DESIGNING A FUNDING PLATFORM FOR STARTUP AND INVESTOR EVOLVING NEEDS IN THE ENTREPRENEURIAL ECOSYSTEM

THE ORANGE MILL – A CASE STUDY

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WORD COUNT (ONLY INCLUDING THE MAIN CHAPTERS): 22.721

FACULTY MANAGEMENT AND SOCIAL SCIENCES
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25-3-2024

MASTER THESIS

UNIVERSITY OF TWENTE.

ACKNOWLEDGMENTS

Completing this thesis has been a significant chapter in my academic journey, and it wouldn't have been possible without the support and encouragement from many individuals. Working on this thesis has been tough at times, but also really fulfilling in the end.

Firstly, I’d like to express my sincere gratitude to Igors Skute and Maximilian Goethner for their invaluable guidance and supervision. Their expertise and insightful feedback played a crucial role in shaping my research. Their support has been greatly appreciated throughout this process.

I also want to extend my thanks to the entire team at The Orange Mill. Your willingness to support and collaborate with me was instrumental in making my thesis a reality. The opportunity to work alongside such a dedicated group has been both enriching and inspiring.

A special thank you to my girlfriend and family for their endless encouragement. Your support has been a constant source of strength for me and has helped me to face the challenges of writing this thesis with confidence and perseverance.

My appreciation also goes out to all the participants of the interviews. Your contributions were essential to my research, providing valuable insights that enriched my work. Your willingness to share your experiences has been truly appreciated.

Finally, I want to thank any other person that has been a part of this journey and supported me in the process. I experienced a lot of willingness to help, which makes me feel good.

ABSTRACT

Startups are pivotal in fostering innovation and propelling economic growth, yet they face the significant challenge of securing the necessary capital to bring their visionary ideas to reality. Investors as suppliers of capital are vital contributors to startups, also offering non-monetary incentives. Alternative finance platforms arise as proper solutions to connect entrepreneurs with investors, supporting the startup's growth and getting an effective match. However, there is a need for additional research to better understand the design and establishment of these platforms. Furthermore, the literature lacks comprehensive studies on the needs and determinants of the entrepreneur-investor relationship. This study aims to address this gap by presenting a practical platform-based solution to enhancing this relationship. To address the research question, this study adopts a qualitative exploratory approach, employing semi-structured interviews and direct observations. Results show that early-stage startups seek financial resources, social capital, and strategic mentorship from investors, while human capital becomes paramount towards the growth phase. Investors require various criteria from startups for strategic decision-making, in which the founder's criteria are found to be the most important, evolving from focus and coachability to market opportunities and communication. Inexperienced and experienced investors differ in their roles as generalists and specialists, respectively. Trust, benevolence, involvement, and the deal-making process are the critical factors in shaping the relationship. Funding platforms emerge to be proper solutions, facilitating network sharing, offering quick resource exchanges, and effective matchmaking due to new technologies. The study recommends establishing an information platform to educate users on attracting and investing financing, as well as to facilitate communication exchange. In doing so, the platform educates startups and novice investors, creating a network that could start investing directly using the platform, and addressing the market gap of startups financing. Furthermore, the platform should take an intermediary role of specialists in investing in startups, backed by novice investors as generalists. The platform maximizes the startup's chances of success and growth, thereby also increasing investors' potential for a return on their investment. Additionally, the research found that facilitating direct investments and setting up a fund under AFM-light regulations are currently the best possibilities. Innovating to this business model requires ambidexterity and the realigning of identity in sensing, seizing, and transforming this opportunity. The observation concludes that the current challenges of the case firm consist of too little experience, high in and outflow of employees, a busy founder, and missing investment knowledge and networks. This research contributes to theory and practice by providing a comprehensive overview and solution to enhance the alignment and relationship between early-stage startups and investors. This research potentially fosters the chance of successful innovation and investment. Lastly, limitations and future research opportunities are described.

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1. INTRODUCTION

Startups and new ventures in the current economic system are the cornerstones for innovative, economic, and technological advancement. These entities are not only sources of groundbreaking ideas but also vital contributors to job creation and economic dynamism (Janaji et al., 2021; Tripathi et al., 2019). However, the path to success for startups is faced with significant challenges. High risk, uncertainty, and a notable failure rate are intrinsic to their journey. In this risky environment, the role of adequate financial capital becomes essential (Colombo, 2021; Pigola et al., 2022). It is this capital that enables the transformation of innovative ideas into successful, market-ready companies by facilitating essential processes such as product development, market testing, team expansion, and scaling operations (Bauer et al., 2023; Cavallo et al., 2019; Colombo, 2021).

Securing this financial capital is challenging for startups, particularly in their early stages. These startups often lack the experience and networks to navigate the complicated investment landscape successfully (Gantenbein & Engelhardt, 2012). The obstacles consist of issues such as limited cashflow, ongoing uncertainties, and agency conflicts, but also a lack of awareness about the various opportunities (Bauer et al., 2023; Xu et al., 2020). Not just the process of getting funding is challenging. Aligning the resources and needs of startups and investors is also complex and often marked by mismatches. These mismatches could lead to significant consequences for both parties, including stagnation, loss of market opportunities, financial setbacks, and even bankruptcy (Bauer et al., 2023; Piaskowska et al., 2021; Xu et al., 2020).

In this landscape, investors are more than just sources of funding: they are integral players who provide not just capital but also valuable market insights, mentorship, and networks. These contributions are crucial to drive startups towards sustainable growth and success (Kaiser & Berger, 2021). Investors face high risks in startups, but in return high potential. Traditional banks invest less and less in startups, trying to mitigate the risks. Therefore, alternative (non-banking) finance increased in the last years. These methods, such as investment funds, leasing, factoring, and crowdfunding, provided startups with more options to get funding (Löher, 2017).

Due to digitalization in the last few years, this alternative finance has become more accessible (Wei et al., 2023). Platforms led to a paradigm shift in how startups access and investors provide capital. In doing this, platforms broadened and democratized the range of available funding options, providing startups with faster market access and a wider pool of investors, overcoming geographic and informational barriers (Bauer et al., 2023; Colombo, 2021; Schueffel, 2021). For investors, these platforms could help to evaluate startups more efficiently, can be a solution for a more diversified portfolio by automatically giving information, and give more investment opportunities (Aggarwal et al., 2021; Colombo, 2021; Fanea-Ivanovici, 2018), which is needed (Grilo et al., 2017). Therefore, these alternative finance platforms are not just facilitators but also accelerators of startup growth and investment opportunities. However, while funding platforms seem an appropriate solution, research on design components and the development of funding platforms remains scarce.

While the importance of startups and the investments that drive them are widely acknowledged, literature often focuses on one of the two streams. For example, literature on startups found that startups have five different needs from funding suppliers: surviving, coaching, scouting, autonomy, and cost-acceptance (Bauer et al., 2023). Berre & Le Pendeven (2023) introduced several components on which investors need to have a positive score to decide to invest. Some scholars studied the startup-investor relationship and found that trust is a pivotal element, just as the need for alignment on background, visions, and values (Kaiser & Berger, 2021; Svetek, 2022). Yet, comprehensive research encompassing a detailed description of the needs of both parties and all influencing factors on the relationship is still needed (Bauer et al., 2023; Giudici et al., 2020; Wang & Schøtt, 2022). For example, while startups need coaching, it is unknown on which part. Additionally, further exploration of these needs across different lifecycles and in the context of global trends such as sustainability and digitalization is needed (Bauer et al., 2023). By further adding the needs from an investor's perspective, including co-investors, this research will address this gap in the context of early-stage startups. This holds the potential to increase the success rates for startups, create more profitable startup investments, and, thus, accelerate innovation in various markets.

This research contributes to theory and practice by providing a comprehensive overview to enhance the alignment and relationship between early-stage startups and investors in the Netherlands. By investigating the various needs and preferences of early-stage startups and investors at each stage, the foundation will be laid for ideal matchmaking. Furthermore, by combining this into the design of a funding platform, this research will provide a solution to foster this relationship. By also exploring dynamic capabilities, leadership, and innovation, the study will also investigate what is necessary to establish such platforms and change to these business models. The practical implications could be transformative, reshaping strategies and enhancing the efficiency of the funding process. The following research question is formulated to address the research gap:

How can a platform be designed to align the evolving needs of startups and (co-)investors while incorporating dynamic and leadership capabilities?

To fully answer the main research question, it is divided into multiple sub-questions:

1. What are the monetary and non-monetary benefits early-stage startups seek from investors, and how do they evolve?
2. What are the monetary and non-monetary benefits investors seek from early-stage startups and co-investors, and how do they evolve?
3. How can mutual understanding and effective collaboration between early-stage startups and investors be ensured while balancing the benefits provided to each party?
4. How can a platform be designed to facilitate and enhance the relationship between early-stage startups and investors?
5. What leadership capabilities, innovation strategies, and dynamic capabilities are essential for an organization to develop and manage a platform that facilitates this relationship between early-stage startups and investors?

The following chapter in this paper, a literature review, will give deep insights into the background of startups, investors, their relationships, platforms, and dynamic capabilities. The following method will discuss the setup of the study. Then, the findings will be presented, followed by a discussion that delves into both the academic and practical implications. This section will also give recommendations, outline the limitations of the study, and suggest potential avenues for future research.

2. LITERATURE REVIEW

This theory section explores the entrepreneurial ecosystem, emphasizing startup companies, investors, the relationship between them, and the platforms that can facilitate the relationship. It explores the challenges and opportunities in today's VUCA environment while highlighting the importance of innovation, leadership, and dynamic capabilities in establishing such platforms.

2.1 STARTUPS

Startups are vital for innovation, job creation, and economic growth. Funding, forming diverse technical teams, ensuring consistent early operations, and acquiring resources are critical for their success. Furthermore, networking, dynamic capabilities, technological advancements, and a product-market fit are vital (Pigola et al., 2022).

A startup is a recently founded company (novelty) with the mission to find a scalable and profitable business model, aiming to introduce an innovative product or service to the market. Characterized by having no or few assets (small) and operating independently from established companies (independence), startups face initial investments that cannot yet be compensated by cash inflows, leading to large negative cash flows (negative financial results). Moreover, the unknown technological, financial, and general development of a startup leads to a high level of uncertainty (uncertainty) (Bauer et al., 2023; Janaji et al., 2021; Tripathi et al., 2019). This is also the part where startups differ from starting ventures: starting ventures do not have to be scalable or have an innovative business model, but often operate in proven markets, and have the resources and power. (Botello Velasto & González-Bueno, 2019). Startups typically have organic structures with high centralization, leading to agile, flexible and intuitive decision-making (Botello Velasto & González-Bueno, 2019; Nurcahyo et al., 2018). The organizational setup is simple, with the owner functioning as the key decision-maker. Startups often compete in competitive landscapes and therefore need beneficial alliances, management adaptability, and a balance between short-term risks and long-term gains (Baum & Silverman, 2004).

Startups' needs

In the initial stage, startups face high initial costs with low or no revenue. Therefore, there is a significant need for external capital. Moreover, startups do not only seek capital from investors but also benefit from non-monetary components. Bauer et al. (2023) found that the overall needs that startups seek from investors can be divided into five main components: surviving, scouting, coaching, autonomy, and cost-acceptance. However, they do not describe every component in detail. Moreover, it is unknown if one overshadows the others. These five needs will be used to structure the following sections and will be analysed and described in the current context.

Bauer et al. (2023) describe that the initial need of every startup is survival. For early-stage startups, this need for survival means that the company must overcome their early stages. These early stages face multiple challenges, such as the liability of newness, the liability of smallness, and the valley of death. When surviving these early stages, startups achieve a level of stability which is necessary for long-term growth and development. Factors influencing surviving this early stages differ on individual (founder's traits, personality, background, networks), organizational (characteristics of the startup itself, e.g., legal form, team size, financial resources, industry, and product), and environmental level (market perception, demand, competitiveness) (Antretter et al., 2018). Investors should identify entrepreneur-specific needs on these points. For example, it is found that customer orientation has positive effects on startup performance, and intensive marketing mix planning increases the likelihood of survival. Thus, investors should help entrepreneurs on these points to increase their chances of success and face the challenges. However, VCs decrease their startup valuation when they read too much about customer orientation and operative marketing mix planning (Woehler & Ernst, 2023). Therefore, a third-party ecosystem builder could intermediate in getting the right balance. Digital platforms can arise as intermediaries in such issues by getting this balance. Furthermore, an appropriate funding strategy has a significant impact on the early-stage challenges giving startups traction potential and other opportunities. This strategy consists of the funding type, repayment terms, and interest rates. Startups must secure the right amount of money, at the right time, and from suitable sources. In this way, startups can test, improve, and align with market demands, resulting in a better position compared to competitors (Keogh & Johnson, 2021; Lee & Zhang, 2011). Digital finance platforms can provide this right funding strategy since it has the potential to connect all funding options such as VCs, business angels, government grants, and all other opportunities. Furthermore, it can support finding the right amount of needed funding and finding the right moment.

Since early-stage startups have limited partner networks, which is vital (Pigola et al., 2022), scouting is another essential need (Bauer et al., 2023; Baum & Silverman, 2004). Scouting involves investors using their expertise to identify promising new ventures, focusing on startups with hidden value and potential, supporting their growth, and decreasing their financial challenges (Bauer et al., 2023; Xue et al., 2019). As a result, the future success of a startup is often positively linked to the investor’s ability to spot those startups with high potential (Baum & Silverman, 2004). Especially in the early stages, this scouting ability of investors is challenging but very valuable. Tools like online contacts, desk research, external scouting partners, and startup pitch events are particularly effective in these search strategies (Heinz et al., 2017; Simon et al., 2021). This means that startups need to be present on online and offline channels (Xue et al., 2019). The digitalization has led to more and more online scouting. Furthermore, startups need support to identify potential markets that align with their products and to possess insights into the competition. The investor's network also makes it easier to form partnerships, attract talented individuals, and for potential funding in later stages (Bauer et al., 2023; Colombo & Grilli, 2010; Gantenbein & Engelhardt, 2012). Digital platforms can bundle such networks and search very quickly for specific network entrances, facilitating the need for scouting efficiently.

Early-stage startups require coaching to prevent missteps in crucial business choices because of their limited experience (Bauer et al., 2023; Hellmann, 2000). This coaching often includes the development of technical and business skills tailored to the specific needs of their venture (Nicholls-Nixon & Maxheimer, 2022). The startup's improved performance after investment can be largely attributed to this investor's advisory role (Baum & Silverman, 2004; Colombo & Grilli, 2010; Hellmann, 2000). This role involves offering both practical advice and essential social support for the entrepreneur's growth (Nicholls-Nixon & Maxheimer, 2022). Additionally, startups gain from the helpful advice that guides their growth and learning (Hellmann, 2000; Nicholls-Nixon & Maxheimer, 2022). Startups need the most support in finance, accounting, human resource management, marketing, and strategy formulation (Colombo & Grilli, 2010). Digitalization made coaching and advising to a large amount of people more accessible since it can offer information instantly and worldwide. The rise of tools such as e-learnings makes platforms very scalable because learnings can be built once and can be sold very often.

The need for funding for startups goes hand in hand with autonomy needs. The need for independence is essential for starting entrepreneurs and often a motivation to start their venture (Albert & Couture, 2013). Autonomy trade-offs refer to a startup’s willingness to give up a degree of autonomy to secure funding. This relationship between autonomy and financing includes costs of capital, such as interest rates, profit-sharing, and other variables such as ownership rights (Bauer et al., 2023). Entrepreneurs start with a clear desire for control, setting objectives, and being responsible for the outcomes (Mustapha & Tlaty, 2018). However, complex trade-offs must be made when the startup grows, involving holding onto control or being open to valuable guidance from investors (Brown et al., 2018; Hellmann, 2000). This change in ownership can lead to conflicts because founders want total control. Therefore, all steps entrepreneurs take, involve choosing between making money and managing the venture (see Figure 1). "Rich" options result in highly valuable companies but need big autonomy trade-offs. "King" choices enable founders to retain control but result in a less valuable company. One is not better than the other, but it is important to make decisions that fit with the initial reason for starting the company (Wasserman, 2008). Entrepreneurs manage this balance by seeking advice on specific problems to maintain control over decision-making. They also strategically choose when to involve investors, making sure that any loss of control is an intentional choice rather than a forced choice (Seidel et al., 2016). Digital platforms can automatically support entrepreneurs in this by identifying what fits best to an entrepreneur. Furthermore, it can act as an intermediary by providing the necessary information to make the trade-off.

Figure 1: Entrepreneurs' Autonomy Trade-Offs (Wasserman, 2008)

The final need of startups is the need and willingness to accept the costs of their choices and adjust to the current situation throughout their life cycle (Bauer et al., 2023). Entrepreneurs view cost-acceptance as a value driver to create or capture value, emphasizing the return on costs. Costs directly affect innovation, and therefore, entrepreneurs need cost-acceptance (Chammassian & Sabatier, 2020). Moreover, startups need to spend time in the relationship, which also relates to cost-acceptance. In this case, the cost is the time spent (Klabunde, 2016). Funding platforms can facilitate this invested time more efficiently since getting funding via a platform is quicker than via traditional ways (Obiora & Csordás, 2017).

Startups' needs in a lifecycle

In the literature, multiple lifecycles are appropriately identified for startups. Jawahar and McLaughlin (2001), for example, found that the organizational life cycle consists of four main stages: startup, emerging growth, maturity, and revival, while Bauer et al. (2023) use a life cycle of the early-, mid-, and late-stage. Passaro et al. (2016) defined an early-stage startup lifecycle, based on literature review and experts, into the following phases: (1) ideation (idea generation), (2) intention (pre-startup activities, validation), (3) startup (venture creation), and (4) expansion (scalability).

As startups transition through their lifecycle stages, their strategies, structures, and stakeholder priorities evolve. In the early stages, startups value scouting and mentoring over autonomy and cost-acceptance (Bauer et al., 2023). As they evolve, this shifts towards more autonomy needs and managing costs. In the later stages, achieving autonomy and cost-efficiency becomes essential. (Bauer et al., 2023; Gelderen, 2016). The overarching and constant goal of startups throughout the journey is survival. While this provides beneficial insights into the evolving needs of startups, more research using other life cycles is needed, particularly in early-stage startups (Bauer et al., 2023). Startups face significant transition challenges through the life cycle stages, which are essential for survival. These challenges arise in having a clear strategy, adjusting product positioning as needed, optimizing processes, building a skilled team, making suitable decisions for each stage, using resources efficiently, fostering a supportive culture, and managing risks (Picken, 2017).

