Chapter 27

Negotiation and Entrepreneurship from the Perspective of Economic Institutionalism: A Case for Latin America

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Abstract

Entrepreneurship is a key factor in the growth of regions, given its impact on innovation and job creation. The relationship between start-up companies and their environment is closely linked to negotiation mechanisms since the formation of trust, the governance structure, and how entrepreneurs protect themselves from adverse situations depend on them. However, no single framework can bring together the bargaining, entrepreneurship, and institutional factors that determine the success or failure of start-ups. The objective of this chapter is to jointly analyze bargaining and entrepreneurship through the theory of economic institutionalism, Transaction Cost Theory, and Cognitive Organization Theory. To this end, an analytical scheme is proposed that brings together these precepts applied theoretically to the Latin American case. The scope is to provide a novel framework of analysis by incorporating essential institutional elements for negotiation, such as contracting, governance, organizational structure, trust, relational risks, and hedging against opportunism.

Keywords: Negotiation; entrepreneurship; transaction costs; cognitive theory of the organization; opportunism; trade-offs

Introduction

In the business environment, negotiation assumes a central role as it involves the exchange of information between the interested parties, a circumstance that determines the commitment and coordination to reach common agreements. It

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generally takes on different forms depending on the attitudes of those involved, the most frequent being accommodating, competitive, collaborative, compromise, and avoidance.

At the same time, companies must necessarily establish relationships with their environment. Implicit in this situation is the notion of negotiation.

Despite the importance of negotiation in entrepreneurship, there is a lack of an analytical scheme to visualize both factors. Negotiation is investigated in general terms, omitting the role it plays in the context of start-up companies (Su, Zhai, & Karlsson, 2017), Similarly, studies on entrepreneurship often focus on examining the particularities of the entrepreneur, giving a marginal position to the negotiation inherent in the links he establishes with the environment (Kumar & Worm, 2004; Nielsen & Pedersen, 1988).

This chapter aims to approach negotiation and entrepreneurship in Latin America from the precepts of economic institutionalism, emphasizing the Transaction Costs Theory and the Cognitive Theory of Organization. To this end, first, an analytical scheme is proposed that links the central aspects of negotiation and transaction costs theory and the cognitive theory of organization; second, the proposal is applied in an exploratory manner to the Latin American context to observe which factors promote or inhibit entrepreneurship in the region.

To review its viability, the methodology is based on documentary research to observe the convergences and divergences of the theoretical perspectives and the situation in Latin America. The emerging role of this region at the global level suggests that the understanding and management of cross-cultural negotiations will be increasingly important between Latin America (let alone within its countries of membership) and the rest of the world (Volkema & Chang, 1998).

The importance of this study lies in providing a novel analytical framework as it incorporates essential institutional elements for negotiation, including contracting, governance, organizational structure, trust, relational risks, and hedging against opportunism, where entrepreneurs make several mistakes that affect their companies and their viability (Dinnar & Susskind, 2019).

The region recognizes the need to improve negotiation processes between the public and private sectors, where small businesses are not major players in the design of public policies intended to benefit them (Ferraro y Stumpo, 2010), nor are those rural or especially indigenous enterprises that belong to the base of the pyramid where they tend to have limited economic resources, lack of knowledge, and poor negotiation skills that impede their success (Mendoza & Prideaux, 2014).

Ignoring the Western literature, the lack of specific studies on negotiation and entrepreneurship in the region is not surprising. Despite the literature showing that it is a topic to be included in university programs, Chelén et al. (1999) and Henrique and Da Cunha (2008) indicated that in some incubators or entrepreneurship centers in the region there was little training in negotiation as part of the support (compared to others located in the United States and Europe), observing the current trend in the Western hemisphere, Latin America should not lag (Manwaring, Weirup, & Balachandra, 2021).

There are almost no empirical studies. One of the few by Vitali, Cavigliasso, and Lilli (2017), on the demands, negotiations, and resignifications of entrepreneurs and cooperatives linked to public policies oriented to the Social and Solidarity Economy (SSE) in Rosario, Argentina, where they observed that State support is mainly allocated by informal mechanisms (affinity, lobbying, closeness), the study by Culver (2013), on Small Farmer Entrepreneurs and Direct Markets: Negotiating Structure and Agency in the Markets of the City of Asunción, Paraguay, Crossa (2009), on the struggle of street vendors in the Historic Center of Mexico City, fighting to recover the public spaces where they operate, in the face of public policies aimed at revitalizing and beautifying the streets, buildings and central square of the city's Historic Center, and the study on Productive Integration Projects (PIPs) in various Latin American countries, a set of projects that seek to improve the competitive position of small enterprises, (Dini, Ferraro, & Gasaly, 2007), where negotiation skills were improved due to the training received and as a result of these associative experiences, and Raynolds (2000) in addressing the process of Contract Farming Negotiation in the Dominican Republic, analyzing the political and economic conditions that have driven the emergence of contract farming between small farmers and agro-industrial companies.

