



BI Norwegian Business School - campus Oslo

# GRA 19703

Master Thesis

Thesis Master of Science

New Technology-Based Firms' search for smart investment ties

Navn: Christian Hammer, Sofie Traheim

Start: 15.01.2021 09.00

Finish: 01.07.2021 12.00

## **Master Thesis**

# **New Technology-Based Firms' search for smart investment ties**

**Supervisor:**

Erik Aadland

**Programme:**

Master of Science in Business

Major: Strategy

**Examination code and name:**

GRA 19703 - Master Thesis

**Date of submission:**

29.06.2021

## Summary

Previous research has taught us a lot about professional investors, how they select investment objectives, how they add value to startups, and the risk factors associated with raising capital from different investors. However, less is known about how entrepreneurs search for investors, especially in regard to the investors critical non-financial value-adding capabilities. Much less is known about whether entrepreneurs align their search for investors with their respective organizational needs and objectives. Using an inductive theory-elaboration approach and data from five Norwegian startups in the software industry, we address this gap.

We propose that a New Technology Based Firm's fundraising experience is an important determinant for how they search for investors. We also find that different aspiration levels and perceptions of fundraising norms influence how NTBFs search for investors. Lastly, we shed light on novel aspects that imply that there is a potential for NTBFs to search for *smarter* investment ties. Overall, our findings have implications for, and add insight to, theories about inter-organizational strategies, entrepreneurship, and problemistic search - especially in regard to how NTBFs perform strategic maneuvers in their search for investor processes

## Acknowledgements

This thesis is the culmination of our Master of Science in Business at BI Norwegian Business School. In this regard, we would like to express our gratitude towards those who have contributed to the realization of our thesis.

First and foremost, we would like to thank our thesis supervisor, Erik Aadland. Your substantial commitment to our success, as well as your support and guidance throughout the process has meant a lot to the both of us. Thank you!

We would also like to thank all of the informants - both entrepreneurs and investors - for setting aside time in your hectic schedules, and contributing with your experience, knowledge and insight. Without your willingness to share, this thesis would not have been the same. Furthermore, we would like to thank the following people for their help and guidance:

- Per Ingvar Olsen at BI's Department of Strategy and Entrepreneurship
- Markku Maula, Head of the Institute of Strategy and Venturing at Aalto University (Finland)
- Ellen Amalie Vold, CEO at the Norwegian Venture Capital Association
- Kjetil Holmefjord, Partner at Startuplab

Lastly, we would like to thank each other for a productive and enjoyable collaboration.

Oslo, 29.06.2021

*Sofie Traheim and Christian Hammer*

## Table of contents

<b>1.0 Introduction .....</b>	<b>1</b>
<b>2.0 Theoretical background .....</b>	<b>3</b>
<b>3.0 Research method.....</b>	<b>9</b>
3.1 <i>Research design</i> .....	9
3.2 <i>Sampling</i> .....	12
3.2.1 <i>Theoretical sampling; selection of cases</i> .....	12
3.2.2 <i>Sampling criteria</i> .....	13
3.3 <i>Data collection</i> .....	16
3.4 <i>Data Analysis</i> .....	19
3.5 <i>Ethical and legal considerations</i> .....	20
3.6 <i>Methodological limitations</i> .....	21
<b>4.0 Case presentations .....</b>	<b>22</b>
4.1 <i>ShippingTech</i> .....	22
4.2 <i>LocDataCo</i> .....	23
4.3 <i>WarehouseHelp</i> .....	24
4.4 <i>EasyAccess</i> .....	25
4.5 <i>DocDigitalCo</i> .....	26
<b>5.0 Findings: Entrepreneurial search for investors.....</b>	<b>27</b>
5.1 <i>How do New Technology-Based Firms search for potential investors?</i> .....	29
5.1.1 <i>The impact of perceived fundraising norms on search</i> .....	29
5.1.2 <i>The impact of executive experience on search</i> .....	31
5.2 <i>Does the search process align with the startups' respective objectives? In other words; do they search for 'smart investment ties'?</i> .....	36
5.2.1 <i>Understandings of VCs versus CVCs; Risks and rewards</i> .....	36
5.2.2 <i>Exit-plans' implications on search</i> .....	39
5.2.3 <i>Search initiation and dynamic fit</i> .....	40
<b>6.0 Discussion .....</b>	<b>42</b>
6.1 <i>Contributions to the Literature on Entrepreneurship and Problemistic Search</i> .....	43
6.2 <i>Contributions to the Literature on Inter-organizational strategies</i> .....	45
6.3 <i>Implications for practitioners</i> .....	47

<i>6.4 Limitations</i> .....	48
<b>7.0 Conclusion</b> .....	<b>49</b>
<i>7.1 Directions for Future Research</i> .....	50
<b>Reference list</b> .....	<b>52</b>
<b>APPENDIX A: Interview guide startups</b> .....	<b>63</b>

## Tables and figures

<b>Table 1.</b> Display of each case’s funding history.....	11
<b>Table 2.</b> Sampling criteria.....	14
<b>Table 3.</b> Findings and propositions.....	28
<b>Figure 1.</b> The Resource Mobilization Process adapted from Clough et al., 2019.....	7
<b>Figure 2.</b> Typical funding patterns among NTBFs.....	15

## 1.0 Introduction

When New Technology-Based Firms (NTBFs) raise capital from (corporate) venture capitalists - (C)VCs - they may also obtain other important non-financial resources through these investment relationships. These might be experienced board members, commercial credibility through introductions to possible partners or customers, status, cost benefits, and help with raising additional subsequent capital (Hellmann, 2002; Hsu, 2004; Maula et al., 2005, 2009; Smith, 2001; Sørensen, 2007). Also, investment ties can be viewed as risky as entrepreneurs have to give up equity - and thereby control - in order to raise capital. Numerous papers have been written about how (C)VCs add value to startups and the risk factors associated with raising capital from (C)VCs. Furthermore, other articles have discovered what is important for NTBFs when they choose among these investors (Drover et al., 2014; Hsu, 2004; Smith, 2001; Valliere & Peterson, 2007).

For the purpose of clarity, we have decided to borrow Rickne and Jacobsson's definition of a New Technology-Based Firms as:

A firm whose strength and competitive edge derives from the know-how within natural science, engineering or medicine of the people who are integral to the firm and upon the subsequent transformation of this know-how into products or services for a market. (Rickne & Jacobsson, 1999, s. 203)

Even though the literature clearly hints at what startups should know about the differences between investors, such as the investors different abilities to provide non-financial value, it is unknown whether they consider such aspects in their search for investors. In fact, we know very little about how startups search for investors at all. Until now, most research has treated financial resources as an outcome variable following the entrepreneurial resource mobilization process (Clough et al., 2019), and much of the focus has been on whether entrepreneurs are granted access to such resources. In addition to the lack of research regarding how startups search for investors, it also remains to find out whether they search



‘smartly’ - i.e. whether their search is aligned with the respective needs and strategic objectives of the firm. This begs the following question:

*How do New Technology-Based Firms search for potential investors, and does the search process align with their respective objectives?*

Answering this question is important because firms have different needs and characteristics, and it is, therefore, likely that there are significant variations in which types of value-add they can benefit from. Followingly, variations are likely to exist in terms of which types of investors startups are able to extract this value from. Hence, a company’s composition of investors can be strategically matched to their needs and objectives.

In line with the well-established Eisenhardt method (Eisenhardt, 1989; Langley & Abdallah, 2011), our main goal with this thesis is ‘theory elaboration’ in the sense that we are building on previous research but simultaneously developing it in new directions. Our aim is to establish *search* as a meaningful focus in the fundraising process of early-stage entrepreneurs. Through a multiple case study of five Norwegian NTBFs within the software industry, we find it to be a lack of a holistic understanding of the implications of raising funds from either venture capitalists (VCs) and/or corporate venture capitalists (CVCs). The same goes for the differences in terms of value-adding capabilities and risk aspects, as it is presented in the literature. On the other hand, we find some novel and interesting aspects relating to how they search, which we find to be valuable supplements to the somewhat unnuanced theoretical presentation of fundraising in the literature.

We, therefore, contribute to the literature on inter-organizational strategies, entrepreneurship, and problemistic search. For what does it yield if numerous research papers are written about the differences between types of investors if only a fraction of the findings reaches the early-phase entrepreneurs? Thus, we contribute with a more practical understanding of the strategic maneuvers *actually* taken into use by entrepreneurs in their search for investors.

We present the study in six sections. First, we elaborate on the theoretical background for our study. Then, we present the research methodology. In the

subsequent parts, we present the case study, and lastly, we discuss how the findings contribute to the extant literature, address the limitations and implications for practitioners. Our concluding remarks point to future research.

## 2.0 Theoretical background

A key task for entrepreneurs in startups is to form relationships with external actors so that the venture can grow. Startups are often started by highly technically skilled people with minimal knowledge or expertise (e.g. in how to scale companies), except for their innovative idea (Maula et al 2005). Additionally, they often lack stable exchange relationships with their surrounding business environment, sufficient resources, and managerial talent (Baum et al., 2000; Vissa, 2012). Risk capital, or Venture Capital Funding, provided by (corporate) venture capitalists is thus seen as a critical means to their success because they can help to provide such resources (Gompers & Lerner, 2006; Katila et al., 2008; Maula et al., 2005; Winston Smith, 2011). This issue is especially prominent in NTBFs, which are known as truly capital intensive, implying a substantial need for external risk capital and resources (Hillman et al., 2009; Minola et al., 2013; Minola & Giorgino, 2011).

A common aspect for NTBFs is that they are considered risky as a result of their technological nature, liquidity constraints, uncertain probability of success, and the challenge of predicting market demand ex-ante (Winston Smith, 2011). However, the differences normally lie in their objectives and needs, implying a prominent need for *different* external resources. As some resources can be more time-consuming and costly to achieve than others, researchers have found that NTBFs are more likely to search for Venture Capital Funding when their resource needs are related to for instance manufacturing, rather than marketing - which is considered more easily accessible in non-equity relationships (Katila et al., 2008). But receiving venture capital is not obvious for all startups - for instance, founder and executive experience, network size, and attractiveness are seen to be decisive for the probability of achieving VC ties (Beckman et al., 2007; Honoré, 2020; Minola et al., 2013; Shane & Stuart, 2002; B. Yin & Luo, 2018; Zhang, 2011).

For NTBFs, the most common alternative is centered around whether to seek funds from two *types* of venture capitalists, namely Independent Venture capitalists (VC) or Corporate Venture Capitalists (CVC) (Hallen & Eisenhardt, 2012; Katila et al., 2008), which are seen to be systematically different in their value-adding services and capabilities (Hellmann, 2002; Maula, 2001; Maula et al., 2005), as well as their institutional logics (Pahnke et al., 2015). Compared with CVCs, VCs have, for instance, been found to be better at helping their portfolio companies obtain additional financing, recruit key employees, and develop organizations. On the other hand, CVCs appear to be better at helping their portfolio companies attract new partners, attract customers and develop technology (Maula et al., 2005). Although it cannot be omitted that the perhaps most important need for early-stage startups is the one directly related to capital, these non-financial value-adding contributions are seen as just as an important selection criterion for early-stage startups when they choose among investors (Smith, 2001). For instance, David H. Hsu (2004) found that entrepreneurs are more likely to accept funding offers from more reputable investors and that these reputable investors acquire startup equity at a 10-14 percent discount. From whom (VCs or CVCs) one decides to seek funds should thus depend upon the objectives, milestones and resource hierarchy of the respective firm.

In addition to providing different value-adding contributions, the *motives* of VCs versus CVCs are often significantly different. In short, the main purpose of VCs is to invest in and grow new ventures, and finally extract a positive financial return on their investment (Kim et al., 2019). For the CVC, the performed investment activities can be seen as secondary to their main purpose (Dushnitsky & Lenox, 2005a; Hellmann, 2002; Katila et al., 2008; Maula et al., 2005), which is rather centered around extracting strategic returns (e.g altering a startup's strategic direction in accordance with their own agenda) (Hallen et al., 2014; Kim & Park, 2017; Santos & Eisenhardt, 2009). In line with this, CVCs are likely to be interested in their portfolio firms disclosing parts of their inventions (Dushnitsky & Shaver, 2009), resulting in a sometimes challenging 'collaboration versus competition trade-off' for startups (Hallen et al., 2014; Katila & Mang, 2003), opportunistic behavior, and misappropriation of resources (Hellmann, 2002; Katila et al., 2008). Hence, previous research suggests that partnering with a VC may include less of a risk of resource misappropriation, than partnering with a

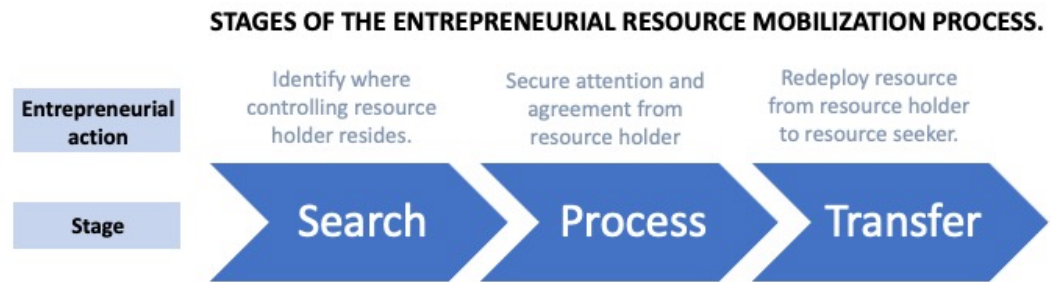
CVC (Sahlman, 1990). However, startups are sometimes willing to “take the risk” because of some resources that a corporate investor uniquely possesses, such as technological infrastructure, specialized domain knowledge, complementary assets, access to distribution channels, and product test sites (Kim et al., 2019; Park & Steensma, 2012). Hence for startups, there is a serious trade-off in the willingness to accept risk and access to valuable resources (Hallen et al., 2014; Kim et al., 2019; Maula et al., 2009).

Theory indicates that startups’ composition of investors has implications for a subsequent exit event, most commonly acquisitions and IPOs (Arora et al., 2021; Kim & Park, 2017). More precisely, startups that receive CVC investments early on are found to be less likely to go public because of the directional influence that startups receive from strategically incentivized corporate investors. Moreover, the increased number of acquisitions (as exit) of startups from corporations that (intentionally or unintentionally) results in the startup being shut down, is seen as a major issue (Cunningham et al., 2020). Therefore, the existing literature suggests that exits should be planned for (DeTienne, 2010; Lemley & McCreary, 2019) from the founding point in startups. Hence, for startups to search for the right ties with potential investors is undoubtedly essential.

