

Taming the Dragons

A study of the effect of innovation networks on venture capitalists' investment decisions in Dragons' Den

Abstract

In this paper, we strive to bridge two areas of marketing and entrepreneurship research: that on evaluation criteria used by venture capitalists (VCs) and that on the importance of networks for the success of start-up ventures. We make a first attempt to combine these by performing a case study of the impact that the innovation network and its dynamics had on three VCs' assessments of one start-up. In our analysis we look at the static appearance of the network as well as at three dynamic network-building capabilities – intersement, co-creation, and choice of spokespersons. We also argue that the dynamic network-building is more important for this particular venture since it is in an early phase of development. We find that the business we study has benefitted from an extensive innovation network and the founders' strong network-building skills. The entrepreneurs also see it as important to demonstrate the full scope of their network connectivity in the pitch while the VCs as a contrast focus almost entirely on the choice of spokespersons, expressed in the entrepreneurs' personality traits. We have thus identified two gaps – one between theory and the VCs' evaluation criteria, and one between their criteria and what the entrepreneurs believe these to be. We discuss whether the cause of these gaps could be the specific format of Dragons' Den, but in order to test this hypothesis, further research is necessary.

Authors: Cathrine Engwall, 21676; Katja Smuk, 21642

Tutor: Hans Kjellberg

Examinator: Susanne Sweet

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Introduction

Background

The acquisition of venture capital by entrepreneurs is a transaction that is peculiar in many ways and deviates significantly from the typical market situation assumed in classical marketing:

It is a transaction characterized by significant uncertainty regarding both elements of the exchange – the product and its price. While formally, the former is a number of stocks and the latter a sum of money, this is not an accurate description of the transaction that occurs. The stocks are worthless unless the entrepreneur's idea and/or start-up will be able to succeed in their market and increase the value of the equity. The future success of an idea that is often iterated and improved along the way in a marketplace that is dynamic and in the face of unpredictable competition is a highly uncertain matter and a gamble for the venture capitalist. Equally, often the venture capitalists' contribution does not end at a simple sum of money but extends into sharing knowledge, experience, network contacts, and reputation, and can also entail a demand for certain control over the enterprise.

It is a transaction that takes place in a market that is as far from perfect as can be. The exchange is highly personal and goes perhaps even beyond personal B2B sales. Due to the uncertainty described above, the buying decision by the VC will likely be affected by less rational considerations, and this in combination with the fact that the entrepreneur himself is such a large part of the “product” being bought creates a situation where traditional marketing concepts are not very applicable.

Problem area

Due to the idiosyncrasy of the marketing situation between VCs and entrepreneurs, it has originated an entire field of research looking at the evaluation criteria VCs use for making their investment decisions. A number of generally oriented quantitative studies have been done in this field during the past 20 years or so (see below). Their results, spanning several countries and years, have been fairly consistent and have identified several key factors that are most important for VCs' assessment.

On the other hand, entrepreneurial research has for a long time been concerned with identifying the effects various factors have on the likelihood of success for an enterprise. Recently, a number of studies have shown the importance of building and nurturing an extensive and efficient network around an innovation in order to successfully take it to market.

Despite network connectivity being widely accepted as an important part of entrepreneurial success and numerous studies showing this, there has been no previous research targeted at bringing together the two research schools described above. No studies have looked at how network connectivity affects VCs' judgment. Furthermore, the general studies that have looked at all possible factors influencing VCs' decisions have come to contradictory conclusions about the importance of networks. We see a knowledge gap here that we would like to begin to fill.

Purpose

The purpose of this thesis is thus to investigate how an entrepreneur's innovation network affects the evaluation of the investment opportunity by VCs. This will be done by exploring the following questions:

- How does an innovation network develop with the business and contribute to its success?

In our case, we will explore this question by looking at the following things in our case study:

- How does the innovation network of this particular enterprise look?
- What elements can we discern and how have they interacted to create the enterprise we see today?
- How apt are the entrepreneurs at building and developing this network?
- How do VCs perceive the innovation networks of enterprises and how does this weigh into their investment decisions?

In our case we will look into the following questions for our case study:

- How do the VCs perceive this innovation network?
- What parts or capabilities do they focus on and what elements are entirely neglected or escape their attention?
- How much do VCs seem to think in terms of innovation networks?

- Are there gaps between what contributes to the success of enterprises in terms of innovation networks and what VCs deem important?

In our case study we will explore this by attempting to answer the following questions:

- Can we see any significant discrepancies between our mapping of the network and the network building process and the VCs' perception of these?
- Can this have affected the VCs' investment decisions?

With our findings in these questions as a starting point, we will also attempt to initiate a discussion on how our results could potentially be elevated to a more general level and whether we can discern causes behind the potential gaps that we find. We will also briefly discuss how further studies could complement this thesis.

Delimitations

Due to the restrictions implied by our choice of method (see below), we cannot make any general conclusions from the results of our analysis. Our study will focus on a single enterprise and the only conclusions we will be able to make with a degree of certainty appropriate for an academic paper will thus only concern that enterprise. We cannot make any general inference without venturing into speculation. What we can do is highlight potential issues that could be interesting to study on a more general level for a better understanding of the relationship between entrepreneurs and VCs pertaining to the innovation network. We will attempt to identify discrepancies and imbalances between the VCs' perception of the network and our mapping of it. Such gaps could be reflections of general trends in how VCs perceive innovation networks or may be caused by factors that are common for other cases of seeking venture capital as well as our case. Our paper could thus identify particular questions that could be interesting to look at in further research.

Intended knowledge contribution

Our intention is to map an innovation network and its dynamics, to identify how it has been perceived by VCs to whom the business idea has been pitched, and to point out the gaps between our network map and what the VCs see of it. We also intend to initiate a discussion regarding such gaps and the possible causes behind these. Understanding the causes is a step towards understanding and hopefully removing inefficiencies in VC behavior, entrepreneur

behavior, and/or the platform where VCs and entrepreneurs meet. Of course, any hypotheses about such causes would need to be studied further for conclusive results.

Disposition

We will begin by reviewing the two fields of research that we intend to combine in this thesis. Primarily, we will look at the studies that have examined the importance of network connectivity for entrepreneurial success, which will lay the foundation for the theoretical framework we will use in our own analysis. We will then briefly recount the main points of the research on the evaluation criteria used by VCs in order to give our readers an understanding of the academic context of our study.

Theoretical background

Success through co-creation

In this thesis, we primarily base our analysis on the findings from the field of research concerned with describing the networks surrounding start-up businesses, their dynamics, and their importance for the success of the enterprises. We have specifically looked at three articles on these topics: Read et al. (2009) that is written from a marketing perspective and Akrich, Callon, and Latour (2002) and Akrich et al (2002) that take an entrepreneurship perspective. All three articles emphasize that the classical descriptions of the innovative process are oversimplified and depict it as linear¹ where it is absolutely not. Instead, a crucial part of innovation is iteration and the ability to activate a network of various actors, knowledge, experience, and resources to improve the innovation and bring it to market in a process of co-creation² with this network. We will now describe the key points from these articles in more depth:

Read et al. (2009) have analyzed a group of experienced entrepreneurs and compared them with a group of experienced managers with no entrepreneurial background. The latter take a linear, predictive approach to developing and running a business. They attempt to plan the development and strategy of the business internally based on data and various models and assumptions; in essence, they take the classical approach taught at business schools. According to the authors, this is not particularly effective in situations characterized by high uncertainty which is typical for start-ups and entrepreneurial settings. The entrepreneur group, on the other hand, uses an inverted effectual logic that is based on the insight that if you can co-create the future, you do not need to be able to predict it. In this co-creation process, the entrepreneurs involve a broad network of contacts and resources. The entrepreneurs do not try to predict the future on their own and make long-term, strategic decisions based on this. Their approach is much more down-to-earth and small-scale. They activate their networks, test ideas on a small scale, make changes, and reiterate instead of trying to predict the success of these ideas on a grand scale.