To this end, a conceptual model is presented that can be a turning point and a starting point for the development of studies on the subject in Latin America, based on a literature review, a new research trend for the region. The chapter is divided into three parts. The first part specifies the types of negotiation, the central elements of transaction costs, and the cognitive theories of organization. The second part emphasizes an analytical proposal for the study of negotiation and entrepreneurship in Latin America and the third part refers to a model for discussing negotiation and entrepreneurship in Latin America.

Negotiation, Transaction Costs, and Cognitive Organization Theory

Entrepreneurship involves interactions between founders, partners, investors, and other stakeholders, at various stages of the entrepreneurial process, sometimes from the "seed" stage, when the business is just an idea, to the "exit" stage, when the entrepreneur sells or leaves (Dinnar & Susskind, 2019).

In general terms, negotiation defines an information exchange mechanism that involves compromise and coordination between stakeholders to reach common agreements. Generally, it assumes different forms depending on the attitudes of those involved, the most frequent being: accommodative, competitive, collaborative, compromise, and avoidance (Miller, 2014).

Accommodative negotiation refers to one of the participants accepting the conditions imposed by his counterpart to cement a future relationship that is likely to be beneficial for them. In a competitive or distributive negotiation, one of the parties tries to impose its conditions on the other to achieve a privileged position. Collaborative, also called integrative, refers to a scenario of mutual benefits for those involved through assertive behaviors and the stipulation of common purposes. Distributive negotiation admits a winning and a losing position since, in this case, the objective is to acquire the greatest benefit by using all possible techniques and strategies.

Negotiation by compromise describes superficial agreements, however, sufficient in the achievement of objectives. It is manifested when trust is notable in the face of precipitation in decision-making knowing the probable losses; and negotiation by avoidance, the agreement may entail disadvantages for one or all parties, so they choose not to negotiate since if the agreement is carried out, the benefits are null (Miller, 2014; Park, Abdul, Suh, & Hussin, 2019).

From a theoretical point of view, there is no single approach to answer the questions inherent to negotiation; therefore, the proposal lies in visualizing this process from the institutionalist viewpoints of transaction costs and cognitive organization theory. The rationale is that negotiation involves the connection between two or more actors, a situation that entails the need to gather information on the behavior of the counterpart, given the possibility of acting with fraud.

From this perspective, transaction costs define the set of outlays, monetary and nonmonetary, involved in the search for data related to the behavior of agents to have a certain degree of foresight and protection against opportunism (Williamson, 2010 & 2016). In the institutional framework, they are expressed ex ante in terms of the drafting, negotiation, and safeguards of agreements; and ex post in terms of administrative costs due to legal disputes in case of non-compliance or renewal of commitments (Greve & Argote, 2015; Williamson, 1985).

In contrast to the neoclassical economics strand that emphasizes atomistic and rational individuals; Transaction Cost Theory specifies agents acting under environments of uncertainty and bounded rationality, a circumstance that alludes to the probability of obtaining an advantage over another individual in each situation (Williamson, 2016).

The solution to bounded rationality and opportunism is based on the stipulation of contracts that, in turn, gives rise to transaction costs. Through contractual relationships, economic agents seek to protect themselves from advantageous behavior by stipulating clauses called safeguards (Williamson, 2002).

In this area, the transaction is at the heart of the connection between the actors. This link includes at the same time the determination of the degree of specificity of the assets. An asset is specific when it represents special and lasting investments used in a specific transaction. According to this approach, they are classified into site or location specificity, physical asset specificity, human asset specificity, and special or dedicated assets (Williamson, 2017).

Site or location specificity states that the buyer and seller have a neighborhood relationship, a fact that minimizes transportation and inventory costs. Physical asset specificity indicates that one or both parties invest in assets that have characteristics unique to the relationship whose value decreases if used in alternative uses (Castelao, 2016).

For its part, the specificity of human assets refers to investments in intangibles, produced by the conjunction of skills and knowledge of those involved;

meanwhile, special, or dedicated, assets are investments made by an agent to establish connections that provide high returns (Díaz & Colchao, 2019).