One issue in the literature has been the tendency to consider the investor as the dominant actor in the (C)VC relationship, being the one deciding whether, how much, and in whom to invest. The startup, on the other side, has typically been referred to as the weak, resource-poor, and passive counterpart - without a choice (Katila et al., 2008). However, in many cases, startups do indeed have a choice between multiple external investors during fundraising. A survey by Gordon Smith (2001) indicated that more than 70% of the responding startups had received more than one funding offer from different investors. In their interviews, Katila et.al (2008) also found that several startups choose among various corporate partners during fundraising periods. Moreover, Santos & Eisenhardt (2009) highlight that investors often are less powerful than first expected because the most attractive startups may truly be of interest to other investors too, weakening the investors’ ability to enter into deals with sought-after startups. Hence, one can arguably deem some startups as more powerful than previous research has indicated (e.g Dushnitsky & Lenox (2005b)), with the ability to make

conscious choices in their search for investors. Furthermore, when it is also known that funding offers from investors sometimes are brought to the table as an outcome of incidental contextual factors such as the weather and the current mood of the investor (Dushnitsky & Sarkar, 2020), it is obvious that startups should treat their investor search process with caution.

Existing literature suggests that there are numerous factors that entrepreneurs both do and should take into consideration when mobilizing external resources from investors. Although there are clear differences in value-add among different investors, it is unclear whether this is known to the NTBFs, and whether they go on to *search* for what we term as ‘smart investment ties’, i.e. external investment ties that align with their current needs. The reason why this is unclear is that there is a lack of research addressing how entrepreneurs *search* for resources in the first place (Clough et al., 2019). To what extent is their attempt to reach specific investors rooted in their given milestones? Do they search differently depending on their characteristics and needs? As stated by Baum et. al (2000), leaders in startups should carefully choose who makes the most beneficial partners. So far in the literature, the focus has been on financial resources as an outcome variable of the resource mobilization process and whether managers are *granted access* to resources (e.g. in Colombo & Grilli, 2010; Dushnitsky & Lenox, 2005a; Dushnitsky & Sarkar, 2020). The intervening process (see Figure 1 for the intermediate steps of the process) is left out as a black box. This brings forward a need for deeper considerations of the cognitions of entrepreneurs (mental thoughts about the funding environment) and actions that shape the search step of the entrepreneurial resource mobilization process with investors. The primary contribution of our study is therefore to open up the ‘black box’ and enhance the understanding of the intermediate step of entrepreneurs’ search for venture funding. This will help to develop a more thorough understanding of entrepreneurial resource mobilization and add more nuances to existing theory.



*Figure 1. The Resource Mobilization Process adapted from Clough et al., 2019*

Previous research regarding ‘entrepreneurial resource search’ has highlighted both preexisting social ties and proactive networking efforts as common ways for entrepreneurs to search for external resources (Baron, 2007; Clough et al., 2019; Hallen, 2008; Hallen & Eisenhardt, 2012). For instance, Hallen (2008) finds that individuals who start in privileged socio-economic positions are likely to have initial networks that are rich in resources, and vice versa. Furthermore, many entrepreneurs are likely to be constrained by their personal background, as many do not search for resources beyond their preexisting network (Ruef et al., 2003). That being said, there is evidence that entrepreneurs also engage in proactive networking, sometimes enabling them to move beyond their preexisting social ties in order to search for and obtain resources (Hallen & Eisenhardt, 2012; Vissa, 2012). We also know that some startups use third-party assistance as a means to search for and obtain venture capital (Lahti, 2014; Lehtonen & Lahti, 2009). However, little is still known about the entrepreneurial resource search process, and whether or not this search process is actually aligned with the strategic objectives of the firm.

As argued in Clough et. al (2019), a complete theory of the entrepreneurial resource mobilization process should include explanations on *which contacts are* approached and *when* search is initiated. Furthermore, it is argued that - because the entrepreneurship literature and the behavioral strategy literature share the same human nature assumptions in that people are boundedly rational, goal-oriented and social actors (Cyert & March, 1992) - it could be particularly interesting to view this search process through a lens of aspiration-driven or problemistic search. Problemistic search can be seen as the case where search for

potential solutions to a given problem is triggered by a shortfall to a company's aspiration level (Cyert & March, 1992; Posen et al., 2018), e.g relating to firm performance. Furthermore, researchers state that what mainly drives problemistic *search behavior*, is its persistence and severity (Piening et al., 2021), as well as firms' willingness to accept risk (Greve, 2008). Furthermore, the degree to which firms choose to search locally and distantly is seen to be dependent on how far the firm is performing from their aspiration level (Baum et al., 2005). Viewing the entrepreneurial resource search process from this perspective seems reasonable, as entrepreneurs are likely to engage with potential investors, i.e implement risky competitive moves (Greve, 2008), when they are performing below their aspiration levels.

Moreover, it has been studied in the literature how emotions, perceptions, cognitive beliefs, and affections impact the human agency in regard to entrepreneurial actions (e.g Baron, 2007; Pryor et al., 2016; Yang et al., 2019). Entrepreneurs store behavioral patterns from social structures in their memory, which further guide and/or constrain future actions in regard to entrepreneurship processes (Pryor et al., 2016), e.g subsequent experiential search (Gavetti & Levinthal, 2000). Followingly, belief structures can be seen as meaningful to how entrepreneurs search for investors. The entrepreneurial environment is typically chaotic, unpredictable, and fast-changing. Thus, as claimed by Baron (2007) this induces stronger affective maneuvers than with other routines, which may result in error and bias in contexts like decision-making. Hence, one should not underplay the role of each individuals' cognitive beliefs and structures in the process of investor search. Surprisingly, few attempts are made to examine the potential role of such idiosyncratic belief structures in relation to entrepreneurial fundraising processes.

Summing up, the existing literature shows that: 1) Different investors bring different non-financial value-adding contributions "to the table" 2) Startups are not always the weaker part at the stage of tie formation with investors and will thus have a fair chance to optimize their investor search process, 3) Search for potential solutions to a given problem is triggered by a shortfall to a company's aspiration level, 4) The behavioral and cognitive structures of each individual entrepreneur might be decisive for entrepreneurial actions, and 5) Entrepreneurs

get access to investors through their preexisting network, and they also engage in proactive networking to reach beyond their original network. But after all, the literature does not indicate *how* NTBFs search and whether they search for ‘smart investment ties’. This begs the following question, which we seek to provide answers to in this thesis; *How do New Technology-Based Firms search for potential investors, and does the search process align with their respective objectives?*

### 3.0 Research method

In this section, we will address what methodology is used to answer our research question. First, we present the research design used for this thesis. Second, we address the reasoning behind the sampling. Third, we describe how data is collected and analyzed. Lastly, we elaborate on some ethical and legal considerations as well as the methodological limitations prominent in this thesis.

#### 3.1 Research design

This thesis is grounded in the so-called ‘Eisenhardt method’ (Eisenhardt, 1989). The ‘Eisenhardt method’ is brought forward as a favored research approach in fields where process-oriented research is lacking, especially in dynamic and fast-changing technological settings (Langley & Abdallah, 2011). In their review-article, Clough, Pan, Vissa and Wu (2019) claim the search stage in the *resource mobilization process* as something truly overlooked. The process consists of three steps; search, access and transfer (Figure 1), where the search-step is deemed as the most “sparsely studied” (p. 245). Hence, and due to the limited theory and research on how entrepreneurs *search* for investors (Clough et al., 2019), we use an inductive theory-elaboration approach with multiple cases (Eisenhardt, 1989), with the unit of analysis being the search process. Compared with single cases, multiple cases allow for comparisons that facilitate more robust and generalizable theory (Eisenhardt & Graebner, 2007), and in line with the Eisenhardt-approach, we provide propositions that aim to be generalizable across similar settings. Due to limited time and resources, our one and only level of analysis (Yin, 2014) is the *venture*.



Investment ties make a particularly interesting *context* for the study of entrepreneurial resource search for multiple reasons. Firstly, establishing relationships with investors is important to the venture, being highly dependent on resources in the environment that the organization is a part of (Pfeffer & Salancik, 1978). ‘Searching for investors’ can be viewed as a practical representation of Resource Dependence Theory: Entrepreneurial firms not only need capital, but also they often need other non-financial resources residing outside the boundaries of the firm, such as operational resources like manufacturing and sales capacity. The second reason why investment ties make up an interesting context is that the capital need tends to be urgent and is thus vulnerable to high time pressure, increasing the likelihood of the decisions being made on a somewhat weak basis (due to e.g limited information, uncertainty and fast-paced decisions) (Kirsch et al., 2009). In sum, as startups’ abilities to form ties with investors vary greatly during urgent and hectic circumstances, there are also variations in outcomes from how they search, making it an interesting phenomenon to study.

We investigate startups’ search for investors in the Norwegian software industry (see Table 1 for sample overview). Although the development of software services [the *setting*] is a constant variable, the startups operate in different markets. In essence, all the startups in our multiple case study develop software-but for different business purposes. This respective *setting* was convenient because it, first, enabled us to study one single industry, which in turn facilitated a more accurate comparison of the startups. Moreover, the software industry hosts executives with largely varying experience in companies with different needs and characteristics. This variation increases the likelihood of different priorities at stages of entrepreneurial search and investment rounds. (Hallen & Eisenhardt, 2012).

Firm	Group	Founding year	Year	Label	Amount (approx.)	Investor type	Key Executives in Fundraising	Interviewees
ShippingTech	More experienced	2012	2013	Seed	12MNOK	VCs	Founding CEO, co-founder /CBDO, CSO/COO	Founding CEO and VC (and board member)
			2014	Seed	14MNOK	VCs		
			2015	Serie A	45MNOK	VCs		
			2017	Serie B	100MNOK	VCs		
			2019	*no name*	100MNOK	VCs		
LocDataCo	More experienced	2014	2015	Seed	14MNOK	VCs	Founding COO and founding CEO	Founding COO and VC (and board member)
			2016	Serie A	40MNOK	VCs		
			2018	Serie B	150MNOK	VCs + CVCs		
			2020	"Bridge" round	100 NOK	Existing		
WarehouseHelp		2016	2019	Seed	8MNOK	VCs	Founding CEO and founder	Founding CEO and VC
			2020	"Bridge" round	30MNOK	Existing	CRO	
EasyAccess	Less experienced	2017	2018	"pre-seed"	3MNOK	VC + CVCs	Founding CEO, founding CTO, and COO	COO, VC and CVC
			2019	Seed	7MNOK	CVC		
			2020	*no name*	25MNOK	VC + CVCs		
			2021	*no name*	25MNOK	Existing+ syndicate fund		
DocDigitalCo		2017	2018	Seed	5MNOK	Angels + CVC	Founding CEO and CTO	Founding CEO
			2019	"Bridge" round	5MNOK	Existing		
			2020	"Bridge" round	1MNOK	Existing		

Table 1: Display of each case's funding history

## 3.2 Sampling

While existing investors often provide advice about fundraising strategies, as well as suggestions and introductions to new potential investors - Hallen and Eisenhardt (2012) state that the venture executives are the ones that typically develop the actual fundraising strategy, including e.g. *which* investor the startup should target. Our *primary focus* is therefore on the startups and venture executives in the NTBFs with the responsibility of seeking new investment ties with (C)VC investors. Furthermore, we support this with additional (C)VC perspectives.

### 3.2.1 Theoretical sampling; selection of cases

As the purpose of this study is to develop and elaborate on theory, (not testing theory) *theoretical sampling* is the relevant sampling approach (Eisenhardt, 1989). The purpose of theoretical sampling is to select cases that are likely to extend or replicate the emergent theory, while also eliminating alternative explanations of the focal phenomena (Eisenhardt, 1989; Yin, 2014). In other words, theoretical sampling is purposefully non-random, and sample bias is not germane (Hallen & Eisenhardt, 2012). In the process of selecting startups for the interviews, we started by making a list of all Norwegian startups that we knew about. Furthermore, we used relevant news sites like Shifter.no and Finansavisen.no, using keywords like 'startups' and 'fundraising' in order to widen our horizon of potential cases. This resulted in a longer list of potential startups. Seeing as we wanted to limit ourselves to early-phase startups, we began sorting companies by founding year and number of funding rounds, for which we for instance used Proff Forvalt and Crunchbase.

Furthermore, we reached out to one of the partners at StartupLab (a well-known, Norwegian incubator) who helped us in verifying our data and ensuring that we had enough information regarding the potential cases. We also assessed our own chances of getting access to key personnel in each company, i.e. founders and/or C-level executives with fundraising responsibilities. Lastly, we defined our selection criteria which would help us in selecting the final cases. In line with relevant theory (Eisenhardt, 1989; Langley & Abdallah, 2011), the cases that were finally selected were distinct on some dimensions, while similar on others (Table

2). In chapter 3.2.2 we explain the sampling criteria clearly (see Table 2 for an overview of these), and in chapter 4 we describe the cases more in-depth.

In line with research norms related to the Eisenhardt method (Graebner, 2004, 2009; Langley & Abdallah, 2011), and with the aim of enhancing the credibility of the insights from the sampled cases, we also sampled two investors. One of these was with an investment manager of a VC fund that several of the NTBFs had in common (referred to as InvestorVC). The other was with an investment manager of a CVC firm that had invested in one of our sampled firms (referred to as InvestorCVC). Hence, the selection of the two investors was also purposefully non-random (Eisenhardt, 1989), because they had funded several of our chosen startups and hence are more suited to provide us case-specific information that could either back up or supplement our findings from the startup interviews. Moreover, both the investors are seen as highly reputable within the ‘Venture Capital sphere’ in Norway, because of their prior successful investments.

The sampling of the two investors in addition to our primary cases provided some very valuable insights. First, because it provided more nuances to the process that the entrepreneurs explained. Second, it provided some contrasting aspects of the emerging themes that came to light from the interviews with entrepreneurs, for instance the exaggerated role that valuation played in the entrepreneurs’ search approaches. This aspect was somewhat underplayed among our sampled startups. In sum, the interview findings generated from the investor’s perspectives provided a more trustworthy and reliable view of the entrepreneurial search process.

### *3.2.2 Sampling criteria*

As mentioned, and in line with our theoretical sampling, we first developed some traits that we wanted the firms to have in common. Second, in order to maximize the potential for bringing forward novel nuances to the existing research, we purposefully picked startups that were sharply distinct on another dimension.

