The entrepreneur-financier relationship across institutional logics: A study in Thailand

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Abstract

Entrepreneurs can draw support from various types of financiers, including crowdfunding, angel investors, venture capital funds, corporate venture capital funds, and public subsidies. However, most research focuses on a single source of finance, most often venture capital funds. Prior studies do not give a complete picture of how the relationship between entrepreneurs and investors unfolds over time. The focus is mainly on how investment decisions are made, even though engagements after striking a deal are equally crucial to the relationship. These gaps in understanding offer an opportunity to understand entrepreneurs and their contexts, particularly when looking at the micro-level entrepreneur-financier dyad. In addition, as Welter (2011) notes, contexts matter. These contexts have a multiplicity of levels in that they both intertwine with and shape regulatory and normative contexts at wider levels (community, regional, and national). The entrepreneur-financier dyadic relationship is arguably formed in a broader context. It is thus worth considering the potential effect of context on the relationship.

This research explores the relationships between entrepreneurs and financiers in Thailand using an institutional logics perspective: a value system that prescribes behavioural templates for focal actors (Thornton et al. 2012). The focus is on the context of how a relationship is fostered during a new venture financing process. By examining fine-grain differences in practices between entrepreneurs and various financiers, the research deconstructs what comprises the emergence of their relationships and explains the distinct context within which each pathway is formed. This is a promising lens for explaining differences in entrepreneur-financier relationships. The literature has conceptually suggested that each type of financiers will possess dominant institutional logics, and such logics will shape their interactions with entrepreneurs when assessing prospective deals. The study utilises a qualitative research design involving in-depth interviews with entrepreneurs and financiers – corporate venture capitalists, venture capitalists, angel investors, and government funding agencies – in Thailand. A total of 36 interviews were conducted with 20 entrepreneurs and 16 financiers.

This thesis proposes a comprehensive framework that delineates the emerging relationships between entrepreneurs and various types of financiers. Each path develops under its own practices with hybrid logics that are underpinned by the broader context. However, the institutional logics shaping the relationship deviate from those previously characterised in the literature. The most striking findings involve entrepreneurs' relationships with corporate venture capital and angel investors. The former are shaped by both corporate and professional logics, whereas quasi-community logics shape the latter. A different relationship pattern is found in government funding, shaped by state logic complemented by market logic. Practices with venture capitalists coincide with those in the literature, indicating a predominance of professional logics in the relationship. Based on these findings, practical recommendations are provided for entrepreneurs planning to approach financiers in relation to what financiers look for at different phases of relationship formation and what entrepreneurs can expect from financiers. Policy recommendations are also offered for those interested in championing entrepreneurship through the design of financing tools concerning institutional logics found in entrepreneur-financier dyads in emerging economies.

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Abbreviations

CFO	Chief financial officer
VC	Venture capital
VCs	Venture capitalists
CVCs	Corporate venture capitalists

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Chapter 1 Introduction

This thesis explores the relationships between entrepreneurs and financiers in Thailand, using an institutional logics perspective. The focus is on the context of how a relationship is fostered by the participants in a new venture financing process. By examining fine-grained differences in the practices engaged in by entrepreneurs and their various financiers, the thesis deconstructs the emergence of their relationships and explains the distinct context in which each pathway is formed.

1.1 Research motivation

Entrepreneurship involves organising activities engaged in by entrepreneurs, who perceive an opportunity and pursue it (Shane and Venkataraman 2000). How opportunity emerges is debatable: either it is discovered (Shane and Venkataraman 2000), constructed (Alvarez and Barney 2007), or enabled by conditions (Davidsson 2015). Wherever an opportunity comes from, entrepreneurship will occur when action has been taken by entrepreneurs. To exploit an opportunity by means of a new venture, an entrepreneur must gather resources by whatever means they have (Shane 2003). The resources that entrepreneurs assemble take various forms, such as financial capital, human capital, and social capital (Brush et al. 2001; Clough et al. 2019). Resource mobilisation plays an essential role in the entrepreneurship phenomenon; however, resource mobilisation is a fragmented concept and lacks an organising framework when compared to the more established body of knowledge on entrepreneurial opportunities (Clough et al. 2019).

Regarding resource mobilisation, the extant research focuses on actors (entrepreneurs and external audiences) interacting based on market logics and formal governance; it neglects interactions via non-market logics and informal governance (Clough et al. 2019). For instance, the interaction with financial resource holders is often assumed to be driven by homogeneous market logics and formal governance. However, these resource holders are diverse and heterogeneous; they include crowdfunding, government funding, business angels, venture capitalists, corporate venture capitalists, and business accelerators. This is an important distinction; scholars have acknowledged that these resource holders differ in how they judge the legitimacy of new ventures (Überbacher 2014; Fisher et al. 2016; Fisher et al. 2017). This heterogeneity implies variation in the process of new venture financing.

New venture financing is a process that requires an ongoing interaction between entrepreneurs and financiers through deal-making and value-added activities after a deal has been made (Gompers et al. 2020; Paul et al. 2007). However, there is little comparative work on how the relationship unfolds across this process, as research tends to focus on a single source of financing (Cumming and Vismara 2017; Wallmeroth et al. 2018). (See Bessière et al. (2020); Huang and Knight (2017) for exceptions to this.)

Furthermore, previous studies have not painted a complete picture of financing a new venture. They tend to look at a single point in the financing timeline, such as the investment decision (Ferrati and Muffatto 2021; Collewaert et al. 2021). In practice, the investment decision may be based on only a few interactions between entrepreneurs and financial resource holders, whereas an investment encompasses an ongoing set of interactions around whether or not goals have been met. Only a few studies have started to conceptually and empirically discern how the relationships between entrepreneurs and their funders differ, depending on the type of financier (Huang and Knight 2017; Bessière et al. 2020). However, these works do not clearly explain how each relationship actually differs from the others. In their theoretical concept of the exchange relationship and venture growth, Huang and Knight (2017) acknowledge that different investors tend to attend to distinct elements involved in relationship development. Bessière et al. (2020) examine the funding trajectory of a start-up experiencing the involvement of different investors over time and find shifts from less formal to formal governance.

Researchers have pursued a promising approach to understanding the interface between entrepreneurs and financiers, drawing on the concept of institutional logics, a value system that prescribes behavioural templates for focal actors (Thornton et al. 2012). Such a perspective has been adopted to systematically classify financiers (Pahnke et al. 2015; Fisher et al. 2017), with legitimacy being used as a conceptual frame to demonstrate how entrepreneurs form relationships with prospective investors (Fisher et al. 2017). In this context, the notion of institutional logics helps explain differences in the relationships between entrepreneurs and financiers.

However, the current understanding of institutional logics makes the assumption that a generic ‘financier’ holds the same logic everywhere (Fisher et al. 2017), even though research has indicated that investment practices by financiers vary across institutional settings (Ahlstrom and Bruton 2006; Zacharakis et al. 2007; Scheela et al. 2015). When considering the basic premise of logic revolving around the material practices, values, and beliefs of related actors in the same system, this would have implications for the logics of financiers (Thornton et al. 2012). Different practices imply that different institutional logics may be shaping the relationships between entrepreneurs and financiers, particularly in emerging economies. Such economies differ from developed markets in their institutional idiosyncrasies, such as institutional voids and the relative importance of informal over formal institutions (Rottig 2016). These voids arguably result in the prevalence of actions not driven by economic rationality and less formal practices associated with the resource mobilisation process (Foo et al. 2020).

In summary, the premise of this thesis is that sources of new venture financing follow discrete institutional logics in an ongoing relational process between entrepreneurs and financiers. This process may be particularly complex within the context of an emerging economy.

1.2 Research questions

The main objective of this thesis is to analyse the process of financing new ventures in emerging economies. With this objective, the research elucidates the formation of the relationships between entrepreneurs and financiers. It explores micro-level practices which occur during the deal-making and investment processes of a new venture, in relation to particular types of financier. A review of the literature suggests that different financiers take different approaches to financing new ventures, in an ongoing relational process that develops over time. Nonetheless, these approaches are context bound. Overall, this thesis uses an institutional logics framework to empirically explore the ways that entrepreneurs and financiers shape their interface in an emerging economy.

The following research questions address this objective:

1. What are the institutional logics shaping the relationships between entrepreneurs and financiers in emerging economies?
2. How do entrepreneurs and financiers construct institutional logics throughout their relationships?
3. What can entrepreneurs do to increase their success in the investment process?
4. How can institutional environments be improved to support successful investment in emerging economies?

1.3 Research design and methodology

This research adopts an abductive approach, combining both inductive and deductive reasoning to develop theory (Suddaby 2006). This form of research uses initial theoretical lenses to guide data collection and permits further concepts to emerge from the data (Ryan et al. 2012). The basic premise of this research is that 'institutional logics' guide the interaction between entrepreneur and financier. However, as logics are reflections of micro-level activities, different logics are likely in the research context. Given the exploratory nature of the research questions and the legitimacy of this approach in the domain of institutional logic (Reay and Jones 2016), the research was conducted qualitatively.

The sampling frame was entrepreneurs and financiers based in Thailand. A purposive sampling strategy was applied, particularly for entrepreneur informants, who had to satisfy the criteria of receiving funding from government organisations, angel investors, venture capitalists, or corporate venture capitalists. Data were primarily gathered from in-depth interviews and communications, supplemented by other publicly available information. A total of 36 interviews were conducted with 20 entrepreneurs and 16 financiers. The data were analysed based on the Gioia et al. (2013) organisational coding method.

1.4 Results and contributions

This thesis extends previous discussions in entrepreneurial finance and the entrepreneurship literature. Despite the fact that entrepreneurs raise money from multiple sources, studies of entrepreneurial finance remain fragmented, because the research is usually focused on a single source of finance (Cumming and Vismara 2017). This thesis proposes a comprehensive framework that delineates the emerging entrepreneurial relationship between various types of financiers. Each path develops under its own practices, with hybrid logics that are underpinned through the broader context.

This thesis reframes how entrepreneurs interact with financiers to access resources. Firstly, it reveals the critical importance of interpersonal fit as a focal aspect in forging a relationship. Secondly, it highlights the importance of temporal aspects in acquiring financial resources. Accessing funding involves an ongoing process of deal-making that concerns different focal points of attention at different points in time.

This thesis adds to a discussion of entrepreneurship in emerging markets. Firstly, it adds a more nuanced understanding of the resource mobilisation attempts of young firms in emerging economies, often shaped by non-market logic or governed through informal means (Foo et al. 2020). It points out that not all interactions between entrepreneurs and financiers are based on non-market orientation, but instead depend on the types of actors involved. Secondly, it complements the notion of an evolving landscape of economies, as some actors were found to assimilate practices, comparable to those in developed economies, into their investment activities.

This thesis also contributes to the institutional logics perspective. Firstly, the interaction between institutional logics and entrepreneurs and financiers in an emerging economy enriches the notions of the intra-logic plurality and contextuality of how institutional logics are instantiated, situated, and contextualised (Gümüsay et al. 2020). Secondly, by looking at practices between entrepreneurs and financiers across the financing timeline, this research speaks to Waldorff et al. (2013) on how action at the micro-level facilitates a specific constellation of logics. Instead of creating conflict by adhering to specific logics, the relationship is co-shaped by associated practices at different periods in time.

Finally, this thesis contributes to the practical and policy aspects by providing recommendations to entrepreneurs who are planning to approach financiers and to those interested in championing entrepreneurship in emerging economies through the design of financing tools.

1.5 Thesis structure

Chapter 2 examines the existing relevant academic literature and debates on entrepreneurial finance research. It begins with entrepreneurship and the tools available for financing entrepreneurship. It then presents a theoretical background that differentiates entrepreneur-financier interactions. Next, it offers a critique of previous explanations of the entrepreneur-financier relationship, which are based on prospective theory. Finally, it leads to the research questions that are the focus of the thesis.

Chapter 3 discusses the research methodology. It provides the philosophical underpinning of the study, the research's approach and design, the data collection methods, and the analytical procedure. The chapter offers a detailed justification for the methodological choices made.

Chapter 4 is the findings chapter. It presents the pathway of how relationships between entrepreneurs and financiers develop. It outlines details of the transition from the raw data to emerging themes, categories, and aggregated dimensions. The findings are illustrated based on specific ties between entrepreneurs and financial resource providers. Similarities and differences are teased out, to bring to light the unique features and generalities of entrepreneurs' ties with particular types of financiers.

Chapter 5 presents a discussion of the findings in relation to the literature and draws out the theoretical and practical contributions of the thesis.

Finally, *Chapter 6* summarises key findings, contributions, practical and policy recommendations, research limitations, and directions for future research.

Chapter 2 Literature review

The objective of this chapter is to review the current body of knowledge around financing new ventures. Sections 2.1 and 2.2 provide background on entrepreneurship and the importance of, and challenges to, accessing finance. A critical overview of primary finance sources for new ventures is then provided, followed by a critical exploration of contemporary frameworks that seek to understand the entrepreneur-financier relationship. Finally, the main research questions for the thesis are drawn out.

2.1 Defining Entrepreneurship

There is no single definition of entrepreneurship; scholars approach the subject it in various ways. One reason for this is that the domain of entrepreneurship is relatively young (Leitch et al. 2010) and is in the process of emerging as a sub-discipline from other established fields, which results in a wide range of research traditions, perspectives, and methods (Carlsson et al. 2013; Gartner et al. 2006). Previously, the field was broadly defined by most researchers in terms of who the entrepreneur is and what he or she does (Shane and Venkataraman 2000; Gartner 1990).