The role of alternative finance platforms

Startups prefer investors that do not just deliver financial capital. This, in combination with the fact that traditional banks invest less and less in risky startups, led to the rise of alternative finance products. Examples are crowdfunding, P2P lending, third-party payment systems, mini-bonds, and other micro-funding. These new innovative platforms are decentralized and offer fast, affordable, and effective funding to early-stage startups (Rubanov & Marcantonio, 2017; Zhang et al., 2015; Łasak, 2022). Whereas getting a bank loan takes approximately 25 hours, via a platform this can be done in around 30 to 60 minutes (Obiora & Csordás, 2017). These platforms are an easily accessible tool to get finance, can mediate in issues such as autonomy, and provide networks (Culkin et al., 2016). Furthermore, this platform could foresee the need for more financial knowledge, strategic vision, resources, possible funding options, and getting that funding (Boschmans & Pissareva, 2018).

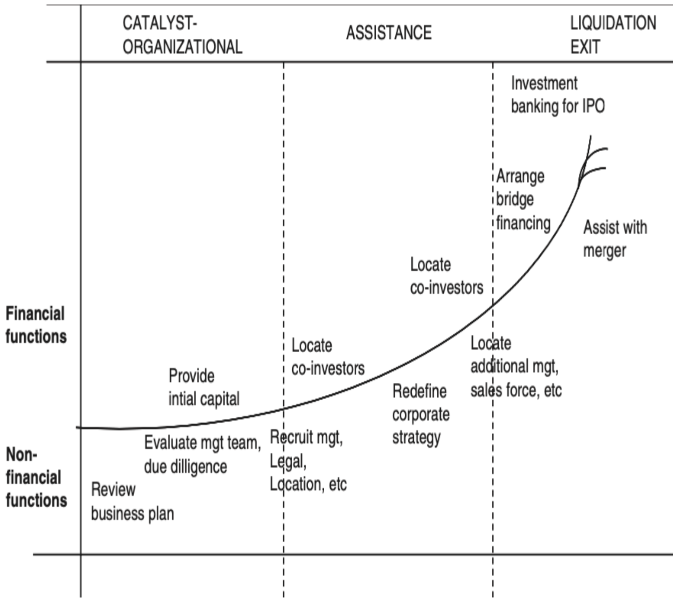
2.2 INVESTORS

The entrepreneurial finance landscape offers diverse investment opportunities to startups. The investment possibilities are largely divided into equity and debt avenues. Equity investors provide capital and non-monetary benefits, which is particularly beneficial for early-stage startups (Bauer et al., 2023). VCs play an important role in this landscape and accept the associated risks by investing in high-growth potential firms (Suwarni et al., 2020). Angel investors, family offices, and accelerator and incubator programs further enrich the equity investment opportunities. Debt providers, e.g., banks and venture debt lenders, mainly focus on monetary services in the investment process. They allow startups a higher degree of autonomy than equity investors, albeit with decreasing degrees of scouting and coaching (Bauer et al., 2023).

The emergence of alternative financing mechanisms added a new dimension to startup financing (Colombo, 2021). Via these platforms, startups can use a pool of smaller investors instead of working with a few major investors. Furthermore, innovations like Initial Coin Offerings (ICOs) have opportunities and challenges, particularly concerning autonomy and uncertainties (Bauer et al., 2023). While they offer a more democratized form of funding, they also present regulatory, fraud, and market volatility challenges.

Furthermore, Hellmann (2002) differentiates purely financial and strategic venture investors. The former traditional VCs base their investment decisions mostly on potential financial returns without further intentions. On the contrary, strategic investors seek financial returns and strategic alignments that complement their core business operations. Both financial and non-financial contributions of investors are shown in Figure 2.

Figure 2: VCs' contribution to developing new ventures (Kaulio, 2003).



Investor's needs

To be able to get financial returns and to provide contributions to startups, investors consider and seek multiple elements from startups. First, investors need monetary incentives in return for the investment. This could either be equity or loans that the company will repay with interest (Bauer et al., 2023). The expected return on investment (ROI) is a critical factor in the decision-making process. Little research takes an investor's perspective in investigating the essential needs investors seek from startups. Most research focuses on the criteria and investment evaluations of startups. However, these valuation drivers could also be described as needs since investors need these specific valuation elements to decide to invest. Therefore, the needs of investors are divided into five main macro-themes: entrepreneur characteristics, firm characteristics, market conditions, investor characteristics, and deal conditions (Berre & Le Pendeven, 2023).

First, investors seek a founder team that is likely to be able to make a success of the firm. In this, multiple components are needed and influential in deciding to invest. Investors value a blend of managerial and industry-specific startup experience, which often correlates with successful funding negotiations and higher valuations (Berre & Le Pendeven, 2023; Blank & Carmeli, 2021; Sathaworawong et al., 2018). Teams need to have gender diversity and should be mixed (Vogel et al., 2014). Furthermore, the educational background of team members, especially specialized degrees like PhDs or MBAs, is particularly crucial in specific industries (Blank & Carmeli, 2021). Investors are more likely to get involved when there is a composed team with the right capabilities. This shows why it's important for a team to be skilled and able to execute out plans well (Bernstein et al., 2017). Furthermore, investors need founders who are open to feedback and adapt it, termed coachability, which are vital traits that positively correlate with a venture's progress and innovation (Kuratko et al., 2021).

Second, firm characteristics are also crucial needs of investors to evaluate startups positively. For example, intellectual property and intangible assets that show innovative capacity and knowledge generation are positive characteristics. Additionally, they need financial metrics such as sales, EBIT, and EBITDA, which reflect the firm's economic health and growth potential (Berre & Le Pendeven, 2023). The age, size, and past financial performance of the startup are also crucial indicators (Eddleston et al., 2016). The developmental stage of the startup is particularly important, with early stages often linked to higher growth potential (Berre & Le Pendeven, 2023). Kaplan et al. (2009) note that, while a business's main ideas and assets stay mostly the same, how the team grows and changes over time shows how important other assets become throughout the company's life. This means that investors need to look beyond just the short-term profits. They should also consider the startup's overall strategy and how well it fits into the market.

Furthermore, investors evaluating startups consider a range of market conditions. Sectoral economic situations and industry-specific risks, particularly in high-growth industries, play a critical role in startup valuation (Berre & Le Pendeven, 2023). Macroeconomic factors like output levels, financial market returns, and the quantity of cash in the market, also influence investment decisions and success rates. During times of high stock market valuations, there is an increase in firms seeking funding. However, the success rate for these investments varies over time and depends on factors like whether a firm has prior VC backing (firm characteristics). Interestingly, the overall rate of securing VC funds has decreased over time, especially for firms without previous VC investments (Bengtsson et al., 2005). Moreover, the overall market conditions, including capital market competition and transparency, affect the valuations of startups (Inderst & Müller, 2004). Investments in specific industries, such as hotels, can affect the stock value of existing companies in that whole industry. This indicates that the financial market pays attention to startup investments as they can impact the broader industry (Bianco et al., 2022). Accurate option analysis values flexible decisions in changing markets. It suggests seeing startup investments as dynamic choices and not as a one-time decision, allowing for strategy adjustments as situations evolve (Bendall & Stent, 2003).

Fourth, investor characteristics significantly impact the needs, requirements, and valuation of startups. Investors' nature, cash under management, nationality, geography, reputation, history, experience, investment strategy, and sector specialization are examples of key determinants in this process (Berre & Le Pendeven, 2023; Zeng, 2023). Effective cooperation, transparent communication, and specific information sharing are essential for investors (Grilo et al., 2017; Koenig & Tennert, 2022). This information must be both reflective on the past and predictive on the future, serving as a foundation for value creation and future positioning (Kollmann & Kuckertz, 2006). Information requirements vary among different investor characteristics. For instance, bankers prioritize financial security. They compare profits with common standards in the industry and place importance on the safety of investments in tangible assets. VCs balance their attention between market potential and financial viability while also considering entrepreneurial capabilities. Business angels, on the other hand, value the personal attributes of the entrepreneur and the 'fit' of the business within their investment portfolio, which is often driven by their backgrounds and interests (Mason & Stark, 2004). Furthermore, psychological aspects of investors, such as perceptions of the entrepreneurs’ passion, also influence funding decisions. Individual investor characteristics like age, way of thinking (cognitive style), and openness play a moderating role in these perceptions (Mitteness et al., 2012). Preferences are influenced by factors like risk appetite, experience, and involvement with the venture (Freear & Sohl, 2001; Freear et al., 1994; Smit, 2018).

Lastly, investors need beneficial deal conditions, which include multiple components. First, investors often prefer to invest together with others, which helps them reduce risks and overcome challenges related to incomplete or asymmetric information. Additionally, having more sources of capital and opportunities for business growth positively investor's valuation (Berre & Le Pendeven, 2023). Shareholder Agreement Clauses serve as flexible opportunities and are also needed in the dynamic interplay between entrepreneurs' and investors' efforts (Douglas et al., 2014). Furthermore, the timing of deals plays a critical role and is influenced by fluctuations in the availability of funds and cash flow (Ewens et al., 2022). Additionally, preferential shares are important to investors because they offer strong rights to cashflows (Berre & Le Pendeven, 2023). In successful deal negotiations, the primary focus should be on business factors, such as the potential for market growth and the strengths of business plans, rather than on the specifics of the product itself (Rea, 1989). Finally, exit expectations and strategies are essential needs of investors who prefer acquisition exits (Berre & Le Pendeven, 2023; Cumming & MacIntosh, 2003).

Co-investors

Investors often do not invest on their own but cooperate with co-investors. Co-investors are often those nearby, share the same values and cultures, are in familiar fields, are common investors, or are the same type of investor (Wang et al., 2016). Investors seek multiple things from co-investors, such as capital, risk sharing, expertise, and knowledge. However, some additional contributions can be crucial for the venture. Investors often value co-investors who can provide proprietary information such as research, market insights, or other data. Clear and ongoing communication is vital in any investment partnership (Khavul & Deeds, 2016).

Investor’s needs in a lifecycle

The needs of investors differ over the startup’s lifecycle. Initially, investors are primarily concerned with the foundational elements of a startup and the founders. They seek a compelling business proposition, a strong team, and a clear market need to identify investment opportunities (Berre & Le Pendeven, 2023). Investors provide capital in exchange for significant potential returns, understanding the high risk associated with this stage (Suwarni et al., 2020). Investors look for evidence of product-market fit, initial customer traction, and a scalable business model. When a company progresses, the focus shifts to growth potential and the startup's ability to execute its business plan (Bauer et al., 2023). At the final stage, investors are focused on the exit strategy, whether through a public offering, acquisition, or another form of liquidity event. The timing, market conditions, and the maximization of return are crucial considerations (Cumming & MacIntosh, 2003). Further research is needed to identify specific investor's needs at each stage and other stages (Schuh & Hamm, 2022).

The role of alternative finance platforms

Alternative finance platforms facilitate investors to invest in specific projects. These platforms do the pre-selection for investors and present them, giving investors broader and diversified investment opportunities. Investors can decide to invest in whatever they want, lowering the barrier to starting with it. Combining the investors then leads to the needed amount, giving every investor the possibility to be as involved as wanted. Therefore, investors can invest in an opportunity that fits with their beliefs against lower due diligence costs (Cai, 2020; Estrin et al., 2018). Depending on the focus, alternative funding platforms provide different returns on investment. Besides financial gains, investing in funding platforms results in positive feelings, personal growth, and experience (Lukkarinen et al., 2019; Wald et al., 2019). Furthermore, all kinds of important information could be quickly displayed to the investor. For example, beginning investors can find all the information needed to get to know the investment world. Information about projects gives insights into all the needed information about the specific investment opportunity. Additionally, platforms can facilitate information sharing after the investment to keep everyone up to date, which is now a process that goes wrong (Cai, 2020; Estrin et al., 2018). This together leads to a complete accelerated funding and decision process (Auti et al., 2023; Winterberg, 2020). However, alternative funding platforms often present the preferences of entrepreneurs over those of investors, indicating a need for more balance (Gedda et al., 2016).

2.3 FOUNDER-INVESTOR RELATIONSHIP

The relationship between starting entrepreneurs and investors is essential yet often challenging. Therefore, research called for a better understanding of the entrepreneur-investor relationship (Tarillon et al., 2023). The most important components in the relationship are described more in-depth below and are divided into tensions, background, trust, information and cooperation, and deal-making.

Tensions

The 'irrelevance theory' suggests an ideal relationship where capital structure does not influence the relationship. However, the fact that capital structure does matter in the real world points to the breach of one or more of these ideal conditions. Central to this breach are the challenges of information asymmetries and the principal-agent relationship (Minola & Giorgino, 2008; Pinch & Sunley, 2009). Entrepreneurs know more about the venture than the investors, leading to challenges like moral hazard and adverse selection problems. Moral hazard becomes an issue when contracts cannot fully cover future scenarios in the relationship between the entrepreneur (agent) and the investor (principal) (Minola & Giorgino, 2008). On the contrary, investors often have more knowledge and expertise in funding, which can lead to suboptimal deals or exploitation of startups. Entrepreneurs might have to give up some control, causing more tensions (Kaiser & Berger, 2021).

This entrepreneur-investor rivalry, while well-intentioned, evolves. Initially, entrepreneurs and investors should form a well-balanced working relationship. However, this balanced relationship sets the stage for rivalry. Disruptions in this balance often arise on both sides, leading to increased disagreements and actions to influence how the other party performs. In the final phase, tensions arise as both sides struggle to cooperate, leading to intervention from third parties and crucial events that ultimately determine the resolution of the conflict (Waldron et al., 2022). While task conflicts can positively impact outcomes since they foster critical evaluation and creativity, relationship conflicts are associated with negative outcomes in a venture context (Appelhoff et al., 2016). The way decisions are made also impacts the relationship. Entrepreneurs can use "effectual principles," and in particular "affordable loss," to minimize conflicts in venture tasks. "Effectual principles" is a flexible approach using existing resources and adjusting strategies when necessary. "Affordable loss" means that entrepreneurs adopt a risk-mitigating attitude and manage resources wisely, leading to smoother interactions and fewer conflicts (Brettel et al., 2013).

Background

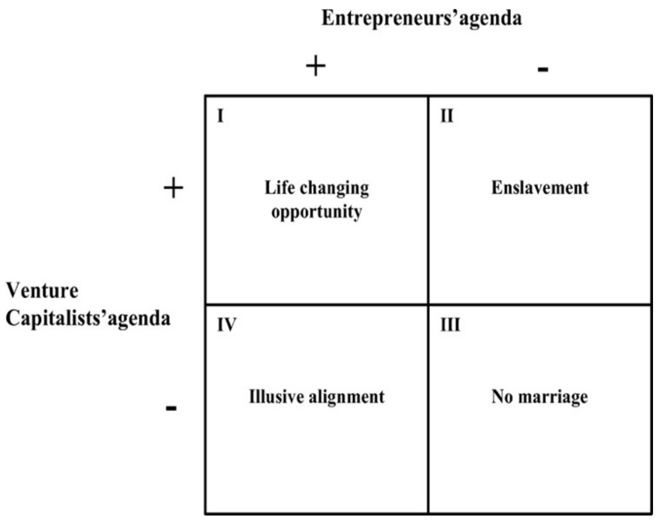
When seeking investment, startups consider financial needs, strategic advice, and ownership decisions. As startups grow, their funding methods change, with a growing focus on borrowing and evolving partnerships that match their growth stage (Bauer et al., 2023). Experienced investors seek alignment with their background, expertise, and more established companies (Ebbers & Wijnberg, 2011; Pasquini et al., 2019). VCs and business angels are better suited to fund innovative firms than traditional institutions like banks, which avoid backing high-risk ventures (Mustapha & Tlaty, 2018). Moreover, Molnár and Jáki (2021) found that VCs value different parts of the startup in different stages of the company, indicating different preferences and behaviours over time. The type of investor and the startup stage are influential factors in the matchmaking between those two. Early-stage startups benefit most from venture capitalists and angel investors because of their contributions as mentors in addition to capital. As startups mature, the range of suitable funding sources broadens. Mid-stage companies can attract family offices, bank loans, and crowdfunding, by showing their proven success. In the later stages, debt instruments like bank loans become more applicable, and an IPO can be a strategic option for fast scaling (Bauer et al., 2023).

Successful partnerships value flexibility, open communication, and risk understanding and are based on shared growth visions, mutual values, and trust (Svetek, 2022; Tarillon et al., 2023). Additionally, understanding the business environment and team dynamics is crucial in the relationship (Maureau & Tarillon, 2023). This alignment affects how well entrepreneurs and investors work together, showing that personal connections and individual characteristics are very important in making decisions (Tarillon et al., 2023). Furthermore, gender influences the relationship. For example, male and female entrepreneurs use different ways to impress investors. This leads to differences in the types of businesses they start and the resources they can obtain (Alsos & Ljunggren, 2017). Ţurcan (2008) outlines four types of goal alignment between entrepreneurs and investors (VCs):

1) Life-Changing Opportunity: Both the entrepreneur and the VC have the same goals, usually aiming for a quick exit strategy favoured by VCs.
2) Illusive Alignment: Entrepreneurs think they have the same goals as VCs, but this alignment might not be real, leading them to unintentionally follow the VC's plans.
3) No Marriage: Entrepreneurs and VCs can't agree on goals or how to achieve them, resulting in no real cooperation.
4) Enslavement: Entrepreneurs feel forced to agree with VCs, often because they really need the money or lack experience.

Figure 3 shows these complexities in the relationship and the potential for misalignment and conflicts, stressing the importance of clear communication and understanding between investors and entrepreneurs.