	Sampling criteria for chosen start-ups
Common traits	1. A Norwegian (B2B) New Technology-Based Firm
	2. Developer of Software
	3. Raised a minimum of NOK 5 million in risk capital
	4. Considered funding offers from a VC or CVC (or both)
Different traits	5. Funding experience. Two groups: "Group less experienced" – completed <b>a maximum</b> of 4 rounds + max external funding: 40 MNOK "Group most experienced" – completed <b>at least</b> 4 rounds + least amount of external funding: 200 MNOK

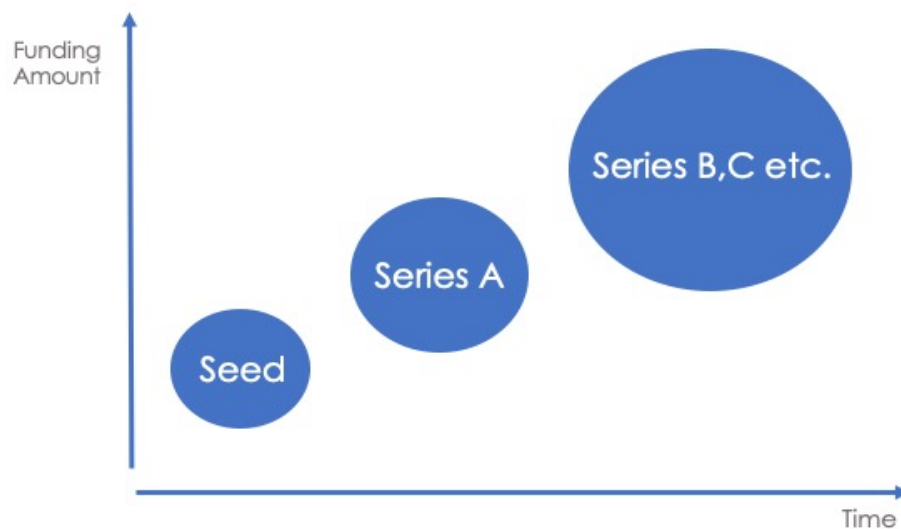
Table 2. Sampling criteria

### Common traits

To ensure similar needs for capital to scale, all sampled cases were defined as New Technology-Based Firms (Criteria 1). The companies were all Norwegian and B2B-focused. Furthermore, as we wanted a similar *setting*, we only included software-based firms (Criteria 2). Moreover, to ensure the likelihood of getting access to data and to increase the willingness to attend, we only reached out to Norwegian companies (Criteria 1). Another important sampling criterion to ensure sufficient fundraising experience was that the firm has raised a minimum of 5 million NOK (Criteria 3).

Our final criteria (Criteria 4) is that the sampled companies have been in a position where they have had to consider a funding offer from either a VC or a CVC (or both). This thesis is limited to dealing with Independent Venture Capitalists (VCs) and Corporate Venture Capitalists (CVCs) because this thesis is limited to early-stage startups with a sufficient level of experience (minimum NOK 5M in external capital). Typically, startups raise external funding from investors in a series of discrete rounds (see Figure 2), and following industry norms (Hallen & Eisenhardt, 2012), the first significant round is called ‘series A’ implying the raise of \$1 million or more. Rounds before series A are labeled

‘seed’. We will also address so-called ‘bridge rounds’ in this study, which means raising money from exclusively existing investors. What the ‘seed’ round, ‘series A’ and further rounds have in common is that they typically always include VCs and CVCs - termed by Hallen and Eisenhardt (2012) as so-called ‘professional investors’. In this regard, and as we wanted to include startups that had been in a position of considering either VCs or CVCs, Criteria 3 helped us eliminate startups with only “trivial” experience with entering into a funding relationship with either a VC or a CVC. In other words, by setting a lower limit of 5MNOK (criteria 3), we considered the probability that the startups had considered either a VC or CVC as high.



*Figure 2: Typical funding patterns among NTBFs*

### **Different traits**

In order to maximize the potential for bringing forward novel nuances to the existing research, we decided to sample firms with different levels of fundraising experience (criteria 5). As is argued in Eisenhardt’s (1989) article about developing theory from case studies, selecting cases that are similar on some key dimensions, while different on another dimension, can make the process of interest more easily observable. We focus on how NTBFs search for investors and whether or not their search process is aligned with their needs and company objectives. By selecting cases with varying levels of fundraising experience, our aim was to enable ourselves to more easily compare and contrast the individual cases and, by doing so, facilitate a more fine-grained emerging theory. The three

‘less experienced’ are younger firms that had been through four or fewer funding rounds at the time of sampling, while the two ‘most experienced’ firms had been through at least four funding rounds. Furthermore, none of the ‘less experienced’ firms had raised more than 40 MNOK at the time of sampling, and each of the ‘most experienced’ firms had raised at least 200 MNOK, allowing for substantial differences on the dimension of fundraising experience.

Because multiple case studies can be very time-consuming to implement (Baxter & Jack, 2008) and since we had a limited amount of time, in addition to being hit by unpredictable times (Covid-19), we decided to research in total 5 cases in order to facilitate a manageable process.

### 3.3 Data collection

We used multiple sources in our data collection process. Similar to other research papers using the Eisenhardt method (Langley & Abdallah, 2011), our primary data source was semi structured *interviews* with two kinds of informants: 1) Key informants from each venture, more precisely C-level executives and founders who have been (and still are) responsible for fundraising activities on behalf of their respective firm, and 2) (C)VC investors.

We also used *archives* including corporate material provided by the informants, typically pitch decks or other working documents produced inside the firms. During the interviews, some of the informants demonstrated to us how these have been used during the fundraising process, especially with regards to search for investors and navigation between the different actors. The fact that these documents and their usage was demonstrated to us made our interpretation of the rest of the respondents’ statements more trustworthy, as we could verify many of their claims.

Furthermore, we used external databases such as Crunchbase and Proff.no to research funding data and ownership history of each company, as well as online media articles to triangulate and thereby increase our confidence in regard to the accuracy of our respondents’ answers. Lastly, we asked clarifying follow-up questions by phone or email to further enable the accurate portrayal of our

respondents' answers. In sum, to ensure the accuracy of the data and to increase the *construct validity*, we triangulated data by using multiple sources of evidence and by interviewing informants with different perspectives.

Due to the exploratory nature of our research project, we started with an initial meeting with the CEO of the Norwegian Venture Capital Association (NVCA), as well as conducting a pilot interview with the CEO and founder of another NTBF. These conversations confirmed the need for more research on the subject. In sum, these initial meetings helped us in improving our contextual understanding even further, as well as in developing interview questions well-fitted for the semi structured interviews that were conducted later. We also learned that the need for structure in interviews turned out to be more valuable than initially expected. Hence, our interview guide (Appendix A) was inspired by an industry expert, in addition to being anchored in prior research. Lastly, getting in touch with NVCA was a valuable means for getting in contact with investors. Through an introduction from the CEO of NVCA, we were able to book interviews with investors.

We conducted 5 interviews with venture executives in total, one in each case. Each interview was conducted over video call, recorded, and transcribed. Each interview lasted for approximately 60 minutes and was held in Norwegian to facilitate a natural and safe environment where respondents could talk freely in their mother tongue. Followingly, all quotes from interviewees are our own best translations from Norwegian to English. Our interview guide contained both direct and indirect questions related to the search process. More specifically, and to ensure a structured and holistic view of the process, each interview consisted of the same parts; (1) firm ambitions, goals and milestones, (2) introductory questions about the fundraising history, especially with regards to the event chronology for the specific funding rounds, (3) direct questions about the search process, and (4) thoughts about investor traits, investors' value-adding capabilities, and perceived match between motives (startup versus investor).

A challenge that is brought forward by interviews is *interview biases*. This can be attributed to both the interviewer and the interviewee (Bell et al., 2019). Thus, when we conducted the interviews we tried to minimize the chance of having



preconceived notions about “the correct answer”. To further hedge against these biases we used an interview technique where we rather asked open-ended and exploratory questions. Moreover, unless it eventually was brought up by the informants themselves, we avoided mentioning framing words like ‘opportunistic behavior’ or ‘misappropriation’ in relation to questions about perceived risk factors in fundraising. In addition to being a means to enhance *validity* (Yin, 2014) and *reliability* (Langley & Abdallah, 2011) in the findings, transcription helped us check that informants had not been dragged into a specific direction during interviews.

Another challenge that is seen as common among interviewees during interviews is their urge to make claims and provide answers that seem socially accepted (Bell et al., 2019) [*interviewee biases*]. After the first interview that we had, we discovered the need to more explicitly tell the informants as part of the introduction during the interview that we are having an exploratory approach, meaning that we are not seeking to test them in relation to some pre-made hypothesis. We think this was useful in order for them to not feel the pressure of coming up with any “flashy” or untruthful answers. Hence, the way we tried to tackle issues relating to *interviewee biases* was to establish a common and safe ground at the start of every interview, in addition to reminding the anonymity and confidentiality. This was crucial since our research question can be a bit sensitive in nature. As indirectly told in chapter 3.2.1, the investor interviews also functioned as a great means for “validity checks” - meaning that it easily enabled us to identify corresponding or deviating descriptions of events, presented by the startup executives.

In order to further mitigate interviewee bias, we also asked our informants about their current efforts to raise funding, which added real-time accounts to the retrospective accounts - helping to compensate for a potential recall bias (Leonard-Barton, 1990). Combining such questions also made clear the prominent learning aspect of fundraising, meaning that our respondents clearly seemed to do more well-considered maneuvers when their technical understanding and fundraising experience increases as well as their ability to absorb new knowledge from external investors. Furthermore, we are confident that we have both a strong accuracy and a limited recall bias as a result of our use of open-ended questions to

very knowledgeable informants regarding both highly important and fairly recent events (Golden, 1992; Koriat et al., 2000). All respondents were also offered anonymity, which is likely to incentivize honesty (Hallen & Eisenhardt, 2012).

### 3.4 Data Analysis

Our data analysis process also followed multiple case study norms (Eisenhardt, 1989). Based on synthesizing the transcribed interview material and belonging archival data, we started to produce case histories of the search process for each venture. We used the case histories for two kinds of analysis; *within-case* analysis and *cross-case* analysis.

A part of our research question was to see if the firms' needs and objectives aligned with the way they searched for investors. Thus, for the *within-case* analysis, we concentrated on discovering emergent themes and relationships linking objectives/milestones and search processes based on the insights from the different firms. For this purpose, we used a data reduction method, by making keywords and color-codings (Eisenhardt, 1989). Working with this part of the data analysis was an iterative process, where we alternated between working individually and together until a close match between our understanding was reached. This was a very useful way to become familiar with the essence behind the raw data, which in turn facilitated a manageable cross-case analysis.

As mentioned, all interviews followed the same main structure, and therefore the transcribed interviews made a good foundation for our *cross-case* analysis. Compared with the within-case analysis, the cross-case analysis is the part where the search for patterns is in focus (Eisenhardt, 1989). Thus, this part of the analysis concentrated on the comparison of different variables of interest, such as the presence or absence of active search techniques. The cross-case analysis enabled us to grasp the novel findings that lied in the data. In the initial part of this analysis, we ended up having numerous categories or dimensions. These were further merged with closely linked categories or sorted out as not relevant, to reduce the material into more concentrated categories. Based on the six final categories, we induced propositions, which are presented in Table 3. This was also an iterative process where we, after developing tentative propositions, had to go back to each case to ensure that the data confirmed the proposed proposition.

In line with how Langley and Abdallah (2011) describe the research template, we looked for similarities or regularities in our cross-case analysis rather than seeking explanations for differences across the firms. Furthermore, we used existing literature to both improve our understanding of the insights gained by the inductive approach and to refine theoretical relationships. Additionally, we used archival data and press articles that we had gathered earlier and compared these with the data from our interviews.

### 3.5 Ethical and legal considerations

The following paragraphs outline how we have focused especially on two ethical concerns that demand careful attention when conducting scientific research.

First, conducting ethical social research implies ensuring that the data are sound and trustworthy (Reese & Fremouw, 1984; Singleton & Straits, 2018). The ethics of data collection is the same as being a good research scientist. This means treating processes such as observation, analysis, and reporting with caution. Therefore, in all the parts of the data collection, we have placed honesty and understanding above personal gain, in the sense that we, at all times, have worked towards preventing errors and misrepresentations.

Secondly, we have made sure to act in accordance with ethical principles regarding the treatment of participants. In the initial conversations with the companies, we provided them with information about the study and gave them an option to decide on whether or not they were willing to participate in the study. As participation in the study is voluntary, participants were also granted the right to fully withdraw from the study at any time. To make sure all participants could exercise their informed consent (Singleton & Straits, 2018), they all received and signed a *written and informed consent* which explained the details of the study, as well as how their data would be collected, treated, anonymized, and stored upon collection. For this purpose, we consulted the Norwegian Centre for Research Data (NSD) and used their guidelines as a basis for the information that we handed to the informants. For instance, we informed the participants of BI as the data controller, deciding for which purposes this paper can be used. During the

thesis project, all data material and recording were safely stored on the authors' private computers and not shared with others. After handing in the thesis, this will be deleted, and participants will be able to have access to the paper with results.

Overall, we have made sure to treat all information with sensitivity, and made clear for the participants that all data provided by them would serve only the purpose of this study. Also, to make our research as credible as possible we have ensured to mitigate personal biases that can potentially impact the research. Hence, we have made sure to present the participant's perceptions and actions accurately.

### 3.6 Methodological limitations

As the main purpose of this study is to develop a more fine-grained understanding of how entrepreneurs search for investors to fund their company, conducting a multiple case study was a highly suitable research approach. Even though conducting multiple cases facilitates the formation of "testable hypotheses and theory that are generalizable across settings" (Eisenhardt, 1989, s. 546), other authors (e.g Bell et al., 2019; Yin, 2014) are skeptical to whether case studies are generalizable to populations or to the universe. While we acknowledge those authors' views on this, while also acknowledging that many of our findings are truly case-specific, we observe several common aspects across cases, indicating a higher chance of generalizability to other NTBFs.

Since we cannot fully generalize the results beyond the cases at hand, the *external validity* will be weaker in case studies than in other research designs. Rather, as Yin (2014) explained, case studies can reach analytical generalization because replication of the study in other contexts with similar conditions can potentially be used to form a broader theory. Thus, we will not take the case study as an indication for what shapes startups' search for investors in general, but rather use it to highlight some of the aspects that start-ups might face in their *search* and choice processes.

Another potential limitation of our study is the number of interviews. We only had interviews with one actor from each of the companies. However, these NTBFs are typically driven by a small number of people responsible for handling the

fundraising process and making decisions, typically being the CEO and often CFO (Hallen & Eisenhardt, 2012). In all of our cases, there were a maximum of two persons directly involved in these tasks. As a result of some clarifying questions during the interviews about the division of responsibilities between the colleagues, we found it to be less useful to interview both. Perhaps it would have provided us some minor additional nuances or observations, but likely not different understandings of the firm's respective search approach. Hence, the reason for conducting interviews with only one informant within each of the companies was guided by the nature of the fundraising process in young startup firms, i.e NTBFs. Nevertheless, we would have preferred to have more time with the individual informants, but due to Covid-19, we have had limited chances to reach them outside the scheduled interview slots. Even though we have had follow-up conversations with some of the informants, others have been harder to reach post-interview, due to their hectic schedules. This has resulted in a lesser amount of archival data than we assume it would have been without Covid-19.

Since the main logic of the Eisenhardt method is to maximize credible novelty by conducting interviews with diverse informants (Langley & Abdallah, 2011), we saw it as necessary to conduct the interviews with investors on the “other side of the table” to secure credibility in our findings.

## 4.0 Case presentations

Our cases are presented in the following section. For the purpose of privacy, the real company names have been replaced with fictional ones, and the executives are named after their position in the respective company.