In his seminal work, Schumpeter (1942) refers to entrepreneurship as a driver of economic development, resulting from the entrepreneur as a prime economic agent who introduces innovative activities; the recombination of existing material and structures then disrupts incumbent firms through creative destruction. According to Kirzner (1973), entrepreneurs are individuals who are alert to unnoticed opportunities and take advantage of them. Casson (1982) defines an entrepreneur as someone capable of making judgements about assembling limited resources soundly. Drawing on the main historical themes of entrepreneurship – risk, uncertainty, innovation, perception, and change – Hebert and Link give a synthetic definition of the entrepreneur:

> *the entrepreneur is someone who specialises in taking responsibility for and making judgmental decisions that affect the location, the form, and the use of goods, resources, or institutions.* (1989, p. 47)

Similarly, Wennekers and Thurik (1999) define entrepreneurship as a behavioural characteristic of persons – individuals, on their own or in teams – within and outside organisational boundaries, who recognise and take advantage of new economic opportunities and advance their ideas in the market under uncertain conditions by making decisions on place and mode and harnessing resources and institutions.

However, the prevailing definition of entrepreneurship follows Shane and Venkataraman (2000). Rather than describing entrepreneurship in terms of individual characteristics and what the entrepreneur does, the authors propose that entrepreneurship be seen as a consequential process made up of the existence, discovery, and exploitation of opportunities. These opportunities are discovered by particular people who possess the prior information necessary to identify an opportunity and the cognitive properties necessary to value it. When a particular opportunity is discovered, whether it will be pursued or not depends upon the nature of the opportunity and individual differences. Also, the opportunity could be exploited or entrepreneurial activity take place through the creation of new firms or the sale of opportunities to existing firms. In other words, entrepreneurial opportunities are central to the process as an initial trigger condition. Shane's *A General Theory of Entrepreneurship: The Individual-Opportunity Nexus* provides a more concise definition:

> *Entrepreneurship is an activity that involves the discovery, evaluation, and exploitation of opportunities to introduce new goods and services, ways of organising, markets, process, and raw material through organising efforts that previously had not existed.* (Shane 2003, p. 4).

Defining entrepreneurship is, however, beyond the scope of this research. The purpose here is to note that the core premise of entrepreneurship is the opportunity, which could lead to further stages that delve deeper into opportunity exploitation. In other words, equally essential for exploiting opportunities is how entrepreneurs co-create opportunities in consideration of resources – either possessed or accessible via social ties (Shane 2003). In order for entrepreneurship to take place, entrepreneurs assemble a variety of resources, such as financial capital (e.g. cash or loans from a bank), human capital (e.g. skills from an employee), and social capital (e.g. information obtained from social contacts). Resource mobilisation is inextricably linked with entrepreneurship, as it enables entrepreneurs to exploit opportunities through searching for, gaining access to and transferring resources (Clough et al. 2019). In this process, Clough et al. note some limitations to the current body of knowledge: lesser attention paid to alternatives to venture capital financing, and a limited emphasis on mobilisation attempts guided by non-market-oriented actions and governed by informal approaches. This is in line with Überbacher's (2014) argument that external audiences, including resource providers, are heterogeneous in how they perceive a new venture. In particular, scholars now acknowledge the issues of heterogeneity of legitimacy judgement among each type of financier (Fisher et al. 2016). This heterogeneity can imply variations in the process of financial resource mobilisation, which merit further consideration, as entrepreneurs have external finance options available to them. Resource acquisition is further discussed below.

2.2 Entrepreneurship and financial resources

The exploitation of entrepreneurial activities has to be financed either through external means or internally, by the entrepreneur (Shane 2003; Clough et al. 2019). However, not all entrepreneurs possess personal wealth or inherit family wealth when a new venture is conceived (Schumpeter 1942). As a result, entrepreneurs need to seek external audiences to fund venture creation; the absence of funding can be a major constraint to a venture's start-up and growth (Penrose 1995).

At the beginning of the venturing process, an entrepreneur may realise their conception through the use of effectuation by relying on a set of given means to deal with uncertain futures (Sarasvathy 2001). The effectuation process can be achieved by embracing the following practices: (i) affordable loss, which means choosing what one could afford to lose if resources were allocated, and effort was put into it, (ii) leveraging strategic relationships by focusing on forming alliances rather than competing with rivals, and (iii) exploiting contingencies by making necessary adjustments for unexpected events, and in particular, turning them into opportunities, rather than clinging to a predetermined goal (*ibid.* 2001). At the same time, when resources are constrained, an entrepreneur could utilise entrepreneurial bricolage by uniquely assembling whatever is at hand – physical, social, or institutional resources that other entrepreneurs may have neglected – to make their venture thrive (Baker and Nelson 2005). Even though bricolage enables entrepreneurial firms to emerge from penurious environments, relying heavily on this approach could lead to bricolage lock-in, and inhibit growth, instead of promoting it (Baker and Nelson 2005). The lock-in could hinder creativity in new product development (Wu et al. 2017) and expansion to new markets (Kickul et al. 2018), and diminish the level and quality of the product (Lanzara 1999).

2.2.1 The importance of financial capital to entrepreneurial firms

Newbert (2005) notes that nascent ventures, unlike their mature counterparts, usually start with limited resources that may not be comprehensive enough to enable them to establish a full-scale operation. Thus, entrepreneurs will undoubtedly seek to obtain the external resources needed to capture the value from creating an organisation (Huang and Knight 2017). Recent research by Reypens et al. (2021) has found that an entrepreneurial venture embraces a combination of entrepreneurial bricolage and resource-seeking from domains external to the venture to strive for and achieve superior outcomes. This study indicates that an entrepreneur usually starts his/her venture with a high level of entrepreneurial bricolage and a low level of resource-seeking; however, the level of engagement in both activities has changed over time. Over time, high-performing ventures increase their level of resource-seeking activities and decrease bricolage activities, while lower-performing ventures maintain a high level of bricolage activities and limit resource-seeking activities. Similarly, García-Quevedo et al. (2018) point out that entrepreneurial ventures primarily rely on internal capital during the product or service design stage; however, they often require external resources to bring their ideas into reality.

Resources significant to a fledgling venture can be classified into six different types: human, social, financial, physical, technological, and organisational, which are dissimilar in terms of quality and characteristics, as they contain varying degrees of complexity, ranging from the simple to the very complex (Brush et al. 2001). For instance, 'tangible, discrete, and property-based' are major characteristics of simple resources, while 'intangible, systemic, and knowledge-based' characteristics are fundamental to complex resources (*ibid*. 2001). While complex resources are essential to helping firms sustain unique advantages (Fernández et al. 2000), simple resources, such as finance, are instrumental in making progress, as Shane (2003) notes that new ventures with greater financial resources are more likely to survive, grow, and become profitable. Money contains a characteristic of universalism in that its worth is independent of who provides it (Cropanzano and Mitchell 2005), which is thus flexible and can be used to obtain other resources, in order for firms to maintain advantages (Brush et al. 2001). Money enables entrepreneurs to address particular aspects of their ventures related to a venture life cycle, such as funding product development, deploying marketing campaigns, and recruiting and hiring well-qualified employees (Fisher et al. 2016).

Empirically, the amount of initial financial capital invested is positively related to new venture survival and growth. For example, Xi et al. (2020) suggest that the more initial capital a new ventures possess, the less likely it is to fail, because the capital can significantly stretch their survival time. Financial capital can create a buffer against unexpected situations, as well as enabling new ventures to deploy more capital-intensive strategies, which are better protected from imitation (Cooper et al. 1994). Using a sample of new ventures in Germany, Brüderl and Preisendörfer (1998) also report positive correlations between the amount of capital invested and aggregate sales over three years. In addition, access to finance can affect firms' innovation activities. For instance, Brown et al. (2009) found that cash flow and external equity finance had a significant impact on research and development intensity in young firms during the R&D bust in the US from 1990 to 2004, which is more pronounced than in mature firms. Similarly, using a sample of Spanish ventures, García-Quevedo et al. (2018) indicate that the likelihood of abandoning an innovation project before completion during the conception phase is greatly increased if new ventures experience financial obstacles.

2.2.2 Barriers to accessing finance

Entrepreneurial financing situations are characterised by two fundamental problems: information asymmetry and uncertainty.

Information asymmetry occurs when two parties in a relationship possess information unequally (Akerlof 1970; Spence 2002). This exists due to the following causes: when one party is in a better position to access private information than the others; when different parties possess different knowledge; when the owner of information opportunistically presents it; when one party lacks complete knowledge about the others; and when the cost of the information search is high (Bergh et al. 2019). Asymmetric information is one factor enabling entrepreneurial opportunities, since individuals possess different beliefs and values regarding resources, markets, and opportunities (Shane and Venkataraman 2000). Fundamentally, the information privately held by entrepreneurs allows them to have more knowledge about the opportunity they are pursuing. Thus, they are insiders who know how to conduct business and the status of their companies (Eckhardt and Shane 2003; Bergh et al. 2019). Such asymmetric information poses challenges to resource acquisition, in several ways.

Like private firms, entrepreneurial firms are informationally opaque, compared to public firms, which comply with corporate control and have more information available (Capron and Shen 2007). Thus, a lack of information limits the proper evaluation of private targets (*ibid.* 2007). This would require entrepreneurs to disclose essential information about their opportunities if they need support from prospective financiers (Shane 2003). However, it is impracticable to pass on all related information, because this involves enormous transaction costs and because entrepreneurs may be reluctant to reveal their information (Audretsch et al. 2012; Carpenter and Petersen 2002). Many entrepreneurs are incentivised to maintain a certain level of information asymmetry, in order to profit from perceived opportunities (Harabi 1995) and prevent replication by the financier (Katila et al. 2008).

Information asymmetry could also pose a risk of adverse selection and moral hazard. When a prospective buyer assesses a company, truthful information about it is required; however, the information is not commonly known and may be misstated by a present owner, leading to adverse selection problems (Vanhaverbeke et al. 2002). This problem is relevant to financing entrepreneurial ventures, because financiers have limited information about the ventures due to their private status (Capron and Shen 2007). Meanwhile, entrepreneurs may opportunistically exploit superior knowledge of their own opportunities or ventures over prospective financiers, in order to obtain more resources than a new venture would deserve or to generate their own wealth at the expense of the financiers (Shane and Cable 2002). The likelihood that an entrepreneur could act opportunistically requires investors to protect themselves, creating barriers to obtaining finance (Shane 2003).

Furthermore, not all people possess the same entrepreneurial ability to identify and exploit valuable opportunities, resulting in variations in the quality of opportunities discovered (Shane 2003). If financiers cannot clearly distinguish between poor- and high-quality opportunities, they will face adverse selection problems (*ibid.* 2003). As a result, financial offers to support opportunity exploitation will be made at an average price, regardless of the level of entrepreneurial ability and quality of opportunity to diversify the risks from adverse selection (Amit et al. 1990). At this price, the incentive for high-ability entrepreneurs with high-quality opportunities is lower than for low-ability entrepreneurs with low-quality opportunities, which possibly drives the former out of the market (Carpenter and Petersen 2002).

Uncertainty poses three challenges to acquiring external sources of capital: the inability to evaluate, bargaining problems, and the need for collateral (Shane 2003). The inability to evaluate is concerned with the fact that the actual value of entrepreneurial opportunities remains relatively unknown prior to their exploitation (Shane 2003). Not until a functioning organisation, a new product or service, and a track record become visible, mostly after resources have been transferred, can capital providers obtain enough information to evaluate the magnitude of entrepreneurial opportunity potential (Shane and Stuart 2002). Resource holders have to rely on their own judgement when making investment decisions, because there is no observable product or service or a historical track record (Huang and Pearce 2015). As such, the risks associated with involvement in entrepreneurial opportunities are high for investors due to lack of objective evidence (Low and Srivatsan 1994; Huang and Pearce 2015). Bargaining problems are likely because uncertainty makes it difficult to appraise the profit stream of the new venture, leading to the possibility of varying perceptions of the venture valuation between financiers and entrepreneurs (Wu 1989). Furthermore, the exploitation of uncertain opportunities could end up with no profit stream generated by a venture if a wrong judgement is made about an opportunity, meaning entrepreneurs will not be able to repay the resource providers (Casson 1982). Thus, collateralisable assets are required by investors so that they can be tapped tap into if the venture fails (Blanchflower and Oswald 1998; Colombo et al. 2014; Mac an Bhaird and Lucey 2010). However, the problem may persist in early-stage ventures, due to the likelihood that they have the pronounced intangible assets, primarily the founders' human capital, which is insufficient for collateral (Colombo et al. 2014). To mitigate the issue, financial institutions require the entrepreneurs' personal assets to be pledged as collateral (Mac an Bhaird and Lucey 2011). Such a measure implies that external capital acquisition is restricted to entrepreneurs who own enough tangible assets to use as collateral (Shane 2003; Colombo et al. 2014).

2.3 Available sources of finance for entrepreneurial firms

This section integrates current knowledge on primary sources of financing relevant to the context of the early-stage venture. These sources can be broadly classified into three categories: bootstrapping, debt financing, and equity financing.

