association.
Authenticity as a moderator. The effectiveness of emotional assuring can also depend on the way in which people perceive the personal integrity of those who perform it. Our data suggest that authentic founders — that is, those whom stakeholders perceive as true to themselves and honest with others — can be particularly effective at emotional assuring. For example, when one promised investment in DRINK did not materialize, the company faced an acute cash crisis and could not pay its suppliers (issuing checks that bounced). Rather than hiding these problems, the founder showed authenticity in their symbolic reparative actions to elicit suppliers’ comfort.

So we just told the truth. We called the [suppliers and said], “We’ve had a complete disaster. We’ve had an investor who was going to come in. We’re going to give you £100 out of our own pocket because it’s all we’ve got... We don’t have any money in the company at the moment. I don’t know what’s going to happen. But as a matter of goodwill, we will give it to you from ourselves.” And that single gesture saved us. (Founder, DRINK.)

The disarming honesty displayed by Christine, the founder, probably increased the calming effect that her symbolic payment had on the suppliers. Why do people value authenticity in business transactions beyond the ethical value of honesty? Research on customer service suggests that a perceived authentic smile directly enhances customer satisfaction because it is evidence of someone’s willingness to go beyond task requirements (Grandey and Brauburger, 2002). Conversely, customer satisfaction is diminished by inauthentic actions, such as fake smiles, which are interpreted as crude impression management (Bolino, 1999). These arguments, together with our data, lead us to surmise that the stronger the founder’s authenticity, the stronger the positive association between emotional assuring and resource mobilization.

Limits to Emotional Assuring

We identified further limitations to emotional assuring. At the risk of stating the obvious, we found that it is difficult to use emotional assuring equally well on everyone – even where entrepreneurs use it often and many stakeholders agree about the resulting benefits. At CONSULT, for example, we detected a dissenting voice among the six people whom we interviewed; one employee indicated that he no longer wanted to stay with the growing company and therefore did not feel inclined to do any more work than was required of him. He believed that the company had inadequately acknowledged his earlier contributions:

Recently I’ve been off-project or on the bench for about three or four months and I was basically advised that if a project wasn’t found, then I’d be made redundant, which I felt was quite unfair considering that I’d actually spent about four out of the five years full-time working and keeping the company afloat. (Employee, CONSULT.)

Thus, even in firms that practiced emotional assuring, founders sometimes failed to tailor it to specific individuals. Even if they did, moreover, some stakeholders may not appreciate the effort. Because effective emotional assuring often requires personalized customization for stakeholders with diverse needs and preferences, not all attempts succeed.

Moreover, some founders may not use much emotional assuring at all. Michael, the founder of INVEST, for example, appraised a disruptive event in a cognitive, affect-neutral way when he described why and how the top team fired one of their original partners:
We learned that he was not working together with us, which was a bit stressful, because I mean, I’ve been sitting with this person for the last four years. But he was just too political, and he was really bad-mouthing everyone else so he could get ahead of the others. We felt that that was unjustified and asked him to leave, which wasn’t traumatic, but it was a little bit tense. (Founder, INVEST.)

Michael did not mention any emotional assuring action he had tried with the ousted partner or with people who interacted with this partner, although this might have been beneficial. (In contrast, Christine, the founder of DRINK, made sure that any parting employees felt good towards her venture because “if they leave and they feel wonderful about the company, they’re going to tell everybody else about it.”) At first glance, this lack of use of emotional assuring seems surprising given that these actions are relatively easy and economically inexpensive for the founders to use, and the resource mobilization benefits can be significant. Landis, the founder of INCUBATE, gave us a hint about why he was less engaged in it: “We had always said to ourselves that we would let rationality get the better of emotion, and if we saw something was not going to work, we wouldn’t do it.” In other words, Landis seemed to have espoused the generalized view that emotion-related actions are dysfunctional in the management of a business.

A second factor that may have prevented some founders from using emotional assuring could have been a lack of understanding, or oversight of how important these actions really are. Alex, a former partner at INVEST, who subsequently retrained as an executive coach, explained that he had preferred to handle the significant problems that occurred within the management team of their young organization in a more cognitive, task-focused manner: “What we did was to sit down [with a colleague who had a problem] and talk to him, talk him through the logical steps so he could see whether he could or couldn’t do what he wanted to achieve.” Alex regretted this purely cognitive task-oriented approach later:

My subsequent training is as an executive coach. Had I had this skill set back in 1999-2000, I’m sure things would have developed differently. I would have been able to make interventions with people such that they would have stayed together as a team. But I didn’t know and obviously you can’t rewrite history... Management of emotions, getting people to understand what’s happening to others is a key part of the coaching I now provide. If only I knew then what I know now, I think we could have helped the individuals in INVEST. (Co-founder, INVEST.)