### 4.1 ShippingTech

ShippingTech was founded in Oslo in 2012, some time after two of its founders had pitched the idea to their at-the-time employer in the logistics and shipping industry with no luck. ShippingTech provides market intelligence software to large companies that ship goods across the world, helping them to benchmark their shipping costs to the market, and strengthening their positions in negotiations with their respective suppliers. Their solutions are offered through a SaaS-model

(Software as a Service), meaning their customers pay a monthly or yearly subscription fee for access to ShippingTech's software. With offices in three large cities and more than 80 employees, they have experienced rapid growth since their beginning in 2012. As is common with SaaS companies, ShippingTech's main goal is to increase their Annual Recurring Revenue (ARR). Moreover, they focus on increasing the number of subscriptions since the solution becomes more and more valuable (for each of the actors in the network) with each new company that is connected. Our informant, the CEO and co-founder of ShippingTech, had no previous fundraising experience prior to starting this venture, but had significant industry experience.

ShippingTech has raised capital a total of five times and belongs to the 'most experienced' group of firms (Table 1). Moreover, ShippingTech has exclusively raised money from VC firms. They raised a 12.5 MNOK 'seed round' in 2013 - a round which almost happened by coincidence. The CEO of the company refers to this as "*a way too big round*", and said "*I did not know anything [at that point], not what a VC was, nor a term sheet, nor the clue of making detailed decks to the board*". In 2014, they raised a continuation of their seed round, adding another 13,7 MNOK from one existing and one new investor. The following year, in 2015, ShippingTech raised 45 MNOK from new and existing investors in their 'series A' round. Two years later, they raised a 103 MNOK series B round from new and existing investors. Lastly, they raised 70 MNOK in a so-called 'venture round' or 'bridge round' in 2019 - a round in which only one new investor took part, along with four existing investors.

From interviewing the CEO, we know that the company has already experienced three attempts of being acquired, indicating ShippingTech to be a promising and sought-after company. However, the CEO considered exits as "*distracting to plan for*" implying that ShippingTech does not have concrete exit plans.

#### 4.2 LocDataCo

LocDataCo is a Norwegian SaaS company that provides software solutions based on location data. Their software helps other companies make informed decisions based on contextualized data from the whereabouts and movement patterns of people. LocDataCo was founded in 2014 by two co-founders (now CEO and

COO) who had previously worked together at another, Norwegian tech firm. Our informant, the COO of LocDataCo, had no previous fundraising experience before taking on his position at LocDataCo. LocDataCo now has offices in Norway and the U.S, counting approximately 40 employees. As with ShippingTech, their main goal is to increase their ARR.

Since its founding in 2014, LocDataCo has raised external capital through a total of four funding rounds. They raised 13.7 MNOK from two Norwegian early-stage investment companies in their ‘Seed Round’ in 2015. Then they closed their ‘series A’ round in 2016, raising a total of 43 MNOK from one Norwegian and one Finnish VC firm. In 2018, they closed a 150 MNOK ‘series B’ round from both existing and new investors - including two CVCs. Lastly, they closed a ‘bridge round’ where they raised 100 MNOK from existing investors in 2020. In sum, LocDataCo belongs to the ‘most experienced’ group (Table 1)

About exit, the COO considers listing as a publicly-traded company as “*an optimal way to reward your shareholders*” and “*perhaps the most natural exit since the company is VC-backed*”. However, LocDataCo is not planning for any specific exit as of today.

### 4.3 WarehouseHelp

WarehouseHelp is another B2B-focused, Norwegian SaaS company that offers software solutions for the procurement space. They were founded by two previous management consultants with experience from procurement in Oslo in early 2017, and they launched their first product in 2018. However, our informant, the CEO, had no previous fundraising experience. WarehouseHelp now counts more than 40 employees, and they are growing rapidly. Their ambition is to become a global, leading tech company within procurement.

During the early years of the lifetime of the company, the focus has shifted. In their early years, the focus was solely on securing market fit and developing the service, while they now focus more on product testing, creating increased customer awareness and customer base. Thus, their current and most important metric is ARR, and to keep a steady growth in ARR. Moreover, minimizing churn is also a top priority.

WarehouseHelp has been through two funding rounds and is therefore considered as 'less experienced' (Table 1). They closed a 'Seed Round' of 8 MNOK in 2019, bringing on three Norwegian VC firms. Recently, in early 2021, they also closed their second funding round - a round in which they raised 30 MNOK. During the interview with the CEO, he unofficially labeled this round as a 'Seed Plus', and it did not include any new investors - essentially making it a 'bridge round'.

Regarding exit plans, the CEO considers both listing and acquisitions as possible options, but has not started planning for either of the options. Nor does he have any thoughts about the most probable outcome.

#### 4.4 EasyAccess

EasyAccess is a Norwegian technology startup that offers software for digitally unlocking doors and sharing digital keys. They were founded in 2017 and have experienced rapid growth since then. Their customers include consumers, businesses and housing associations, and their current strategy is to win additional market shares within the 'residential real estate' segment. Important metrics for EasyAccess are 'active end-users', 'number of locks enabled', and revenue growth. As our informant told us, their focus and objectives have been narrowed down during the past year in line with them being more knowledgeable about the world and market changes'. As our informant stated, *"we want to be more like experts in one particular field, without exploring every possibility"*. As a result, EasyAccess focuses exclusively on one particular part of the market. Our informant, the COO, had previous experience working as a venture capitalist.

EasyAccess has raised capital every year since its founding. The firm has been through four funding rounds in total. In 2018, they raised 3 MNOK in their 'Pre-seed round'. This round included one corporate investor (CVC), one VC firm, as well as the venture arm of a Norwegian research laboratory. Two of these corporate investors are of special interest to our study, as there are clear strategic synergies between EasyAccess and each of the two investors. In 2019, they raised 6,9 MNOK from one of the existing investors in a 'Seed Round'. In 2020, EasyAccess closed an 'unnamed round' where they turned down several funding offers and raised 25 MNOK from both corporate investors and VC firms.



Based on their funding history up until 2020, we grouped the firm as ‘less experienced’ (Table 2). However, during the interview with the COO, we got to know that EasyAccess recently closed an additional round, in which they raised about 25 MNOK through a convertible loan from existing investors and one new investor. This places EasyAccess in a position of being the most experienced firm across the firms in the ‘less experienced group’.

Regarding exit plans, EasyAccess does not have any plans, as they are “*in it for the long run*” (quote COO), and because in that case, this would have affected the way of doing business, which is undesirable.

#### 4.5 DocDigitalCo

DocDigitalCo is a Norwegian technology startup operating in the so-called ‘Legaltech’ sphere. Founded in Oslo in 2017, the company aims at making legal work easier for businesses through digitalization. Our informant, the CEO and founder, had no previous fundraising experience prior to starting this venture, but had significant industry experience.

The company has raised a total of 11.5 MNOK across three rounds - mostly from ‘angel investors’, as well as one corporate investor. Hence, they belong to group ‘less experienced’ (Table 2). Additionally, they have received more than 10 MNOK in so-called ‘soft funding’ from government agencies and similar actors. DocDigitalCo has yet to raise funds from a VC firm, although they have been in dialogue with several such firms. From the interview with the CEO, we know that the company has consciously declined request(s) from VCs and that they are not searching for it either as a result of “*not feeling ready for that kind of funding*” (CEO DocDigitalCo).

Regarding exit plans, this is considered too early to decide upon or say something about. As the CEO said during the interview - “*if you adjust the company towards a particular exit option, it will disturb the way you are trying to develop your product*”.

## 5.0 Findings: Entrepreneurial search for investors

As presented in chapter 2.0, the research question in this thesis is: *How do New Technology-Based Firms search for potential investors, and does the search process align with their respective objectives?* This question can be separated into two sub-parts where the first part centers around how entrepreneurs search and what influences the entrepreneurs' search attempts and approaches. The second part is centered more around whether the search fits their objectives and milestones. We will present the findings belonging to these two parts respectively. These are also summarized in Table 3.

For propositions two and three, we observe that experience plays an important role. For propositions one, four, five and six, we have not observed a pattern that displays systematic differences across the 'most experienced' and the 'less experienced' group. However, these are still central to the thesis, as the findings are novel and contribute to the existing body of literature.

	PROPOSITION	LocDataCo	ShippingTech	Easy/Access	WarehouseHelp	DocDigitalCo
1	Different perceptions of fundraising norms and patterns lead to variations in how NTBFS search for investors regarding how much capital they seek to raise during certain rounds, and how they choose to label their funding rounds.	COO looked back and wished they had labeled their rounds differently based on 1) his perception of labeling norms in the U.S market; and 2) relieving some of the pressure and expectations from investors and the market that follows a given funding round.	"So we raised a way too big first round", a quote that indicates that their perception of what a first round should look like has changed since then	-	Decided not to label their latest round as a 'Series A' because their perception was that a 'Series A' round of 30MNOK would not sufficiently contribute to attracting international attention from other investors.	Stated it was too early for them to raise VC-funding, even 4 years after their founding date.
2	Executives with more fundraising experience consider a wider range of factors such as time horizon and the role of their investors through their board seats, when searching for and/or choosing among investors, compared to executives with less fundraising experience.	Emphasized the time horizon of VC funds as important. More focus on their investors' board contributions than less experienced companies.	Emphasized the time horizon of VC funds as important. More focus on their investors' board contributions than less experienced companies.	Did not talk about the time horizon of the fund as an important factor. However, highlighted the increasingly more important role of their investor's board contributions.	Did not talk about the time horizon of the fund as an important factor	Did not talk about the time horizon of the fund as an important factor
3	More experienced executives are less willing to use third party actors in their search for investors during their earlier funding rounds compared to less experienced executives.	Stated that it is negative for a company if the founders are unable to raise capital without the help of third parties.	Stated that they had made a conscious decision of not using third-party actors for fundraising.	Negative towards using third parties in fundraising in early rounds	Had not used third parties for fundraising yet; but will consider it for later rounds	Positive towards using third parties in fundraising (and was doing so at the time of the interview)
4	There is a lack of a holistic understanding of the differences in value-adding services of VCs vs CVCs. Thus, these differences are not significant when NTBFS search for investors.	Aware of the strategic nature of CVCs, but the comparison of VCs and CVCs has been insignificant in their search for investors.	Aware of the strategic nature of CVCs, but the comparison of VCs and CVCs has been insignificant in their search for investors.	Aware of the strategic nature and complementarities of their CVCs. However, some of the value-adds have been surprising	Aware of the strategic nature of CVCs, but the comparison of VCs and CVCs has been insignificant in their search for investors.	Aware of the strategic nature of CVCs, but the comparison of VCs and CVCs has been insignificant in their search for investors.
5	When NTBFS search for and/or choose among investors, they do not do so with an exit strategy in mind.	Said that no exit route is more likely than another  [No defined exit strategy]	"I think it is a distraction more than anything else"  [Negative towards planning for exit]	"I would have been disappointed if I heard someone talk about it"  [Negative towards planning for exit]	"[IPO] is one alternative, but we have not concluded what we want"  [No defined exit strategy]	"It is way too early to plan for"  [Negative towards planning for exit]
6	NTBFS initiate search for new lies when their current lies do not meet their own shifted aspiration levels. Hence, which investor traits that are seen as important are thus dependent on which phase the firm is in.	Told one of Norway's largest business news sites that there is "neither enough capital nor competency in Norway", after announcing their 'Series B round' which included an investment from a large, international VC fund	"Yes, what you need depends on which phase you are in. And then it is important that we have companies [investors] that have been through those different phases before you. And some have more or less of that, to be honest, among our investors."	Said that their investors' network has been very important for them up until now, but that they think the importance of their network is diminishing, and that their 'ability to scale companies' will be much more important going forward	Said that, in their next round, experience with scaling companies globally will be an important investor trait for them.	Said that their future investors' network, 'muscle' and prior experience will be 'enormously important' in their next phase.

Table 3. Findings and propositions

## 5.1 How do New Technology-Based Firms search for potential investors?

Our interview data shows that NTBFs search for potential investors in a variety of ways. Desktop research, exploitation of one's own network in the search for introductions and referrals, and hiring third parties such as consultants or investment bankers - are all ways through which NTBFs search for investors. Moreover, our interviews with both the investors and the entrepreneurs confirm that the search attempts are both directly oriented: through case presentations to investors (so-called "pitching") aiming for investors to provide funding offers, but also indirect: through activities performed by startups resulting in investors reaching out to them. Examples of indirect attempts can be casual dating, augmented quality signals, scrutinizing interest, and signaling scarcity (Hallen & Eisenhardt, 2012). However, we find it to be especially three novel topics that also seem to influence how entrepreneurs search for investors; varying perceptions of fundraising norms, executive experience, and the use of third parties.

### 5.1.1 *The impact of perceived fundraising norms on search*

From research and real-time examples, we know that entrepreneurs seek external funding in discrete rounds, typically called; (pre)seed, series A, B, C, etc (see Figure 2). Although some researchers (e.g. Hallen & Eisenhardt, 2012) have made attempts related to explaining the patterns of these rounds, i.e. when and how much money is typically raised during each round, they do not explain its implication on the entrepreneur's search process. Data from our interviews with NTBFs show that each executive has different perceptions and opinions of fundraising norms and patterns. Both related to *what kind* of investors are present in the rounds, *how much* capital is raised and *when* typical amounts are raised, and finally *the signal effect* that lies in calling it for instance 'series A' or 'seed'. This is also confirmed through our interview with InvestorVC, who said that there is "*no connection*" between e.g. the label 'series B' and the amount of money that is raised in a 'series B' in startups. In other words, the entrepreneurs' perception of fundraising norms clearly differs.

During the data analysis, we discovered the surprisingly large impact these different understandings had on the venture executive's search procedures. For instance, the CEO of DocDigitalCo said that "*VC is typically series A*" and claimed it, therefore, to be "*too early*" for them to seek VC-funding, as their

product was not mature enough for them to raise a large round of funding and to deal with the subsequent pressure [from investors]. On the other hand, other cases that were otherwise comparable had already included these types of actors in their seed rounds, attesting to other perceptions of norms. This indicates differences in perceived understanding of what is ‘normal’ related to what kind of investor is present during rounds and may thus guide the search in terms of which investor to target. Furthermore, another informant said that *“it makes no sense talking with a VC that likes to make investments somewhere between 20-40 mUSD if you need a seed or series A”*, which indicates additional perceptions related to *how much money* is typically associated with each round. This variation is also confirmed through the actual size of the startups’ Series A rounds. In sum, there were truly some prominent cognitive biases guiding which opportunities that they were exploiting and not.