2.3.1 Bootstrapping

Bootstrapping has long been considered an essential method for entrepreneurs to deal with the financial constraints generally caused by information asymmetries and uncertainty (Shane 2003; Rutherford et al. 2017). In fact, this resembles the premise of effectuation and bricolage when entrepreneurs, instead of trying to control the future, proceed with their ventures by the given means and whatever they have at hand (Sarasvathy 2001; Baker and Nelson 2005). The central idea is to use methods to meet capital requirements for a venture without relying on external sources of finance (Winborg and Landström 2001). It therefore includes a combination of practices deployed to minimise overall capital requirements and improve cash flow, including making use of personal finance (Ebben and Johnson 2006). Primary methods of utilising bootstrapping fall into five categories: (i) self-financing, by using personal capital supplied directly or indirectly by the owner and relatives; (ii) minimising methods, by minimising accounts receivable through speeding up invoicing or applying interest to overdue payments, and by reducing capital invested in stock; (iii) delaying payments, for example to external actors, or by seeking the best possible conditions with suppliers or leasing equipment; (iv) relationship-oriented methods, by utilising resources or assets from other businesses either by sharing or borrowing; and (v) subsidy finance, by taking advantage of government subsidies (Winborg and Landström 2001). These bootstrapping techniques will be differently employed by ventures – in both type and level of reliance – over time (Ebben and Johnson 2006). However, relying solely on bootstrapping strategies can potentially limit the scalability of new ventures (Patel et al. 2011). As a venture grows, an entrepreneur may seek external finance, especially when he or she perceives that bootstrapping is no longer sufficient (Jonsson and Lindbergh 2013)

2.3.2 Debt financing

Private debt financing can be obtained from various sources, including banks, trade credits from suppliers, government guarantees, and financing from family and friends (Cumming and Vismara 2017; Robb and Robinson 2014). Private debts play a significant role in financing entrepreneurial firms. For example, Berger and Udell (1998) suggest that more than 50 per cent of small businesses use credit lines as their fundamental source of finance, while 13.89 per cent use mortgage finance. More than half of bank credits are guaranteed by owners, using assets, inventory, or account receivables as collateral. Other methods include loan commitment contracts, debt covenants, and relationship lending. However, the use of debt financing is not a viable option for young firms and start-ups, due to inherent uncertainty, less predictable revenue streams, and less collateralisable assets (Berger and Udell 1998; Vanacker and Manigart 2010). This is particularly the case for bank financing. These firms usually have a high level of intangible assets, which are not suitable for banks whose preferences are tangible assets incalculable as collateral based on bank norms (Mac an Bhaird and Lucey 2010). In addition, debt financing usually requires relationship development before the money is granted (Berger and Udell 2006; Jonsson and Lindbergh 2013), which may take time and is not suitable for young firms with high growth potential (Carpenter and Petersen 2002).

Empirical research has shown a significant relationship between the proportion of tangible assets and the use of bank financing in small and mid-size enterprises (SMEs) (Berger and Udell 1998). Furthermore, prior studies indicate that smaller and younger founder-owned firms are less likely to receive bank financing (Levenson and Willard 2000), while larger start-ups acquire a larger portion of debt and bank financing (Cassar 2004). Nevertheless, ventures increase the use of debt when their information asymmetry decreases, as they build a reputation and track record, particularly when the size and age of the firm increases (Mac an Bhaird and Lucey 2011). In analysing the capital structure of Irish SMEs, Mac an Bhaird and Lucey (2011) found the lowest proportion of external debt in newly created firms less than five years old and the highest proportion of external debt in firms aged from 10 to 14 years, whilst those aged more than 14 years lower the use of external as they have more retained profit. Similarly, Zarutskie (2006) reveals the ultimate reversion of debt financing over firm age. This analysis of data of US firms shows that young firms (less than five years old) use less external debt than equity financing, whereas those aged more than 16 years rely more on external debt. Interestingly, debt financing is also used by venture-capital-backed firms (details on venture capital are presented in the next section). On this point, Vanacker et al. (2012) uses data from Belgian growth-oriented entrepreneurial firms and finds that 60 per cent of those initially backed by venture capital firms issued debt finance after five years.

2.3.3 Equity financing

Equity financing is argued to be instrumental for the growth of entrepreneurial ventures, as it allows them to overcome funding gaps, because there is a high marginal cost of debt financing caused by limited collateral, adverse selection and moral hazard problems, and high possibility of financial distress inherent in those ventures (Carpenter and Petersen 2002). With this financing option, financiers trade capital for ownership in entrepreneurial firms that mostly have upside potential but involves a certain degree of risk and typically provide additional supports for their investee companies in tandem with financial supports (Drover et al. 2017). The primary financial instruments for entrepreneurial firms under the equity financing category are venture capital funds, corporate venture capital funds, angel investors, crowdfunding, and recently developed accelerators (Drover et al. 2017; Cumming and Vismara 2017). These financiers usually have different investment preferences, depending on motivations, venture funding stages, and ticket size.

Venture capital (VC) is the most widely recognised form of equity financing, although it contributes to just a small fraction of new ventures (Berger and Udell 1998; Robb and Robinson 2014). This financier is often regarded as having expertise superior to that of other financial intermediaries in coping with informational issues (Amit et al. 1998). Venture capitalists derive their capital from a range of limited partners committed to reaping attractive investment returns from highly selective portfolios of young and innovative unlisted firms (Gompers and Lerner 2000). Gompers and Lerner (2001, p.146) succinctly describe venture capital as *'independently managed, dedicated pools of capital that focus on equity or equity-linked investment in privately held, high growth companies'*. Unlike debt-type financing, equity financing is mostly done through joint control of ownership, stimulating cooperation between the entrepreneur and financier (De Bettignies 2008). Entrepreneurs have to relinquish some control over their ventures; nonetheless, they receive managerial inputs from their VCs (De Bettignies and Brander 2007)

Practically, venture capitalists are known for their ability to search for well-qualified ventures and monitor their portfolio companies (Amit et al. 1998; Sørensen 2007). Their higher quality of management team, both educational and professional, entails such ability (Dimov and Shepherd 2005); these team members are typically graduates of a prestigious university, holding either an MBA or PhD, with a technical background in their undergraduate degree, and have extensive experience in exclusive positions (Pahnke et al. 2015). Their ability to select well-qualified firms and monitor their investment is demonstrated by Chemmanur et al. (2011) in comparing the characteristics of VC-backed to those of non-VC-backed firms in the US. The authors find that VC-backed firms demonstrate a higher total factor of productivity (TFP) before getting funding, and more significant growth in TFP after getting funding, than do non-VC-backed firms. In particular, Sørensen (2007) finds that experienced VCs are capable of choosing outstanding new ventures that, subsequent to financing, perform well, due in part to their inherent quality.

In general, VC firms are small and geographically concentrated and often work closely with the investees to provide guidance and value, in addition to capital (Sørensen 2007). They seek to invest in mid-stage to late-stage ventures and also extend to larger and very late-stage venture investments (Hellmann and Thiele 2015). The global median deal-size in 2020 was £3.3 million and £7.3 million for mid-stage and late-stage ventures, respectively (KPMG 2021). Since venture capitalists are expected to provide returns to limited partners from whom they raised funds within about ten years, their investment realisation is reliant on exit strategies at the appropriate time, such as through mergers and acquisitions (M&A) or initial public offerings (IPO) (Drover et al. 2017). Since venture capital investment came to exist in the 1960s, the market has faced cyclical fluctuations (Puri and Zarutskie 2012). Investment peaked at £79.7

billion in 2000 and fell sharply, hitting the bottom at £9.8 billion in 2002; however, it started rising drastically again in 2014 and reached £95.3 billion in 2020 in the US (PWC/CB Insights 2020). The global venture capital investment trend also exhibits a similar pattern, as the value of investments began to rise in 2014, with a total approximation of £76.9 billion, and gradually increased to a total approximation of £212.5 billion in 2020 (KPMG 2021).

Corporate venture capital (CVC) represents the practice of established firms who take part in an equity investment in new ventures (McNally 1997), mostly set up by large, R&D-intensive firms (Dushnitsky and Lenox 2005). CVC differs from traditional venture capital in that the investment fund is launched to serve the corporation's main focus (Pahnke et al. 2015). The rationale behind the CVC program can vary, from gaining access to specialised knowledge or searching for novel technologies, to expanding the parent organisation's horizons on new markets and practices (Chesbrough 2002). In addition, their motivation for investment has expanded to other focuses, rather than being restricted to a purely corporate focus (Röhm et al. 2018). Röhm et al. capture two other types of motivation from CVC mission statements, consisting of financial motivation by seeking financial returns and unfocused motivation by helping promote entrepreneurship. In terms of their operations, there are two strands of CVC funds, classified according to their practices: integrated or arm's-length focus (Souitaris and Zerbinati 2014). The former strongly emphasises the fit to the parent organisation, whereas the latter adopts independent venture capital fund investment styles.

Besides capital, additional supports CVCs provide their portfolio companies include complementary assets, industry insights, and customer access (Maula et al. 2005). Unlike their VC counterpart, which has a straightforward goal of financial returns and typically focuses on the market side (Pahnke et al. 2015), CVC investors play a slightly different role in nurturing entrepreneurial firms. Chemmanur et al. (2014), for instance, find that even though CVC-backed firms have higher risk and lower profits than VC-backed firms do, they demonstrate a higher level of innovation through their patent outputs. Some scholars also point to the shark dilemma, when new venture ideas are at risk of being misappropriated by CVC investors (Katila et al. 2008). Nonetheless, the dilemma can be avoided if new ventures operate in strong IP sectors (Dushnitsky and Shaver 2009) or set up proper internal defence mechanisms (Katila et al. 2008; Park and Bae 2018). As such, with the excellent industry knowledge and resilience due to abundant resources, CVCs remain beneficial for new ventures, especially for those who require specialised complementary assets for their novel technology development and commercialisation (Katila et al. 2008; Dushnitsky and Lenox 2006) and those in sectors characterised as uncertain (Park and Steensma 2012). The investment trends of corporate venture capital funds have evolved from a traditional focus on later-stage ventures (Dushnitsky and Shapira 2010) to expansions to formative-stage ventures (Harrison and Mason 2019).In fact, CVC investments have shown rapid growth in the global market, from deals worth £26.7 billion in 2016 to £52.8 billion in 2020 (CB insights 2020).

Angel investors are known for their very-high-risk-taking approach, taking small stakes in prospective lucrative deals, mostly ventures at the earliest stage of development, and for being resilient to the possible loss of the entire investment (Huang and Pearce 2015). These financiers are usually experienced entrepreneurs who provide nascent ventures with seed capital and value-added activities from their experiences and specialisation during investment, in exchange for shares in those ventures (Prowse 1998; Morrissette 2007). However, individuals with successful careers from other professional backgrounds also take part in angel investing (Lindsay 2004). Their motive for investment can vary from the intention to support nascent entrepreneurs and entrepreneurial milieus to gaining enormous profits (Sudek 2006). Mason (2006, p. 363) provides a well-established definition of angel investors:

> *high net worth individuals who invest their own money, along with their time and expertise, directly in unquoted companies in which they have no family connection, in the hope of financial gain.*

This financier is sometimes classified as the least understood among those providing support for unlisted firms, such as entrepreneurial ventures (Van Osnabrugge 2000). This is due in part to the varying degrees of operations performed by this class of investors (Landström and Sørheim 2019). On the one hand, some research finds that angel investors typically take a simple approach to investment, in terms of the due diligence conducted as well as the contracts and control involved (Bonnet and Wirtz 2012; Fairchild 2011). On the other hand, other research finds that angel investors adopt professional practices, invest extensively, and oversee many investee companies. For instance, Mitteness et al. (2012) indicate that angel investors employ strategic approaches for investment, based on their domain expertise – operating, start-up, and investing experience – in a focal industry. This type of financier typically provides entrepreneurs with seed money – typically in the €10,000 to €100,000 range – in exchange for common shares or via convertible notes and may co-invest with other professional investors in subsequent funding rounds of the same venture (Rogers and Makonnen 2014), practices that resemble those of their venture capital counterparts. In addition, Degennaro and Dwyer (2014) find that angel investors perform well enough to generate their returns from investment at the same level as venture capital funds do.

Angel investment was traditionally a fragmented market of individuals or small groups of investors who kept themselves invisible to the public and depended on word-of-mouth for a prospective venture deal (Mason et al. 2019). Recently, it has become a more organised market of angel groups who form investment groups to strengthen their impacts (Kerr et al. 2014), employ established investment practices, and have a global network with other groups (Drover et al. 2017; Mason et al. 2019). Organised groups of angel investors can invest in deals with the same ticket size as venture capital funds do for early-stage ventures (approximately £250,000 to £500,000) and even co-invest in much larger syndicated deals led by traditional professional investors (Mason et al. 2016; Harrison and Mason 2019). With the proliferation around the globe, it is estimated that angel investors' money pouring into new ventures was approximately £16.9 billion in the US (Sohl 2015) and £6.8 billion across Europe in 2019 (EBAN 2019).

The term *crowdfunding* refers to the financing of a project or venture by a group of individuals instead of professional parties (e.g. venture capitalists, business angels), primarily occurring without any financial intermediary, typically through the Internet (Schwienbacher and Larralde 2012). A conceptual definition is provided by Belleflamme et al. (2014, p. 588):

> *an open call, essentially through the Internet, for the provision of financial resources either in the form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes.*

In this definition, Belleflamme et al. indicate two dominant forms of crowdfunding: pre-ordering and profit-sharing. In the pre-ordering form, entrepreneurs work with pre-launched products and ask for support from prospective customers interested in the idea, so that they can collect the capital necessary to launch production. In the profit-sharing form, sometimes referred to as 'equity crowdfunding', entrepreneurs raise funding from distributed investors by offering those investors equity securities in exchange. However, unlike the pre-ordering form, the investors may or may not be users of the product.

In particular, equity crowdfunding has been acknowledged as a novel form of finance that may help fill an equity gap and unleash the potential of a new venture (Bellavitis et al. 2017). Mollick and Robb (2016) argue that the funding portal democratises access to capital and establishes new modes of interaction between entrepreneurs and financiers through a community built around a product where entrepreneurs can learn from the wisdom of its members. Through the portal, entrepreneurs can efficiently draw relevant knowledge from a vast number of distributed funders with less intensive interaction (Di Pietro et al. 2018). The inputs brought in by the crowd investors, apart from product co-creation, encompass strategy knowledge, market knowledge, access to the network, and public awareness (*ibid.* 2018). In addition, equity crowdfunding offers an opportunity for entrepreneurs to learn how to manage their relationships with financiers before proceeding to work with more professional investors (Bessière et al. 2020).