Figure 3: Investor and Entrepreneur alignment (Ţurcan, 2008)



Trust

Establishing and maintaining the entrepreneur-investor relationship is an important role of both entrepreneurs and investors (Pasquini et al., 2019). Trust, signified as an individual's expectation of another's actions, is key in these relationships given the uncertainties and risks (Kaiser & Berger, 2021). The used contracts between the parties influence this trust. Neoclassical contracting, often preferred by VCs, is characterized by formal and legally binding agreements with specific terms and conditions. Although this form of contracting provides clear guidelines, it can undermine an entrepreneur's confidence if it is too strict or extensive. On the other hand, relational contracting relies more on mutual understanding, shared norms, and informal agreements that evolve, fostering trust and cooperation (Strätling et al., 2012). Therefore, the balance and form of these contracts are key in shaping trust in relationships. Transparent communication, shared values, and mutual commitment further strengthen trust, which is essential for reducing fears and achieving shared gains (Kaiser & Berger, 2021; Pinch & Sunley, 2009). Trust evolves from rational to relational over time. In the entrepreneur-investor situation, it's found that trust is built on three key qualities: the entrepreneur's competence (ability), honesty (integrity), and kindness (benevolence). These qualities positively affect how much investors trust entrepreneurs. Among these, benevolence, which highlights the emotional connection in the relationship, is especially important (Middelhoff et al., 2014). Also, the more often entrepreneurs and investors communicate, the better they understand and trust each other (Kaiser & Berger, 2021).

Information & cooperation

The relationship between entrepreneurs and investors extends beyond financial interactions resulting in more emotional connections and contributions. This involves mutual sharing of market insights, providing strategic advice, and building a supportive and collaborative atmosphere (Huang & Knight, 2017). The success of this information sharing is dependent on the entrepreneur's or investor's bargaining power, a concept that refers to the ability to influence investment terms and decisions (Muratov, 2023). Moreover, the collaboration between ecosystem builders and investors is essential. Although both entities should foster a good relationship, there are frictions because of the time-consuming process. Despite this, 92% of the investors back ecosystem builders for knowledge sharing, such as pitch juries and mentoring startups.

Interestingly, while 72% of investors deem information sharing vital, this domain is challenging. Investor group tends to receive more nuanced information like investment recommendations and startup progress updates besides the startup one-pagers. To improve cooperation, investors suggest dedicated information-sharing platforms and deeper early collaborations (Grilo et al., 2017).

Deal making

Both parties must agree on a deal to make the relationship between startups and investors official. Therefore, both parties want the most beneficial terms and conditions for themselves. However, a compromise is often needed. The investor-entrepreneur relationship is affected by the deal-making process, which begins with deal origination, a crucial stage for establishing the first connections. This early phase often includes informal interactions that lay the foundation for future formal agreements, emphasizing the need for proactive involvement from both parties (Tarillon et al., 2023). As the relationship progresses, the focus shifts to the legal complexities of venture contracts. This is where addressing information asymmetries and moral hazards becomes essential. Contracts are carefully drafted to balance the distribution of control rights and incentives so that both investors and entrepreneurs have the same interests and clear expectations (Moedl, 2021). Furthermore, the exit strategy significantly impacts this relationship. Whether an exit is a strategic choice to seek better opportunities or as a required action due to a venture's failure, it significantly influences how the two parties view each other and interact in the future (Huvaj, 2020).

The role of alternative finance platforms

The emerging alternative finance platforms have a groundbreaking effect on the way investors and startups interact in the funding process. First, these platforms facilitate and enhance the accessibility of the deal-making process by allowing investors to invest and by allowing entrepreneurs to get funding (Löher, 2017; Umar et al., 2019; Wei et al., 2023). Furthermore, users of a platform can inform each other and cooperate. Startups can share their ideas and visions, while investors can get more informed and more involved (Zhou, 2018). This information sharing is facilitated before the investment by giving all the needed information for decision-making, and after the investment by keeping everyone posted and participating. Platforms must give attention to overcoming informational asymmetry and moral hazard problems (Lambert et al., 2018; Löher, 2017; Wei et al., 2023). Third, new technologies support platforms by making more automated and right decisions. These technologies can for example be used for automated portfolio fits (matchmaking), deal sourcing, progress monitoring, communication, insights, and predictions for valuation and exits. These automated technologies can help create relationships with the right background (Rasouli et al., 2023). It also excludes geographical backgrounds, even when this remains influential (Umar et al., 2019; Zhou, 2018). Fourth, platforms, as an intermediary, can come up as mediators in tensions to resolve and reflect, leading to more successful outcomes. By doing this, a win-win scenario can be created (Umar et al., 2019). Lastly, platforms must be personal and visible to create trust. When this trust is earned, they are easily scalable in facilitating the entrepreneur-investor relationship (Löher, 2017).

2.4 PLATFORM

Platforms have become increasingly central in the modern economy, a trend known as 'platformization,' and are systems allowing for interaction between two or more groups (Tan, 2021). This trend is mainly due to the impact of companies like Uber and Airbnb, which have transformed traditional business models (Trabucchi et al., 2023). Platforms play a strategic, organizational, and technical role in product development. It affects costs, time, and R&D, creates cross-functional teams, and requires specific problem-solving approaches (Muffatto, 1999).

Transactional platforms are platforms where multiple customer groups communicate with each other via a facilitator, and this is where indirect network externalities occur. These externalities describe how a service or product becomes more valuable for one user group as the number of users in another group increases. However, many platforms struggle to attract enough users to generate these beneficial network effects in their early stages (Trabucchi et al., 2023). Additionally, global digitalization has led to the growth of financial technologies (FinTech). FinTech refers to innovative, technology-based financial services and their supporting business models (Mention, 2019).

Platform as a solution

By offering essential resources and quicker market access, platforms are crucial in entrepreneurial finance and support the growth of SMEs (Aggarwal et al., 2021; Auti et al., 2023; Hartmann & Hasan, 2023; Zhang et al., 2019). They facilitate networking and investment opportunities, direct interactions, and partnerships, enhancing the investor-entrepreneur relationship through collaboration and communication

(Auti et al., 2023; Chandna, 2022; Salomon, 2018). Startups gain more visibility and better funding opportunities, while investors access a broader range of options and save time and resources, thanks to AI and automation in evaluating investments (Auti et al., 2023). If platforms do not have AI integrations in two years, they will have competitive disadvantages. AI can support platforms in the matchmaking process, automatic documentation, predictions, personal communication, progress monitoring, and automate the due diligence process (Rasouli et al., 2023). Digital platforms also significantly lower transaction costs (Asadullah et al., 2018; Fenwick et al., 2017)

Funding platforms offer a dynamic way for project initiators to present their ideas and secure investment, influenced by various communication channels, competitive environments, and regulatory frameworks (Camilleri & Bresciani, 2022). When these platforms reach a critical mass, they show impressive scalability potential due to their zero marginal cost structure and the benefit from network externalities. Platforms are thus innovative business models with significant value-creation potential (Trabucchi et al., 2023). Entrepreneurs use these platforms not only for funding but also as strategic tools for development, marketing, and concept validation. They help generate awareness in the early stages and acquire capital in later phases (Junge et al., 2022).

The financial sector is undergoing a major shift as fintech firms introduce various digital financial products and services. These innovations challenge traditional institutions and promise more transparency and better risk management (Mention, 2019). In this changing environment, accelerators play a role as 'platforms' by linking quality startups with investors (Dalle et al., 2023). Digital funding platforms do more than just handle financial transactions; they also facilitate the exchange of ideas, skills, and resources, creating a comprehensive ecosystem (Chandna, 2022). The growth of these platforms is also marked by a diversification of services often through strategic partnerships, including financial and legal advice and incubation (Stefanelli et al., 2022).

Challenges of platforms

While funding platforms are innovative and show high potential, they face several challenges. First, funding platforms could result in too many administrative and accounting challenges for their users. Their mainly internet-based nature can lead to limited physical interactions, risking inadequate advice. Additionally, this could lead to fraud and weaker investor protection. These risks are accompanied by changing legal restrictions (Valanciene & Jegeleviciute, 2013). If and how individuals use platforms is also affected by society's perceptions and norms about new financial innovations. Furthermore, users of platforms face the risk of stealing ideas, innovations, and projects by other entities. As a result, startups could decide to include only some information, leading to more information asymmetry (Camilleri & Bresciani, 2022).

In the early stages, funding platforms often face the "chicken and egg" paradox. This issue arises when the value for users on one side of the platform depends on users' participation on the other side, hindering the achievement of critical mass crucial for the platform's success (Trabucchi et al., 2023). Fintech firms struggle with defining clear value propositions and dealing with complex regulatory landscapes, further complicating the issue of reaching critical mass. The changing (or limited) regulations lead to challenges in building trust with stakeholders (Mention, 2019).

Investor protection and managing information asymmetry are major challenges for funding platforms. Investors may face higher risks due to inadequate due diligence on startups (or other borrowers), increasing the likelihood of defaults. On the other hand, startups often deal with transparency issues as platforms might not fully disclose important details like access requirements, interest rates, and service costs (Stefanelli et al., 2022). Additionally, external economic factors such as inflation, interest rates, geopolitical tensions, and specific challenges in the sector can lead to reduced activity on platforms. This shows their vulnerability to wider economic and market conditions (KPMG, 2023).

Key components

A well-structured platform comprises a stable core (fundamental features), evolving complements (additional services), and interfaces (user interaction points). This structure is vital for maintaining a dynamic yet stable platform that meets the evolving needs of users (Hua et al., 2022). Moreover, integrating advanced learning architectures improves the platform's ability to analyse complex data and enhance investment return predictions (Auti et al., 2023). The success of campaigns also depends on how effectively projects communicate their vision and value. Interactive storytelling is important in this process. Furthermore, internal social capital within financing communities is important because entrepreneurs who are actively involved often attract more investments (Salomon, 2018).

A platform promotes a balanced ecosystem that includes both investors and project initiatives. A wide network with varied services makes the platform more attractive and effective (Asadullah et al., 2018; Hua et al., 2022; Tan, 2021). Matching supply and demand is crucial, and balancing the interests of all involved parties is critical for long-term platform sustainability (Hua et al., 2022). Besides accumulating investors, the network should at least include lead investors - those with significant followings and a history of accurate evaluation. The lead investors ensure clear communication, monitor for misconduct, and foster coordination between startups and investors (Aggarwal et al., 2021).

Implementing feedback loops can also improve the accuracy of investment return predictions. Moreover, this fosters transparency and continuous engagement between investors and project initiators (Auti et al., 2023; Camilleri & Bresciani, 2022). Additionally, funding platforms should carefully investigate and evaluate which projects they approve for online funding, making the platform more attractive to investors. Furthermore, allowing investors to sell loans to other lenders can reduce liquidity risks and increase the platform's attraction (Hartmann & Hasan, 2023).

Addressing the chicken-and-egg paradox is crucial for the success of new platforms, which requires a strong value proposition for both the demand and supply sides (Trabucchi et al., 2023). Collaboration is critical to manage complex regulations and securing early-stage funding (Mention, 2019). Future improvements should include better predictive models, real-time data integration, and sector-specific insights to meet diverse investor needs and preferences (Auti et al., 2023). The growing interest in AI means that platforms using these technologies can attract significant investor attention (KPMG, 2023).

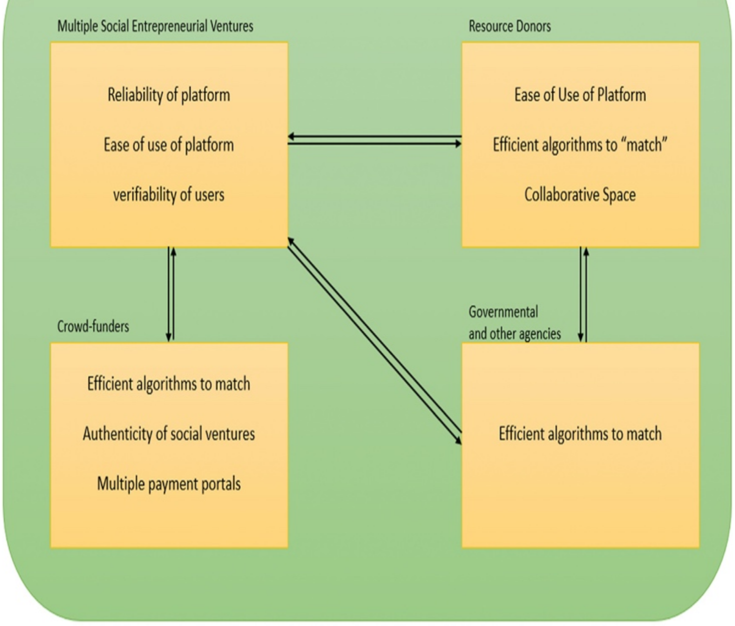
Platform design and development

The initial step in establishing a funding platform involves identifying and analysing the requirements and preferences of all platform stakeholders. This initial analysis is foundational for creating a platform that aligns with its users and stakeholders. An action plan must be made to delve into operationalizing the platform and make recommendations. Therefore, tapping into the expertise of researchers for aspects like community building, platform design, and marketing building is beneficial (Wieck et al., 2013). Next, the focus shifts to building a solid technical infrastructure. A robust technical infrastructure is crucial for managing complex stakeholder interactions and ensuring data privacy (Hartmann & Hasan, 2023; Hua et al., 2022). Due to the complex nature of these requirements, outsourcing specific technical tasks to specialized providers can be strategic (Wieck et al., 2013).

Applying modular design principles is beneficial in system development as it simplifies complex tasks. It involves dividing the development work into discrete, manageable parts. The main modules of a financial service platform can be categorized into user management, basic data management, character management, third-party access, loan, and third-party service (Yu, 2017). This strategy simplifies the development task and provides flexibility and scalability for the future. An implementation plan is highly suggested to ensure the smooth deployment and operation of the platform (Wieck et al., 2013).

As platforms mature, external collaborations become crucial. They help to increase the reach, find new revenue sources, and overcome initial challenges like the chicken-and-egg paradox. In this phase, platform enablers – such as lead investors - are vital in quickly reaching critical mass and realizing their full potential (Trabucchi et al., 2023). Furthermore, as shown in Figure 4, user-friendly interfaces, reliable payment systems, effective communication channels, and a strong verification process are key design elements for a successful platform. Creating a technically solid platform that meets user needs results in smooth interaction and collaboration (Chandna, 2022).

Figure 4: Design factors in platform development (Chandna, 2022)



2.5 CAPABILITIES, INNOVATION, AND LEADERSHIP

In today's volatile, uncertain, complex, and ambiguous (VUCA) business environment, three pillars - dynamic capabilities, business model innovation, and leadership - are critical for organizational success (Schoemaker et al., 2018). The framework of Teece et al. (1997) highlights the need for agility in businesses, suggesting them to continually "integrate, build, and reconfigure" their resources. This is more than minor adjustments; it is about transformative changes tailored to market demands. The Innovation Ecosystem (Teece, 2010) is central to this, stressing the relationship between internal and external stakeholders in fostering innovation.

Schoemaker et al. (2018) further illustrate that in the VUCA context, operational capabilities are not enough. Two categories of capabilities are needed: ordinary capabilities, which are essential for current business operations, and dynamic capabilities, which are crucial in uncertainty and seizing opportunities. Ordinary capabilities include manufacturing, marketing, partnerships, and operational leadership. Dynamic capabilities involve the processes of identifying and understanding opportunities (sensing), deploying resources effectively and adapting strategies to take advantage of these opportunities (seizing), and continually renewing the organization's capabilities by changing its resources to maintain a competitive advantage (transform). For startups, due to uncertainties, dynamic capabilities are initially more essential. As they mature, the shift to routine capabilities involves moving from exploration to more routine operations (Schoemaker et al., 2018).

Sensing in SMEs relies on the informal contributions of proactive managers and staff in identifying market opportunities and trends. To seize opportunities, a clear strategic vision is essential to make the right decisions in investments, growth, and capacity building. This clear strategy is important for matching resources with chances in a way that helps to achieve long-term goals. Lastly, transforming is the process of adapting and developing new ways of working, new structures, and new skills that are required for the change. Strategic planning and goal setting are beneficial in this process. Thus, SMEs can achieve this transforming process, despite limited resources and competitive environments, through strategic management and leadership (Kump & Schweiger, 2022).

Building on this, Eisenhardt and Martin (2000) emphasize that dynamic capabilities are crucial to a firm's resources, which include physical, human, and organizational elements. While the Industry Structure View argues that industry structure primarily determines resource allocation (Porter, 1991), the Resource Based View argues that a firm's combination of resources and capabilities contributes to its profitability (Barney, 1991). Therefore, strategically aligning internal and external resources is essential for innovative and profitable operations. Furthermore, a firm must modify or create new business models to grow and innovate. This needs to align with the organization and management of the company. The organization needs a leader who can navigate through the VUCA world effectively. This asks for a confident leader who is open to insights from others, is motivated to make a difference, and combines entrepreneurship and leadership skills (Schoemaker et al., 2018).

Storbacka's (2011) Solution Business Model Framework outlines 64 capabilities and management practices that are crucial for effective solution business management. This includes involving customers in creating solutions, finding the right balance between standard and customized solutions, and building a strong solution business platform that includes invisible but essential support skills. Further, Storbacka et al. (2013) describe four essential process steps for implementing a solution business model: 1) customer embeddedness, 2) offering integratedness, 3) operational adaptiveness, and 4) organizational networkedness. These steps focus on building customer relationships, integrating different solution parts, adjusting solutions to fit customers' needs, and finding a balance between all stakeholders.

2.6 CONCLUSION

This literature review delves into the complex interactions between startups and investors, highlighting their varied needs and the key factors that influence their relationships. Startups are shown to need more than just financial capital; their preferences include mentorship, strategic advice, and networking opportunities. These needs evolve as startups grow through different stages. Investors, on the other hand, look beyond just financial returns. They focus on the startup team's quality, getting the right information, and strategic direction. Trust and shared goals are central to these relationships, which are also faced with tensions. Funding platforms emerge as solutions, facilitating network sharing and resource exchanges between startups and investors.

The review identifies a significant gap in current research: a lack of detailed studies on the specific needs and preferences of startups and investors, and how to effectively align these needs. Moreover, while the significance of alternative finance platforms is acknowledged, there's a shortage of in-depth research into their design and effectiveness. This research fills these gaps. It provides a more detailed view of the unique needs of startups and investors and examines the various factors affecting their relationships. The study also explores the dynamic capabilities required for organizations to successfully develop a funding platform.

