The process of finding an acquirer for ventures from venture builders: a networking game

Proposing a step-by-step process for finding a suitable buyer for acquisition of scale-up ventures coming out of venture builders within the Dutch venture building environment.

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Abstract

This is an explorative study about the acquisition process of ventures coming from venture builders. This study was conducted by interviewing 5 venture builder founders/CEOs and conducting a survey among 56 PE and VC firm employees. This study finds that looking for an acquirer for a venture is a networking game. All 5 venture builders mentioned networking in the interviews and network is one of the biggest factors in deal sourcing among the 56 PE and VC employees. Furthermore, we find that the sentiment of PE and VC firms about venture builders is mostly neutral because of the lack of track record, focus and worries about the parties involved and cap table. Besides that, the importance of 11 different investment criteria was measured based on the opinions of VC and PE firms. We found that the most important investment criteria were the management team, growth potential and added value of the product of both PE and VC firms. We also found that VC firms put more value on the innovation, growth potential and ownership structure than PE, which could be explained by the stage in which VC invests. Lastly, we propose a 5-step process for finding acquirers based on the findings in this report. This five-step process consists of (1) creating a good investment case, (2) Defining target group, (3) create message, (4) choose channel(s), and (5) start communicating, this model shows the importance of a network and encourages venture builders to start building a network in their vertical as early as possible and can be seen in figure 1.

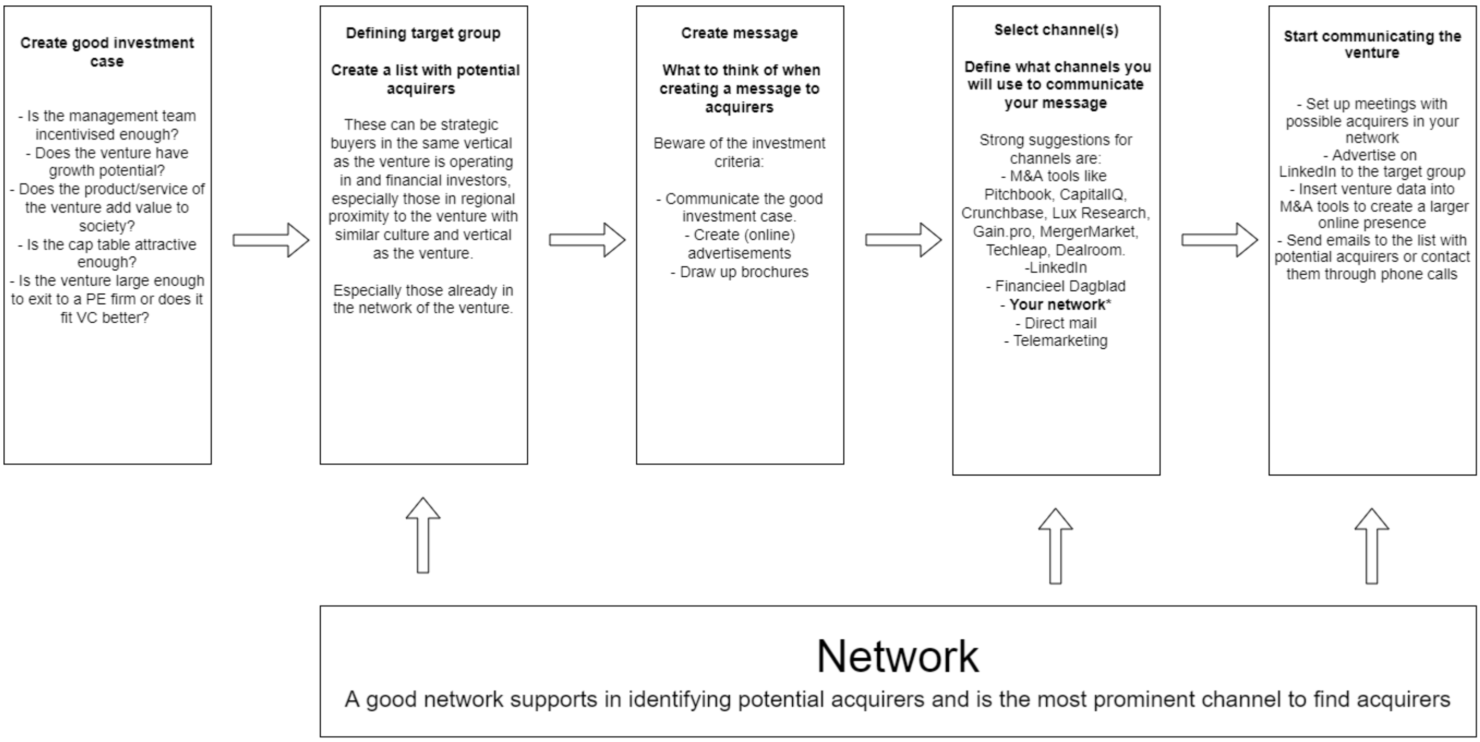

Figure 1: A 5-step process for finding acquirers

Keywords: venture builder, private equity, venture capitalist, acquisition, network

Preface

This research originated from a problem Entweder, a venture builder in Almelo ran into while building, and selling, their ventures. The founders (Sven and Knoed Brookhuis) of Entweder came to me with the question if there was a possibility that finding acquirers for their ventures could be standardised as they found the acquisition process long and intensive. I believe that because getting acquired is such a heterogenous process, there is no "one size fits all" model that can help companies through this rigorous process. However, I do believe that there are logical steps that each company looking to be acquired could take to find a suitable buyer. This study explores the influential factors of the acquisition process and what works and what does not work. Furthermore, it sheds light on the current sentiment of investors towards venture builders, who still have a long way to go in proving themselves.

The purpose of this study was to find a standardised way of finding acquirers and create more knowledge about the venture builder's possibilities of exiting through acquisitions. This goal has, in my eyes, been reached. New information about the sentiment about Dutch venture builders and the improvements they could make was found as well as a 5-step process which gives guidance in the process of finding an acquirer.

I would like to give thanks to the venture builders who participated in my research, Marc Wesselink of VentureRock, Giuseppe Lacarenza of Slimmer AI, Robbert-Jan Hanse of Holland Startup, Michael van Lier of Builders, and especially Sven and Knoed Brookhuis of Entweder. The educational conversations with these people helped me better understand the venture building space. Furthermore, I would like to thank all Private Equity and Venture Capital employees who have participated in the survey.

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1. Introduction

1.1 Background of the problem

Venture builders have been increasing in popularity in recent years. However, they have been around since 1996 when Idealab was founded (Zasowski, 2020). Idealab is a venture builder from California, US, who specialises in the technology industry with 11 current studio members and 13 current ventures. They currently have had 43 exits from their ventures. Venture builders can also be called venture studios, startup studios or startup builders. A venture builder is an entity that repeatedly builds ventures by developing new venture ideas and providing the resources necessary for development of the venture such as founders, funding, knowledge, and expertise to let these ideas develop from start-ups to scale-ups. These venture builders own a chunk of the equity of these companies, the size of this chunk depends on the type of venture builder. Therefore, a venture builder can also be viewed as a holding company holding equity in the different portfolio companies it helped create (Hamida M. , 2020).

The term venture builder can be mixed up with the terms venture capitalist (VC), startup accelerators or startup incubators because there are a lot of similarities. However, there is a clear difference between these four. A venture builder is heavily engaged with the ventures that come out of the studio, not only funding the companies, but also providing entrepreneurs and team members, helping with decision making, and advising the founders of the start-ups. A VC does not engage with the company in this degree but focuses more on providing the funding necessary for the startup to grow and less on supporting the startup than venture builders. Startup incubators, or sometimes referred to as business incubators, generally are focussed on providing workspaces, mentorship, education, and access to other investors for start-ups or entrepreneurs, they do not provide funding themselves and are often non-profit organisations (Draper University, 2020). The startup accelerator model is different from the venture builder model because the programme length of an accelerator is often finite, with typically a standard period of three to six months. Besides that, the accelerator makes investments in companies they select, whereas the studio creates their own ideas. Lastly, the accelerator programme is more focussed on education, networking, and fundraising, while the venture builders are more engaged and provide support for everything from marketing to logistics, technology, human resources and more (Lamm & Peters, 2019). An overview of the differences between venture builders, venture capitalists, startup incubators, and startup accelerators can be found in table 1.

Table 1: Differences between venture builder, VCs, Incubators and Accelerators.

	Venture builder	Venture Capitalist	Startup Incubator	Startup Accelerator
Support	Intensive long-term support in all activities of the startup	Less operational support, more focused on funding. Not as “hands-on” as the venture builder	Mentorship, education, providing workspace and access to external investors	Short-term support, more focused on education, networking, and external fundraising
Funding	From the venture builder	From the VC	External funding	External funding
Ideation	Create ideas/start-ups	Select ideas/start-ups to invest in	Select ideas/start-ups to support	Select ideas/start-ups to support
Type of organisation	Private/public company	Private/public company	Often non-profit/ government funded	Private/public company

The venture building process can be categorised in 5 steps displayed in figure 2: ideate, validate, create, portfolio, and scale (Doyle, 2021). During the first step an idea for a venture is created, investigating whether it has merit and defining the value proposition of the business idea. Afterwards, the idea is validated by mapping out early product or service specifications and obtaining evidence that the idea is valid. Then, the first product is created with all the necessary specifications to provide a “real-life” product and it is served as a test for customers and partners. The fourth step is to add the “proven” concept to the portfolio of companies of the venture builder and the right startup developers are acquired to further grow the business. After which the scaling period starts, and the startup developers will focus on scaling up the company. After the startup is successfully scaled up there will be an exit and the venture will be taken over by another party (Doyle, 2021). This exit can be done through multiple exit channels, such as a management buyout, where the managers of the startup at that moment purchase the company, through an Initial Public Offering where the startup is introduced into the stock market or through an acquisition by another firm. The acquisition firms can be strategic buyers, or they can be financial investors. When a strategic buyer acquires a company, it is called a trade-sale. If the company is acquired by a financial investor, this is referred to as a secondary buyout.

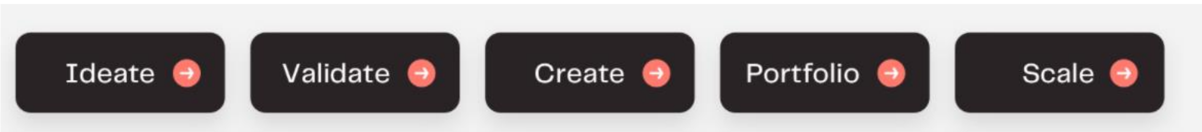


Figure 2: Venture building process (Doyle, 2021)

When a venture is brought to the market, this is called the exit of the venture. Many VCs, Business Angels (BAs), and Private Equity Mid-Market (PE MM) have indicated that the exit environment is a top challenge for their businesses (Botsari, et al., 2021). Furthermore, there is much evidence for lower premiums for private targets' shareholders resulting from a reduction in value compared to the expected value of the venture that was acquired because of the lack of an active market for their shares (Martin, et al., 2017). According to McKinsey (2018), the exit environment is becoming more and more challenging regardless of which exit strategy is used (IPO or acquisition). Buyers are more demanding than before and rapid technological change and innovations create a wide knowledge gap between the owners of firms and potential investors (McKinsey, 2018). An IPO can take a lot of time and money, besides that, in an IPO the public might not value the sart-up the same as acquisition firms that understand the market and the value of the startup within the market. Going public and growing organically just takes too long and it is typically not the profit maximising strategy (Lemley & McCreary, 2021). Therefore, in this research, the specific exit strategy called "acquisition" is investigated to create a framework for finding acquirers for the scale-up companies that venture builders want to sell.

1.2 Company description: Entweder

This research is done in cooperation with Entweder. They provided the problem which led to the origination of this study and made their contacts available as well as provided knowledge about venture builders. Entweder is a venture builder in the real estate industry. As a venture builder, Entweder takes on a more active role within their ventures than a VC would. Entweder starts, builds, finances, and sells ventures. Entweder focuses on innovative start-ups that improve the workspace and with that, the well-being of people at work. The ventures are all started in the venture builder of Entweder, which is beneficial for the start-ups because there are many resources available from the start which usual start-ups do not have. Such as finances, knowledge in the market and experienced skilful personnel.

Entweder has sold six ventures successfully in the past and currently is building and have completely financed 3 well-performing ventures: SKEPP, with an investment of €3.5M in three investment rounds. SKEPP was founded by Entweder and has since scaled to an autonomous company with 20 employees which does not operate from the studio of Entweder. However, they are located in the same building in Almelo as Entweder is, but on their own floor. Campus Offices was founded by Entweder in 2018 and has since then had an investment of €11M in two investment rounds and has recently merged with Dreesz, another company founded by Entweder with an investment of €3M. Currently they are operating autonomously from the same building in Almelo as SKEPP and Entweder outside of the studio and have 11 employees. And lastly, Entweder founded BOW, with an investment of €200K in two investment rounds which is still operating from the Entweder studio in Almelo and currently has 4 employees. In the following diagram, the organisational structure of Entweder and its ventures is displayed. Entweder helps starting the ventures by getting them past the initial obstacles and taking them to the next phase. Start-ups become scale-ups that are ready to be developed to serve the general public. At that point, Entweder enters the exit environment with the ventures and brings it to the market, after which the customer can easily scale up the venture as they wish.