The latest emerging form of external finance available for new ventures is the *seed accelerator* or *accelerator*. The accelerator is *'the fixed-term, cohort-based, boot camps'* (Hochberg 2016, p. 25) which generally equip start-up founders with necessary skills through a form of mentorship, then proceed with a so-called *demo day* of publicly pitching their business to a pool of prospective investors. In addition to the mentorship program, the seed capital typically ranges from £20,000 to £120,000 for ventures at their earliest stage (Drover et al. 2017), often in exchange for 7 per cent equity (Deloitte 2015). Selected entrepreneurs have a chance to accelerate their concepts on-site during a fixed period of three to six months (Hathaway 2016) and be equipped with a wide array of the essential tools required to succeed, through formal and informal education scripts (Goswami et al. 2018). The formal education script is seminar-based learning, where participants gain basic knowledge of how to start up a business, whilst the informal education scripts embrace learning from their start-up peers in the programme and from exposing themselves to external stakeholders, and various mentors such as former entrepreneurs, venture capitalists (VCs), angel investors, and corporate executives (*ibid.* 2018). In essence, this helps emerging ventures cope with bounded rationality when they actively engage with their mentors through concentrating consultations: planned meetings that naturally force entrepreneurs to improve their information search and solution creation (Cohen et al. 2019). Originally traced back to the establishment of the notable US Y-combinator accelerator in 2005, the accelerator concept has been embraced by both public and private sectors around the globe, with an estimated 7,000 programmes operating worldwide (Forbes 2019).

2.3.4 Summary

This section has outlined external sources of finance available to entrepreneurial ventures. It has shown the main characteristics of each source of funding. The nature of each of these sources of finance is, in essence, quite different in several aspects. However, recent developments in understanding these financiers are limited, as research tends to examine each in isolation (Cumming and Vismara 2017; Drover et al. 2017). In particular, Wallmeroth et al. (2018) offer a critique in their comprehensive review of major sources of funding in the field. They note that most studies focus solely on one of three protagonists, explaining their characteristics, investment practices, and relationships with entrepreneurs, and the effects of their investments on portfolio companies. Most research is primarily devoted to exploring how investment decisions are made (Ferrati and Muffatto 2021), despite the fact that engagements after the deal are regarded as the essence of investment (Collewaert et al. 2021). This critique thus calls for research to understand and distinguish these sources systematically. The next section discusses the lenses utilised in entrepreneurial finance studies and examines their applicability to this issue.

2.4 Theoretical perspectives on entrepreneurial finance

This section reviews a potential lens for understanding different types of financiers. It will first outline the limitations of mainstream theories applied in entrepreneurial finance research, such as signal theory, agency theory, and trust, and then examine the applicability of an institutional logics perspective.

2.4.1 Signalling theory

Signalling theory is used to explain the behaviour of two parties (i.e. individuals and organisations) in a situation when they possess or have access to different information (Connelly et al. 2011). The gist of this theory concerns the mitigation of asymmetric information between two parties (Spence 2002). The signaller selects whether and how to signal information, and the receiver attends to and chooses how to interpret the signal. Therefore, signalling theory describes the ways in which signallers intentionally communicate messages about themselves to receivers (Connelly et al. 2011). Nevertheless, not all communications are valid signals, even though they are sent constantly. It is imperative that signals be observable and costly, for them to be perceived as productive (Connelly et al. 2011). Observability is concerned with whether the signal is noticeable by the receivers, whilst costliness is concerned with certain characteristics that ensure the trustworthiness of the signal, mostly obtained at the expense of the sender. For instance, signals considered observable and costly include educational degrees, professional credentials, or industrial certificates (Moss et al. 2015).

In the context of entrepreneurship, external resources are considered an important requirement for entrepreneurs to exploit entrepreneurial opportunities (Shane 2003; Clough et al. 2019). Information asymmetries arise when entrepreneurs or new ventures engage with potential resource providers who hold less information about the entrepreneurial opportunities (Shane 2003; Burns et al. 2016). Thus, signalling theory offers insight into the attributes accounting for the acquisition of resources by new ventures. Nevertheless, this approach offers a less detailed understanding of how signal receivers interpret signals, especially when incongruence exists (Drover et al. 2018). Recent studies also suggest that entrepreneurs rely on multiple types of external audiences (Denis 2004; Fisher et al. 2016), who are likely to operate with different judgement criteria about the new venture (Überbacher 2014; Fisher et al. 2016). Signalling theory could potentially have limited explanatory power when it comes to comparing the types of financiers.

2.4.2 Agency theory

Agency theory prescribes actions that focus on dealing with problems arising from agency relationships described as a situation when principals assign tasks to agents, and the agents are expected to fulfil their responsibilities (Jensen and Meckling 1976; Eisenhardt 1989). The theory presupposes that humans are self-serving, risk-averse, and have bounded rationality, leading to further assumptions in a relationship between focal actors that problems will emerge because of asymmetric information, goal conflicts, and the focal actors' different views toward risk (Eisenhardt 1989). In the context of entrepreneurial finance, agency theory has been widely applied to investigate the relationship between entrepreneurs and outside investors, especially venture capitalists and angel investors (Fiet 1995; Amit et al. 1998; Van Osnabrugge 2000; Hsu et al. 2014). In other words, information asymmetry arises due to bounded rationality on the part of the investor (principal) and the entrepreneur (agent) (Amit et al. 1998). Information asymmetry can lead to opportunistic behaviour by entrepreneurs, such as adverse selection or moral hazard (Amit et al. 1998). Adverse selection occurs when the investor misinterprets the ability of the entrepreneur, due to hidden information. For instance, the entrepreneur may misstate the potential value of the venture, to secure more favourable financing terms. A moral hazard occurs when the investor cannot observe the hidden actions of the entrepreneur. For instance, an entrepreneur may act opportunistically upon the interests of investors without actual contributions to the venture. Thus, agency theory as employed in examining relationships between entrepreneurs and venture capitalists is derived from normative assumptions that focus on *'how can the principal best avoid the agency problem?'* (Arthurs and Busenitz 2003, p. 147), an approach based solely on the financier's view, without considering the role of the entrepreneur (Glücksman 2020). Based on this view, principals are advised to minimise agency costs through extensive screening (Kaplan and Strömberg 2001) and exert control on the agents to restrain their self-serving behaviours through formal contract clauses, such as state-contingent contracts (Gompers 1995) or choices of securities (Arcot 2014; Burchardt et al. 2016), and extensive monitoring (Chemmanur et al. 2011; Garg 2013).

However, due to its excessively narrow view, this theory cannot account for deviations in the relationships between entrepreneurs and financiers. Not all relationships assume benefit-maximising behaviour. In fact, they depend on a cultural system of exchange between entrepreneurs and investors (Weber and Göbel 2006; Weber and Göbel 2010). These authors argue that the mode of interaction between the two parties may be driven by *social obligation reciprocity*, where both parties try to generate mutual connections through a joint process of synchronisation dominated by prosocial motives such as mutuality; this is contrary to the elaborate system of control described by agency theory. The agency theory perspective will therefore not be suitable to provide a basis of comparison among the types of financiers, which are possibly different by their nature. Some financiers may pay more attention to other dimensions, such as the affective, personal, and social aspects of the relationship (Huang and Knight 2017; Bessière et al. 2020), than to contracts and a formalised approach of control.

2.4.3 Trust

Trust is a complex concept with multiple conceptualisations caused by various ontological and epistemological views across different strands of research (Inkpen and Currall 2004) . It has a context-bounded nature, depending on the setting where it was examined (McEvily and Tortoriello 2011). For example, in the organisational science literature, trust is commonly understood as a *'psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviors of another'* (Rousseau et al. 1998, p. 395). In the psychology literature, trust is defined as the *'willingness to take some risk in relation to other individuals on the expectation that the others will reciprocate'*. (Ostrom and Walker 2003, p. 382). Granovetter (2017) notes that the essence of trust concerns the situation when risk exists between two related parties, and the trustor has a set of beliefs influencing trusting behaviours and assumes that the trustee will behave in a trustworthy manner. In other words, one party takes risks from the belief that he or she will not be exploited by another party capable of doing so (*ibid.* 2017). Trust is a mechanism that determines a relationship, while trustworthiness is a defining characteristic of individual actors engaged with the relationship (Tsai and Ghoshal 1998).

Trust and trustworthiness are vital ingredients for economic activities, since they fundamentally enable people to engage in cooperative rather than opportunistic behaviours (Granovetter 2017). In relation to the entrepreneurial process, trust is instrumental for relevant stakeholders in facilitating their cooperative efforts and alleviating conflicts due to inherent risk and uncertainty (Welter 2012). In particular, financing new ventures has inherited the fundamental problems of information asymmetry and uncertainty (see section 2.2.2). Information asymmetry can lead to relational risks, including moral hazards and adverse selection (Amit et al. 1998). Agency theory concerns how financiers can avoid this relational risk through the extensive use of formal instruments such as contracts and strict monitoring approaches (Kaplan and Strömberg 2004). Trust is acknowledged as a complement to the formal instrument in limiting self-serving behaviour (Uzzi 1999), lowering monitoring costs, and resolving the asymmetric information between actors by enhancing the flow of information. In addition, it not only eases entrepreneurs' access to critical resources but also prevents them from being abused in negotiation with resource holders, leading to obtaining resources below market cost (Newbert et al. 2013).

As trust can induce cooperation, a trustworthy actor tends to be endorsed by other actors to achieve goals that would not be possible in the absence of trust (Tsai and Ghoshal 1998). Similarly, financiers also base their judgement on how they perceive whether entrepreneurs are trustworthy. Berger and Udell (2006) point to so-called relationship lending, when banks rate their potential borrower based on a track-record of interactions. Scarbrough et al. (2013) indicate three forms of trust – institutionally-based, characteristic-based, and process-based – that are serves as trust mechanisms for entrepreneurs in successful deals with investors (i.e. BAs, VCs, CVCs, or university funding offices). In a study of how angel investors make investment decisions, Maxwell and Lévesque (2014) indicate that entrepreneurs receiving financial offers demonstrate trustworthiness through a higher level of trusting behaviours and a lower level of unintentional trust-damaging behaviours than do those who were rejected, and they exhibit relatively few trust-violating behaviours during their initial interaction with prospective angel investors.

Although trust is vital for reciprocity, a few issues need to be taken into consideration. First, financing entrepreneurial ventures can be seen as part of entrepreneurial resource mobilisation, a multistage process that requires multiple lenses in explanation (Clough et al. 2019). In addition, recent studies suggest entrepreneurs typically seek support from various financiers throughout a ventures' life cycle (Fisher et al. 2016; Bessière et al. 2020). Since these financiers are different by their nature, it is highly possible that varying degrees of trust between entrepreneurs and financiers exist (Pollack et al. 2017; Scarbrough et al. 2013). As a result, the concept of trust may not be comprehensive enough to cover all facets of financing entrepreneurial ventures and provide a basis for comparison among financiers.

2.4.4 Institutional logics

Friedland and Alford (1991) introduced the notion of institutional logics as an *inter-institutional system* that exists in society. Such a system contains the so-called *institutional orders* that prescribe a behavioural template of legitimate action for value systems or 'institutional logics' that actors are involved in. Initially, the institutional orders were described by five distinct components: the bureaucratic state, democracy, the nuclear family, the capitalist market, and the Christian religion. Later, Thornton et al. (2012) extended such value systems, presenting seven key institutional orders: market, family, community, religion, state, profession, and cooperation logics. The most accepted definition of institutional logics is

> *socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organise time and space, and provide meaning to their social reality.* (Thornton and Ocasio 1999, p. 804)

Additionally, Thornton et al. (2012) propose a comprehensive framework of *logic ideal type* that helps understand the interrelationships among institutions, individuals, and organisations in social systems. These ideal types are summarised in Table 1; they vary depending on the different values, beliefs, assumptions, and norms shared among groups of people.

Family logic is the basis of action driven by kinship (Thornton et al. 2012), which is associated with *'nurturing, generativity, and loyalty to the family'* (Miller et al. 2011, p. 4). Despite its name, this logic is not restricted to explaining action at the family level. Instead, it is broadly applied to organising practices resembling kinship in a broader sense, such as the business relationship (Fairclough and Micelotta 2013). Community logic provides a foundation of action based on reciprocity (Thornton et al. 2012). This logic is not narrowly confined to the community in a geographical sense but includes virtual communities. Its root is perceiving communities as collections of actors united by a sense of membership, *'drawn from propinquity, interest in a common goal, or common identity'*, that provides social and cultural resources that shape their actions (Marquis et al. 2011, p. xvi). The logic of religion has its root in cultural and material aspects of Christianity (Friedland and Alford 1991). It is an order prescribing individual actions to keep up the values and norms established by the church (Peifer 2014). For instance, a pastor tends to adopt values, beliefs, assumptions, and norms dominated by religious logic. Within state logics, actions are prescribed by the wider public interest (Thornton et al. 2012). Politicians and government bureaucrats, for instance, adopt values, beliefs, assumptions, and norms based on state logic. Market logic concerns a cultural system driven by economic rationality, determining calculated exchange values (Friedland and Alford 1991). This logic is a means to rationalise actions related to self-interest and profit-seeking. Groups of businesspeople tend to adopt values, beliefs, assumptions, and norms influenced by market logic. Profession logic encompasses sets of organisational principles built around specialist knowledge, expertise, and credibility (Zhou 2005). Corporate logic revolves around the market positions of firms (Thornton et al. 2012), and achieving organisational goals by control over individual actions through reproduction and efficiency (Townley 2002). Corporate hierarchy, procedures, and organisational culture explicitly refer to this logic (Thornton et al. 2012). This logic helps to rationalise actions related to forming and maintaining organisational boundaries.

