

The impact of Venture Capital on the KPI practices in Startups

A qualitative study

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Abstract

Venture Capital (VC) firms are investing in innovative startups more than ever before. One of the stages in both the screening and post-investment process is that of the evaluation of key performance indicators (KPIs). Despite this, the understanding of how performance metrics relate to and are influenced by a VC investment is still limited.

Therefore, the purpose of this paper is to gain a deeper understanding of the relationship between Venture Capital and startups, the influence Venture capital exerts due to its position of power, and how it affects the KPI practices of the startup. The paper will therefore characterize startups' KPI practices, explore how these are used in relation to Venture Capital and explore the underlying reasons for the influence. Based on the research question using a qualitative method, five venture capital firms and five startups were interviewed.

The results of this study indicate that both Venture Capital firms and startups benefit from startups' KPI practices. Furthermore, during the investment process, the applications of KPI and projections were evaluated and categorized depending on the actor and investment stage. Finally, Venture Capital influences the KPI practices of startups and their degree of influence is determined by capital, other intangible assets, knowledge and expertise. These are further amplified by the startup's dependence on funding and the information advantage of Venture Capital firms.

Keywords: KPI, Key Performance Indicators, Performance Measurement, Entrepreneurship, Power, Influence, Venture Capital, Startups, Trust, Misalignment

Big thanks to...

Johan Nilsson

for guiding us along the way

All of the Venture Capital firms and startups

for sharing their personal experience and knowledge

Each other

for all the philosophical moments and long nights

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“Definitely for a VC. They don’t have persistence, they don’t care about the nuances. They don’t have a reasonable view of what KPIs actually matter. The startup has a serious commitment to improving something. A successful VC doesn’t care about improvement. Their only vision is to earn money, they are more short-term. There is a clear discrepancy here.” - Startup D, when asked about whether they perceive any discrepancies between what startups and Venture Capital considers to be important Key Performance Indicators.

“Besides capital, we actively contribute with other values like experience, sitting on the board of directors, being mentors, contributing with structures, arrangements and contact networks. However, when you ask a startup, it’s just money.” - VC A, when asked about how they help startups.

“We feel that if you [Venture Capital firms] only want to make money, if that is all that is important - how you make money the fastest, then you should invest in a casino, not in us. We want to make a difference.” - Startup A, when asked about how the dialogue with Venture Capital firms is experienced.

“We want to create positive growth together. How can we help them strategically, commercially and financially? We want to establish long-term relationships and trust.” - VC B when asked about the main objectives of the VC firm.

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1. Introduction

1.1 Background

The startup scene in Sweden seems to be drawing increasing attention and capital. As a consequence of the decreased risk of investing in technology startups (Ripsas, 2015), investors are flocking to find new investment opportunities and increase their presence in early innovation firms. As recently as March 2021, 14.1 billion SEK was invested in Swedish startup companies, which is more than half of the entire amount invested in startups during 2020 (27 billion SEK) (Brusewitz, 2021).

Similarly, startups receive considerable value from venture capital firms (VC). Monetary investments along with competency and network contributions brought by VCs (Hellmann & Puri, 2002) have been shown to increase a startup's performance, growth and valuation. Especially when VC benefactions are made during an early stage. These effects are also particularly significant as startups commonly have limited resources and experience (Jeong et al., 2020).

However, despite the risk reduction, the startup success rate is low. For example, during 2020, nine out of ten startups failed. Among those backed by venture capital firms, that number was 75% (Cerdeira, 2021). Therefore, the importance of proper assessment of and communication with startups is a growing concern. Similarly, the startups themselves face substantial challenges of self-evaluation, goal orientation and development focus.

Simultaneously, venture capital firms often lack the tools to assess the potential, for example, because of time constraints, split focus or simply inadequate competence in the field (Zider, 1998).

Additional issues regarding trust and misaligned interests also pertain to the startup - VC relationship. Investors and financiers have different investment strategies and incentives when pursuing an investment object, which can have considerable outcomes for the startup. Previous research has demonstrated that some VC investors attempt to profit from their engagement by exploiting the startups (Ueda, 2004) or pursuing capitalization of the investment through an exit that might not be favorable for all parties (Wang & Zhou, 2004).

Therefore, it is conceivable that the power dynamic and level of dependability between the two actors will impact how facts are presented, interpreted, and negotiated. For example, if a startup's success is highly dependent on an investor's commitment, they will present themselves from the most favorable light or even skew facts to secure an investment. Similarly, if an investor has much to gain from an investment, e.g. they might achieve synergies from the venture, they might hide this information to buy shares in the company for a lower evaluation. If there is such a dynamic to the investment relationship, it is very possible that this will affect or even inhibit the assessment of each other and future cooperation. Hence, it is of great value to consider power, trust and influence as factors to grasp the nature of the VC-startup relationship.

Considering all the above-mentioned factors, young entrepreneurial companies need to gain satisfactory insights into their business structure, progress and outlook, while successfully communicating their understanding and the basis of it to stakeholders and financiers. Employment of carefully selected key performance indicator practices could provide the possibility of doing so. It is a given that depending on what constitutes the measurements, different decisions are made, which have severe repercussions for the business. However, success in the area is also contingent on the alignment of competence, incitements and trust between the startup and the financier. Thus, this poses the question of how well young innovative entrepreneurs and their investing counterparts are aligned today and how their performance measuring practices are affected.

1.2 Previous Research

The literature examining startups or their relationships to VCs and investments is extensive. Blank (2013) and Ripsas and Tröger (2014) reviews the definition of a startup and the different growth stages, Jeong et al. (2020) and Barry et al. (1990) discusses the effects of VC investments in startups, and Hadley et al. (2018) and Gomez-Mejia et al. (1990) analyze the influence of VCs on startups.

Similarly, the research around performance management and key performance indicator (KPI) practices is well-established and in-depth. In many instances, it also extends to young growth companies and startup firms. Fast-growth small-to-medium enterprise (FGSME)

performance measurement practices are mapped by Tan and Smyrniotis (2011). Moreover, Llorach and Ottoson (2016) and Ripsas (2015) examine performance management tools for startup firms and early-stage companies.

Sociological studies and academia has for a long time taken an interest in the concept of power, how it manifests itself and how it plays a role in relationships. For example, Lusch (1976) discusses the different sources of power, and Gomez-Meija et al. (1990) investigate how dependency establishes the amount of power an actor can exert on another. Trust has also been examined on a general level and to a lesser degree in the research regarding investment relationships. Bottazzi et al. (2016) establish that trust is based on the amount and the perceived satisfaction of encounters between two parties.

The vast amount of literature in these areas has outlined the multiple stages of the startup journey as well as the motivations for and benefits of seeking VC investments. Within this research, the alignment between the financiers and investment seeking party regarding informational sharing dynamics and incentives play a critical role. The literature also provides a comprehensive view of the value of KPIs for internal management and for valuation by potential stakeholders.

1.2.1 Research Gap

Despite the plethora of research published on the topics of VC's influence on startup and on the KPI practices in young companies, the interplay between these dimensions of the startup environment is currently under-researched. KPIs are an essential part of VC evaluation of startups, giving a need to understand how performance measurement impacts investor relationships and in turn, how such practices are affected by the different actors' incentives.

Currently, the academic examination and mapping of the incentives and behaviors of VCs are limited. Nonetheless, Jeong et al. (2020) suggest that VC investors can act either favorably for the startup through contributions of intangible assets, or exploit the investment object by leveraging the advantage in information. (This advantage is a consequence of the startup being forced to share information during the vetting process which is necessary to undergo to receive an investment). Accordingly, the impending risk of exploitation calls for deeper insight into the possible causes and effects of the phenomenon to both give better conditions

for fruitful cooperation between VC and startups and provide a more nuanced description of their relationship.

Moreover, previous research has examined the effects of venture capital investments on startups (Barry et al., 1990) and VC firm's influence on startups' actions (Gomez-Mejia et al., 1990). However, it is still unknown what characterizes the early-stage relationship between startups and VC firms. Furthermore, it is also unexplored how the nature of the relationship affects KPI practices.

1.3 Purpose, Contribution & Relevance

The purpose of this study is to provide insights into the relationship between startup enterprises and VC investors and how startups' KPI practices subsequently are influenced. To achieve the main purpose, the study aims to gain an understanding of the characteristics of startups' KPI practices, how they are used in relation to VCs and what role trust and power play in the dynamics of the two actors. The reason being that this is a prerequisite for determining and interpreting how the influence is perceived and manifested.

Although there are many other funding options for startups like loans, crowdfunding or angel investors, VCs still play a crucial role. Despite VC only financing 0.05% of all startups, they provide the largest investment and are essential for fast scaling startups with a great business idea (Entis, 2013). As such the relationship is codependent. Startups need VCs, and VCs need startups. If there is a general mistrust between these two actors, this would cause inefficiencies in the market and thus hurt the innovation economy, jeopardize future employment and economic growth (Blank, 2013). This implies that a good relationship between them is imperative. By studying both the startups' and VC investors' points of view separately and together, the authors hope to gain a more comprehensive picture.

Further, this study makes an attempt to explain the early-stage relationship between startups and VC firms with the concept of power and will outline a simple model to explain the effects of such power on the relationship.

This thesis makes an academic contribution by providing a better understanding and widening the scope of existing research on the influence of VCs on startups.

1.4 Research Questions

Given the context stated above, our research questions are:

1. *How are startup KPI practices characterized from a startup's and Venture Capital firm's perspective?*
2. *How are KPIs used in relation to Venture Capital?*
3. *How are startup KPI practices influenced by Venture Capital firms and what are the underlying reasons?*

1.5 Delimitations

Although the startup definition is very broad, this study exclusively follows early startups that are either still in the stage of developing the right product or are in the process of gaining market presence and scaling up. Furthermore, this thesis only focuses on venture capital investors and therefore disregards other types of financiers e.g. business angels or debt lenders. Finally, the study is geographically limited to startups and VC firms in Sweden.