We also discovered differences in ‘labeling norms’ across countries which functioned as a basis for their fundraising. One of our respondents claimed, *“...this is how they brand it in the US ”* and based their perception of labeling of what is typical for US-funded startups. Additionally, the CEO from WarehouseHelp said that they decided not to brand their latest funding round as a ‘series A’ because the size of the round at approximately 30 MNOK does not sufficiently contribute to attracting international attention from other investors. In other words, there is a prominent *signaling effect* that lies in the direct labeling of the rounds, i.e. whether to call it a ‘seed round’, ‘bridge round’, ‘series A round’ etc, or not providing it with a name. As with WarehouseHelp, this has been a prominent topic for other venture executives too, such as for instance the COO in LocDataCo stating that

*“We made the mistake of desperately raising money, to get going (...) And call it ‘series A’ and ‘series B’ etc. to show others that we had become far. This results in you putting a lot of pressure on yourself”.*

Hence, which signals venture executives want to send through their own labeling of a given round truly affects their search for funding, as these labels may lead to certain undesirable indications of the maturity level of the firm. Also, their perception of the labeling seems to drag the entrepreneur towards different types

of investors. However, we have not observed a pattern that displays systematic differences in perceptions across the ‘most experienced’ and the ‘less experienced’ group. In addition, InvestorVC confirmed to us that this is completely random across cases. We still find it interesting that the different perceptions of fundraising norms seem to impact the NTBFs’ search for investors, which in turn affects which type of actors [investors] are present in different investment rounds in startups.

***Proposition 1:***

*Different perceptions of fundraising norms and patterns lead to variations in how NTBFs search for investors regarding how much capital they seek to raise during certain rounds, and how they choose to label their funding rounds.*

***5.1.2 The impact of executive experience on search***

Some startups have the benefit of having executives responsible for funding with previous fundraising experience, meaning that they have engaged in multiple funding rounds or that they are serial entrepreneurs. So far, literature has put great emphasis on the value of serial entrepreneurs - entrepreneurs with past experience in starting companies. As mentioned, research indicates that startups with more experienced executives have an increased chance of survival, because of the sharing of know-how and routines (Honoré, 2020) and increased likelihood of attracting venture capital (Beckman et al., 2007; Minola et al., 2013; Zhang, 2011) through their direct or indirect ties with investors (Shane & Stuart, 2002). Additionally, the team’s experience is pointed to as a prominent startup selection/screening criteria from the perspective of investors (B. Yin & J. Luo, 2018). In other words, the experience of the management team in charge of fundraising is undoubtedly considered important. However, no research, that we know of, explains what impact this fundraising experience has on how entrepreneurs search for investors.

Even though none of the entrepreneurs among the cases present in this study are considered serial entrepreneurs, data from our interviews with the entrepreneurs suggest that executives with more fundraising experience consider a wider range of factors when searching for investors, compared to less experienced executives. More precisely, numerous factors were considered important across all cases, such

as valuation, investor reputation, competence and chemistry. However, some aspects were only highlighted by the most experienced firms. It was clear to us that these aspects were highlighted as a result of learning from a larger number of fundraising rounds. This is also backed up by InvestorCVC, who said that more seasoned entrepreneurs are, for instance, more realistic in terms of fundraising timelines. In the following sections, we will elaborate on these findings more in detail.

Findings from interviews with the entrepreneurs show that none of the executives from the ‘less experienced group’ brought up the *time horizon* of the different funds as an important factor when asked about which factors they consider as important when searching for and/or choosing among investors. On the contrary, the CEO of ShippingTech said the following during our interview: “...*And as time has passed, we have also understood that - holy shit - things take a lot more time than you think. So we have put more emphasis on the time horizon of the funds too.*” In a recent Shifter.no article, he added to that same point by saying that applying a long-term perspective is important because of how tough it is to create something in only five years. Similarly, the COO of LocDataCo said the following about the same topic: “*So it is important to understand where in the fund you are. Are you the last investment, and then it’s empty? Are you in the middle of the fund?*”

Evidently, we see that the executives from the ‘most experienced group’ highlight this as an important aspect to consider, since the time horizon of a given fund and the specific timing of an investment has important implications for a VC’s ‘patience’ and motives. This is because VC funds typically have a predefined time horizon, or a defined timeline for when their investors (often large institutional investors) can expect to see ROI. This means that if the fund of a given VC has a 10-year horizon, but make an investment in a startup in its 8th year of existence, that given VC may be more incentivized to force a liquidity event upon the given startup in order to show ROI to their investors, even though it might be better for the given startup to move at a slower pace.

Another difference we noticed between the ‘less experienced group’ and the ‘most experienced group’ was the perceived importance of the role of the board of

directors. Investors usually receive a seat on the board in exchange for their investment in a company, meaning that this is an arena where a lot of the (potential) value-add from investors can happen in practice (Dushnitsky & Lenox, 2005a; Hallen et al., 2014; Katila et al., 2008; Maula et al., 2005). The executives from the ‘most experienced group’ both spent a considerable amount of time in the interview discussing the importance of the board and how the investors make contributions to their respective companies through their seat on the board, while this was clearly less of a talking point during our interviews with the ‘less experienced group’. For instance, the CEO of ShippingTech answered the following when asked whether he had discovered any value-adding characteristics with their investors that were not emphasized as important at the time when the investment agreement was signed: “(...) *They have taken a seat on the board and made contributions through there. And [they have] taken part in setting a direction for the company, and been a part of making decisions regarding what we are going to achieve.*”

Similarly, the COO of LocDataCo said “*these VCs enter the board and become a part of the company’s DNA(...).*” when describing the importance of associating the company with the right people. The COO of EasyAccess also substantiated the suggestion that the role of the board becomes increasingly important over time, saying that this matters more to them at this point, than it has before.

Thus, what has become clear to us through our interviews is that executives that have been through a higher number of funding rounds, consider a wider range of factors (e.g. time horizon and the role of their investors through their board seats) when searching for and/or choosing among investors, compared to executives that have been through a lower number of funding rounds.

***Proposition 2:***

*Executives with more fundraising experience consider a wider range of factors such as time horizon and the role of their investors through their board seats, when searching for and/or choosing among investors, compared to executives with less fundraising experience.*



Relating to experience, another unexpected topic that emerged from the interviews was the theory-opposing opinions about using *third-party assistance* (e.g. consultants or investment bankers) during the search- and pitching process. Previous studies (Lahti, 2014; Lehtonen & Lahti, 2009) have found that for startups to use third-party assistance in fundraising is viewed positively both from the perspective of the investor and the startup. Interestingly enough, we find the opposite. We find that there is a seemingly industry-wide negative attitude towards the use of third parties in fundraising. This attitude seems to overrun the potential positive sides of using third parties which were highlighted in theory, such as help with negotiation and reduction of information asymmetry. Both the firms in the ‘more experienced’ group had made a conscious choice in not using these kinds of actors in their fundraising processes, and the COO of *LocDataCo* expressed the reason clearly by stating:

*“For our series A, we had an advisor we thought could help us get in touch with VCs. He joined us for our pitching trip to New York. After a meeting we had there, one of the VCs called us and said “you got to drop that guy. You appear much weaker with him in the room than doing it on your own”. Thus, I would actually claim it as negative for a company if the founders are not capable of raising money themselves. Because, something which VCs are looking for is the capabilities of raising future capital, and if you then appear as someone being in need of advisory and mediators to get access – this is a big minus. (...) So, a few days after [that call from the VC] this guy [the advisor] was fired, and since that trip to New York, we have never used any other people in our fundraising work.”*

Both InvestorVC and InvestorCVC also confirm that the VC industry in general has a negative view on the use of third parties in the earlier funding rounds. InvestorVC said a possible reason for this is that agreeing to terms is more difficult when there is a third party involved in the negotiations. This negative attitude regarding the use of third parties was also shared by the COO of *EasyAccess*, who has extensive experience with fundraising through his past experience as an investment manager at a Norwegian VC fund.

*“I have a quite strong opinion on that. For it to make sense you should be pretty big because it basically is investment banking. Thus, if you are a startup and use investment brokers – then you have a problem. When I was an investor and was introduced to cases through an advisor/consultant my first question was “what is it that the startup could not figure out itself?” (...). If you have a decent team and a decent business you manage to raise your early money yourself. At least, you should not need an investment bank to help with that. It was almost an immediate no-go from my side if I got called from a broker (...). At least relating to rounds up until series A and maybe after that too.”*

The reason why this topic relates to experience is that it seemingly stems from the executive's past experience and learning from being a part of the game for years. On the contrary, the ‘less experienced’ executives did not seem to have the same thoughts. In fact, the CEO of DocDigitalCo speaks of the use of third parties as a current means and a probable option for future rounds too. As stated by their CEO

*“They [the advisor] are doing the tasks that we did before, that is to look for prospects, get in touch, schedule meetings”. The motivation for the use of a third party was grounded in “it [fundraising] being truly time-consuming. When you are raising huge sums of money, you will try to outsource some of the work which others can do. Then I can focus on what matters the most - the meetings and the material”*

By claiming this, the CEO indirectly states that the whole search process can be done by someone outside the boundaries of the firm, up until the point of *access* (according to the theory of Clough et al. 2019).

In sum, there seems to be an industry standard that deems all startups that use third parties for early-stage fundraising as incompetent. Followingly, the most experienced executives seem, to a greater extent, to have a negative view of using third parties in their search processes because of their perception of its downsides.

***Proposition 3:***

*More experienced executives are less willing to use third-party actors in their search for investors during their earlier funding rounds compared to less experienced executives.*

## 5.2 Does the search process align with the startups' respective objectives? In other words; do they search for 'smart investment ties'?

As previously mentioned, startups should consider their respective resource hierarchy, their milestones, needs, and objectives before entering into investment relationships. This is important to the optimal choice of investor type, in other words; what we call 'smart investment ties'. Thus; how do startups go on to search for smart investment ties? On what grounds are investors sought? We find three novel aspects of this search process; First, in regard to the startups' understanding of VCs versus CVCs, second, about how they connect their fundraising attempts to their perceptions of exits, and lastly, about the dynamic aspect of search initiation.

### *5.2.1 Understandings of VCs versus CVCs; Risks and rewards*

In his study about how entrepreneurs choose investors, Smith (2001) finds that the investor's ability to provide value-adding services is even more important than the funding amount itself. As pointed to in chapter 2.0, there have been amounts of additional research papers describing the risk factors and value-add in VCs (Davila et al., 2003; Hellmann & Puri, 2002; Hsu, 2004) and CVCs (Katila et al., 2008; Maula, 2001; Maula et al., 2009; Park & Steensma, 2012) separately, as well as papers comparing their differences (Hellmann, 2002; Maula et al., 2005; Pahnke et al., 2015). Both InvestorVC and InvestorCVC underpinned that the resources held by these two types of actors are different. According to theory, they are also complementary, meaning that VCs and CVCs can add value to startups in different ways. However, it is still unknown to what extent startups are familiar with the differences of a VC versus a CVC. Thus, in our study, it was especially interesting to investigate if some of the startups brought forward some of the findings from theory as something they considered during their investor searching. I.e do they form 'smart investment ties'?

As mentioned earlier, theory suggests that on an aggregated level - startups in need of additional subsequent financing, assistance related to recruiting, or help related to organizing early growth - benefit more from VC funding. On the other hand, if the situation is that they are in need of attracting new domestic or foreign customers, or information on customer needs, trends, or new technologies – CVCs are considered more valuable to startups. From our study, however, we find the awareness of these differences to be weak except for one aspect that every startup mentioned, namely CVCs being more of a strategic investor. Still, the focus here was mostly on the perceived risks relating to interests and strategic objectives of CVCs, neglecting the potential value-adds and achievable complementary assets. However, InvestorVC, with previous working experience in a Corporate Venture arm, mentioned that CVCs do not always have strategic intentions “*like startups think (...). These [investments] can be purely financially oriented*”. This provides nuances to the very rigid theoretical presentation of the differences, but it also points to nuances that startups are not aware of or misunderstand.

We strived to ask open-ended questions that invited the entrepreneurs to mention their, if any, perception of the differences between the ‘professional investors’. However, when we asked the entrepreneurs questions like “*have there been any situations where you have evaluated different types of investors?*”, the answers were mostly no or shortly about the risk of losing firm neutrality by providing one (or just a few) corporation(s) too much equity. A quote from another informant also points to the weak understanding of the differences; he claimed that “*these corporate investors usually have their own VC company, so they are pretty much the same...*” which indicates a lack of understanding of the implications of a corporation having its own VC funding arm, the strategic implications that normally follow, and their uniquely possessed value-adding services.

As mentioned, the recognition of the different and achievable complementary assets presented in theory - was almost absent or unknown among the startup executives. In one of the cases, the firm had clear synergies with one of their CVCs - synergies that were exploited into a partnership among the firms after the funding deal was complete. However, the informant from this company said, “*this partnership was a fortunate side-effect [of the funding deal] (...), it was not on the*

*table when we picked them as an investor*". In other words, these synergies were not intendedly searched for. Likewise, the COO of EasyAccess was surprised about how much value-add they had experienced through their relationship with one of their corporate investors since they got introduced to so many other businesses. Furthermore, another informant from another startup without any relationship to a CVC said that he thought he would be introduced to more potential customers through the investors even more than he had experienced so far. This clearly hints at a lack of knowledge of CVCs' ability to attract new domestic and international customers (Maula et al., 2005). In sum, the benefit-effect of the complementarities or synergies among the firms was not searched for during the fundraising processes, not even by the more experienced firms.

Despite the obvious lack of knowledge about the differences between CVCs versus VCs, the problem seems to rather lie in the lack of education in this field for early-stage entrepreneurs. As one of the informants said; *"I think it is sad thinking about the lack of discussion on what is the right capital for startups"*. This is also highlighted as a problematic issue by the investors. InvestorCVC said the following,

*"Earlier today, I got a call from a prior colleague who is operating a company. He really wanted a better overview of possible investors suitable for the current phase of his company, because he believes that there does not exist any appropriate means to navigate on this"*

Moreover, InvestorVC stated that early-stage startups appear very unprepared, both in terms of how much money they will actually need, how to pitch their companies with information that satisfies investors (e.g their go-to-market strategy), and how investors are doing valuations of different startups. As he stated, startups seem to have an exaggerated focus on getting the highest possible valuation, without even knowing how to calculate it properly, nor understanding the risks related to receiving a too-high valuation. Furthermore, he experiences a lack of questioning and curiosity regarding what competencies the investors possess, as a recurring issue among startups in general. When we asked InvestorCVC whether he thinks startups have a proper overview of what the investor ecosystem looks like, he doubted and said that *"I guess that could have*

*been better, to be honest. There are pretty big differences among more and less experienced entrepreneurs though, so it varies”* - hinting also to a possible pattern in experience level. However, even though InvestorVC stated that *“they [startups] do not understand the differences between funds from VCs versus CVC”* and that those differences are huge, he acknowledges that most startups do not have a sufficient knowledge foundation for understanding the differences. While InvestorCVC believes that startups are doing reference checks on them, InvestorVC doubts the point of doing so:

*“I do not think the entrepreneurs have the right competence in doing these evaluations. Anyhow, they are likely to get the same answers from all their investors like “we have the competence, network and capital” etc (...) But if you are going to do a corporate venture deal (CVC), you should do an evaluation even though it is not much of a point since it is a very bumpy ride with corporate ventures - in hey-days [good times] it goes very well [investment activities are high], but also very much down in bad times. So it is highly unstable”*

So, while it is unclear if it makes sense to expect startups to know about these differences, what *is* clear is that most of the informants display disproportionate amounts of focus towards the strategic agenda of the typical CVC as something that separates them from VCs. In sum, there seems to be a lack of a holistic understanding of the differences in value-adding capabilities, and how it can create value to have an optimal mix of investors operating in synergies. Hence, these differences among ‘professional investors’ seem not to be relevant in their search.

