

The Art of Convincing Investors

A qualitative study on how entrepreneurs convince investors to provide funding when being in a position of financial dependence.

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Abstract:

This thesis explains how entrepreneurs in Stockholm, with personal skills and strategies, convince investors to provide funding. Ten semi-structured interviews with entrepreneurs who all have received funding serve as the basis for this qualitative study. The theoretical framework consists of *The Resource Dependence Theory* and *Cialdini's Theory of Influence*. Alternation between collection of empirical data, theory application, and analysis is used to understand how entrepreneurs can persuade investors when being financially dependent. The findings demonstrate the importance of:

Successful personal skills: being an effective communicator; being empathetic; and being trustworthy and honest

Successful strategies: reaching out to many investors; being introduced by someone familiar to the investor; not explicitly revealing financial desperation; creating a vision of future success, uniqueness and a common goal; and acting on the investors' flock mentality

This study serves as guidance for entrepreneurs seeking funding by illustrating examples of personal skills and strategies proven successful, and how those are enacted in practice, when convincing investors. Additionally, as this study takes the entrepreneur's perspective, it serves as a complement to previous research which is currently dominated by the investors' point of view.

Keywords: Dependence, Entrepreneur, Funding, Personal Skills, Strategies

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Definitions

Angel Investors: An *angel investor* is a high net worth individual who provides financial support to smaller startups (Ganti, 2020).

Crowdfunding: *Crowdfunding* is a form of financing where investors contribute small amounts of capital through websites (Företagande, 2019).

Financial Dependence: By the term *financial dependence*, the researchers refer to the situation of being in monetary need.

Financing=Funding: In this report, the researchers equalise the terms receiving *financing* and receiving *funding* with receiving money from an investor.

Funding Outcome: With *funding outcome* the researchers refer to the outcome of the funding process in terms of if the entrepreneur receives funding or not from the investor.

Incubator firm: An *incubator firm* is an organisation focusing on helping early stage companies with their development until they have reached enough financial-, human-, and physical resources to be able to function on their own (Kenton, 2020).

Pre-Seed Funding: *Pre-seed funding* is a form of investment used in the early stages to get the company started. The investors in this stage are usually the founders themselves as well as family and friends (Reiff, 2020).

Seed Funding: *Seed funding* is early financial support provided by, for instance, friends, incubators, angel investors, or venture capitalists. This funding represents the first official capital that a company raises and can be seen as the seed that will help the business grow (Reiff, 2020).

Social Capital: *Social Capital* refers to a person's personal relationships and networks which contribute to an organisation's success (Kenton, 2019).

Startup: A *startup* is a young company founded by entrepreneurs with the aim to develop a unique product or service and introduce it on the market (Fontinelle, 2020).

Unicorn: The term *unicorn* describes a privately held startup company with a value over \$1 billion (Chen, 2020a).

Venture Capital: *Venture capital* is a type of financing in the private equity investment class. It concerns providing funds to startups with long-term growth potential. (Chen, 2020b).

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1. Introduction

1.1 Background

“It's not only crucial, it's a breaking point of whether the business will survive or not, it's like a knife against the throat.”

- Ben, interviewed entrepreneur in this study

“We have been flying on fumes. It has been like: We have to have the money at this point in time or we cannot meet payroll.”

-Adam, interviewed entrepreneur in this study

Lack of resources, including money, is one of the main reasons for why startups fail (Lee Yohn, 2019). Often, entrepreneurs do not control the resources needed for seizing business opportunities which is why they have to rely on external investors (Scott et al., 2002).

Securing investments to support growth is thus an essential factor that distinguishes successful startups from unsuccessful ones (Abbassi et al., 2016). Given that the ability to receive funding has a prominent effect on the performance of the startup, an entrepreneur's ability to convince an investor to provide financing will affect the future success of their company (Scott et al., 2002).

The funding process for entrepreneurs consists of some common phases. Before receiving financing, the entrepreneur has to prepare a winning pitch, present the business idea at a meeting with potential investors, perform relationship building with the investors, pass the due diligence process, and negotiate the contracting terms (Cremades, 2018). During all of those phases the entrepreneur's personality affects whether an investment will be received or not (Baron et al., 2000). This leads to the question of how an entrepreneur, apart from personality, can affect the funding outcome.

This thesis has its roots in thoughts such as: *What are success factors among entrepreneurs receiving funding? Can entrepreneurs affect their chances of receiving funding? How does an entrepreneur act from a position of financial dependence?* In order to find answers to

these questions, this research will investigate common personal skills and strategies among entrepreneurs who have received financing from a position of financial dependence.

1.2 Purpose and Research Question

This study aims to identify common strategies and personal skills among financially dependent entrepreneurs making their way through the funding process. The purpose of this study is thus to shed light on how entrepreneurs themselves can affect the funding outcome. The research question for this study is, therefore, the following:

“How do entrepreneurs convince investors to provide funding when being in a position of financial dependence?”

1.3 Scope of the Study

This study takes the entrepreneur's perspective and focuses on their role in the funding process. By focusing on the entrepreneur, the researchers aim to capture aspects beyond the investors' perception of how entrepreneurs convince them. The personal skills and strategies that an investor identifies during an investment meeting might differ from the ones actually used by the entrepreneur. In addition, the entrepreneur might capture important aspects for the investors that investors themselves are not aware of and therefore have not explicitly stated as important. For these reasons, it is of interest to investigate the entrepreneur's perspective further. Moreover, the research is limited to only successful cases. All interviewed entrepreneurs have successfully navigated through the funding process and thus represent success stories of entrepreneurs receiving funding. By doing this, the researchers hope to be able to more strongly underline the relevance of the identified common strategies and personal skills, as they, in several cases independent of each other, have been proven successful.

Further, the research is geographically restricted to Stockholm. In 2019, Sweden was ranked number two after Switzerland as the world's most innovative country according to the Global Innovation Index (World Intellectual Property Organization, 2019). Additionally, Stockholm is also known as Europe's unicorn factory as it is the city with most \$1 billion-plus companies per capita after Silicon Valley (Trajkovska, 2019). Over the last decades, companies like

Skype, Spotify, Klarna, and Mojang have emerged from the Stockholm startup scene. As talent attracts talent, the Stockholm startup scene is benefitting from qualified entrepreneurs, moving to the capital from all over the world (Invest Stockholm, n.d). With Stockholm being a famous European startup hub with many upcoming companies and entrepreneurs, the researchers believe that the territorial limitation is reasonable for a bachelor thesis and that it will provide value to both current and future entrepreneurs in Stockholm.

Investments can come from a number of sources including venture capital, angel investors, family, friends, debt, and crowdfunding (Davila, et al., 2003; Reiff, 2020). However, this study will be restricted to the funding process between entrepreneurs and the two external parties; venture capitalists and angel investors. By not including family and friends the researchers aim to exclude biases with regards to personal relationships. Furthermore, crowdfunding is excluded due to its lack of face-to-face interactions between investors and entrepreneurs (Företagande.se, 2019). Lastly, debt financing is excluded because it is typically not available for emerging startups as institutions have a hard time assessing the value of the startup's intangible assets (Becker-Blease, 2015).

1.4 Expected Contribution to Management Research

The study aims to complement previous research covering the funding process and relations between entrepreneurs and investors (section 2.1). Since receiving financing is a crucial factor for a startup's success (Scott et al., 2002), having knowledge about how to convince investors is vital. Previous studies, conducted by Baron and Markman (2000); Bernstein, Korteweg, and Laws (2017); Cremades (2019); Huang and Pearce (2015); Artinger, Vulkan, and Shem-Tov (2015), have focused on identifying what investors look for in an investment prospect. However, what can be done by the entrepreneurs has not been studied to the same extent. By taking the entrepreneur's perspective in the investment process, the researchers aim to identify what entrepreneurs have perceived to be success factors when seeking funding. This study, therefore, investigates how the investors' prerequisites are translated into personal skills and strategies as well as how those are enacted in practise in order to receive a positive financing decision. Further, as Sweden encourages innovation and entrepreneurship (Swedish Institute, 2018) many entrepreneurs from all over the world have been attracted to

the area (Invest Stockholm, n.d). By interviewing entrepreneurs active in the Stockholm area, this study intends to outline how entrepreneurs, who want to succeed on the Swedish market, can attract funding. Additionally, this study also contributes to the theoretical dimension of existing management literature by applying the chosen theories, *Resource Dependence Theory* and *Cialdini's Theory of Influence*, in relation to each other in a context not used before.

2. Theory

2.1 Literature Review and Research Gap

To find guidance on how to answer the research question, the researchers looked into the existing literature covering the investor-entrepreneur relationship. Baron et al. (2000) show that what initially attracts investors to engage in a dialogue with an entrepreneur is a high level of social capital. Baron et al. state that social capital is affected by reputation, previous contacts, and relevant experience. However, their research underlines that when the face to face interactions begin, the entrepreneur's personal skills play a vital part in whether funding will be received or not. Baron et al. further show that social skills, such as making a good first impression and being persuasive, influence the investor's willingness to provide financing.