1.6 Disposition

The study is divided into a total of seven chapters. Chapter one gives a brief introduction to the subject, previous research and the purpose of the study. Chapter two reviews the relevant literature relating to the subject of startups, venture capital firms, KPIs and influence. The third chapter details the chosen methodology of the study. Chapter four recounts the results from the qualitative empirical study. This chapter is further divided into four sections, examining VC firms, KPI practices, startups and influence. Following this section is chapter five, which analyzes and discusses the crucial results and their connection to findings from the literature. Chapter six concludes the most important findings and attempts to answer the proposed research questions. Additionally, it discusses the practical implications of these conclusions. Finally, chapter seven describes the study's limitations and suggestions for future research.

1.8 Abbreviations

MVP - A Minimum Viable Product is a version of a product that has just enough features to be tested in the market whose purpose is to collect customer feedback for further product development (Becker, 2020).

VC - Venture Capital is a form of private equity and a type of financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential (Hayes, 2021).

KPI - Key Performance Indicators refer to a set of quantifiable measurements used to gauge a company's overall long-term performance (Twin, 2020).

BSC - The term Balanced Scorecard refers to a strategic management performance metric used to identify and improve various internal business functions and their resulting external outcomes (Tarver, 2020).

FGSME - Fast-growth small-to-medium enterprise (Llorach & Ottoson, 2016).

2. Literature Review

2.1 Startups

The startup concept has been defined by multiple researchers. A common classification has been proposed by Blank (2013), who defines a startup as a ‘temporary organization designed to search for a repeatable, sustainable, and scalable business model’. Moreover, Ripsas and Tröger (2014) contribute to the understanding of the startup concept by defining it with three criteria:

- A startup is a young company that is less than ten years old.
- A startup has an innovative business model and/or deploys innovative technologies.
- A startup shows significant growth either in the number of employees or in turnover.

2.1.2 Stages

Similar to the definition of a startup, there are multiple classifications of the different growth stages the venture progresses through. Moore (1993) describes the evolution of startups in a four-step model. The first stage of growth is conception and development, the second is commercialization, the third is growth and then finally the fourth is maturity. Not unlike Moore, Stettner et al. (2014) classify the startup journey in four comparable parts.

Furthermore, Jeong et al. (2020) outline a similar growth stage model with five stages. This model describes the early development steps in closer detail. The first stage is called the Seed Stage. During this developmental period, the startup has a business idea that originated from identifying a market opportunity. Due to the undeveloped nature of this stage, the company is limited in its market knowledge and human capital (Gompers, 1994). The second stage is called the Early Stage. At this point, the startup has developed a business plan and often created a minimum viable product (MVP). Both of the mentioned stages are essentially pre-revenue. The third stage is the Expansion Stage, which entails that the startup focuses on solidifying their organization and establishing a sufficient team. The central company activities are marketing, finalizing the product and creating a market presence (Ruhnka & Young, 1987). These are the main relevant stages for this study.

2.1.3 The need for funding

Jeong et al. (2020) argue that startups have a significant need for seeking investments due to a lack of resources. This absence of resources is prevalent through all growth stages and does pertain to both tangible and intangible assets, e.g. network, specific competence and experience. This is a consequence of "the liability of newness", which entails that young companies have limited external networks and experience difficulties in terms of attracting talent.

Furthermore, startups can acquire funding from multiple sources. Among these sources are equity financing, debt financing and soft funding, e.g. grants from foundations or government agencies (Duffner, 2003). Equity financing distinguishes itself by often contributing with both monetary assets and intangible assets such as accumulated knowledge and experience (Hellmann & Puri, 2002). Moreover, an investment from a VC firm signals that the startup is of quality, making subsequent investments easier to attract. Investments early can therefore be beneficial throughout the startup stages (Jeong et al., 2020).

Furthermore, Jeong et al. (2020) demonstrated that the earlier a startup receives an investment from a VC, the better effects on growth and performance. This is moderated by absorptive capacity. Absorptive capacity means the company's capability of recognizing the value of new information and the ability to utilize it in their business.

2.2 Venture Capital

2.2.1 Overview of Venture Capital

Teker et al. (2016) define venture capital as a 'support to entrepreneurial talents by turning ideas into products and services which are expected to envy the world'. Thus, a venture capitalist invests equity in small, promising, early-stage firms. In exchange for the funding of the startup, the VC receives a proportion of equity in which the stocks are practically illiquid and worthless initially until the company matures (Teker et al., 2016). To compensate for the inherent risk of investing in "just" business ideas, venture capitalists look for startups with potential for high capital appreciation in markets in which they have experience or familiarity (Sullivan, 1991; Tyebjee & Bruno, 1984). To protect themselves from the risk, VC firms often co-invest (Zider, 1998). By having a smaller equity share in many companies, their portfolio is more diversified. Hence the risk of a potential significant drawdown is lowered.

Further benefits of co-investing are the distribution of workload of the research phase (due diligence) and in managing the deal. Another important aspect is that the presence of several VC firms adds credibility and signals stability for outside investors which in turn attracts more investors (Zider, 1998). Venture capitalists can choose to fund a startup at any development stage. However, in a pursuit to minimize betting on the wrong venture, VCs prefer to see some traction (proof of concept) and indications of a higher probability of generating positive returns. Once the funded startup matures and becomes successful, VCs seek to exit by taking it public through an initial public offering (IPO) or selling it to other companies or investors.

2.2.2 What Venture Capitalists evaluate

When vetting a startup, venture capitalists look for multiple aspects. Skabelund (2020) summarizes that the most important things are a strong team, an innovative product and a reasonable cash burn rate. VCs want to see determination from the founder's team and that they have the persistence to keep developing their unique product all whilst devoting all the cash towards the value growth of the startup.

2.2.3 The influence of Venture Capital

Hadley et al. (2018) conclude that VCs can be considered the keepers of funding and information, and therefore hold considerable power and influence in the startup ecosystem. The results from Gomez-Meija et al.'s (1990) studies on venture capitalists' influence on management in startups indicate that VCs play a central role in monitoring managerial activities and establishing policies. The authors found that the influence was moderated by the startup's development stage. Further studies have investigated the results of the influence of VC funding. Guo and Jiang (2013) found that VC-backed firms outperform non-VC-backed firms in terms of profitability, labor productivity, sales growth, and R&D investment. Hellman and Puri (2002) found that VC-funded startups bring products faster to the markets. Further, Puri and Zarutskie (2012) concluded that VC-supported startups grow more rapidly and are less likely to fail compared to non-VC-backed ventures. Jeong et al. (2020) found that the earlier a startup is initially offered investment by VC firms, the higher the startup's performance will be.

The enabler of the above-outlined benefits is mainly capital. However, Rosenstein et al. (1993) point out the importance of understanding what value venture capitalists add besides money to their portfolio companies. Simply providing capital is not enough in today's venture capital market. As such, VCs should focus on the value-added because it is the most important distinctive competence in early-stage investments, which allows VCs to differentiate themselves from other venture capitalists (Rosenstein et al., 1993). The value-added can take many forms and shapes. Jeong et al. (2020) exemplify that VCs add value through their knowledge, experience and vast network. Hellman and Puri (2002) discuss how VCs' involvement contributes to the development and professionalization of startups with respect to human resources and strategic management.

Despite the positive outcomes of VC's influence, some literature also discusses the potential drawbacks of their involvement. Startups with more VCs on the board of directors tended to have a lower return on investment (ROI). Ehrlich et al. (1994) confirmed the stereotype of VCs having more stringent controls compared to other types of investors and elaborated that VCs require a greater amount of reporting and control. Rosenstein et al. (1993) found that entrepreneurs valued investors with operational experience more, compared to financial savvy types. They discussed if entrepreneurs could benefit more by seeking alternative investments from corporate investors from related industries. Mullins (2014) outlines that raising capital and trying to attract VCs may distract entrepreneurs from focusing on the venture. Contrary to the advantage of early-stage VC funding outlined by Jeong et al. (2020), Mullins (2014) discusses that raising VC funding in the early stages may result in an unnecessary high give-away of equity to investors.

2.2.4 The demand for growth

The most expensive asset for VCs is time (Tekler et al., 2016). This demands that any potential investment case should be able to scale fast and show signs of success in a short time. Harris (2017) outlines the incentives as to why VC firms constantly push for the rapid growth of the startup. Startups that quickly show success, lower the uncertainty inherent in the investment and can continue to attract new investments. On the contrary, startups that quickly fail, although an undesirable outcome, implies that the VC can focus its effort elsewhere. Detrimental are startups that stand still and show no clear future. These ventures hog the time and effort of VCs and put them in a difficult position.

2.3 Performance measurement and KPIs

Garengo et al. (2005) state that performance measurement is an essential tool for improving business performance and getting a competitive advantage. The purpose of performance management is to evaluate whether the company is moving in the right direction and fulfilling its objectives and goals (Ishaq Bhatti et al., 2013). A popular way of measuring performance is that of the balanced scorecard (BSC) (Kaplan and Norton, 1992). Although included in the BSC approach, the easiest way to measure is simply the practice of using Key Performance Indicators (KPIs) (Patrick, 2010). KPIs are a type of commensuration, meaning a transformation of different qualities into a common metric. Espeland and Stevens (1998) explain that it is a way to reduce and simplify disparate information into numbers that can easily be compared. Ries (2011) argues that performance measurement helps to get an understanding of what the drivers of the business are. There is a plethora of KPIs that businesses can choose from, though they can be distinguished by four main attributes: leading, lagging, soft and hard. Rompho (2018) emphasizes the importance of selecting the correct metrics relevant at particular stages, instead of trying to perform well in all areas, which ultimately leads to loss of focus.

Previous research such as Ripsas (2015) and Tan and Smyrniotis (2011) have lifted the benefits to why startups should implement KPI practices. Llorlach and Ottosson (2016) expand on the research field by developing a framework that dictates what KPIs are relevant at what development stage of the startup. Furthermore, Sawyer (2009) argues that KPIs practices can become beneficial for startups when seeking venture capital because they act as a good way of explaining and communicating the value drivers of the business internally and externally.