The effects of institutional logics on organisation attention and behaviours have been well investigated in the literature. The value systems around which a particular institutional logic is built provide a schema for actors to process information and make decisions. With such a premise, the institutional logics lens has been widely adopted to explain the attention and behaviours of social actors embedded in such systems by connecting their logics and their practice, mainly at the field level (e.g. industry). Initially, research probed into dominant logics and how they affect practices in the field (e.g. Thornton and Ocasio (1999); Thornton et al. (2005)). For example, Thornton and Ocasio (1999) indicate that when the higher-education publishing industry mainly subscribed to editorial logics, the focus was on the prestige of the publishing house; however, when the market logics become dominant, the focus was on executive succession. In the early history of the accountancy field, the predominance of professional logics led to the focus on the appropriateness of accounting ledgers, whereas the corporate logics that later become predominant shifted the focus to selling services and generating profits (Thornton et al. 2005). The underlying assumption in this strand of research is that there will be a competition between rival logics, and one will become dominant. Another stream of research embraces the notion of 'institutional complexities', conceived as a field comprised of multiple logics by various stakeholders, causing conflicting demands on focal actors (Greenwood et al. 2010). Complexities can also appear when logics co-exist (Goodrick and Reay 2011; Waldorff et al. 2013); however, instead of causing tensions or challenges, they shape organisation structure and practice in the constellation (Ten Dam and Waardenburg 2020).

The core idea of a value system built around institutional logics shows promise in helping classify things outside the institutional theory literature, including entrepreneurship. As shown in the previous section, resources to foster entrepreneurial firms' development can be acquired from diverse audiences, including individual supporters, venture capitalists, government agencies, and corporations. New venture audiences may be situated in different contexts, each with different norms, values, and expectations, leading to different foundations for judging new venture legitimacy (Überbacher 2014). In entrepreneurial finance research, as entrepreneurs now have external finance options available to them, scholars have acknowledged issues of the heterogeneity of legitimacy judgement among each type of financier (Fisher et al. 2016). To understand the differences, scholars have explicitly begun to distinguish these financiers by their institutional logics. Pahnke et al. (2015) argue that the different types of resource providers – venture capitalists, corporate venture capitalists, and government funding agencies – for technology-based ventures in the US affect firms' innovation through their different underlying institutional logics. The institutional logics of those resource providers, according to Pahnke et al. (2015), can be summarised as follows: venture capitalists are dominated by a 'professional logic', utilising personal capitalism as their core economic perspective; corporate venture capitalists are influenced by a 'corporate logic', investing corporate resources to achieve company objectives; and government funding agencies operate on a 'state logic', granting resources to ventures to achieve technological advancements which will serve the public good. The logic subscribed to by each group of financiers prescribes how they interact with entrepreneurs.

The professional logic of venture capitalists encourages them to play the role of professional consultant, working closely with their portfolio companies to achieve key milestones for the next stage of fundraising. The corporate logic of corporate venture capitalists hinders new ventures from fully utilising potential corporate resources due to dispersed authority, directing their attention to corporate fit rather than their portfolio companies' growth. The state logic of government agencies leads to a focus on creations of the common good by entrepreneurial firms. Fisher et al. (2017) further conceptually identify other resource providers' institutional logics based on market and community logics. They argue that angel investors are dominated by a 'market logic,' because they provide seed capital to new ventures expected to generated profits for personal gain. Crowdfunding contexts are influenced by a 'community logic,' as they represent virtual communities built around entrepreneurial projects. Entrepreneurs and funders are emotionally connected to the projects by a sense of group membership. The institutional logics of financiers are classified in Table 1.

From the institutional logics mentioned in Table 2, Fisher et al. (2017) further propose a framework (Table 3) to explain the interaction that can happen at the micro-level between entrepreneurs and financiers in relation to their institutional logics. They argue that to gain legitimacy in financiers' eyes, entrepreneurs can signal their legitimacy through the following mechanisms: 1) identity mechanisms, referring to the portrayal of entrepreneurs' or their ventures' identity that fulfil financiers identity expectations; 2) associative mechanisms, accounting for entrepreneurs and their ventures' affiliations with recognisable actors that endorse their legitimacy; and 3) organisational mechanisms, accounting for proper elements of an organisation possessed by a new venture and the attainment of achievements demonstrated by that venture. The framework proposed by Fisher et al. (2017) is shown in Table 3.

The framework proposed by Fisher et al. (2017) provides a theoretical basis to distinguish the different legitimacy judgements held by financiers and the potential mechanisms used by entrepreneurs to enhance their legitimacy. The framework offers a point of reference in understanding the investor/investee relationship, considering that gaining legitimacy is part of the process of new venture investment. The next section discusses opportunities to build upon the notion of institutional logics and the proposed framework.

Categories	Family 1	Community 2	Religion 3	State 4	Market 5	Profession 6	Corporation 7
Root Metaphor 1	Family as firm	Common boundary	Relation to supernatural	State as redistribution mechanism	Transaction	Profession as relational network	Corporation as hierarchy
Sources of Legitimacy 2	Unconditional loyalty	Unity of will, belief in trust & reciprocity	Importance of faith & sacredness in economy & society	Democratic participation	Share price	Personal expertise	Market position of firm
Sources of Authority 3	Patriarchal domination	Commitment to community values & ideology	Priesthood charisma	Bureaucratic domination	Shareholder activism	Professional association	Board of directors, top management
Sources of Identity 4	Family reputation	Emotional Connection Ego-satisfaction & reputation	Association with deities	Social & economic class	Faceless	Association with quality of craft & personal reputation	Bureaucratic roles
Basis of Norms 5	Membership in household	Group membership	Membership in congregation	Citizenship in nation	Self-interest	Membership in guild & association	Employment in firm
Basis of Attention 6	Status in household	Personal investment in group	Relation to supernatural	Status of interest group	Status in market	Status in profession	Status in hierarchy
Basis of Strategy 7	Increase family honour	Increase status & honour of members & practices	Increase religious symbolism of natural events	Increase community good	Increase efficiency	Increase personal reputation	Increase size & diversification of firm
Informal Control Mechanisms 8	Family politics	Visibility of actions	Worship of calling	Backroom politics	Industry analysts	Celebrity professionals	Organisation culture
Economic System 9	Family capitalism	Cooperative capitalism	Occidental capitalism	Welfare capitalism	Market capitalism	Personal capitalism	Managerial capitalism

Table 1 The Interinstitutional system ideal types
Source: adapted from Thornton et al. (2012, p. 73)

Audience	Crowdfunding backers	Government agencies	Angel investors	Venture capitalists	Corporate venture capitalists
Nature of Financial resources	Crowdfunding	Research grants and awards	Seed capital	Venture capital	Corporate investment
Institutional Logic	Community logic	State logic	Market logic	Professional logic	Corporate logic
Economic Perspective	Cooperative capitalism	Welfare capitalism	Personal capitalism	Free market capitalism	Managerial capitalism
Sources of Legitimacy	Unity of will Belief in trust and reciprocity	The prestige of government science Selectivity of funding	Individuals entrepreneurial success Personal wealth	Investment track record	Market position of firm
Sources of Authority	Commitment to community values and ideology	Bureaucratic procedures	Autonomy Equity percentages	Equity percentages Partnership percentages Simple hierarchy	Board of directors and top managers Dispersed authority and slow decision making
Sources of Identity	Emotional connection Ego satisfaction and reputation	Steward of public funds	Past entrepreneurial experience Individual reputation	Partnership affiliation and reputation Entrepreneurial reputation	Bureaucratic roles Broker between venture and corporation
Basis of Norms	Group membership	National	Self-interest	Professional standards	Corporate culture
Basis of Attention	Personal investment in group	Knowledge advancement Promotion of public good	Individual reputation Entrepreneurial success	Status in profession Investment track record	Portfolio of investments Fit with corporate strategy
Logic of Support	For community advancement	For knowledge advancement and generating public good	For personal economic returns To be part of venture	For economic returns for fund investors	For strategy enhancement

Table 2 Institutional logics for audiences of new technology-based ventures
Source: adapted from Fisher et al. (2017, p. 57)

Audience (Resources) [Institutional logic] / Legitimacy mechanisms	Crowdfunding backers (Crowdfunding) [Community logic]	Grant administrators (Research grants or awards) [State logic]	Angel investors (Seed capital investment) [Market logic]	Venture capitalists (Venture capital investment) [Professional logic]	Corporate venture capitalists (Corporate investment) [Corporate logic]
Identity mechanisms How a venture is portrayed in its identity claims?	Contribution claims – Claims an identity providing value directly to community members and contributing to community wellbeing.	Technical claims – Claims an identity of contributing to knowledge advancement and providing technological breakthroughs.	Disruption claims – Claims an identity as a market disruptor. Connection claims – Claims an identity that is connected to the investor.	Competitive claims – Claims an identity of being as competitively superior to others.	Complementary claims – Claims an identity that supports and enhances the corporation's strategy.
Associative mechanisms With whom is the venture is connected?	Ties with prominent community members or associations – Venture forms and signals ties with community members or associations – tied to the community ecosystem.	Ties with research institutions – Venture forms and signals ties with research institutions – tied to the academic ecosystem.	Ties with venture accelerators (or similar organizations) – Venture forms and signalsassociations with venture accelerators (or similar types of organizations) –tied to entrepreneurial ecosystem.	Ties with other investors – Venture forms and signals associations with other investors – tied to investor ecosystem.	Ties with other corporations – Venture forms and signals associations with other corporations – tied to the corporate ecosystem.
Organizational mechanisms How a venture is organized? Including two factors: – Leadership – Success measures	Community membership of the leader(s) – Venture has a leader in place with strong links to, and membership in, the community Demonstrating prototype – Developing and demonstrating a product prototype.	Academic experience and reputation of leader(s) – Venture has a leader in place with recognized academic qualifications and reputation. Scientific achievements – Achieving technical and research milestones, achievements and recognition.	Commercialization expertise of leader(s) – Venture has a leader with expertise in bridging the technological and commercial domains to bring new products to market. Establishment of early customers – Developing and highlighting a base of initial customers.	Entrepreneurial experience and reputation of leader(s) – Venture has a leader in place with recognized entrepreneurial experience and reputation. Achieving growth milestones – Achieving specified venture growth milestones.	Managerial experience and reputation of leader(s) – Venture has a leader in place with recognized managerial experience and reputation. Level of professionalization – Instituting a familiar organizational structure and managerial roles.

Table 3 Legitimacy framework for new ventures proposed by Fisher et al. (2017)
Source: extracted from Fisher et al. (2017, p.58)

2.5 The process of financing new ventures

Research on entrepreneurial finance has documented the fundamentally dynamic nature of the process of funding new ventures. Broadly, the process can be classified into two main stages: (i) the pre-investment or deal-making phase, and (ii) the investment phases, where investors monitor and add value to their portfolio companies. The following works give an overview of the financing process of specific types of financiers.

It has long been acknowledged that the process of venture capital (VC) investing comprises multiple stages, from the very beginning of pre-investment activities to post-investment (Tyebjee and Bruno 1984). The main elements of VC investment activities can be summarised as follows: considered, met management, reviewed with partners, exercised due diligence, offered term sheet, closed and value-added activities, and exit deal (Gompers et al. 2020; Gompers et al. 2016). Practically, of the prospective deals considered by VC firms, 25 per cent will go through a management meeting. Subsequently, one-third of those are further reviewed by fund partners, half of which can proceed to due diligence; finally, 1.7 per cent of investment opportunities are offered investment term sheets, and around 60 per cent of those offers are accepted. Overall, it takes 83 days on average to close a deal, with an extensive due diligence of 118 hours supplemented by 10 references. After completing the deal, the VCs engage with activities providing value to their backed firms. CVC funds also adopt a similar process in their deal-making and investment activities (Souitaris and Zerbinati 2014).

Paul et al. (2007) reveal that, for angel investing, the process includes five stages: familiarisation, screening, bargaining, managing, and harvesting. It usually takes between 3 and 18 months for a prospective deal to reach an investment agreement. Potential deals originate from various sources, such as business associates, business angel networks, and investment syndicates. Angel investors initially learn about entrepreneurs and proposed investment opportunities through a business plan in the familiarisation stage. If the plan looks viable, a meeting will be arranged with the entrepreneur, usually by phone. As part of the screening stage, further meetings occur between both parties as the investor tries to understand the entrepreneur and their venture and carefully examines the business plan, supplemented by the entrepreneur's background check with the investor network. When due diligence has been completed, a formal agreement is drawn up between the two parties in the bargaining stage.

Then, the investor makes contributions to the investee companies during the managing stage and remains until their investment has been realised at the harvesting stage.

Löher (2017) indicates that the process for a venture to be listed on an equity crowdfunding platform involves structured and proactive searches, heavily reliant on networks. He points out that the selection process consisting of four stages: deal sourcing, screening and evaluation, deal structuring, and preparing the campaign. The platform operator utilises its network to source potential deals. These deals will be filtered to prevent unnecessary obstacles during the screening stage. For instance, a venture has to meet the requirement of being a legal entity. The comprehensive assessment will be made by reviewing the pitch deck of the venture, including current investors, meeting with the top management team, and conducting a background check. The next stage is to structure the deal for funding amounts and valuations, including the platform's fee. This stage will involve a range of methods to determine the venture's valuation. Finally, the venture expected to launch a funding campaign will be listed on the platform to attract prospective investors.

As outlined earlier, entrepreneurs are subjected to this process to mobilise financial resources to grow their venture. There is still scant comparative work on how the relationship unfolds across this process, because most research exclusively focuses on a single source of finance (Cumming and Vismara 2017; Wallmeroth et al. 2018). Only a few works have started to compare types of financiers. For instance, a conceptual work by Huang and Knight (2017) has indicated that an exchange relationship between entrepreneurs and investors is comprised of two dimensions – instrumental and affective. The instrumental dimension concerns commitments and expectations based on task-relevant goals. The affective dimension involves commitments and expectations based on personal and emotional welfare and holding one another in positive regard. Even though these two dimensions are not mutually exclusive and can be strengthened over time, they point to the formation of a relationship that is quite different between types of investors. The development is built upon the affective dimension, for angel investors, and the instrumental dimension, for venture capitalists. The different modes of the relationships among types of financiers are further empirically documented by Bessière et al. (2020), pointing to the dynamics model of governance enacted by financiers. Their study of an emerging firm's funding trajectories shows how the transition from an informal mechanism of control to a formalised approach is imposed when more professional investors become involved. Taking these different patterns of relationship that entrepreneurs experience into consideration leads to the question of what governs the relationship between the entrepreneur and their financiers. One promising perspective that has been recently utilised to understand financiers systematically is that of institutional logics, as discussed in the previous section. However, there is another key consideration regarding this perspective: the varying practices among contexts. The next section discusses this issue in more detail.