Brush (2008) also shows that the entrepreneur's ability to persuade is important when convincing potential investors to provide funding. He underlines that as investors are targeted by many different entrepreneurs, persuasion should be seen as one key dimension in an entrepreneur's social skills. Another study, conducted by Artinger et al. (2015), investigates the interactions between entrepreneurs and various stakeholders during negotiations. The conclusion from this research is that entrepreneurs use a lot of arguments and emotions when negotiating with external parties, as this portray their assertiveness and involvement.

According to Huang et al. (2015) the entrepreneurs themselves are part of the investor's consideration when deciding whether to provide financing or not. When assessing the entrepreneur, Huang et al. show that investors look at factors such as credibility, commitment and trustworthiness. Cremades (2019) supports Huang et al.'s findings and underlines that these factors are shown to be of particular importance in the early fundraising rounds, meaning pre-seed and seed rounds, as they mainly are what investors can judge the entrepreneur on. Bernstein et al. (2017), further, highlight the importance of the founding team as investors believe that it directly impacts operational performance and therefore also the future success of the startup.

The extensive literature on the topic explores many areas of the investor-entrepreneur relationship and in general, takes the investor's perspective. However, by taking the entrepreneur's perspective this study aims to act as a complement by identifying what entrepreneurs themselves see as successful personal skills and strategies when securing funding, which can differ from what the investors explicitly have expressed to be important.

2.2 Theoretical Framework

In order to secure future growth and survival of the startup, entrepreneurs have to attract monetary resources (Lee Yohn, 2019). When the entrepreneur convinces an investor to provide funding it is generally done from a position of financial dependence, making it relevant to have a dependence theory as a part of the theoretical dimension of this study. *The Resource Dependence Theory* is chosen to cover this aspect (section 2.3).

An entrepreneur's persuasion skills play a vital role when convincing potential investors as investors are targeted by many different entrepreneurs (Brush, 2008). Studying entrepreneurs' persuasion skills are therefore relevant as these skills affect fundraising success. During the interviews, the entrepreneurs also pressed on the importance of persuasion and its effects on the funding outcome. Therefore, the researchers decided to have persuasion as the second theoretical target represented by *Cialdini's Theory of Influence* (section 2.4).

2.3 Resource Dependence Theory

The *Resource Dependence Theory (RDT)* has over the years been used in several research contexts in order to shed light on strategies used to combat a firm's dependency on its external environment (Collins et al., 2009). The theory has, for instance, been used to explain and understand why firms acquire other firms, the role of the board of directors when minimizing dependence, and how the formation of inter-organisational relationships, such as joint ventures, help organisations acquire resources to reduce interdependencies (Ibid). The *RDT* was initially introduced by Pfeffer and Salancik in 1978 and argues that a corporation is an open system dependent on its external environment. Even though external factors

constrain organisational behaviour, the theory believes that managers with actions can influence and reduce their company's dependencies (Ibid).

When resources are scarce firms must focus on establishing strategies in order to decrease their dependence on those resources, and as a result increase the control over their environment (Galvão et al., 2019). The *RDT* puts emphasis on establishing cooperative relationships through which one can gain access to the scarce resources needed to survive (Ibid). The party holding the resources is said to have power over the party in need (Collins et al., 2009). In the context of the investor-entrepreneur relationship, the researchers conclude that the investors can be seen as having the power since they hold the monetary resources crucial for the startup's survival. In order to decrease the dependence on investors, the aspect of building cooperative relationships, brought up in the *RDT*, should be considered by the entrepreneur throughout the funding process. As the entrepreneur is dependent on the financial resources held by investors and as the monetary resources give the investor a power position, the researchers find the *RDT* suitable for the research at hand.

2.4 Cialdini's Theory of Influence

Robert Cialdini, based on controlled psychological research, concludes six principles on how to persuade others (Cialdini, 2001). The theory has mostly emerged from studies in the sales and marketing sectors. However, studies of public relations agencies and fund-raising companies were also a part of Cialdini's subsequent research in order to provide a general theory that could be used in a diverse set of persuasion scenarios (Ibid). Regardless of social context, the six principles *reciprocity*, *consistency*, *social proof*, *likability*, *authority*, and *scarcity* were repeatedly found present (Ibid). These principles will be further explained in the following sections.

As persuasion is identified as an important skill in the entrepreneurial context (Baron et al., 2000; Brush, 2008) and as the whole funding process can be seen as one long persuasion (Chen et al., 2009), the researchers find it suitable to adopt *Cialdini's Theory of Influence*.

2.4.1 Reciprocity

Reciprocity is the social norm of trying to repay what another person has provided. If you give someone something they will feel obligated to give back something in return in the future (Cialdini, 2001). To effectively use reciprocity one should be the first to give something unexpected and personalised (Cialdini, 2015).

2.4.2 Consistency

Psychologists have shown that people strive for consistency because it is highly valued by society (Cialdini, 2001). The principle of consistency can be activated by looking or asking for small initial commitments as people tend to be consistent with what they previously have said or done. If someone commits to something by writing it down or saying it out loud they are more likely to actually follow through with the action (Cialdini, 2015).

2.4.3 Social Proof

The principle of social proof suggests that people tend to act based on what other people have done or thought in the same situation (Cialdini, 2001). By informing a person about what others have done in a certain scenario, one can stimulate compliance by the influence of social proof. Social proof is shown to be important in situations with a lot of ambiguity since people's uncertainty makes them search for guidance in others' previous behaviours. Further, social proof has been shown to be most effective when it comes from people that are similar to ourselves (Ibid).

2.4.4 Likability

Likability is about getting people to like you and it bears an important role as people tend to say "yes" to a greater extent to the people they know and like (Cialdini, 2015). Likability can be achieved in several ways. For instance, it is shown that people like people who like them, who are similar to them, and who are cooperative and share a common goal (Ibid). There are also actions that can be taken to increase likability, such as increasing familiarity through more frequent encounters (Cialdini, 2001).

2.4.5 Authority

The principle of authority covers the idea of people following the lead of the ones they perceive as credible and knowledgeable (Cialdini, 2015). Before one can influence and persuade others, one needs to be able to signal what makes them a knowledgeable and credible expert based on their background and current expertise (Ibid). Symbols, such as titles and clothes, are shown to increase the perceived authority of people (Cialdini, 2001).

2.4.6 Scarcity

Scarcity covers the fact that people tend to find things that are less available to be more valuable (Cialdini, 2001). In addition, the principle emphasises that people become most attracted to an item when they have knowledge of others competing with them for the same thing (Ibid). Information about things that are limited and more exclusive is shown to be more persuasive (Cialdini, 2015). Therefore, in order to sell something successfully, both the benefits and the uniqueness of the offer should be highlighted (Ibid).

2.5 Theories in Relation to Each Other

The two chosen theories, consisting of the *Resource Dependence Theory* and *Cialdini's Theory of Influence*, can be seen as being interrelated with each other. By highlighting the entrepreneur's persuasion skills when being financially dependent, the theoretical framework aims to provide insights into what extent an entrepreneur can affect getting a positive outcome in the funding process. A self-constructed visualisation of the theories and their role in the funding process can be seen below.

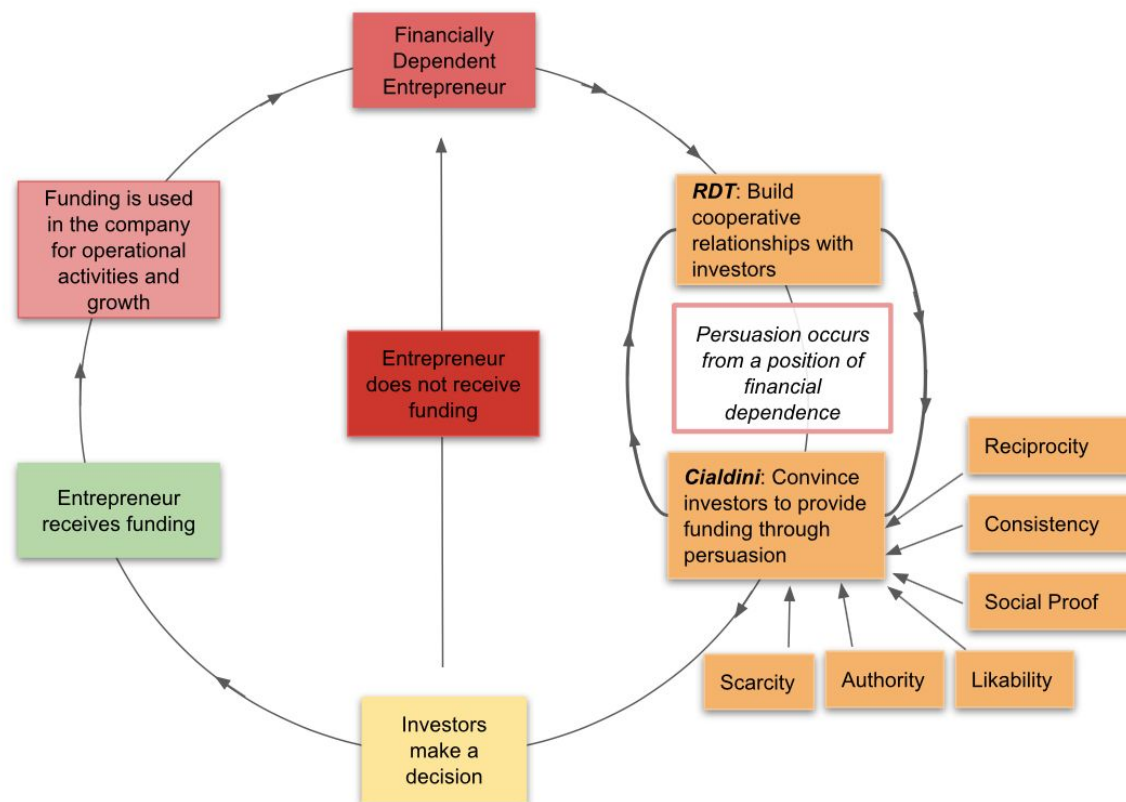


Figure 1: A self-constructed visualisation of the theories role in the funding process