Not only does the literature lift reasons why it can be beneficial from the startup perspective, but also investigates VCs' opinions of the implementation of performance measurement in startups. Oftentimes, VCs require that startups adopt any form of performance measurement after an initial investment has been made (Davila & Foster, 2007). The reason being, that the entrepreneur can gather a more comprehensive picture over time and see how efficiently the startup is using its resources. However, Llorlach and Ottosson (2016) found that only a few startups that either have been in close contact or have been financed by VCs have experienced demands from potential investors to see extensive performance measurements.

2.4 Influence & Power

2.4.1 Sources of Power

There are multiple sources of power, of which five are common. These are coercive, reward, legitimate, expert and referent power. Of these, coercive power distinguishes itself as it is the only source that causes a party to unwillingly sacrifice influence. Thus the different types of power can be classified as coercive and non-coercive (Lusch, 1976).

Reward power can simply be defined as the power derived from the ability to reward. Expert power can be described as the power derived from the trust invested in a party because of the party's experience or knowledge. Referent power is the influence gained from one party's level of identification with another party, e.g. A is attracted to B and therefore seeks to be associated with B. Thus B gains influence. Legitimate power is given as a result of a party's position or authority, whether it is derived from a social, cultural or political position. Finally, coercive power is derived from a party's ability to punish another party (French & Raven, 1959). While power is the ability to get someone to act, influence is the capacity to modify. Thus influence can be viewed as a milder version of power.

Furthermore, Gomez-Meija et al. (1990) describe the level of power in a relationship to be a function of the level of dependence one party has on another to fulfill their needs. Therefore, a company's reliance on a VC firm will determine the amount of influence the investor exerts on the company.

2.4.2 Information Asymmetry

The term information asymmetry describes the circumstances when one actor has better or more information than another and thus has an informational advantage. Naturally, an information asymmetry, therefore, gives power to the actor or party with the informational advantage. In the startup - VC relationship this can be seen in two different stages. An investor requires a potential investment object to disclose a large amount of information during the screening stage of the relationship. Consequently, a high information asymmetry is present which in turn affects the VC firm's influence and power (Jeong et al., 2020). Conversely, post-investment, the VC can not observe the startup's actions or information to

the same degree the startup can itself. In this instance, the information asymmetry is reversed (Duffner, 2003).

2.4.3 Trust

Trust is defined by Bottazzi et al. (2016) as “the subjective probability with which an agent assesses that another agent or group of agents will perform a particular action”. They continue by describing two subcategories of trust - personalized trust and generalized trust. Personalized trust is based on recurring exchanges between two actors. Generalized trust, however, is one actor's assumption about a random individual's behavior. The primary distinction in characteristics can thus be that personalized trust is built over time, whereas generalized trust is instantaneous. Furthermore, Bottazzi et al. (2016) argue that when applying this theory to the investment process, the trust would develop as follows. Initially, the relationship would be characterized by generalized trust developed from exogenous variables, such as the general perception of VCs. As the two parties work together and interactions are repeated, the trust will be personalized and based on their experiences of each other. Hence, the trust will initially be based on prior beliefs about the nature of the other party and later be founded on distinct posterior beliefs.

3. Method

3.1 Selection of Research Methodology

Due to little previous research on how KPI practices in startups are influenced by investors, it falls naturally to use a qualitative research approach. A qualitative study is designed to answer and narrate how one as an individual can perceive your own social reality (Bryman & Bell, 2017). As the main purpose of this study is to deepen the understanding of the dynamics of the relationship between startups and investors, in regards to how it affects KPI management within startups, a qualitative procedure is deemed to be more beneficial. A qualitative study enables more flexibility, gives opportunities to ask follow-up questions, which increases the chances for the question to be answered more profoundly (Larsen, 2018). On top of that, the guiding research question at hand is posed in a way that makes this approach appropriate (Bryman & Bell 2013). One might add that significant complexity would emerge when trying to capture the reasoning in a discussion with a quantitative research approach. A qualitative procedure opposes a quantitative perspective in terms of that the qualitative direction is aimed towards advancing the existing research (Bryman & Bell, 2017).

This study uses a combination of a deductive and inductive approach, the abductive approach. The abductive research usually starts with an observation of a certain phenomenon (Alvesson & Sköldberg 2008), which in the author's case was the practical experience of investors having a natural large influence on early-stage companies. As empirical evidence was gathered from interviews, there emerged a need to widen our theoretical scope to be able to explain the underlying reasons for this phenomenon. This exemplifies the strength of the abductive approach as it allows one to explain, develop or change the theoretical before, during and after the research process, in contrast to an inductive and deductive approach (Dubois and Gadde, 2002). Hence, the abductive approach moves back and forth between inductive and deductive attempts to verify our assumptions. It is a process where the focus can shift between empirical evidence and theory where both are reinterpreted from each other. Finally, the authors believe the abductive approach has given a broader understanding of the research subject compared to what either inductive or deductive could have generated.

3.2 Selection of respondents

3.2.1 Selection of Investors

This study focuses on Swedish VCs, as startups often have the goal to attract and convince these institutional investors.

The selection of VCs was done by fulfilling a requirement profile. The VCs had to be located in startup-dense Stockholm, have at least ten active investments, have at least five employees, and not be founded later than 2016. The selected companies differ quite a bit regarding sector specialization, size of investment funds and type of venture capital. This enables capturing a broader spectrum of experience and opinion. Nonetheless, the sample of VCs has in common the preference for tech startups because of the scalability and higher profitability.

All interviewees from the respective VCs were contacted via email, where the interviewees were selected by employee rank. Their employee status partly differs. However, all candidates are active in investment decisions and have worked for the company for at least four years and have a good overview of the firm. Upon making contact and booking in the interview, the interviewees received information about the purpose of this study and what the general topic of the interview would be.

Table 1 shows a compilation of the VCs included in this study. Instead of the company name, a codename was allocated to keep the companies anonymous.

VC	Sector	Position	Types of financing
A	Greentech, food tech, clean energy, B2C	Investment Manager	Serie A, Serie B
B	tech, fintech, medtech, B2C	Investment Manager	Sweat-equity, Seed, Serie A
C	tech, SaaS, greentech, B2C, B2B	Partner	Serie A
D	B2B, tech, Saas, life science, deep tech	Investment Manager	Seed, Serie A

E	tech, energy, logistics, B2C	Partner	Serie A
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Table 1

3.2.2 Selection of startups

Like the selection of VCs, the selection of startups followed a basic profile requirement to ensure that they have either just received their first VC funding or are in the process of seeking and receiving VC funding. All are Swedish startups with 3-5 employees, an MVP and have existed for at least two years. The startups differ in the industry and maturity stage. As such, the heterogeneity can be expected to generate broader insights and contribute to a deeper understanding of the interviewees' answers (Alvehus, 2013).

Due to time limitations and feasibility, the authors reached out to startups in their network who are fulfilling the above-mentioned requirements. Primarily the authors approached the CEO where possible to gain the best overview of the startup. Like with the VC interviewees, the startup interviewees were briefed about the aim of this study and the general outline of the interview.

Table 2 shows a compilation of the startups included in this study. Instead of the company name, a codename was allocated to keep the companies anonymous.

Startup	Sector	Position	Maturity	VC relationship
A	Retail, charity	CEO, Co-founder	Commercialization	pre-VC funding
B	Retail, food	CEO, founder	Growth	post-VC funding
C	B2B data service	Business developer	Growth	pre-VC funding
D	Health, wellness	CEO, founder	Commercialization	pre-VC funding
E	Mobility	CEO, founder	R&D	pre-VC funding

Table 2

3.3 Data collection

For the interviews with both the VCs and the startups, the semi-structured interview method was chosen. This meant that an interview guide was constructed with a majority of open-ended questions. This is considered suitable to be able to explore intangible and abstract concepts (Kvale & Brinkmann 2009; Bryman & Bell 2015). The advantage of semi-structured interviews is that the interviewee plays an active part in the process and is allowed to speak freely about what they feel is most important. This results in deeper insights and a more nuanced answer (Bryman & Bell, 2017). By letting the interviewee structure their answers, it gives an understanding of how the respondent interprets the question. Further, asking follow-up questions lets the authors develop on unexpected issues and allows the respondents to elaborate deeper on that subject, which ultimately enriches the answer and outlines a possibly different perspective (Kvale & Brinkmann 2009; Bryman & Bell 2015).

Due to COVID-19, all interviews were conducted via phone or video call. Both authors participated during all interviews, where the authors took turns taking the leading role of asking questions or listening and taking notes. The interviews varied in length due to the time restrictions of the interviewees. The majority of interviews were kept for around one hour.

To ensure the right data collection, the interviews were recorded from start to finish. These audio files were then transcribed verbatim, without any adjustments to ensure reliability and to capture anything of value. Transcribing the audio files also allows for capturing the subtle nuances of word meanings, phrasing and emphasis. The transcription also served the purpose of enabling a deeper analysis, given the opportunity to repeatedly re-read the respondent's answers (Bryman, 2018). The results were anonymized to preserve good relations without compromising the valuable insights.

3.4 Pilot Study

Before the execution of the interviews, the interview questions were tested in a pilot study to ensure that they resulted in relevant content. For this reason, a pilot study was conducted with VC firm A and startup A to make sure that the questions were clearly formulated and gave collectible results. Due to the respondents making their own interpretations, Larsson (1986) stresses the importance of testing the question to get an insight into how they are interpreted.

Both pilot studies resulted in a need to add, alternate and remove some questions to better fit the purpose of this study and the intentions of the authors. Some questions were identified as too leading as they became overly biased and forced a specific answer. These questions were replaced by more open-ended ones. Others did not contribute to the study, thus creating confusion and were removed henceforth. By revising the questions, higher validity could be achieved.

To help the authors better capture the dynamic of the relationship between VCs and startups, a third party in the form of an incubator was interviewed. The main purposes were to validate the purpose of this study and develop relevant questions to ask in the main study.