¹ With a linear process we mean that these articles tend to describe it as a one-way, fixed sequence of events whereas the process can go in many directions and different phases can occur simultaneously and many times

² With co-creation we literally mean joint creation, in this case the common efforts of the entrepreneurs and their network to develop the product or service, its marketing, or any other parts of the business

Akrich, Callon, and Latour (2002) and Akrich et al. (2002) have in two closely related articles looked at entrepreneurship as a process of bringing innovative ideas to the market, i.e. of bridging the creative ideation process with the market's demands. In the first article, the authors discuss the traditional model of innovation dissipation in the market and conclude that this model, which basically assumes that a good innovation will gradually win followers due to its inherent qualities, does not describe reality very well. Instead, they claim that *interessement* is a key to successful entrepreneurship. Finding the right actors and resources who will benefit most from the innovation, iterating it in a co-creative process to best fit their needs, and using this network to spread the innovation is according to the authors the key to successful entrepreneurship.

The second article, by Akrich et al. (2002), builds further on these ideas and discusses the importance of choosing the right “spokespersons”. These are people who represent the idea to the external world and at the same time represent different areas of knowledge within the entrepreneurial team. By choosing these people carefully and using their expertise and contacts appropriately, a broad network of influential actors can be mobilized for dissipating the innovative idea on the market and in society.

Finally, we would like to mention an article by Björk and Magnusson (2009) who have analyzed the importance of social network connectivity for the quality of innovative ideas. Their conclusion is that a certain degree of connectivity is always positive for idea quality and that this relationship is linear for individuals. The paper by Björk and Magnusson is that which perhaps comes closest to what we are interested in investigating, as the quality of the ideas is evaluated by other actors in the organization (thus, we see the importance of network connectivity for others' evaluation of an innovative idea – close to the situation with VCs). Furthermore, the quality of the idea is part of the VCs' evaluation criteria and is an indirect way in which network connectivity can affect their judgment.

Established evaluation criteria

There has been plenty of research in the past 20 years regarding the importance of various factors related to an enterprise for how VCs evaluate it. Shepherd and Zacharakis (1999) give a good overview of this type of general quantitative studies and their findings. The conclusions presented in the studies included in Shepherd and Zacharakis' (1999) overview are quite consistent and in most cases boil down to the most important criterion being the perceived quality of the management team and entrepreneurs' personalities, analyzed across

dimensions such as creativity, tenacity, enthusiasm, and competence (these particular characteristics come from Khan (1987), but despite minor differences in nomenclature, the other studies have used in essence very similar characteristics).

Shepherd and Zacharakis (1999) also offer a critique of the dominating methodology for the studies they survey. They argue that the post-hoc method of study has inherent limitations and biases that arise from respondents' motivation to bias the results, perceptual and cognitive limitations, lack of crucial information about the event of interest, and variability depending on elicitation technique used. They propose several alternative methods, such as verbal protocols or conjoint analysis, which can be used for better results.

To summarize – plenty of broad, quantitative research has been done in attempts to identify the criteria that VCs look at most when evaluating an enterprise. A clear conclusion from this body of research is that the entrepreneurial team – their personalities, experience and competence – is the single most important factor. There are, however, certain limitations to the methodology used in many of these studies.

Further, there have also been numerous studies that have selected a single one of the factors that VCs consider in their evaluation and researched its effect on the VCs' opinion in more depth. One such study that is relevant for this thesis is that by Zhang (2011). In it, the author examines how previous entrepreneurial activity and previous contact with VCs affects entrepreneurs' chances to raise capital. This is relevant for our research question since previous contact with VCs can be seen as a proxy for network connectedness in the field of venture capital. The study thus begins to approach the broad question that we intend to examine – the connection between network connectivity and success in raising venture capital. Zhang (2011) concludes that entrepreneurs with venture-backed experience have significant advantages over novices with regard to the speed and amount of financing received, while serial entrepreneurs without previous venture-backed experience do not have these advantages. This demonstrates the importance of network-building for entrepreneurs in order to receive venture capital, albeit in a much more narrow sense than we aim to investigate in this paper.

Theoretical framework

Above, we have outlined two clusters of research pertaining to entrepreneurship and venture capital. One cluster consists of the numerous studies regarding the criteria used by venture capitalists to evaluate enterprises. The other describes the importance of network connectivity and co-creation for the success of a venture, a criterion which should thus be important to VCs but which is very scarcely represented in the former body of research. Our intention is to combine these two fields of research and to investigate, on the example of one enterprise, how VCs evaluate the innovation network of an enterprise.

In order to analyze the data we aim to collect, we will combine parts of the aforementioned “co-creative” research into a model that can be used to discern elements of innovation networks from investor interviews. This framework is our own synthesis of previous research and terminology into a unique framework that is best suited for the needs of our study. Aside from the static presence of a high degree of network connectivity to people, organizations and organized networks, experiences, knowledge, physical and financial resources, etc., the model defines the dynamic elements of acquiring and employing a network in a process of bringing innovation to market (see Figure 1). We will be looking for investors bringing up each of these elements as well as the network itself in their interviews in order to assess whether they take innovation network issues into account in their decisions.

We would like to define three dynamic components that are essential for successfully using an innovation network to bridge the gap between innovation and market. We will borrow terminology from the articles discussed above but define the terms ourselves which may mean that the way we use the terms will not perfectly match how the authors used them. The first element, which we will denote with Akrich, Callon, and Latour’s (2002) term *interressement*, is the process of involving relevant actors into a network for bringing an innovation to market. The second element, for which we will use the Read et al. (2009) term *co-creation*, is the ability to use this acquired network to co-create a product and environment, thus lowering the uncertainty typical for start-up businesses. The third element is choosing the right *spokespersons* (Akrich et al., 2002) within the company that will bring in their personal networks of knowledge, experiences, contacts, attitudes, and resources to help take the innovation to market. We would especially like to stress the fact that this can also be stretched to include personal characteristics of people involved in the enterprise. In a way, picking people who have the right kind of attitude, complementarity, and ability to co-operate with each other is

making them part of the inter-organizational part of the innovation network and is very important for bridging the gap between innovation and market.