Entweder is curious whether it is possible to standardise the process of finding an acquirer. They do not have a protocol when it comes to the exit environment of their ventures and find that it often takes too long before a venture is acquired by a suitable buyer. However, Entweder does not want to spend many financial resources on the exit. Therefore, they are interested in investigating the possibility of a standardised model to reach suitable buyers for acquisition of their proven venture concepts faster without large expenses.

1.3 Aim and research questions

Because the exit environment appears to be a challenge and considering the curiosity of Entweder regarding finding suitable buyers for acquisition for their ventures, the goal of this research was to create more knowledge about the acquisitions of proven venture concepts of venture builders possibly in the form of a framework that guides these venture builders in their search for potential customers for their ventures (Botsari, et al., 2021). The central research question was formulated as follows: “How can venture builders in the Netherlands attract suitable acquirers for their ventures on the market in an efficient way?”. This research question was divided into sub questions, these sub questions were based on marketing strategy and theories about the exit environment of scale-up companies and their necessities. The first research question was defined as (1) “Which companies are interested in acquisitions of companies generated by venture builders?”. This research question was important because it is essential to know the final customer for ventures to be concentrated on the right target audience (Kotler, et al., 2013). The second sub question was aimed at finding what the customers of venture builders find important for buying a proven venture concept, which was formulated as (2) “Which criteria do acquirers use when they are looking for a potential acquisition target?”. The third sub question was aimed at finding data about the contact of venture builders and their acquirers to find an overlapping theme, (3) “Which channels do venture builders use to initiate first contacts with acquirers?”. The answer to the fourth sub question provided information on how venture buyers look for companies to buy, to find the right marketing channels to use to reach the target audience (Kotler, et al., 2013). The fourth sub question was formulated as follows (4) “Which channels do potential buyers of ventures from venture builders use?”. The fifth research question aimed at finding a cost-efficient marketing tools to find suitable buyers for the ventures of venture builders. This question was formulated as (5) "What are the cost-effective methods of getting in contact with buyers for the ventures of a venture builder?".

1.4 Research approach

To come to conclusions about the research question, an explorative, mixed methods study was done by first interviewing venture builders and thereafter spreading an online survey to PE and VC firms. The mixed method has the advantage that it leads to a more complete picture of the subject at hand and is best suited for solving a problem (Denscombe, 2007). Besides that, the mixed methods research design increases the validity of the research and creates heightened knowledge. This is advantageous to the inductive nature of this research according to research by Schoonenboom & Johnson (Schoonenboom & Johnson, 2017). Therefore, a mixed methods study provides a good approach for the goal of this research, namely, the emergence of new information about the acquisition process from the venture builder perspective.

1.5 Relevance and outline

The academic relevance of this research was to provide more knowledge about venture builders in general. There has not been much scientific research that describes this phenomenon because venture builders do not exist for that long (Hamida M. , 2020). This research created new knowledge about venture builders and their exit environment. Furthermore, the possibility of a step-by-step process for finding buyers for the ventures that come out of venture builders has not yet been investigated. Therefore, venture builders could use this research to create their own strategy for finding the right buyers by using the framework provided by the results of this research.

The paper was structured as follows. First, theory about the sub questions was reviewed to find existing information and frameworks. This section includes theory about venture builders, the target audience, important aspects of acquisitions, the channels customers of venture builders use for searching potential acquisitions and cost-effective strategies to reach the target audience. Thereafter, the research methodology will be described, after which the research results are explained followed by a discussion and conclusion, this paper ends with the research limitations and implications.

2. Theory

This chapter summarises the relevant literature about venture builders, acquisitions, potential customers of venture builders, the channels venture buyers use to find targets, and cost-effective marketing methods for this research.

2.1 Venture builders

The venture builder business model is relatively new, because of this, there has not been much scientific research about the phenomenon. However, Attila Szigeti, an internationally recognised venture builder expert, has written 2 books containing extensive practical information about the anatomy of venture builders and how to create one. In most scientific papers about the venture builder business model, one of his books is cited as a source. The existing literature about venture builders is mainly focussed on the differences between the venture builder model and accelerator or incubator models and details about the workings of venture builders.

In his book "The Anatomy of Startup Studios", Attila Szigeti describes how venture builders operate (Szigeti, Anatomy of Startup Studios, 2016). He describes venture builders as organisations that build start-ups in a sustainable and repeatable way. The "anatomy" of venture builders, as Szigeti calls it, is divided into 8 main themes: founders, financing, metric, vision, team, methodologies, resources, and investments and are displayed in table 2. In Szigeti's second book "The Startup Studio Playbook", he describes how to create a venture builder. He explains the venture builder model and then provides a step-by-step guide for creating a venture builder (Szigeti, Startup studio playbook, 2016).

Table 2: Venture builder anatomy components *(Szigeti, Anatomy of Startup Studios, 2016)*

Founders	• The venture builder founders are often successful entrepreneurs who have experienced exits in previous ventures.
Financing	• Financing of the studios is mostly done through venture capital; however, some studios are also bootstrapped.
Metric	• The main metric of the venture builder is the total valuation of the portfolio companies
Vision	• The common vision of studios is to create a platform or network for building ventures
Team	• Studios need a blend of team members with both entrepreneurial mindsets and employee mindsets, who will be often compensated in a salary and equity option combination
Methodologies	• Venture builders use methodologies like Lean Startup, Design Thinking and agile software development
Resources	• There is a difference between studios in the way they dedicate startup teams, some dedicate startup teams completely to one startup and some only dedicate a few people to a startup and share all other resources • Balancing the central resources between start-ups is the most common challenge for venture builders
Investments	• Receiving investment can be affected by the lack of knowledge of investors about venture builders and investors might not want to invest because of the cap table of portfolio companies, seen that the studios keep a significant equity part

Further literature about venture builders done by Maximillian Hamida (2020), focuses on the differences between the venture builder and incubator model (Hamida M. , 2020). Hamida mentions three main differences between the incubator and venture builder model, the first is infrastructure, second is business support and third is access to networks. The infrastructure of venture builders provides their ventures with access to a much wider range of shared infrastructure than incubators. Additionally, Hamida argues that the business support from venture builders is greater than that of incubators. Lastly, he mentions the vastly greater access to networks venture builders provide their entrepreneurs than the incubators do.

Lamm & Peters (2019) have investigated whether venture builders were a new phenomenon or a rebranding of existing support models (Lamm & Peters, 2019). The study explored characteristics of two organisations and how entrepreneurial methods were promoted and used within their portfolios. The two of the methods they explored were consistent with literature from Szigeti (2016), namely, design thinking, lean startup. They also explored the effectuation and business planning of these organisations. They found that the design thinking and lean startup methodologies were more prevalent in the venture builder than in the accelerator, which is consistent with the information in the book of Szigeti (2016). They also found that there is more access to finances, resources, and support in the venture builder than in the accelerator, however, the entrepreneurs must sacrifice more equity for it. They also found a significant difference in both business models, where the accelerator received funding for their operations through a fund management fee and government money, the venture builder created income through consultancy work done by the portfolio companies, which provided a circular flow of funding and earnings between the venture builder and its portfolio companies.

Research by Bastos (2019) was aimed at clarifying the definition of the term venture builder by viewing it from a broader perspective to establish differentiating characteristics from other incubator types (Bastos, 2019). Bastos found that the venture builder model could not only be implemented in established economies, but that it was also a viable business model in smaller economies with smaller entrepreneurial ecosystems. He argues that the venture builder model is viable in smaller economies but that the effort to receive funding is greater than in established economies. Additionally, Bastos finds the vital importance of the studio team, which is required to be able to take projects from start to finish and that a horizontal structure could be beneficial to promote innovation and flexibility. Finally, Bastos concludes that since the experience level of venture builder founders in smaller economies is smaller than those in larger economies, that it could lead to weaker performance of the initial start-ups. Bastos' solution for this would be that venture builders in smaller economies should be supported by a mentorship-like or network mechanism, which could transfer knowledge to the founders, managers, and teams of the venture builder to provide better performance.

Most literature about venture builders is focused on the definition of the term venture builder, aimed at finding differences between the venture builder model and other incubator models, or about how to create a venture builder (Bastos, 2019; Szigeti, 2016; Hamida, 2020; Lamm & Peters 2019). However, the acquisition process of the portfolio companies of venture builders has not been investigated in-depth, specifically how to attract or find the right buyer when a venture builder wants to exit one of their portfolio companies through acquisition. This research aims to create a step-by-step approach for finding a suitable buyer for acquisition of scale-up ventures coming out of venture builders within the Dutch market.

2.2 Acquisitions

Many innovative start-ups are founded with the goal of making a successful exit (Pisoni & Onetti, 2018; Wennberg & DeTienne, 2014). The exit is the stage where the founders of the startup can reap the benefits of their business efforts and the venture can further scale-up through added resources. There are many exit routes depending on the specific situation that a startup resides in. These routes can be categorised in 5 categories: Merger & Acquisition (M&A), IPO, independent sale, leveraged buyouts, and family succession. This research focusses on the M&A exit process. The data is consistent in showing that small businesses were more likely to exit through acquisitions than through IPO's (Cotei & Farhat, 2017; Botsari, et al., 2021). According to the National Venture Capital Association (2016), the number of acquired VC backed companies in the United States was six times higher than the ventures that went public (Pisoni & Onetti, 2018; NVCA, 2016).

The term acquisition implies the sale of a company to a third party. To acquire a scale-up company through acquisition, it is necessary to have the financial resources to be able to afford such a large purchase. The acquisition exit captures both the exit through trade-sale and secondary buyout. A trade sale is the sale of a company to third parties such as strategic investors. These strategic investors could for example be competitors, customers, suppliers, and so on (Ewelt-Knauer, Knauer, & Thielemann, 2013). The secondary buyout is the sale of a company to other financial investors, such as private equity firms, holding companies, family offices, and search funds (Povaly, 2007).

The process of selling a business is often referred to as sell-side acquisition, when a company or individual buys a business, this is referred to as buy-side acquitision. There are differences in both processes, one is a business trying to sell to reap the entrepreneurial activities of the venture, and the other is looking for a good deal to gain access to complementary resources or capabilities to increase the businesses' performance or growth (Mathisen, et al., 2021). Sell-side analysts view acquisitions as heterogeneous events, which depend on various factors such as size of the acquisition, acquisition strategy and perceived authenticity (Andersson, et al., 2020). Attila Szigeti (2016) found two kinds of exit strategies for venture builders: quick wins and long run strategies. These types of exits depend on the way a venture in a venture builder is built. With quick wins, ventures are positioned for quick acquisition from the beginning to generate enough cash for a new project. Long run strategies on the other hand, build ventures that grow and take over an entire market and generate long run profits (Szigeti, Startup studio playbook, 2016). This information suggests that the process of how to sell a business is still ambiguous and different for each business. Deloitte (2014) has divided the sell-side acquisition process in 4 phases: preparing the business for the sale and pre-sale due dilligence, marketing the business, buyer selection and due dilligence and closing the transaction (Deloitte, 2014). The specific phase of the sell-side acquisition process that is investigated in this research is the "marketing the business" phase, specifically finding the suitable buyers.

2.3 Potential customers of venture builders

The marketing process is divided into three categories based on marketing theory of Philip Kotler (2013). The first step is to identify a target audience, whereafter a marketing strategy is formulated on how to reach this target audience. The target audience will heavily affect what will be communicated, how it will be communicated, when it will be communicated, where it will be communicated and who will communicate it (Kotler, et al., 2013). Therefore, it is important for a framework that navigates venture builders in finding suitable buyers for their ventures to have a clear understanding of their target audience.

Because of the nature of the products from venture builders, the customers of venture builders must be parties who can finance the scale-up ventures that resulted from the entrepreneurial activities within the venture builder to acquire them. The parties on the buy-side of the acquisition can be strategic buyers such as competitors, customers, and suppliers, but they can also be financial investors such as private equity firms, holding companies, family offices, and search funds. However, this is still too broad of a target audience to be able to effectively market the venture to. There are multiple other factors which play a part in the investment decision of the buy-side acquisition.

The customers of venture builders differ for each sector that said venture builder operates in, there are several factors influencing the customers of a specific venture builder. According to Capron and Shen (2007) acquirers favour private targets in familiar industries. Furthermore, the geographical location of the venture is an important factor in the success of the acquisition in terms of being located in an area with a well-developed cluster of entrepreneurial activities and the regional proximity to the acquirer (Giot et al., 2009). Besides that, Ragozzino (2009) states that the cultural difference between the acquirer and acquisitor can posit problems as well. According to Kotler et al. (2004), around 90 percent of all proposals financial investors receive will be quickly rejected because they find they do not fit their company's geographical, industrial, or technical policies, or because the business plans do not match the criteria of the investor.

According to the literature, the potential buyers of ventures can be defined as follows: strategic buyers in the same industry as the industry the venture is operating in and financial investors, possibly in regional proximity to the venture with similar culture as the venture.