3.5. Main Study

3.5.1 VCs interviews

The interview began with a background section to capture an overview of the role of the respondent, the VCs history, strategy and specialization. The focus was more to keep an open dialogue to make the interviewee feel comfortable and familiar. The questions addressed the specific sector they are niched towards, how they help startups in general, what their strategy is and the maturity stages of the startups they invest in.

The next section of the interview was geared towards gathering an understanding of how VCs use KPIs in the evaluation process and how they perceive how startups use KPIs. Example questions were if startups make projections of their KPIs and whether the VCs suggest specific methods to their startups to track performance.

The last theme of the interview was constructed to reveal the VC's perceived relationship towards their investment (startups). More specifically, the VCs were asked to reflect upon whether they believe to have a significant impact on startups, and if there were any potential knowledge gaps between each other. See Appendix 1 for a complete interview guide.

3.5.2 Startup interviews

The interview started with getting an overview of the interviewee's role at the company, their previous experience and a background of the startup. Again, the focus was to keep an open dialogue and let the interviewee choose what he/she wanted to focus on. However, to make sure to apprehend a good overview of the business idea, more descriptive questions like the main objectives of the company and maturity in terms of financials and organizational-wise were posed.

The next section, akin to the interviews with VCs, focused on the usage of KPIs. The purpose of these questions was to create a comprehension of why and how they use KPIs. Examples of these were how and to which extent they use KPIs in their communication internally and externally, and what challenges they encounter when utilizing performance measurement systems.

The purpose of the last section of the interview was about asking them to reflect on the influence of external actors, such as VCs, and if they have a direct impact on their KPI practices. To gain a deeper understanding of how the startups thought about external pressure, multiple questions with different angles were posed. For instance, they were asked whether they believe to adapt their KPIs to external parties, like VC investors, and they were asked to elaborate if they perceived to exist any difference in opinion regarding goals and performance measurement. See Appendix 2 for a complete interview guide.

3.6 Method of analysis

After the transcription of all interviews, the authors carried out a thematic content analysis of the empirical data (see table 3 as an example), which is the most common choice for qualitative studies (Burnard et al., 2008). The authors reviewed the transcribed evidence and identified themes and categories. Subsequently, the categories were compared from each respective interview with the others to determine commonalities and differences. Through this process, patterns and shared themes were discovered in the categorization, which contributed to drawing a conclusion and answering the research questions of the study. The authors have repeatedly reviewed the empirical material to ensure that the process was systematic and accurate. The described method was utilized on both the VCs' interviews and the startups' interviews separately.

Qualitative statement	Themes
<i>"Our influence is mostly about keeping them away from certain predictable mistakes. We can never create success. Opening doors for other investors, we can do that, we have influence. We are an enabler, we set some frameworks and rules of the game and we do that in agreement with the companies as well. We use deviation-protection to make sure the companies stick to what is agreed." – VC D</i>	•Influence •VC value addition •VC perception of SU •VC demands •Limits how the SU can act •Small perceived influence •Wants to attract other investors
<i>"We don't think startups should spend time giving us lots of KPIs just because we want them to, we just want them to spend time on the KPIs that are relevant to the company." – VC C</i>	•VC perception of SU •VC perception •KPI •KPI/projections waste of time •Important - KPI fundamentals
<i>"It's easy for people to tweak their numbers to make them look good, but that's a castle in the air that can then be blown up. For me, it's nicer to show what KPIs we actually have and then what KPIs you could achieve." – Startup A</i>	•Influence •KPI to convince investors •Adaptation of KPIs to get investment •Values realism •Safe targets/fear of failure
<i>"So that's sick, you keep on with your projections and hockey stick curves and so on, but my experience is that it's really hard to tell" – Startup C</i>	•KPI •Projections •Conformity to authority •KPI negative •KPI difficulties •Influence

Table 3

3.7 Criticism and Quality of Qualitative Methodology

A common criticism of the qualitative research approach is that the process of interpreting the study findings is highly subjective (Burnard et al., 2008). The study is largely influenced by the researcher's perception of what is relevant and how they interpret the data (Bryman, 2018). This raises the issues of validity. The authors have decided not to minimize such risk through respondent validation or peer review. Participation validation is time-consuming and participants may have changed their perception of the subject which would undermine their initial thoughts and views towards the interview questions (Burnard et al., 2008). A peer-review could potentially minimize researcher bias and generate new insights. However, it would result in another interpretation, which is, again, subjective and not necessarily more valid (Bryman & Bell, 2013). To mitigate the risks involved in qualitative research, the authors have asked follow-up questions when something was unclear. Further, the authors have actively searched for contrary cases in the empirical data, re-read the evidence repeatedly and continuously questioned what conclusions can be drawn from it.

Another key criteria in qualitative methodology is that of reliability. LeCompte and Goetz (1982) distinguish between external and internal reliability. External reliability deals with to what extent the study can be replicated. Due to social environments and circumstances not being the same at the time of the initial research and the time of replicating the research, external reliability is hard to achieve. Given that the research objects of startups are in a fast-moving environment, the chances are high that external factors influencing their view will occur. This way, replication of this exact study is complicated. On the other side, internal reliability deals with how the authors execute the research method and agree on how the interpretation of the data is handled (Bryman & Bell, 2013). This criterion can be said to be fulfilled, as a methodology for collecting and assessing the data was determined before the interviews began. The working process was clearly defined.

A potential criticism could be the small number of respondents. Repstad (2007) suggests that a range between five and eight interviews is suitable for a qualitative approach, at the same time that the number can vary depending on the respondents' answers. The authors assessed that five interviews for both the VC side and startup side were enough, as clear patterns started to emerge and each new interview contributed less to the research question.

Finally, due to COVID-19, all the interviews were either conducted by telephone or via video call. One might question if these are deemed as reliable as physical interviews, as the respondent's body language is not taken into account via phone. Sturges and Hanrahan (2004) found in a study that there are no significant differences in the answers and concluded that telephone interviews could be used productively in qualitative research.

4. Results

The result section outlines key findings in the empirical data of VCs and startups separately. Both follow the same structure: an overview of the VC-startup relationship from their perspective, their view on startups' KPI practices and finally findings on whether they experience influence from VCs on startups.

4.1 VC

4.1.1 VCs objectives

To better understand why VCs have influence, there is a need to look at the underlying intentions and objectives of VCs. In the empirical evidence, themes such as VCs' constant demand for growth, what they look for in a startup and the wish to attract other investors emerge. Also, the issues of common misconception about VCs, trust and transparency are underlined.

4.1.1.1 VCs Want Growth

All VCs have the same objective of creating value by mainly focusing on the growth aspect of the startup to generate a solid return on their investment. Many VCs exemplify that before any investment is made, there is a clear strategy for what minimum return on investment they expect and when they do their exit.

"We try to get the startups to take market share and be aggressive in terms of getting their product out on the market." - VC E

"We hope to return five to ten times the investment in five to seven years." - VC D

However, there seems to be a clear explanation as to why VCs demand such aggressive growth from their startups. VCs take substantial risks when investing in early-stage companies and need compensation for that uncertainty. Further, with the low success rate of startups, even backed by VCs, there emerges the requirement that the ones that do succeed need to compensate for the losers. Thus VCs seek startups that can pursue rapid growth and quickly appreciate value.

“We buy equity in startups and more often than not these go down the drain. The few startups that succeed should compensate for those who fail. Like everyone else we are reliant on those startups who have extreme potential and possibility to scale fast.” - VC A

VCs seem to be very keen that any profit generated in the company should be reinvested back in it, to grow further.

“If their bottom line is positive, they have failed. If the profit leaves the company, you don’t have any more ideas. We care a great deal that money isn’t leaking from the startup in the form of dividends or high salaries. Everything should be dedicated to increasing the value of the company. That is an overall requirement from our side” - VC C

An interesting finding is that VC D admitted to the bustle of growth and emphasized that a pure growth pursuit can impair later growth by forgetting about other key drivers of value.

"The most common thing is that you forget to measure the existing customers because you only focus on growth. This comes from the pressure from our side that we want to see growth. So sometimes we have to say, hold up - how are the existing customers doing?" - VC D

4.1.1.2 Misconceptions

What all VC investors have in common, was the feeling of being misunderstood. From their point of view, a common misconception is that startups only believe that VCs can contribute with capital.

“Besides capital, we actively contribute with other values like experience, sitting on the board of directors, being mentors, contributing with structures, arrangements and contact networks. However, when you ask a startup, it’s just money.” - VC D

All VCs are keen on stressing the additional benefits of seeking VC involvement. Besides capital, knowledge and experience is the most highlighted theme. The reason being that VCs come in contact with a plethora of startups during their existence and are likely to have seen many challenges before and therefore know how to solve them.

"We have an opportunity to look at hundreds of companies that go or have gone through the same phases. There are themes that we see and can identify. Around the next corner, you have to be aware that this and this can happen." - VC E

Further, VCs stress that they seek cooperation, where they do not want to steer the startup in a certain direction but rather want to help and complement the startups in any way they can.

"We want to share goals with the startup, to cooperate instead of having a customer-supplier dynamic" - VC B

"We want to create positive growth together. How can we help them strategically, commercially and financially? We want to create long-lasting relationships." - VC A

Connected to the area of misconception is that VCs were very clear that they most often do not have better knowledge about the startups and their industry.

"For the most part, it is the team [startup] themselves who know best about their company, product and market. And they should." - VC A

4.1.1.3 What VCs look for in a startup

Although not explicitly asked in the study, all VCs tended to emphasize that in their eyes the founders' team and their vision was the most important aspect and ultimately decides whether VCs want to invest in the venture or not.

"The most important thing in the evaluation of the startups is that of the right team. Everything else is secondary. Combination of experience and motivation." - VC C

"We look for individuals with the right ambitions, visions and capabilities to build something great." - VC E

4.1.1.4 VCs want to attract other investors

From the empirical evidence, one could read that most VCs feel responsible for making the startup look as attractive as possible for the next potential investors. As such, they feel

obliged to try to influence the startups and share their knowledge of how to attract other investors.