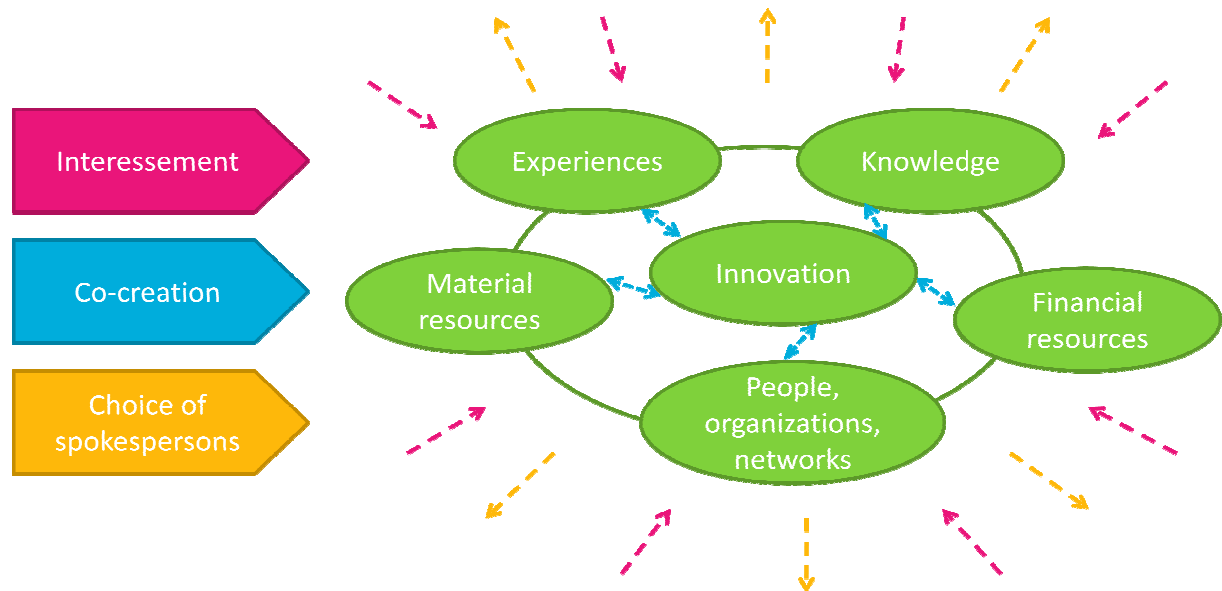


Figure 1 – An illustration of the framework. The green fields show the constituents of the static innovation network. The colored fields to the left show the three dynamic network-building capabilities and the dashed arrows demonstrate the effect each of these has on the innovation network: interessement (in cherry red) brings in new elements, co-creation (blue) involves the bilateral interaction of different elements with the innovation, and the spokespersons represent the innovation to the outside world.

Methodology

Object of study

Our case study will be based on the innovation network surrounding the Swedish company Student Competitions AB (SC). SC was founded in the summer of 2009 by four entrepreneurs: Niklas Jungegård, Gustav Borgefalk, Robert Lyngman and Zhu Chu.

In the winter of 2009, Student Competitions participated in the Swedish version of Dragons' Den, which involved pitching to five VCs at once. VC and IT veteran Mats Gabrielsson decided to invest 600 000 SEK through his investment company GIAB for a 40% ownership in the company. We believe that this makes Student Competitions a good object of study since we will be able to get the perspectives of several experienced investors on the exact same pitch which will eliminate comparability problems. We will also be able to compare the views of VCs who made different investment decisions which can be an asset for our analysis.

Research Design and Scientific Approach

When deciding which research method to use we considered the nature of our research topic. When there is little or no knowledge on a topic a qualitative study is often preferable to a quantitative study. A qualitative study has the advantage of better capturing the full meaning of words. It emphasizes that individuals are affected by the norms of society and that they have perceptions, motives and agendas of their own that will in some sense make it impossible to gain an absolute truth. (Bryman and Bell, 2007)

Since we have no previous research in this field to found our study on, an inductive approach is well suited for this type of thesis, as Bryman and Bell argue (2007). An inductive approach will allow us to examine our case and based on our findings suggest a theory. We are well aware that this theory should not be directly generalized but rather used as a starting point for future research. Furthermore, we have chosen to do a case study since it will best allow us to examine and in depth depict the complex innovation network that surrounds a start-up and how it is perceived, evaluated and appreciated by a potential investor.

In order to be able to explore to which extent the innovation network surrounding SC was considered by the Dragons we first had to map the innovation network and its dynamics. This was done through in-depth interviews with two of the founders. By using a method of

triangulation we were able to gain a more accurate picture of the innovation network. Secondly, we analyzed how the VCs perceived, grasped and valued the innovation network. This was done through in-depth interviews with three of the Dragons: Mats Gabrielsson, Douglas Roos, and Susanna Falkengren. Here, we relied mainly on respondent validation to secure a high validity.

In-depth interviews

In depth interviews are particularly good to use when there is a need to gain a deep understanding of the findings. We have conducted semi-structured interviews in order to strike a balance between guiding the interviewee enough to get the information we knew we needed and letting the interviewee talk freely enough to give us information we didn't know we needed.

To give our interviews a loose structure we designed a grid that covered the different elements of an innovation network during the process of taking the innovation to market (table 1). This way, we would make sure not only to cover all parts of the network, but also be able to see its dynamic development over time. The process from idea to market is of course rarely as linear as it may seem from this diagram but it can serve as a starting point for the semi-structured interview. The different elements of the innovation network are derived from the articles by Akrich, Callon, and Latour (2002) and Akrich et al. (2002). For a more detailed account of how we performed the interviews and examples of questions, see Appendix 1.

	Ideation	Planning	Development	Growth	Expansion
People					
Organizations					
Organized Networks					
Knowledge					
Experiences					
Financial Resources					
Material Resources					
Other					

Table 1 – the vertical axis lists the different elements of an innovation network and the horizontal axis the different phases of company development. By trying to get an overview of each cell in the grid, i.e. how each element looked at a particular time, we will get a picture of the innovation network's dynamics over time.

One of the main difficulties we encountered was the fact that two years had elapsed since the founding of the company and the pitching at Dragons' Den was a year and a half ago. It was difficult to get both the founders and the Dragons to recall their thoughts at the time without trying to rationalize them ex-post and without letting their knowledge of what has happened

since affect their stories. To deal with this issue in the founder interviews we tried to be specific and concrete in our questions so as to avoid the founders' evaluating past events from a current perspective.

When conducting the Dragon interviews we realized that it was practically impossible to get a detailed enough play-by-play of the decision-making to be able to discern if and how the innovation network was part of it. An alternative would have been to ask more direct questions about the different parts of the network and what the Dragons thought of their importance. We believed, however, that this would create too high a risk of ex-post rationalizations. The VCs could give us an evaluation of the network now, but that is not what we are looking for, but rather whether or not they thought of it then. Instead, we complemented the questions about Student Competitions with more general questions about what the Dragons looked for in a potential investment, waiting for them to touch upon subjects related to innovation networks themselves and thus weave it into the interview organically and without biasing the answers too much.

Trustworthiness and Authenticity

Traditionally the measurements of validity and reliability have been used to evaluate the quality of a study. Validity is described by Bryman and Bell (2007) as the integrity of the conclusions and is perhaps the most important criteria of research while reliability has to do with whether the results of the study are repeatable. However, these measurements are geared to address the problems of adequacy of measures that are associated with quantitative studies which may make them less suitable as measures for a qualitative study. Cuba and Lincoln (1994) suggest that trustworthiness and authenticity are measurements better suited to address the quality of a qualitative study. Trustworthiness can be divided into four different areas: credibility, transferability, dependability and confirmability.

Credibility corresponds to internal validity and has to do with to which extent the research team has correctly understood the object of study's perception of reality (Bryman and Bell, 2007). To ensure the credibility of the study we have used respondent validation and triangulation. The respondent validation was particularly important for the telephone interviews since we were unable to record these.