Derived from the specificity of assets, it is feasible to state the form of contracting in which three forms are identified: classical, neoclassical, and relational. Classical contracting is characterized by the irrelevance of the parties, given that many agents are willing to carry out the transaction of nonspecific assets. Neoclassical contracting takes the form of long-term agreements, under conditions of uncertainty, channeled into occasional and standardized transactions. One of the disadvantages of this contractual form lies in the fact that, due to its long-term nature, it is unlikely that future contingencies arising from the relationship can be raised; on the other hand, relational contracting involves complexity and a progressive increase in the duration of the link, it is performed for recurring and nonstandardized transactions (Williamson, 2017).

At the same time, the governance of the transaction understood as to how those involved will enforce compliance, represents an alternative way to reduce uncertainty and nonrational behavior. In this sense, three types are identified: market, trilateral, and bilateral governance. Market governance involves nonspecific asset transactions through occasional and recurring engagements. In the case of recurrent collaborations, agents based on previous experiences decide whether to continue or abandon the relationship; in the latter situation a minimal transaction cost is incurred, while, in occasional connections, the transaction is close to a simple purchase and sale, so the identity of the parties is not preponderant (Williamson, 1985; 2010).

Trilateral governance involves specific goods and is determined for mixed or specific type transactions. Due to the specificity, strict vigilance over what is stipulated is necessary as, otherwise, the intervention of a third-party agent in charge of legal assistance is necessary (Williamson, 2016).

For its part, bilateral and unilateral governance is manifested in recurrent relationships based on mixed or highly specialized goods. Under the bilateral scheme, both participants are autonomous, although dependent, so it is essential to establish contractual safeguards to avoid opportunism. On the other hand, due to the existence of specialized assets, unilateral governance implies the vertical integration of one of the parties, a situation that limits the probability of acting with fraud as those involved are in a unified ownership relationship (Williamson, 2010).

At the same time, the specificity of the assets, the contracting mechanisms, and the form of governance is determined by the organizational structure. In this sense, two extreme schemes are identified, market, and vertical integration and an intermediate one called "hybrid" (Williamson, 1996).

The market-based structure describes high exchanges of standardized products where the identity of those involved is not transcendental, with the signals emitted by prices being the preponderant factor for decision-making. In turn, in the vertical organization, the specificity of assets is fundamental because it tends to eliminate opportunism through the control visualized in the aggregation of multiple tasks in the same organizational structure (López, 2018).

In the intermediate zone between market and vertical integration is the "hybrid" structure represented by interorganizational relationships that aim to make joint investments in specific assets. Given this nature, the long-term characterizes the stipulation of materialized contracts, reciprocity agreements, or partial ownership agreements (Chassagnon, 2014).

The main criticism of the transaction cost perspective is the omission of noncontractual relationships based on loyalty and trust. Moreover, it excludes learning processes and knowledge sharing, as well as the role played by technology and innovation. At the same time, it is unlikely to determine the set of future contingencies in a contract, a situation that delimits the latent possibility of one of the parties behaving opportunistically (Macher & Richman, 2008).

To complete this picture, it is suggested to incorporate the Cognitive Organization Theory as it adds preponderant aspects inherent to negotiation such as trust and risks derived from the relationship (Nooteboom, 2013). According to the Cognitive Organization Theory, actors collaborate because of the opportunity to access complementary resources and capabilities; however, these relationships involve risks determined by the specificity of assets, the external environment, and opportunism. In this sense, three kinds of relational risks are identified: cognitive distance, spillover, and holdup (Nooteboom, 2019).

Cognitive distance relates to the problem of mutual understanding or absorptive capacity in a connection, derived from the dissimilar nature of those involved. This circumstance can be amended through the experience provided by constant interaction (Nooteboom, 2004a).

The risk of spillover manifests itself when an organization's intangible resources, especially knowledge, lose exclusivity and are used by their counterparts. This type of conflict diminishes if external organizations do not have the conditions to absorb the information obtained or, where appropriate, the intangibles become obsolete due to the emergence of new ideas that displace previous ones. (Nooteboom, 2004b).

Retention risk, on the other hand, describes a situation in which one organization is dependent on another because of investments in special assets that cancel out their value if they are put to alternative uses. This problem causes losses for the dependent party since, in the event of the termination of the relationship, it is necessary to invest in new assets to explore an alternative relationship (Taboada & Sámano, 2015).

To cope with relational risks, three options are proposed. The first describes the imposition of contractual restrictions, a scenario that involves continuous monitoring of the counterparty's behavior to reduce the probability of proceeding to fraud. However, this alternative entails costs and inflexibilities in collaboration. The second involves limiting incentives toward opportunism through reputational mechanisms and party dependence; and the third restricts risk through trust between actors (Nooteboom, Berger, & Noorderhaven, 2017).