Discussion

Our five-year field study reveals a variety of affective influence actions that entrepreneurs used to mobilize resources for their young organizations. A subset of these actions we call emotional assuring seems particularly helpful for weathering economic crises and business challenges when it is harder to convince stakeholders to support uncertain operations. Figure 2 summarizes the empirically grounded concepts and the relationships among them.
The model depicted in Figure 2 shows that entrepreneurs’ emotional assuring actions that convey the integrity of their new firms, their own ability as competent entrepreneurs and their own quality as benevolent persons serve firm-building purposes by mobilizing resources, individually and collectively, from stakeholders. This effect is strengthened (i.e., moderated positively) if emotional assuring occurs in a high-touch environment and if founders are perceived to have authenticity. And it is likely to be supported by trust-building, as we elaborate next.

Affective Influence, Trust Building, and Organization Creation

What explains the positive effect of emotional assuring on resource mobilization? Beyond the presumed direct effect of emotional assuring – such as eliciting emotions that can directly motivate cooperative and pro-social behaviors (e.g., Fredrickson, 1998; Williams, 2001) – we argue that a deeper and more durable social mechanism underpin the link between emotional assuring and resource mobilization. That mechanism is trust-building.

Emerging conceptual research on affective influence and collaboration across firms has emphasized trust as a means to regulate the threat of opportunism between various parties (Williams, 2007). This threat is likely to exist in the minds of firm founders and their stakeholders, at least initially. Trust here refers to a party’s willingness to be vulnerable to the actions of another party, based on the expectation that this other party will perform a particular action important to the first party, irrespective of the ability to monitor or control that other party (Mayer et al., 1995). Trust has been shown to foster discretionary behaviors such as informal agreements and cooperation and to supplement the efficiency of formal contracts (Ring and Van de Ven, 1994; Uzzi, 1997). Trust reduces the need for stakeholders to closely monitor the firm’s behavior, to formalize procedures, and to create completely specified...
contracts (Powell, 1990). It also provides firms with such benefits as more access to tacit knowledge, “richer-freer” information, or increased risk-sharing (Powell and Smith-Doerr, 1994), and it also increases motivation to devote resources to joint goals (Dirks and Ferrin, 2001). Trust can be particularly important under high uncertainty, when stakeholders harbor doubt about the venture (McMullen and Shepherd, 2006). Therefore, in what follows, we elaborate on how our inductively derived categories of affective influence actions may help build trust between founders and firm stakeholders, and how this, in turn, can enhance resource mobilization.

Scholars have suggested that perception of the trustee’s level of trustworthiness can be explained by three key characteristics: integrity, ability, and benevolence (e.g., Butler, 1991; Gabarro, 1978; Mayer et al., 1995). Each characteristic contributes cumulatively to trust formation. It is probably no coincidence that the three characteristics of trust map almost perfectly with the three types of emotional assuring actions we discovered in our research.4

The first group of affective influence actions we identified – those “conveying the integrity of the new firm” – includes being honest about venture risks and displaying inclusive and transparent organizing actions. Such actions may help create stakeholders’ perceptions that the young firm is disposed to behave with high integrity and needs a minimum of close monitoring. Displays of managerial inclusivity and transparency, as opposed to autocracy and opacity, make stakeholders feel less vulnerable to the threats of information asymmetry and opportunism that often exist in young ventures (Amit, Brander, and Zott, 1998). We posit that these actions build one particular type of trust, cognition-based trust, because this type relies on judgment of another party’s reliability in task operations (Chua et al., 2008; Kotha and Wicks, 2008; McAllister, 1995).

The second type of affective influence actions we identified – those that convey the “ability of the founder as an entrepreneur” – are the ones that emphasize valued entrepreneurial characteristics and exude confidence through displays of certainty-related emotions. These actions likely enhance stakeholders’ perceptions that the founder is competent to build a successful business. In the early days of firm creation, success very much hinges on the ability of the founders. In exhibiting salient entrepreneurship characteristics to stakeholders who might value these, founders generate positive emotional responses that they and their stakeholders experience when their goals and identity (e.g., self-esteem and self-image as entrepreneurs or entrepreneur-supporting) are validated or enhanced (Carver and Scheier, 1998). Moreover, champions of new businesses display commitment and conviction in the unproven value of their new business offerings, expressed through passion, excitement, and/or comfort in regard to the firm’s offerings. We posit that this second type of affective influence actions, then, also helps build cognition-based trust, a type of trust that relies on judgment of another party’s competence in task delivery (Chua et al., 2008; Kotha and Wicks, 2008; McAllister, 1995).