"A professional investor joining us would want to have a closer look at the numbers. We have to start structuring how they measure pretty quickly after we invest" - VC C

"I as an investor have to think that this startup must continue to receive investments and I know what the investors want to see." - VC B

4.1.1.5 Trust & Transparency

Convincing entrepreneurs to give away a stake of equity in the startups requires a great deal of trust. VCs seem not to take the relationship between them and the startup for granted and hope for equal trust back.

"It's about winning the trust of the entrepreneur and being the partner they would want to take with them on this journey. Later you join the board of directors and are with them when they grow and hopefully create great value." - VC E

Given the nature that both parties benefit from the thrive of the startup, VCs try to share all information that can be of value to propel the business forward.

"Absolutely, we provide our knowledge and experience about situations we have encountered before. Everything that can create value has to be shared with the startup. I believe we are very transparent." - VC A

On the other side, VCs sometimes perceive that startups do not disclose all information. Oftentimes startups fear repercussions or reactions to worse results than the projected numbers.

"They stop measuring certain values that are worse than expected. Generally, this isn't the case but it occurs from time to time." - VC C

4.1.1.6 Alignment

Generally, the VCs perceive the relationship with the startups to be aligned with their vision, ambition and choice of KPI practices after the initial investment has been made. To minimize potential communication and knowledge gaps, VCs try to have a continuous dialogue with the startups, try to communicate to startups that they do not expect perfection and find working on the board of directors to be a great way to mitigate misalignments.

"We work tight with our companies and have honest dialogues. When you enter an investment you know it's not gonna be perfect and will never be perfect either. We don't demand that from the startups." - VC A

4.1.2 KPIs

4.1.2.1 Bad accuracy

Most of the VC firms interviewed in the study claim that KPIs and projections reported in the screening stage have low or no accuracy to them. However, the interviewed VCs do not want to blame the startups for the imprecision. The reason for this is twofold. Firstly, the investors find it to be implausible to correctly estimate the potential of the business. This difficulty derives, in their opinion, from the limited amount of data available and the early stage of the startups. Secondly, the KPIs and projections, as well as the process of developing them, have an alternative value that could be extracted during the screening stage.

"They [startups] make projections, but they are not relevant because of the high uncertainty. Almost all projections ever made have been wrong, that is the only certainty. However, they display seriousness even though it might not be time well spent. They make them on our behalf." - VC B

4.1.2.2 Affected by VC expectations

Furthermore, three out of the five investors claim that startups adjusted what KPIs they have or their projections to better suit the expectations or demands put forth by the investors. For example, VC B says that the startup adjusts or frames the information reported in the screening stage to impress. Likewise, another common experience is that some startups present them with intricate and advanced KPI models in the hope of strengthening their case.

However, the models are frequently overly advanced and do not contribute to the analysis of the business or its potential.

“Sometimes we see people who are super savvy, too smart for their own good. They come to us with a flashy financial model, but there isn’t any substance to it. You would rather get a rough diamond, that solves a real problem and that the customers love. Then we can help them to get structure so that the capital market over time can start to like them.” - VC D

Of value to note is that the VC firms do not find the adaptation of data to be a problem. Nonetheless, as mentioned before, two investors express some concern about startups actively hiding certain KPIs, both during the screening stage and post-investment.

“There are sometimes certain KPIs that we don't get to see or get to see first after some time, while the entrepreneurs have known of the situation the entire time” - VC E

“What we tell our entrepreneurs is that we as investors don’t want to see any KPIs that they don’t find relevant for how they run their company.” - VC C

4.1.2.3 Purpose of KPIs and projections

Moreover, when the investors were inquired about the purpose and value of KPIs, a plethora of aspects were brought to light. Roughly, the value proposition of KPIs and projections are divided into two categories depending on where in the investment process they are reported; pre-investment/screening and post-investment. Nevertheless, some advantages of KPIs are prevalent in both stages.

4.1.2.4 Pre-investment - Understanding the team capabilities, ambition and market potential

In the pre-investment stage, the KPIs and primarily the projections hold two main functions. However, neither are to actually estimate the future performance or to use them as a purely predictive tool.

The first function of the projections is as an indicator of the startup teams' capabilities, knowledge and ambition. For example, some investors want to see extremely high projected revenue despite it not being a realistic scenario.

"I want to see high market potential and goals. And with high I mean hundreds of millions in Sweden and billions in the world. Later investors want to see billions in Sweden. For me it's only market size, team and product novelty or importance of the problem solved, that is important" - VC D

The second function is to get an estimate of the market size. By creating projections startups convey what their goal is. These projections can then be measured against the market assumptions to understand if it is a possibility. If the forecasts are possible, although not likely, when considering the market size it can help to evaluate the team's competence. Furthermore, the process of creating projections and KPIs acts as a valuable exercise to understand the different aspects of the business venture.

"It is a good thing to make them, it's an exercise in which they have to understand their company on a deep level, it gives an understanding of what cost drivers and revenue drivers there are." - VC E

"There is a 'Hockey stick' in every presentation and you always smile at it. You know that nine out of ten times it won't become reality. But it is good to have, almost mandatory, from two perspectives. One is that the company actually has an ambition and shows it. The other is that it is good to have a calculation. If they have a hockey stick they have to be able to back it up with market assumptions, so you can check their competence." - VC D

4.1.2.5 Post-investment

Post-investment, other values with KPIs and projections can be identified. As the companies grow, the investors value KPIs as guiding tools. One investor claims that they wanted all actions by the startups to be data-driven. Others, emphasize KPIs as means of understanding the customer needs or understand what drives the growth or what impairs value. Projections function, during the post-investment stage, partly as a predictive tool, short-term, and partly to formulate distinct goals, that subsequently established focus areas.

4.1.2.6 Good & Bad startup KPI practices

All the VC firms interviewed in the study have similar opinions on what they view as efficient and inefficient practices for measuring KPIs. Likewise, all VCs have identified similar pitfalls that they advise startups to avoid. They found the mistake of measuring the wrong aspects of the business to be the most common. According to the VCs, the startups frequently focus on less relevant parts of the business or simply have KPIs that indicate performance in a different area than they attempt to. Moreover, startups regularly use too complex measures or accidentally have multiple KPIs for monitoring performance in the same area. The investors see this as a time drain or as the cause for confusion. Both of which can severely impact the business negatively. Additionally, some investors claim that the startups do not have the sufficient structure or knowledge to measure some of the relevant KPIs and then they avoid examining those indicators.

“It can’t get too complex to measure, some KPIs are critical and then you have to find simple ways of measuring them.” - VC C

“Many KPIs measure the same thing but from different angles. What you want to know is that the company is growing, that it is healthy and that it continuously streamlines and becomes more mean and lean. Then you don’t need too many KPIs. What you need is to know the fundamentals.” - VC A

Similarly, the VC firms have a clear notion of how they wish startups to implement KPI practices. All the interviewed investors claim they want the startups to use simple performance measures to the highest possible level to reduce complexity and effort. VC B says that they favor the startups they invest in to initially just use one measure. They also favor KPIs that are easy to understand and pedagogical. Finally, the VC firms prefer the companies to leverage measures that describe what they perceive as fundamental and relevant aspects of the business. Examples of such areas include metrics relating to growth, revenue drivers, customer retention and cost structure. Furthermore, the reason for the emphasis on simplicity and relevance derives from the belief that the startups should be able to utilize the KPIs to efficiently monitor progress and guide their decisions in choosing the focal points for their development.

“‘One metric to measure’, in the beginning, we want the startups to have one or two metrics which are crucial for what they want to accomplish. Then we can work from there. This is

important to focus on so that everybody work towards the same direction and to create an understanding for the business” - VC B

"The most important is that the KPIs are lucid and understandable." - VC D

*“KPIs are naked, they show you what you need to improve and help you find the right focus.”
- VC A*

4.1.3 Influence

Although many of the previously discussed themes imply that VCs influence startups in various ways, when asked directly, VCs had a hard time quantifying their direct influence. An exception was VC A who believes that entrepreneurs have 70% figured out and that VC contributes the remaining 30% on how KPI practices should look like. More bluntly, VC B expressed that without their investments the startups would unlikely survive much longer and as such influence is severe as the startups are largely dependent on getting that investment.

*"I think so, [influence from external parties], I don't have any solid evidence, but a feeling.
Both investors, partners and competitors." - VC B*

Another brought-up aspect was that VCs feel more influence when being part of the board of directors as this naturally causes them to influence how the startup is driven.

"Yeah, especially when part of the board of directors - supporting the founders and the company, but we don't try to govern” - VC A

4.2 Startups

4.2.1 Perception of VCs

All interviewed startups have either received VC investments or are actively seeking VC support. However, the perception of VCs in the mind of startups seems to be mixed. Generally, startups who have either previous experience from being an entrepreneur or have received VC investments do feel more confident and calm. In contrast, early startups with little experience in the entrepreneurship world, seem to have more negative preconceptions and feel anxiety when talking to VCs because they fear harsh feedback and possible rejection.

“I use the metaphor that we have built what we think is a bulletproof vest. We go out and test the vest and get shot. Then we realize that part of it is made of styrofoam and it hurts badly.”-

Startup A

4.2.1.1 Trust & Transparency

The level of trust varies among the startups. Some startups have great trust in their VCs, and can be fully transparent in their relationship. They perceive their VC to be transparent too. On the other hand, there is also a type of mistrust among certain startups that doubt the intentions of VCs.

“All of our investors take good care of me and my partner and that it is our company and we can run it our way. Even if there are suggestions, they still respect our choices - that’s very nice.” - Startup B

“You often enter a room and you feel like everyone is on the same side. But then you realize you have different agendas. There is often an ulterior motive when people want to get involved.” - Startup A

4.2.1.2 The competence VCs provide

When asking startups what VCs are particularly good at and where they believe that VC’s knowledge exceeds the startups’ is how to run a business. Reasons for that are their access to a vast network of companies and extensive previous experience, which enables them to gather a greater understanding of the requirements of staying competitive in a specific sector.