Of the above options, trust assumes a preponderant role as it symbolizes a noncontractual form of relationship based on previous experiences which, in addition, constitute an indispensable factor in negotiation processes. The absence of trust inhibits the parties from exchanging capabilities and resources (Möllering, 2015; Nooteboom, 2002).

In this sense, trust defines ethical patterns or behavioral practices, based on ethical norms and values that imply positive expectations about the future of the connection, even if there is an incentive to act opportunistic. In the context of a connection, it is feasible to trust competencies and intentions. If one trusts in competencies, one has full certainty about the skills and knowledge of individuals, organizations, or institutions; meanwhile, trust in intentions underlines the ability to show behaviors devoid of opportunism (Nooteboom, 2003).

The differentiation between confidence in competencies and confidence in intentions is relevant since those involved react differently to situations of opportunism. When competencies are lacking, the main interest will be to improve them through knowledge sharing, training, or advice. On the contrary, when the absence of favorable intentions is manifested, the solution goes through the imposition of more restrictive contracts (Nooteboom, 2013).

According to Cognitive Organization Theory, trust is present in any bond until evidence shows otherwise. The propensity to act with intention is influenced by the institutional environment materialized in norms, values, and the cultural context (Nooteboom, 2013).

Under this environment, it is feasible to recognize three categorizations of trust that can complement, juxtapose, and even conflict: personal, strategic, and technical trust. Personal or normative trust is inherent to social solidarity subject to common norms, beliefs, and values. Strategic trust is based on the calculation of mutual gains resulting from the relationship, while technical trust is based on the reputation, prestige, and capabilities of those involved (Nooteboom, 2010).

Trust in a relationship does not necessarily require agreement between those involved; therefore, negotiation symbolizes a central axis for the dissolution of discrepancies through communication and consensus. Thus, although conflicts can extinguish trust and bonding, negotiating with those involved enables closer connections based on mutual understanding (Nooteboom, 2013).

Although connections based on the long term are desirable where trust is a central element, they are seen as limiting since, first, one of the parties may behave maliciously in the face of environmental pressure; second, rigidities related to excessive trust in long-term relationships that inhibit the exchange of resources; and third, there is the loss of interest in the other agent, a consequence of a lasting connection and extreme trust that inhibits innovation.

In general, the theory of transaction costs combined with the cognitive perspective of the organization allows us to visualize an alternative scheme for the study of negotiation. Under this overview, it is proposed to emphasize transaction costs, relational risks, and trust when it is intended to carry out a negotiation between dissimilar actors.

Analytical Proposal for the Study of Negotiation and Entrepreneurship in Latin America

To examine negotiation and entrepreneurship together, an analytical scheme based on the institutionalist theories of transaction and cognitive costs of the organization is proposed. This is because, firstly, there is a lack of a framework of study oriented to include institutional elements incident to negotiation and entrepreneurship and, secondly, to identify the essential institutional variables in the investigation of negotiation in firms.

The central axis of the approach lies in the figure of the entrepreneur and his or her relationship with the environment where four possible connections are identified: competitors, customers, suppliers, employees, and government. These links involve information exchange and coordination mechanisms, so it is feasible to incorporate the notion of negotiation and its types: accommodative, competitive, collaborative, distributive, compromise, and avoidance.

In turn, business linkages mediated by negotiation imply assuming the costs derived from transactions and the probability that one of the agents will act fraudulently to obtain additional benefits. Thus, it is proposed to integrate elements of transaction cost theory that circumscribe the hedging of opportunism through contracting, governance, and organizational structures.

Contracting mechanisms are represented by the classical, neoclassical, and relational approaches. Governance is determined by the market, trilateral, bilateral, and unilateral forms; while the organizational structure is symbolized by the market, vertical integration, and hybrid scheme.

At the same time, the connections between the agents involve two divergent aspects. On the one hand, they contain problems leading to the determination of relational risks: spillover, holdup, and cognitive distance; on the other hand, frequent interaction involves the development of trust, categorized into personal, strategic, and technical.

Fig. 1 describes the variables inherent to the analytical proposal. It is a qualitative theoretical approach, integrally applicable to any entrepreneurial context since it describes, first, a new and different scheme from the traditional ones based on the positive repercussions of the entrepreneur's connections with his environment, in the background, and it agglutinates different approaches, a situation that provides a broad vision of negotiation and entrepreneurship. It allows visualizing that, regardless of the object of study, negotiation involves relational risks and opportunistic behaviors that can be corrected through trust and governance, contracting, and organizational structures.