Transferability corresponds to external validity and concerns the depth of the descriptions and to which extent the findings can be transferred to other settings (Bryman and Bell, 2007). With extensive descriptions we should be able to reach a high transferability.

Dependability parallels reliability and can best be achieved through auditing by peers (Bryman and Bell, 2007). Due to time and resource limitations this approach to validation has not been used.

Confirmability is the equivalent to objectivity. A high confirmability has to do with not allowing personal values or theoretical inclinations to affect the research and thus also the findings derived from it (Bryman and Bell, 2007). During the interviews we took great care not to let our theoretical findings affect the formulation of questions so that we would affect the interviewees' answers as little as possible. Part of this striving was also our choice of semi-structured interviews as opposed to a more rigid structure.

Authenticity concerns the wider political impact of research and can be measured in terms of fairness in addition to ontological-, educative-, catalytic- and tactical authenticity. The aspect of fairness seeks to explain if the research fairly represents different viewpoints in the social setting and the aspect of authenticity concerns what actions the researcher has taken in order to get the object of study to develop a thought or take an action. Given the character of the object of study we should have a sufficiently high authenticity.

Data – the Story of Student Competitions

Ideation

The idea for Student Competitions was born at a “fika” at the SSE Business Lab in the summer of 2009. All four of the co-founders – Gustav, Robert, Niklas, and Chu, were active in other lab projects at the time and it was through the lab they met. Chu had just participated in and won a student competition and was going on an all-expenses-paid trip to the finals in the US, which he excitedly told the others about. Gustav had had a similar experience and they started discussing that this was something that gave students a lot of value, yet there was no company that harnessed this value and did something with it. The idea for Student Competitions was born, back then being a website for simply listing available competitions in one convenient place.

Planning and development

The next stage for the entrepreneurs was to create a website prototype in order to test their idea. “You want to see whether other people have the same idea and think the same thing as you do, or if you’re completely wrong”, Chu Zhu said. They built a website on an open source platform that requires minimal amounts of programming and is easy for an amateur to use, “quick and dirty”, and sent the link out to several hundred friends who could be interested or come with valuable input – students and entrepreneurs. The site garnered a lot of positive feedback and the founders concluded that there was a lot of potential in their idea. They decided to move forward with it and dedicate more of their time – back then around 10-15 hours a week – to its development. Meanwhile, however, all founders were working with other projects as well, constantly on the lookout for new ideas as good entrepreneurs are, according to Chu and Gustav. What made them focus more and more on Student Competitions and eventually make it their first priority was part gut feeling about the business potential of the idea, and part personal interest – all founders were fans of student competitions and thought it was a fun idea to work with.

Dragons' Den and company creation

Once Student Competitions started gaining momentum, the founders decided that rebuilding the website to a more professional and customized one was a priority. Hitherto, no investment besides the founders' time had been made, but the creation of a high-quality website could end up requiring a fair deal of money. However, as Chu Zhu said, "When you have no money, you have a way of working without it; when you have money, you have a way of working with it". Rather than use expensive Swedish labor, Chu made a few phone calls to friends and contacts in China – people he knew through competitions, entrepreneur mingles, etc., and asked for recommendations of good programming companies. A version of the site was made in China according to the founders' specifications.

The founders also decided to compete in Draknästet, a version of the BBC show Dragons' Den produced by the Swedish state television. They were not in desperate need of cash but they saw this as a fun opportunity to promote their idea and get pr while possibly raising money to improve the IT side of their business.

The pitch to the Dragons was supposed to be about three minutes long which naturally put restraints on what it could contain. Niklas and Robert, the two co-founders who were pitching the idea, decided to focus the pitch on the market opportunity they saw for their idea and the intense interest among students for the product they were proposing. They briefly spoke of their own backgrounds, emphasizing education, Niklas's experience in working with the student talent market, and the co-founders' international experiences.

However, according to Robert, the possibilities for designing their pitch were highly limited by the TV production, and the striving for a structure that would look good on TV as well as the anonymity restrictions imposed made the pitching process very different from how it would have been otherwise. If pitching in a different, more traditional setting, Robert said they would have focused much more on using particular case examples of customers who had problems and how Student Competitions would solve these.

To prepare their pitch, Niklas and Robert went through old Dragons' Den episodes from the American and British programs and looked for what the Dragons typically criticized participants for. They found that the most common mistake seemed to be not having a good enough overview of the financial projections for the business, and therefore put extra effort into really learning the financials. Generally, Robert believed that being well-informed about the details of the business, knowing the financials, having a clear plan for the money, and

being able to describe the customer benefit in a simple and compelling way were important for the success of a traditional pitch, as was having had contact with customers and having discussed the product or service with them. The format of Dragons' Den, however, made these things harder to include in the pitch, especially due to the limited possibilities for a dialogue between the entrepreneurs and the VCs.

The fact that the choice fell on Robert and Niklas to represent Student Competitions at Dragons' Den was partly a coincidence: Gustav was then working with a different business and Chu did not speak enough Swedish. Nevertheless, Robert said that he believed they were a good match since they came from different backgrounds (educational and experiential) and had a different "take on things".

One of the Dragons, Mats Gabrielsson, decided to invest into the company. With the money received from him, the building of the website could be moved back to Sweden where, although being more expensive, it was also easier to control and direct for the founders.

In March of 2010, Student Competitions AB was registered as a limited liability company by the four founders together with Mats Gabrielsson.

Growth and expansion

Since then, the company has developed and grown. The initial idea of simply listing competitions was attractive in its simplicity as a first stage, but the founders realized it could never carry a business. They were always aware of the fact that, if successful, this company would be a great platform for employer branding and would possess significant expertise in everything relevant to student competitions. While the first version of the website was built to attract students and be a fun experience for them, it has been going more and more towards aiming for the corporate customers that bring in money. According to Chu, this is a balance act, but the bottom line is that Student Competitions is a business and has to use the limited resources at the company's disposal to maximize the profitability. "There are always many ideas floating around about what we could do with the business", Chu said, "so we test them and from maybe a hundred, we pick two or three that look most doable and prospective".

With the expansion of the business, the founders have begun to get clearer roles in the company and a division of areas of responsibility has begun. The division is made on the basis of competence and interest which derive from academic background (two of the founders

have a background at KTH, and those from SSE have different majors), previous experiences and contacts, etc.

Another thing that Chu pinpointed regarding the development of the business was that while they always had a fairly clear idea in their head about where they wanted to take the business, in order for it to stay alive they have to sidestep from this plan. While always trying to maintain the connection to students and/or competitions, they may do such things as market research among their large database of students, etc. to keep the business going.

Many of the sales calls made by Student Competitions today are made through acquaintances from various competitions, mingles, previous business experiences, and, importantly, to SSE alumni. Chu spoke of belonging to a “circle” where the founders constantly get invited to events in the entrepreneurship community and know the people in it. The same “circle” is the network that the founders turn to in developing their business; they can get a lot of free tips and advice from the people included in this circle and come a long way before they need to purchase professional services. As Chu said, “if you’re not in the circle, you don’t even know what to pay for”.

The office currently occupied by Student Competitions was recommended to them by acquaintances who had an office in the same building and knew the previous tenants were moving out.