“Knowledge about how to run a business they definitely can bring to the table. That is also one of the greatest benefits when onboarding VCs, hopefully, they have done similar things before and know what to prioritize.” - Startup E

4.2.1.3 Misalignments

Most of the startups have had experience with other types of investors (mostly angels) before and perceive VC to be more strenuous. One recurring pattern is their perception that VCs demand constant growth and selling to meet their return on investments. Further, startups

experience that their priorities clash. They feel the VCs prioritize selling whilst startups are not just driven by creating growth but also something new and long-lasting.

"People don't understand how much relationship-building there actually is, then they just say 'sell more anyway' - Startup A

"What I have felt sometimes is that we are driven by creating something new, money is secondary. For VCs money is usually the primary driving force - to optimize for returns. There, potential conflicts can lie between for instance building a more long-term service and creating value by optimizing for earning money. Likewise when you sell the startup. The entrepreneur thinks there is still a lot to improve, but the VC wants to sell to get their money back faster." - Startup E

4.2.2 KPIs

4.2.2.1 Experience

From the empirical data, it can be concluded that the experience of KPI usage is not dependent on the development stage of the startup, but rather on the startup team's previous experience within management. Older entrepreneurs who either had run a startup prior to the present one or have collected management experience from earlier employment were more familiar and confident with the practice of performance measurement. The yet small size of a startup combined with previous experience was mentioned as an argument not to actively track KPIs. On the other side of the spectrum, young entrepreneurs with relatively little experience are new to KPI measurement.

"I feel confident in measuring. But we are such a small company, everyone knows what is up so we don't put much effort towards it." - Startup D

"I founded this company back in 2018 and I remember that in the beginning, I didn't even know what a KPI was and what it meant." - Startup A

4.2.2.2 Why KPIs?

Startups measure KPIs for various reasons. A common denominator is that all startups stress the importance of measuring and list multiple reasons as to why it is beneficial. KPI

measurement makes you set clear goals, track your progress and gives you an understanding of how far you have come on your mission. On top of that, it is a way of communicating the progress of the startup internally. Despite all the benefits, startups' opinions on how much time should be devoted to actively pursuing a KPI practice differ. Explanations such as the small size, time consumption and little relevance in the early stage are stated.

"KPIs are crucial for sure, but we don't want to put a lot of time into finding the perfect KPI because of our early stage. The only thing we don't have is time." - Startup C

"You have to evaluate yourself all the time. A good way of doing that is setting goals and see how far you have come, understanding where you are now, where you wanna go and how we move forward from here. KPIs are a way of communicating in a team." - Startup D

As concluded above, startups believe KPIs to be of value but use them only to a limited extent internally in the early development stages. Interesting to see is also that the startups have experienced that VCs request a high focus on KPIs. One of the causes for keeping KPIs more informal internally is that the startup perceives that they have a good overview of how business is going. Externally, especially financial KPIs are an easy and fast way to describe operational health.

"It's not like we before our internal meetings talk about KPIs, rather we use them with external actors such as investors." - Startup C

"Internally, KPIs are informal. Everyone keeps track of their area. We just simply ask the person who has the best information about that area. Externally, it depends on who you are talking to. In my prior venture, we had VC funding and then there was an extreme focus on KPIs." - Startup E

4.2.2.3 Challenges

As previously noted, startups experience challenges of different kinds when constructing and tracking KPIs. Despite possibly being time-consuming, certain KPIs are experienced to be complex, such as the popular requested customer lifetime value. Moreover, startups struggle with finding the right fit for measurement when bringing new innovation to the market as

there are no pre-existing well-established KPIs. Further, there is also the challenge of finding the right balance between KPIs that do not undermine other KPIs.

“A big challenge we experienced is about customer lifetime value. Investors always want to see how much money we make from each customer and that is really hard to figure out as an inexperienced company. We are simply too young.” - Startup A

“The challenge was what KPIs to pick who don’t sub-optimize other KPIs. For instance, revenue has to be balanced against quality so that every delivery can uphold the right quality.” - Startup E

4.2.2.4 KPI projections

A vital part for startups is the forecast of the potential impact of their business idea. Many startups feel pressure to create hockey stick curves but feel that they are generally only for show and not reliable. In the startup environment, many factors can change rapidly and result in a starkly different outcome. Thus a common opinion is that creating such projections can be a waste of time as they are decoupled from reality. Projections are often based on historical data, which leads to young startups with little track record struggling in making sense of the numbers and referring to it as a “guessing game”. Another challenge for startups bringing new innovation to the market is the difficulty to assess future potential as there is little market data to support their claims.

"We come with a whole new innovation to the market. It is really hard to estimate" - Startup D

“You have your projections and hockey stick curves and so on, but in my experience, it is really hard to assess.” - Startup C

In contrast to the generally unfavorable attitude towards projections, startup E saw creating forecasts as a self-fulfilling prophecy. When arguing for certain future numbers/ KPIs, you are more likely to reach them or at least progress in the right direction.

"The more big actors argue for a certain future, the bigger are the chances of them becoming reality. It starts with a story about the future, a vision. And if enough others join that vision

and work towards it, it turns true. We shape the future in the direction where we decide to put our effort and invention.” - Startup E

An underlying subtext that appeared in some of the startups' answers was that of the fear of failure. Contrary to the belief of startup K, some startups wanted to project realistic forecasts that they see a high chance of reaching.

“It's easy for people to tweak their numbers so that they look good. But it's just a castle in the air that sooner or later will implode. For me it feels better to show what KPIs we have and what KPIs we actually can achieve.” - Startup A

4.2.3 Influence

Irrespective of what type of external financier it is, they influence the operation of startups, therefore KPI practices and how they develop. The influence of VCs can be direct in the form that they tell you what to do, what KPIs to use or indirect in the form of startups' belief that they have to do something to gain the attention of VCs. The influence VCs have on the startups are due to different reasons. In the early stages, startups are often too inexperienced to know better. Secondly, more often than not, they feel forced to show certain KPIs to attract and please the VCs.

4.2.3.1 Direct influence - Inexperience

Different aspects of the inexperience of entrepreneurs have contributed to the influence of VCs on startups. As many startups are reliant on the funding of VCs, naturally they possess an influence on the operation and its KPI practices. Due to that VCs carry more experience in many sectors, startups with little previous experience tend to follow their lead. With this influence, VCs can direct startups to pursue different strategies without considering the opinion of the founders.

“The initial VC we had was all about accelerating, so that's the way we went, which makes sense because we didn't know better.” - Startup B

“We have received some help from the incubator and our investors with finding the right KPIs.” - Startup C

Startup D pointed out that they actively try to keep their own way and not let VCs influence them too much. They state that the influence of VCs is stronger with younger inexperienced entrepreneurs.

“We try to stick to our own path and try to be thorough with that. We believe that we have greater chances of that than other startups because of our experience and age. It’s harder for a VC to run us over compared to running over entrepreneurs who have never really been in the real working world.” - Startup D

4.2.3.2 Indirect influence - Customize KPIs to please and attract investors

A form of indirect influence of the VCs on startups is the extent to which startups communicate certain KPIs with the purpose to make a more attractive investment case. In the process of pitching their business idea to investors, startups tend to adapt and tweak their KPIs to suit the VC. As such, many KPIs are chosen because of the influence of VCs. An effect of that is that these adapted external KPIs in turn influence the ones used internally.

Yeah, I think that they [other startups] show their best KPIs to support their pitch.” - Startup B

“It is easy to start wondering if we use this KPI because we find it important or because we want to try to impress. You easily start to improve your numbers just because you want it to look better” - Startup A

“They have a lot of influence on the KPIs we choose to present, and indirectly too, on what we work on internally...” “...Investors are the most rigid. Some investors have extremely clear KPIs they want to see, especially on the revenue side of things.” - Startup E

Startup D has a more skeptical approach to whether the influence of VCs is justified and outlines the risks of adhering to VCs recommendations. Despite that entrepreneurs have deeper insights into their company, they are easily affected by VCs' opinions due to the money incentive.

“I have a feeling that many of the investors like it when you do as they say. But they have spent a lot less time in the company than the founders have. Despite this, their words can weigh relatively heavy, but that doesn’t make sense. And that’s not always good. Generally, when someone stands there with a large stack of cash and asks for you to listen to them, then you listen. But the entrepreneurs have been more involved and have more knowledge.” -

Startup D

4.2.3.3 Positive influence

Although many of the described influences have an inherent negative tone, some startups choose to lift aspects of positive influences that VCs have on them. Primarily VCs can share their knowledge and experience with the startups.

“KPIs can also be affected because people with better knowledge joins us and starts asking more relevant questions” - Startup B

“Many investors have thoughts about the entrepreneurs’ KPIs. They have opinions based on their experience since they have seen many different types of firms. They try to share that experience with the entrepreneurs.” - Startup E

5. Analysis & Discussion

5.1 Startups' KPI practices from the VC and startup perspectives

From a startup perspective, the importance and implementation of a KPI practice have great consensus. Aligned with previous studies on KPIs, all startups have the same understanding that KPIs allow for a simple way of tracking the startup's progress (Ishaq Bhatti et al., 2013). Some startups state that it is an efficient way to communicate both internally and externally. This can partly be explained by Espeland and Stevens' (1998) concept of communseration, where KPIs serve as a way to reduce and simplify disparate information and transform it into a number. Despite the outlined benefits of using KPIs in startups (Ripsas, 2015; Tan & Smyrniotis, 2011), some ventures do not want to devote any time to set up such KPI systems as they do not feel that the time is well spent. They argue that the small size of the firm makes it redundant as they believe to have a great overview without them. When looking closer at which startups express such feelings, a common denominator is founders with previous management experience. Given the early stage of the startup, there is little to measure yet. This would explain why specifically startups feel no point in devoting much time towards measuring something where there is little of. One could assume that they believe to have a good understanding of what the value drivers of the business are thus do not focus on KPIs for the reasons argued by Ries (2011). The KPI practices tend to be informal internally because of the belief that the startup team knows what is going on. Conversely, in external communication, the startups appreciate the formality of KPIs more. Like Sawyer (2009), they perceive that KPIs are a suitable way of communicating their business idea to external parties who do not have direct insights into the startup.