Fig. 1 summarizes the main findings of the proposal that combines the institutionalist aspects of transaction costs and cognitive theory. Across entrepreneurship in Latin America, discrepancies are observed between the theoretical aspects and the empirical evidence. Although it is a general and exploratory study that should be deepened to observe the development framework in each country, it allows us to investigate a new perspective, divergent from the traditional ones based on motivational factors and economic gains acquired with entrepreneurship.

It is recognized, in line with Whetten (1989), in terms of being sensitive and realistic for the context, that by testing the model in various scenarios, the discovery of inherent limiting conditions could appear. These conditions could imply the possible limitation of the applicability of the model, recognizing that perhaps entrepreneurship is too young to expect predictive theory (Kenworthy &

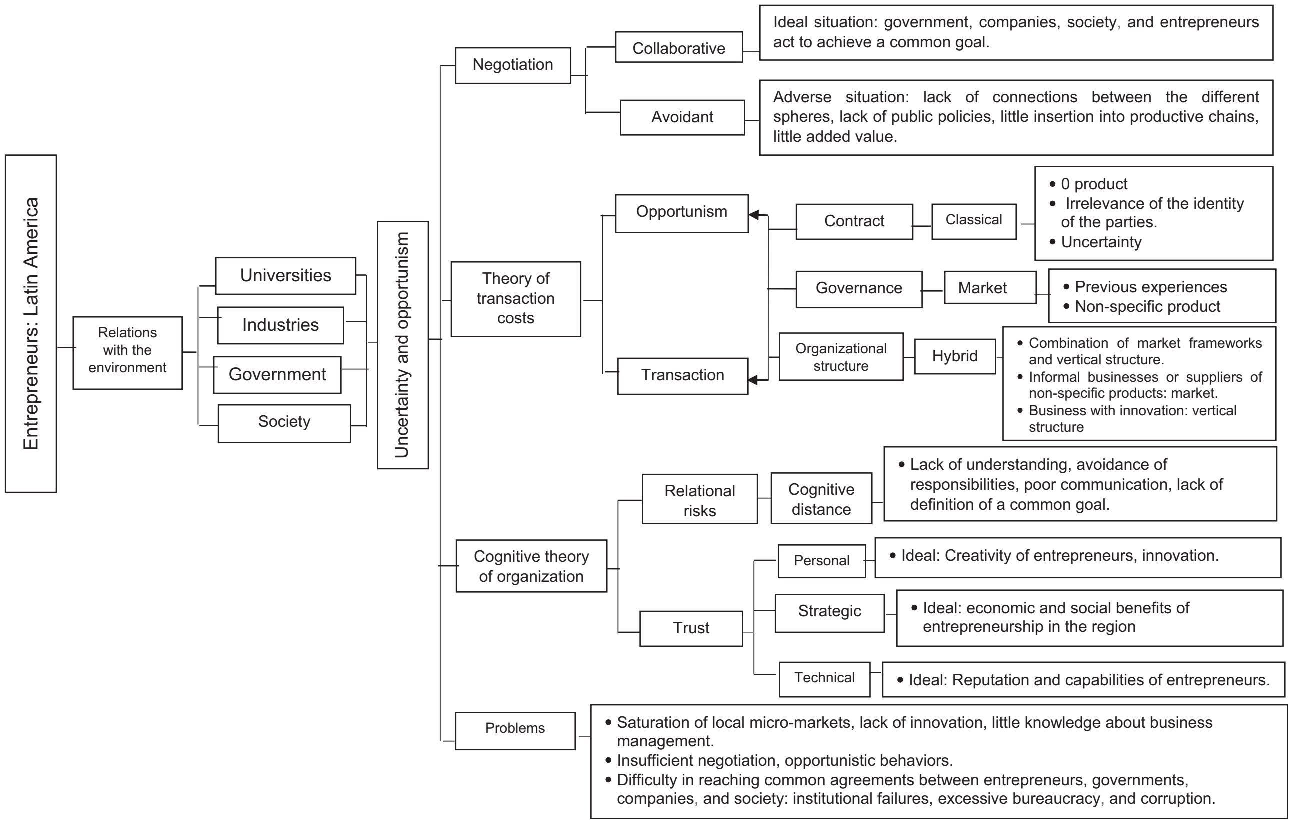

Fig. 1. Application of the Analytical Proposal for Entrepreneurship in Latin America. *Source:* Own elaboration.

McMullen, 2014). A novel proposal could be the case where further questions arise about both the propositions presented, and the new empirical data collected. Logical probability, through the assessment of theory by facts (Meehl, 1990), was applied in Section "Negotiation and Entrepreneurship in Latin America, a Model for Discussion" to our model, using the literature review conducted.