The third group of affective influence actions we saw – those that communicate “benevolence of the founder as a person” – involves organizing energizing events for stakeholders and paying personalized attention to their needs. Stakeholders likely experience this type of affective influence

4 Although we labeled our three emotional assuring action types along these three trust characteristics, we would like to emphasize that we first derived these action types inductively from our data, and only later discovered, subsequent to our reading of the trust literature, that our action categories mapped almost perfectly onto the three trust characteristics. We relabeled our action categories accordingly. In other words, trust characteristics did not influence our initial inductive derivation of the various affective influence action categories.
as an “emotional gift” of care and liking (Clark, 2004). People are reluctant to work with task-competent people whom they do not personally like because they may perceive them to be ill-intended and unwilling to cooperate in good faith (Casciaro and Lobo, 2008). Displaying liking and care helps build affect-based trust, which is more enduring and generalizable over situations than cognition-based trust (Lewicki and Bunker, 1996). Once formed, beliefs that a young firm (initially through its founders) will protect stakeholders’ well-being can spill over to the other domains and reduce their fears of future harm (Williams, 2007). Through these founders’ actions, stakeholders could even attribute a benevolent “personal character” to the young organization and anthropomorphize it (Kraatz and Block, 2008).

It is important to note that these three types of emotional assuring actions might have been less effective in fostering stakeholders’ perceived trustworthiness without the two moderating conditions of high-touch interaction and authenticity of the actor that we identified in our findings. High-touch interaction can be costly to founders in terms of the time and effort it requires (Mayer and Salovey, 1997), something stakeholders generally recognize and appreciate, further increasing stakeholders’ perception of founders’ trustworthiness (Williams, 2007).

Meanwhile, perceiving authenticity is essential to assumed trustworthiness. Authenticity —being sincere, transparent, connected to self and to others— is widely valued in modern Western societies (Weber, Heinze, and DeSoucey, 2008). Opportunistic individuals should find trust-building emotional assuring difficult to fake for two reasons: 1) the facial expressions of certain emotions, such as concern, are more difficult to voluntarily control than others, such as joy (Ekman, 1985), and 2) frequently, true feelings leak out through the behavioral channels that are less controllable (Ambady and Rosenthal, 1992). People can choose their words carefully but are less adept at controlling an internally consistent set of facial, vocal, and bodily expressions. In the long run, through repeated affective influence actions, founders provide many opportunities for stakeholders to observe and detect inconsistencies between verbal and nonverbal behavior, between benevolent and harmful actions.

As various emotional assuring actions help build different types of trust, whether cognition – or affect-based, our study adds nuance to an existing tension in the trust literature. Scholars have found that cognition – and affect-based trust can undermine each other (Chua et al., 2008), particularly in normal, relatively stable social settings. For instance, when A receives economic resources or task advice from B, the level of cognition-based trust that A has for B is higher than it might be otherwise but the level of affect-based trust is lower. This tension could be less pronounced in the context of firm creation. Risks inherent in firm creation are so high that both cognition – and affect-based trust need to be present to adequately allay the anxieties of wary stakeholders.

Within our proposed concept of emotional assuring, the variety of affective influence actions in our findings offers a glimpse into how trust is built. Stakeholders’ trust in new firms grows and develops when founders address affectively a variety of basic concerns about integrity, competence and benevolence. It logically makes sense that a “requisite variety” (Weick, 1979) of different affective influence actions will be needed because different stakeholders are likely to have different needs because of their particular preferences, situations, or mental prototypes (Elsbach and Kramer, 2003). How frequently these emotional assuring actions need to be enacted will likely vary as well, due to these different perspectives. Venture capitalists, for example, are likely to value founders’ repeated emotional assuring actions “because repeated behaviors might reflect a deeper level of involvement and commitment to a proposed venture” (Chen et al., 2009).
Summary of Contributions, And Future Research

We believe our theory of emotional assuring contributes to the literatures on entrepreneurship, emotions in organizations, and trust. Despite the potential importance of affect in the building of new firms, research on entrepreneurs’ social influence actions and resource mobilization has largely focused on cognition and has paid insufficient attention to emotion. To the best of our knowledge, no prior empirical research has systematically examined the variety of affective influence actions that founders use and how these actions influence firm outcomes. In fact, much of the entrepreneurship literature still assumes that resource holders are predominantly cognitive-rational decision-makers. Our research may be one of the first empirical studies to show that resource holders are susceptible to affective influence, the implicit interaction between affective influence and cognitive interpretation of trustworthiness, and how and why affective influence matters for the development of young organizations.