2.6 Theory Discussion

The *Resource Dependence Theory*, has received some criticism for solely putting the materialistic object in focus and ignoring other important aspects when assessing the power structure in a relationship. If power is to be understood correctly, socially constructed meanings, such as values and interests, should also be taken into consideration (Nienhüser, 2008). Previous findings indicate that the monetary aspect is crucial for the success of entrepreneurs (Abbassi et al., 2016; Lee Yohn, 2019) and the entrepreneurs in this study also emphasised their monetary need. From this, the researchers concluded that the investors' power is based on their possession of the resources as this was what the entrepreneurs particularly underlined. Hence, the researchers still, even despite this criticism, find the *RDT* relevant in the entrepreneurial context. Another possible point of criticism of *RDT* is the fact that it has mostly been applied to organisations or groups and not individuals (Collins et al., 2009). The question of how applicable the theory is in a funding context arises. However, because the theory focuses on how to, overall, decrease resource dependence and this is what the goal with the funding process is, the researchers still find it suitable. By applying the

theory in the funding context the researchers also aim to contribute to an expansion of the theory's relevance in the context of individuals.

The second theory in the theoretical framework, *Cialdini's Theory of Influence*, could have been replaced by another existing theory covering negotiation and persuasion strategies. If any other theory, such as *Game Theory* (Hayes, 2019) or *The Theory of Reasoned Action* (Gardikiotis et al., 2015), would have been chosen the conclusion may have been different. Nonetheless, the researchers believe that *Cialdini's Theory of Influence* provides a more holistic view on the persuasion process as it has been used in a diverse set of contexts and as it covers several dimensions affecting persuasion. This motivates the choice of this particular persuasion theory. Even if the researchers find *Cialdini's Theory of Influence* most suitable it has been criticised for its simplification of the, in reality, complicated process of persuasion (Jacobs, 2014). The researchers therefore understand that using this theory might give an incomplete picture of reality. The researchers, however, hope that by not explicitly asking the respondents about the principles, other aspects besides the six principles covered by Cialdini can be captured. Those other aspects contribute to a more complete view of reality and hence compensate for the drawbacks of the theory.

The researchers believe that *Cialdini's Theory of Influence* and *the Resource Dependence Theory* together complement each other and provide the research with good insights, both as individual theories and in relation to each other. If one theory would have been excluded or another combination would have been used instead, the research would potentially have taken another direction.

3. Method

3.1 Choice of Method and Research Strategy

3.1.1 A Qualitative Study Based on Constructivism and Interpretivism

As entrepreneurs might perceive the funding process differently, a qualitative research strategy focusing on the individual is suitable as it captures different views on a similar situation (Bell et al., 2019). In addition, an open ended format of the research question is adopted because it enables the researchers to capture nuances in the empirical data. These nuances would not have been possible to capture with a quantitative approach as respondents in that setting are not allowed to elaborate freely when answering questions (Ibid).

This study takes an ontological approach of constructivism as it assumes that reality is constructed, made real and constantly revised through social interactions, actions and understandings of humans (Bell et al., 2019). The approach is visible in the way this study covers the entrepreneurs' understanding of the funding process and how their perceptions have developed with their experience of seeking funding. The approach is further visible in the researchers aim to, through interpretation, capture every entrepreneur's individual subjective experience and the meanings behind their socially constructed realities. When investigating the role of an entrepreneur in the funding process and in what way they perceive themselves as being able to affect the funding outcome, personal skills and strategies are assumed to be results of their own meanings. As capturing every entrepreneur's individual subjective experience is the focus, rather than portraying the social reality as definitive and created by external forces, the choice of this ontological approach is motivated. Further, the researchers main concern to empathically understand why entrepreneurs behave in the way they do, shows that the study builds on an understanding of human behaviour, which also implies an interpretivist approach (Ibid).

3.1.2 An Abductive Study Approach

Theory and empirical data have throughout the research process been collected alternately and have, therefore, in the process been shaped after each other which implies an abductive

approach (Bell et al., 2019). More concretely, the researchers first constructed an initial interview guide aimed to investigate the identified research gap. As the process unfolded, minor alterations to the interview guide were made in relation to what had been found in literature and in the conducted interviews. The researchers turned to theory in order to find explanations for the empirical data. Theory could to some extent provide explanations for the findings, however, the empirical data also added new dimensions not covered by the theory. By alternating between literature research and interactions with the entrepreneurs, the researchers could condense the number of themes suggested by theory when observing their presence in practice, at the same time as new perspectives arose from the empirical data.

3.1.3 Cross-Sectional Design

A cross-sectional design is used as multiple funding cases were examined during a condensed two-month time period (Bell et al., 2019). As the researchers' mission was to gain a more holistic understanding of the funding process and the entrepreneur's role in it, it was suitable to study a greater subset of entrepreneurs rather than focusing on one or two single cases.

3.2 Interview Process

3.2.1 Sample Selection

In order to answer the research question the researchers needed to get in contact with entrepreneurs who successfully had participated in the funding process. As this study takes the entrepreneur's perspective, only entrepreneurs and not investors were contacted.

Purposive sampling was used when making the selection, which entails a combination of generic purposive sampling and snowball sampling (Bell et al., 2019). The selection of startups, made by the researchers, was done purposely based on the definition of what a startup is (see definition list) as well as on the criterias of the startup being located in the Stockholm area and successfully having received funding at least once. The researchers used a variety of startup incubators as guidance for who to reach out to. After some interviews, the researchers also received recommendations from the respondents of other entrepreneurs to contact, representing the snowball sampling. In total, 71 startups were contacted, 28 responded, and in the end ten participated in the study. A few more interviews were scheduled but got cancelled due to the COVID-19 pandemic. The entrepreneurs were

contacted through email (Appendix 1) with the aim of getting in touch with the founder who had been part of the initial funding processes. Appendix 2 summarises the interviewed entrepreneurs.

3.2.2 Collection of Empirical Data

The empirical data was collected through semi-structured interviews. As multiple interviews were conducted, some structure could ensure comparability between the cases (Bell et al., 2019). Semi-structured interviews were used because that format provides more nuanced empirical data as the interview questions are asked in a general and explorative manner, to which the interviewees can answer and elaborate freely. By asking broader questions the risk of steering the answers of the entrepreneurs in a certain direction is mitigated (Ibid).

The literature review served as the starting point for the interview guide (Appendix 3) used during the semi-structured interviews, where emphasis was put on understanding the entrepreneur's strategies and personal skills during the funding process. The interview questions followed the chronological order of the funding process, starting with the entrepreneur's preparations and ending with term negotiations. By having a certain order, the questions covering the different parts could flow better (Bell et al., 2019). In addition, the chronological order was also used with the intention to make it easy for the entrepreneurs to follow the structure of the interview and as a result make them feel more comfortable. As empirical data was collected, minor changes were made to the interview guide in order to adjust it to the research question and eliminate the possibility of entrepreneurs only providing yes or no answers, in line with Bell et al's (2019) recommendations.

Before each interview, the researchers conducted an information sheet about the entrepreneur, the startup and previous investment rounds. The researchers did this background research in order to be able to act professionally when entering the interview. These preparations also demonstrated a genuine interest for why that specific entrepreneur had been chosen for the project which facilitated small talk before starting the interview.