Negotiation and Entrepreneurship in Latin America, a Model for Discussion

Currently, the development of business for the exchange of goods and services has crossed the physical borders of peoples, where the need to know and manage the new rules of the game for doing business has required structuring the business vision, transforming it prospectively. The analysis of the business environment has changed and any phenomenon occurring in different parts of the planet affects the decision-making of local, regional, and transnational companies (Vásquez & Cortés, 2015).

To verify compliance with the theoretical precepts framed in the analytical proposal, the Latin American experience is considered to visualize whether the elements of the theoretical perspectives are comparable with the empirical reality of Latin America. On the other hand, it allows observing the predominant factors affecting entrepreneurship in the Latin American region (Creswell, 2009; Welter, 2011).

Given that a particular geographical area is investigated, it is possible to infer that it is a case study, oriented to scientific research, of a qualitative nature, based on the analysis of a phenomenon (Yin, 2012) whose central peculiarity is related to the fact that the unit under examination is intensively approached (Durán, 2012).

To investigate entrepreneurship in Latin America, the intrinsic category was used, since it is of interest to understand in depth its institutional functioning. One of the disadvantages of this type of methodology is that the findings are not statistically generalizable; however, they allow contrasting, validating, and expanding theoretical propositions (Creswell, 2009; Yin, 2012). At the same time, the method for investigating institutional behavior was based on the description of the phenomenon through documentary research (Jiménez & Comet, 2016; Yin, 2012).

Specifically, although entrepreneurship in Latin America has institutional features that differ between countries, such as laws, regulations, forms of contracting; however, it is remarkable the existence of convergent peculiarities between them: cultural and historical heritage, similar codes of conduct, language, the economic and political sphere, analogous forms of government and economic development.

The exploration of negotiation in entrepreneurship based on institutionalist views of transaction costs and cognitive organization theory allows us to glimpse whether entrepreneurship in the region establishes institutional connections with the environment through governance, contracting and organizational structures, relational risks, trust, and protection against opportunism.

The rationale for examining entrepreneurship is that, theoretically, it positively affects economic growth and development (Hjorth, Holt, & Steyaert, 2015); being a central component of a microeconomic view that is part of the global economy (Hoover & Giarratani, 2020).

In general terms, Latin American entrepreneurship shows a certain degree of uncertainty due to the changing context of economic, social, and political performance in the region. Thus, it frequently attends to problems of unemployment due to the lack of job sources or, in its case, to the scarce economic growth that makes it impossible to generate innovation and technological change (Canales, Román, & Ovando, 2017). Additionally, the COVID-19 pandemic has harmed employment levels, a circumstance that incentivizes the so-called "false entrepreneurs" who, due to an adverse circumstance, decide to start a business, however, lack a long-term motivation to make it grow. Or, they have little knowledge and skills about the business environment (Trías de Bes, 2007).

At the same time, it is possible to observe that entrepreneurs in the region do not act in isolation, but, on the contrary, are linked to universities, industries, and governments. In theoretical terms, these connections allow detonating innovation, technological change, the creation of new knowledge, and even regional development (Vélez & Ortíz, 2016); however, scarce linkage schemes are observed due to the insufficient insertion of new companies in local, national, and international productive chains, in addition, given the adverse situation of the labor market, entrepreneurs are hardly interested in establishing relationships with their environment since their central objective is to obtain profits to survive. At the same time, the region is characterized by adverse governmental factors such as bureaucracy and corruption, which make it impossible for new businesses to be included in the market, as well as to grow in the long term (Valenzuela, Valenzuela, & Irarrazaval, 2018; Vélez & Ortíz, 2016).

Derived from the above, it is feasible to infer that uncertainty and opportunism are inherent elements of entrepreneurship in Latin America because they are closely linked to environments where subsistence, corruption, and bureaucracy prevail (Saavedra & Texis, 2018). Therefore, it is essential to have an institution represented by the government and its public policies to generate enterprises capable of promoting employment and productivity. In this sense, one way to grant certainty to nascent companies lies in the application of government regulations that consider the heterogeneity of the entrepreneurial population and based on this, enunciate multidimensional schemes that favor entrepreneurial talent, the cognitive capacity of human resources, productivity, innovation, and the financing of long-term business projects (CAF, 2013; Vidal, 2008).

Such a circumstance is comparable to a collaborative negotiation where each of the components acts to achieve a common goal. On the contrary, the lack of public policies and the scarce insertion in productive chains, as well as the meager generation of added value in social terms, are close to an evasion negotiation since those involved are interested in obtaining their benefits and refuse to assume commitments.