Data – Investor Interviews

Mats Gabrielsson

SSE alumni Mats Gabrielsson has made himself a name and a fortune as an entrepreneur and an IT-pioneer but he is also a well known investor, gaining public recognition after his participation as one of the Dragons in Dragons' Den. His privately owned investment company Gabrielsson Invest AB has a consolidated annual turnover of just below half a billion SEK (Affärsdata). Mats has made venture capital investments through this company for the past 40 years and although he now has people to help him with the pre-screening process, the final investment decisions are always made by Mats himself.

The first and strongest opinion Mats professed was that the most important factor for his investment decisions is the quality of the entrepreneurs rather than the idea. Mats mirrored what so many studies have shown and claimed that “while a good entrepreneur with a lousy idea may work, no good idea can succeed with a bad entrepreneur behind it”. It was also this he stressed about his decision to invest in Student Competitions, the initial motivation being “great guys with a good idea who lived for their project”, with a clear emphasis being on the founders.

When going deeper into what makes a good entrepreneur, Mats brought up a study that had shown that 2 % of start-ups succeeded well, another 4 % were moderately successful, and 4 % returned the investment, while the rest failed. Mats pointed out that a good entrepreneur understands this, the difficulty in succeeding and the risk of failure, and the insufficiency of a good idea. In this regard, Mats pointed out the difference between an entrepreneur and an inventor, with the former understanding the importance of having access to financial resources, a market, etc. while the latter is focused only on the idea.

Another key characteristic that describes good entrepreneurs according to Mats is their passion for their work. “A good entrepreneur goes to bed with his idea,” Mats said. “He has a stomach ache because of something that arose during the day and when he wakes up next morning, he has stomach ache thinking about what could go wrong”.

When asked how good entrepreneurs are created, Mats said he believed it to be a combination of nature and nurture, or “culture”, as he called the latter. By this he meant the environment in which the entrepreneurs grow up and are shaped, including parents, friends, etc. As an example, Mats pointed out the high frequency of entrepreneurs from second and third generation

immigrants who he believes are driven by a revanchist desire to prove themselves and succeed. Interestingly, Mats did not mention education as part of this molding culture, but when asked about it, he agreed that some kinds of education could be included. However, he did not see an SSE education as one of those, although he many times pointed out that education is “never heavy to carry” and will not deter anyone from becoming an entrepreneur. What he said, though, was that he considered some other educational options more entrepreneurial, both content-wise and by how they encourage entrepreneurial activity, than SSE. He also pointed out that he perceived academia’s focus on success stories to be a weakness, since entrepreneurs can learn a lot more from failing, in his opinion.

When asked about the advantages of the network created at SSE, which is typically seen as the advantage of that particular education, Mats said he believed it to be more important for people looking for a traditional career rather than an entrepreneurial one. Similarly, he believes that incubators such as the SSE Business Lab often risk shifting focus from building a sustainable business to a competition for financing. Instead, successful entrepreneurs often have a network embedded in their cultural environment mentioned above. If they come from an entrepreneurial culture, which they according to Mats are likely to do, they will have plenty of stories of failure to learn from and people with own experiences in entrepreneurship.

While acknowledging the value of a network, Mats said he did not consciously look for signs of a good network or the ability to build one when making investment decisions. He relied instead on the intuition he had built up during his 40 years of experience, while his conscious criteria were the enthusiasm of the entrepreneur and his or her understanding for the broader context of a business beyond the idea itself.

Susanna Falkengren

Susanna is a partner and co-founder at the investment company Exipos Investthar. She has five years of experience in the industry and participated as one of the Dragons in the second season of Dragons’ Den. Since Susanna did not invest in Student Competitions and has thus had no contact with them during the year and a half that have passed since their participation in the program, she did not remember the particulars of the case and we thus had to resort to asking questions of a more general nature.

The factors Susanna initially mentioned as crucial for her investment decision were the availability of a niche for the product on the market and the financial projections convincingly showing a positive cash flow within two years.

Regarding the entrepreneurs, Susanna believed that it was important they share similar values with her in order for the co-operation to work. As an example of such a value, she mentioned the importance of keeping costs low. She said that some sort of higher education was important since it shows the capability for absorbing and processing large quantities of information and thinking logically, but she did not favor any specific schools or disciplines since she claimed that one cannot educate someone to be an entrepreneur. Similarly, she viewed prior experience in the industry of the start-up as an asset and said that the less experience, the smaller the chances of getting her investment.

When asked more directly about the importance of networks (which she interpreted as only including people), Susanna agreed that these were important and that the ability to build them was one of the defining traits of a good entrepreneur. However, she believed that there was no way of evaluating such networks or the capability to build them ex-ante, this was nothing that could be found out by asking a question. She said that a driven person will always be able to build a network, and that she instead looked at how determined, well-prepared and enthusiastic entrepreneurs were as well as examined their track record.

Douglas Roos

Douglas began by explaining his decision to not invest in Student Competitions. He said that while the co-founders seemed to be the kind of people he would like to invest in, he did not believe that their business model could ever garner sufficiently large returns. The characteristics he sought in entrepreneurs and believed himself to have found in the founders of Student Competitions were drivenness, a great enthusiasm and devotion for the business, realism in their predictions, and a sense of excitement and fun that would make co-operation enjoyable.

It was based on his assessment of the presence of these characteristics that Douglas tended to make his investment decisions, he said. This assessment was done on a more intuitive level based on the impression the entrepreneur(s) made on him. Another thing that was important was being able to finish what one had started, and for evaluating this Douglas often looked at entrepreneurs' track records of education, work experience, and previous experience of entrepreneurship. He did not believe that these things had much importance in themselves but rather as indications.

Douglas believed that these entrepreneurial characteristics are defined by nature and cannot really be acquired or developed. When asked point-blank about the importance of networks he rejected the notion of them being involved in his investment decision.

Analysis

Innovation network map

We will begin our analysis by discerning the people, organizations and networks, knowledge, experiences, financial and material resources, etc., that were part of Student Competitions' innovation network and thus instrumental in making the enterprise what it is today.

In the ideation process, the single most important element seems to have been the founders' connectedness to the SSE Business Lab, an organization that not only created a platform for the founders to meet, but gave them previous experience in entrepreneurship and also gave them access to resources such as offices, legal and accounting services, and the network of people in the entrepreneurial "circle" that Chu spoke of – entrepreneurs, VCs, media, etc. – through various events and mingles. In order to get access to the SSE Business Lab, the founders' direct and indirect connection to SSE was a key.

Another element that was crucial for the ideation was the founders' experience of and involvement in student competitions. They had found these competitions through their university's student associations and in particular the committees that were responsible for connecting students with potential employers.

In the planning and development phase, the key element was the extensive network of friends that the founders could turn to for an evaluation of their idea. These friends often belonged to the target market for the enterprise – students – or were themselves entrepreneurs who had the experience and knowledge necessary to be able to quickly evaluate a business idea.

Furthermore, the availability of easy-to-use open source software for creating a website was also important for the success of the enterprise since none of the founders had extensive knowledge in programming. This software was available thanks to the web 2.0 development and the popularity and growth in user-generated content. Thus, it cannot really be attributed to this particular innovation network but is rather part of the broader institutional factors and trends that allowed this idea to come to fruition.