The different levels of previous experience within performance management result in challenges when choosing the right KPIs for their business. Startups often feel overwhelmed with the number of choices and do not know what KPIs to pursue and base their decisions on. A big part of the startup's KPI practices is that of the projection. Projections are often based on historical data, but given that early-stage startups have little data to draw upon, most of the startups see little sense of projecting KPIs for internal purposes. An exemption is startup E, which sees the value in using it as an occasion to gain a deeper understanding of the business, much like what is described by Ries (2011).

From a VC perspective, they share the opinion of the importance of implementing KPI practices with the startups and literature (Garengo et al., 2005; Ishaq Bhatti et al., 2013). In the eyes of VCs, startups' KPI practices suffer from measuring wrong aspects, focusing on less relevant business areas and choosing too complex measures due to inexperience. As reflected in the literature (Davila & Foster, 2007) VCs want to see startups adopt KPI practices to gain a better understanding of their business in addition to implementing an easy way of communicating the performance of the startup to the VC. Rompho (2018) emphasizes the need to choose few relevant metrics that correspond well with the objectives of the startup which resonate well with what the VCs wanted to see from the startups. VCs preferred to see a few simple KPIs that are understandable and reflect the business' most important value drivers.

5.2 KPI practices in the Startup - VC relationship

As seen in the results both startups and VCs claim that the startups create and present forecasts, e.g. hockey stick projections, during the pre-investment screening stage. Interesting to note is that neither of the two actors finds these to be accurate or of any substantial predictive value. The startups even experience creating the long-term projections as a strenuous task and a time drain. However, startups choose to create forecasts during the pre-investment screening stage because they perceive it to be expected from them. The KPIs and projections, therefore, serve as means to attract investors. Additionally, as seen in the findings by Sawyer (2009), certain KPIs can aid the startups in explaining to the VCs what drivers there are in their business. Subsequently, increasing the chances of receiving an investment. Conversely, against some startups' beliefs, the testimonials from the VC investors indicated that the complexity of the projections and KPIs did not assist in convincing the VCs to invest. The reason being that such models do not contribute to the investors' understanding of the overall business.

Continuing, despite the low predictive value, the VCs extracted other value from the presented projections when evaluating the business venture. The forecasts can serve as proxies or indicators in the assessment of different aspects of the startup if understood as goals and a business exercise. One aspect is the team's ambition, which VC receives an indication of by looking at the targeted growth. Another aspect is the market size which the

VC firms can identify using the supporting assumptions to the projection. This market data can subsequently also be compared with the projections to indicate the startup team's competence. Moreover, both the interviewed investors and Skabelund (2020) confirm that the VCs find these aspects to be critical in the overall evaluation of the potential investment.

Post-investments KPIs are utilized in the startup-investor relationship for several purposes. The VCs can by monitoring KPIs over time understand the progression and growth of the company, simply and understandably. This is further supported by the theories discussed by Espeland and Stevens (1998). Similarly, building on the article by Ries (2011) the startup can leverage the KPIs in their communication with VCs to formulate goals and identify growth drivers to propel the business.

Thus, when examining the results from the qualitative study and literature, multiple purposes of KPIs are visible in relation to VC firms. These purposes can be roughly divided into a four-category matrix, with the stages in the investment process, i.e. pre-and post-investment, constituting one axis, and the actors, i.e. startups and VC investors, constituting the other.

The KPI application matrix

Startup - Pre-investment • Attracting investors • Pedagogically explaining the business	VCs - Pre-investment • Evaluate Team & Market • Gaining insight into business drivers
Startup - Post-investment • Get assistance to create relevant goals & growth drivers	VCs - Post-investment • Monitoring startup progress & growth

Table 3 (by authors)

5.3 VC firms' influence on startups' KPI practices

To be able to assess the influence of VCs on startups' KPI practices, one has to apply the theory of power and influence on the relationship between VCs and startups (French & Raven, 1959). All the four sources of power that apply to VCs are non-coercive, meaning that

the VCs do not have the ability to ‘punish’ the startups if they do not comply with the VCs’ ambitions (Lusch, 1976). Reward power applies because of VC’s role as a provider of capital and other intangible value-added assets (Rosenstein et al., 1993). Expert power applies as the VCs have valuable knowledge and expertise (Hellman and Puri, 2002; empirical evidence). Referent power applies as startups seek to be associated with VCs because investment from a VC firm signals that the startup is of quality, making subsequent investments easier to attract (Jeong et al., 2020). Lastly, legitimate power applies as the VC firm can be seen as an authority and a gatekeeper of the startup environment and ecosystem (Hadley et al., 2018).

These types of power are relevant at the pre-investment stage, as startups who have received funding alter the dynamic, where for instance the reward power does not apply anymore, as the startups have already received both capital and knowledge, therefore collected their ‘reward’. Amplifying the influence of VCs is the information asymmetry that VCs hold over startups. As can be derived from the empirical evidence, the VCs stated that they have been part of many startup journeys, thus have gained valuable knowledge. Add to that, at the due diligence and screening stage, startups disclose a large amount of information. Given the broadness of studies on how VC-backed startups generally perform better (Guo & Jiang, 2013; Hellman & Puri, 2002; Puri & Zarutskie, 2012) combined with the startup’s significant need for investment (Jeong et al., 2020), adds another layer of dependency. Consequently, all the discussed types of power, information asymmetry and dependency contribute to VCs having an influence on startups.

Following from the VC firm's position of power, the influence on startup KPI practices is both direct and indirect. Indirectly, the interviews show that it is common for startups to adapt what KPIs they have and the outlooks of their forecasts to increase the likelihood of receiving an investment. Direct influence, meaning that a startup adjusts its KPI practices due to the VC deliberately exerting its will on the startup, is visible in multiple instances of the interview study and in the literature. As seen in the empirical data, a VC can influence a startup directly in several ways, for example by asking the startup to implement a new KPI, having discussions with the startups to co-develop new KPI practices or assist with knowledge of KPIs based on previous experience. Another clear example is that most VC investors require startups to report KPIs regularly.

Combining the literature with the empirical data, it is evident that VCs exert influence on startups' KPI practices. Though, the notion of whether it is positive or negative needs to be discussed. In the empirical data, startups that have received initial VC funding or have had VC funding in their prior venture (Startup B & E), express themselves to be more positively inclined towards the influence of VCs. Both state that most often the influence is of helping nature, e.g. recommendations on what KPIs would fit better. Both startups have a continuous and recurring dialogue with their investors, thus experiencing personalized trust (Bottazzi et al., 2016). These startup founders also find the VCs to have more aligned interests with them, actively enforcing the personalized trust as positive. As depicted in the figure below, one could hypothesize that the level of trust acts as a moderator on the influence of VCs. If the trust is of positive notion, the influence would be received as positive. Conversely, if there is distrust between the startup and VC, the influence of VCs will be negatively perceived. For example, the entrepreneurs with the closest relationship with VC investors often find their input helpful, while the investors who have met investors for a shorter period of time could find the VCs' suggestions or demands to be demanding or as the wrong prioritization.

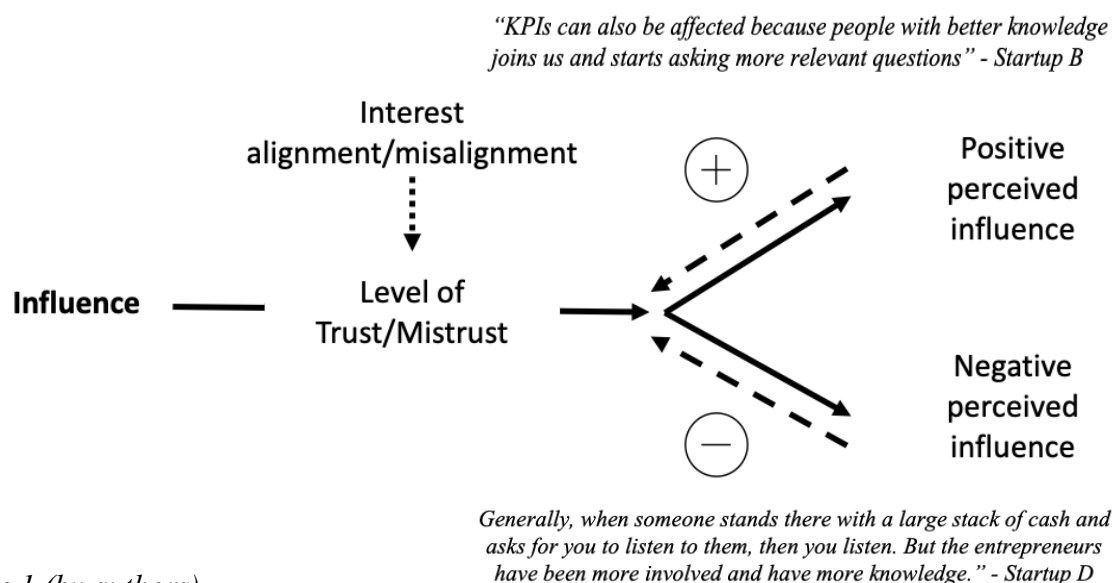


Figure 1 (by authors)

Based on this theory it is conceivable that startups that perceive the interest of investors to be misaligned with their own and thereby also have lower levels of trust can be indirectly influenced to hide KPIs. The startup does in this instance leverage the post-investment information asymmetry described by Duffner (2003) to not report certain KPIs to the VCs. This could be an explanation for VC E's experience of startups actively hiding certain KPIs.