3. METHOD

In this chapter, the overall research design and methods will be described.

3.1 RESEARCH STRATEGY

This research has a multi-method qualitative approach, referring to the data collection and analysis that uses interviews and observations. The choice for a qualitative approach is because of the allowance to pick relational and nuanced information, uncover underlying values, and draw new concepts from result interpretation (Choy, 2014). A qualitative approach allows participants to express their priorities fully, which is needed given the research's focus. The allowance to explore the views of a diverse group of people and to unpack different views can give a complete understanding of the drivers and behaviours. By using interviews and observations as research methods, this study qualifies as a multi-method (Yin, 2018, pp.153). While the benefits of this approach outweigh the drawbacks, some limitations must be noted. Interpretations may go unnoticed in qualitative studies, and interpretations could be subject to personal experience and knowledge influence. Additionally, the participants have control over the generated content, thus over the collected data (Choy, 2014).

Semi-structured interviews were conducted for this research, which are focused interviews while still allowing the interviewer to explore relevant ideas and questions as they come up. This flexibility helps in gaining a deeper understanding of the answers and achieving the research goals. This kind of interview is preferable when the goal is to understand the participants' views (Adeoye-Olatunde & Olenik, 2021). In this study, the interview guide of Kallio et al. (2016) is used to ensure the reliability and validity of the results. The guide is as follows:

1. Identifying the prerequisites for using semi-structured interviews
    a. Understanding and discovering the (evolving) needs and perceptions of the participants is the goal of this research. Therefore, semi-structured interviews are identified as relevant for this study.
2. Retrieving and using previous knowledge
    a. There is a literature review conducted above. Moreover, conversations and idea sharing will be an ongoing process, allowing for much knowledge to be used.
3. Formulating the preliminary semi-structured interview guide
    a. This was done through a process of initial drafting of the interview based on literature, conversations, and agreement.
4. Pilot the interview guide
    a. The guide was tested with the supervisors.
5. Presenting the complete semi-structured interview guide
    a. A clear, finished, and logical semi-structured interview guide is used for data collection. This guideline can be found in Appendix A.

Moreover, this qualitative approach will be executed using a case study. Case studies could be either singular or multiple. This research will use a singular case study for the last research sub-question. Singular case studies are useful for deep insights into that specific case but lead to difficulties in generalization. However, because this case study is part of the mixed method with qualitative interviews, this limitation is defused (Yin, 2018, pp. 98-99). Furthermore, this singular case study focuses only on a small part of the study. Direct observations were held during a period of 5 months of this study. These observations include meetings from employees with the founder, team meetings, meetings with clients, and conversations between employees in daily operations. By doing this, the culture of the organization, its dynamic capabilities, and its leadership style can be determined.

3.2 CASE SELECTION

The case in this study is a small consultancy company in the Netherlands, called The Orange Mill. This entrepreneurial ecosystem builder plays a pivotal role in the startup ecosystem by offering a broad spectrum of services to starting entrepreneurs. The services include formulating pitch decks, business, financial, and marketing plans, giving strategic advice, building websites, helping in securing funding, and other preferences of starting entrepreneurs. Clients of The Orange Mill consist of early-stage startups and starting entrepreneurs. Early-stage startups are startups that have been around for no more than two years.

A significant portion of the company's revenue is coming from facilitating funding through third-party platforms and institutions. These activities are now based on no cure and no pay. The company identified an opportunity (sense-making) in the funding process between startups and inexperienced investors. Early-stage startups often do not know where to start to get funding. On the other side, the founder identified a group of private individuals who want to start investing or already started with it but need help figuring out what to do next. This, combined with the firm's extensive network and rich experience, raised the idea of setting up a funding platform for these people.

However, the company needed more research to seize this opportunity because much was unclear:

- While the idea comes from the target group's identifications, it was unknown if they have an interest in such a platform.
- It was unknown if this group of private investors wanted to invest in one firm or multiple, if they only sought financial profits, how they wanted to cooperate with the startup and a co-investor, etc.
- While seeking capital is one of the most important reasons for acquiring startup funding, working with an investor has more benefits. However, not all clients and other early-stage startups' monetary and non-monetary needs were identified.
- The idea is to make ideal matches between startups and investors and to foster this relationship. However, for that, both needs must be known.

When this critical information is known, the company wants to set up a platform to facilitate this ideal relationship. Last years have seen the rise of such funding platforms and the assumption is that this will rise even more in the future due to digitalization. Probably this online funding platform will be combined with offline meetings. However, this is just based on assumptions rather than on proper research. Furthermore, The Orange Mill wants to know what is organizationally needed to create such a platform (transform).

This research focuses on identifying the needs of startups and investors, fostering the best match and relationship between them, and designing a platform to facilitate this. In doing this, the research did not focus on building such a platform in technical terms. However, it only identified critical components the platform should have (e.g., information-sharing) and what the organization must have to make such a platform (e.g., capabilities).

3.3 DATA COLLECTION

The semi-structured interviews, together with the case study, answer the multiple sub-questions and in the end the main research questions. Therefore, the groups of interviewees were varied to generate a broad and complete understanding of every stakeholder. In total, 18 semi-structured in-depth interviews were conducted, which is considered sufficient according to previous research (Guest et al., 2006). The interviewees are divided into the following groups:

- Three Startup Founders to investigate their (non-)monetary needs.
- Two Inexperienced Investors and three Experienced Investors to investigate their (non-)monetary needs.
- Four Academics and experts in the entrepreneurial ecosystem, alternative finance, and organizational change and capabilities, to investigate their points of view on both needs, the relationship, and the platform.
- Two people from The Orange Mill to investigate the leadership style, dynamics capabilities, their wishes in the platform, and other necessary elements in the firm.
- Four High-ranking Employees from Funding Platforms to investigate what is needed to create such platforms and to have another perspective on the platform idea, both needs and the relationship.

During this study, the case company is analysed through direct observations. These observations focus on the case company to identify the organizational culture, dynamic capabilities, and other organizational components. Two semi-structured interviews were held with the case company. The observations were to validate the outcomes of these interviews. For example, in an interview, the leadership style within the company was determined. Consequently, this was checked during observations of meetings with the founder and employees. There are no major differences identified. Furthermore, these observations are used to check if the organization changed from the beginning of the study towards the end. Again, no major differences are found. The observations are not noted but were done in an ongoing process by the researcher, participating in multiple meetings over the period of 5 months.

3.4 DATA ANALYSIS

All interviews are transcribed to be able to draw theories from the collected data. After that, the coding process started by giving open codes in ATLAS.ti to each relevant part of every transcription. The same codes were given to the same answer. The transcriptions are also used to understand the codes and for specific quotations. When this process was done, all codes were checked for overlap, relevance, and were combined where possible. Furthermore, where needed, data was interpreted by the author with keeping the literature review in mind. For example, the gathered data about the evolving needs contains interpretations to be able to categorize needs in each part of the lifecycle. However, this is done with due consideration of the literature and the answers of participants. The total amount of first-order codes was therefore decreased to a manageable number.

By comparing these first-order codes, the second-order themes were created to observe certain patterns and to create broader categories. Lastly, building on the second-order themes, aggregate dimensions gave insights into the general agreement and consistency among all codes. These dimensions are the most general dimensions from the collected data and provide a comprehensive understanding. These aggregate dimensions are used to structure the result section. In this section, the different sub-questions are answered based on the second-order themes and aggregate dimensions. Sometimes, direct quotations and first-order codes are used to give additional insights. The findings are compared to existing theory in the discussion chapter, to validate or challenge them.

4. FINDINGS

By doing the 18 semi-structured interviews, as described before, this study collected data to answer the five sub-questions and main research questions. Furthermore, findings are gathered by having a case company to investigate dynamic capabilities to establish such funding platforms. This section will describe all the findings and answer these questions. The results are already coded, analysed, and grouped into 1st order codes, 2nd order themes, and aggregate dimensions. These codes, themes, and dimensions are presented in Figure 5 and are explained in this section. Additional findings, that are not included in the data structure, are presented at the end of this section. The findings will be presented following the aggregate dimensions.

Figure 5: Data structure based on first-order codes, second-order themes, and aggregate dimensions.

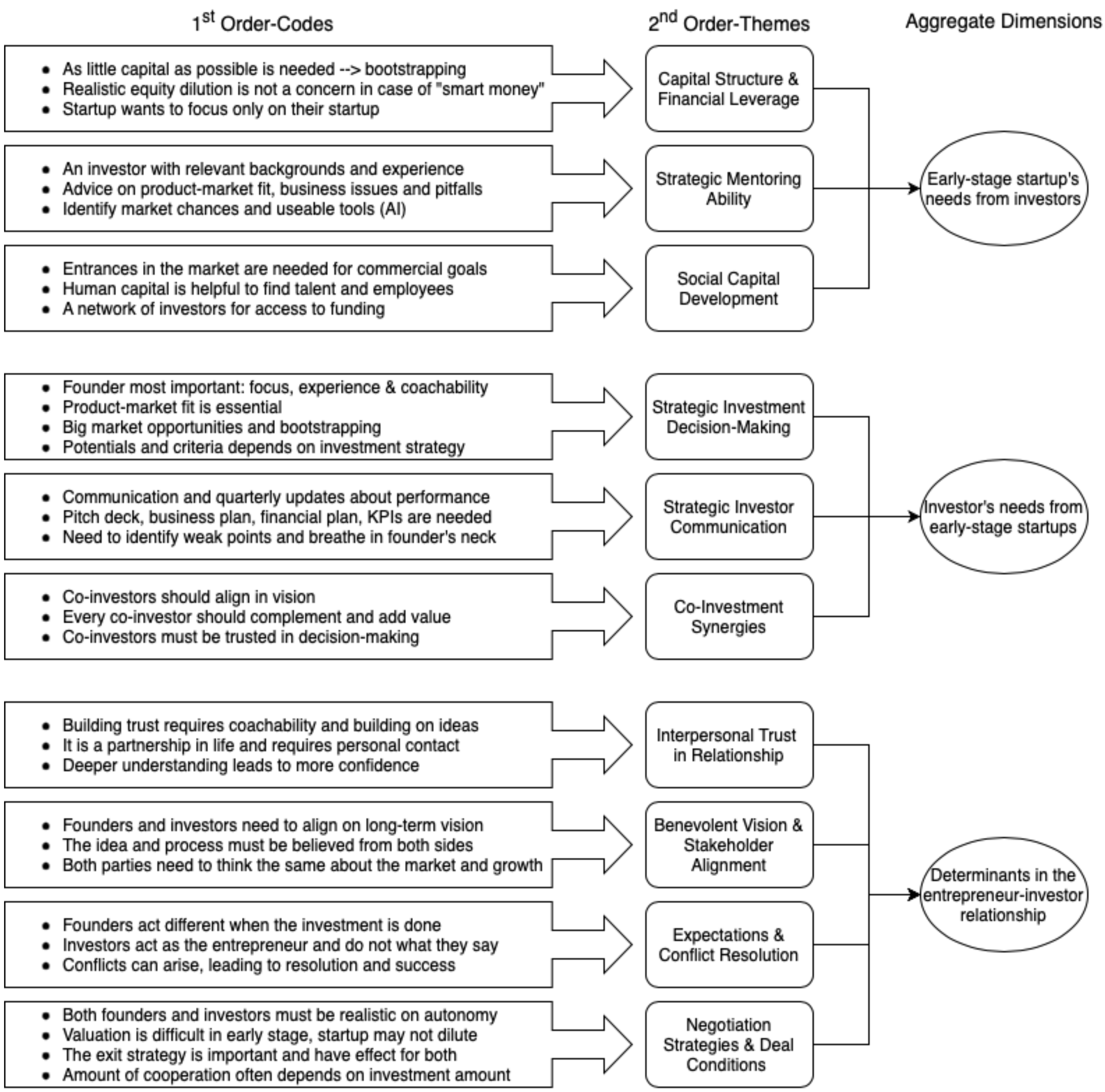
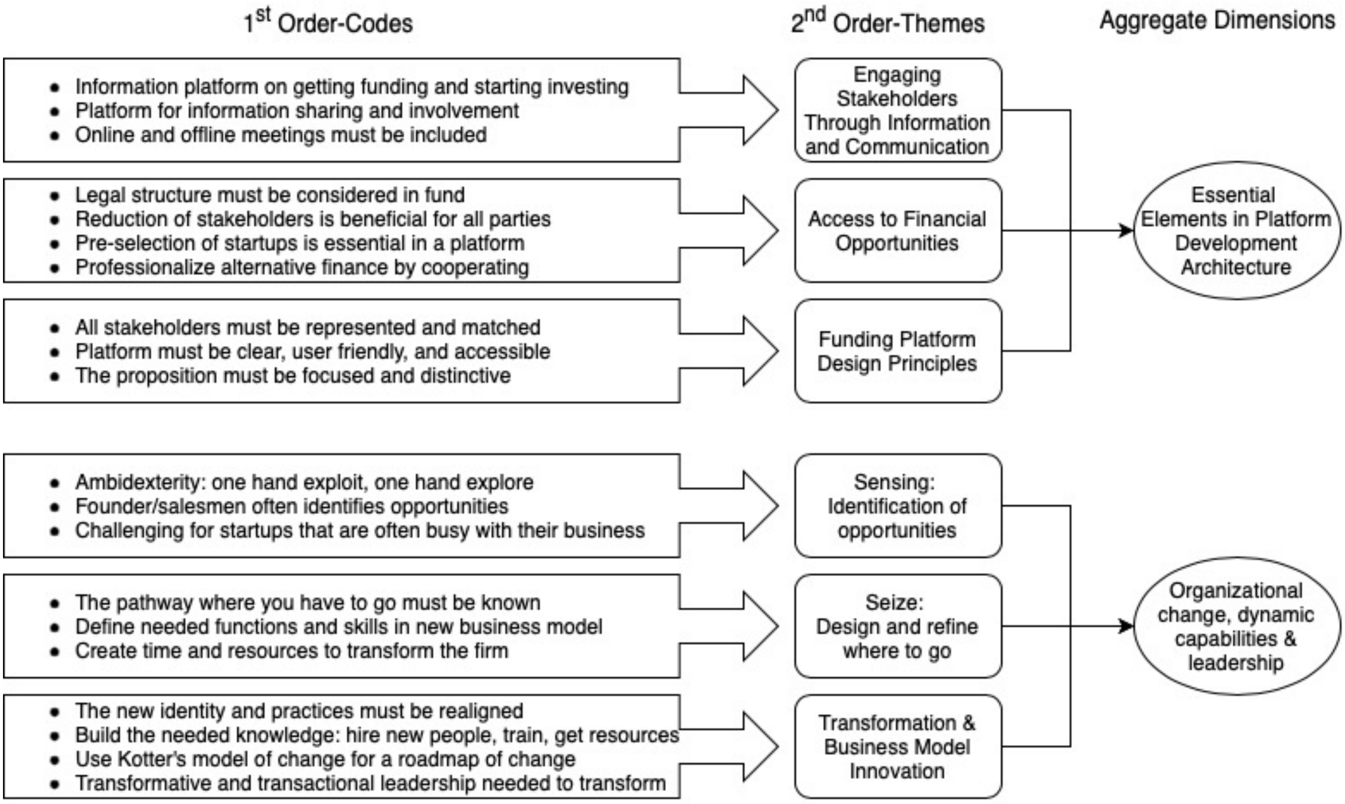


Figure 5 (continued)



4.1 EARLY-STAGE STARTUPS' NEEDS FROM INVESTORS

The research initially focused on identifying the diverse needs of early-stage startups concerning investor involvement. It turns out that all startups' needs go back to their survival goal. This is because of the high failure rate among startups:

> "Within five years, three-quarters of all startups will no longer exist."

Startups face the liability of smallness, resulting in a need for financial leverage to foresee the goal to survive and grow. Therefore, investors are essential for startups to overcome this liability by providing the capital that makes it possible to develop products, scale and grow, and get the needed resources. This is essential for a long-term and sustainable existence, and to not become a lifestyle business:

> "Without capital companies often become a lifestyle business, meaning that they just keep going, but have no staff, no new products, no new markets. So, that is a way of life, but no ambition level towards growth, new markets, new products, and more employees."

The fact that startups do not want to dilute and only want to focus on their business underlines the need for capital structures. Also, they prefer as few different investors as possible. Startups should get the minimum capital needed to make sure that they are not faced with too high costs, potentially leading to problems, and disrupting their survival goal. This could be defined by the term bootstrapping:

> "Bootstrapping is to become not, or as little as possible, dependent on bank or equity financing, which can be done by what is called "startup on a shoestring", meaning the cheap way. Be very creative, use word of mouth, and postpone an investor as long as possible, or get cheap funding and little investors".

However, startups also face the liability of newness, which ensures that the firm is not settled in the market yet. To address these two liabilities, startups favour investors who offer not just capital but also social capital and mentorship, known as "smart capital." However, still, the rule is that when this smart capital is unfeasible, they do take the opportunity when an investor only offers capital against higher costs:

> “If it turns out that’s the only way to get funding, then we will do it, but we do not prefer it at all.”

The demand for "smart capital" could be defined further. First, startups demonstrate a crucial requirement for guidance in business operations and market strategies. Thus, startups need investors with relevant backgrounds to be able to coach on specific aspects. Crucial in this is that the mentor can give in-depth coaching. Middelhoff et al. (2014) already found that the ability of an investor is crucial in driving the entrepreneurs’ confidence in investors. These business aspects are mostly business issues or pitfalls, such as tensions in a founder team and avoiding pitfalls. Mentorship on marketing plans and optimizing a product-market fit is also beneficial.

Coaching on dealing with main global trends is not found to be needed. Startups often already focus on these developments when their customers demand them. However, startups could use coaching on AI tools:

> "I don't think that startups are busy with global trends. If digitalization is your product, then, obviously, you will invest time in resources in that. [...]. Startups do not add a global trend because it is popular or something".

> “We see a strong need to help startups up to speed with AI. […]. AI can be helpful to become very scalable and automated. Founders do not always have the experience with this software”.