All interviews began by asking the entrepreneur about their entrepreneurial background and current startup. This was done to make the entrepreneurs feel at ease and get the conversation

going. All face-to-face interviews were conducted at the entrepreneur's office to make it more convenient for them. By having the interviews face-to-face the researchers could build rapport with the respondent and nonverbal clues, such as facial expressions, could be observed which enabled a better flow in the interview. Four interviews had to be conducted over telephone as a consequence of the COVID-19 pandemic. In that setting, body language could not be observed and discomfort or confusion could therefore not as easily be identified, making it harder for the researchers to adapt their communication. For instance, it was hard for the researchers to understand whether a moment of silence from the entrepreneur represented a normal pause or if it was an indication of the entrepreneur expecting a new question. A lesson learned after having performed the telephone interviews was, thus, that a visual media, such as Skype, probably would have been a better alternative. However despite these drawbacks, fruitful content could still be collected as a result of the entrepreneurs' effort and willingness to help.

The interviews lasted between 20 and 60 minutes with an average length of 40 minutes. The length of the interview was adjusted to fit the entrepreneur's schedule. All interviews covered the entire funding process, but with different lengths and in-depth answers. Both researchers were present during all ten interviews which enabled them to have different roles in the process. One of the researchers took the role as interviewer. This person asked the questions from the interview guide and could therefore establish trust and build a good relation with the respondent. The other researcher had a more observative role and made sure all questions had been asked and, when needed, asked follow up questions. This allocation of work helped the researchers to be as present as possible during the conversation and get detailed answers relevant for the study.

3.2.3 Processing of Data

Every interview was transcribed within the same week as it took place to quickly resolve any possible misunderstandings. Minor clarifications were made by request of some of the entrepreneurs, however, none of the entrepreneurs felt the need to withdraw any of the data that the researchers used in the empirical part of the report. In some cases, additional words were added to the quotes used in the empirical data section with the aim to improve readability. Apart from quickly resolving issues with regards to the transcribed data, another

advantage of processing the interview so closely in time, was that it enabled a better understanding of the collected empirics as they were processed with the actual interview fresh in mind (Bell et al., 2019).

For the analysis of the empirics a thematic analysis was used (Bell et al., 2019). This entailed that from each transcribed interview the main points were highlighted and coded individually by the researchers and then compared in relation to each other. Later, a comparison between the different interviews took place to identify patterns in the empirical data and the subcategories were developed based on their repetitive mentioning by the entrepreneurs. After having conducted ten interviews and having over 85 pages of transcribed material, the researchers could identify similar themes occurring over and over again which indicated empirical saturation.

3.3 Ethical Considerations

The ethical consideration is based on the four ethical principles mentioned by Bell, Bryman and Harley (2019). These four consist of *avoidance of harm*, *informed consent*, *protection of privacy through confidentiality*, and *preventing deception*.

In order to prevent deception the researchers made sure to with precision inform the entrepreneurs with the purpose of this study, which also relates to the principle of informed consent. The principle of informed consent entails that participants should be given as much information as necessary for them to be able to decide whether or not they wish to be a participant in the research at hand. In order to give the participants the opportunity to make an informed decision, the researchers provided a brief description of the thesis project and the entrepreneur's role in it in the initial email. The researchers also gave the entrepreneurs the option to contact them for further clarifications and questions to make the respondents feel comfortable with their decision of participation. Before starting the interview, the possibility of withdrawal from the project was emphasised to make the entrepreneurs feel as confident as possible with their choice of involvement.

When it comes to the principle of protection of privacy through confidentiality, the researchers, already during the first email to the entrepreneurs, emphasised the entrepreneur's anonymity throughout the entire process if he or she decided to participate. Further, to keep the respondents anonymous, names and companies were replaced with pseudonyms. In the interview stage the ethical consideration of anonymity was mentioned again to the respondents in order to create a trustworthy and safe environment. Moreover, to avoid harm, the interviewees were also provided information about how the data would be used and ensured that the answers would only be subject to this particular research study and not distributed in any other way. The researchers were also throughout the interview observant of the fact that different entrepreneurs might find different aspects sensitive and adjusted accordingly, such as not asking about financial numbers when this was mentioned as a sensitive topic. To further fulfill the principle of avoidance of harm the respondents were asked whether or not they were fine with having the the interview recorded and transcribed. All entrepreneurs expressed that they were comfortable with this setting.

3.4 Method Criticism

To assess this qualitative study the following four criterias proposed by Bell, Bryman and Harley (2019) will be used: *credibility*, *dependability*, *confirmability* and *transferability*.

An important part of the credibility criteria is respondent validation as it ensures a good correspondence between the researchers' findings and the actual experience of the interviewees. By sending a transcript, if wanted, of the interview to the respondents accuracy could be improved. However, a drawback with regards to the credibility criteria, comes from the fact that some interviews covered a funding process that had taken place a long time ago. This might have resulted in some situations not being accurately described and thus represent an incorrect reflection of reality. An ideal study design to counter this limitation would be to collect empirical data simultaneously as the funding process unfolds. This was, however, impossible to do as the funding process lasts longer than the time frame of this project. Nevertheless, as many respondents covered the same topics, no matter how close in time the funding round was, the researchers assume that the time aspect does not have a negative

impact on the credibility of the answers. The study's credibility can due to the previously mentioned statements, be seen as high.

One of the main difficulties in regards to qualitative research is the fact that transferability is low. As the interview surroundings were not set and as there were some variations in how the interviews unfolded, it can be hard to replicate the study in another milieu even if the research question and research approach are clear and set. A way to increase transferability would be to conduct the research with a larger group of respondents and conduct the interviews in a more set environment. However, due to this study's limited time frame this was not possible. The researchers have further aimed for a high level of dependability in their research. The dependability of the research has been strengthened by keeping records of all phases in the research process, such as problem formulation, selection criterias of respondents, and transcribed versions of all interviews. This was done with the intention to increase transparency of the working process and enable an understanding of how the researchers have formed the empirical data and analysis presented in this study. The dependability factor has further been strengthened by having an opponent group and a supervisor regularly observing the researchers' working process and confirming accuracy in their findings.

To ensure confirmability, the researchers were throughout the study observant of how their own personal values and experiences could affect the objectivity of the research. A qualitative research method gives rise to subjectivity as the empirical data, when interpreted by the researchers, might be biased as a result of the researchers' previous knowledge and backgrounds. For instance, as the researchers have a predefined interest and curiosity for the startup community this could affect how the researchers interpret the answers of the entrepreneurs. Acknowledging this bias already from the beginning of the process, has made the researchers very cautious of their personal values not steering the research. To make the interview process less affected by subjectivity, an interview guide was used as the interviews then followed a similar structure which reduced the number of interpretations that had to be made. Furthermore, the researchers went through the empirical data individually and after this compared findings with each other, in order to decrease the risk of biasing the answers. As both researchers were always present during the interviews they could discuss potential

differences in understandings which further decreased the subjectivity. Lastly, by discussing findings and the research process with the supervision group the researchers tried to limit personal biases as well as taken-for-granted assumptions from occurring. All these actions represent a mindset of reflexivity as they show that the researchers, throughout the research process, acknowledged their role in the study and critically reflected about how they might have influenced the research. Due to the researchers' ability to apply a mindset of reflexivity the confirmability criteria is fulfilled.

4. Empirical Data

The empirical data section presents the findings regarding the two main themes, personal skills and strategies, and delves deeper into the sub-themes by presenting quotes from the ten interviews (Appendix 2). This section's main focus is, therefore, to present the data in a way that facilitates understanding of the entrepreneurs' behaviour and their personal impact on the funding process. The following illustration summarises the identified themes in the empirical data.