Once the founders were set on the idea of developing Student Competitions and decided to create an improved version of the website, they were faced with a gap in their innovation network – financial resources. They had no other sources of financing but their own unpaid work. To come around this issue, they could "bootstrap" – in essence, involve other parts of

their network that could help them achieve their goals for a much smaller investment. This included Chu contacting people he knew through competitions he had participated in and entrepreneurial mingles he had attended and getting references for web designers in China. Without the involvement of the network, the significantly lower price of making the website in China could have been offset by the high risk of making such a large purchase from an unfamiliar supplier in a far-away country. The network allowed lowering this risk of uncertainty through drawing on others' previous experiences and a "networked reputation" of certain suppliers³.

The participation in Dragons' Den is a good example of the dynamics of an innovation network and the way savvy entrepreneurs are competent in building it. Above, we noted a weakness in the network regarding the financial resources available, and participating in the program was a way to fill that hole. However, the need for cash was not acute, and rather than turn to VCs that were maybe closer at hand (for instance connected to the founders through their networks) and maybe easier to get on board, the founders saw an opportunity in expanding their network. This would not only fill their need for cash, but also be useful in terms of publicity and new contacts that were part of the Dragons' networks. Thus, by choosing to go outside their immediate network, Student Competitions expanded it instead and got access to several new functions.

The division of roles in the company according to the founders' interests and previous experiences and the using of direct and indirect contacts once again demonstrate the way the founders actively involve their networks in order to succeed. Experiences and contacts are employed to co-create the product demanded and successfully bring it to market. In the same way, they access various resources such as office space and services needed for running the business through their network.

The company's development since has been an outstanding example of the co-creative processes and interestment that shape entrepreneurial reality. The product offered by Student Competitions has taken on a life of its own and mutated to better suit the needs of the key players who could help bring it to market. The changing of the product was not a result of a stringent market analysis performed internally and decided upon before implementation; on the contrary the change was initiated by other players in the network and came to be organically. This is a clear illustration of the difference between attempting to predict and co-

³ By "networked reputation", we mean a reputation that is established within a network but does not have a clear source in one of the members of this network, but is rather a generally accepted fact.

create the future, and we believe that the success of Student Competitions can, at least partially, be attributed to them taking the latter approach.

Student Competitions' take on the actual pitch deserves an analysis in its own right, we believe. It shows some important assumptions that the entrepreneurs have about what is essential to the success of their business but also what VCs see as important. The latter is, in a way, a measure of how suitable the entrepreneurs are as spokespersons for the business towards venture capital; in order to build and sustain networks with VCs, it is important that the spokespersons understand how to woo them.

We see that when speaking of the content of their pitch, Robert describes being forced into a predictive approach while he would have preferred to be able to describe a process of intersement and co-creation with customers. This is echoed in his belief that VCs find established contacts with customers as an important argument in favor of making an investment.

As for the choice of spokespersons, we see that Student Competitions really understand the importance of this network-building capability. Robert and Niklas prepared for the pitch by looking at what was expected of them in order to connect to the VCs and involve them in their network, and they worked on improving this particular skill. They understood that taking spokespersons with different backgrounds and capabilities would be good in order to represent the broadness of knowledge within the company (one of the essential tasks of spokespersons) and also in order to maximize the chance of connecting with the VCs. Finally, they made sure to squeeze in at least a little about their backgrounds into a three-minute pitch which clearly demonstrate the importance they ascribe to themselves as spokespersons for the company.

Investor assessment

While Mats may not express or even perceive it that way, using our broad definition of an innovation network it is clear from his interview that it is a factor he takes into account when making his investment decision. An indication of this is the clear distinction that Mats makes between an inventor and an entrepreneur and the emphasis he puts on understanding the context of the enterprise and making the right connections there. This is an example of intersement in action and of creating a network of resources and contacts around the enterprise.

It has often been said by our various interviewees that a good entrepreneur is one who is good at creating a network rather than necessarily one who already has it, showing an understanding for the dynamic properties of an innovation network and their importance. Mats goes another step backwards in his reasoning and claims that a good entrepreneur understands the value of creating this network – of *interessement*, which is a prerequisite for creating it, although not entirely sufficient.

What Mats does not mention, however, is how the entrepreneur ought to use this network, which theory suggests should be for co-creating their success.

What is also necessary is the social competence to actually create a network. This comes in under the last dynamic element of our model, choosing spokespersons that can involve personal networks and actually create the innovation network. While Mats did not speak specifically of this, perhaps the “entrepreneurship buzz words” he used to describe the personality of a good entrepreneur – “driven, enthusiastic, energetic” – can be seen as a proxy for how socially competent the entrepreneur appears to be and thus how socially well-connected and, importantly, -connectible he or she is. In any case, the fact that Mats carefully described the personality of the entrepreneurs he would like to invest in shows that he places a lot of importance in an enterprise that can choose the right spokespersons.

The culture that Mats kept mentioning as important in molding a good entrepreneur is in essence part of a network of own and others’ experiences and knowledge, which Mats puts as learning from failure. This is the static, existent component of our model. This shows the understanding that Mats has for the importance of networks even if this particular case is difficult for an investor to assess. Perhaps this is why Mats chooses to see it as an experience that shapes a certain type of personality (which is easier for him to see and evaluate) rather than as a network.

Even Susanna, who started out by going in a completely different direction than the other investors and naming “hard”, product-related issues as crucial for her investment decision touched upon some factors that could be attributed to the innovation network. She admitted to such factors as the presence of a formal education and work experience being of importance for her decisions, and these are both part of the static constituent of our innovation network evaluation model. She also pointed out the importance of shared values between people working with an enterprise, which can be seen as part of choosing the right spokespersons. In a response to a direct question Susanna also said that the ability to build a network – the capability of *interessement* – is a crucial trait for an entrepreneur; however, she said nothing of this when

asked to describe her selection criteria. She did not say anything about how this network is to be built or what it ought to be used for, either.

Douglas was perhaps the investor who covered least of the innovation network in his interview. He was entirely focused on describing the desired personality traits of the entrepreneurs and was only interested in elements of the network, such as education and experience, as indicators of these traits. Thus, his focus was exclusively on choosing the right kinds of spokespersons for the enterprise, and even this in a fairly narrow sense. He even rejected the importance of the static current appearance of the network.

Gaps

It is evident that in our case, the component of our model that investors are most focused on is the choice of spokespersons, often restricted to the personality traits of the co-founding entrepreneurs. This goes entirely in line with most of the previous research on evaluation criteria used by VCs. In the context of an innovation network it is also possible that some personality traits are used as proxies for the social competence that allows entrepreneurs to successfully form networks. One fact that would indicate this is the often-repeated phrase about “a good entrepreneur being able to create a network” – something all three investors said in some form. When then asked to describe this good entrepreneur, the VCs then went back to describing the same personality traits, which shows that in their minds there is a connection between them and network connectivity.

This is essentially not contradictory of the theories we have referred to in this paper; a good spokesperson is well-connected in a certain field and has the capability to build networks, but little is said about any other traits that these good spokespersons may share. Other studies have shown that characteristics with no direct connection to networking capabilities are important for good entrepreneurs (who are also spokespersons), such as for instance passion (Chen, Yao, & Kotha, 2009). It may well be so that VCs have from experience learned to connect certain personality traits that are easy to spot with the capability to build networks and use them to evaluate the quality of the spokespersons that they interact with.

On an even more meta level, the act of seeking capital is an act of networking in itself, and the choice of who is to present to the VCs is a choice of spokesperson for a particular occasion or field. The fact that this spokesperson can adhere to the commonly established criteria about how an entrepreneur “should” and “ought to” be – enthusiastic, driven, energetic – is demonstration

of this person's understanding of the social context of building a network and his or her ability to create new network connections.