2.4 Factors influencing likelihood of acquisition

Since M&A has been around for so long, there has been much research on the topic and research has proven consistent evidence over the years. The evidence states clear elements that impact the success of an acquisition process. These elements will be reviewed in this sub-chapter.

Different criteria for investments are compared for VCs, PE, and other general acquisition criteria by reviewing studies by Martirosyan et al. (2017), Vinig & De Haan (2002), and Block et al. (2019). In table 3 the venture capital investment criteria, private equity investment criteria and general acquisition criteria are described. These criteria give a good overview of what PE and VC find important when looking for targets.

Table 3: Investment criteria

Venture Capital Criteria (Vinig & De Haan, 2002)	**Private Equity Criteria** (Block, et al, 2019)	**General Acquisition Criteria** (Martirosyan et al., 2017)
The Entrepreneur • Market/industry knowledge • Track record • Leadership • Referred by liable source • Reputation	Revenue growth Value added of product/service Strong management team profitability	Strategic compatibility Specific products and services range Certain technological competence Innovation (technology, products, business model, etc.)
The Idea/Product • Proprietary, protected • Market acceptance • Development stage • Innovative • Global potential		Market leadership Location and geography of operations Potential to dominate a particular market
The Market • Fast growing • Existing market • New market • Not much competition in first year(s)		Linguistic and cultural similarities Poor infrastructure Good financial condition of the target company An economic downturn

• The VC is familiar with the market • There are established distribution channels		The pace of the acquisition Synergy effects
Financials • Require return within 5-10 years • Easily made liquid (e.g., IPO, M&A) • Require a return within 5 years • Will not be expected to make subsequent investments • Will not participate in latter round • Investment more than 1 million		

Besides these investment criteria, Martirosyan et al. (2017) state that when PE and VC are scanning the market and are ranking the companies to compile a shortlist of targets, many acquirers cannot obtain enough information, especially if the target is a non-public company or belongs to an insufficiently explored industry. This poses a problem for investors. The availability for a purchase could be considered when drawing up the longlist of targets, however if this is not the case it, is a crucial criterion for the short list. This means, that to be acquired, a venture for sale is required to create awareness of their desire to be acquired.

There are differences between the general, PE, and VC investment criteria. The main difference according to the literature is that in a VC investment, the characteristics of the entrepreneur behind the target are screened, which is not a general criterion, and in the case of PE acquisition they screen the entire management team. Besides that, in general acquisitions and PE acquisitions, it entails larger, established targets than in VC investments. Therefore, the market acceptance and development stage of the product criteria are screened in a much earlier stadium than in general or PE acquisitions. According to Block et al. (2019), the family offices, growth equity funds, and leveraged buyout funds place higher value on profitability compared to VC funds. VC funds on the other hand, paid more attention to the companies' revenue growth, business models, and current investors when looking at the literature.

Research from Cotei & Farhat (2017) found that firms with owners who were serial entrepreneurs were more likely to become M&A targets (Cotei & Farhat, 2017). This research was conducted from a sample of 3140 businesses over the period 2005-2011 with 200 business exits through M&A. They did a multivariate analysis of these businesses to find what characteristics of the business affected the business' likelihood of being targeted for M&A. They also found that high innovation, employment growth and having competitive advantages also influenced the likelihood of young corporations being targeted for M&A (Cotei & Farhat, 2017). According to Giot & Schwienbacher (2007), the quality of a business in terms of achieving (technical) milestones accelerates the exit through acquisition. These milestones can be related to the 'high innovation', 'employment growth' and 'competitive advantages' elements from the research of Cotei & Farhat. Lastly, Kotler (2004) mentions in his book that the most important factor in the decision to is the quality of the venture's people in terms of leadership, vision, integrity, openness, and dedication (Kotler, et al., 2004). The background and experience of the investee's management team are throroughly investigated by the potential acquirer.

Furthermore, research by Mathisen et al. (2021) about the enablers of exit through trade sale of research-based spin-offs (RBSOs) provides evidence about the synergy potential having a major influence on the acquisition potential (Mathisen, et al., 2021). This research analysed 32 RBSOs that experienced succesful trade sales. They found that not only synergy potential was a driver for potential acquisition, but uncertainty reduction makes the acquisition more likely. Ventures that provide clear due diligence and remove any assymetry in information during the acquisition process have a higher chance to succesfully proceed with the acquisition. Their study suggests that entrepreneurs can take specific actions to influence exit through acquisition such as: reducing the dependency on founders/key employees, creating strong relationships with clients and partners, expanding customer traction in the early stages, and obtaining technical certifications as well. For investors, this points to thoughtful strategic development of a venture and makes it more attractive for acquisition (Mathisen, et al., 2021).

Furthermore, according to the M&A research school (2016), there are five key financial measures which influence the likelihood of a private venture becoming an M&A target (M&A Research Centre, 2016). They investigated these financial measures of a global sample of 33,952 public and private companies. The five key financial measures are growth, profitability, leverage, size, liquidity, and valuation. They found that target companies have much higher or much lower sales growth than non-target companies. A company with high growth is an attractive acquisition target and for many acquirers a key requirement. Ventures with very low growth, on the other hand, could be a great deal says a respondent from their research, which is why they are good targets for acquirers as well. The research of the M&A research school implies the same phenomenon for profitability in ventures as growth rate. A high profitability shows a company is succesful and a good acquisition target, low profitability often goes hand in hand with a lower valuation and thus a great deal. Besides that, the report suggests that the private targets were on average 14% larger than the private non-targets. They found that the target companies on average have a 4% lower liquidity as measured by the assets/liabilities ratio. They suggest the explanation that low liquidity means that the company is in financial distress and therefore an attractive acquisition target (M&A Research Centre, 2016).

Additionally, In their book "Attracting Investors: A Marketing Approach to Finding Funds for Your Business" Kotler et al. (2004) mention the reduction of risk as a key influence on the acquisition process (Kotler et al., 2004). They identified four problem areas – volatile markets, perceived uncertainty differences, information gaps and soft assets plus real options. The volatile market risk challenges the capacity of a venture to leverage its value. The perceived uncertainty problem are the differences in opinions on the uncertainties of the future between the entrepreneur and investor. These differences in opinions can be broadly categorised in two types. The first is the normal business risk that investor and entrepreneur do not agree on such as management, technology and market risk. The second is the investment risk, where the entrepreneur sets the price of the venture too high making their business a bad investment. Furthermore, the information gaps can become an issue during the acquisition process. These gaps are the knowledge gaps between the investor and entrepreneur. The information assymetry might lead an investor to pull out and thus the acquisition process to suddenly come to a stop. Lastly, the soft assets and real options risks. Soft assets include intangible assets such as patents, trademarks, and the knowledge of the human capital within a venture which are difficult to evaluate. Apart from soft assets, real options are another source of value. A real option is a derivative, like an exchange-traded stock option; but in real options, the underlying asset is the growth potential of the venture. The real options are hard to quantify because they project a sort of forecast of the venture's capability to invest in new projects and the succes of these projects. The investor therefore must be significantly confinced the venture has the ability to obtain good return on future investment projects before deciding to invest in a venture.

2.5 How do venture buyers find targets

According to the literature, venture buyers are defined as strategic buyers in the same industry as the industry the venture is operating in and financial investors in regional proximity to the venture with similar culture as the venture and in a similar vertical. Theory about how these parties find and meet their investment targets is reviewed in this sub-chapter.

Mulherin et al. (2017) state that networking and relationships are important in the M&A process. They find that the likelihood of acquisition is higher when a director has a connection with the acquirer (Mulherin, Netter, & Poulsen, 2017). Research by Renneboog and Zhao (2014) confirm that for UK firms, the network and relationships of directors are important as well (Renneboog & Zhao, 2014). This is consistent with the book of Kotler et al. (2004), who say venture capital is a people business, and that VCs rarely consider deals that just come through the door. Instead, almost all deals involve a trusted referral who recommends it. These trusted referrals can be existing portfolio companies' entrepreneurs and board members, attorneys, or other professionals. In many countries, events and conferences are held to match investors with entrepreneurs (Kotler, et al., 2004). It all comes down to the founder having to meet the VC in person or being personally recommended by a trusted advisor. Literature about the buy-side M&A process by Benson & Shippy (2013) implies private equity and venture capital firms continuously research the market for potential deals (Benson & Shippy, 2013). They identify targets and then directly reach out to the targets to discuss a potential acquisition. According to Benson & Shippy (2013), this is especially effective when the acquirer has a large network of lawyers, investment bankers, accountants, private equity firms, commercial bankers, wealthy investors, and other capital providers. They add to the literature written by Kotler et al. (2004) that the most attractive acquisition targets often come from such a network and that it is common for acquirers to be introduced to targets through such a network.

The continuous search for acquisition targets is done by scanning the market for so called "acquisition matches" and is also known as proprietary deal sourcing. Identifying acquisition targets is influenced by the characteristics of the acquirer. Acquirers look for similar traits in the ventures they acquire. Acquirers have been found by Welch et al. (2020) to select targets that have resources, products, and R&D pipelines like their own, as well as ventures with related human capital, geographically overlapping areas, and targets that create synergies (Welch, et al., 2020). This search for acquisition targets is usually easier for strategic investors than for private equity investors because strategic investors intimately know the industry (Vild & Zeisberger, 2014). However, this can also limit the target selection because strategic investors do not want to embark on a risky diversification journey, but rather remain in their own vertical. Private equity advisors on the other hand have advantages because of their large network and capability to do rigorous financial analysis of the acquisition target. Because private equity investors are not influenced as much by the industry in their target selection as strategic investors, they have a larger selection pool. Private equity rather focuses on the numbers and general industry trends like the IRR of an investment or attractiveness of industries. The market often will know when a private equity firm is looking for investment opportunities and will be approached by targets and investment bankers with their pitches (Vild & Zeisberger, 2014).

2.6 Cost-effective marketing to target acquirers

A company's total promotion mix, also known as marketing communications mix, is the specific blend of advertising, PR, personal selling, sales promotion, and direct marketing tools that a company uses. Considering the theory discovered in the previous chapters, direct marketing and personal selling tools seem to be the most useful for sell-side acquisition. According to Kotler et al. (2013), direct marketing is when a company targets individual customers to obtain immediate response and cultivate lasting customer relationships. Personal selling on the other hand is defined by Kotler as a personal presentation by the firm’s sales force to create sales or customer relationships (Kotler, et al., 2013). Therefore, the focus of this chapter is the cost effective direct marketing and personal selling methods of promotion.

Personal selling is about linking the company with its customers through a sales representative. A sales person goes to the client to have a conversation about their needs and wants to see if the product the sales person offers fits the client. Generally, there are seven steps in the personal selling steps: Prospecting and qualifying, pre-approach, approach, presentation and demonstration, handling objections, closing, and follow-up. Prospecting is the activity of identifying qualified potential customers, after which the potential customer is analysed in the pre-approach step to find the customer’s needs and who’s involved in the buying. From that moment, the sales person (founder/owner of venture builder) can approach the potential client, present to them, handle objecetions and close the deal (Kotler, et al., 2013). The first 2 steps of this process are the most important for this research and will be investigated through the interviews held during the research. When selling a company, a common practice is doing a *‘roadshow’* whereby senior executives give presentations on several locations to a list of potential relevant investors (Povaly, 2007). These roadshows are stretched over three or four weeks and are preferrably short and intense rather than long and stretched out to maintain optimal momentum.

Direct marketing entails all methods of marketing where the company connects directly with potential customers by using databases to carefully target customers and submit tailor made offers to these clients (Kotler et al., 2013). Direct marketing offers a low-cost, speedy alternative for reaching specific markets. Effective direct marketing begins with a proper customer database: a well-organised collection of relevant data about the different prospects. In their book, Kotler et al (2013) identified seven forms of direct marketing: online marketing, face-to-face selling (personal selling), direct-mail marketing, catalogue marketing, telemarketing, direct-response television marketing, kiosk marketing, and new digital technologies. Of these forms, television marketing and kiosk marketing are considered more “expensive” ways of marketing and therefore are excluded in this research. The remaining “cheap” marketing techniques could be used when trying to find a cost-effective way of finding acquirers for the ventures of venture builders.

3. Research Methodology

This chapter contains a description of the methodology which was used to investigate the topic of acquisitions of venture builders. This methodology was divided into two parts: the first was to interview various venture builder founders about their experience with acquisitions to obtain qualitative data and find overlapping themes of the factors influencing their acquisitions. The second part of the research was a survey sent to PE and VC firms to find quantitative data on how potential acquirers find small and middle-sized private companies.