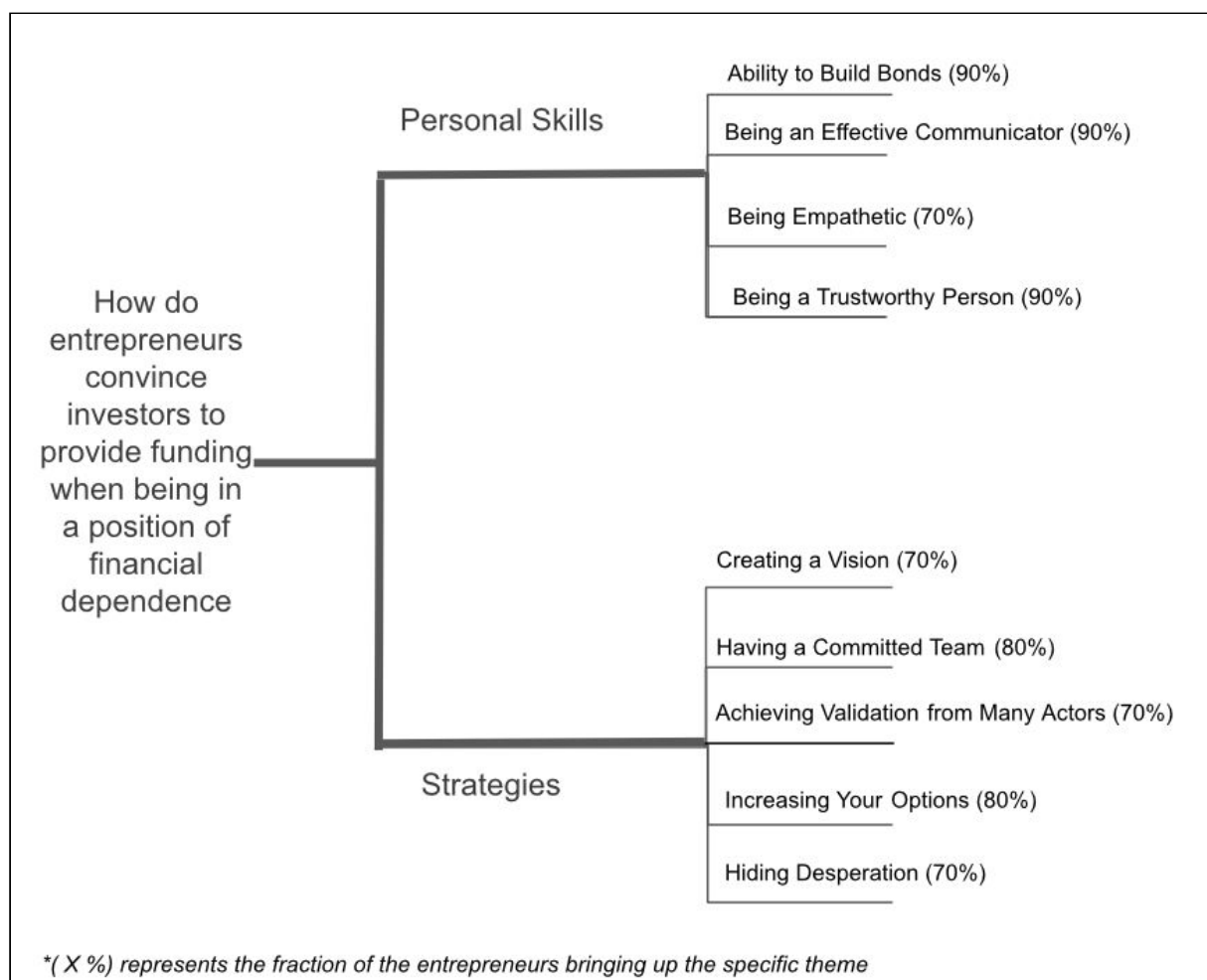


Figure 2: A self-constructed visualisation of the themes occurring in the empirical data

4.1 Personal Skills

The interviews show that the respondents highlight the importance of possessing certain personal skills when interacting with investors throughout the funding process. The identified personal skills are mentioned below.

4.1.1 Ability to Build Bonds

Nine out of the ten respondents explicitly stress the importance of being able to build relational bonds with the investors. Collin and Ethan both describe ways in which they can create these bonds. While Collin finds a give and take strategy most effective, Ethan makes sure that investors feel included in what the entrepreneur is doing by asking for their advice or inviting them to corporate parties.

“The more I share, the more they share. It is almost like we have a dance, so if I share and start dancing then I invite them to dance as well.” - Collin

“Building a relationship, asking for advice, taking that advice, giving them feedback on their advice [...]. Making sure we get closer. We invite them for glögg, drinks in the summer. [...] It makes them feel that they have skin in the game, not only monetarily but also emotionally.” - Ethan

George more generally emphasises the importance of having a close relationship with the investor since the performance of the company will affect both parties.

“You are in the same boat so you should have a close relationship.”
- George

4.1.2 Being an Effective Communicator

Out of the ten entrepreneurs in this study, nine emphasise how important it is to be an effective communicator. Ben illustrates this by stressing the usefulness of being able to communicate differently with different investors.

“Everyone is not the same and you cannot, therefore, communicate the same. To some people you need to explain things more clearly, and to some people you have to explain things more slowly.” - Ben

Ethan and Henry further bring up the power of listening. Ethan sees this as a tool to make sure he addresses obscurities identified by the investor, while Henry tries to identify points of interest.

“Communication is very important. That we take time to listen to them [investors] and that we based on that take time to inform them about everything. That is crucial.” - Ethan

“The investors will be different and you cannot therefore have the same pitch in every meeting. That will not give you the same results as if you are listening; what are the gaps and what are they interested in. If you hear that to them this area is very important, make sure to go into that during the presentation.” - Henry

Fabian underline the importance of being able to communicate what you as an entrepreneur want whereas Collin sees communication as a way for investors to understand if the startup is a suitable investment prospect for them or not.

“You have to be clear with what you want. This is perceived as attractive in a business negotiation.” - Fabian

“Investors have like 2 000 cases they look at in one year, smaller investors have like 200 cases to look at. So if we do not really match and if they not really understand, then they will just go the next case.” - Collin

4.1.3 Being Empathetic

Being empathetic is brought up by seven respondents. Adam and George mention the importance of being empathetic in order to increase likability and the possibility for a successful outcome.

“I think empathy is a good thing in these early stages. If you are too cocky then people will not really like you and that will make them not invest.”

- Adam

“I think the mutual understanding, agreement and appreciation of the other as a human being is the starting point for any successful negotiation.”

- George

Fabian underlines the importance of understanding the person on the other side of the table and mentions that his experience from the communication sector has contributed to this ability.

“Thanks to my experience within the communication sector and my personality I have always had the ability to understand the person on the other side of the table. I listen and I think that is a very important skill to have.” - Fabian

4.1.4 Being a Trustworthy Person

Nine entrepreneurs bring up the importance of establishing trust. Collin does this by addressing the investor's concerns.

“It is all about giving trust. You have to validate everything that he is thinking and address all the fears that he has and turn them over to something positive.” - Collin

Adam and David highlight the importance of being able to deliver on what you have promised.

“You should be brutally honest and transparent because otherwise it is gonna bite you. If you say you have something that you do not have it is going to be a very, very bad vibe.” - Adam

“The investment process is like classical sales. You sell something, you enter a relationship and then you have to deliver on what you have said. That is why it is important to be clear with what you are selling.” - David

4.2 Strategies

The interviews show that the respondents purposely use different strategies during the different steps of the funding process with the goal of attracting funding. The identified strategies are mentioned below.

4.2.1 Creating a Vision

Seven of the entrepreneurs press on the importance of creating a vision of the startup's future success. Collin uses the technique of creating a vision of a future opportunity and mentions that he today puts extra emphasis on inviting the investors to become a part of this great opportunity.

“I changed the pitching a lot and went more to the big dream and I think that gets more investors on. [...] I create the dream like: Wow, we will create this world and you will be part of creating this wonderful world.”
-Collin

Ethan also uses the strategy of creating a vision but chooses to highlight the fact that he has something the investors do not have.

“They sit there and they are super accomplished, but what they do not have is this fun project. Now if I make it appear to them that this project is actually fun and it can go very, very far then they turn around and say: How can I help you?” - Ethan

Julia points out the importance of sharing the vision early on during the meeting since that is what the investors want to invest their money in.

“Dare to start with painting a picture of the vision because that is what they want to invest their money in. [...] Many investors like to hear that: Well in two years I want to be active in seven countries. I think they want to be a part of this grandiose idea. Everyone wants to be a part of building the new Spotify.” - Julia

Isabelle also highlights that creating a vision is a powerful strategy.

“Some entrepreneurs come to an investor and sell a dream of what they will accomplish. Unfortunately, I am not that personality type.” - Isabelle

4.2.2 Having a Committed Team

Eight entrepreneurs mention the team as something the investors find important.

“I would say that the team is what the investors invest in. When you are so few as you often are in a startup, every member is important.” - George

In the early stages, when the startup cannot be evaluated based on performance, the team composition becomes even more important. Ben and Henry stress this point and describe that investors look at the team to find out whether this group of people will be able to deliver on the given promises.

“In early stages it is basically only your personality and the team. They might not even care if the idea is so well thought. You know it is more like:

Do I believe that these guys and these girls can do it. Do they seem committed and driven?” - Ben

“There have to be a very, very solid team that they [investors] trust to give this money to and that will execute the strategy.” - Henry

Isabelle however, points out that even if investors say that the team is of high importance, in her experience, very few actually look into the team.

“They say that they look at the team and a lot of stuff, but my experience is that in the end very few actually investigate that.” - Isabelle

4.2.3 Achieving Validation from Many Actors

The idea of getting someone else's validation is brought up by seven of the respondents as an important factor in order to attract investors. Henry and Ben emphasise the importance of having someone introducing them.

“The best thing that can happen is that you get introduced by somebody.”
- Henry

“I always nowadays try to find people who can make an introduction. If you would be dating and a friend of yours comes and says to you: You know what, I have a nice guy, I think you two should meet. Then you would trust him much more than if a random guy just walked up to you and said: You know what? I would like to meet you, you seem like a nice girl.” - Ben

Many entrepreneurs also connected validation to the investors influencing each other. Adam and Isabelle did this by referring to the investors as flock animals.

“They are all flock animals. You know getting them to this room is important, because then they sit down together and understand they are not alone.” - Adam

“I think it is more about a positive gut feeling, personality match or that others also want to invest. For example, when the whole industry wants to have an electric scooter investment, then everyone else also wants to have that [...]. The flock mentality is very strong.” - Isabelle

4.2.4 Increasing Your Options

Eight of the entrepreneurs mention the importance of reaching out to many investors.