Here we can see something of a gap, albeit small, compared to what Robert and Niklas focused on for their pitch. In presenting themselves they made sure to be knowledgeable and speak of their experiences, but gave little attention to appearing as enthusiastic or driven. However, this does not seem to have worked to their disadvantage since both Mats and Douglas were very positive in their evaluations of Robert and Niklas.

Both Susanna and Mats in some way brought up the importance of *interessement*, although this was very much more pronounced with Mats. Susanna said it in response to a direct question while Mats emphasized it is a key issue.

None of the VCs, on the other hand, seemed to place any importance in knowing how to use the acquired network to co-create success. They may believe it to be too obvious to need to say – if you are clever enough to know to build a network, you must know what to do with it, or they may not have considered the question themselves. However, as Read et al. (2009) showed, not everyone knows how to employ a network (their executives probably had quite impressive ones) and that this is defining for entrepreneurial success.

Meanwhile, the entrepreneurs themselves see both *interessement* and co-creation skills as something important that they would like to have demonstrated in their pitch. They also believe that this is something that the investors value and weigh heavily into their decision. Thus, we can discern two gaps here: one between the theoretical importance of *interessement* and co-creation skills for a venture's success and the attention given to these issues by VCs; and another between the VCs' actual behavior and evaluation criteria and what the entrepreneurs choose to highlight in their pitch.

As for the static appearance of the network in the instant, Mats and Susanna both admitted that some parts – primarily knowledge and experiences – were important in their assessments. In fact, even Douglas's approach to these things as signals for personality traits could also be interpreted as seeing them as valuable experiences. This part is also perhaps least interesting or important because, as much as it is a cliché, the dynamic capabilities are much more interesting since they define the entrepreneurial ability to create a network.

Here, it may be worthwhile to introduce a time aspect to the analysis. When Student Competitions were seeking capital, they were at a very early stage in their development, with little more than an idea and a website. They had yet to find both their current business model and their current customers, and the website was also still in development. A need for further

processes of interessement, co-creation, and choice of spokespersons was still great, as is clear from the way the company has developed since. Of course, the VCs were aware of this and evaluated the enterprise accordingly. Thus, it ought to have been more important for their assessment that the entrepreneurs have awareness of and skills in interessement, co-creation, and choice of spokespersons rather than a network already being in place.

It is clear from Mats's interview that his perspective and assessment is in line with this assumption, as he put significantly more emphasis on interessement than anything else. The focus of all three dragons on the choice of spokespersons also shows their awareness of the importance of the dynamic network-building capabilities of the entrepreneurs.

Conclusions

Summary and conclusion

Let us now return to our research questions that were the starting point of this paper and briefly summarize the findings we have made in regard to these.

- How does an innovation network develop with the business and contribute to its success?

This mapping is made in detail in the analysis section above, so let us summarize it by saying that we found both an extensive network that included people, organizations, knowledge, experience, and material and immaterial resources, as well as examples of developed dynamic network-building capabilities in the case of Student Competitions.

- How do VCs perceive the innovation networks of enterprises and how does this weigh into their investment decisions?

The VCs' main focus was on the choice of spokespersons as expressed in the personality traits of the entrepreneurs. Mats also emphasized the importance of interessement, while the other VCs were less explicit about its importance. The VCs seemed to neglect the importance of co-creation almost entirely. The static innovation network was also mentioned by them to some extent, although this was not very relevant at this stage of the venture in comparison to the dynamic network-building capabilities.

- Are there gaps between what contributes to the success of enterprises in terms of innovation networks and what VCs deem important?

What we see are, on the one hand, VCs who are

- Very keen on the importance of choosing appropriate spokespersons, whom they evaluate by personality characteristics
- Aware of the importance of interessement, yet only one of the VCs actually sought after interessement skills among the entrepreneurs
- Seemingly unaware of the importance of co-creation, completely omitting it from their evaluation criteria

On the other hand, we have entrepreneurs who are

- Skilled in interessement, co-creation and choosing spokespersons for their business and whose success these skills have quite apparently been a large part of
- Aware of the importance of these three dynamic network-building capabilities and intent on demonstrating these in their pitch
- Missing the mark regarding what traits VCs look for in them as spokespersons

The picture this paints is thus of numerous gaps. Naturally, they can have affected the investment decisions made by the three VCs. In their assessment, they missed elements that, according to both theory and our analysis, were important, if not crucial, for the success of Student Competitions. Their evaluation of the likelihood of the venture's success was therefore, in a sense, lacking important input data. Had they been more aware of the network-building capabilities of the entrepreneurs, they may have been more favorable in their judgment. Something that confirms this assumption is the fact that Mats, who decided to invest and was hence the most positive in his assessment, was also the Dragon who seemed most aware of the importance of network building. At the same time, the fact that the entrepreneurs emphasize factors that are not valued so highly by VCs in their pitch further worsens their chance of getting a positive response.

Discussion

When seeing the situation described above, the question of why these gaps appear arises naturally. In this section, we will venture into a somewhat more speculative discussion about the possible causes of the gaps between theory, entrepreneurial behavior and VC perception. We will attempt to answer the following questions:

- Why are VCs so oblivious to the importance of co-creation when it is obviously important for this business?
- Why do the entrepreneurs still want to demonstrate co-creative ability in their pitch rather than focusing on demonstrating the sort of personality VCs will want to invest in?

We believe that part of the explanation to this may lie in the format of the pitch and its consequent evaluation imposed by the TV logic of Dragons' Den. This was something that Robert kept returning to in his interview and what prevented him and Niklas from demonstrating their interessement and co-creation efforts in their pitch. If the pitch is forbidden from touching upon concrete contacts and their effect on the venture, it is essentially forced into the predictive logic that Read et al. (2009) explicitly oppose to the co-creative entrepreneurial logic. This would

explain the Dragons' not looking for cues of interest and co-creation despite being aware of their importance: they realize they won't find them.

Instead, the Dragons put disproportionately much emphasis on the third dynamic network-building capability, the choice of spokespersons. This is the only part of the network that cannot be eliminated from the equation completely since the pitch in itself is performed by spokespersons in an act of network-building. Even here, though, the possibility to fully evaluate the spokespersons' existent network connections, which is theoretically an important criterion, is non-existent due to the restrictions that forbid speaking of particular network connections.

What is left to evaluate for the Dragons, then, is the competence of the entrepreneurs in internal issues (such as finances, which Robert pointed out) and their performance during the pitch as an example of network-building and a proxy for how well-connected they are likely to be in general. The latter is expressed as a list of personality traits that are relatively easy to perceive during a pitch and which indicate (1) an understanding of the social context of network-building and the ability to adhere to expectations within that context in order to build a network and (2) the likely performance in network-building situations in general – enthusiastic and driven people have an easier time establishing and nourishing contacts than bored and lazy ones.

The question that remains is then how come the entrepreneurs are not more aware of what traits the VCs will be looking for and why they don't work harder to demonstrate them? Part of the explanation is probably that they are used to a more standard pitching situation which does not impose all the boundaries that Dragons' Den does and therefore dissipates the VCs' attention to many factors rather than focusing it on the single one that is allowed to be discussed. This is in line with what Robert said in his interview about the situation in Dragons' Den being stressful and unfamiliar, and quite natural – there is no reason they would expect the TV logic. Another explanation could be that we, in our eagerness to analyze, have become a tad too cynical; perhaps, the enthusiasm could actually be genuine?