3.1 Mixed methods research strategy

This research was approached from an explorative point of view in which we tried to find the factors influencing the acquisition process of ventures that come out of venture builders. The mixed methods approach was utilised. Both qualitative and quantitative data was obtained in the form of interviews and online surveys. Mixed methods can be used to increase validity and to heighten the knowledge that comes from a study and its conclusions. According to Schooneboom & Johnson (2017), this is an advantage in the case of the induction of theories from research (Schoonenboom & Johnson, 2017). The mixed methods approach is 'problem-driven', which means that this approach was used to provide answers to the research problem at hand. Because this research was designed to solve a problem, namely, the problem of ventures from venture builders that struggle to find acquirers, this approach fits the research well. This research strategy led to a more complete picture of the topic and has helped to find influential factors of acquisitions. First, interviews were held to obtain knowledge about the overlapping themes and influential factors of finding acquirers by venture builders obtaining qualitative data. After which, based on the overlapping themes, a survey was drawn up and sent to PE and VC firms questioning how they get in contact with their targets receiving quantitative data about the PE and VC sentiment on venture builders, opinions on investment criteria and insights into the deal sourcing of these firms. This knowledge created practical outcomes to provide 5 step process for venture builders to use to get in contact with potential acquirers (Denscombe, 2007).

3.2 Data collection method

Part 1: Interviews

Semi-structured interviews were held in either Dutch or English to obtain more information about the experiences of the founders/owners/CEOs of 5 venture builders in their acquisitions. A clear list of questions was drawn up based on the theories in the literature review, however, the interviews were flexible and additional questions were asked to obtain in depth qualitative information. These interviews were on a one-to-one basis with the interviewer and interviewee. The questions of the interview can be found in appendix A of this document. 20 Dutch venture builders and 1 Belgian venture builder were contacted through their individual email address, company info mailbox or through LinkedIn messages, in Appendix C an overview of who was contacted and when is provided. Of these 20 venture builders, 5 participated in this research. Since the Dutch venture builder landscape is quite young, it is safe to say that there are not many more than 20 Dutch venture builders.

Inductive coding was used to create emerging themes and theories based on the Gioia method (Gioia, Corley, & Hamilton, 2012). This method is used to build new theories and constructs, which is the goal of this research: building a theoretical framework for the search for acquirers by venture builders. This method identifies similarities between the interviews with the various venture builder founders. The coding will be done by using the MS Office transcription function whereafter Atlas.ti is used to code the interviews and find the emerging themes.

Participants were selected based on their experience with acquisitions of ventures coming from venture builders. This can be a founder of a venture builder, someone who was responsible or had been responsible for selling a venture of a venture builder or managing directors of ventures from venture builders. An overview of the participants is given in table 4.

Table 4: Interviewee venture builder information

	VentureRock	**Builders**	**Slimmer AI**	**Entweder**	**Holland Startup**
Support	A fixed 72 step by step guide for building ventures from seed phase to exit	Intensive long-term support in all activities	Long-term support, based on the growth capability of the venture	Long-term support from the ideation phase until the exit of the venture depending on growth capability	Long-term support from the venture builder, mainly coaching/ mentorship
Funding	Venture builder provides a fixed amount of funding per step from partners and external investors	Venture builder provides funding from partners and external investors	External funding per venture, based on a project basis	Private funding from the owners of the venture builder	Venture builder provides funding from partners and external investors
Ideation	Select/create ideas	Create ideas/ start-ups	Create ideas/start-ups	Create ideas/start-ups	Select ideas/start-ups
Type of organisation	Corporation	Private company	Private company	Private company	Private company
Number of exits experienced	4 of their own, was involved in 30 other exits before starting the venture builder	1 exit of their own, 1 exit of their partner before starting venture builder	Currently going through an exit, no previous experience	6 exits of ventures built by the venture builder	2 exits before starting the venture builder

Current ventures	12 ventures	2 ventures	4 ventures	4 ventures	10 ventures
Employees	7 employees in the venture builder	10 employees in venture builder	7 employees in the venture builder	4 employees in the venture builder	10 employees in the venture builder
Industry	FinTech	HR tech and PropTech, B2B SaaS	SaaS artificial intelligence, industry agnostic	Real estate	B2B SaaS solutions

Part 2: Surveys

Web based surveys were created based on the literature review and interviews to measure the sentiment of PE and VC investors on venture builders, their views on investment criteria, what media they use for deal sourcing and how they find their deals. The questions regard the buy-side process of finding acquisition targets. The goal of these surveys is to find more information on how the buy-side sources their deals. This questionnaire was posted online with Qualtrics and was then spread among the VC and PE employees through email. This survey had 2 control questions as well as a brief description about venture builders to make sure the respondents know about the venture building concept.

Data analysis and visualisation was done using R, Tableau, SPSS, and Excel, based on the researchers' capabilities. The descriptive statistics of the data and respondents have been used to create initial theories about the data and find the sample group's characteristics (Babbie, 2016). After which we displayed the data by visualising the sentiment of PE and VC firms about venture builders in histograms and putting the reasons for this sentiment in pie charts. Besides that, the importance of investment criteria was measured on a 5-point Likert scale. This data was visualised with a histogram and was tested using a Kruskal-Wallis test. The choice for the Kruskal-Wallis test was based on the skewness of the data, which was assessed by doing a Shapiro-Wilk test. The deal sourcing data was visualised by creating pie charts, and the qualitative data about the possible improvements was coded into themes to provide a clear table with improvements venture builders could implement according to PE and VC firms.

The participants who were be invited to fill in this survey were investment managers, associates, CxOs, investment analysts, investment directors, managing directors, managing partners, and partners working in PE and VC firms. This was done through simple purposive sampling; the online survey was sent twice to a group of 553 PE/VC employees as well as once to a group of 128 PE/VC employees. In total 681 people were invited to participate in this research and 56 people filled in the complete survey. Descriptive statistics of the sample group are given in appendix D, where you can find the years of experience, current position, VC or PE, median amount of offers, and the investment tickets of the firms.

4. Results

4.1 Interviews

When the interviews were compared to each other, various themes emerged and provided knowledge about common occurrences and issues within the exit environment of the venture builders. Table 5 shows the 16 overlapping elements and how often they were mentioned during the interviews.

Table 5: Themes from the interviews

Theme	Number of mentions	Categories
Duration of exit process	9	Acquisition process
Due diligence highlights	8	
Problems in exit process	8	
Reason not to sell	5	
Synergy from acquisition	6	Acquisition process/ Experience
Characteristics of acquirers	5	
Similarity to acquirer	4	
Type of exit experiences	8	Experience
Private equity demands	6	
Capital raised	4	
Lack of exit	4	
Reason for lack of exits	4	
Networking effects	12	Finding acquirers
Tried looking for buyer themselves	5	
Connection to buyer	4	
Exit process through investment bankers	2	

The interviewees were positive about *the networking effects* on their exits. They stated that because of their networks, the exits happened faster and that it was easier to find their acquirers. Everyone who had experienced a strategic acquisition of their venture stated that the acquirer was someone from within their network: a supplier, a customer, or a competitor in the industry. Besides that, multiple interviewees stated that if the network of potential investors was large enough, the need for an intermediary like an investment banker was not needed. The exit experiences the interviewees have had in the past consisted mainly out of strategic acquisitions and secondary buyouts with two venture builder founders who have experienced a secondary buyout with the help of an investment banker. Besides networking effects, the interviewees stated that all strategic acquisitions were done by companies that were similar to theirs who received synergy from the acquisition, which was not necessarily the case with secondary buyouts. In the secondary buyouts, ventures were bought by financial investors who acquired a company to broaden or restructure their portfolio companies or for the cash flow of the company.

The networking effects are according to Mulherin et al. (2017) and Renneboog and Zhao (2014) very important in the M&A environment. This is consistent with Kotler et al. (2014) who also describe the importance of the networking effects on attracting investors in their book "Attracting investors: A Marketing Approach to Finding Funds for Your Business". The interviews confirmed that the networking effects had a large positive influence on the exits that the founders/CEOs of the venture builders experienced.

"*The more you walk around in the industry, it becomes easier to find the right acquirer."*

"A big part [of the exit environment] is about the relationship network, eventually someone else must decide whether they give your deal to an investment committee or not. That is just relationships."

"*Yes, we knew all acquirer before reaching out to them, it makes things easier, and it speeds up the process."*

Three out of five venture builders said that they did not look for an acquirer themselves, the acquirer in their case was either already in their network and they did not have to search for an acquirer, or they received the help from an investment banker with finding an acquirer. The other two venture builders said they did look for acquirers themselves and found the acquirers themselves through their network. The help from an investment banker was described as costly. The exit process through an investment banker is divided in 6 steps: Creating the marketing materials, creating a longlist, creating a shortlist, contacting the shortlist, due diligence, and negotiating the deal. The venture builders who chose to hire an investment banker, did so because they either lacked the knowledge and network to find acquirers, or they did not have time to manage the acquisition process.

The duration of the exit process through acquisition was described to be between 6 to 12 months on average by all interviewees. The venture builders did however confirm that it could take longer or shorter depending on the deal. Many variables can influence the duration of the exit process, one interviewee stated that their fastest exit happened within a month and their slowest exit took 1.5 years. Some examples of influences on the duration of the exit were the due diligence process, finding the right buyer, the network available and external factors. In exits through management buyouts, the interviewees all stated that it was a gradual process and that it was hard to determine a duration of the exit process.

"The first exit took us 6 months and the second took us 12 months."

"The whole process takes 6 to 12 months, don't know exactly how long it took us, but it was long."

"The fastest exit was one month, but the slowest was 1.5 years, it depends on many variables."

Due diligence highlights that were mentioned were all different from each other, with 2 overlapping themes. The motive for acquiring the venture determined the due diligence factors that weighed the most. The interviewees stated that the due diligence was more extensive on the product if their venture was acquired because of their innovative and market leading product. However, if a venture was acquired because of their client base, the due diligence was more focused on their customers. Other common due diligence elements were intellectual properties, finances, incentivisation of management team, and the organisational design. Interviewees could all agree that the due diligence process is a process to confirm that what the seller is saying, and portraying is true. The problems during the exit process have been described in table 6.

"They looked very extensively at our clients and wanted to contact our top 3 customers to verify."

"*The whole product stack, the tech stack, they wanted to see the whole software development life cycle"*

Table 6: Problems with exit process

Problems	Quotations
The interest of other shareholders	*"The shareholders were not all on one page about the exit and communication between them took a lot of time."*
External factors	*"When I sold, it was at the time of the financial crisis and private equity stopped financing."* *"A reason not to sell is when there is a weak economic environment."*
Misalignment between seller and buyer	"*The company that the acquirer wanted to integrate us in was scared that we would take over the management of the company, which almost killed the deal."*
People do not know what a Venture Builder is	"*One of the problems is that people do not yet know exactly what a venture builder is."*
Not providing complete information	"*The reason why it often takes longer, is that you do not provide complete information, or have exaggerated certain information..."*
Increasing valuation during due diligence	"*During the due diligence I started looking at my company and thought "Oh I did this well, this is structured nicely" and I started valuing the company more than the initial deal."*

Lack of exits were mentioned by 3 venture builders during the interviews and 2 venture builders who were contacted declined the invitation for an interview because they did not have any exits yet. The reason for this is that the venture builders that do not have any exits yet have not existed long enough to exit their ventures. On average, a venture builder can exit a venture after between 5 and 7 years. This could be faster in case of fast growth and could be slower in case of slow growth. The 5 venture builders that did not have exits yet all existed for less than 5 years.

Besides the fact that a venture builder is too young, there could be other *reasons not to exit* a venture. The interviewees have stated that a reason not to sell a venture could be that there is still growth potential within the venture builder environment for the venture. In which case the eventual exit could be more profitable if the venture has been blown up more by the venture builder. Additionally, a venture builder could choose to remain shareholder in the company in case the follow-up investors grow the venture to a higher valuation and sell their shares for a higher price. However, all respondents stated that in their previous exits they received the capital they expected to receive.

"*We only exist since 2017, a bit early to exit one of the ventures, isn't it?"*

"We see the potential to grow the company further, blow up the EBITDA and be able to exit the venture for a higher premium."

"It's about the maturity and understanding when you reach the maximum growth potential and what the risk is beyond that."

The private equity demands were mentioned by all respondents. The requirements mentioned were that PE generally only comes into play with companies with an EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortisation) of at least €1 million, they also mentioned that PE only looks at companies with a recurring revenue of €5 or €10 million and that they are most active in CAPEX (Capital Expenditures) and services industries. The respondents said that the investment requirements of private equity were generally more extensive than requirements of other investors. Managing the private equity requirements was the most prominent reason for choosing to contact an investment banker for the exit process, besides the lack of knowledge about the M&A environment in the venture builders.

"The exit process is very intensive; an investment banker is a kind of project manager of the exit process."

"I did not know whether it was a company or just real estate what we were selling, which is why we contacted an investment banker."

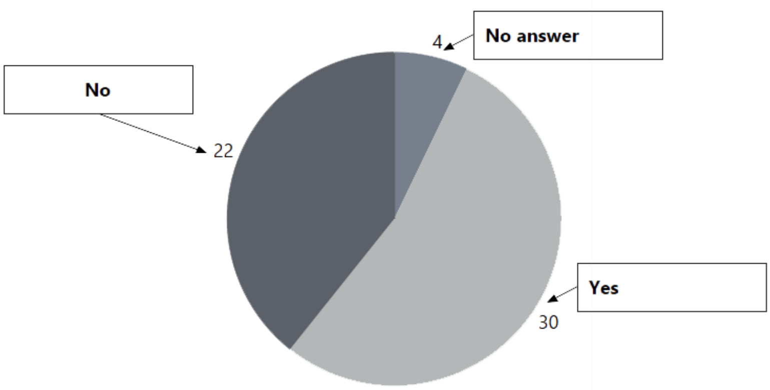
Exit process tips were provided by 2 venture builders with a lot of experience with exits. They said that the venture builders could do the exit process steps which investment bankers do themselves and that if your longlist is long enough, you will always find a buyer. Additionally, they suggested to create an investor canvas, rather than a business model canvas when creating the marketing materials for acquisition. Lastly, they suggested that your venture should not be the first acquisition that your potential acquirer does.