“Job number one of every entrepreneur is to talk to as many people as possible.” - Ethan

“It is a numbers game, you have to reach out to many [...]. Because with one option you are left with no negotiation power.” - Henry

George elaborates on Henry’s statement by explaining that fewer funding options leaves the entrepreneur with less of a choice.

“If the process does not go as smoothly as you wanted and you end up with few potential investors you cannot choose as freely. [...] We were lucky because we had a lot of potential investors so we could basically pick the ones we found suitable.” - George

4.2.5 Hiding Desperation

As an entrepreneur, you are more or less dependent on receiving financial support from investors to be able to survive and grow your business. Seven of the respondents use the strategy of not showing any signs of desperation, even if you are under financial pressure. Adam and Collin connect this strategy to power.

“Nobody wants to go into a company that is desperate. You automatically give them the upper hand if they sense that you are stressed. So the thing is

that you can never show that the money is about to run out or that you are in some way desperate.” - Adam

“If we have a lot of investors interested, we have the power. If we do not have so many investors interested, we still try to give them the idea that there are a lot of investors. It is a theater and you need to be really, really good at not showing any feelings.” - Collin

David connects this strategy to psychology whereas Ben draws the reference to dating and playing a little bit hard to get.

“It is about creating a picture that you barely need any money, that you have a lot of people interested, that you have come far in the investment process with many investors and that you have term sheets just waiting to be signed on your table. It is a lot about psychology.” - David

“It is a lot like dating. You play a little bit hard to get and are not available all the time. Even if I can meet you, this is a game and I can say that I cannot. Then the investor will think: Oh this entrepreneur is busy, things must be going very well, let us try a bit harder.” - Ben

Julia further describes the importance of not explicitly asking for money.

“Ask for advice and you get money, ask for money and you get advice.”
- Julia

5. Analysis

The analysis addresses the established themes from the empirics in relation to the chosen theoretical framework with the aim to provide condensed sub conclusions of how entrepreneurs, with the help of certain strategies and personal skills, can convince investors to provide funding from a position of financial dependence.

5.1 Establish Relationships With More Than One Investor

In order to attract funding, having the ability of building relationships with investors is of importance. The respondents highlight the impact of having someone introducing them to the investor when initiating a relationship, instead of reaching out on their own when meeting for the first time. According to Cialdini's principle *likeability* (Cialdini, 2001), people tend to say "yes" to a greater extent to people they know and like. The researchers, in connection to the principle *likeability*, speculate whether a personal introduction could be a way for the entrepreneur to signal that he or she has been pre-approved by someone who the investor knows. Receiving validation from someone the investor knows could potentially increase the entrepreneur's likeability and thus make them stand out from the other entrepreneurs seeking funding.

Apart from being introduced by someone, the entrepreneurs emphasise the importance of initiating a dialogue with more than one investor. Having contact with several investors at the same time is, according to the respondents, important for the two following reasons. Firstly, by having contact with many, the entrepreneur decreases the financial dependence as the entrepreneur now does not only rely on the funding decision of one single investor. Secondly, having a wide interest increases the attractiveness of the startup in the eyes of the investors. The respondents draw the reference to investors being "flock animals" and hence following the trends of the masses. Cialdini's principle *scarcity* can partly explain the flock behaviour with the argument that people gain more interest in something when they know that others also share this interest (Cialdini, 2001).

The principle of *social proof* further complements the explanation for flock behaviour by stating that in situations of ambiguity, people try to act in accordance with what other people have done in that same situation (Cialdini 2001). The process of fundraising can be seen as ambiguous since it is very hard to predict whether a startup will turn out successful or not. The researchers therefore believe that by having several investors interested in the startup, new investors become more allured to enter the funding process as they feel more secure when others are in the same boat as they are. *Social proof* has, however, been shown to be most effective when it comes from people that are similar to ourselves (Cialdini 2001). Based on this, the researchers assume that from the investor's perspective it might, therefore, be of importance that the other investors are easy to relate to in some way, for instance by being active in the same industry. This indicates that solely having a large number of investors interested might not per se be a successful strategy for the entrepreneurs, as some investors might care less about the amount of investors and more about the similarities they share. The fact that investors' preferences might differ serves as an explanation for why similar actions from the entrepreneur's point of view leads to different outcomes. Thus, it can be argued that depending on who the investor is, different approaches when emphasising interest of others should be applied. In some situations a sole emphasis on how many other investors are interested should be the focus, while in others, the attention should be on who those interested investors are.

Sub-Conclusion (1)

In order to convince an investor, the entrepreneur should focus on attracting interest from many investors and when starting each relationship get introduced by someone familiar to the investor as this enhances likability.

5.2 Increase Cooperativeness with Adapted Communication and Honesty

The Resource Dependence Theory highlights establishing cooperative relationships as a strategy that can decrease dependence on resources (Franco et al., 2019). Cialdini also sees the value of being cooperative, which by the principle *likability* is argued to be a skill that people like others to possess (Cialdini, 2015). The importance of being cooperative is brought

up by the entrepreneurs when highlighting how vital it is to understand that investors are different and therefore have to be approached differently. Investors are, by the entrepreneurs, described to have different preferences on how to communicate, and different opinions about what should be discussed in depth. Based on this, the researchers conclude that if the entrepreneur has the ability to understand the investor and adjust his or her communication accordingly, this can be seen as a form of being cooperative which increases the entrepreneur's perceived attractiveness.

Another important aspect covered by the entrepreneurs, when laying the foundation for good cooperation, is establishing trust when interacting with the investors. In order to increase the sense of trust, the entrepreneurs, in their communication, try to address the investor's possible concerns with regards to this specific investment. Further, the entrepreneurs highlight the importance of being able to deliver on promises made to the investors and hence being honest about the current state of the startup and what it can be able to achieve in the near future. However, something that contradicts this emphasis on honest behaviour, is the fact that the majority of the entrepreneurs simultaneously used the strategy of hiding desperation, which not always entails honest actions. One could for instance play hard to get, pretend that there are a lot of investors interested or portray financial stability, even though none of these situations were actually the case. This leads to the question if entrepreneurs should only be honest regarding certain issues, or if the entrepreneurs could actually gain more by being transparent in all aspects, including their financial need?

When being asked about their financial dependence, seven out of ten entrepreneurs spontaneously brought up the importance of not showing their financial need to the investor. The entrepreneurs highlight the fact that no investor wants to invest in a company that is obviously desperate, indicating the importance of shifting focus away from the current funding need. When asked to elaborate on this point, some entrepreneurs pressed on the fact that, as investors already understand the entrepreneur's monetary need, the focus should instead be put on the business itself when approaching investors. The researchers believe that by putting the business, rather than the monetary need, in the center of attention, the entrepreneurs provide an indication of where they are likely to put their efforts moving forward. As investors are interested in the potential return on investment, the researchers

understand the importance of letting the investors observe that the entrepreneur's focus is on execution of their idea and on delivering results. As being transparent and honest is not in line with hiding desperation, the researchers can conclude that these cover different aspects of the funding process. According to the researchers, it is, however, not about being dishonest, but rather about not explicitly revealing your desperation when first encountering the investor, as this will harm your perceived attractiveness.

Sub-Conclusion (2)

By being transparent and honest throughout the investment process, except from when addressing their financial need, and by empathetically adapting their communication to different investors, entrepreneurs can increase the extent to which investors perceive them as being cooperative and thus increase their chances of convincing investors to provide funding.

5.3 Make People Understand the Uniqueness of Your Startup

Robert Cialdini brings up *scarcity* as being a persuasive factor since people tend to be attracted to things that are less available (Cialdini, 2001). The researchers connect the importance of being exclusive to the entrepreneurs' strategy of creating a vision. Creating a vision is about portraying the uniqueness of the startup by underlining its bright future and how the investors can become a part of this future success story. The entrepreneurs emphasise the importance of convincingly communicating what their particular startup aims to achieve and how it differs from what is already on the market. However, an important aspect that the entrepreneur takes into consideration when communicating a vision is that the entrepreneur has to be able to deliver on the promises made. To show that the vision provided actually has the potential to be executed, the entrepreneurs highlight the importance of mentioning the team, as they are the ones who will actually execute on the promises made. The team and the startup's idea can be connected to Cialdini's principle *scarcity* as no exact same team and idea exist. Based on this the researchers draw the conclusion, that if the entrepreneurs successfully can convey their unique offering, the unique skill of the team, and why these people are the ones best equipped to perform this journey, the investors might see this as an investment they do not want to miss.