Furthermore, because of their liability of newness, startups need advice on funding. Although they may not require this guidance from an investor due to potential conflicts of interest, they will need it from a third party. Later, investors could give this advice when a startup goes for the second round of funding or acquisition. It is unknown for many entrepreneurs what to offer to a potential investor, which construction should be used, what investors find interesting, and how much equity should be offered or kept.

Lastly, social capital emerges as a critical need for early-stage startups for network entrances. Due to their newness and smallness, entrepreneurs found it difficult to open doors in the market. Therefore, the investor’s network is needed for multiple commercial goals: to get clients, entrances in the market, and partnerships. Later, startups need human capital from investors and the liability of adolescents becomes another challenge.

A platform that facilitates the needs of startups emerges not only as a tool but also as a potential ecosystem for growth and innovation. Firstly, such finance platforms can offer educational resources, for example helping startups understand the nuances of bootstrapping and preparing investment proposals. The scalable characteristics ensure that the information is instantly accessible worldwide. Moreover, it can streamline the funding process by aggregating investors, reducing the administrative and communicative burdens on startups:

> "I would prefer to deal with a fund participating. We talk to the fund, and that's one party, instead of having twenty-five individual shareholders to communicate and account to, which takes a lot of time."

The platform can also enhance the quality of interactions between startups and investors. For example, it can offer templates for agreements, guide startups to become investor-ready, and facilitate connections with strategic investors—those offering "smart capital." This targeted matching system can ensure that startups are paired with investors who can provide more than just financial support.

> "That platform will be super for us in the next phase."

4.2 INVESTORS’ NEEDS FROM EARLY-STAGE STARTUPS

Investors need multiple contributions from startups for their strategic decision-making. Startups must demonstrate strong positive indicators across various criteria to assure investors of their potential for generating returns. Investors value the founder of an early-stage startup the most important:

> “It might sound a bit cliché, but the most important thing is still just the people. So, the guy behind the tent or the woman behind the building, who is going to execute it? There's a theory described somewhere that the moment you start a startup, there are exactly the same ideas being executed in eight places in the world. And the one who wins, it's not the best idea, but it's often just the one who lasts the longest, who has the largest network, who is the most creative, or who in some cases just has a bit more luck. But it does depend on the person who is going to execute it, and an investor will have to look very closely at that. Especially in an early-stage startup phase, the person is even more important than the idea”.

The strategic decision-making of investors thus depends, again, on the ability of, in this case, an entrepreneur. Founders are identified properly when they have relevant experience and expertise but also when having organizational and financial competencies. Investors also like bootstrapped startups because this gives confidence that the funding will be spent well. When the startup has a team of co-founders, cooperation and team composition are important. A team must include a salesman or other commercial talent. Furthermore, coachability is a critical characteristic that a founder must have:

> "If they [investors] say something to an entrepreneur like 'do this or that,' and entrepreneurs do it and also build upon it, it creates a lot of goodwill."

Once a founder satisfies the initial criteria, achieving a product-market fit becomes essential for decision-making. The expectations and criteria for returns, however, vary significantly across different types of investors. For example, while most business angels invest for fun and try their best to get returns, VCs must have hard returns and will not be that soft. It also depends if the investor is active or passive, meaning the amount of involvement of an investor in a startup. For inexperienced investors, this amount of involvement is influenced by the investment amount:

> "I think it would depend on how large the investment is. If it's a few per cent, then I would be more like: well, yes, I'll see what happens with it, I don't need to actively engage with it. But if it's a larger amount, or I think: oh, this is a really great idea, then I would want to have a more involved role."

For this decision-making, investors rely on strategic investor communication from entrepreneurs. These updates and information are also needed after the investment is done. Besides generally needed updates about the progress, financials, and the way to go, investors adjust their needs to those of startups:

> "We look at what startups need in their journey. Is it technological knowledge? Is certification required? Is it important to already determine the intellectual property position? But also, is the founder now able to bring the product to the market? What does he or she need to reach the market? […]. The process is adjusted to the startup's needs."

In this process of identifying the needs of startups, investors should look for the weak points of a startup. Afterwards, investors should actively engage startups to tackle these weaknesses. These points will result in the main needs and the highest possible contributions of investors to startups:

> “Look at the key resources and try to understand which resources or relationships are lacking in the startup. […]. Look at the business model canvas and the weakest point will tell you what is needed. Startups might think that they don't want an investor of that kind because he knows my weaknesses and can value me differently. However, in reality, in the conflict you create, you create a mechanism of resolution and, therefore, success comes out of that."

A weak point of early-stage entrepreneurs is often that they have a lot of ideas and work to carry out. Identifying many opportunities is excellent, but entrepreneurs often must focus first on the most important things. Therefore, investors need to bring focus into the startup:

> “Entrepreneurs often have so many ideas and I’m [investor] actually crossing out a lot of ideas all the time: no, don’t do it, but make choices. Keep it simple. And that is also a growth strategy, by simply making choices.”

The dynamic of investing alongside co-investors plays a crucial role, as investors rarely invest alone. Therefore, investors seek several co-investment synergies. Again, for inexperienced investors, this amount of involvement in this relationship depends on the investment size. More experienced almost always spend time in this relationship, but often also have higher investments. However, these experienced investors sometimes also spend less time in this relationship, but then they trust the lead investor. Furthermore, to maximize the potential synergies, co-investors must complement and add value in terms of offering benefits to the startups. Business angels often co-invest with old business partners or known people in their network. In essence, they already complement each other because they shared a boardroom. Adding value can be via consulting, bringing customers, or having another expertise.

> “If you have a match with your co-investor and you have a good match on complementarity, you can create great value. […]. If the complementarity is not there, you should create it. Kick a board member out or search for a different kind of shareholder. For

> example, if you work only with German investors, I try to add a Britain or American investor to broaden the network."

Investors search for promising startups, a process that is often challenging. A platform can offer the ability to assess a wide range of opportunities and support this process. These platforms already do the pre-selection of startups that match investors' criteria, thereby reducing the time and resources used on due diligence. Furthermore, the platform can facilitate strategic matches based on the goals, expertise, and investment profiles of the investor. Moreover, funding platforms can address the need for continuous and transparent communication from an entrepreneur. By providing regular updates and insights into the startups' progress, these platforms can ensure that investors remain informed about their investments' performance. Additionally, platforms can stimulate collaboration between co-investors to create synergies, whereby investors can use the joint knowledge, networks, and resources to support startups more effectively. By providing information in advance and matching co-investors based on their complementarity, this collaborative approach can maximize the potential for startups and therefore also for investors.

4.3 FACTORS IN THE ENTREPRENEUR-INVESTOR RELATIONSHIP

The relationship between entrepreneurs and investors is marked by multiple influencing factors potentially leading to a match or a mismatch. This relationship must not be underestimated; it is a life partner, which takes lead time to build such a relationship.

> "You should see it as going on a relationship. First, you should date each other for a period to get to know each other. You will not marry someone after the second date, that just takes time. It is really that personal connection."

In these relationships, trust is the most essential factor. Trust can be created by being honest, transparent, and by creating solutions together. As stated before, ability is a factor that increases trust. Additionally, founders need to show coachability, and investors need to give the founder faith to work things out. Furthermore, to establish interpersonal trust, personal real-life contact is needed.

> "I think trust is the most important thing anyway."

Aligning the vision between entrepreneurs and investors is another critical factor for successful collaboration. This means that both parties must have the same view on (long-term) growth, belief in the idea, and the view on the market. Middelhoff et al. (2014) describe this as benevolence meaning that both parties need to do good to each other. Achieving mutual benevolence will also result in more trust, making it an important aspect of the relationship. Platforms can foster trust by facilitating ongoing communication but need to have physical interactions in addition. By retrieving information from both parties, the platform can identify a potential match on shared views between entrepreneurs and investors.

> "If you are all on the same page for long-term and grow, then you have a good party. Are you with a party that actually just thinks: I want to get back to business as quickly as possible, I want to create value in a year and then I want to get out, so actually only to increase the value. Then you have a breach in vision."

A trusted relationship with the same vision will result in fewer conflicts since expectations are more accurate. However, potential conflicts and unequal expectations can occur, significantly influencing the entrepreneur-investor relationships. For example, investors often exaggerate the size of their network, while startups act differently when they receive the investment. More specifically, after the investment startups often do not give that many updates anymore. Another important conflict is the fact that business angels often act as entrepreneurs. However, potential resolutions of conflicts lead to more success.

> "If investors think they know better and do not trust the entrepreneur to do it well... So, if the investor sits in the entrepreneur's seat instead of providing strategic thinking and critical reflection from a distance, yes then that will be a difficult collaboration."

> "Business angels are often impatient; they often end up taking the entrepreneur's seat again. […]. Initially, it seems like a good match, but that investor takes the entrepreneur's place too quickly. That really doesn't happen consciously and from the start, the idea is always: no, we won't do that, we'll let you be the entrepreneur, but that often happens. Ultimately, that investor has to learn to invest in startups, so that is not something that can always be going well automatically."

The negotiation of terms and conditions becomes paramount once a potential match is identified. In this, early-stage founders are willing to give away equity, but both parties must be realistic in these valuation negotiations. The exit strategy must also be discussed in this process. These negotiations and deal conditions do affect trust, as an overly contracted deal may result in less confidence. A funding platform can play the role of an intermediary in the deal-making and solving conflicts, by representing both stakeholders and offering information on this process.

4.4 NEEDED COMPONENTS IN FUNDING PLATFORM DEVELOPMENT

The development of a successful funding platform hinges on a clear focus and distinct value proposition to attract the needed user base. By considering this design principle, the platform makes sure who the target group is and why they should use it. Additionally, platforms can be a solution when representing both parties and needs. Distinctiveness can create unique experiences, critical to attract users.

> "Offer people a unique reward when they invest. […]. For example, a tour through the lab. [...]. Let them experience things that they could not have when they did not invest. […]. Give a lecture on the university. Some people never have been on campus, so that is a unique experience. You also connect to people who also support the project, which are peers then.

Furthermore, certain elements on the platform are key to user engagement. First, both parties want to get information on getting started. Since startups do not know how to handle investors and investors do often not know how to start investing, they are looking for a platform that provides all this information. Even though there are already many information channels, both parties experience that there is too much information. They are looking for a channel where everything is bundled. Furthermore, they would like this information to be supported by personal learning and supervision.

> “Especially for a novice investor, it is nice to have access to information, and such a platform makes that possible because you have everything in one place.”

Both founders and investors also value the possibility to get information about each other from others:

> "That there is already some previous investor experience with a certain founder or with a certain company. At some point, you build up a profile, such as this is now the third company of a certain founder and that you can read what the experience was with the previous one."

> "Investors all say: we have the expertise and the network and so on. But how can startups assess that in advance? That is very difficult for a startup, and I think you should check that more often by asking other founders whether this is really a cool investor. Does they really help you or is it more of a marketing story?"

Beyond informational resources, the platform must facilitate seamless communication between entrepreneurs and investors, both before and after the investment. Before, the platform is seen as an entrance for a potential relationship between both parties, meaning that the platform must include information and communication about matching this relationship and for the decision-making process. Stakeholders also like the process of getting automatic recommendations on opportunities, giving the platform opportunities for a push-and-pull strategy. After the investment, investors want to receive updates from startups. It is preferable that this channel has a low barrier and is accessible. Additionally, this communication must also be in person, meaning that stakeholders also want offline meetings in addition to the online nature. Organizing offline meetings is crucial for fostering strong networks among platform users and creating trust.

> "Especially when it comes to investments, people want to have interaction, human-to-human interaction."

> “It [physical events] is essential to connect those who are already investing more strongly, but it is also essential to bring in new people.”

A core functionality of funding platforms is the capability to facilitate capital investments within a legal and regulatory framework. For example, crowdfunding platforms have recently been required to have the European Crowdfunding Service Providers (ECSP) license. It is a tough process to get this license and it costs a lot of money and time. On the other hand, what turns out to be easy in the Netherlands is setting up an investment fund.

> "We fall under the AFM-light regulations. That is the lighter regime of AFM. It is quite easy to set up an investment fund. However, a

condition is that investors need to invest at least 100.000 euros pro person and it may also not be bigger than 100 million euros. Then you must have the full AFM license."

According to the AFM terms and conditions, investment funds can work with investments lower than €100.000 pro person, but then the fund may not be offered to more than 150 people. Offering an investment fund on a website is by definition more than 150 people (AFM, n.d.). Another possibility is that investors invest directly in the startup, without involving a third party in this process. Other options are establishing a Special Purpose Vehicle (SPV) or cooperative:

> "It is also possible that you create a Special Purpose Vehicle (SPV) for this. So, you establish a fund that they can invest in, which you manage while they retain oversight. This way, they aren't personally liable, but they invest collectively. Then it is independent, and then the entrepreneur also knows that The Orange Mill is the party that you work with. How do they get their money? Okay, there are several investors behind this. Create a fund so they can learn and watch how it works. After five years, when the fund ends and the money is back, they might choose to invest on their own. [...]. When setting it up, manage it proactively on behalf of the investors. So, represent the investors on the shareholder table towards the entrepreneur."

The creation of an investment fund effectively minimizes the number of stakeholders, facilitating a more manageable engagement. Startups and investors both aim to keep their numbers low to avoid extra work. The fund also can work together with other funding suppliers, such as banks. This is not only beneficial but also needed:

> "The alternative finance sector must be professionalized and offer more appropriate financing. […]. It is about collaboration in the chain. So, how do you refer to each other if you cannot help an entrepreneur? How do you ensure that your fellow financier can help? How will you realize a specific financing solution together?"

The alternative finance sector plays an essential role in bridging financing gaps in the Dutch market, according to a professional:

> "There are certainly some gaps in the market because some products are simply not there. With female entrepreneurs, you see that in principle every financier says that they want to fund a female entrepreneur. However, in practice, you see that much less financing goes to women. Whether that concerns bank loans or venture capital, there is a major market failure in that matchmaking. Those female entrepreneurs are simply in different networks. So, they don't find each other, meaning that a lot needs to be achieved in this regard. In practical terms, when addressing market gaps, there's a significant need for venture financing focused on risk capital, such as equity or semi-equity, for small businesses. So, really for the small tickets. What is now occasionally taken up by family and friends, you actually want that to be better organized."

The pre-selection of projects on the platform is another critical principle within funding platforms, critical in attracting investors. The startups must be interesting, fit the portfolio or purpose of the fund, have potential, and must be distinctive. The founders must have relevant experience.

> "We [funding platform] have to ensure that we have good merchandise in our web shop. If you want to buy a sneaker somewhere, then you will go to the store with the most beautiful sneakers and you will buy it there. Of course, the price must be favourable, and the conditions must be good. […]. We are a webshop where we sell startup shares, and you just have to sell the best shares there if you want to attract investors there."

4.5 ORGANIZATIONAL CHANGE, DYNAMIC CAPABILITIES & LEADERSHIP

The ability to sense, seize, and transform opportunities demands a blend of dynamic organizational capabilities, strategic change management, and proactive leadership. First, companies need to be good in ambidexterity, meaning that companies must work with both hands. One hand will be used to serve the current customers and keep the current business running, and the other hand will serve the sensing process.

> "Ambidexterity means with both hands. So, that's the latter term for working with both hands. And one of the hands is to exploit what is there. So, to really see the existing customers and work with the existing product. And the other one would be explore. The exploration of future opportunities. So,

> ambidexterity would mean you are good at both at the same time, to exploit what you have and to explore future opportunities."

Resource constraints make ambidexterity particularly challenging for small firms, unlike large firms that can explore opportunities through specialized departments. Large firms have all those different departments to explore chances. But small companies must find their ways of doing it. In many cases, it is often only the founder or the salesmen that do this. Therefore, in small companies, it is much more distributed among the people. Beyond recognizing future opportunities, businesses must strategically seize them, defining clear pathways to take advantage of the chance:

> "It would be important to understand what you want to do in the future, really in terms of practices concretely, in contrast to what you are doing now. So, probably really something like a task analysis. So, what would that really entail? What types of tasks do they want to do in the future and what kind of services do they want to provide? Then reflect on what knowledge is required for those tasks."

A comprehensive skill set encompassing IT, finance, investment knowledge, and startup insight is critical for funding platform creation. The importance of legal knowledge varies with the business structure. It is critical in services similar to crowdfunding, but less essential when primarily acting as a facilitator and offering a small investment fund. Account management and a big network of startups and investors are important to get the best startups and attract investors. Relationship management is very important for funding platforms since they must reject startups often. In these cases, they must be rejected constructively so that they might come back in the future and assign other startups. The capability of analytical thinking is essential for conducting accurate analyses to identify the requirements of all stakeholders. Also, this is important to make the right analysis for investment opportunities and to analyse certain markets or firms. The last important capability is sensing. In developing a funding platform, business opportunities must be identified to get a distinctive focus in the market. When innovating to this business model, the organization must have the capacity to reconfigure these functions and resources.

The transformation process is about changing the business to take advantage of the identified opportunity. This change can be either about the identity (e.g., becoming more sustainable, professional, or international) or the practices (e.g., becoming more efficient or structural). Normally, this identity and practices are all set up and aligned in a way. When a business decides to change, it can disrupt this setup. A business must manage this disruption and get everything working smoothly again, especially without losing current customers. The main goal is to make changes without drastically altering the identity that customers rely on.

> "I give you the example of sustainability. When a company wants to become more sustainable, the identity then means that it has to do things differently. It has to do purchasing differently, waste management, energy management, or whatever. Therefore, they also need new knowledge and often then also new people, right? So, then it starts to break apart a bit, which has been very coherent over many years. So, the most challenging thing is really to make sure that the company can overcome this break and then realign again in a functional way."

Building new knowledge for organizational transformation can be achieved through strategic hiring or training programs. Small companies often have less fixed structures and are more flexible, making it easier to change. On the other hand, building knowledge is often more challenging in small companies since people must do it on the side.