2.6 Varying practices across contexts and emerging economies, and the implications for institutional logics

Context has been acknowledged to be important in understanding entrepreneurship (Welter 2011; Zahra and Wright 2011). For example, Gartner (1995) notes the importance of context where entrepreneurship occurs, because most research tends to overlook the effects of external factors and underscore the effects of personal factors when making judgements about the behaviour of other individuals. Baumol (1990) also calls for attention to the fact that the rules for entrepreneurship differ from one time and place to another. Also, Welter (2011) notes that the term 'context' refers broadly to the numerous locations where entrepreneurship happens, all of which affect entrepreneurs and the ventures they create. According to its primary type, the context can be classified into four categories: business, social, spatial, or institutional (Welter 2011). However, these contexts have a multiplicity of levels, in that they are both intertwined with and shape regulatory, normative, and special contexts at the wider level (i.e. community, regional, and national) (Baker and Welter 2018). In light of this, entrepreneur-financier relationships are arguably formed by the broader context in which they are situated. It is thus worth considering the potential effect of this on the framework for understanding entrepreneur/investor relationships. This section discusses institutional differences and investment practices.

The institutional dimensions of context are referred to as 'rules of the game' and can be classified into formal and informal institutions (North 1990). Formal institutions are political and economy-related rules, while informal institutions are the norms and attitudes of a society. The finer categories of institutions are given by Scott (2014). Institutions are made up of three main building blocks: regulatory, normative, and cultural-cognitive. The most formal are the regulatory institutions, building upon rational choice and reflected in laws, rules, codes, and regulations. Individuals abide by these directives as they seek attendant rewards or avoid sanctions. Normative institutions are less formal or codified and define the roles or actions that are expected from individuals in their social, professional, and organisational interactions. These often appear in the form of values (what is appropriate or expected) and norms (how things should be done according to those values), especially in accepted authority systems, such as accounting or medical professional societies. The most informal are cognitive institutions representing common frameworks of meaning at the individual level, such as taken-for-granted rules and beliefs, that are established and guide individual behaviour through social interactions among various participants. These institutions have been widely acknowledged as critical components of the business environment and importantly influence organisations that operate within it. They will impact norms, practices, characteristics, operations, and firms' success within industries that operate within their influence (Scott 2014; Bruton et al. 2010). In addition, the confluence of regulatory, normative, and socio-cognitive macro institutions hinges upon the cultural and historical developments in particular countries (Holmes et al. 2013).

Research has shown that institutions impact investment approaches at the micro-level markedly differently when comparing emerging/developing economies and their developed counterparts. Emerging economies are low- and middle-income countries with rapid economic growth (Hoskisson et al. 2000), whereas developing economies are categorised as low- or middle-income states experiencing slower growth rates. Both categories share the same characteristic: a weak institutional environment where property rights protection is not adequate for investors (Lingelbach 2012). The deficiency of formal institutions such as property rights protection leads to different practices adopted by financiers.

A clear example of varying investment practices is offered by Zacharakis et al. (2007). This work indicates that venture capitalists from different countries (US – mature market economy, South Korea – emerging economy, and China – transitional economy) use different information when screening prospective deals. Using policy-capturing experiments on 119 venture capitalists across these three countries, they find that venture capitalists in mature market economies weigh market factors to a greater extent than their counterparts in emerging economies do, and that venture capitalists in China rely on human capital factors more considerably than their counterparts either in the US or Korea. Venture capitalists in emerging economies also place considerable emphasis on informal institutions, such as informal ties or personal networks, as substitutes for formal institutions (Ahlstrom and Bruton 2006). They exploit their networks to form links to key customers, the government, and other important allied firms to a greater extent than their Anglo-American counterparts do (*ibid.* 2006). Due to such informal cultural-cognitive factors, the requirement for existing relationships is significant for firms to achieve funding; the monitoring of funded firms is performed through informal ties to entrepreneurs and their families (Bruton and Ahlstrom 2003; Ahlstrom and Bruton 2006).

Similarly, even though few studies have explored angel investing practices across country settings (Collewaert et al. 2021), research has indicated a substituting of investment practices due to institutional voids in developing countries. For example, angel investors in the US attend to generic characteristics such as top management teams, advisors, and products from a prospective deal to further proceed with a thorough evaluation (Becker-Blease and Sohl 2015). In contrast, angel investors in Southeast Asia rely mostly on their close networks to initiate a deal (Scheela et al. 2015). The strong emphasis on social relationships and familial ties in emerging angel markets raises an interesting question of how a so-called angel investment is subjected to influence, compared to in the West (Harrison 2017).

The aforementioned differences have significant implications for institutional logics, especially when deployed as a tool for classification; these can be considered in tandem with the current discussion on institutional logics. Gümüsay et al. (2020) note the 'contextuality of the logics' – the logics as they are situated and contextualised – and propose that intra-institutional factors can be observed, due to local conditions and respective cultures that influence the understanding of the same ideal-type logics by focal actors. Given that financiers' varying practices and preferences are associated with investment decisions under different institutional settings, this offers scope for further investigation regarding previous work that has been done to clarify the entrepreneur-financier relationship. In particular, these differences can challenge both the purity of the legitimacy frameworks and the notions of institutional logics of financiers proposed by Fisher et al. (2017) (see section 2.4.4). The framework itself, including the ideas of institutional logics, allows a systematic approach to classifying patterns of relationship; nevertheless, it assumes financiers will hold the same logics, regardless of their situatedness. However, investment practices are different across contexts. These practices are micro-foundations that constitute institutional logics. If those micro-level practices change, what do they imply about the wider institutional logics holding in the entrepreneur-financier relationship, particularly in emerging markets? Can stark differences be expected?

2.7 Research questions

Entrepreneurship can be seen as a consequential process of opportunity exploitation (Shane and Venkataraman 2000). To exploit an entrepreneurial opportunity, an entrepreneur needs to acquire external resources (Clough et al. 2019; Shane 2003). Resources, especially financial resources, help firms to survive and grow, because they provide entrepreneurs with a buffer to cope with unexpected situations (*ibid.* 2003). Empirical research has also found a positive relationship between the initial financial capital and new venture survival and growth (Cooper et al. 1994; Brüderl and Preisendörfer 1998; Xi et al. 2020), and innovation activities (Brown et al. 2009; García-Quevedo et al. 2018). Similarly, financial capital is suggested to be an instrumental resource, in that it is flexible and can be used to obtain other resources, such as labour or equipment (Brush et al. 2001). Nevertheless, there are some issues regarding resource acquisition, such as information asymmetry and uncertainty, making it difficult for an entrepreneur to obtain resources, especially from external audiences such as crowdfunding, governments, business angels, venture capital, corporate venture capital, and business accelerators. However, some critics have pointed out that studies to date focus exclusively on a single source of finance (Cumming and Vismara 2017; Wallmeroth et al. 2018), leaving room for comparative research across types of financiers.

Recently, researchers investigated a promising approach to understanding the interface between entrepreneurs and financiers. Institutional logics has been utilised in systematically helping to classify financiers (Pahnke et al. 2015; Fisher et al. 2017). In particular, Fisher et al. (2017) propose a conceptual frame of legitimacy (see Section 2.4.4 and Table 3 for details) to demonstrate how entrepreneurs can form their relationships with prospective investors in relation to those investors' institutional logics. Researchers have also conceptually and empirically demonstrated that relationships between entrepreneurs and their funders are somewhat different, depending on financiers' types (Huang and Knight 2017; Bessière et al. 2020). By bridging these two points, the notion of institutional logics has the potential to help examine the entrepreneur and financier relationship.

Nevertheless, there is a key consideration about previous works on financial providers' institutional logics for a new venture: they implicitly assume that financiers will hold the same logic everywhere. As discussed in Section 2.6, investing practices by financiers happen in a wider institutional context, and these practices are also reflections of institutional logics. Given that practices are different, as they are influenced by broader-level institutions, this may imply different institutional logics that govern the relationships between entrepreneurs and financiers. This is particularly so in emerging economies, which are characterised by a number of institutional idiosyncrasies that developed markets do not possess, such as institutional voids and the relative importance of informal to formal institutions (Rottig 2016). Thus, actions other than those driven by economic rationality, including less formal practices, are likely to predominate the resource mobilisation process (Foo et al. 2020).

Therefore, the research questions for this thesis are as follows:

1. What are the institutional logics shaping the relationships between entrepreneurs and financiers in emerging economies?
2. How do entrepreneurs and financiers construct institutional logics throughout their relationships?
3. What can entrepreneurs do to increase their success in the investment process?
4. How can institutional environments be improved to support successful investment in emerging economies?

2.8 Summary

This chapter has outlined how the research questions of interest emerged. Section 2.1 provided background on what entrepreneurship is. Section 2.2 mentioned the importance of financial resources to entrepreneurship, as well as major challenges for new ventures in acquiring financial resources. Section 2.3 then provided an overview of the financial options available to entrepreneurs and their key characteristics, including previous criticism of how studies on entrepreneurial finance usually focus on one source. This is perceived to be an underexplored area in the research on types of financiers. Section 2.4 introduced a theoretical framework for understanding the interface between entrepreneurs and financiers. This included background and previous works built around this lens. Section 2.5 discussed the nature of the new venture financing process, including recent works that have begun to point out different modes of relationships between entrepreneurs and financiers. We saw how the notion of institutional logics can be extended to explain the whole process, from previous conceptual work. Section 2.6 offered a critique of a recent theoretical view about the neglected aspects of that framework.

The main argument is that contemporary academic work narrowly classifies financiers based on ideal types of institutional logics and implicitly assumes that audiences for new ventures (financiers) will predominantly be influenced by the same institutional logic, regardless of where their activities occur. In other words, it has been acknowledged in the entrepreneurship literature that contexts influence entrepreneurial actions. One essential form of context is the institutional dimension. Investment practices are akin to entrepreneurial activities influenced by a broader institutional setting. Given that investment practices are proxies for micro-level activities that constitute institutional logics, this raises the question of the institutional logics that prevail in entrepreneurs and financiers' relationships, especially since some stark differences in practices have been documented. Section 2.7 set out a line of argument for this thesis and pointed to a gap in understanding the relationships between entrepreneurs and financiers and the need for empirical work.

The next chapter follows on from these research questions, to explain how the empirical work was conceptualised and conducted.

Chapter 3 Research methodology

The previous chapter set out the key specific research questions to address in this thesis, which seeks to understand the underlying mechanism that helps entrepreneurs and financiers facilitate and maintain their relationships in an emerging economy. This chapter explores the methodology that will achieve this aim and answer the specific research questions. First, it overviews the empirical contexts of the study site. Next, it outlines the philosophical stance underpinning the research. It then moves on to the chosen methodology and how the research was conducted. Finally, it discusses the analytical procedures adopted in the research.

3.1 Empirical context: Thailand as an emerging economy

Located in South East Asia, Thailand attained an upper-middle-income country status in 2011 and has been ranked the fourth-largest economy in the region, with a gross domestic product (GDP) of £320 billion[1] in 2018 (Prix 2020). The country was ranked 32 out of 137 countries in the global competitiveness index, placing it among the efficiency-driven economies, with a fair level of competitiveness driven by more efficient production processes and increased product quality (Schwab 2018). For a decade, Thailand has attempted to promote entrepreneurship. It has demonstrated a high rate of entrepreneurial activities (17.7 per cent) compared with other countries at the same stage of economic development (Guelich 2016). In addition, it has a dynamic SME (Small or Medium-sized Enterprise) sector. The number of registered SMEs increased more than threefold to 2.8 million between 1997 and 2008 (UNCTAD secretariat 2015).

However, like other countries in Asia and the Pacific, the entrepreneurial activities of SMEs primarily operate in a traditional form of business with limited integration of technology (Wonglimpiyarat 2011; Intarakumnerd et al. 2002). The main industries that drive the economy are agriculture, automobiles, tourism, and finance. This previously made SMEs less attractive for external equity finance (Mahamad 2008). In particular, deals with potential new ventures were very rare and remained so until 2010 – the lack of talented entrepreneurs partly accounts for such a situation (Scheela et al. 2016). Due partly to the financial crisis in 2008, talented returnees, who had previously pursued careers in consulting or financial firms after graduating

[1]£0.78 = $1 (approximation on 31 December 2018)

from universities abroad, founded some Internet companies, marking the beginning of technology start-up businesses in the country (*ibid.* 2016). According to a report by NXPO[2] in 2019, a small proportion of start-ups were founded between the late 90s and 00s. Figure 1 shows the record of registration years from a sample of start-up ventures in Thailand. Only 2 per cent of the sample were registered before 2010. It was not until 2012 that the landscape began to change, since when there has been a rise in founding of start-ups and a few records of start-up venture deals. Figure 2 shows the record of start-up deals in Thailand between 2011 and 2018. It indicates an upward trend of investment deals in Thailand, from 1 deal in 2011 to 35 deals in 2018 with a total amount of £256.4 million.

The Thai entrepreneurial ecosystem is currently ranked above average in the Asia-Pacific region, thanks to a certain level of activities for fostering entrepreneurship and internal market dynamics (Guelich 2020). Various forms of support, such as incubators, co-working spaces, and networking events such as pitching competitions, have been introduced alongside the initial investment in 2012, making the national entrepreneurial landscape more vibrant (Scheela et al. 2016). However, according to the Global Entrepreneurship Monitor reported by Guelich (2020), the financial environment for entrepreneurship is not impressive. The report shows that access to finance is the number one concern for aspiring young entrepreneurs. Traditional financial intermediaries such as banks hold conventional views on lending criteria (i.e. collateral, credit and work history, and guarantees) and perceive it as too risky to invest in start-ups businesses, particularly when run by young entrepreneurs (Guelich 2020).