***Proposition 4:*** *There is a lack of a holistic understanding of the differences in value-adding services of VCs versus CVCs. Thus, these differences are not significant when NTBFs search for investors.*

### *5.2.2 Exit-plans’ implications on search*

Entrepreneurial exits, most commonly acquisitions and IPOs (Arora et al., 2021), have several positive implications for founders, employees, the industry in which a given company operates, and the economy in which that given company is

situated (DeTienne, 2010). As mentioned in chapter 2.0, a company's composition of investors has many implications, including for exit events. Attesting to the practical implications of this is also a statement from InvestorCVC, who said that taking their portfolio companies public (IPO) is not a target for them (as a CVC). Interestingly, we observe that none of our informants have a clearly defined exit strategy, and that the composition of investor types, hereunder the balance between VCs and CVCs, seems to be a neglected concern. This implies that there is a potential among our responding companies to form smarter investment ties.

Regarding exit plans, three of our informants seem to have directly negative opinions of planning for exits as an early-stage company. For instance, both the CEOs of ShippingTech and DocDigitalCo described planning for an exit as a destructive distraction, with the CEO of ShippingTech adding to that by saying he is almost completely indifferent to how their potential subsequent exit will play out. The COO of EasyAccess (albeit not a founder) told us that he would be 'disappointed' if he were to hear any talk of exit plans at such an early stage. As for the two remaining respondents - while they were not negative towards talking about exit strategies - they did not have a clearly defined exit strategy, leaving us with the impression that they are keeping 'all doors open'. What we find from our interviews with the investors, however, is that it can seemingly be unstrategic not to have well-defined exit plans. For instance, InvestorCVC profoundly stated that taking their portfolio firms public is not a goal for them. In sum, this underpins the strategic importance of composing the right mix of investors.

***Proposition 5:*** *When NTBFs search for and/or choose among investors, they do not do so with an exit strategy in mind.*

### *5.2.3 Search initiation and dynamic fit*

A complete theory of the entrepreneurial resource mobilization process should include explanations on which contacts are approached and when the search for new ties is initiated (Clough et al., 2019). According to the literature on problemistic search (e.g. Posen et al. (2018)), one should expect to see that NTBFs start to search for new investors when they are performing below their own aspiration levels. Additionally, the strategy and entrepreneurship literature has shown that there are several non-financial factors (e.g. an investor's reputation

or domain knowledge) that are important to entrepreneurs when selecting among investors (Hsu, 2004; Smith, 2001) and that entrepreneurs prefer different investor types (i.e. a VC or a CVC) under different circumstances (Katila et al., 2008). That being said, this existing literature sheds little light on the dynamic and phase-dependent nature of these preferences.

*In line with previous research* (e.g. Smith (2001)), we find that entrepreneurs care about several non-financial attributes when searching for and/or choosing among investors. For instance, we find that cultural fit/chemistry, scaling capabilities, and the ability to successfully contribute through a board seat are all important aspects to the executives and founders of NTBFs. Furthermore, aspects like the perceived amount of trust, the ability to help with recruitment, and experience from investing in similar companies are also important. While these preferences are more explicitly expressed and clearly defined in some cases than in others, all of our respondents clearly look for more than ‘dumb money’ when searching for and/or choosing among investors. Two of the executives even showed us documents of how they used such traits as a ‘scorecard’ - that is, as a way of searching for and selecting “the right” investors.

*Differently from the existing literature*, however, we see that these preferences are dynamic, in the sense that they change over time. For instance, the CEO of DocDigitalCo said that their investors’ prior experience, “muscle”, and network will be enormously important to support their companies growth in the *next phase*. Similarly, the COO of EasyAccess said that their investors’ network has been very important for them up until now, but that he thinks the importance of their network is diminishing, and that their ‘ability to scale companies’ will be much more important going forward. The COO of LocDataCo also told one of Norway’s largest business news sites that there is “*neither enough capital nor competency in Norway*”, after announcing their ‘series B round’ which included an investment from a large, international VC fund. The CEO of ShippingTech added to this notion of dynamic fit between investor and startup by saying:

*“Yes, what you need depends on which phase you are in. And then it is important that we have companies [investors] that have been through*



*those different phases before you. And some have more or less of that, to be honest, among our investors.”*

This observable, dynamic and phase-dependent change in preferences is also very much in line with problemistic search theory: When NTBFs alter their aspiration levels, many of their existing ties are unable to ‘keep up’. This, in turn, results in the initiation of a search for new investors that can support the focal NTBF in reaching their new aspiration level. This argument is further validated by one of our informants, who told us that they had essentially stopped searching for investors after closing their first round. From that point all of their future investors had reached out to them. They have not seen a need for searching for other investors besides those who reached out to them because the ones currently in their network were able to fulfill their needs and aspirations. Summing up, we see that NTBFs initiate search for new ties when their current ties do not meet their own aspiration levels. Hence, what constitutes a ‘smart investment tie’ for a given startup at a given point in time, is dynamic.

***Proposition 6:*** *NTBFs initiate search for new ties when their current ties do not meet their own shifted aspiration levels. Hence, which investor traits that are seen as important are thus dependent on which phase the firm is in.*

## 6.0 Discussion

This thesis contributes both to the literature on inter-organizational strategies and entrepreneurship; more precisely, the study of investment tie formation in early-stage technology ventures (i.e. NTBFs), entrepreneurial resource mobilization, and startup-investor relationships. Also, it contributes to the literature on problemistic search. In the following sections, we will explain these contributions separately, first considering contributions to the literature on entrepreneurship and problemistic search, and secondly from the perspective of the literature on inter-organizational strategies literature. Moreover, we will present some limitations and implications for practitioners.

## 6.1 Contributions to the Literature on Entrepreneurship and Problemistic Search

Our thesis adds to the existing entrepreneurship literature (e.g. Hallen & Eisenhardt, 2012; Katila et al., 2008; Smith, 2001; Valliere & Peterson, 2007), as well as the literature on problemistic search (Cyert & March, 1992; Piening et al., 2021; Posen et al., 2018). Most of the literature on the entrepreneurial resource mobilization process takes a ‘black box’ approach, pointing to correlations between entrepreneurial attributes and situational outcomes (Clough et al., 2019), while leaving the intermediate steps of the process behind. By applying a process perspective, however, we partake in opening up this black box.

Furthermore, Posen et al. (2018) call for more process-oriented theorizing as a means to counteract the black-boxing of the search process itself in the discussion of problemistic search. Through our access to the executives, founders and (C)VC investors of NTBFs, we have been able to add more nuance and detail to the search phase of *both* the entrepreneurial resource mobilization process (Clough et al., 2019), as well as to the discussion of problemistic search.

First, we have found that the entrepreneurs’ perception of fundraising norms and patterns impacts *how* they search for investors - and much more so than is described in earlier literature. Only a few previous (e.g. Hallen & Eisenhardt, 2012) studies have made attempts related to explaining the patterns of discrete funding rounds, however, these studies have not addressed the many different perceptions of those rounds, or how this impacts entrepreneurial search. We find it interesting that perceptions of fundraising norms (and their impact on search) differ across cases, even though all our sample firms are arguably quite comparable from an investor’s point of view in regard to opportunities for scale, lifetime, business model and attractiveness.

Where is the individual perception of what constitutes a ‘proper’ Series A-round then grounded, if five Norwegian, B2B-focused NTBFs all have their own take on this? The answer seems to lie in the companies’ own benchmarking and aspirations; the executives’ own belief systems. The quote from the COO of LocDataCo who said “*This is how they brand it [a given funding round] in the U.S*” is an illustrative example of perception based on benchmarking; even though there are multiple B2B-focused NTBFs with a SaaS business model in

Norway for them to compare themselves with, they do not. In this regard, we see no patterns across cases, something which was also confirmed by the investors. Followingly, we see that part of the entrepreneurs' actions spring out from something they have been exposed to priorly and learned along the way, rather than some established institutional norms, structures, or routines. It is also clear that the executives possess powerful cognitive biases that sometimes seem to determine which opportunities they exploit. In other words, what seems to guide parts of the entrepreneurs' search process is the executives' own belief systems and perceptions rather than institutions. This focus on 'human agency' is an important contribution to the literature on startup fundraising.

Second, we have found that the timing of *when* NTBFs initiate search for new investors is dependent on their shifting aspiration level, and that the traits that they look for in investors are dependent on which phase the firm is in. Previous research has paid little attention to the timing around search initiation and the dynamic nature of NTBFs' preferences for investor traits. We see that NTBFs search for new ties when they cannot meet their aspiration level with their current investors. We argue that a plausible explanation for this pattern can be found by looking at it from a problemistic search perspective. For instance, when the COO of EasyAccess said that their investors' "*ability to scale companies*" would be much more important going forward and that they would make a list of "*A-players*" of potential investors for their next round of fundraising, he is clearly referring to some future objectives, as well as an intention of searching for new ties in order to reach those aspirations - i.e searching for 'smart investment ties'. Hence, we argue that aspects of both *how* and *when* NTBFs search for investors can be explained through a lens of problemistic search. By doing so, we respond to Posen et al's (2018, s. 70) call for research on problemistic search "*that recognizes a more central role for cognition and a stronger emphasis on process theorizing.*" More precisely, we expand the scope of problemistic search by presenting the role of cognitions and introducing a more dynamic nuance to the search process.

Another way we contribute to the entrepreneurship literature is through the exploration of the impact of learning and experience on entrepreneurial resource mobilization. A vast number of researchers within the field of strategic

management have pointed to how firms learn, for instance through external activities such as joint ventures, alliances, M&As and (corporate) venture capital (Schildt et al., 2005). In regard to the literature on learning in (C)VC relationships, we contribute by shedding light on the somewhat overlooked learning aspect of fundraising in NTBFs, because the vast majority of previous literature in the field of Entrepreneurship tends to focus on the opposite perspective, i.e. how corporations learn from their ventures through the investment ties (e.g. Dushnitsky & Lenox, 2005a, 2005c; Keil, 2002; Keil et al., 2004; Wadhwa & Kotha, 2006). How the ventures learn from their investors, and its connection to investor search remains to be studied. Thus, we provide one of the first stepping stones on this topic in the literature of Entrepreneurship.

Hence, we also contribute to the literature about entrepreneurial cognitions in connection to how this guides entrepreneurial search. This topic is not either, as far as we know, studied in the context of investment ties. In this regard, what we found, in particular, was that entrepreneurs base their search for investors on what they have learned from prior funding experience and that this becomes increasingly prominent the more experienced the firm is. Followingly, this generates clear differences in how more or less experienced founders search. The COO of LocDataCo spoke of this experience as some sort of key to survival, claiming that a lot of startups probably prioritize sub-optimally when fundraising, saying that “*this may lead to a very random process, if they are even able to close [deals] at all*”. In other words, we observe a common denominator among the most experienced companies (see proposition 2 and 3), in the sense that they are able to aptly point out some of their earlier maneuvers which - upon looking back - they now see as mistakes. This aligns with the findings of Pryor et al. (2016) and Gavetti and Levinthal (2000) about experience-based search. Hence, when the most experienced executives are doing investor search, this is more backward-looking, i.e. based on their experience. On the contrary, the less experienced companies, to a larger degree base their search on what they believe, more precisely on the organizations’ cognitive maps.

## 6.2 Contributions to the Literature on Inter-organizational strategies

Firms that choose to align their activities do so by engaging in different inter-organizational activities, typically through acquisitions, partnerships, alliances, or

equity investments. These activities are all seen to be value-creating because of the facilitation of resource combinations, knowledge sharing, increased market speed, and introductions to foreign markets. Despite these associated benefits, inter-organizational relationships do not always spur positive outcomes (Barringer & Harrison, 2000). Typically, equity investments are viewed as riskier than other inter-organizational activities like for instance partnership strategies (Dushnitsky & Lenox, 2005a), implying a prominent need to maneuver these activities through a strategy lens. We contribute to the literature on inter-organizational strategy by shedding light on the search processes; practical strategies used by startups to reach the positive outcomes which have been presented by researchers.

As presented in the literature already, engaging in C(VC) relationships enables valuable relationships to be formed (Hallen & Eisenhardt, 2012), in addition to being crucial for firm survival (Baum et al., 2000). Second, it infuses critical resources (Hallen, 2008; Katila et al., 2008) enabling the venture to grow (Davila et al., 2003) and to gain status (Hsu, 2004). Successful tie formation between startups and C(VC)s is also commonly seen to spur the likelihood of acquisitions and IPOs (Hochberg et al., 2007; Nahata, 2008). As a supplement to literature, we argue that these outcomes are not given or automatically fulfilled, nor searched for. For instance, literature so far has tended to take for granted what startups are doing to actually reach these outcomes, and it is unclear whether certain ties are planned for, or if they are based on more random circumstances. For instance, an IPO as a possible exit route is less likely if a startup trades too much of its equity for CVC funding. As the existing literature indicates (Lemley & McCreary, 2019), founders should therefore be conscious of different exit routes from the very beginning (i.e. they ought to be planned for). This is because the formation of 'smart investment ties' is imperative to enable a subsequent 'optimal' outcome, or at least to enable freedom of choice between different exit routes at later stages. What we find, however, is that none of the NTBFs have a defined exit strategy, and that exit seems to have no impact on their search for investors. We argue that this might be a plausible explanation for why some startups do not exit successfully, which is an important contribution to the literature.

The same goes for the strategic implications of entering into investment relationships with VCs or CVCs, which are clearly contrasted in theory and

presented as significantly different relating to value-adding capabilities (Maula et al., 2005). Despite our small sample of firms, we point to a gap between theory and practice because we experience that only a minority of the conditions that are mentioned in theory are significant to the startups' strategies in practice. However, based on the visibility in relevant Norwegian press media, e.g. *Shifter.no*, we argue the five sampled firms to be among the most outstanding startups in Norway, arguably being some of the most likely firms to recognize these implications. We find that contrasts between VCs and CVCs are either 1) less known to startups, or 2) less important to startups' search for investors. Thus, we contribute to the literature on inter-organizational strategies by presenting one of the first studies with more of a practical and in-depth understanding of the strategic maneuvers actually taken into use by startups in their search for investors. This is exemplified through e.g. some novel aspects relating to the perceived implications of the use of third-party assistance in early funding rounds on subsequent fundraising success for startups. While some studies (Lahti, 2014; Lehtonen & Lahti, 2009) have studied the impact of advisors on startups chances of acquiring venture funding, they seem to have an overly optimistic view that does not align with the seemingly integrated view which we found from our interviews, both from the perspective of the startups and investors. Thus, we contribute with new angles to the existing theoretical presentation of fundraising, with aspects that can be more closely investigated at a later point.