4.2 Online Survey

The online survey was sent twice to a group of 553 PE/VC employees as well as once to a group of 128 PE/VC employees. In total 681 people were invited to participate in this research and 56 people filled in the complete survey. The descriptive statistics of the sample group are given in appendix D. The goal of this survey was to create knowledge of the opinion and stance of PE/VC firms on venture builders and how venture builders might be able to connect better with the PE/VC in the Netherlands.

4.2.1 Knowledge of venture builders

First, the survey started by assessing the knowledge of venture builders in the sample group. This was done by asking 2 questions about the knowledge of venture builders followed by a summary of what a venture builder does. Figure 3 shows that 28 people of the 56 respondents knew beforehand what venture builders were. However, the control question showed that when given 4 different definitions of venture builders, 44 out of 56 people could pick the right definition of a venture builder out of 4 definitions.



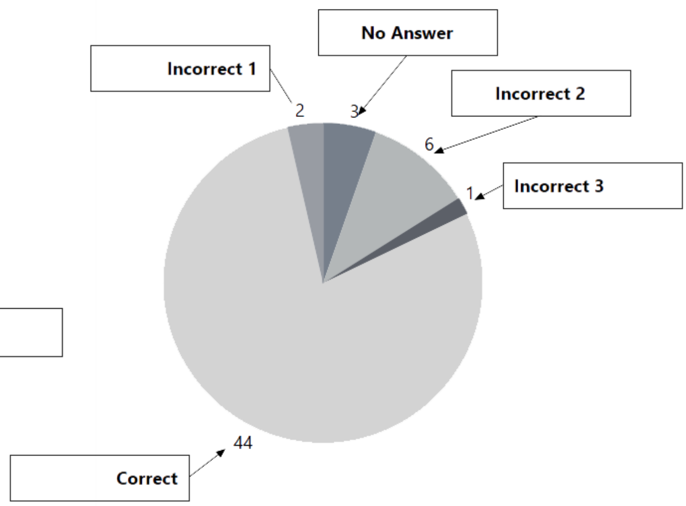


Figure 3: Knowledge of PE/VC about venture builders

Figure 4: Control question

4.2.2 Stance on the venture building concept

Afterwards, we measured the stance of PE and VC firms on venture builders. The first question measured if the firms would put venture builders on their watchlist or not. The results of this question were neutral and can be seen in figure 5. Reasons for the neutral/negative respondents have been displayed in figure 6. The positive respondents stated that they would put venture builders on their watchlist because of the following reasons: (1) to see new opportunities and (2) Hardware is rare. Noteworthy is that 9 out of 10 “Too early stage” respondents were from PE.

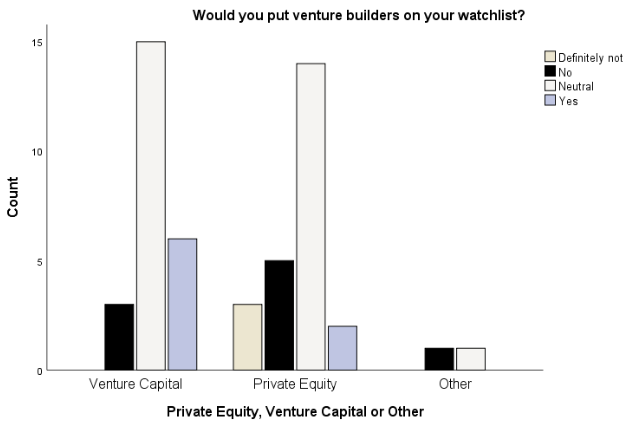


Figure 5: Putting venture builders on the watchlist

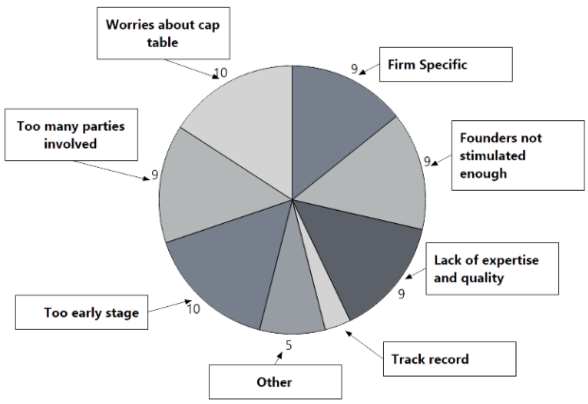
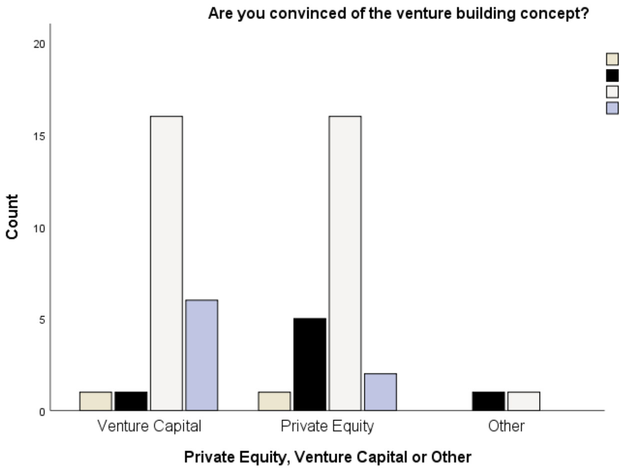


Figure 6: Reasons for not putting venture builders on the watchlist

Additionally, we measured the conviction of the PE/VC firms of the venture building concept by asking them the question: “Are you convinced of the venture building concept?” The results of this question turned out to be neutral as well and are visualised in figure 7. The reasons for the neutral/negative responses vary between 7 categories, which have been displayed in figure 8. The four reasons given for the positive responses were (1) it is one of the ways to bring innovation to the market, (2) venture builders have a good function, (3) it is a nice climate to create businesses out of ideas, (4) it is good to realise ideas in the market but less good of an investment case.



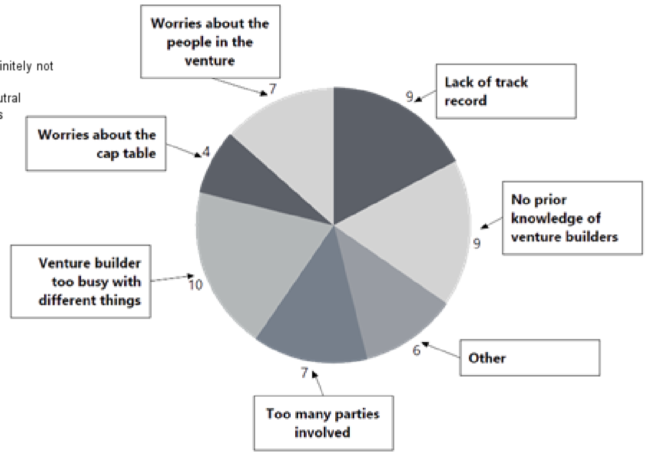
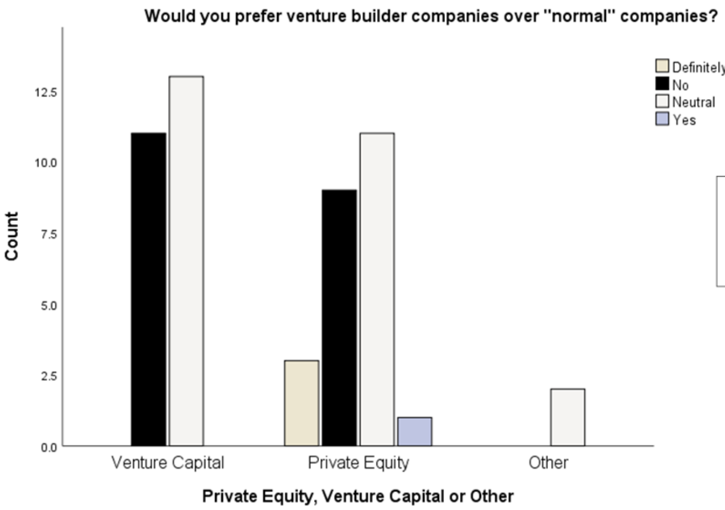


Figure 7: Conviction of venture builders

Figure 8: Reasons for not being convinced

To finally assess the stance on venture builders, we asked whether the VC/PE firms would prefer to invest in companies from venture builders over "normal" companies. The results of this question were negative. The biggest reason for this is, as the VC/PE firms stated, that the ventures from venture builders are not necessarily better than traditional ventures. However, the positive responses were backed by the statements (1) "it's seen as good growth", (2) "it's set up more professionally", (3) "better defined business plans". The results are displayed in figures 9 and 10.



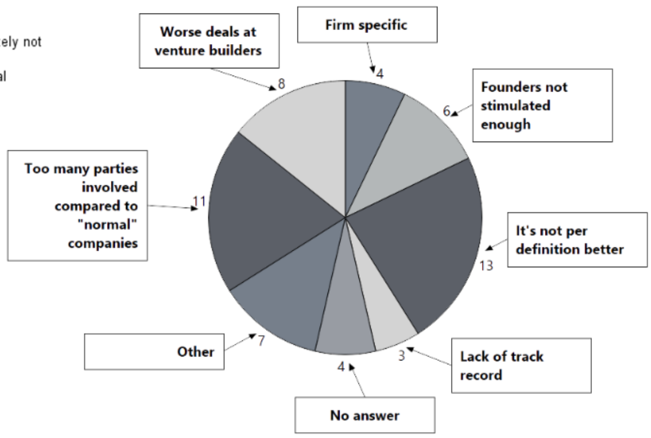


Figure 9: Preference over "normal" companies

Figure 10: Reason for lack of preference

4.2.3 Investment criteria

The most important investment criteria of Dutch PE and VC firms were measured based on literature by Martirosyan et al. (2017), Vinig & De Haan (2002), and Block et al. (2019). The 11 measured investment criteria were: culture (CUL), ownership structure (OS), location (LOC), profitability (PROF), other (OTH), founders (FOU), market trends (MATR), innovation (IN), added value of product (AVP), growth potential (GP), and management team (MT). These investment criteria were measured based on a Likert scale. The results are displayed in figure 11.

In this figure we can see that the investment criteria of PE and VC firms are similar, however there are a few differences. For example, the VC firms find IN, OS and GP more important than PE firms. The data of these differences, however, is skewed which is why it cannot be analysed using an ANOVA test. The skewness of the data has been displayed in Appendix E, with histograms and a Shapiro-Wilk test which had significant results among all three investment criteria. Because the data appeared to be skewed, the data was analysed by using the Kruskal-Wallis test. This test showed significant results ($P < 0.05$) for GP, OS, and IN, by which we can conclude that there is a statistical difference between PE and VC firms in the importance of investment criteria GP, OS, and IN. However, this difference for GP is rather small and it is the second most important investment criteria among both PE and VC firms. The IN and OS investment criteria on the other hand, show a larger difference of close to 1 point on a 5-point Likert scale.

Other important investment criteria added to the 11 existing investment criteria were: (1) "defendability of the intellectual property", (2) international growth potential, (3) sector, (4) cash flow generation, (5) exit possibilities, (6) finances, (7) competition, (8) regulation, (9) track record, and (10) an EBITDA upward of €3 million.