In the report by NXPO published in 2019, the surveyed entrepreneurs reported six options for finance they could use when embarking on their ventures: (i) personal savings, (ii) family and friends, (iii) angel investors, (iv) venture capital (including corporate venture capitals), (v) public funding, and (vi) other sources of external finance. Figure 3 shows the average contributions of these sources of finance in a start-up venture. As the main focus of this thesis is on external sources of finance, the following subsection will overview the external sources of finance prevalent in Thailand, providing the focus for the types of financier sampled.

[2] The Office of National Higher Education Science Research and Innovation Policy Council (NXPO) is an autonomous public agency affiliated to the Ministry of Higher Education, Science, Research and Innovation. Its main responsibility is to design, monitor, and evaluate national policies related to education, science, and technology.

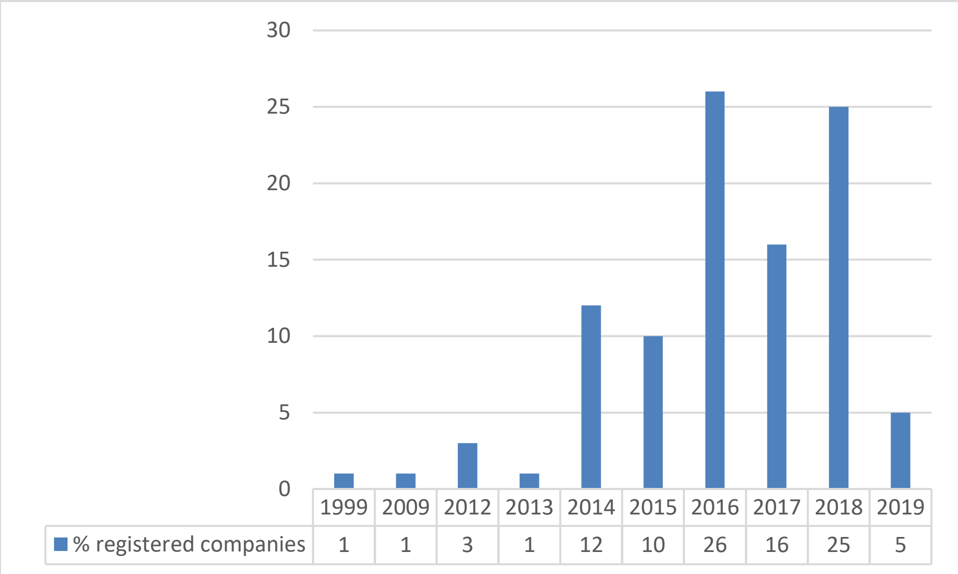

Figure 1 Percentages of start-ups by registration year

Source: NXPO (2019)

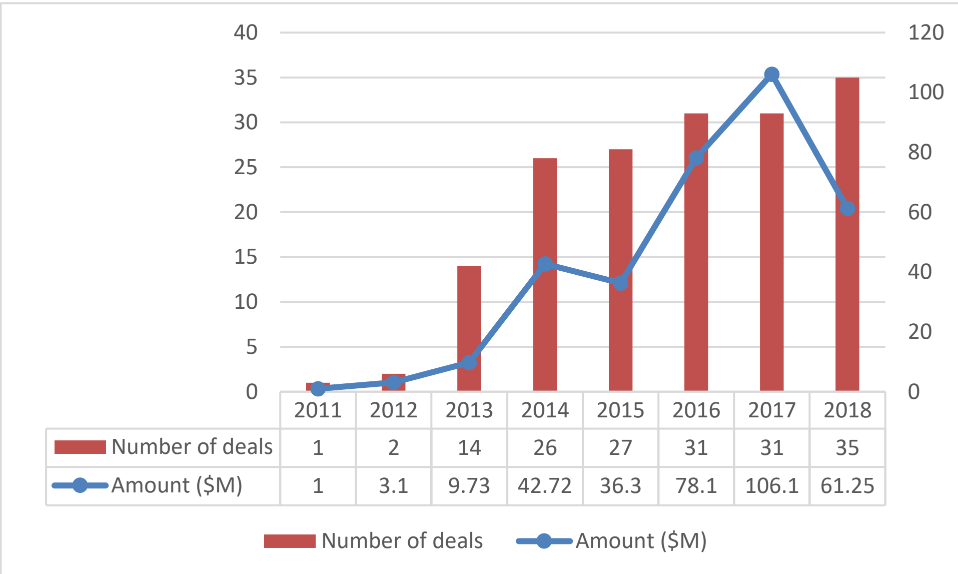

Figure 2 Record of deals secured by start-ups in Thailand between 2011 and 2018

Source: Techsauce (2018)

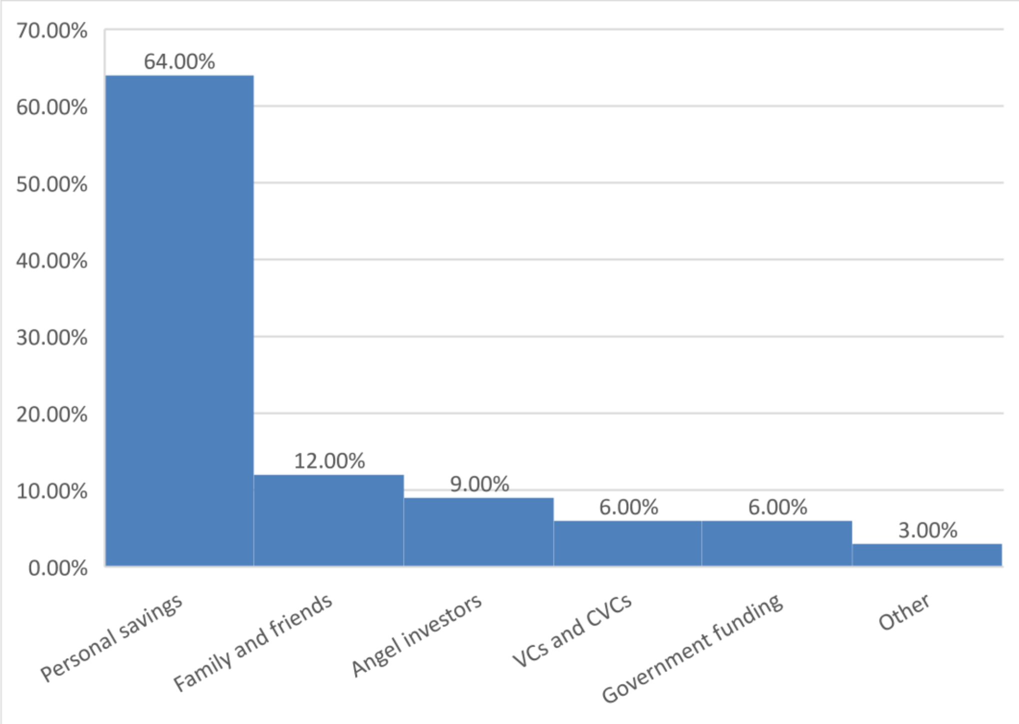

Figure 3 The average proportion of funding sources in a venture
Source: NXPO (2019)

3.1.1 Venture capital and corporate venture capital

The venture capital industry in Thailand can be traced back to 1994 when the Thai venture capital association was officially established. Nonetheless, there was slow progress in VCs supporting potentially fast-growing companies. In fact, the venture capital funds set up at the time were more similar to private equity funds, whose primary focus is on mature and cash-generating firms (Wonglimpiyarat 2007). Those VCs were less tolerant of risk and preferred mature firms, arguably due partly to the lack of an adequate understanding of VC investment and the country's roots in bank-centred capital markets (Mahamad 2008). After 2012, however, the VC industry in Thailand began to take shape and become more vibrant, thanks to the entrepreneurial ecosystem (Scheela et al. 2016). Even though deals have been relatively small compared to those in advanced economies, not only have more professional domestic VC firms been established, but the country has also attracted foreign VC firms seeking to gain exposure to South East Asia (*ibid.* 2016).

According to EIC (2017)[3], Thai corporates began engaging with new ventures in 2012. The first movers were in the telecommunication industry, setting up corporate venture capital funds and accelerators. In 2016, these practices were widely adopted by the banking and financial sectors, during the rise of digital transformation that was potentially disrupting the finance and banking industry. The major incumbent banks have set their own funding in order to harness new technologies that would enable them to enhance their competitiveness. In 2017, the practices were widely adopted by players in other sectors such as energy, real estate, and construction. These companies set up their funds as part of their searches for innovation for their products and processes. Some also perceived this as a way of expanding their business boundaries.

3.1.2 Angel investors

Angel investing in technology-oriented ventures is a relatively new concept in Thailand. Although high-net-worth individuals have invested in new ventures, those deals were exclusive to a close circle of business groups and focused on more traditionally oriented businesses. A study has documented that the Thai Chinese business association was a key group of angel investors (Scheela and Jittrapanun 2012). This group, comprising the Sino-Thai family businesses that have dominated the business sector, relies primarily on familial ties when investing. They have invested mainly in sectors associated with their influence, such as finance, retail, and agriculture. However, angel investing changed somewhat as it came to the surface by the concurrence of the emerging entrepreneurial ecosystem in 2012 (Scheela et al. 2016). Since then, there has been a continuous rise in publicly reported angel investment deals in technology and early-stage ventures, especially in the local and regional tech media.

3.1.3 Public subsidies

Government contributions to new ventures appear in two forms: non-financial and financial. However, the form of subsidy relevant to this thesis is financial contributions; other supporting schemes, such as capability development and coordination programmes, will be excluded from the discussion. Previously, public subsidies were aimed at mature ventures, even though the state boasted of supporting SMEs (Intarakumnerd et al. 2002). In other words, the support

[3] An article about Thai corporate venture capital funds published in Thai by Economic Intelligence Center (EIC). EIC is a research unit under Siam Commercial Bank (SCB), the first commercial bank established in Thailand.

appeared in the forms of matching grants and R&D exemptions. Such support is not appropriate for high-potential growth ventures integrating technology to achieve their hyper-growth; they have to generate revenue or profit (NXPO 2019). However, recent developments have shown substantial government efforts in supporting high-growth entrepreneurship over the last five years. For example, non-repayable grants have been set up by major organisations responsible for promoting entrepreneurship and innovation, such as the National Innovation Agency of Thailand and the Ministry of Higher Education, Science, Research, and Innovation (Startup Thailand 2018)[4]. In addition, there has been an attempt to provide equity financing by the government for firms that are showing good signs of growth but may not be attractive enough for private investment. To date, only DEPA[5] is experimenting with this sort of government venture capital fund.

3.2 Philosophical assumptions

The primary focus of this research is on understanding the pattern of interaction between entrepreneurs and financiers throughout the investment process. Such patterns will be explained through the institutional logics perspective. Scholars have adopted a wide range of ontological and epistemological perspectives when trying to understand institutional logics. These various assumptions lead to different approaches to capture institutional logics. Highlighting this, Reay and Jones (2016) indicate a range of research stances: pattern deducing, matching, and inducing. The purpose of this section is not to provide extensive debate about ontology and epistemology related to institutional logics. It will instead outline the backgrounds of the available approaches and evaluate their applicability to this thesis.

Pattern deducing is related to a realist research paradigm that perceives social realities to exist independently ‘out there’; naturally patterned, and ready to be discovered (Neuman 2011). Researchers taking this stance view institutional logics and meanings as being established and uncovered by repeated patterns of words, practices, images, and actions. The approach supporting this stance is to make use of quantifiable tools or statistical inference to reveal patterns from texts. Word frequencies, ratios and co-occurrences are used to determine a system

[4] Startup Thailand is Thai government vehicle for promoting start-up set up by National Start-up Committee (NSC). Its main role is to be a platform connecting relevant stakeholders in Thailand start-up ecosystem.
[5] The Digital Economy Promotion Agency (DEPA) is a government agency under the Ministry of Digital Economy and Society. Its role is to champion the digital transformation in all sectors in the country. Part of its responsibility is supporting digital-related new ventures through capability building and funding.

of cultural categories as they represent a word's centrality in discourse and its relationships with other words (Krippendorff 2004; Jockers 2014)

The next approach rests on social constructionism. This recognises that a pattern of social realities might exist; however, it results from meaning systems constructed through human interactions rather than from a natural mechanism existing 'out there' to be discovered (Neuman 2011). Perceived as tightly intertwined with context, the meaning of a particular social phenomenon is arguably understood by looking at it from the inside. Instead of converting texts to quantifiable results, text segments from empirical textual data gathered from interviews and direct observation, including personal experience, are classified into meaningful categories that represent a pattern of practices or behaviours associated with institutional logics (Reay and Jones 2016).

The remaining assumption is that institutional logics are related to the critical realist stance of philosophy. This assumption draws on both realist ontology and neo-realist epistemology, a more nuanced version of positivism (Zachariadis et al. 2013). This extends the positivist ontology that social reality is greater than what is experienced; instead, it includes events that are not experienced and their related unobservable structural mechanisms (Bhaskar 1978). A critical realist view of epistemology accepts that social reality is co-constructed among groups of people rather than existing independently. A so-called 'pattern matching' overlaps with the critical realist stance as critical realists posit that the social world is constructed and understood by moving back and forth between prior theories and empirical evidence (Reay and Jones 2016). When adopting this view in understanding institutional logics, researchers gather empirical data which later will be clustered around similar patterns of associated practice and compared to see whether they are relevant to the ideal type of logic (Thornton et al. 2012)

This thesis adopts a critical realist perspective to understand the context in which the relationship between entrepreneurs and financiers develops. Put simply, the researcher is interested in what constitutes this relationship and what governs the relationship throughout the process of new venture financing. Prior knowledge has suggested that a dyad between entrepreneurs and financiers is underpinned by a certain institutional logic that is closely linked with the micro-level practices taking place in their relationship. This knowledge is, however, built upon relationships between entrepreneurs and financiers in developed economies. As these practices differ across economies (i.e. developed vs emerging), this thesis raises the question that there might be a variation in the logic shaping the relationship in emerging economies. Taking a critical realist view by comparing and contrasting micro-level activities, including the associated practices occurring in the relationship with the existing literature, can help reflect the 'logics' that shape the relationships between entrepreneurs and financiers in an emerging economy.