The secondary concerns are for example power struggles and that people don't want to change. However, this is mostly about understanding the underlying reason for the concern, and then fixing that:

> "The common assumption is always that people don't want to change, but I think that this assumption is overrated. […]. People do things that they are good at and where they have habits. […]. So, there are many habits at play and if you have ever tried to change a habit, then you learn that it is difficult at the beginning because you forget it and you tap into the old patterns. […]. The second thing is that based on their knowledge and skills, people have a certain position in the organization. […]. They are afraid to lose that role sometimes, because then suddenly the new knowledge is much more important than the old one. […]. So, in many cases, it's really not that they don't want to or that the people don't like change, but that they have some

underlying reasons that prevent them. And then you need to find a solution for that."

Effective organizational change requires a balanced approach of transformative and transactional leadership styles. Transformative leadership requires a visionary and charismatic figure who can declare, 'Let's go there; let's do it,' thereby creating motivation among the team. Transactional leadership is needed for goal setting, planning, achievement, and evaluation, to bring the change and see it through. Leaders lacking this style can still learn or, at the very least, compensate for it. They should assess their existing strengths and then employ tools to address any shortcomings. The strategic framework of Kotter's model outlines a comprehensive process for organizational change (Kotter, 2020):

1. Create a sense of urgency (Find and share a chance to bring people together and get them moving),
2. Build a guiding coalition (Put together a team of leaders to lead the change),
3. Form a strategic vision and initiatives (Make a clear plan with steps to take, and be sure it's easy to understand and doable),
4. Enlist a volunteer army (Get a lot of employees to help with the change because they want to, not because they have to),
5. Enable action by removing barriers (Get rid of problems or old rules that make it hard for people to help with the change),
6. Generate short-term wins (Notice and celebrate first successes to keep everyone motivated),
7. Sustain acceleration (Keep pushing forward and make more changes after the previous step),
8. Institute change (Make the new ways a regular part of how the organization works to make sure the change lasts).

4.6 ADDITIONAL FINDINGS

This study collected some additional findings that are not included in the data structure (Figure 5), which will be discussed here.

Evolving needs

The needs of both startups and investors evolve. Investors say that they mostly adjust their needs to that of startups, but they also need several components themselves. Figure 6 shows these evolving needs, demonstrating each need in a particular lifecycle. The Figure is only a schematic presentation, and needs can vary depending on individual cases. Additionally, there is a fine line between needs in different lifecycles, meaning that a requirement does not have to stop when continuing in the lifecycle. The needs per lifecycle are determined by the gathered data of the interviews and reflections of that.

Figure 6: Evolving needs of startups and investors.

<table>
<tr><th></th><th>Ideation</th><th>Validation</th><th>Startup</th><th colspan="2">Expansion</th></tr>
<tr><td rowspan="3">Startups' needs</td><td rowspan="3">Mentorship: Product-market fit</td><td colspan="2">Mentorship: coaching on strategy</td><td rowspan="2">Human Capital: Talent & Employees</td><td rowspan="2">VCs</td></tr>
<tr><td rowspan="2">Social capital: Market entrances</td><td>Social capital: Clients & Partners</td></tr>
<tr><td colspan="3">Mentorship: Growth strategies</td></tr>
<tr><td></td><td></td><td></td><td colspan="3">Sustainable growth & Don't Dilute</td></tr>
<tr><td rowspan="4">Investors' needs</td><td rowspan="4">Communication: Business + financial Plan & Pitch Deck</td><td rowspan="3">Criteria: The Right Founder (Team)</td><td colspan="3">Strategic Investor Communication</td></tr>
<tr><td>Founder Coachability + identification of weak points</td><td colspan="2" rowspan="3">Exit</td></tr>
<tr><td>Market opportunities</td></tr>
<tr><td colspan="2">Criteria Founder: Focus, but not steer too much</td></tr>
</table>

First, startups need to find a product-market fit and appreciate mentorship to address these issues. Investors need to get some documents to get all the necessary information. Secondly, entrepreneurs would like to get social capital from investors to talk to people in the market and seed their products. Investors, on the other hand, must see a properly composed founder team. This is found to be the most important in the early stages and investors can intervene in the team. Even when this intervention is often in a later stage, it could also happen earlier:

> "You might to be harder, do not just provide coaching but do also the team composition. So, if there are three or four students, say: this is not a good idea to start. No one has experience and look for example at the average age to start, which is 34 to 38. […]. Investors can say: guys I have good and bad news: these two can go on and these two need to be bought out. [..]. Investors are ruthless, especially in later stages. […]. There is that statement: in order to grow, the founder must go."

Next, entrepreneurs need mentorship from investors on several strategic business issues, such as pitfalls and strategy. This is also important for investors, who need an entrepreneur who is open to identify weaknesses and willing to receive and implement feedback. Additionally, investors need to bring focus into the startup at this point. Entrepreneurs often have many ideas, but investors need to help to make the right choices. However, investors need to be careful that they don't steer too much, since entrepreneurs might benefit from keeping the investor satisfied. Investors should try to empower the founder and not become the entrepreneur.

In the startup phase, it is about getting traction. Therefore, startups need networks for commercial goals, such as clients and partnerships. From this stage, the startups must grow sustainably to not dilute. While early-stage startups do not need that amount of autonomy, it is important for later stages. This is also the stage where the investor's needs mostly depend on those of startups.

The expansion phase primarily focuses on growth, requiring startups to seek guidance on scaling effectively and building their organizational structure (human capital). Investors must maintain a level of involvement and receive regular updates, a process that often goes wrong. Additionally, this phase lays the foundation for future requirements: startups will eventually need venture capital as they grow, and investors look for exit opportunities to realize their returns.

Inexperienced versus experienced investors

Inexperienced and experienced investors have different methods in the funding process, due to the knowledge gained by investors through experience. Novice investors often base their decisions on intuition and a personal belief in the startup's potential:

> "I am really someone who looks intuitively. Okay, how do I feel about this and is this also something I support? And then you can't make it very concrete with hard figures or something, but it is more a belief that this will succeed. That's how I approach it."

Experienced investors emphasize empirical evidence and quantitative metrics for decision-making, such as a cohort analysis.

> "We try to assess as much as possible through facts so that you have as little gut feeling as possible in decision making."

> "You have intuition, but back it up with facts. You look for facts to see if the feeling is right."

Additionally, experienced investors value the founding team as the most important to decide to invest. While this group of investors also investigate other elements, such as the product-market fit, they clearly state that the founding team is the most essential. While inexperienced investors also value the founding team, this group do not see this as the most important but looks broader by also looking into the idea, financials, and traction.

Inexperienced:

> "I think you need a lot of information. Something about the financials. How is the company doing? […]. But also, what are the risks? […]. And maybe also something of return expectations.
>
> And is the team behind it also important to you?
>
> Yes, definitely. Is the founder still on board? What is his background? Et cetera."

Experienced:

> "Yes, it sounds very cliché, but what we really only pay attention to is the entrepreneur himself, the founder. You just have to find out

> exactly how and what about the entrepreneur."

Furthermore, inexperienced investors may not seek active involvement in the startup, whereas experienced investors often desire to be engaged and offer mentorship or appoint someone to do so on their behalf. Coachability is therefore a more important topic for more experienced investors. Novice investors often indicate that their desire for involvement increases with the size of the investment. Additionally, the extent of research conducted on the investment opportunity is also influenced by the investment amount.

Beginning investors show enthusiasm for the potential funding platform, while some seasoned investors remain sceptical, preferring their established methods of engaging in the funding process. Inexperienced investors are likely to use the platform as it can support them to start investing. The platform could for example use tools such as e-learning modules and one-on-one mentorship to educate novice investors. This is valued by this target group and a platform can facilitate this in a scalable way making it accessible to anyone at any time. This enables investors to make more informed decisions and foster stronger connections with their investments. Now, there is too much information around, and they search for a more bundled overview of information with additional learning possibilities. For experienced investors, this is not that necessary anymore. However, when they look back, they struggled with understanding the investment world:

> "The main challenge was understanding the investment world. […]. It grew with time. First, you start learning how the investment world works, what types of entities are there, where they invest, and why. Then, you start deciding your investment horizon, risk appetite, and purpose. Once you decide on these three things, the rest is easy because there's so much content on the internet. However, arriving at the conclusion that these three things are important before you start is not easy. Many people don't understand this quickly, and they make mistakes. […]. Then, they maybe don't invest anymore, but when you don't invest anymore you create a failure for yourself and the system because the system lacks funding. Someone on the other side of the world is looking for funding, and you're sitting on your cash at home."

Novice investors believe that much of the investment process can be conducted online, supplemented by offline meetings. Seasoned investors place greater value on in-person interactions. Consequently, beginner investors value an online dashboard with portfolio insights, while more experienced investors tend to avoid platforms and prefer receiving this information during quarterly meetings.

Capabilities Case Company

Lastly, this study aimed to map the case company to find out how they can establish such a business model. The case company currently consists of five members, each dedicated to flexible work schedules. No one is full-time dedicated, but the capacity can be increased. Three of the five people are junior, which should be considered. The firm faces high in and outflow of employees because they often work with students from higher education. The company has a flat and flexible organizational structure. Current operations consist of making documents (business plans, financial plans, pitch decks) that investors need, meaning that this knowledge is already there. Additionally, supporting and coaching startups is already a service of the company, as well as getting funding. People in the company are very analytical, something that comes from market analyses and finding out specific startup needs. The company can translate this to good storytelling for various target audiences like governments and financiers. The company enjoys a strong reputation in the market, as demonstrated by customer referrals, indicating that relationship management is an area in which it thrives. The company has already established a partnership with a specialist in platform development.

The company currently lacks expertise in finance, particularly in investment strategies. Although there is someone with financial expertise besides the founder, their focus is not on investing. Currently, the company serves primarily as an intermediary, connecting with funding channels but missing in-depth knowledge of investment and startup financing. Additionally, while the company has a wide network of startups, it lacks a strong network of investors. The founder has access to a decent number of investors through business clubs, which is a good starting point. However, to draw in more seasoned lead investors, expanding the investor network is essential. Moreover, the company does not possess legal expertise internally. While another funding platform suggested this might not be crucial during normal operations the platform must comply with the regulations. Legal expertise could be vital in certain scenarios when it becomes more complex.

The founder of the company is primarily responsible for the crucial task of sensemaking. However, due to a busy schedule, these opportunities are often not seized. Therefore, someone else should take account of this. The entrepreneur typically employs a delegating leadership style, setting the framework for projects and allowing team members to proceed independently. This approach requires employees to be skilled and proactive, seeking assistance when necessary. Furthermore, the company encourages its employees to identify and develop business opportunities on their own. While the organizational culture is very open to new ideas, the obligation of responsibility remains with the employees, who are expected to fully develop these opportunities.

A funding platform as an extra business model can serve as a follow-up of the current products and services. However, in summary, there are several missing organizational components and potential challenges: 1) little experience since there are a lot of juniors, 2) high in and outflow of employees, 3) employees are already very busy, and 4) missing investment and legal knowledge and networks. Strong points consist of 1) relationship management, 2) analytical, writing, and storytelling, 3), room for initiatives of employees, 4) flat and flexible organization structure, 5) a strong network of startups, and 6) there is already a partner that can develop the platform.

5. DISCUSSION

The final chapter of this study, the discussion, will interpret the results and discuss them with the existing literature. This section will answer the main research question. Consequently, some recommendations for setting up an alternative finance platform will be made. This section also discusses the theoretical and practical contributions of this research. Lastly, some limitations of the study must be noted and avenues for future research are described.

5.1 SUMMARY OF RESULTS AND THE ANSWER TO THE RESEARCH QUESTION

This study gathered several insights into the complex entrepreneurial ecosystem. The study first identified that early-stage startups need financial leverage, social capital, and strategic mentorship ability for their survival goal, due to the high failure rate among startups. Founders prefer "smart capital" for product development, to enter new markets, and expand their operations. On the other side, the results presented the needs of investors that have several investment decision-making criteria to assure potential returns, including the founding team, a product-market fit, and market scalability. Investors' needs often depend on the type of investor, with strategic investor communication from startups being necessary yet challenging. The entrepreneur-investor relationship is further marked by interpersonal trust and a benevolent vision for the startup's direction. Effective communication, deal negotiations, and the ability to resolve conflicts are vital in a successful partnership. These results set the stage for a potential funding platform and partly answer the main research question, which is: *how can a platform be designed to align the evolving needs of startups and (co-)investors while incorporating dynamic and leadership capabilities?* The platform should acknowledge both the needs of investors and startups, as well as the factors affecting their relationship.

Funding platforms emerge as a solution for this relationship due to their scalable and instantly accessible characteristics to simplify and streamline the investment process. New technologies on such platforms make it possible to automate evaluations and matchmaking to connect startups with the right investors efficiently and can educate entrepreneurs and novice investors in their journey. Platforms provide a centralized hub for information and communication, enabling informed decision-making and fostering stronger relationships between investors and startups. Platforms can aggregate stakeholders, reducing burdens for both parties. Creating a successful funding platform requires a clear focus, a unique value proposition, and the right legal structure to facilitate investments. Furthermore, smooth communication, user engagement, and a proper pre-selection of projects are essential to attract users. Early-stage startups and inexperienced investors value information and support from the platform in the funding process. Both online and offline interactions must be facilitated for community building and to create confidence. To sense and seize opportunities, organizations that intend to change to certain business models must possess ambidexterity. To get the platform running, building sufficient investment, entrepreneurial, and IT knowledge is essential. For effective change, employing transformative and transactional leadership will be necessary.

5.2 INTERPRETATIONS OF RESULTS

This study found that startups need financial resources, social capital, and mentorship from investors in their early stages. These findings partly agree with those of Bauer et al. (2023). They already found that startups need scouting (networking) and coaching. Furthermore, they found that startups need survival from investors. However, this study found that survival is not a need, but the overarching aim of the startup, agreeing with Cusumano (2013). A startup must not even need investors to be able to survive, which is in line with the bootstrapping theory (Bhide, 1992). Furthermore, bootstrapping and aim for survival can be explained further by the fact that startups should receive as little as investment possible, and want to work with as less as possible different investors. By doing this, entrepreneurs want to focus only on their enterprise and are willing to give away a realistic amount of equity. Thus, those early-stage founders want to be rich, and not king, in the model of Wasserman (2008).

The mentoring role of investors is found to be tailored to the specific needs of a particular startup, which is in line with Nicholls-Nixon & Maxheimer (2022). Marketing assistance did not emerge as a significant priority among the entrepreneurs in this study, even when marketing mix planning and customer orientation is found to positively influence survival (Woehler & Ernst, 2023). Founders may think that they can handle marketing activities themselves, but previous research found that entrepreneurs sometimes give too much information about this topic. Therefore, this might be a lack of awareness. Additionally, support for global trends, such as digitalization and sustainability, is not found to be needed, while advice on AI is found to be useful. Digitalization and sustainability are often already the main business models, especially in the case of startups. AI is seen as a tool to scale and automate business operations, explaining why support for this trend is needed. Entrepreneurs could use support to use such tools to make operations easier, which is also outlined by (Edison et al., 2015). Furthermore, this study did not find that startups need autonomy and cost acceptance, which is in contrast with Bauer et al. (2023). However, this could be explained by the fact that this study focused on early-stage startups and the need for autonomy becomes more paramount in later stages, also in line with (Wasserman, 2008). That founders need to make autonomy trade-offs is for sure, but for early-stage startups, this is not a big deal when attracting a trusted investor, with the same vision, and against a realistic stake. In later stages, this acceptance to give up equity becomes lower since the business is more established and has survived (Bauer et al., 2023).

This study found that the founder(s) of a startup is most essential to investors, agreeing with Bernstein et al. (2017). The capabilities of the entrepreneur for executing the plan raise the success chance, especially in the early stages where a lot is uncertain. Therefore, founders must be flexible, adaptable, and able to experiment. Additionally, a capable founder team raises the attraction of external parties credibly indicating the quality of the idea. This finding contradicts Zacharakis and Meyer (1998), who found that entrepreneur characteristics are not that important and value the market more critically. However, Molnar and Jaki (2021) built on this by finding evidence that the management team is the highest-valued characteristic in the pre-seed phase, explaining the finding of this study.

The results suggest that inexperienced investors tend to be less involved in the investment than more experienced investors. While this is partly due to the investment amount, it could be explained further. Schwienbacher (2013) differ the role of generalists and specialists in entrepreneurial investors. Novice investors are willing to invest more generally and not only in startups (generalists, while experienced investors are specialized in investing in starting ventures (specialists). This also explains the difference in investment criteria between experienced (founder most important) and novice (look broader) investors, which is also found by Bernstein et al. (2017). Ventures funded by generalists show a higher survival rate due to more continued funding, even in the case of low profitability. Therefore, inexperienced investors, as generalists, seem to fit early-stage startups due to their overarching need for survival. Ventures funded by specialists face higher risks due to their intense scrutiny and higher performance standards. However, they also offer greater growth potential, benefitting from specialized investor expertise that guides strategic direction and enhances growth prospects. Thus, specialized investors are also identified as properly for startups, due to their need for “smart capital” (Schwienbacher, 2013).

The process of information-sharing and communication in the entrepreneur-investor relationship is a requirement for proper cooperation. However, this process is often going wrong, leading to moral hazard, and information asymmetry conflicts. Minola & Giorgino (2008) and Pinch & Sunley (2009) also found these tensions in the relationship are often created by wrong expectations and changing behaviour. There are several causes for this information asymmetry. Firstly, investors may not fully understand new industries, making it hard to predict returns. Entrepreneurs might also try to make their businesses look better to attract investment. People's limited ability to make decisions and the high cost of getting information make things more complicated. Plus, as data becomes more valuable, those who have it might not share it easily, making the gap even bigger. Several solutions are available to tackle the issue of information asymmetry. One approach is to utilize intermediaries to verify and refine the information, enhance reliability, and continuously evaluate the performance. The funding platform can be this intermediary. Moreover, contractual agreements support lowering information asymmetry by giving termination possibilities and clear responsibilities (Du et al., 2020).