Thus, it is feasible to infer that in the field of negotiation, collaborative negotiation constitutes an ideal situation since it would allow entrepreneurs to link with governments, universities, and society in general, to generate innovative solution proposals; however, in the region, a type of evasion negotiation is envisioned due to the limited connections of entrepreneurs with their environment, who prefer not to negotiate due to adverse institutional factors such as corruption or the excessive bureaucracy that prevails in Latin America.

At the same time, emerging businesses in Latin America show low productivity, a consequence, on the one hand, of the very nature of subsistence-based entrepreneurship and, on the other, of the region's low aggregate productivity, a consequence of the scarce connection with global productive chains since, generally, these are one-person ventures and microenterprises, some in the informal economy sector, which are unable to generate quality jobs and innovation (Lederman, Messina, Pienknagura, & Rigolini, 2014).

Moreover, the inherent peculiarity of firm size has an impact on employment and business productivity. In this sense, as companies grow, they tend to increase their productivity and, therefore, can generate employment, efficiency, innovation, and competitiveness. The creation of sources of labor based on productivity has an impact, at the same time, on the wage level, since it is estimated that the most productive companies offer a 25% higher wage in contrast to microenterprises or firms inserted in the informal economy (CAF, 2013).

Under this environment, a classic form of institutional contracting is observable, which implies uncertainty and irrelevance regarding the identity of the parties, as well as a high number of agents or entrepreneurs willing to carry out transactions of nonstandardized products with little or no added value. In addition, they involve a governance structure comparable to that of the market due to the involvement of nonspecific assets and recurrent collaborations based on previous experiences of entrepreneurs with their environment.

As for the organizational structure, due to the nature of the ventures in the region, it is close to a hybrid scheme, resulting from the conjunction of market frameworks and a vertical structure, a circumstance dependent on the type of business. In this environment, businesses inserted in the informal sphere or those whose product does not involve the aggregation of specific assets, tend toward market structures; while ventures with a certain degree of product and process innovation are directed toward the vertical structure to protect the know-how of the nascent company.

In the context of the cognitive theory of organization, the existence of relational risks is manifested, mainly, risks of cognitive distance are deduced due to the weak links of the ventures with the different sectors of society. Under this scenario, entrepreneurs (essentially, inserted in the informal economy) lack understanding of social needs, in addition to poor communication with governmental, business, and university spheres, as well as the lack of definition of a common goal.

On the other hand, due to adverse aspects in the Latin American region, such as the lack of compliance with institutional schemes, bureaucracy, and corruption, there are limitations in building trust in the long term. The ideal scenarios would make it possible to detonate the three types of trust: personal, strategic, and technical. Personal trust is based on the creativity of Latin American entrepreneurs which, under appropriate institutional conditions, would allow innovation to be triggered. The strategic trust is determined by the observation of the social and economic benefits of entrepreneurship in the region, and the technical trust is based on the reputation and capabilities of entrepreneurs.

Derived from the character of entrepreneurship in Latin America, mostly based on the saturation of local micro-markets, lack of innovation, and little knowledge regarding business management; insufficient negotiation and opportunism behaviors materialize, which constitute a challenge for entrepreneurs in the region (Valenzuela et al., 2018). In this sense, a central problem lies in the difficulty of achieving common agreements between entrepreneurs, governments, companies, and society since, on the one hand, institutional failures are manifested in the government sector, essentially, excessive bureaucracy and corruption that make it impossible for companies to grow in the long term; and on the other hand, the scarce innovation is notable, and the rigidity to establish collaboration contracts between companies and large firms that allow the insertion of new businesses in global production chains.

A possible strategy to solve the problems of entrepreneurship in Latin America consists of determining, through consensus, an "entrepreneurial clinical history" (Montiel, 2019) based on the establishment of close links and previous experiences of coordination between governments, universities, companies, and society.

Additionally, it is possible to affirm that in the region, the lack of ideas does not represent a problem since, commonly, incipient businesses possess a certain degree of creativity; however, it is also visible that individuals who undertake to correct inefficiencies in the labor market have particularities such as lack of empathy and insufficient responsibility to maintain the company in the long term. In this context, the so-called "false entrepreneurs" (Trías de Bes, 2007) assume little commitment in the execution of new projects, a situation that constitutes a limitation for Latin America by restricting the generation of innovation, insertion in global production chains and, essentially, reducing the permanence of companies in the market.

The context of "false entrepreneurs" is comparable to the opportunistic behaviors exposed through an ominous attitude, where entrepreneurs want to obtain income, but omit constant training in business management, reinvestment in new products and processes, and in some cases, lack of commitment.