Emotional assuring as an emotion-based form of trust-building may also help explain some of the inconsistent results in prior empirical studies that included certain types of founders’ affective influence, in particular, in regards to their displays of passion. Lack of trust could help explain, for example, why Chen and colleagues (2009) found that displays of entrepreneurial passion failed to persuade venture capitalists in one-time interactions (business plan presentations). The authors suspected that more substantive mechanisms may be required. Trust-building could be such a mechanism. Indeed, for entrepreneurs, trust may be as important to cultivate as legitimacy, which is generally viewed as the cornerstone of resource accumulation and growth of new ventures (Zimmerman and Zeitz, 2002).

Our study thus contributes to the emerging stream of research into entrepreneurial agency and firm-building as a process of social construction (e.g., Hargadon and Douglas, 2001; McMullen and Shepherd, 2006; Rindova, Barry, and Ketchen, 2009; Schoonhoven and Romanelli, 2001; Zott and Huy, 2007) and developing relational capital (e.g., Adler and Kwon, 2002; Blatt, 2009; Graebner, 2009). Our findings underline how resource-poor founders can still be resourceful and “create something from nothing” by using emotional assuring actions which elicit support, individually as well as collectively, from existing and prospective firm stakeholders. This complements recent findings on entrepreneurial bricolage, a process in which founders combine given physical, social or institutional inputs (Baker and Nelson, 2005). Our study shows how emotional assuring can help founders mobilize new resources.

Moreover, previous research on emotions in organizations has tended to ignore the uncertain firm creation context and focused on routine customer service interactions in established organizations such as Disneyland or airlines (e.g., Hochschild, 1983; Van Maanen and Kunda, 1989). We contribute to this literature by identifying a few relevant categories of affective influence actions (from among many possibilities) in the founding context and by linking them causally with resource mobilization outcomes at the organization level. We also show how firm founders use these actions, to what effect, and the conditions under which they matter. By evoking and integrating cognition-based and affect-based trust as theoretical mechanisms in our model, we explain how seemingly-brief affective influence actions can lead to sustained support for young organizations; mechanisms which the extant emotion literature has not explained sufficiently.

Finally, little empirical research on trust has focused on the actions that people use to build trust (see review by Williams, 2007). Scholars have most often described trust-building as a relatively passive process of collecting data about other people’s trustworthiness by observing
their behaviors in various situations over time (e.g., Lewicki and Bunker, 1996) or by using information from proxy sources (e.g., Burt and Knez, 1996; Zucker, 1986). Our study contributes to the trust literature by articulating the variety of affective influence actions that founders use to intentionally build trust in their new firms. To mobilize resources under high uncertainty, trust needs to be built in both the firm (particularly, in its integrity) and the founder (in her or his competence and benevolence). Our proposed multi-level theory of emotional assuring provides even more texture by specifying the kinds of emotion-based actions that help build two distinct types of trust, cognition – and affect-based trust, both of which seem to be required in the highly uncertain context of firm creation.

Our study also suggests rich opportunities for future research. Inductive findings based on a limited number of cases need to be further validated with testing of large samples. Because the context of this study is circumscribed to one geographical area (London), the specificity of this cultural milieu could have influenced the specific variety of emotional assuring actions that we found, and their effectiveness could vary in a different culture. Despite this geographical limitation, we suspect that our general categories of emotional assuring actions are likely to apply to many diverse contexts insofar as they are related to building different dimensions of trust. What may vary, though, are the specific affective influence tactics founders likely use to develop these. Future research can enrich our understanding of the role of emotional assuring in organization creation in diverse cultural contexts.

Future research could also investigate why founders differ so much in their practice of affective influence. We posit reasons ranging from variations in emotional intelligence and personality traits to socialization within the Protestant work ethic, which generally considers as unprofessional paying attention to affect at work (Sanchez-Burks, 2002). Although our data do not allow us to make definitive causal statements, we suspect that some combination of nature (e.g. emotional intelligence or personality attributes) and nurture (e.g., social influence and belief about the weakness of paying attention to emotions at work) may be at play.

In addition, researchers could explore, theoretically as well as empirically, interactions among affective influence and other types of social influence, such as symbolic management, which is particularly relevant in the context of organization creation (e.g., Rao, 1994; Zott and Huy, 2007). Symbolic management can be construed as a process of story-telling (Lounsbury and Glynn, 2001), and what makes stories convincing could well be their emotional appeal (Weick 1999). Rafaeli and Vilnai-Yavetz (2004) have demonstrated that making sense of the symbolic dimensions of mundane artifacts (e.g., the color of a bus) can evoke strong emotions toward both the artifact and the organization that produces it. Affective influence may, therefore, complement symbolic management, and entrepreneurs could draw on both in their efforts to mobilize resources.