Creating a vision can also be connected to Cialdini's principle *likability*, which argues that people like those who share a common goal (Cialdini, 2015). The researchers speculate that being clear, when communicating, what you as an entrepreneur have to offer and what the startup aims to achieve, can be a way for the investor to quickly assess if their goals are aligned with those of the entrepreneur and thus if they want to invest or not. The researchers further assume that as investors only can provide funding to a limited number of startups, due to time and money constraints, it is important for the entrepreneur to align goals in order to stand out from other entrepreneurs also seeking funding. Aligning goals is, on top of this, also of importance for the entrepreneur, as the investor becomes a part of the startup when receiving a share in the company as a result of providing funding. The investor may, if he or she is the right match for the startup, influence the company's future success positively by for instance providing the startup with relevant knowledge or beneficial networks.

Sub-Conclusion (3)

By creating a vision highlighting the uniqueness of the startup and its future potential as well as aligning goals, the entrepreneur can convince the investor to provide funding.

6. Conclusion and Discussion

6.1 Answer to Research Question

By conducting a qualitative study, and analysing the chosen theoretical framework in relation to the collected empirical data, the researchers aimed to provide an answer to the following research question:

“How do entrepreneurs convince investors to provide funding when being in a position of financial dependence?”

The two main themes, personal skills and strategies, formed the basis for the analysis which resulted in three sub-conclusions that collectively answer the research question.

6.1.1 Personal Skills

Throughout the funding process certain personal skills have been identified as important for the entrepreneur to possess. These personal skills can be seen as intertwined with the identified strategies as they lay the foundation for whether the entrepreneur is able to execute the strategies with a successful outcome. As the personal skills affect the way the strategies are delivered, they indirectly impact the entrepreneur’s ability to convince the investor to provide funding.

Possessing the skill of being an effective communicator has been seen to bear importance throughout the whole funding process as it consists of constant interactions between entrepreneurs and investors. Being an effective communicator entails being able to adapt your communication, communicate in a convincing manner and respond to concerns. Having this ability has been seen to be of particular importance when using the strategies creating a vision, when aligning goals and when increasing the perceived cooperativeness. In order to adapt the communication and make it fit each specific investor, the entrepreneur also has to possess the skill of being empathetic. Thus, being empathetic can be seen as building the foundation for an effective communication as it allows for an understanding of the person on the other side of the table.

The last identified important personal skill to possess is being a transparent and honest person. The entrepreneur's willingness to be transparent can be seen in their ability to respond to the investors' concerns and in their ability to provide honest answers to questions of importance for the investors. Further, when using the strategy of creating a vision, the entrepreneur could, by presenting supporting arguments for the portrayed vision, increase perceived trustworthiness, as the investor then can understand that the vision provided actually has a potential of being achieved in reality.

6.1.2 Strategies

The study highlights the fact that investors are attracted to startups that emit a promise of future success. An entrepreneur can convince investors of their startup's future potential in several ways. When initially entering a dialogue with investors, the entrepreneur should try to get an introduction by someone familiar to the investor as this serves as a first point of validation and shows that the entrepreneur has been pre-approved by someone else. Secondly, during the meetings focus should be put on the potential of the startup and not the obvious monetary need. By creating a vision of the company's bright future, the entrepreneur presses on the uniqueness and scarcity of this explicit idea and why investors do not want to miss out on this opportunity. Further, when portraying the future vision of the startup, entrepreneurs should try to identify and highlight the common goals between the entrepreneur and the investors as this may affect whether investors want to provide funding or not.

The strategies mentioned above should be used in every funding process and several funding processes should be undertaken at once. Attracting more than one investor is a vital strategy as it decreases the dependability on one single investor. Moreover, as investors are described as "flock animals", that to some extent follow the crowd, having others validating the idea increases the chances of the entrepreneur receiving funding.

6.1.3 A Summarising Visualisation

To facilitate understanding of the answer to the research question, a model has been constructed that visualises the findings. The purple boxes represent the personal skills that are beneficial for an entrepreneur to possess, whereas the blue boxes represent the identified

strategies useful when convincing an investor to provide funding. The chronological order that the figure implies does not have to be followed, but by including all parts the entrepreneur's chances of receiving funding increases. Many of the strategies used by the entrepreneur are intertwined with personal skills. Thus, when applying the strategies some, or all, personal skills have to be present in order for the strategies to be successfully executed.

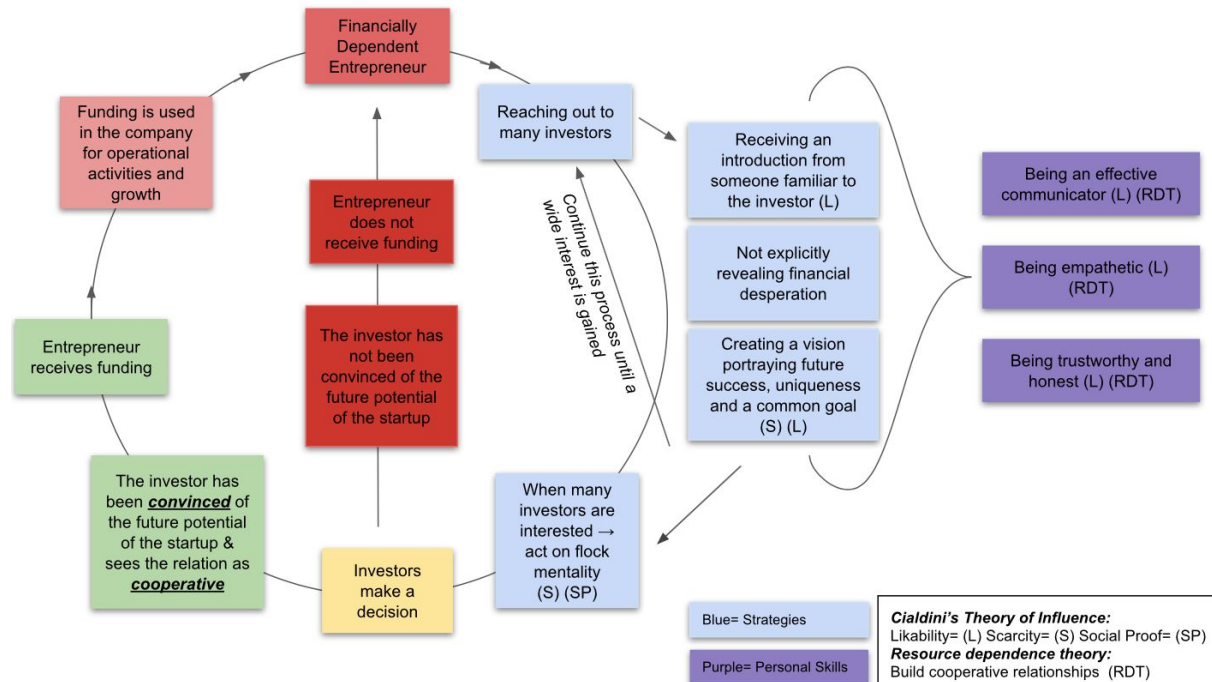


Figure 3: How to convince investors to provide funding when being a financially dependent entrepreneur

6.2 Discussion

6.2.1 The Research Contribution and Implications

The results found in this study, to some extent, support what have been discovered in previous research. Cremades (2019) and Huang et al. (2015) found that an entrepreneur's likability, trust, and commitment play an important role in the early fundraising stages and Bernstein's (2017) findings imply that the team is of interest for the investor as it signals operational capabilities. The entrepreneurs interviewed in this study support those findings and highlight their presence as crucial when convincing investors.

Even though the study partially overlaps with previous research, it also contributes to the management field by adding other aspects of how an entrepreneur, with strategies and personal skills, can improve the chances of receiving funding when being in a position of

financial dependence. The main contribution of this study lays in the fact that it takes the financially dependent entrepreneur's perspective and not the investor's as previous studies have done. This allows for new aspects to be captured, in the context of how to successfully convince investors, apart from those previously explicitly stated by investors. To exemplify; where investors in previous research bring up trust as strongly affecting their decision of providing funding (Cremades, 2019; Huang et al, 2015), this study, by for instance encouraging entrepreneurs to respond to concerns, concretizes what an entrepreneur can do in order to increase their perceived trust.

This research further contributes to the theoretical dimension of management as this study's particular combination of theories have not been applied to the entrepreneurial context before. Firstly, the principles *likability*, *scarcity*, and *social proof* in *Cialdini's Theory of Influence* are by this study shown to be the most important in the circumstance of entrepreneurs convincing investors to provide funding. This finding suggests that factors that in other persuasion scenarios are important, such as authority and reciprocity, may lack relevance in the entrepreneur-investor interaction. Secondly, this study provides the *Resource Dependence Theory* with further proof of its ability to successfully be applied to individuals, and not only organisations.

Another contribution originates from the fact that this study makes a geographical delimitation to Stockholm and, therefore, investigates what works when convincing investors in this specific market. This study, thus, aims to provide guidance for early-stage entrepreneurs seeking funding in Stockholm. By highlighting what previously have served as success factors for convincing investors, entrepreneurs can gain an understanding for what strategies and personal skills they should aim to develop in order to increase their chances of attracting funding. This study can also serve as a helping guide for investors to make them more conscious regarding their role in the funding process and how they are perceived by the entrepreneurs. The investors can by increasing their understanding of the entrepreneurs, better understand how they should communicate their expectations and demands in order to be correctly understood by the startup they contemplate putting their money in.