Besides tensions and conflicts that potentially lead to resolution and success, trust, vision and, ultimately, deal-making are found to be the influential factors in the entrepreneur-investor relationship. The findings of this study are in line with those of Kaiser & Berger (2021), who already found the critical factor of trust in shaping these relationships. They describe that trust influences the outcome of a relationship. They also describe the role of investors’ antecedents, such as characteristics, experience, and values. Antecedents focused on entrepreneurs include expertise, existing investor relationships, reputation, and values. Relationship antecedents include partner fit (background), communication, interaction, fairness (realism), and commitment. Trust is influenced by the perception that a party genuinely cares about the well-being and success of the other, by the ability of each competence and expertise, and by the consistency and honesty of each other's actions. When all those elements are met, the outcomes exist of quality cooperation, the right partner choice, and learning. This study contributes to this by finding that when entrepreneurs and investors both have the abilities that give confidence and have a benevolent vision, the relationship can be a life-changing opportunity in the model of Ţurcan (2008). Fernandez (2021) builds on this by finding evidence that social trust positively affects the funding of startups. Social trust refers to the belief and confidence that individuals have in others within their society, enabling cooperation, communication, and adherence to societal norms. Where traditional solutions like investor monitoring and contractual rights may fall short in addressing these issues, social trust mitigates information asymmetries in the entrepreneur-investor relationship by making social ties and obligations. Countries with higher levels of social trust, such as the Netherlands, show greater successful funding for early-stage startups.

This study identified an alternative finance platform as a solution for the entrepreneur-investor relationship. The platform is found to have the ability to serve as an efficient, scalable intermediary that enhances the entrepreneurial ecosystem. Platforms are highlighted as not just facilitators of financial transactions but as ecosystem builders that provide strategic mentorship, matching investment opportunities, and educational resources. (Aggarwal et al., 2021; Auti et al., 2023). Cai (2020) and Estrin et al. (2018) already found the role of platforms in reducing information asymmetries and due diligence burdens through pre-selection processes, thereby streamlining the investment process. The study further aligns with the literature that platforms can democratize access to inclusive funding by lowering barriers to entry for both entrepreneurs and investors (Zhang et al., 2015; Obiora & Csordás, 2017). However, while the literature posits that platforms often prioritize entrepreneurs' preferences over those of investors (Gedda et al., 2016), this study suggests that both parties must be equally represented.

Changing to another business model requires certain dynamic capabilities and management styles for effective and efficient transformation. In line with multiple scholars (O'Reilly & Tushman, 2008), this study found that ambidexterity is a fundamental factor in organizational innovation. Organizations need to develop capabilities for exploring opportunities, involving strategic discussions, competitive intelligence, and technological tracking. Additionally, the organization must have the right balance between centralization and decentralization to encourage feedback and an open culture. The ability to seize opportunities involves crafting a vision and strategy, aligning organizational structures, assembling assets, building knowledge, and making timely decisions on resource allocation.

The last part, transformation or reconfiguring, involves the realignment of the identity, which is in line with O'Reilly & Tushman (2008). Some scholars argue that organizations cannot explore and exploit at the same time, which will result in trade-offs between efficiency and innovation. However, ambidexterity challenges these assumptions by suggesting that, under certain conditions, organizations can pursue both. It requires a shift in mindset and strategic approach. Buliga et al. (2016) discuss two approaches to ambidexterity: structural and contextual ambidexterity. Structural ambidexterity involves managing different activities at different times or separating teams, which is especially effective in business model innovation. Contextual ambidexterity is more complex and integrates exploration and exploitation seamlessly, requiring support from the culture, members, vision, and values. Furthermore, Binci et al. (2020) found that ambiguity is challenging because of the conflicts and uncertainties created by knowledge transfer. Fostering dialogue, feedback, and collaboration are solutions for this ambiguity challenge, which is in line with this study.

Leaders play a crucial role in change, firstly by fostering ambidexterity through providing strategic direction, aligning resources, resolving conflicts, and promoting an innovative and adaptive culture. Transformational leadership is an efficient style to change, as also highlighted by Montreuil (2024), essential for setting a clear vision, inspiring employees, and empowering them to embrace change. Transactional leadership is instrumental in implementing change effectively by providing structure, direction, and rewards for achieving specific goals, which is in line with Mouazen et. Al. (2024). Binci et al. (2020) build on this by adding an explorative identity as another cultural variable for effective change and resistance management. Organizations need more than formal structures or a charismatic leader, the culture must exist in a supportive context and involve employees in decision-making between exploiting and exploring. The culture must foster proactive behaviour, self-criticism, and cooperation (Uhl-Bien & Arena, 2018).

5.3 RECOMMENDATIONS

A part of this study is to give recommendations to the case company. These recommendations include how a platform could be designed to facilitate the entrepreneur-investor relationship and the needs of all parties. Furthermore, it will be advised how the company can change to this new business model, using Kotter's model of change management.

Firstly, entrepreneurs and (inexperienced) investors have a demand for an information platform about getting and providing capital. Startups often face difficulty in deciding what to offer to potential investors, in finding those investors, and in attracting them. Novice investors struggle with understanding the investment world and finding the best startups. Both parties currently experience the issue of finding the right information, such as a proper investment structure. The internet contains too much information making it unclear which is the right information. Additionally, both stakeholders value free funding contracts as examples. The platform can generate leads by giving this kind of free information against some information of the investor or entrepreneur. The entrepreneur and/or the investor can also use such information and contracts as a step-up. For example, the entrepreneur first uses a template contract to attract some funding from friends, family, and fools (FFF). Later, the startup comes back to the platform and gets another round of funding.

For investors, this information platform must get those people started in the investment world. Initially, it is recommended to provide – besides the free information – e-learning models on the platform to these novice investors. The platform could ask a fee for this, and these novice investors can afterwards directly start investing in startups. For example, novice investors need to learn that they must decide on three things: 1) the investment horizon, 2) the investment purpose, and 3) the risk appetite. Furthermore, they need to try to judge on facts rather than feelings. They must also learn how to diversify their portfolio. The platform should teach them to invest also in other investment opportunities, such as ETFs or crypto, to mitigate risks and maximize returns. Such information can be learned via the e-learning models with potential solutions, e.g., use a cohort analysis for evaluation. It is recommended to use a platform for this purpose because it can offer quick information to a broad number of users.

Secondly, this new business model should focus on inexperienced investors in particular. Besides the need for support in getting started with investing, this group tend to be less involved in the startup. Depending on the investment amount, novice investors are generalists and do not want to invest only in startups and therefore lack the time, resources, and desire to support entrepreneurs. However, startups also benefit from investors as specialists since they increase their growth potential by providing mentoring and networking access. Therefore, it is advised that The Orange Mill takes the role of the specialist and works with those inexperienced investors behind them as generalists. Startups then receive the benefits from both roles. However, it will be essential that the platform at least has some experienced lead investors. They are critical in educating novice investors and attracting other investors, essential in getting critical mass.

There is still a need for more financing options for small businesses in the Netherlands. Now, these businesses often get funding via FFFs. However, a fund supporting this group is still beneficial, also to facilitate the transition from FFFs to business angels or other suitable financiers. Therefore, it is recommended to establish this funding platform to fill this gap. Furthermore, it is recommended to create a side focus on women entrepreneurs. This is found to be a current gap in the market in the Netherlands. The case company already has a big network in this market, because of their ambassadorship of the Young Lady Business Academy.

The funding platform should match investors and entrepreneurs. It is advised that the platform does not actually facilitate the investment, since this will require an ECSP licence, which is a hard and expensive licence to get. Therefore, the platform must match both parties and offer contracts and intermediation to close the deal directly between both parties. This means that investors on the platform can read all needed information about the founder, the idea, the product-market fit, the market, and the financials. On the other hand, entrepreneurs must be able to read information about the investor. An idea that the platform can work out is a review system of both parties so that entrepreneurs can read some information from other entrepreneurs about that particular investor, and the other way around for investors. The platform should use AI software to automate this matchmaking process and to evaluate startups more efficiently. This can be done by connecting those with the same expertise, those in the same market, and those with the same vision, or purposes. Platforms that do not use this technology will have a competitive disadvantage in two years. This technology can also be used to automate contracts in the future. It can for example be used for investors that integrate environmental, social, and governance (ESG) criteria into the evaluation process. These criteria are increasingly used by investors and AI can enable an automatic match between sustainable startups with this type of investors (Escrig-Olmedo et al., 2017). The result of a potential match must be communicated in a personal way, to create trust among all parties. After the investment, the case company will represent the investors and support the startup. In return, it gets a management fee or a stake in the startup. The platform must facilitate the possibility for information sharing and involvement after the investment. By doing this, entrepreneurs can keep their investors posted and investors can support entrepreneurs.

The case company already has a partner that is specialized in setting up platforms. This partner should be responsible for the technical back end and the data security. Data and cyber security are nowadays critical in platform development. Small businesses can improve their cyber-security by using their quick adaptability to respond to threats and by focusing on training in key skills for handling cyber incidents. By joining forces in cyber-security alliances, small firms can benefit from shared knowledge and resources. Implementing a zero-trust approach ensures that all access requests are checked carefully. Additionally, choosing open-source cyber-security tools provides affordable and adaptable options for protecting the operations of small businesses (Tam et al., 2021).

Moreover, the company should establish an investment fund among the AFM-light regulations. This is found to be relatively easy in the Netherlands. It requires that investors invest at least 100.000 euros pro person, or that the fund be offered to a maximum of 150 people. The case company should make a pool of a maximum of 150 people and establish this fund. Note that offering this on the platform is automatically more than 150 people. The fund may not be bigger than 100 million euros[1]. Therefore, it is recommended that a project manager personally contacts potential investors and establish a protected and closed part on the platform for this. This could also be an easily private group on WhatsApp. The case company then invest with the fund in multiple startups on behalf of the investors.

Thus, it is recommended that the case company establish an information platform, facilitate direct investments from investors in startups, and create a fund under AFM-light regulations. In this case, the case company is the coach of the startup and represents the investors. The case company can also dig into the network of all the investors, offering multiple benefits. This can be done mostly online. However, some offline meetings will be recommended since it fosters confidence and networking. Two meetings per year are recommended to tighten the networks. Moreover, it is advised that entrepreneurs will introduce themselves before an investment round to create trust. This can also be done via online meetings.

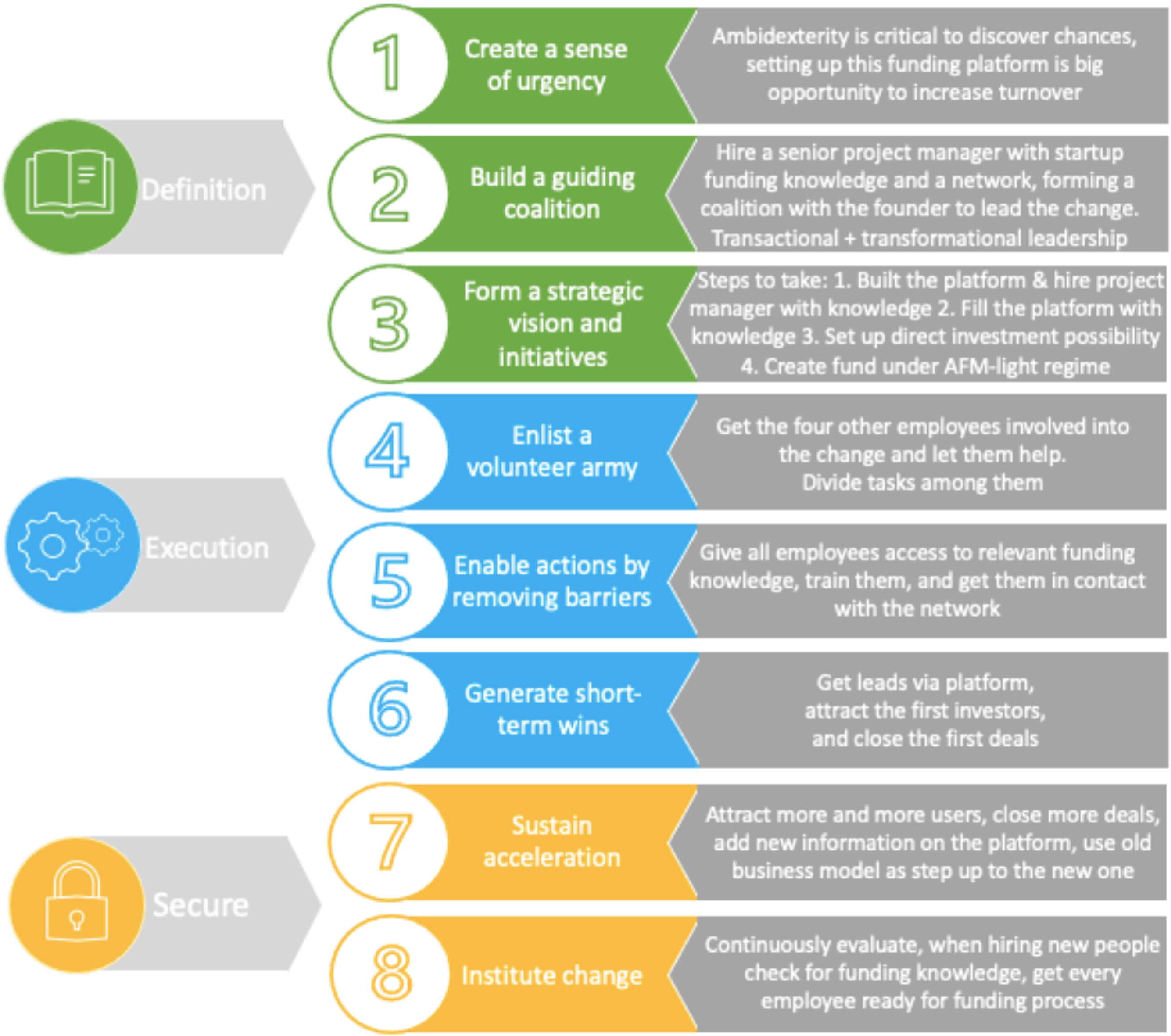
Changing to this certain business model requires critical steps, building the right knowledge, and having the right leadership style. In Figure 7 the critical steps for the case company are outlined for this business model innovation, according to Kotter's change model. While the business already has expertise and networks on startups, investor knowledge is still lacking. The founder is currently too busy to seize the opportunity. Therefore, a project manager must be hired to lead the change to a funding platform business model. Critical is that this project manager is senior to seize the opportunity and to build the dynamic capabilities to achieve ambidexterity and realign the identity (O'Reilly & Tushman, 2008; Uhl-Bien & Arena, 2018). Ambidexterity and dynamic capabilities are crucial for the platform's future, as it must continuously integrate new features and technologies to stay competitive and maintain its relevance. The platform team must sense these opportunities and decide to implement them.

Furthermore, the founder now uses a delegative leadership style by setting the stage and giving the employee the autonomy to carry it out and take initiative. Therefore, the leader already scores well in the transactional leadership style because it gives clear expectations, incentives, and evaluations. The leader can motivate people by giving them a lot of responsibilities, promoting initiative-taking, cooperation, self-criticism, and a culture that allows for alternative and novel ideas, beneficial for change (Uhl-Bien & Arena, 2018). However, supporting employees is now a process that needs more attention, and the leader should consider acting on this. The new project manager could also take this role and account for the transformational leadership style. Thus, this person is critical in developing this new business model and must have startup funding

[1] No (legal) rights can be derived from this.

knowledge, a network of investors, and a transformational leadership style.

Figure 7: Kotter's change model for the case company.



5.4 THEORETICAL IMPLICATIONS

This study offers several contributions to the literature on entrepreneurial finance, the startup ecosystem, and platform development. This study had three perspectives: 1. The entrepreneur perspective, 2. The investor perspective, and 3. The relationship perspective. This approach is rare in research and leads to a complete picture of the investor-entrepreneur relationship (Kaiser & Berger, 2021).

Firstly, this study builds on the study of Bauer et al. (2023) by further identifying the monetary and non-monetary needs of startups. By identifying the needs of startups in their early stages, namely financial resources, social capital, and mentoring, this study found new insights into the needs of this group. Furthermore, this study addressed the literature gap of the unknown need of startups on global trends, by finding that entrepreneurs do not need support on these elements since they are often the main business model. On the contrary, when a global trend can be used as a tool to support business operations, such as AI, startups do need support. Additionally, this research added to the literature by identifying the needs across the lifecycle of Passaro et al. (2016). The needs of investors are divided into investment criteria & strategy, information & communication, and co-investor needs. By doing this, the study offers a comprehensive overview of the needs of both parties, which was needed according to Bauer et al. (2023), Giudici et al. (2020), and Wang & Schøtt (2022). Where academics, such as Bauer et al. (2023), Kaiser & Berger (2021), and Berre & Le Pendeven (2023), introduced most of these needs already, this study added depth by specifying the needs.

Secondly, this study identified four major influencing factors on the relationship between entrepreneurs and investors. Therefore, the study contributes to a more complete understanding of this relationship, building on several scholars (e.g., Kaiser & Berger, 2021; Minola & Giorgino, 2008; Svetek, 2022; Tarillon et al., 2023) that all found individual influencing factors in the relationship. More specifically, this study discussed trust between the early-stage startup and investor and builds on Kaiser & Berger by finding evidence that this factor is the most critical one in shaping these partnerships.

Lastly, by providing an alternative funding platform as a solution to foster the relationship, this study made theoretical contributions to funding platform development. By finding evidence that the pre-selection of projects, a clear and distinctive value proposition, and are critical, this study agrees and builds on Aggarwal et al. (2021), Auti et al. (2023), and Trabucchi et al. (2023). Furthermore, this study found that ambidexterity is crucial for sensing opportunities, that the identity must be realigned, and that transactional and transformational leadership is highly recommended in innovating to a funding platform business model.

5.5 PRACTICAL IMPLICATIONS

This study also has multiple very practical implications. Firstly, by providing all needs and influential factors on the entrepreneur-investor relationship, this study potentially can enhance the relationship and alignment between investors and entrepreneurs. Stakeholders can now have clearer mutual expectations of each other. Entrepreneurs should now understand what investors want, and the other way around. Ultimately, understanding these elements could lead to more successful startup investments and increasing innovation.