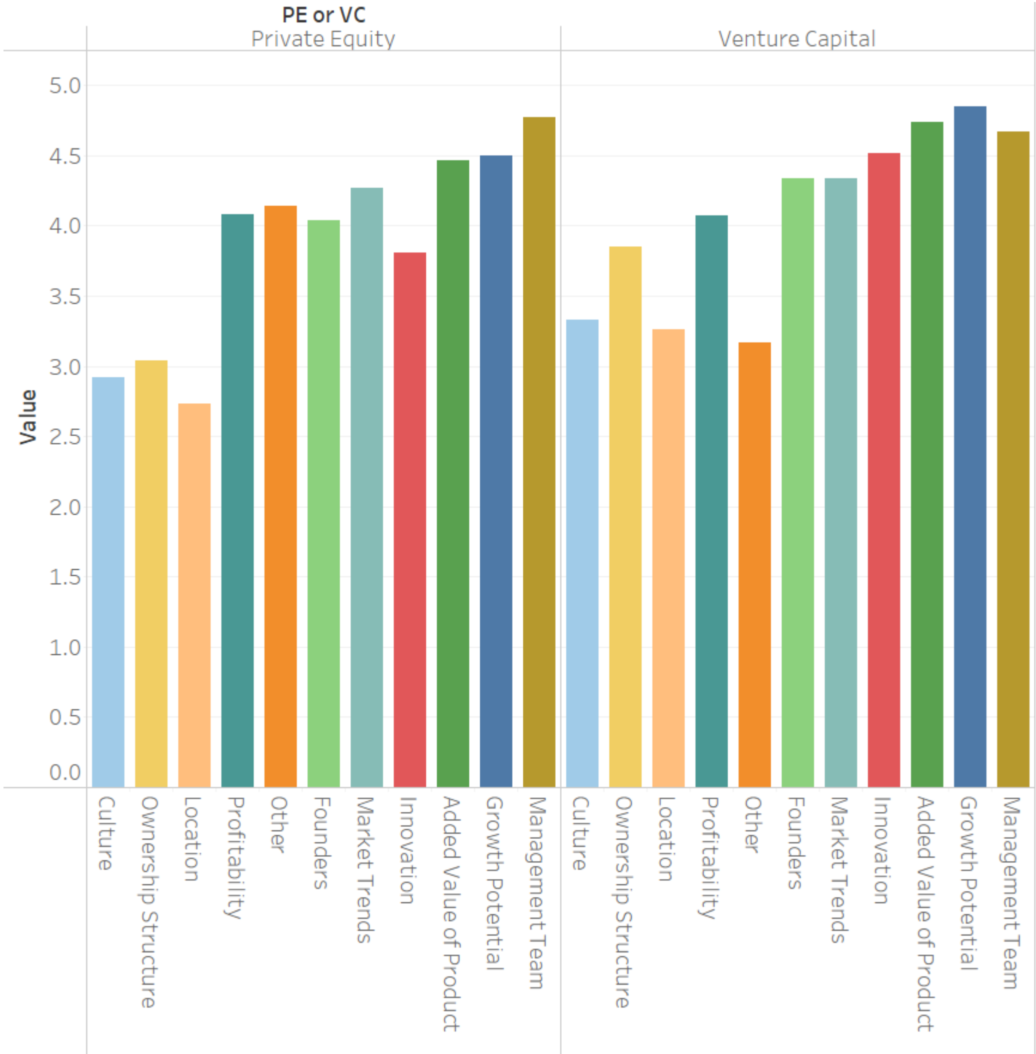


Figure 11: investment criteria importance based on a Likert-scale

4.2.4 Deal sourcing

After finding the most important investment criteria, data about what communication channels PE and VC firms used was collected. Here we see that 60% of the respondents stated that they use social media for their deal sourcing. The most prominent social media mentioned as a communication channel for deal sourcing is LinkedIn. The other prominent media that was used were the Financieel Dagblad, a financial newspaper in the Netherlands, the existing network, and (online) M&A tools as seen in appendix F. M&A tools mentioned were Pitchbook, CapitalIQ, Crunchbase, Lux Research, Gain.pro, and MergerMarket. Besides these M&A tools mentioned, Techleap and Dealroom are two prominent tools in the M&A environment.

Additionally, data was collected on how the PE and VC firms found their targets of the last year and what their criteria were for starting investment conversations with targets. Here we see that 50% of the targets were found either through the own network, or by targets contacting the PE and

VC firms. Additionally, 25% of the deal sourcing comes from the proprietary deal sourcing of the firms. The last 25% is scattered over investment bankers/corporate finance advisors, roadshows/ conferences, and other means of finding targets. The most important criteria to start conversations with investment targets is still the product/service of a target, closely followed by the management team.

4.2.5 Product improvements of venture builders

The VC and PE firms were asked how venture builders could improve their products for them. Not all respondents answered this question, however, the results are notable. Three main themes became apparent, which are the improvement of people, the focus, and the cap table improvements. The improvement of people mainly concerned the incentives and motivation of the management team and founders. Besides that, hiring the best talent was mentioned by both PE and VC firms as a main challenge for venture builders. Furthermore, the focus of venture builders was mentioned as an improvement point. The focus on one sector and improvement of the expertise in that sector are possible improvements for venture builders. Lastly, the cap table was mentioned as a possible improvement. Less shares for the venture builder and more shares for the founders/management team were the common underlying argument for this improvement. In table 7 the improvements are displayed.

Table 7: What can venture builders do to improve their products for PE/VC?

Improvement	Number of times mentioned
Improve people (Management team incentives, Founders, hire best talent)	9
Focus (on one sector, improve expertise)	5
Less shares for venture builder/Capt table improvements	5
Doesn't fit PE	3
Apply realistic valuations	2
General criteria improvement	2
clarify the value proposition	1
Create a business with high EBITDA and low CAPEX	1
Create more awareness about progress	1
create to add value, not to sell	1
Data analysis and reflection	1
Long-term vision	1
proven technology	1
Show more leadership and actually support building the venture	1
Unique defendable intellectual property	1

5. Discussion

5.1 Discussion

This study was an explorative study about the exit strategy of venture builders through acquisition. We have conducted a triangulated study with interviews and an online survey. First, the interviews with venture builder founders/CEOs were held to obtain information about their exit experiences in the past and their views on exits to financial investors. Second, we distributed an online survey among 681 PE/VC employees of which 56 people filled in the complete survey.

Network seems to be the most important factor in the exit through acquisition. This is why the answer to the question: “Which channels do potential buyers of ventures from venture builders use?” is answered in two parts; the large positive influence network has on finding acquirers, and the channels acquirers use for deal sourcing. The literature about acquisitions is consistent in stating network as a large influence on likelihood of being acquired (Mulherin et al., 2017; Kotler et al., 2004; Renneboog & Zhao, 2014; Benson & Shippy, 2013). In the interviews with the venture builders, networking effects were mentioned the most; all venture builders said that networking was very important for the acquisition process as answer to the question “What channels do you use to get in contact with potential acquirers?” Furthermore, venture builders said they used investment bankers when they did not have the time to find acquirers through their own network or when they lacked the knowledge about M&A. The online survey provided consistent data, where ‘networking effects’, ‘proprietary deal sourcing’ and ‘being contacted by investment targets’ were measured as the most frequent ways of PE and VC firms getting in contact with investment targets and that the network was a big medium for deal sourcing. This suggests that if venture builders would desire to expedite the acquisition of their ventures, they should create a large, relevant, network of potential investors.

Deal sourcing media the Dutch PE and VC firms use is particularly interesting to investigate to find which channels to use when trying to get in contact with PE and VC. Many PE and VC firms in the Netherlands seem to use the “Financieel Dagblad” as a medium for deal sourcing. Additionally, they use their own network, M&A tools like Pitchbook and Crunchbase, and LinkedIn to find their targets. LinkedIn offers a very specific targeting tool to advertise with on their platform, which makes it an interesting platform to advertise the ventures to investors on a low-cost base. Furthermore, venture builders could create accounts on M&A tools like Pitchbook to increase their online presence and become easier to find for investors who do proprietary deal sourcing. Sharing the data about your venture is often free on these platforms, which means that it can be a cost-effective way of getting the attention of investors. These steps can help advertising through the Financieel Dagblad might be very costly since it has a significantly large reach.

After consulting the literature, a target audience was created to answer the research question: "Which companies are interested in acquisitions of companies generated by venture builders?" The conclusion based on the literature was that the potential buyers of ventures can be defined as follows: strategic buyers in the same industry as the industry the venture is operating in and financial investors, possibly in regional proximity to the venture with similar culture and vertical as the venture.

Neutral stance on venture builders was an important aspect of the online survey. When asked about PE/VC conviction of the concept and if they would put venture builders on their watchlist, the results were overwhelmingly neutral. Additionally, PE and VC firms responded negatively when asked if they'd prefer a venture building company over a traditional company because they are "not necessarily better". The reasons given for the neutral answers were spread. However, the lack of focus of venture builders, track record and worries about the parties involved and their influence on the cap table were most prominent. The lack of track record shows from the interviews as well, 5 venture builders who were contacted reported to not yet have any exits from their venture builder. The average time to market for a venture is 5-7 years, but many Dutch venture builders do not exist that long, which could be a reason for the lack of exits and track record. Furthermore, the worries about the cap table have emerged as an important factor. The founder of eFounders, one of the most prominent venture builders with a valuation of €2.5B in 2021, Thibaut Elziere stated in his 5th annual letter in 2017 that the most common criticism on venture builders is that the investors think that venture builders do not deserve the shares they get[1]. This is also apparent from the online survey, in which worries about the cap table and the problem with incentivisation of founders through shares were mentioned as points of improvement and issues with venture builders.

Investment criteria differences between PE investors and VC investors show that VC put more importance in the ownership structure, growth potential and innovation of the product than PE. This could be logically explained by the nature of VC investors, who generally engage with their targets in an earlier stage than PE investors, and do not completely acquire companies. Therefore, the ownership structure is of more importance to the VC, who will not be the only party on the cap table. Furthermore, the growth potential and innovation of the product are both very important factors in the early stage. For an early investor, growth potential and the innovation of the product are more important than a late-stage investor who desires to reap the benefits of a successful, profitable company. A large chunk of the returns of the early investor comes from the growth a company makes after their investment, therefore venture capital puts more value on the growth potential of their targets. Additionally, for both the VC and PE firms, the management team, added value of the product

[1] https://blog.efounders.co/efounders-letter-5-a-startup-studio-on-a-mission-b5bbcce53b29

and growth potential were the most important investment criteria, these criteria can be found in figure 12. However, the most important criteria to start conversations with companies looking for funds, was measured to be the product/service of a company, followed by the management team. The investment criteria measured were based on literature by Martirosyan et al. (2017), Vinig & De Haan (2002), and Block et al. (2019). The Dutch PE and VC seem to put less importance on location and culture than mentioned in the previous literature. However, the other investment criteria measured were all viewed as at least “important” on a 5-point Likert-scale. This is consistent with the literature, which brought us the answers to the research question: “Which criteria do acquirers use when they are looking for a potential acquisition target?” in figure 11.

Based on the results of this study, we propose a new step-by-step process to find acquirers for a venture. This step-by-step process originates from the investment banker process of finding acquirers which has been expanded with the implications of this study and does not consider the deal negotiations and due diligence of the acquisition process. It is a five-step process in which we start with (1) creating a good investment case, then (2) defining the potential acquirers, (3) then create a message for these potential acquirers, (4) selecting the channel(s) to use in finding a match and then (5) starting the communications. Selecting the channels was influenced by the answers to the research question: *“What are cost-effective methods of getting in contact with buyers for the ventures of a venture builder?”* The cost-effective marketing methods were concluded as direct mail, catalogue marketing, telemarketing, new digital technologies, and online marketing based on literature about marketing tools. This process can be viewed in figure 1 below. Through all the steps, a good network is crucial, and a good network takes time to create. Therefore, it is highly recommended to start early with building a network to reap the benefits once it is time for the exit of the venture.

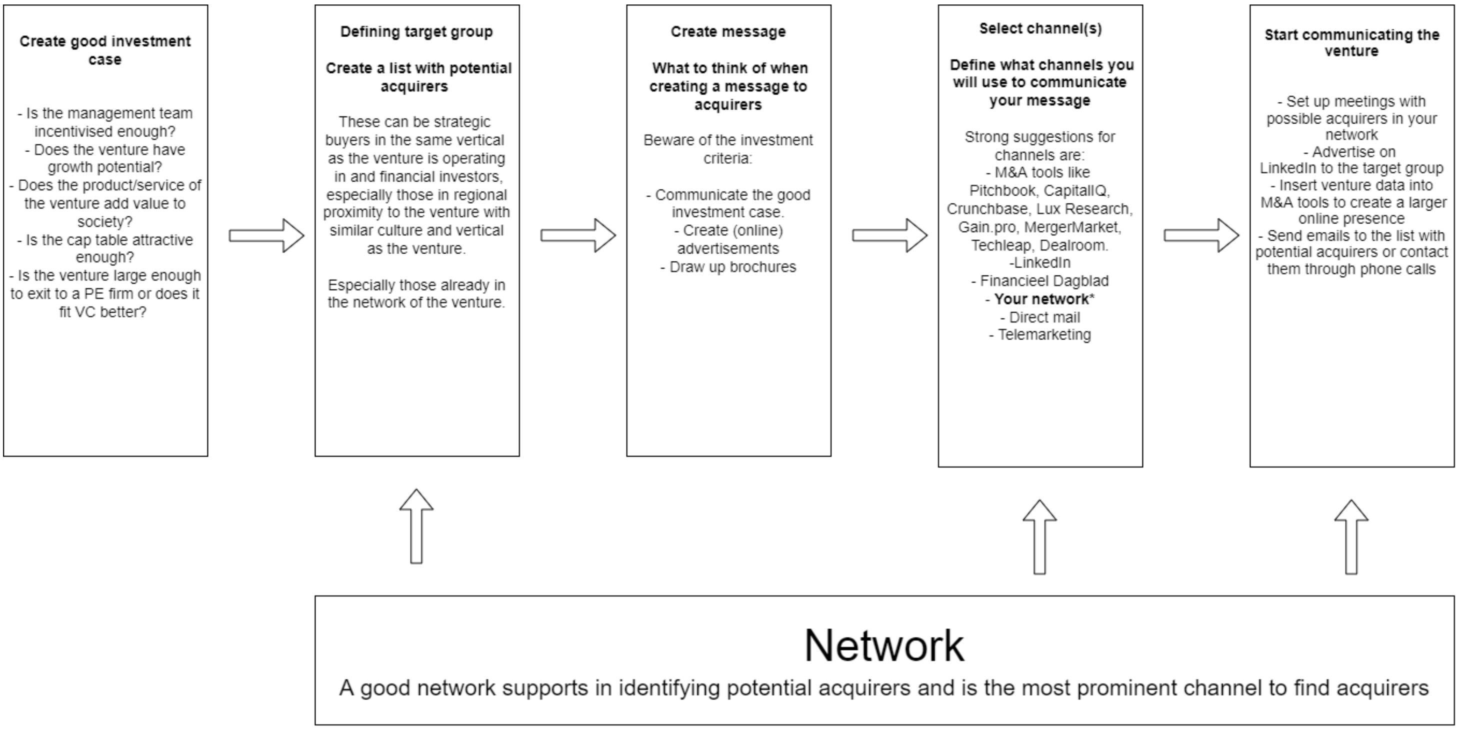


Figure 1: A 5-step process for finding acquirers

Create a good investment case

Before looking for an acquirer, the venture builder should ensure that their venture is a good investment case. Review if the management team is incentivised enough, if the venture has growth potential, and if the product/service provides added value. Besides that, consider if the cap table is attractive enough for investors and if the venture is large enough to exit to a PE or that it suits VC better.