In an email to the authors 28th of October 2020, Markku Maula, a recognized researcher within this field, confirmed to us the need for more qualitative research including in-depth interviews on the field. Our study is one of the very few studies that have used in-depth interviews in studies regarding entrepreneurial resource mobilization, especially relating to fundraising. Hence, we see our thesis as a very useful supplement to the existing literature, where the highlighted findings are largely drawn from very quantitative, high-level approaches.

### 6.3 Implications for practitioners

We call for better training and education of early-phase entrepreneurs. For what does it yield if numerous research papers are written about the differences between types of investors if only a fraction of the findings reaches the early-phase entrepreneurs? Despite the increasingly large offer of accelerators and

incubators that, among other things, aim to facilitate valuable knowledge related to search, participation in such programs is still reserved for only a small number of lucky and uniquely positioned startups. Thus we call for an improved arena for learning where inexperienced startups can also get a more practical understanding of the insights of more experienced startups (proposition 2), and for instance, also learn about commonly perceived pitfalls such as the use of third parties (proposition 3). Additionally, there seems to be a general need for increased awareness and learning related to the implications that fundraising efforts may have on different exit outcomes (proposition 5), the differences between VCs and CVCs (proposition 4), and more coherence surrounding fundraising norms and patterns (proposition 1). We claim that better education of startups will result in less disappointment in startups (as a result of overly optimistic predictions), and less annoyance among investors. Overall, we think it will result in more well-considered investor search processes and more promising funding outcomes for startups.

#### 6.4 Limitations

As with every other research paper, this thesis also has its limitations. Firstly, to lay the foundation in this thesis, we have used literature based on highly aggregated findings (e.g. Baum et al., 2000; Hsu, 2004; Krishnan et al., 2011; Maula et al., 2005, 2009; Sørensen, 2007; Valliere & Peterson, 2007) to say something about certain situations for startups in general. However, we recognize the fact that this is not necessarily directly transferable to any individual case. One should expect several idiosyncratic and contextual factors in every single case, making theory and practice sometimes less comparable.

Along with our study, much of the literature used is based on findings from one particular industry, such as Baum et al. (2000), Katila & Mang (2003), Kim et al. (2019), and Park & Steensma (2012). This is a second limitation because findings might therefore be somewhat biased, because of certain issues or circumstances being truly dependent on the context and setting - for instance when technological links promote or impede CVC deals (Kim et al., 2019). Thus, when conducting studies based on one specific industry, it is challenging to be entirely objective.

Third, while we - in line with existing research - have found that entrepreneurs certainly care about more than capital when searching for and/or choosing among investors, capital seems to be the primary focus for all our respondents. I.e., even though non-financial, value-adding factors like reputation and organizational scaling skills are important to entrepreneurs when they search for investors, they seem to be secondary to factors like valuation and the ability of the (C)VC to do follow-up investments. As InvestorVC claimed, *“they can do as much evaluating as they want, but in reality - you take the money that you get”*. Furthermore, InvestorCVC confirmed this by stating that *“for certain companies, it is all about the money. Everything else becomes secondary, as well as from whom the money is received”*. We also find it reasonable to assume that this financial focus would be even clearer among ‘most startups’, compared to our sample of firms, as the majority of our sampled firms are arguably in very privileged positions in regard to their chances of choosing among various offers from investors.

A fourth limitation is the significant lack of papers on how startups search for investor deals. Consequently, the entrepreneurial search process involves aspects that remain to be studied. Hence, it is reasonable to deem our understanding of the topic as incomplete.

## 7.0 Conclusion

We know much about professional investors, how they select investment objectives, how they add value to startups and the risk factors associated with raising capital from different investors. We know less about how entrepreneurs search for investors and much less about whether entrepreneurs align their search for investors with their respective organizational needs and objectives. Our thesis is an early step towards closing this gap.

From our exploration and analysis of various field data from the Norwegian startup scene, we find that companies with more fundraising experience seem to consider a wider range of factors when selecting investors and that they are more skeptical towards using third parties in their search for investors, compared to companies with less fundraising experience. On a more general level, we find that



entrepreneurs' search for investors seems to be largely influenced by their perceptions of fundraising norms and patterns. Also, we propose that they initiate search for new investors upon changes in their aspiration levels. Moreover, the way NTBFs search seems also to be dependent on the experience level of the firm, where the more experienced firms, to a larger degree, base their maneuvers on their experience, while the less experienced firms rely more on their cognitive beliefs.

Finally, our study suggests that NTBFs lack a holistic understanding of the implications of raising funds from either VCs and/or CVCs (proposition 4) and that NTBFs search for investors without an exit strategy in mind (proposition 5) - even though theory suggests that they should. These two propositions suggest that there is a potential for NTBFs to better strategically match their composition of investors with their objectives and needs. Hence, we argue that there is a potential for NTBFs to search for *smarter* investment ties.

### 7.1 Directions for Future Research

We suggest that future research could look more into whether or not entrepreneurs' perception of fundraising norms impacts the outcome of their fundraising efforts, and whether there exists systematic differences or patterns that can explain these different perceptions. Furthermore, it could be interesting to learn more about the seemingly arbitrary labeling of funding rounds, and whether this impacts later fundraising success or other performance indicators. Does, for instance, labeling a 30M NOK funding round as a 'seed round' as opposed to a 'series A round' yield better results down the road, or does it cause more external pressure? Might it be possible to uncover actual patterns in fundraising norms by investigating a larger sample?

Another interesting topic for future research concerns the dynamic nature of entrepreneurs' preferences for the value-adding contributions of investors. We have found that entrepreneurs prefer different value-adding contributions from investors at different points in time - that is; their preferences are phase-dependent. However, it would be interesting to find out more about this on a larger scale. Do, for instance, all entrepreneurs prefer the same value-adding contributions at the same 'company life stage'? Are there systematic differences

in preferences across industries or regions? Answers to these sorts of questions could shed more light on how entrepreneurs search for investors.

Finally, it would be interesting to learn more about the seemingly industry-wide negative attitude towards the use of third parties in fundraising. Existing research has indicated that this attitude might be unsubstantiated, while we have discovered several reasons for why the attitude seems to be legit. Thus, more studies investigating this discrepancy are needed.

## Reference list

- Arora, A., Fosfuri, A., & Rønde, T. (2021). Waiting for the Payday? The Market for Startups and the Timing of Entrepreneurial Exit. *Management Science*, 67(3), 1453–1467. <https://doi.org/10.1287/mnsc.2020.3627>
- Baron, R. A. (2007). Behavioral and cognitive factors in entrepreneurship: Entrepreneurs as the active element in new venture creation. *Strategic Entrepreneurship Journal*, 1(1–2), 167–182. <https://doi.org/10.1002/sej.12>
- Barringer, B. R., & Harrison, J. S. (2000). Walking a tightrope: Creating value through interorganizational relationships. *Journal of Management*, 26(3), 367–403. <https://doi.org/10.1177/014920630002600302>
- Baum, J. A. C., Calabrese, T., & Silverman, B. S. (2000). Don't go it alone: Alliance network composition and startups' performance in Canadian biotechnology. *Strategic Management Journal*, 21(3), 267–294. [https://doi.org/10.1002/\(SICI\)1097-0266\(200003\)21:3<267::AID-SMJ89>3.0.CO;2-8](https://doi.org/10.1002/(SICI)1097-0266(200003)21:3<267::AID-SMJ89>3.0.CO;2-8)
- Baum, J. A. C., Rowley, T. J., Shipilov, A. V., & Chuang, Y.-T. (2005). Dancing with Strangers: Aspiration Performance and the Search for Underwriting Syndicate Partners. *Administrative Science Quarterly*, 50(4), 536–575. <https://doi.org/10.2189/asqu.50.4.536>
- Baxter, P., & Jack, S. (2008). Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers. *Qualitative Report*, 13(4), 544–559. <https://doi.org/10.46743/2160-3715/2008.1573>
- Beckman, C. M., Burton, M. D., & O'Reilly, C. (2007). Early teams: The impact of team demography on VC financing and going public. *Journal of Business Venturing*, 22(2), 147–173. <https://doi.org/10.1016/j.jbusvent.2006.02.001>

- Bell, E., Bryman, A., & Harley, B. (2019). *Business Research Methods* (5th ed.). Oxford University Press.
- Clough, D. R., Fang, T. P., Vissa, B., & Wu, A. (2019). Turning Lead into Gold: How Do Entrepreneurs Mobilize Resources to Exploit Opportunities? *The Academy of Management Annals*, *13*(1), 240–271.  
<https://doi.org/10.5465/annals.2016.0132>
- Colombo, M. G., & Grilli, L. (2010). On growth drivers of high-tech start-ups: Exploring the role of founders' human capital and venture capital. *Journal of Business Venturing*, *25*(6), 610–626.  
<https://doi.org/10.1016/j.jbusvent.2009.01.005>
- Cunningham, C., Ederer, F., & Ma, S. (2020). Killer Acquisitions. *Journal of Political Economy*, *129*(3), 649–702. <https://doi.org/10.1086/712506>
- Cyert, R. M., & March, J. G. (1992). *A behavioral theory of the firm* (2nd ed.). Blackwell.
- Davila, A., Foster, G., & Gupta, M. (2003). Venture capital financing and the growth of startup firms. *Journal of Business Venturing*, *18*(6), 689–708.  
[https://doi.org/10.1016/S0883-9026\(02\)00127-1](https://doi.org/10.1016/S0883-9026(02)00127-1)
- DeTienne, D. R. (2010). Entrepreneurial exit as a critical component of the entrepreneurial process: Theoretical development. *Journal of Business Venturing*, *25*(2), 203–215. <https://doi.org/10.1016/j.jbusvent.2008.05.004>
- Drover, W., Wood, M. S., & Fassin, Y. (2014). Take the money or run? Investors' ethical reputation and entrepreneurs' willingness to partner. *Journal of Business Venturing*, *29*(6), 723–740.  
<https://doi.org/10.1016/j.jbusvent.2013.08.004>
- Dushnitsky, G., & Lenox, M. J. (2005a). When do firms undertake R&D by investing in new ventures? *Strategic Management Journal*, *26*(10), 947–

965. <https://doi.org/10.1002/smj.488>

Dushnitsky, G., & Lenox, M. J. (2005b). When do incumbents learn from entrepreneurial ventures? *Research Policy*, *34*(5), 615–639.

<https://doi.org/10.1016/j.respol.2005.01.017>

Dushnitsky, G., & Sarkar, S. (2020, in press). Here Comes the Sun: The Impact of Incidental Contextual Factors on Entrepreneurial Resource Acquisition. *Academy of Management Journal*. <https://doi.org/10.5465/amj.2019.0128>

Dushnitsky, G., & Shaver, J. M. (2009). Limitations to interorganizational knowledge acquisition: The paradox of corporate venture capital. *Strategic Management Journal*, *30*(10), 1045–1064. <https://doi.org/10.1002/smj.781>

Eisenhardt, K. M. (1989). Building Theories from Case Study Research. *The Academy of Management Review*, *14*(4), 532–550.

<https://doi.org/10.2307/258557>

Eisenhardt, K. M., & Graebner, M. E. (2007). Theory Building From Cases: Opportunities And Challenges. *Academy of Management Journal*, *50*(1), 25–32. <https://doi.org/10.5465/amj.2007.24160888>

Gavetti, G., & Levinthal, D. (2000). Looking Forward and Looking Backward: Cognitive and Experiential Search. *Administrative Science Quarterly*, *45*(1), 113–137. <https://doi.org/10.2307/2666981>

Golden, B. R. (1992). Research Notes. The Past is the Past—Or is it? The Use of Retrospective Accounts as Indicators of Past Strategy. *Academy of Management Journal*, *35*(4), 848–860. <https://doi.org/10.5465/256318>

Gompers, P. A., & Lerner, J. (2006). *The venture capital cycle* (2nd ed.). MIT Press.

Graebner, M. E. (2004). Momentum and Serendipity: How Acquired Leaders Create Value in the Integration of Technology Firms. *Strategic*

- Management Journal*, 25(8/9), 751–777. <https://doi.org/10.1002/smj.419>
- Graebner, M. E. (2009). Caveat Venditor: Trust Asymmetries in Acquisitions of Entrepreneurial Firms. *Academy of Management Journal*, 52(3), 435–472. <https://doi.org/10.5465/AMJ.2009.41330413>
- Greve, H. R. (2008). A Behavioral Theory of Firm Growth: Sequential Attention to Size and Performance Goals. *Academy of Management Journal*, 51(3), 476–494. <https://doi.org/10.5465/AMJ.2008.32625975>
- Hallen, B. L. (2008). The Causes and Consequences of the Initial Network Positions of New Organizations: From Whom Do Entrepreneurs Receive Investments? *Administrative Science Quarterly*, 53(4), 685–718. <https://doi.org/10.2189/asqu.53.4.685>
- Hallen, B. L., & Eisenhardt, K. M. (2012). Catalyzing Strategies And Efficient Tie Formation: How Entrepreneurial Firms Obtain Investment Ties. *Academy of Management Journal*, 55(1), 35–70. <https://doi.org/10.5465/amj.2009.0620>
- Hallen, B. L., Katila, R., & Rosenberger, J. D. (2014). How Do Social Defenses Work? A Resource-Dependence Lens on Technology Ventures, Venture Capital Investors, and Corporate Relationships. *Academy of Management Journal*, 57(4), 1078–1101. <https://doi.org/10.5465/amj.2012.0003>
- Hellmann, T. (2002). A theory of strategic venture investing. *Journal of Financial Economics*, 64(2), 285–314. [https://doi.org/10.1016/S0304-405X\(02\)00078-8](https://doi.org/10.1016/S0304-405X(02)00078-8)
- Hellmann, T., & Puri, M. (2002). Venture Capital and the Professionalization of Start-Up Firms: Empirical Evidence. *The Journal of Finance*, 57(1), 169–197. <https://doi.org/10.1111/1540-6261.00419>
- Hillman, A. J., Withers, M. C., & Collins, B. J. (2009). Resource Dependence

- Theory: A Review. *Journal of Management*, 35(6), 1404–1427.  
<https://doi.org/10.1177/0149206309343469>
- Hochberg, Y. V., Ljungqvist, A., & Lu, Y. (2007). Whom You Know Matters: Venture Capital Networks and Investment Performance. *Journal of Finance*, 62(1), 251–301. <https://doi.org/10.1111/j.1540-6261.2007.01207.x>
- Honoré, F. (2020, in press). Joining Forces: How Can Founding Members' Prior Experience Variety and Shared Experience Increase Startup Survival? *Academy of Management Journal*. <https://doi.org/10.5465/amj.2018.1386>
- Hsu, D. H. (2004). What Do Entrepreneurs Pay for Venture Capital Affiliation? *Journal of Finance*, 59(4), 1805–1844. <https://doi.org/10.1111/j.1540-6261.2004.00680.x>
- Katila, R., & Mang, P. Y. (2003a). Exploiting technological opportunities: The timing of collaborations. *Research Policy*, 32(2), 317–332.  
[https://doi.org/10.1016/S0048-7333\(02\)00102-6](https://doi.org/10.1016/S0048-7333(02)00102-6)
- Katila, R., Rosenberger, J. D., & Eisenhardt, K. M. (2008). Swimming with Sharks: Technology Ventures, Defense Mechanisms and Corporate Relationships. *Administrative Science Quarterly*, 53(2), 295–332.  
<https://doi.org/10.2189/asqu.53.2.295>
- Keil, T. (2002). *External corporate venturing: Strategic renewal in rapidly changing industries*. Quorum Books.
- Keil, T., Zahra, S. A., & Maula, M. V. J. (Red.). (2004). Explorative And Exploitative Learning From Corporate Venture Capital: A Model Of Program Level Determinants. In *Handbook of Research on Corporate Entrepreneurship* (p. 259–289). Edward Elgar Publishing. DOI: 10.4337/9781785368738.00017