Secondly, the solution to foster the entrepreneur-investor relationship is another practical contribution. When the case company sets up this solution, as recommended by the author, more funding will likely be provided to startups and small businesses. By getting this finance from novice investors, the economy will in the end benefit from this extra capital in the market. Moreover, more startups will be able to attract funding, leading to more chances to establish “unicorns”. By having a third party, The Orange Mill, as an intermediary, this solution maximizes the chance for success of the startup and, thus, also for the investor. Startups and novice investor will receive support in their process. By focusing on these novice entrepreneurs, small businesses, and women entrepreneurs, this solution will address market issues in the Netherlands.

Lastly, by incorporating business model innovation, dynamic capabilities, and leadership, this research recommends to the case company how it can change to this new innovated business model. The study very practically recommended that a project manager with relevant expertise, connections, and a transformational leadership style is needed to lead this project. Additionally, it recommended how it can attract leads and close deals in the Netherlands.

5.6 LIMITATIONS AND FUTURE RESEARCH

This study has certain limitations which are critical to note. Firstly, this study had a qualitative approach, meaning that the participants of the study had influence on the gathered data. Furthermore, this data is interpreted, resulting in possible subjective findings. Some participants might benefit from influencing the data since they could face (dis)advantages from the funding platform. However, this limitation is minimized by also having multiple academics and other independent individuals as participants in the study.

Additionally, this study had a platform in mind as a solution from the beginning. This platform was part of the original research idea and led to this study. However, there might be more possible solutions that can facilitate and enhance the entrepreneur-investor relationship. These possibilities have not been investigated yet, and future research can focus on this. This proposed platform takes into account the potential resources of the case company. For example, the ECSP-license is not feasible in a realistic term.

Thirdly, this study acknowledges the rapid advancements in financial technologies, especially the emergence of Decentralized Finance (DeFi), as a potential limitation to the proposed funding platform model. DeFi platforms leverage blockchain technologies, enable peer-to-peer financial transactions without traditional intermediaries, promising more efficiency, lower costs, and increased accessibility to financial services

(Schueffel, 2021). This rise of DeFi questions the future proofness of the proposed platform. However, while the proposed platform has an intermediary nature, it also introduces elements of decentralization by enabling direct connection between investors and entrepreneurs. Furthermore, it is recommended to make use of technology for automated evaluation and matchmaking. The platform takes a more centralized role in addressing specific challenges, such as information asymmetries, moral hazard, and the need for building trust and effective communication, especially in the context of early-stage startups. This might be areas where the current DeFi does not provide comprehensive solutions due to its focus on algorithmic trust and the automation of financial transactions. Therefore, the proposed platform must be as decentralized as possible and more centralized in addressing the issues between investors and entrepreneurs.

To ensure the proposed platform remains relevant and competitive in the face of these technological advancements, future research should explore integrating DeFi, blockchain technologies, and AI to enhance the platform's capabilities. This further underline that the platform's team must have dynamic capabilities and ambidexterity. The platform must continuously add new features, in which the platform's project manager must sense potential opportunities and decide to seize the opportunity or not. For example, while it is recommended that the platform starts with offering information and templates of funding contracts, future research can focus on using more technologies to automate all contracts to secure investment agreements.

Furthermore, this study found that alternative finance must be professionalized in the Netherlands. The given solution is to cooperate within the chain, by referring to other parties, ensuring that a fellow financier can help, and financing together. There could be more opportunities to professionalize this sector in the Netherlands, leading to potential future research avenues. Additionally, the underlying reasons why this is needed are still lacking. Furthermore, one finding is that Islamic funds are still unavailable in the Netherlands. The author did not include this in the recommendations of this study, but future research can investigate this phenomenon further. It might be that entrepreneurs with different backgrounds (such as gender, age, nationality, or religion) differ in needs.

Moreover, this study adopted a qualitative multi-method approach. The observations are not described, making it a limitation of this study. The results of this study cannot be generalized to the broader audience. Future research can adopt a quantitative approach to validate the results and to generalize them. Other future research avenues are investigating the direct consequences of relationships that offer more incentives than just financial capital, both positively and negatively.

Lastly, future research can take a longitudinal approach and collect data over a longer period. By doing this, research can investigate how the matchmaking works overtime, how the needs and demands evolve, and monitor the platform. This will give additional insights into the entrepreneur-investor relationship and funding platform design.

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APPENDICES

APPENDIX A: INTERVIEW GUIDELINES

1.0 Startups

- Opening the Interview
  - Thank you for agreeing to participate in this interview. I'm Koen Smit, researching early-stage startups' evolving needs and their interactions with investors. May I record this interview?
  - Let's begin with something light. Could you share a bit about yourself and what led you to start your own business?
- General Questions
  - Please describe your startup, its mission, and the stage you're currently in.
  - What were the major hurdles you encountered in the initial phase of your startup?
  - What drove you to look for external investors? What were your primary considerations?
- Specific Topics Related to Startups' Needs
  - Can you describe the financial needs of your startup at the early stage?
  - Besides funding, what non-monetary support do you seek from investors? (e.g., mentorship, industry connections, strategic advice).
  - How do these needs evolve as your startup grows? From ideation phase to validate, startup, and growth phase.
  - Introduce five needs of startups (Bauer et al., 2023). Do some needs overshadow the other's?
  - Can you share any experiences you've had with investors so far?
  - What were your key takeaways from these interactions?
- Matchmaking with Investors
  - Describe your ideal investor. What attributes make them the right fit for your startup?
  - What obstacles have you faced in identifying and engaging with suitable investors?
  - Beyond financial contributions, what are your expectations from an investor?
  - Which other factors influence the relationship with investors (trust, etc.) according to you?
- Future Outlook and Platform
  - What are your views on using digital investment platforms? What would be your primary reasons to use such platforms?
  - Are there specific features you find particularly useful or lacking?
  - In your opinion, how could these investment platforms be improved to better serve startups like yours?
  - What kind of support and outcomes would you expect from it?
  - What advice would you give to other startups entering the investment phase, based on your experiences?
- Closing the Interview
  - Is there anything else you would like to share that we haven't discussed?
  - Do you want to come back to something?
  - Thank you for sharing your valuable insights.

2.0 Experienced investors

- Opening the Interview
  - Thank you for agreeing to participate in this interview. My name is Koen Smit, and I am conducting research to understand the different perspectives of investors in early-stage startups. Your insights are extremely valuable to this study. May I record this interview?
  - To begin, could you tell me a little about your background and your journey into startup investing?
- General Questions
  - What initially attracted you to invest in startups?
  - How do you perceive the risks associated with investing in early-stage startups?
  - How does the approach of inexperienced investors differ from that of experienced ones in startup investments?
  - IF experienced: how has your investment strategy evolved with experience? What key lessons have you learned?
- Specific Topics Related to Investment Strategy
  - What criteria do you consider when evaluating a startup for investment?
  - Are there particular sectors or types of startups you prefer to invest in? Why?

- Could you describe your process for evaluating and selecting startups to invest in?
- Challenges and Learning Curve
  - What are some challenges you face as an investor in startups?
  - IF experienced: what advice would you give to someone just starting in startup investing?
- Relationship with Startups
  - How do you view your role as an investor in relation to the startups you invest in? How involved do you prefer to be?
  - What factors contribute to a successful investor-startup relationship?
  - Are there any other factors that impact the investor-startup relationship?
  - How do you assess and respond to the evolving needs of startups you invest in?
  - What are your needs of startups in the funding process? (Information, etc.)
  - Do your needs evolve over time?
- Co-investors
  - Do you invest with co-investors?
  - How and why do you select co-investors?
  - Does this change over time?
  - What do you need from co-investors? Advice, capital, network.etc.?
- Perspectives on Investment Platforms
  - Have you used investment platforms for startup investing?
  - What has been your experience?
  - What features do you find most valuable in an investment platform?
  - Are there any features you think are missing or underdeveloped?
  - How could these platforms be improved to better serve investors like yourself?
  - What are your expectations from such platforms?
- Closing the Interview
  - Is there anything else you think is important that we haven't discussed?
  - Do you want to come back to something?
  - Thank you for your insights and time.

3.0 Inexperienced investors

- Opening the Interview
  - Thank you for agreeing to participate in this interview. My name is Koen Smit, and I am conducting research to understand the different perspectives of investors in early-stage startups. Your insights are extremely valuable to this study. May I record this interview?
  - To begin, could you tell me a little about your background and your willingness to invest?
- General Questions
  - What initially attracted you to start investing?
  - How does investing in startups attracts you?
  - How do you perceive the risks associated with investing in early-stage startups?
  - How do you think you would develop yourself over the years when investing?
- Suppose now sometimes that you start with investing in startups:
- Specific Topics Related to Investment Strategy
  - What criteria would you consider when evaluating a startup for investment?
  - Are there particular sectors or types of startups you prefer if you invest? Why?
  - What process will you create when evaluating and selecting startups? So, what information will you value, where will you find it, what is most important, etc.
  - Which challenges do you think arise for an investor in startups?
- Relationship with Startups
  - What role will you prefer as an investor in the relation to the startups you invest in? How involved do you prefer to be?
  - What other factors do you think contribute to a successful investor-startup relationship?
  - How would do you assess and respond to the evolving needs of startups you invest in?
  - What will be your needs of startups in the funding process? (Information, etc.)
  - Will your needs evolve over time?
- Co-investors
  - How do you think about investing with co-investors?
  - How and why will you select co-investors?
  - Will this change over time?

- What do you think you will need from co-investors? Advice, capital, network, etc.?
- Perspectives on Investment Platforms
  - Have you used investment platforms for investing? If yes, what has been your experience?
  - What features do you find most valuable in an investment platform when you would use it?
  - How could these platforms be improved to better serve people like you?
  - What are your expectations from such platforms?
- Closing the Interview
  - Is there anything else you think is important that we haven't discussed?
  - Do you want to come back to something?
  - Thank you for your insights and time.

4.0 Academics

Academic in the entrepreneurial ecosystem

- Opening the Interview
  - Thank you for participating in this interview. My name is Koen Smit, and I'm researching the relationships between early-stage startups and investors. Your academic perspective is crucial to our study. May I record this interview?
  - Could you please share a bit about your academic background and your area of expertise?
- General Questions
  - What sparked your interest in the startup ecosystem?
  - How have you observed the startup ecosystem evolve over the years in your academic work?
- Research and Theoretical Insights
  - What are some findings or experience from your research that shed light on startup-investor relationships?
  - Are there theoretical frameworks that you find relevant in this research domain?
  - Are there gaps in the current academic research regarding startups and investors?
- Startup-Investor Relationship Dynamics
  - From an academic standpoint, what factors contribute to a successful relationship between startups and investors?
  - What challenges do startups and investors typically face in their relationships, and how can these be addressed?
  - What do you think startups need from investors and the other way around? Does this evolve?
- Perspectives on Investment Platforms and Technologies
  - How do you think emerging technologies are influencing the startup investment landscape?
  - What is your academic opinion on the rise of investment platforms?
  - How do they impact the startup ecosystem?
  - Are there future trends you foresee in startup financing and investor engagement?
- Closing the Interview
  - Is there anything else you would like to add that we haven't covered?
  - Do you want to come back to something?
  - Thank you for sharing your valuable insights.

Academic on a funding platform / crowdfunding

- **Welcome and Introduction:**
  - Thank you for participating in this interview. My name is Koen Smit, and I'm researching the relationships between early-stage startups and investors. Your academic perspective is crucial to our study. May I record this interview?
- **Academic Background:**
  - Could you please share a bit about your academic background and your area of expertise in the context of crowdfunding and funding platforms?
  - What initially sparked your interest in this field of study?
  - Evolution and Dynamics of Crowdfunding
  - How have you observed the evolution of crowdfunding and funding platforms over the years?
  - What are the key factors that influence the success of a crowdfunding campaign?

- **Research Focus and Findings:**
  - Can you discuss your primary research focus within the crowdfunding domain?
  - What are some findings or trends you have observed through your research?
- **Challenges and Opportunities:**
  - What challenges do startups or borrowers and investors face in the crowdfunding ecosystem?
  - How do you perceive the role of digital technologies in transforming crowdfunding practices?
- **Future Directions and Potential Research Areas:**
  - Where do you see the field of crowdfunding / funding platforms heading in the next few years?
  - Are there any emerging trends or potential research areas that you find particularly exciting or important?
- **Practical Implications and Strategies:**
  - What strategies would you recommend for those looking to launch a successful funding/crowdfunding campaign?
  - What advice do you have for investors considering crowdfunding or other funding platform opportunities?
- **Policy and Regulatory Considerations:**
  - How do policy and regulatory frameworks impact funding platforms and campaigns?
  - Are there any specific changes or developments you anticipate in regulations?
- **Closing the interview:**
  - Is there anything else you would like to add that we haven't covered?
  - Do you want to come back to something?
  - Thank you for sharing your valuable insights.

Academic organizational change/capabilities

- **Welcome and Introduction:**
  - Thank you for participating in this interview. My name is Koen Smit, and I'm researching the relationships between early-stage startups and investors. Your academic perspective is crucial to our study. May I record this interview?

Academic Background:

- Could you please share a bit about your academic background and your area of expertise in the context of organizational change and capabilities?
- What initially sparked your interest in this field of study?

Fundamentals of Organizational Change

- From a theoretical perspective, what are the key principles of organizational change that any company should consider?
- What are the biggest challenges in changes within organizations?

Strategy and Vision in Organizational Change

- How important is strategic alignment and vision in the success of a business model transition?
- What steps should a company take to ensure its strategy is aligned with a new business model, particularly in a digital or platform-based context?

Organizational Structure and Leadership

- What are the implications of a significant business model shift on organizational structure and leadership roles?
- How can leadership effectively facilitate and support this transition?
- Can you learn another leadership style?

Cultural Adaptation and Employee Engagement

- How does a change in business model impact organizational culture and employee behavior?
- What strategies should be employed to manage cultural shifts and maintain employee engagement during this transition?

Client and Stakeholder Management

- What are the best practices for managing client and stakeholder relationships during a significant shift in business operations?
- How can a company like The Orange Mill maintain service quality and client trust while transitioning to a funding platform?

Risk Assessment and Mitigation

- In the context of shifting to a funding platform model, what are the key risks that a consultancy firm should anticipate?
- How can these risks be effectively mitigated, and what role does contingency planning play in this process?

Specifics of Transitioning to a Funding Platform

- Considering The Orange Mill's specific case, what would be the critical areas of focus when transitioning from consultancy to a funding platform model?
- How should The Orange Mill prepare and adapt its operations, given the nuances of this new business model?

Measuring Success and Iterative Improvement

- Once the transition is underway, how should The Orange Mill measure the success and efficacy of its new business model?
- What approaches should be taken for continuous improvement and adaptation based on performance metrics and feedback?

Closing the Interview

- Is there anything else you would like to add that we haven't covered?
- Do you want to come back to something?
- Thank you for sharing your valuable insights.

5.0 The Orange Mill

- Opening the Interview
  - Thank you for participating in this interview. May I record this interview?
  - Could you share about your role at The Orange Mill and your experience in the startup ecosystem?
- General Questions
  - Please describe The Orange Mill's primary mission and its role in supporting startups.
  - In your role, how do you interact with startups and investors?
  - What have you observed in these interactions?
  - From your perspective, what are the key dynamics in the startup-investor ecosystem today?
- Specific Insights from The Orange Mill
  - What strategies does The Orange Mill use to support startups in securing investments?
  - What are the common challenges that startups face, particularly in finding investors? And the other way around?
  - How does The Orange Mill facilitate relationships between startups and investors?
- Role and Impact of The Orange Mill
  - How does The Orange Mill add value to the startup ecosystem?
  - What are the long-term goals of The Orange Mill in the context of supporting startups and shaping investor relationships?
  - What kind of feedback have you received from startups and investors regarding the services provided by The Orange Mill?

- Perspectives on Funding Platforms and Innovation
  - What is your opinion on the use of funding platforms by startups?
  - What do you think is the most important in such a platform?
- Organizational Capabilities and Challenges
  - What are the most important capabilities the organization have now?
  - What internal challenges does The Orange Mill face, and how are they being addressed?
  - How is the leadership in the company?
  - What capabilities are missing according to you to design a funding platform and to change to this business model?
  - How is the organizational culture? Is it open, flat, or really hierarchical?
- Closing the Interview
  - Is there anything else you think is important for us to know or that we haven't discussed yet?
  - Do you want to come back to something?
  - Thank you for your time and insights.

6.0 Funding platforms

- Opening the Interview
  - Thank you for agreeing to participate in this interview. I'm Koen Smit, and I'm researching the impact of funding platforms on early-stage startups and investors. Your insights will be highly valuable to this study. May I record this interview?
  - Please tell me about your role in the funding platform and your experience in the startup financing sector.
- General Questions

- Can you describe the main objectives and services of your funding platform?
- What role do you believe your platform plays in the broader startup-investor ecosystem?
- Do startups have more needs than just capital according to you? If yes, which needs are these? Do one overshadows the other?
- What are the needs of investors?
- Do you experience difference between an early-stage startup or a later stage?
- How has your platform evolved to meet the needs of startups and investors?

- Specific Insights from Funding Platforms
  - From your perspective, what are the main challenges faced by startups and investors in the market?
  - How does your platform enhance the experience for both startups seeking funds and investors looking for opportunities?
- Platform Functionality and Features
  - What are the key features of your platform that distinguish it from other funding options available to startups?
  - What feedback have you received from users, and how has it shaped the development of your platform?
  - How does your platform adapt to market trends and regulatory changes in startup financing?
- Perspectives on Future Trends and Innovations
  - What emerging trends do you see in startup financing, and how is your platform preparing to address these?
  - Are there any upcoming innovations or new features that your platform is planning to introduce?
  - What is the long-term vision for your platform, especially concerning its role in the startup ecosystem?
- Impact and Effectiveness
  - How does your platform measure its success?
  - What are the biggest challenges and opportunities you foresee for funding platforms like yours?
- Capabilities for a platform
  - Can you describe the key capabilities your platform has developed to adapt to the rapidly changing market conditions in startup financing?
  - What are the main functions and knowledge needed to establish such platforms?
  - How does your platform balance the need for technological innovation with maintaining user-friendly functionality for both startups and investors?
- Closing the Interview
  - Is there anything else you think is important for us to know or that we haven't discussed yet?
  - Do you want to come back to something?
  - Thank you for your time and insights.

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