6.2.2 Limitations of the Study

All entrepreneurs interviewed in this study have at some point in time received funding, which makes them suitable prospects to study and learn from. However, as purely unsuccessful entrepreneurs were not interviewed, the researchers cannot ensure that the identified personal skills and strategies are not also used by entrepreneurs who never have managed to receive financing. Nonetheless, as all the interviewed entrepreneurs have a successful story to tell, it can be concluded that applying the personal skills and strategies identified in this study, at least do not hurt an entrepreneur's chances of receiving funding. Another important point to make with regards to the findings of this study is the fact that even if entrepreneurs do everything right, with regards to applying strategies and possessing personal skills, they still might not receive financing. There are a lot of external factors influencing a funding decisions that an entrepreneur cannot affect. For instance, if there is another stronger startup seeking funding simultaneously the investor might choose to invest in that prospect instead. In addition, factors affecting the economy in general, such as the ongoing COVID-19 pandemic, might also impact on the investors' willingness and ability to provide funding.

The fact that this study only takes the entrepreneur's view can also be seen as a limitation as the study does not cover the investors' own perceptions on the funding process and hence, make it difficult to assess whether other important aspects also exist that the entrepreneur might not be aware of. As previous studies mainly have been conducted from the investor's point of view, the researchers aimed for this study to act as a complement by taking the entrepreneur's perspective. As this study's time frame was limited the researcher wanted to focus on providing a deeper understanding of the, currently less studied, entrepreneur instead of providing a more on surface understanding of both perspectives.

A further limitation of this study is the composition of the respondents with regards to gender. The respondents were diverse when comes to age and experience within entrepreneurship, however, more men than women were interviewed. The lack of women in the study can possibly have influenced the results in a certain direction. Even if the answers of the two interviewed women were in line with the answers provided by the male

respondents, a greater fraction of female respondents could possibly have resulted in a different set of empirical data. Due to the time limitation and scope of this study the gender aspect could not be covered by the researchers.

6.2.3 Transferability of the Study

For this study's transferability, it would be beneficial to expand the number of respondents as a greater sample would strengthen the results of this study. As the way of convincing an investor might differ between people and as being convincing depends both on strategies and personal skills, it can be hard to really determine which factors actually have the greatest impact and if these factors differ to a great extent between individual cases in different milieu. Despite this drawback as ten entrepreneurs, with different backgrounds and experiences, independently of each other were able to provide answers indicating on a pattern, the researchers believe that findings can be applicable to other contexts covering a funding process.

6.2.4 Future Research

First of all, a quantitative survey could be conducted to complement the findings of this study as it could serve as a way to check if the identified factors are used by a majority of entrepreneurs. Moreover, for the management field, it would be of interest to study the gender aspect further. An interesting complementing study to conduct would be to investigate if gender has some sort of impact on the strategies and personal skills used when convincing an investor and if all strategies and personal skills are equally important for both sexes.

It could also be of interest to study whether some personal skills or strategies are more or less successful in different geographical areas and hence find out if cultural differences should play a part in how entrepreneurs interact with investors. Due to the fact that this research takes the entrepreneur's perspective, and previous research takes the investor's perspective, an interesting future study would also be to gain insights from both parties and as a result gain a more holistic understanding. If being able to interpret the investor's and the entrepreneur's answers in relation to each other, one could potentially come up with a more complete understanding of what actually works when convincing investors to provide

funding. In addition, when taking this dual perspective, possible misalignments between what the entrepreneur and investor see as crucial factors for funding success could be identified.

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8. Appendix

Appendix 1: Email Sent to Companies

Hej (LÄGG IN: namn på startup),

Vi är två studenter från Handelshögskolan i Stockholm som under våren kommer skriva vår kandidatuppsats inom management. Det finns mycket material på tekniker, tips och råd om förhandling generellt, men vi anser att materialet är bristfälligt i relation till hur förhandling sker mellan entreprenörer och potentiella investerare.

Entreprenörskap är ett ämne som vi båda har stort intresse för och vi inspireras av den vilja, passion och driv som entreprenörer besitter. Många startups är beroende av externa investeringar och har varit med om flertalet förhandlingar för att få finansiering som kan möjliggöra tillväxt. Vi vill mer grundligt förstå vad som krävs i en förhandlingssituation mellan entreprenörer och investerare och skulle tycka det var superspännande att ha med (LÄGG IN: namn på startup) i vår studie.

I vår studie vill vi intervjua personen som medverkade i finansieringsprocessen och skulle därför vara väldigt tacksamma om vi skulle få komma i kontakt med denna person/dessa personer på ert företag. Både företaget och personen som deltar i intervjun är självfallet helt anonyma.

Vår förhoppning är att hålla intervjuerna under vecka 8,9,10 eller 11 och vi har självklart förståelse för era hektiska scheman. Intervjun kommer att ta max en timme och vi är flexibla vad gäller tid och plats så att det blir så bekvämt som möjligt för er.

Vi hoppas att studien ska kunna bidra med nya insikter för hur man bör agera i förhandlingsrummet för att nå önskat utfall, det vill säga få finansiering till godtagbara villkor. Detta är en möjlighet för er att reflektera över era erfarenheter, förberedelser och tekniker vid förhandling. Vi skickar gärna kandidatuppsatsen om så önskas, där ni kommer kunna ta del av studiens resultat.

Meddela gärna om ni har möjlighet att delta i kandidatuppsatsen eller ej genom att svara på detta mail eller via telefon.

*Tack för att ni har tagit er tiden,
Vi ser fram emot att höra från er!*

*Bästa Hälsningar,
Sara Forsberg & Maria Tolkacheva*

Sara: +467 331 455 15

Maria: +467 338 145 15

Appendix 2: Summary of Respondents

Company	Name	Gender	Role
Company 1	Adam	Male	Co-founder and CEO
Company 2	Ben	Male	Co-founder & CEO
Company 3	Collin	Male	Co-founder & CBDO
Company 4	David	Male	Co-founder & CEO
Company 5	Ethan	Male	Co-founder & CEO
Company 6	Fabian	Male	Co-founder & Board member
Company 7	George	Male	Founder & CEO
Company 8	Henry	Male	Founder & CEO
Company 9	Isabelle	Female	Founder & CEO
Company 10	Julia	Female	Founder & CEO

Appendix 3: Interview Guide

Before starting the interview; practical and ethical aspects and personal integrity

- Would you prefer taking the interview in English or Swedish?
- This is a voluntary interview and you have the option to withdraw from the project at any time before, during or after the interview.
- The responses will be completely anonymous, both with regards to you and your company.
- If you feel you have given some information you do not want us to use in our thesis, please inform us about this and it will be removed.
- Is it fine with you if we record and transcribe the interview?
 - If yes; if wanted you can get a copy of the transcribed version to read through before we use the information in our thesis project.
- Do you have any questions before we start?

The interview

Personal introduction

- Could you please give us a brief introduction about yourself and your entrepreneurial background?
- Can you tell us about your current startup?
- How would you describe yourself as a negotiator?
 - What are your main strengths and weaknesses?

The funding process:

- What does the process look like for an entrepreneur seeking funding?
 - Do you take contact with potential investors or do they contact you?
- How crucial was it for you to receive funding when entering the funding process?
- What do you think the investor looks for when deciding whether to provide funding or not?
- How many positive outcomes¹ have you had in relation to unfavorable outcomes when seeking financing?
 - How many investors did you meet before receiving financing?
 - How many no:s did you get?
- How many rounds of financing have you received?
 - If you have received multiple financing rounds, is that from the same investor?
- How would you describe your relationship to the investor when seeking financing?
- How did the relationship to the investor develop with time of the funding process?
- What are, according to you, important factors in the relationship with an investor?
- How can you as a person affect those important factors?

Preparations

- How did you prepare for the selling/pitching meeting with the investor ending up giving you financing?
- How did you prepare for the negotiation meeting regarding term contracting?
- Do you always have the same preparations or do you change them with experience/previous funding outcomes?
- How do you feel going into a meeting with an investor?
 - How does your preparation affect your feelings?
 - How does the urgency for investment affect your feelings?

The selling phase

- How do you sell/pitch your company to investors?
 - What has worked well?
 - What did not work well?

¹ Positive outcome: get financing on acceptable conditions with regards to % given up of the company.

- How do you change your way of selling/pitching if you get a no in previous funding meetings?

Term contracting

- How does the process regarding reaching terms of financing unfold?
- What was the greatest challenge when reaching an agreement with the investor?
- Can you please tell us about a situation that did not lead to the desired outcome in terms of % of your company given to the investor?
 - How did this experience change your way of acting, both with regards to preparation and strategies?

Ending

- Is there anything else with regards to the funding process between entrepreneurs and investors that you think we should know about?
- Are there any questions you would like to elaborate on?