To conclude, our study considers people as whole beings – operating on both cognitive and emotional levels – in business settings. Founders of new firms who appeal to stakeholders’ hearts, as well as minds, should be able to tip the balance in their favor with stakeholders willing to support them, especially when times get tough. We hope that by providing a nuanced perspective on the role of affect in building new firms, this research will ultimately contribute to a more developed theory of entrepreneurial leadership and action. A more complete understanding of the social processes by which entrepreneurs create organizations will help us appreciate the enormous accomplishments through which they create new wealth for themselves, their stakeholders, and the societies in which they are embedded.
References


Appendix A
Differential Resource Mobilization Responses to Similar Challenges

BUDGET and INCUBATE: Acquisition Integration Challenge

About one year after their successful launches, both firms acquired new companies. BUDGET had the unexpected opportunity of acquiring a chain of 11 hotels and integrate them into its much smaller operations. Sevin, a middle manager, had this to say: “There was sort of like 500 extra staff overnight. That was a huge difference for everybody to take in.” The founders discovered that they could count on the support of their organization members to solve the many problems that arose. Recently recruited middle managers offered help. Sevin, for example, volunteered to run one new hotel until a new general manager was found. He explained as follows:

I personally just wanted to help wherever I could and, you know, offer my services... They were looking to get a general manager for that hotel to open it. So I went down and took it over, and got the staff employed, got all the orders delivered for the hotel, ordered all the crockery and cutlery and things like chairs and office equipment, and oversaw the project until they got a manager in place. (Middle manager, BUDGET.)

Ruth, a HR manager, acknowledged that “the people working within the individual hotels work very hard.” She attributed this high level of resource mobilization partly to the founders’ efforts at engaging others: “The organization allows people to put forward ideas and to get involved in developing services and products.” This enabled the nascent firm to master the unplanned challenge that sudden growth by acquisition brought about.

The founders of INCUBATE, too, intended to use firm acquisitions as a means for growth. They bought retailers of natural products and garden products, merged these companies with another retailer, and moved these businesses to a common location. Their goals were to achieve greater efficiency in terms of both scale and scope and to create a consolidated retail platform from which to grow. However, resource mobilization in this venture was low; for example, employees took little initiative in their day-to-day work. The co-founder gave us an illustration of how someone on the staff sourced products but then did not make them available for sale. “The buyer was buying stuff, arranging stuff, actually getting it into the warehouse, but it wasn’t getting put in the shop.” The founders assumed that their subordinates were lacking basic skills, and did not even make an effort to affectively influence them. As the co-founder told us:

Reporting to me are people who are 100% executing operators. One guy manages the warehouse. He sits in on meetings. You know, he’ll last five minutes and he’ll fall asleep. I have a bookkeeper who gets paid £14,000 a year. She doesn’t have the ability to do anything more than menial data entry tasks. (Co-founder, INCUBATE.)

INCUBATE eventually showed signs of strain and misalignment among important stakeholders, even among members of the top team. The lead founder left the business due to its lack of growth and profitability, and the company very nearly went bankrupt.
CONSULT and INVEST: Lack Of Customers

CONSULT and INVEST both had problems with customer acceptance. Prospective customers considered their proposed products too new. INVEST intended to sell a new financial product for early-stage hi-tech companies, such as those in computing. “That took time, it was a bit of missionary work, doing the wooing and running,” explained the founder. CONSULT, on the other hand, offered e-business consulting services, which involved integrating information technology with a client’s strategy processes, and the transfer of a client’s business processes to the Internet. During the prolonged downturn of the information-technology industry and skepticism regarding the viability of e-business that followed the crash of the global high-tech stock markets in early 2000, CONSULT experienced low market acceptance. Sam, the founder, noted that “the projects weren’t selling.”

As with the other cases that we discussed, CONSULT and INVEST were successful in assembling the initial resource base to get launched, but then, once their economic resources dried up and the “going got tough,” CONSULT was better able to mobilize resources than INVEST. It rallied its troops — consultants and staff alike — behind the shared goals of finding new clients and developing new lines of business. Internal and external stakeholders provided discretionary and collective support to the firm in identifying new business opportunities. INVEST, by contrast, stuck to its product line and to its goal of educating potential customers about the advantages of its novel product. Distracting conflicts within the top team seriously delayed fundraising. The company had, in effect, to be restarted; the fund (i.e., the pool of money available for investing) that they had initially raised from external investors was closed.