We can thus conclude that if there is truth to our speculations above, Dragons' Den does not seem to be a particularly good meeting platform for entrepreneurs and VCs. It eliminates the important issues of network building and connectivity from the discussion. This is damaging both for the entrepreneurs, who are forced into a predictive mindset that is not typical for them and that hides their strengths, and for the VCs who are severely restricted in their opportunity to evaluate the entrepreneurs' network-building capabilities that are so important for the venture's success.

Of course, Dragons' Den has its advantages as well: it creates publicity for both the entrepreneurs and the VCs and it is a network hub of sorts that brings together previously unconnected actors, which is rarer for traditional venture capital platforms. However, both entrepreneurs and VCs should be aware of both the advantages and disadvantages of Dragons' Den when choosing whether to participate or not, and weigh them against each other carefully.

Delimitations and questions for further study

We can see that our study, however unintentionally, has come to conclusions that are quite specific for the circumstances of Dragons' Den. While we were aware that a case study would not give us results that could easily be generalized, we did not expect the specifics of Dragons' Den to become this important for our conclusions. This gives us even less of an opportunity to give any general response to the research question of how innovation networks affect VCs' assessments of ventures, since we clearly are not dealing with even a typical case of seeking venture capital. For the same reason, we cannot give any normative advice about how VCs or entrepreneurs should behave to make the evaluation process as efficient as possible.

However, while unexpected, our results are curious and open for further study. Is it in fact so that Dragons' Den is a poorly designed platform for bringing together VCs and entrepreneurs? And if it is, can this be quantified in poorer average return on investment? Does the publicity that the show garners balance the negative effects it has on the evaluation process? Is there perhaps a self-selection mechanism that makes a certain type of entrepreneurs more prone to participate in Dragons' Den? If yes, what type of entrepreneurs and what effect does this have on the quality of the investments? For instance, do people generally come with higher-quality business ideas to Dragons' Den than to other venture capitalists, perhaps out of fear of looking bad on TV, and does this offset the negative characteristics of the platform? As we see, there are plenty of interesting questions calling for more extensive qualitative and quantitative studies of the Dragons' Den concept.

As we have said, we did not intend to achieve results that could be generalized; this was not the purpose of our study. We intended a more conceptual study that would begin to bridge two fields of research and give a starting point for further, more extensive research by indicating possible trends, opening up new questions, and providing a theoretical framework to use in such studies. This we also have achieved, although the advantages and disadvantages of our framework can be discussed and improvements can certainly be made.

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Interviews

Douglas Roos, Venture Capitalist, interviewed 2011-04-29 by Katja Smuk, telephone

Susanna Falkengren, Venture Capitalist, interviewed 2011-04-28 by Katja Smuk, telephone

Mats Gabrielsson, Venture Capitalist, interviewed 2011-04-14 by Katja Smuk, live at GIAB's office, Solna

Robert Lyngman, Co-Founder of Student Competitions AB, interviewed 2011-05-20 by Katja Smuk, telephone

Zhu Chu and Gustav Borgefalk, Co-Founders of Student Competitions AB, interviewed 2011-04-06 by Cathrine Engwall and Katja Smuk, live at Student Competitions' office, Stockholm

Appendix 1 – Interview Guide

As mentioned in the Method chapter, the conducted interviews were semistructured and allowed the interviewees to steer the direction of the discussion to some extent. This makes it impossible for us to present a complete set of questions applicable to all interview cases. Instead, we will below attempt to elaborate on the general research questions that were our guiding principles during all interviews and exemplify them with interview questions that were asked in regard to each research question.

When interviewing the founders we focused on the first research question – the mapping of the innovation network and its dynamics. What we were looking for was data on both the static appearance of the innovation network at the moment of Student Competitions' participation in Dragons' Den and, perhaps even more importantly, the dynamic network-building that had led up to this. We were interested in answering questions such as:

- What did the network look like at the moment of seeking capital? What elements can we discern?
- How did these elements interact to create the success of the enterprise?
- How has the network developed dynamically?
 - Can we find examples of *interessement*, when new players were engaged in the network?
 - Are there instances of *co-creation* when Student Competitions engaged their network in shaping their product and spreading it to the market?
 - How have *spokespersons* for the enterprise been chosen?
- All in all, how apt do the founders of Student Competitions seem to be at building and nurturing an innovation network?

In order to do this in a manner that would feel simple to our interviewees and not bias their answers, we asked them to describe the development of the enterprise over time. This gave us the information we were looking for – both the static appearance of the network and its dynamics such as the addition of new elements or the exploitation of available contacts for advancing the business. Questions that we asked the founders were, for instance:

- Tell us about how you got the company idea? Who was present? Where and when did it happen? Where did the idea come from – personal experience, other similar ideas, etc?

- How did you go about trying out the idea right after you got it? Why did you think it was a good idea? Did you test it in any way, and if so, how? Who was involved at this stage?
- When you were convinced of the idea's quality, what did you do to implement it? Who was involved and to what extent? How did you know these people? What was your next step?
- Why did you decide to seek capital? Why did you settle on Dragons' Den? How did you go about preparing your pitch? What did you focus on in pitching? Would you have done anything differently today?
- How has the business developed since? How do you think the addition of Mats Gabrielsson and his investment to the company has affected its development?

These are the kinds of general questions that we used to guide our interviews in the right direction. However, these were naturally varied with much more detailed follow-up questions in reaction to what the interviewees said, such as asking how they found their current office when they mentioned moving into it.

When interviewing the three Dragons our focus was on exploring the second research question, namely the mapping of the VCs' assessment of the innovation network. We were interested in finding out answers to questions such as:

- What can the Dragons say about the specific case of Student Competitions? How do they explain their respective investment decisions?
- What is important to them when considering an investment opportunity? What constitutes an investment opportunity likely to be successful? Do they consider the innovation network?
- What, in their opinion, makes a successful entrepreneur? Are they aware of the importance of dynamic network-building capabilities? How important are the entrepreneurs as persons to the investment decision?
- Of the four components of innovation networking (the static network and the dynamic network-building capabilities), which do the VCs focus on, if any, and which are less important or entirely neglected, if any?

Since we did not want to bias our interviewees, we never asked squarely about the importance of innovation networks to their assessment. Instead, we asked more general questions about their investment decisions and guided the interviewees in the direction of networks with follow-up questions to anything that could be interpreted as related to innovation networks. The general questions we asked the Dragons were, for instance:

- Do you remember Student Competitions and their pitch? Can you say anything about the reasoning behind your investment decision?
- How do you usually go about your investment decisions? What factors do you take into consideration and how important is each of them? What makes a good investment?
- What constitutes a good entrepreneur and thus a good investment? What qualities or capabilities do you look for? How does an entrepreneur acquire these? Where do good entrepreneurs come from? How important is your assessment of the entrepreneur(s) for your investment decision?
- What makes a good pitch? What are you looking for in a pitch that is being made to you?
- How does the Dragons' Den format differ from other instances of venture capital allocation that you have experienced?

Once again, these are general questions directly connected to our research question and intended to guide the interviews in the right direction for our data collection. The interviews also contained individual follow-up questions meant to help us explore our questions deeper and make the interviewees talk about networks by catching on to things they said themselves.