Defining the target group

The target group is the audience who will be receiving your communications. This audience must consist of potential acquirers. To find potential acquirers, M&A platforms and tools can be consulted to create a list with acquirers. When creating this list, consider the characteristics of the venture you are trying to exit and the characteristics of the potential acquirer. They could be a competitor, customer or supplier who is trying to create synergy from the acquisition. But they could also be a financial investor, such as a PE or VC firm. When selecting a financial investor, ask yourself whether they invest in the vertical the venture operates in, if the venture is in the right stage for that particular investor, if the investor has stated their investment criteria online, and if you fulfil those criteria. One of the venture builder interviewees stated: "*If your target list is long enough, you will* *always find a buyer."* This can be regarded to as an overstatement, however, it does describe the importance of a good list of potential acquirers.

Create message

When creating the message to send to the target group, consider what that message should be. The message should embody a good investment case. This message could be delivered through (online) advertisements, brochures, or personal sales pitches.

Select channel(s)

Strong suggestions for the channels to use are: M&A tools like Pitchbook, CapitalIQ, Crunchbase, Lux Research, Gain.pro, MergerMarket, Techleap and Dealroom. Additionally, LinkedIn is highly recommended, as well as Financieel Dagblad for Dutch acquirers, direct mail (sending emails or brochures) and telemarketing (phoning the acquirers). Additionally, the network of the venture builder is of high importance and should be used to communicate to the target audience.

Communicating the venture

The last step is to enter the market with the venture. Start communicating the venture to the target group with the right message, tailored according to the investment criteria which are important to the target group. Post the advertisements on LinkedIn, create accounts on the relevant M&A platforms, send emails to the target group or call them with a sales pitch.

6. Limitations, future research, and implications

6.1 Limitations and future research

The exploratory nature of this study is the main limit of this research. The interviews that were carried out focussed on the experiences of 5 venture builders in the Dutch venture builder landscape. All 5 venture builders had different approaches to the venture builder concept, which suggests that venture builders in the Netherlands differ in their approaches. This might limit the applicability of the conclusions drawn from these interviews for all venture builders.

Additionally, this research has focussed on finding the most important factors that play a part in the process of finding an acquirer for ventures from venture builders. Because this study is the first study in which the acquisition process for venture builders is examined, further explorative studies could contribute to finding more important variables which have an influence on the acquisition process.

Furthermore, the data from the surveys have not all been statistically tested for inference, therefore, the model we proposed in this paper is a theoretical model based on the findings from the survey and interviews. Future research about the exit possibilities through acquisition of venture builders might statistically test this theoretical model to provide a statistically substantiated model.

Lastly, the data from the online survey was collected among Dutch VC and PE investors only. This means that the conclusions drawn about VC and PE firms are limited to the Dutch VC and PE firms and cannot be generalised across the world since the investment environment might differ in other parts of the world. When analysing the acquisition possibilities for venture builders, future researchers should consider using an international sample of PE and VC firms to be able to generalise the conclusions over the world.

6.2 Implications

Venture building has not been researched extensively yet. It is a relatively new concept that only recently caught the attention of the public. This study aimed at creating more knowledge for venture builders about their exit strategies through acquisitions. The model we proposed for finding the right acquirer is a contribution to the scarce knowledge about venture building. We propose a five-step process for finding acquirers in which network is a crucial factor in figure 1. We also find that the sentiment among PE and VC firms about venture builders is generally neutral, because of the lack of track record, worries about the cap table, and perceived lack of expertise of venture builders. The most addressed topic found in this study is the networking effect within the acquisition environment and the positive effect it has on getting acquired. Additionally, we found that PE and VC firms suggest improving the people in the organisation, improving focus of the venture builder, and to improve the cap table of the ventures as the most important improvements for venture builders. Lastly, this research finds the difference in perspective on importance of investment criteria between VC and PE firms, where VC firms find growth potential, innovation, and ownership structure more important investment criteria than PE firms. Which can be explained by the early stage of the venture in which VC invest and the later stage of the venture in which PE invests.

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Appendices

Appendix A: Interview questions

Part 1: Introduction

Introduction

Getting acquainted

Goal of the research and interview

This interview is held to obtain a better understanding of how Dutch venture builders find buyers for their ventures that have exited through acquisition in the past. This research consists of 2 parts, the first part of the research is done through these reviews and the second is through a survey sent to investors.

This interview

- General questions about you
- General questions about your venture builder
- Questions about finding the acquirer of the exited venture
- Questions about the acquisition process
- Any other business

Anonymity and confidentiality

This interview is anonymous, your personal information and the description of your venture builder will be anonymised. Furthermore, this data will only be used for this research unless you approve of other use.

Recording

The law constitutes that I must ask you for permission to record this interview. When the recording starts, I will start with asking you for permission.

Part 2: General information

- What is your current position (in the venture builder)?
- Have you experienced an acquisition?
- When was the acquisition?
- How much did the venture eventually get acquired for?
- Where is your venture builder located?

Part 3: Venture builder

- What is the industry the venture builder works in?
- How many people work at your venture builder?
- What is the size of your fund?
- How many ventures are in your venture builder?
- How many ventures have you sold?

Part 4: Finding acquirer

- How did you find the acquirer?
- How long did it take to find the acquirer?
- Did the acquirer find a sense of synergy from the acquisition?
- Did you know the acquirer before you sold the company to them, or was there anyone in your network that could match your studio to them?
- Have you tried looking for the acquirer yourself?
- Have you contacted investment bankers or other contacts in the financial sector for the acquisition?

Part 5: Acquisition process

- How long did the entire acquisition process take?
- How long was the period between the decision to sell and the actual sale?
- What were the characteristics of the acquirer? (Industry, size, etc.)
- Was the acquirer similar to the sold venture in terms of processes, industry, working methods, etc.?
- Were there any highlights or topics that stood out during the due diligence process?
- What did the acquirer find important factors in the due diligence?
- Did you receive the capital you wanted to receive for the acquisition venture?
- What were main issues in the acquisition process?

Appendix B: The private equity/venture capital survey

The survey was held in Dutch, because the sample contained only Dutch private equity or venture capital employees.

Deel 1: Inleiding

Doel van het onderzoek

Opbouw van de enquete

Anonimiteit en vertrouwelijkheid

Contactgegevens

Deel 2: Demografische gegevens

1. Wat is je leeftijd?

2. Wat is je geslacht?

- Man
- Vrouw
- Anders
- Wil ik liever niet zeggen

3. Werk je bij een Private equity (PE) of Venture Capital (VC) firma?

- Venture Capital
- Private Equity
- Anders namelijk:

4. Wat is uw functie?

5. Hoe lang werk je al in de PE/VC industrie?

- 0-5 jaar
- 6-10 jaar
- 11-15 jaar
- 16-20 jaar
- 21+ jaar

6. Wat is jullie investeringsticket?

Deel 3: Kern

7. Weet je wat een venture builder is?

- Ja
- Nee

8. Geef de juiste omschrijving van een venture builder:

- Een bedrijf wat meerdere bedrijven achter elkaar bouwt
- Een persoon die verschillende succesvolle ventures bouwt in eenzelfde industrie of markt om de markt te verzadigen en focust op de winstgevendheid van de ventures
- Een entiteit die opeenvolgend verschillende ventures start door nieuwe ideeën te ontwikkelen en vervolgens de benodigdheden verschaft om deze ventures succesvol te kunnen laten groeien om vervolgens een exit te maken uit deze ventures.
- Een b.v. met daarin verschillende founders en partners die allemaal aan een venture bouwen om deze vervolgens in de start-up fase te verkopen met als gevolg de exit van alle founders.

Uitleg venture builder:

Een venture builder is een entiteit die herhaaldelijk verschillende ventures bouwt door het ontwikkelen van nieuwe ideeën en deze ideeën vervolgens uit te bouwen door de juiste benodigdheden te verschaffen zoals founders, financiering, kennis en expertise om deze bedrijven van startups naar scale-ups te laten groeien en vervolgens een exit te maken uit deze ventures. Hiermee willen venture builders het risico van de early stage verlagen en effectiever te werk gaan als het aankomt op bedrijven bouwen.

9. Nu je weet wat een venture builder is, zou je venture builders sneller op je watchlist zetten?

- Zeker niet
- Nee
- Neutraal
- Ja
- Zeker wel

9.1 Waarom wel/niet?

- Zorgen om de opbouw van de cap table
- Te veel betrokken partijen
- Founders niet genoeg gestimuleerd
- Anders, namelijk:

10. Op schaal van 1 tot 5, zou je een bedrijf van een venture builder over een "normaal" bedrijf kiezen?

- Zeker niet
- Niet
- Neutraal
- Wel
- Zeker wel

10.1 Waarom wel/niet?

- Zorgen om de opbouw van de cap table
- Te veel betrokken partijen

- ○ Founders niet genoeg gestimuleerd
- ○ Anders, namelijk: [ ]

11. Op een schaal van 1 tot 5, hoe overtuigd ben je van het venture building concept?

- ○ Zeker niet overtuigd
- ○ Niet overtuigd
- ○ Neutraal
- ○ Overtuigd
- ○ Erg overtuigd

11.1 Waarom ben je wel/niet overtuigd?

- ○ Zorgen om de opbouw van de cap table
- ○ Te veel betrokken partijen
- ○ Founders niet genoeg gestimuleerd
- ○ Anders, namelijk: [ ]

12. Wat zijn jouw belangrijkste investeringscriteria wanneer je zoekt naar targets?

	Item	Zeer Onbelangrijk	Onbelangrijk	Neutraal	Belangrijk	Zeer belangrijk
1.	Groeimogelijkheden van de venture	○	○	○	○	○
2.	Locatie waar de venture opereert	○	○	○	○	○
3.	Waardetoevoeging van het product	○	○	○	○	○
4.	De founder van de venture	○	○	○	○	○
5.	Het management team van de venture	○	○	○	○	○
6.	Eigendomsstructuur van de venture	○	○	○	○	○
7.	Rendement van de venture	○	○	○	○	○
8.	De trends in de markt	○	○	○	○	○
9.	Innovatie van het product	○	○	○	○	○
10.	Culturele evenredigheden met eigen firma	○	○	○	○	○
11.	Overige redenen	○	○	○	○	○

13. Hoe zouden venture builders zichzelf kunnen verbeteren om een beter product voor PE of VC te ceëren?

[ ]

14. Is er een gestandaardiseerde manier waarop jullie naar investment targets zoeken?

- Nee
- Ja, namelijk:

15. Gebruik je social media kanalen op enige manier voor deal sourcing?

- Ja
- Nee

16. Welke andere media gebruik je voor deal sourcing?

- Financieel dagblad
- Bloomberg
- The economist
- Nu.nl
- Rtl Nieuws
- NOS
- Medium
- Anders, namelijk:

18. Hoe heb je targets van het afgelopen jaar (2021) gevonden? Meerdere antwoorden zijn mogelijk

- Target heeft jullie gevonden
- Jullie vonden het target via eigen netwerk
- Via een zakenbankier/corporate finance adviseur
- Eigen deal sourcing
- Roadshows/conferenties
- Anders, namelijk:

20. Wisten de targets van tevoren hoe jullie opereren, wat jullie structuur of investeringsvoorkeuren waren?

- Ja
- Nee

21. Hoeveel aanbiedingen heb je gehad in het afgelopen jaar van kapitaalzoekenden?

22. Hoeveel van de investeringen die jullie dit jaar hebben gedaan, hebben jullie zelf de targets van gevonden? (schatting)

23. Wat zijn voor jullie de belangrijkste criteria om in gesprek te treden met een kapitaalzoekende partij?

- Het product/de service
- Het management team
- De groeiplannen
- De trends op de markt
- Anders, namelijk:

24. Wat is volgens jou het verschil tussen een Business Angel en een Venture Builder?

Appendix C: Contact list venture builder interviews

Venture builders	Name interviewee	Date interview	Time interview	Location	Notes
Entweder	Sven & Knoed Brookhuis	17/11/2021	14:00	Almelo	
Holland Startup	Robbert Jan Hanse	26/11/2021	11:30	Online	
Venturerock Builders	Marc Wesselink	25/11/2021	10:00	Online	
	Michael van Lier	10/12/2021	11:00	Online	
Slimmer AI	Giuseppe Lacerenza	16/12/2021	10:00	Online	
Fresh Ventures					Sent LinkedIn message on 26 November and email on 6 December - no response
A-Players					Sent message on 6 December on LinkedIn and Website
Popcornvc					Sent an email on 16 November and a reminder on 6 December and a LinkedIn message as well - no response
Million Monkeys					Sent LinkedIn message and email on 15 November and another email on November 30 - no response
Venturerepublic					Sent an email on 16 November and a reminder on 6 December and LinkedIn message- no response
Befound Media					Sent an email on 6 December - no response
IE14					Sent in a request, no answer - no response
Kaas					Sent an email to their investor mail address and a message on LinkedIn, - no response
OPP					Sent an email to their info mail address - no response
Venture builders					Sent an email on 16 November, sent message on LinkedIn on 6 December
Aimforthemoon					Did not want to participate because they have no exit structure because they are a corporate venture builder

The Main Ingredient	Declined because they did not have any exits yet
TES	Does not have interest in the research
NLC	Declined because they did not have any exits yet
Duodeka	Does not have time to participate
Nescio	Declined because they did not have time

Appendix D: Descriptive statistics

Table 84: Private equity and Venture Capital frequencies

Private Equity or Venture Capital

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Venture Capital	27	48.2	48.2	48.2
	Private Equity	27	48.2	48.2	96.4
	Other	2	3.6	3.6	100.0
	Total	56	100.0	100.0	

Table 95: Investment tickets of the respondents

Investment ticket

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-5 Million	18	32.1	35.3	35.3
	6-10 Million	12	21.4	23.5	58.8
	11-25 Million	7	12.5	13.7	72.5
	26-50 Million	10	17.9	19.6	92.2
	51+ Million	4	7.1	7.8	100.0
	Total	51	91.1	100.0	
Missing	System	5	8.9		
Total		56	100.0		

Table 10: Position within the firm

Position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Associate	5	8.9	8.9	8.9
	CFO	2	3.6	3.6	12.5
	Investment Analyst	7	12.5	12.5	25.0
	Investment Director	6	10.7	10.7	35.7
	Investment Manager	9	16.1	16.1	51.8
	Managing Director	3	5.4	5.4	57.1
	Managing Partner	7	12.5	12.5	69.6
	Partner	17	30.4	30.4	100.0
	Total	56	100.0	100.0	

Table 11: Amount of experience of respondents

Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-5 years	22	39.3	39.3	39.3
	6-10 years	13	23.2	23.2	62.5
	11-15 years	13	23.2	23.2	85.7
	16-20 years	4	7.1	7.1	92.9
	21+ years	4	7.1	7.1	100.0
	Total	56	100.0	100.0	

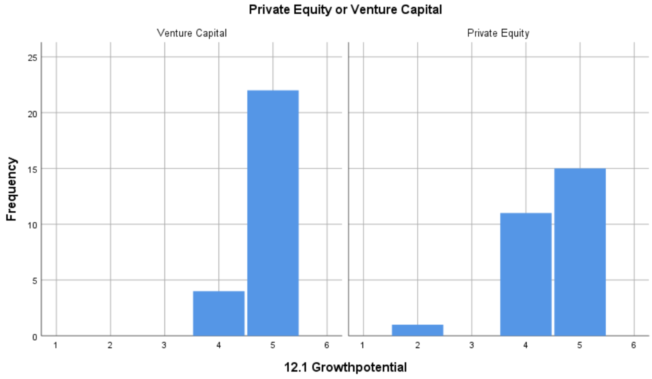
Table 12: Amount of offers the respondents received

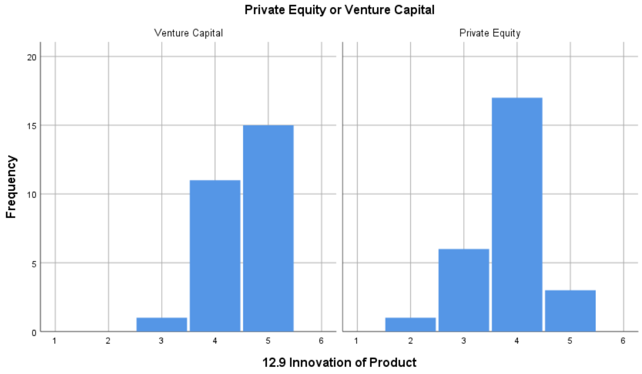
Statistics

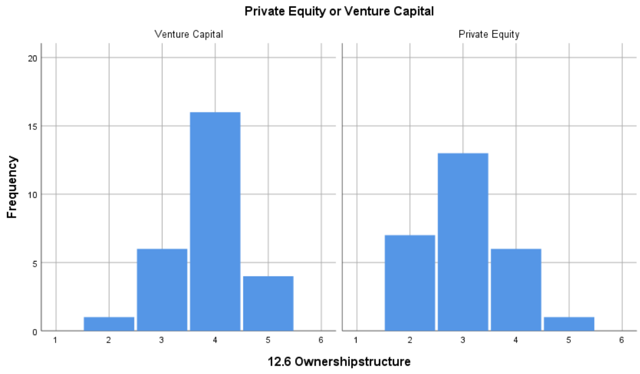
Amount of offers

N	Valid	50
	Missing	6
Mean		420.66
Median		225.00
Minimum		0
Maximum		5000

Appendix E: Kruskal-Wallis test







Tests of Normality

	Private Equity or Venture Capital	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
12.6 Ownership structure	Venture Capital	.334	26	.000	.812	26	.000
	Private Equity	.259	27	.000	.853	27	.001
12.1 Growth potential	Venture Capital	.508	26	.000	.436	26	.000
	Private Equity	.326	27	.000	.669	27	.000
12.9 Innovation of Product	Venture Capital	.343	26	.000	.715	26	.000
	Private Equity	.348	27	.000	.800	27	.000

a. Lilliefors Significance Correction

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of 12.1 Growth potential is the same across categories of Private Equity or Venture Capital.	Independent-Samples Kruskal-Wallis Test	.020	Reject the null hypothesis.
2	The distribution of 12.6 Ownership structure is the same across categories of Private Equity or Venture Capital.	Independent-Samples Kruskal-Wallis Test	.000	Reject the null hypothesis.
3	The distribution of 12.9 Innovation of Product is the same across categories of Private Equity or Venture Capital.	Independent-Samples Kruskal-Wallis Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .050.

Appendix F: Deal sourcing visualisations

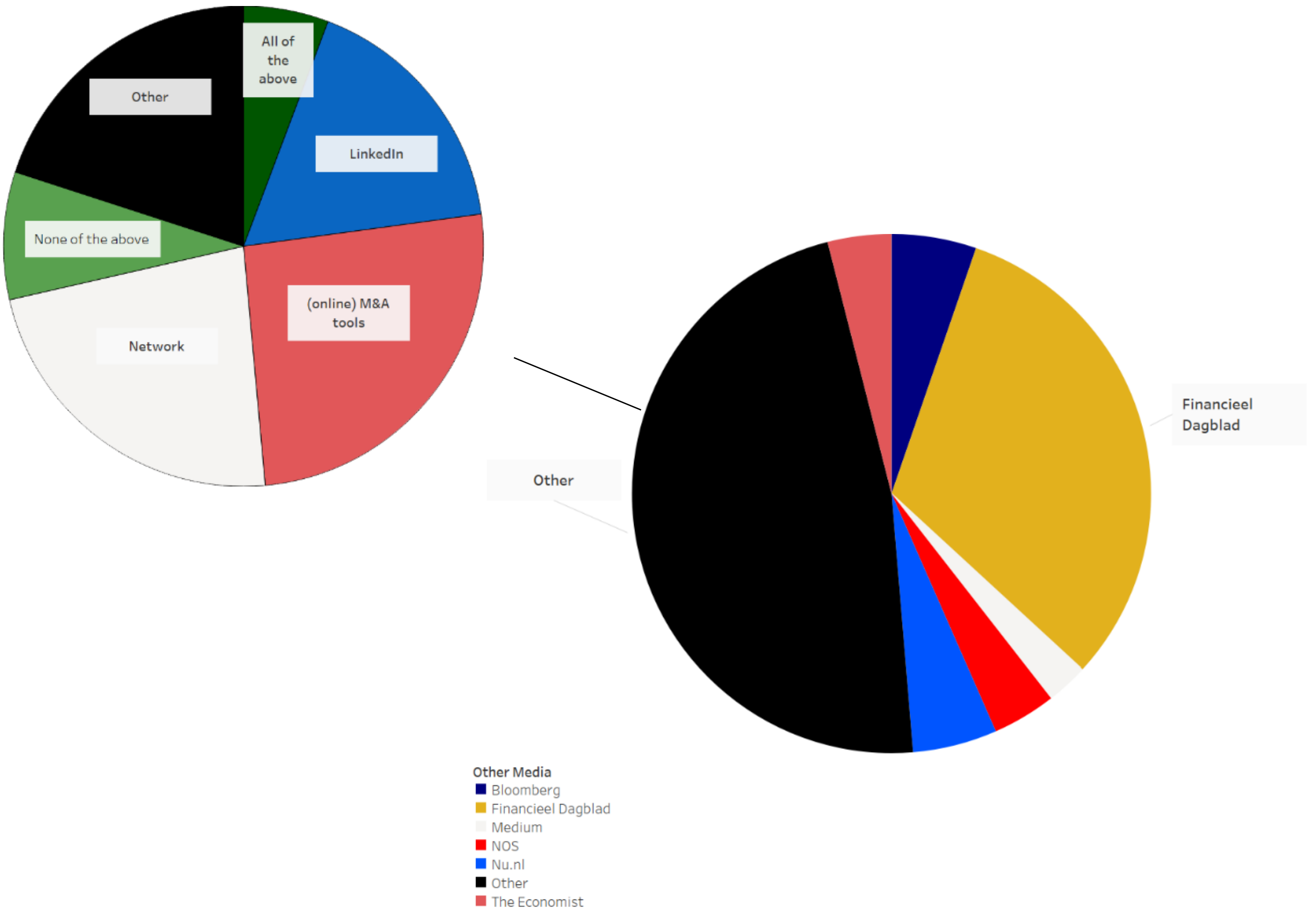
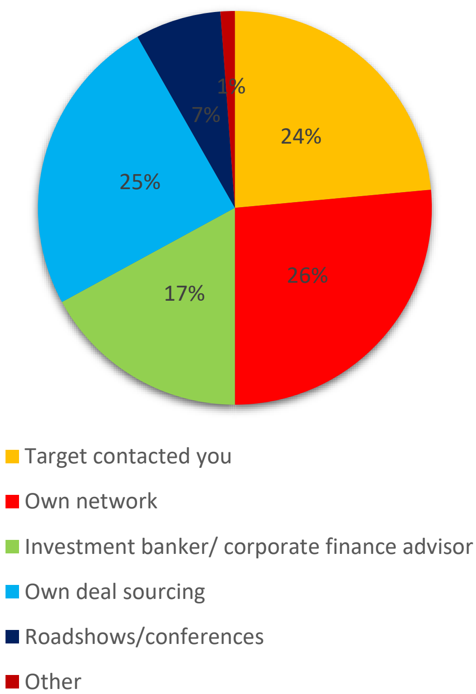


Figure 12: What other media do you use?



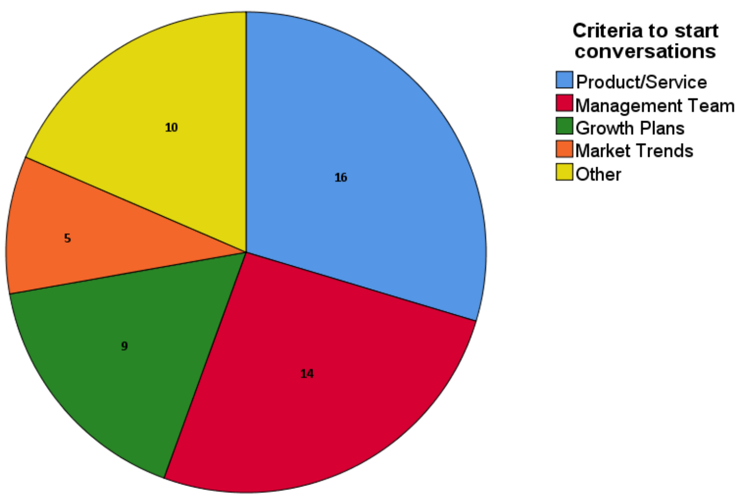


Figure 14: Criteria to start investment conversations

Figure 13: How did you find last year's targets?