6. Conclusion & Contribution

This study aims to create a greater understanding of VC's impact on startups KPI practices by answering the following questions:

1. *How are startup KPI practices characterized from a startup's and Venture Capital firm's perspective?*
2. *How are KPIs used in relation to Venture Capital?*
3. *How are startup KPI practices influenced by Venture Capital firms and what are the underlying reasons?*

The description of characteristics of startup KPI practices by the startups themselves and VC firms is largely unanimous. Both actors viewed KPIs as an efficient and simple method to track the startup progress. Likewise, the foremost values of performance metrics are internal control, determining the business focus and as an effective tool for communicating externally. Nevertheless, common issues with performance indicators and projections are identified as being overly complex measures, potential time drain and inaccuracy. Additionally, the scarcity of data during the early stage is seen as a hurdle making more advanced analysis unsuitable. Finally, the VCs and startups favored few measures focusing on the fundamentally important aspects of the business venture.

The thesis argues that the applications of KPIs in the startup-VC relation can be categorized in a four-category matrix, where the stage of the investment process and the different actors' benefits of the performance metrics create classes. This KPI use-case matrix summarizes the main purposes that projections and performance indicators have for both startups and VC firms based on the observations in the qualitative study and literature review.

To reiterate, the main use of KPIs for startups in the pre-investment/screening stage is as a means to attract investors and to explain the attributes of the business. For startups in the post-investment stage, the main application of performance metrics is to leverage them in their communication with investors to receive assistance in creating relevant goals and identifying growth drivers. The equivalent purpose of the KPIs and forecasts for VC firms in the pre-investment stage is as a tool to evaluate the team and market as well as quickly

grasping the main business drivers. In the post-investment stage, the use is primarily to monitor progress and growth.

Throughout the entire startup-VC cooperative process, VC firms influence the KPI practices of startups. The influence can either be direct, through suggestions or demands from the investor or indirect, where the incentive, power and trust structure influences the startup to adapt. Early in the investment process, the indirect influence of the KPIs is most common. In these instances, the startup might adjust its projection to adapt to what KPIs are presented publicly. The underlying motivation for the action is to increase the likelihood of receiving an investment. Nonetheless, examples of direct influence do also occur during the pre-investment stages. In the post-investment stage of the startup-VC relationship, mainly direct influence is exerted as a consequence of the relatively close cooperation between the two parties.

Furthermore, the VC investor has four sources of power from which the capability of exerting influence derives. These are then further amplified by the startup's dependence on the investor. Similarly, the VC has informational advantages pre-investment, causing an information asymmetry, further increasing the level of influence.

Moreover, the startup has a generalized trust for the VC firms during the early stages of the relationship. This trust is based on exogenous variables and preconceived ideas of VC investors. Most participants in our study displayed some negative perception of VC firms, e.g. for solely valuing growth or not understanding the nature of the startup well. They also perceived the investors to be somewhat misaligned. Consequently, both these factors make startups mistrust the VC firms. However, the two startups who have interacted the closest with VC find the mistrust and misalignment to be considerably lower. Likewise, they also perceived the influence from the VC investors to be helpful and overall positive. The reason likely being that they have through repeated interactions developed personalized trust endogenous to such positive interactions. Hence, trust arguably seems to moderate how positively the influence on KPI practices is experienced.

Furthermore, based on the accounts by the interviewed investors and startups in conjunction with theories reviewed in the literature of information asymmetry arising from the difficulties for VCs to gain full insight into the business ventures, problematic situations can arise where

the startup may hide KPIs from the investors. The thesis argues that this phenomenon could be explained using the same framework of perception of alignment and level of trust between the parties being moderating variables. The problematic circumstances would in hence have arisen from mistrust and therefore a desire to remain autonomous from the VC firm.

Overall, this thesis intends to bring the subjects of VC influence on startups and the KPI practices in young companies together, thereby minimizing the research gap. Additionally, it explores a dual perspective approach to the empirical evidence where the opinion of both sides are explored separately and then compared to each other. Further, this study attempts to illustrate the benefits of KPIs for both startups and VCs, at pre and post-investment stages, in a matrix. Moreover, this study also synthesizes a model determining how influence is perceived via the moderator of trust.

6.1 Practical Implications

The benefits for both parties of using KPIs in communication both internally and externally outweigh the downsides of spending time to choose the right metric. Keeping the evaluation of the startups progress objectively through KPIs reduces the risk of ambiguity and increases transparency within the team and towards investors.

Although not reliable, projecting KPIs can help a startup team agree on a vision and set a goal at the same time as gathering a deeper understanding for its business. For VCs, this implies that a founders team's ambition and competence lie within their optimistic forecasts.

Although influence may never disappear, VCs and startups should continue to focus on the above-mentioned transparency through KPI communication, make sure the interests are aligned and continue to have an intimate dialogue to not undermine the influence-moderator of trust.

6.2 Limitations and Future Research

Even though this study contained five VCs interviews and five startup interviews, it is not possible to draw any general conclusions and transfer the findings to other social contexts. The insights generated can not be generalized for the whole venture capital market and startup environment, but can rather give indications of what seem to be common beliefs. As

the startup environment is steadily growing and ever-changing, it is of great relevance to continue to research the dynamics between the different actors. This study only focused on one aspect of the relationship, namely the KPI practices of startups and how they are perceived and influenced by VCs. Future research can use the insight generated in this study as a foundation for a quantitative study, where the observations can be tested to create a more reliable comprehension and fuller picture.

This study was limited to one type of investors' influence on startups' KPI practices. As found in the result section, there are many other crucial external parties that can influence startups in various ways. Other types of financiers, other startups, government and not least incubators and accelerators can have a profound impact not only on the KPI practices of startups. As such future research should investigate each actor's influence on startups and how the combination of them influences startups. The majority of startups interviewed in this study have had guidance from an incubator. This naturally implies that the incubator possesses influence over early-stage startups. It would be interesting to see to what extent incubators shape the opinions of entrepreneurs. Such a study could take the form of comparing startups that run outside incubation programs and startups that actively received guidance from incubators.

Finally, this study focused on the impact of investors on startups. Given that VCs too are dependent on startups with a great business solution, this implies that the more coveted the startup is the more influence it possesses. It would be interesting if further research could research how startups can influence VCs.

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9. Appendix

9.1 Appendix 1 - Interview guide VC

Background

What's your role at the company?

How long have you worked for the company?

What did you do before?

What does the firm do?

What type of startup does the venture capital firm work with? Why?

How many startups have you helped?

How do you help startups?

Are you the only investor in the startup?

How successful has it been investing in your startups?

How has that changed over time?

What overarching objectives do you have?

How would you describe your strategy?

What is the main focus for your startups? (Product development, scaling, etc.)

How many employees are there on average in your startups?

How big are the startups' revenues on average/range?

Does any startup generate a profit?

KPI

Do you use KPIs in the screening process of startups?

How well do you perceive the knowledge of KPIs and performance measurement, in general, to be at your startups?

Do the startups have prior experience within management?

In your opinion, what is the main goal for the startups you work with?

Do you as the VC firm have goals they want the startups to fulfill?

In your opinion, do the startups measure their performance? Why?

What do you believe are the advantages of measuring and using KPIs?

Do you experience that the startups use a designated system for measuring and structuring KPIs?

Do you assist, suggest or in another way request your startups to use such systems?

Do the startups create forecasts about their KPIs? What kind? What are they based on? How reliable do you perceive them to be?

What challenges have you experienced related to KPIs? For the startups? In relation to you?

Relationship

Do you feel like you as a VC have an influence on your startups?

Have the startups received financing before? What type?

What demands do you have on the startups?

To what extent do you perceive the KPIs to be selected by the startup themselves?

Do you perceive that the startups are influenced by external factors, for instance, you as an investor, when they choose what KPIs to use?

Do you believe that startups adapt the KPIs they show you? Do you believe that they use the same KPIs internally as well?

Do you experience any deficiencies in the communication between you and the startups?

What types? Why?

Do you believe to have deficiencies in the knowledge about your startups?

Are there areas where you perceive to have more knowledge?

Do you experience a discrepancy between what you consider to be important KPIs contrary to what the startups think?

How strong is the trust/belief in your startups?

9.2 Appendix 2 - Interview guide startups

Background

What is your role in the startup?

In what industry does your company operate?

Describe the business idea and the origin of the company?

How long have you existed?

What is your overall strategy?

What is your focus in the company right now? (Grow, Catch investors, Making money, Product development? Initial sales? Scaling up?)

How have the objectives changed over time?

Does the company have revenues?

Is the company profitable?

What does your revenue model look like? How do you make money?

How many employees are there? Are they paid?

Have you received financing from investors? What type?

KPI

Have you, or your team any previous experience from managing/co-creating/working at a startup?

How well do you perceive the knowledge of KPIs and performance management is at your startup? Compared to other startups?

Do you measure your performance? Why / why not? Is it important to you? a

What do you measure?

Why do you use the measurements you use?

Has an external actor (VC, Incubator, etc) affected what measures you use?

Do you project KPIs? If yes, which ones?

What do you base your projections on?

How reliable do you perceive these projections to be?

Do you have measure-based incentives?

Do you work with a particular system, balanced scorecard, etc?

Do you perceive receiving input and suggestions of such systems from external parties?

What challenges do you encounter when measuring KPIs? In relation to the VCs?

How and to which extent do you use KPIs in your communication internally and externally?

Do external parts like VCs request to use KPIs in a specific way?

Relationship

Do you perceive VCs to have an influence on you?

In your opinion, what is the level of competency of the VCs?

To what extent would you say you proceed from another perspective when working with KPIs?

Do you experience that VCs put demands on you?

Do you feel that certain KPIs are suggested by the VCs?

Do you experience a difference between what KPIs you think are relevant contrary to what the VCs think?

Do you perceive having chosen your own KPIs?

Do you believe that other startups adjust KPIs they show for external investors?

Do you experience any deficiencies in the communications between you and the VCs?

Do you believe that VCs have gaps in their knowledge about you?

Are there any knowledge gaps within the startup where the VCs might have better knowledge?

Do you experience a discrepancy in what you consider to be important KPIs for your business contrary to what VCs think?

How strong is the trust/belief in your VC?