As for the training of human capital, it represents a central element within companies. Given the proper management of human resources, it is feasible to develop and consolidate loyalty and trust which, at the same time, have an impact on the creation of tacit knowledge based on employees' experiences and skills (Querejazu, 2020). For this reason, it is essential to devise mechanisms based on negotiation and governance, however, this circumstance is not observed in all cases. Due to the lack of knowledge of business management, some entrepreneurs see the human factor as an expense that absorbs part of their profits, a situation that makes it impossible to externalize the natural leadership characteristic attributed to entrepreneurial activity and, in parallel, in the absence of collaboration aimed at achieving a common goal between employer and employees, demotivating behaviors, staff turnover, lack of commitment, and creation of tacit knowledge is manifested.

Likewise, the lack of commitment and common language causes the presence of opportunism, and the risks of cognitive distance materialized through the lack of understanding and the avoidance of responsibilities.

As a result of the above, it is feasible to infer that, in Latin America, one of the problems of some companies lies in the inefficient management and handling of capital, a product of the lack of knowledge of business management (Aguirre, 2018).

At the same time, this scarce business knowledge frequently leads to the closing of businesses in a period no longer than two years. In these cases, two classes of entrepreneurial behaviors can be deduced. The first resides in the perception of learning, experience, and practical business skills. This vision is close to the conception of Singh, Doyle, and Pavlovich (2015) who point out that the failure of a company could trigger adverse personal discernments, however, it configures an opportunity to transmute disappointment into a positive experience with acquired knowledge oriented to the formation of future ventures. The second is related to behaviors where the feelings of the entrepreneurs prevail since they do not know the causes of the failure of their business. Hernández, Chamoun, and Hazlett (2019) noted that the Mexican negotiation style has the characteristics of a continuous friendly struggle for survival and utilizes many persuasive skills avoiding confrontation.

Conflict (which is along the model embedded in it) in ventures provides fertile ground for research. Most intraorganizational conflict research is developed in established, operational organizations, which differ dramatically from the new ones. At the inception of a venture, there is generally little or no precedent for business, communication, or decision-making processes (Mischel, 1997), which means that roles and responsibilities are ill-defined and evolving (Staw, 1991).

Resources such as finances and personnel are usually scarce (Grossman, Yli, & Janakiraman, 2012), particularly in a bootstrapped venture (Rutherford, Pollack, Mazzei, & Sanchez, 2017). In a new venture, the leadership team typically faces several major decisions, e.g., funding, marketing strategy, launch plan, that can profoundly affect its success or failure. Founders and other early-stage personnel typically invest a great deal of emotional and psychological capital into the venture, which can manifest as both passion and stress (De Mol, Ho, & Pollack, 2018), where trust can get damaged, and that negotiation strategy and conflict management approach had effects on conflict within entrepreneurial teams (Kozusznik, Aaldering, & Euwema, 2020), hurting opportunity identification and evaluation to strategic "pivots" in response to unexpected developments, value creation, and stakeholder relationship management (Kirtley & O'Mahony, 2020).

Conclusions

The analytical proposal presented addresses the lack of an analytical framework that enables the joint investigation of negotiation and entrepreneurship. For this, it was proposed to incorporate the institutional theories of transaction and cognitive costs of the organization since they add determining aspects such as the possibility of opportunism, forms of governance, relational risks, and the construction of trust.

Although it is a general approach, the approach allowed to visualize entrepreneurial behavior in Latin America from the institutional theoretical field. In this regard, it is feasible to conclude that the empirical findings are far from the theoretical context.

In the theory of transaction costs, the possibilities of opportunism are reduced by having an organizational, contractual, and governance structure in the organization.

In the region, there are ventures with such particularities, there are notable cases known as "false entrepreneurs" who frequently enter the informal economy and lack specialized knowledge about business management, a situation that guides their behavior toward opportunism.

Second, according to cognitive theory, it is feasible to reduce relational risks through continuous interaction and trust-building, however, in Latin America trust has limitations due to adverse institutional factors, such as bureaucracy and corruption.

Unfavorable situations materialized in the company under investigation may be the consequence of avoidant negotiation, as opposed to the ideal situation represented by collaborative negotiation. Likewise, obtaining personal profit on the group was an adverse circumstance that limits the growth of enterprises in the region. These results suggest a broad reflection of the negotiation whose conceptualization must include organizational, social, and cultural aspects.

Given the nature of the case studies, the findings related to negotiation and entrepreneurship from the institutional level differ in each situation; however, the approach provides a novel framework that incorporates elements that are scarcely investigated together, such as contracting, governance, organizational structure, trust, relational risks, and hedging against opportunism.

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