- Kim, J. Y. (Rose), & Park, H. D. (2017). Two Faces of Early Corporate Venture Capital Funding: Promoting Innovation and Inhibiting IPOs. *Strategy Science*, 2(3), 161–175. <https://doi.org/10.1287/stsc.2017.0032>
- Kim, J. Y. (Rose), Steensma, H. K., & Park, H. D. (2019). The Influence of Technological Links, Social Ties, and Incumbent Firm Opportunistic Propensity on the Formation of Corporate Venture Capital Deals. *Journal of Management*, 45(4), 1595–1622. <https://doi.org/10.1177/0149206317720722>
- Kirsch, D., Goldfarb, B., & Gera, A. (2009). Form or substance: The role of business plans in venture capital decision making. *Strategic Management Journal*, 30(5), 487–515. <https://doi.org/10.1002/smj.751>
- Koriat, A., Goldsmith, M., & Pansky, A. (2000). Toward a Psychology of Memory Accuracy. *Annual Review of Psychology*, 51(1), 481–537. <https://doi.org/10.1146/annurev.psych.51.1.481>
- Krishnan, C. N. V., Ivanov, V. I., Masulis, R. W., & Singh, A. K. (2011). Venture Capital Reputation, Post-IPO Performance, and Corporate Governance. *The Journal of Financial and Quantitative Analysis*, 46(5), 1295–1333. <https://doi.org/10.1017/S0022109011000251>
- Lahti, T. (2014). The value-added contribution of advisors in the process of acquiring venture capital. *International Small Business Journal: Researching Entrepreneurship*, 32(3), 307–326. <https://doi.org/10.1177/0266242612453932>
- Langley, A., & Abdallah, C. (2011a). Templates and Turns in Qualitative Studies of Strategy and Management. In D. D. Bergh & D. J. Ketchen, *Building Methodological Bridges* (p. 201–235). Emerald Group Publishing Limited. [https://doi.org/10.1108/S1479-8387\(2011\)0000006007](https://doi.org/10.1108/S1479-8387(2011)0000006007)



- Lehtonen, O., & Lahti, T. (2009). The role of advisors in the venture capital investment process. *Venture Capital*, 11(3), 229–254.  
<https://doi.org/10.1080/13691060902972851>
- Lemley, M. A., & McCreary, A. (2019). *Exit Strategy* (Stanford Law and Economics Olin Working Paper #542). Available at SSRN:  
<https://ssrn.com/abstract=3506919>
- Leonard-Barton, D. (1990). A Dual Methodology for Case Studies: Synergistic Use of a Longitudinal Single Site with Replicated Multiple Sites. *Organization Science*, 1(3), 248–266. <https://doi.org/10.1287/orsc.1.3.248>
- Maula, M. V. J. (2001). *Corporate venture capital and the value-added for technology-based new firms*. [PHD doctoral dissertation, Helsinki University of Technology]. Aalto University.  
<https://aaltodoc.aalto.fi:443/handle/123456789/2381>
- Maula, M. V. J., Autio, E., & Murray, G. (2005). Corporate Venture Capitalists and Independent Venture Capitalists: What do they know, Who do They Know and Should Entrepreneurs Care? *Venture Capital*, 7(1), 3–21.  
<https://doi.org/10.1080/1369106042000316332>
- Maula, M. V. J., Autio, E., & Murray, G. C. (2009). Corporate venture capital and the balance of risks and rewards for portfolio companies. *Journal of Business Venturing*, 24(3), 274–286.  
<https://doi.org/10.1016/j.jbusvent.2008.10.012>
- Minola, T., Cassia, L., & Criaco, G. (2013). Financing Patterns in New Technology-Based Firms: An Extension of the Pecking Order Theory. *International Journal of Entrepreneurship and Small Business*, 19(2), 212–233. <https://doi.org/10.1504/IJESB.2013.054964>
- Minola, T., & Giorgino, M. (2011). External Capital for NTBFs: The Role of

- Bank and Venture Capital. *Int. J. Entrepreneurship and Innovation Management*, 14(2–3), 222–247.  
<https://doi.org/10.1504/IJEIM.2011.041733>
- Nahata, R. (2008). Venture capital reputation and investment performance. *Journal of Financial Economics*, 90(2), 127–151.  
<https://doi.org/10.1016/j.jfineco.2007.11.008>
- Pahnke, E. C., Katila, R., & Eisenhardt, K. M. (2015). Who Takes You to the Dance? How Partners' Institutional Logics Influence Innovation in Young Firms. *Administrative science quarterly*, 60(4), 596–633.  
<https://doi.org/10.1177/0001839215592913>
- Park, H. D., & Steensma, H. K. (2012). When does corporate venture capital add value for new ventures? *Strategic Management Journal*, 33(1), 1–22.  
<https://doi.org/10.1002/smj.937>
- Pfeffer, J., & Salancik, G. R. (1978). *The external control of organizations: A resource dependence perspective* (1st ed.). Harper & Row.
- Piening, E. P., Thies, F., Wessel, M., & Benlian, A. (2021). Searching for Success—Entrepreneurs' Responses to Crowdfunding Failure. *Entrepreneurship Theory and Practice*, 45(3), 626–657.  
<https://doi.org/10.1177/1042258720980710>
- Posen, H. E., Keil, T., Kim, S., & Meissner, F. D. (2018). Renewing Research on Problemistic Search—A Review and Research Agenda. *The Academy of Management Annals*, 12(1), 208–251.  
<https://doi.org/10.5465/annals.2016.0018>
- Pryor, C., Webb, J. W., Ireland, R. D., & Ketchen Jr., D. J. (2016). Toward An Integration of the Behavioral and Cognitive Influences on the Entrepreneurship Process: Cognition and Behavior in the Entrepreneurship

- Process. *Strategic Entrepreneurship Journal*, 10(1), 21–42.  
<https://doi.org/10.1002/sej.1204>
- Reese, H. W., & Fremouw, W. J. (1984). Normal and normative ethics in behavioral sciences. *American Psychologist*, 39(8), 863–876.  
<https://doi.org/10.1037/0003-066X.39.8.863>
- Rickne, A., & Jacobsson, S. (1999). New Technology-Based Firms In Sweden—A Study Of Their Direct Impact On Industrial Renewal. *Economics of Innovation and New Technology*, 8(3), 197–223.  
<https://doi.org/10.1080/10438599900000009>
- Ruef, M., Aldrich, H. E., & Carter, N. M. (2003). The Structure of Founding Teams: Homophily, Strong Ties, and Isolation among U.S. Entrepreneurs. *American Sociological Review*, 68(2), 195–222.  
<https://doi.org/10.2307/1519766>
- Sahlman, W. A. (1990). The structure and governance of venture-capital organizations. *Journal of Financial Economics*, 27(2), 473–521.  
[https://doi.org/10.1016/0304-405X\(90\)90065-8](https://doi.org/10.1016/0304-405X(90)90065-8)
- Santos, F., & Eisenhardt, K. (2009). Constructing Markets And Shaping Boundaries: Entrepreneurial Power In Nascent Fields. *Academy of Management Journal*, 52(4), 643–671.  
<https://doi.org/10.5465/AMJ.2009.43669892>
- Schildt, H. A., Maula, M. V. J., & Keil, T. (2005). Explorative and Exploitative Learning from External Corporate Ventures. *Entrepreneurship Theory and Practice*, 29(4), 493–515. <https://doi.org/10.1111/j.1540-6520.2005.00095.x>
- Shane, S., & Stuart, T. (2002). Organizational Endowments and the Performance of University Start-ups. *Management Science*, 48(1), 154–170.

<https://doi.org/10.1287/mnsc.48.1.154.14280>

Singleton, R. A., & Straits, B. C. (2018). *Social research: Approaches and fundamentals* (International sixth edition.). Oxford University Press.

Smith, G. (2001). How Early Stage Entrepreneurs Evaluate Venture Capitalists. *The Journal of Private Equity*, 4(2), 33–45.

<https://doi.org/10.3905/jpe.2001.319981>

Sørensen, M. (2007). How Smart Is Smart Money? A Two-Sided Matching Model of Venture Capital. *The Journal of Finance*, 62(6), 2725–2762.

<https://doi.org/10.1111/j.1540-6261.2007.01291.x>

Valliere, D., & Peterson, R. (2007). When entrepreneurs choose VCs: Experience, choice criteria and introspection accuracy. *Venture Capital*, 9(4), 285–309.

<https://doi.org/10.1080/13691060701605413>

Vissa, B. (2012). Agency in Action: Entrepreneurs' Networking Style and Initiation of Economic Exchange. *Organization Science*, 23(2), 492–510.

<https://doi.org/10.1287/orsc.1100.0567>

Wadhwa, A., & Kotha, S. (2006). Knowledge Creation Through External Venturing: Evidence from the Telecommunications Equipment Manufacturing Industry. *Academy of Management Journal*, 49(4), 819–835. <https://doi.org/10.5465/amj.2006.22083132>

Winston Smith, S. (2011). Beg, Borrow, and Deal? Entrepreneurs' Choice of Financing and New Firm Innovation. *SSRN*.

<https://doi.org/10.2139/ssrn.1787759>

Yang, X., Sun, S. L., & Zhao, X. (2019). Search and execution: Examining the entrepreneurial cognitions behind the lean startup model. *Small Business Economics*, 52(3), 667–679. <https://doi.org/10.1007/s11187-017-9978-z>

Yin, B., & Luo, J. (2018). How Do Accelerators Select Startups? Shifting

Decision Criteria Across Stages. *IEEE Transactions on Engineering*

*Management*, 65(4), 574–589. <https://doi.org/10.1109/TEM.2018.2791501>

Yin, R. K. (2014). *Case study research: Design and methods* (5th ed.). SAGE.

Zhang, J. (2011). The advantage of experienced start-up founders in venture

capital acquisition: Evidence from serial entrepreneurs. *Small Business*

*Economics*, 36(2), 187–208. <https://doi.org/10.1007/s11187-009-9216-4>

## APPENDIX A: Interview guide startups.

### Introduksjon:

- Presentere oss selv.
- Forteller om formålet med undersøkelsen.
- Minner om konfidensialitet og at samtalen blir tatt opp.
- Fortelle litt om hvordan intervjuet er lagt opp.

### Firmaet og mål

- ❖ Hva er firmaets *nåværende* målsetninger og ambisjoner? Ikke med tanke på kapitalinnhenting - men overordnet. Hvilke milepæler eller oppnåelser sikter dere mot?
- ❖ Har målene alltid vært slik, eller har det vært endringer i målsetningene langs veien?
- ❖ Har dere planlagt for en spesiell exit?
  - Hva slags exit ser dere for dere?

### Introduksjonsspørsmål om kapitalinnhenting

- ❖ Kan du starte med å gi oss en kort presentasjon av deg og din rolle i kapitalinnhentingsprosessen?
- ❖ Kan du gi oss en gjennomgang av deres funding-historikk?
  - Hvor mange runder er fullført?
  - Hvem er investorene?
  - Hvor mye penger har dere hentet totalt?

\*Sammenlikne dette med vår egen excel-oversikt\*

### Søkeprosessen

- ❖ Hvordan har dere gått frem for å identifisere *potensielle* investorer?
  - Hvordan har dette endret seg over tid?
- ❖ Hvordan identifiserte dere de ulike investorenes *egenskaper*?
- ❖ Hvilke **andre personer** med andre roller i selskapet har vært involvert i arbeid med kapitalinnhenting?
  - Hvordan har dette endret seg over tid?

- Hva har vært verdifullt med å ha med disse personene i det arbeidet?
- Når du neste gang skal holde på med dette arbeidet - er det noen andre roller du vil inkludere i prosessen?
- ❖ Hvor mye tid vil du anslå at du har brukt på arbeid med kapitalinnhenting?
- ❖ Har funding-tilbudene kommet på bordet som 1) et resultat av sterke og bakenforliggende relasjoner til investorer eller som 2) et resultat av aktivt arbeid med å få ut til dem?
  - Hvis 1 → Var det disse dere bevisst søkte dere mot?
  - Hvis 2 → Hvilke teknikker, verktøy, hjelpemidler etc. brukte dere til å gjøre dette arbeidet?
  - Har dette endret seg over tid? / Har dere opplevd en økning i investorer som tar kontakt med dere i takt med deres egen vekst?

### **Tanker om kapitalinnhenting og investorenes egenskaper**

- ❖ Hva tenker du er viktige *egenskaper* hos “en investor”?
- ❖ Hvilke egenskaper var viktige for dere da dere skulle hente Seed-runden?
- ❖ Hvilke egenskaper var viktige for dere da dere skulle hente Serie A?
- ❖ Hvilke egenskaper var viktige for dere da dere skulle hente Serie B?
- ❖ Hvilke egenskaper var viktige for dere da dere skulle hente (siste runde)?
- ❖ Hvordan har preferansene deres knyttet til investorenes egenskaper endret seg over tid?
- ❖ Har dere vært i situasjoner hvor dere har målt ulike type investorer opp mot hverandre? Ulike type som i engler/VC/CVC.
  - Hvis ja, hvordan har dere prioritert eller rangert de ulike alternativene?
- ❖ Er det noen egenskaper ved investorene deres som har vist seg å være verdiøkende som dere ikke vektla på tidspunktet for avtaleinngåelse?
  - Hvis ja - hvilke?
  - Hvorvidt tar dere disse *verdiøkende* egenskapene med i vurderingen frem mot neste emisjon?
- ❖ Er det noen egenskaper ved investorene deres som har vist seg å være uønskede som dere ikke vektla på tidspunktet for avtaleinngåelse?
  - Hvis ja - hvilke?
  - Hvorvidt tar dere disse *uønskede* egenskapene med i vurderingen frem mot neste emisjon?

- ❖ Hva anser du som risikofaktorene knyttet til kapitalinnhenting?

#### **Motiver / samsvarende mål**

- ❖ I hvilken grad vil du si at deres mål samsvarer med målene til investorene deres?
  - Kan du utdype hvorfor du mener det?

#### **Avrunding**

- ❖ Er det noe vi ikke har spurt om som du mener det er vesentlig å få med seg i denne settingen?