3.3 Research approach

This research utilises a qualitative study as an inquiry method. A qualitative research design is suitable for exploring and understanding the meanings that individuals or groups attribute to social or human problems (Jackson et al. 2007) by focusing on words rather than quantification for both data collection and analysis (Johnson and Duberley 2000; Jackson et al. 2007). In particular, qualitative data are highly relevant to unearthing the meanings that people assign to the events, processes, and structures of their lives and draw on for the social world around them. The main advantage of a qualitative study is that it can provide richness and nuance on how things work in particular contexts (Mason 2002). Qualitative research is therefore best suited for this thesis because it concerns the financing process of new ventures, which involves different actors at different stages (Fisher et al. 2016; Bessière et al. 2020). Recent research has revealed that a new venture receives funding from various financiers simultaneously (Bjørgum and Sørheim 2015; Bessière et al. 2020), implying a complex phenomenon for this research in that new ventures will face many expectations from various financiers at the same time. Not only do they have to make themselves legitimate to acquire financial resources; they also need to simultaneously manage different forms of relationship. Such expectations are influenced by the heterogeneous institutional logics expected from different types of financiers (Fisher et al. 2017). This thesis aims to capture those logics from both entrepreneurs and financiers in emerging economies.

Logics add to a structural theory of culture, emphasised in patterns that are composed of an interplay of symbols, beliefs, norms, and practices. These patterns are contextual and translated by members in their time and place (Jones et al. 2013). From this definition and how institutional logics are built upon, Reay and Jones (2016) suggest that the language, practices, symbols, and materials that represent logics demand that researchers immerse themselves in the phenomenon; thus, qualitative data and methods are argued to be naturally suitable for capturing institutional logics. In the field of entrepreneurship, Grinevich et al. (2017) utilised a qualitative approach to empirically illustrate logic configurations in the sharing economy platform in the UK, whilst Pahnke et al. (2015) adopted a qualitative approach to capture different institutional logics in the US biotech industry. This research will therefore be conducted in a qualitative manner to capture the complex dynamics of the new venture financing process and the institutional logics of entrepreneurs and financiers.

3.4 Sampling strategies

Sampling strategies are informed by research questions, where rich information is required to examine those questions and gain theoretical insight (Rapley 2014). This research applied purposive sampling as a primary strategy. Purposive sampling is considered an effective technique to glean detailed information to address the research questions in that cases are selected based on different variables, which are considered theoretically and practically important to the research (Marshall 1996). This sampling technique is based on choosing information-rich cases so that you can learn from their narratives on aspects central to the objective of the enquiry (Patton and Patton 2002). Under the broad strategy of the purposeful sample, two sub-strategies were also adopted: 1) criterion sampling, where samples are selected on the basis of the prime focus of the study, and 2) snowball sampling, where initial participants are used to induce other participants to join the study (Gray 2004).

The main objective of this thesis is to understand the process of financing new ventures in emerging economies. With this objective, the research elucidates the formation of the relationship between the entrepreneur and financier. The thesis explores micro-level practices occurring during the deal-making and investment process of a new venture in relation to particular types of financier. In reality, there are various sources of finance available for new ventures (Drover et al. 2017; Fisher et al. 2017). Hence, the sampling criteria are as follows: 1) entrepreneurs whose ventures receive financial support from government organisations, angel investors, venture capitalists, or corporate venture capitalists; and 2) various types of financiers providing financial support to entrepreneurs or new ventures. Potential entrepreneurs and financiers in Thailand, particularly in Bangkok, were initially identified from Crunchbase[6] and

[6] Crunchbase is a website providing information about new ventures, including their funding.

Techsauce.[7] Bangkok was selected for this thesis because it has been reported as one of the fastest-growing entrepreneurial systems in South East Asia (Forbes 2016; Techinasia 2018).

However, it should be noted that the researcher will cover only financiers that are reported to provide support for new ventures in Thailand. According to the national start-ups' survey for 2018, no new venture reported receiving funding from reward-based or equity crowdfunding. The reports for 2019 and 2020 also indicated the status quo of crowdfunding activities in Thailand. Almost all accelerator programmes launched in the country aim to enhance entrepreneurs and their ventures' capability or networks rather than offering seed equity. Therefore, crowdfunding and all but one accelerator will be excluded from this research. Data were gathered from four corporate venture capitalists, four venture capitalists, four angel investors, one university fund, and one corporate accelerator.[8]

3.5 Gaining access to informants

Research also requires informants – here entrepreneurs and financiers – operating in a field that strongly relies on trust and interpersonal relationships (Sapienza and Villanueva 2007). The most challenging part of this research was establishing initial contacts with the informants, especially the financiers, who were reluctant to offer their time for lengthy interviews (Mason et al. 2016). At the very beginning, a cover letter including detailed information about the research (See Appendix I) was sent to the Thai Venture Capital Association to help distribute it to potential participants. However, no member showed an interest in participating in the research. Later, access was facilitated by a person known well by both the author and prospective informants, and by the researcher attending some networking events to allow familiarisation with financiers. After a few initial interviews were granted, the 'snowball effect' started working. Each informant can be seen as a reliable source to help facilitate access to other informants. He or she is asked to suggest other informants who meet the above criteria.

3.6 Data collection and enquiry method

For qualitative research, the interview is recognised as an appropriate technique to extract information about people's personal experiences (Holstein and Gubrium 2004). One of the most

[7] Techsauce is a local technology media reporting news about Thailand's entrepreneurial ecosystem.
[8] This is the only accelerator in Thailand that replicates what was originally conceived as a cohort-based programme with seed equity funding. This accelerator positions itself as a start-up-ecosystem builder, operating as an early-stage VC rather than a corporate venturing unit.

helpful techniques is the in-depth interview, which provides a great deal of background information and contextual material related to a study subject (DiCicco-Bloom and Crabtree 2006; Josselson and Ruthellen 2013). The in-depth interview is characterised as a discovery-oriented method that enables the interviewer to deeply probe into how the interviewee perceives and feels toward a subject (Guion et al. 2011). Considering that this thesis will try to understand the interactions between two important actors (entrepreneurs and financiers), the in-depth interview is regarded as an appropriate method for data collection.

The interview is also relevant for the study of institutional logics. In their review of methodological choices, Reay and Jones (2016) distinguish three strands for understanding institutional logics – pattern deducing, pattern matching, and pattern inducing – and note three familiar qualitative sources – interviews, documents, and ethnography – that have been used by researchers to qualitatively capture institutional logics. The content analysis of documents is utilised to deduce patterns of institutional logic, while ethnography is frequently used to induce patterns of institutional logic. For pattern matching, any qualitative technique can be used. Interviews, for example, have been deployed for pattern matching of institutional logics. Waldorff et al. (2013) interviewed key stakeholders to understand the prevalent institutional logics in the healthcare systems of Canada and Denmark, whilst Pahnke et al. (2015) adopted the interview technique to capture different institutional logics in the US biotech industry. This research, in a similar vein, embraces the pattern matching view of understanding institutional logics. The research expects that the associated practices that exist in the relationship between entrepreneurs and financiers can be traced back to the particular types of logics shaping them. Therefore, interviews are considered appropriate.

There are three formats for interviews: (1) unstructured, (2) semi-structured, and (3) structured (Fontana and Prokos 2016). The semi-structured interview is widely used in qualitative research due to the combination of structure and flexibility (Legard et al. 2003). The semi-structured interview is typically arranged into a group of predetermined open-ended questions, providing opportunities for other questions to emerge during the conversation between interviewer and interviewee(s) (Saunders et al. 2016). The unstructured interview, by contrast, has been criticised as a misnomer, as it is impossible to conduct an interview without some preconceived questions about the topic (Mason 2002). Contrary to the semi-structured interview, the structured interview is organised around a set of standardised questions used to collect quantifiable data (Saunders et al. 2016).

Among these interview options, researchers regard the semi-structured interview as the appropriate mode of inquiry due to its flexibility in maintaining a proper balance between organised and organic questions (Mason 2002). This flexibility offers the interviewee opportunities to lead the discussion to an area that the researcher had not considered, but is significant for understanding the topic (Axinn and Pearce 2006). Flexibility can also help the researcher to gain profound insights into the topic of study, generating new theoretical directions (*ibid.* 2006). For these reasons, this thesis deployed semi-structured interviews to gain more understanding of the relationships between entrepreneurs and investors.

Two sets of semi-structured guidelines were used for the face-to-face interviews: One for entrepreneurs and one for investors. In total, 36 interviews were conducted: 20 with entrepreneurs, the rest with investors. The overarching themes of interview questions were guided by institutional logics' broad aspects: practices, values, and beliefs (Thornton et al. 2012). Thus, the questions encompassed practices of how prospective deals had been pursued from beginning to completion and how the relationship had been maintained during the investment. At the beginning of each interview, the purpose of the thesis and the background of the researcher were given, consistent with the ethical guidelines provided by Newcastle University. Almost all interviews took place at the informants' offices, a setting where they could feel comfortable talking freely about their business and experiences. These are considered part of building a rapport with the informants (Josselson and Ruthellen 2013). Josselson and Ruthellen suggest that a good interview can be achieved when interviewees feel their confidentialities are kept, thus leading interviewees to speak at a depth sometimes surprising to them. In some cases, the interview was conducted at the convenience of the informant. All interviews took place between March and July 2019. They were entirely conducted in Thai, to allow respondents to speak at length without prompting and the researcher to better understand the respondents' narratives.

In addition to interviews, publicly available documents (e.g. websites, magazine articles, press releases) were collected to supplement data coding. These materials provided general background information about the ventures and funds whose representatives were interviewed in this thesis. This information concerned funding, deal backgrounds, and an overall picture of new venture financing. Some informants gave public interviews, and sometimes they expressed their views on qualified entrepreneurs and ventures as well as their investment practices. These written documents hardly disclose entrepreneurs' fundraising experiences; nonetheless, they can help triangulate the perception of an investor who did not allow for audio recording. This investor has published several articles via Medium (an online publishing platform). These articles cover his experiences and perspective on relevant aspects of investing in early-stage ventures, including the Thai entrepreneurial ecosystem.

3.6.1 Interviews with entrepreneurs

The interviews' focus covered the relationships between entrepreneurs and financiers before and after receiving financial support. The entrepreneurs participating in the interviews received external sources of financial capital, including government grants, angel investors, venture capital and corporate venture capital. The entrepreneurs' interview questions were guided by institutional logics' core ideas concerning practices, values, and beliefs (Thornton et al. 2012). The interview questions were designed to probe into practices of interaction between entrepreneurs and their financiers.

The questions encompassed the following categories: the origin of their investment deals with each type of financier, how the deals were struck, and work practices and changes in their business after receiving a particular kind of investment. Generic questions on relevant background information, such as entrepreneurs' backgrounds, companies, and business models, were included to help the researcher gain familiarity with the respondents and their companies. The interviews were conducted with key decision-makers, a so-called 'key informant interview', considered an established qualitative research approach (Kumar et al. 1993). The informants were co-founders, representing the most knowledgeable individuals about their company's origin, development, and financial aspect. The interview template for entrepreneur informants is presented in Appendix II. In sum, twenty interviews with entrepreneurs were conducted for the study. Table 4 gives a summary of the entrepreneur informants.

ID	Informant	Business type	Industry/ domain focus	Description	Funding sources	Interview date
EN_01	CEO, co-founder	B2C/service (global)	Financial services	Growth	Angel investors / CVC	16/03/2019
EN_02	CEO, co-founder	B2C/service (global)	Financial services	Seed	Angel investors / VCs / accelerator	19/03/2019
EN_03	CEO, co-founder	B2C/service (local)	Ticketing services	Growth	Government subsidies / VCs (on-going negotiation)	21/02/2019
EN_04	COO, co-founder	B2C/service (local)	Tourism	Growth	Accelerators /VCs / Government subsidies	28/03/2019
EN_05	CMO, co-founder	B2B/C/service (local)	Online marketplace for small vendors	Growth	Accelerators /Angel investors /VCs / CVCs / Government subsidies	01/04/2019
EN_06	COO, co-founder	B2B/C/service (global)	E-commerce fulfilment	Growth	Accelerators /VCs / Government subsidies	16/04/2019
EN_07	CEO, co-founder	B2C/service (local)	Financial services	Seed	Angel investors / CVCs	01/05/2019

Table 4 List of entrepreneur informants

ID	Informant	Business type	Industry/ domain focus	Description	Funding sources	Interview date
EN_08	CEO, founder	B2C/service (regional SEA focus)	Financial services	Growth	Accelerators /Angel investors /VCs / CVCs / Government subsidies	12/05/2019
EN_09	CTO, co-founder	B2C/service	Online marketplace for venue	Growth	Accelerators /Angel investors /VCs / CVCs / Government subsidies	13/05/2019
EN_10	CEO, co-founder	B2B/C/services (local)	Ticketing services	Growth	Angel investors / VCs / CVCs	21/05/2019
EN_11	Founder	B2B/product (local)	Online marketplace	Growth	Angel investors / VCs (approaching)	22/05/2019
EN_12	CEO, co-founder	B2C/services (local)	Online marketplace for small vendors	Seed	Angel investors / CVCs / Government subsidies	23/05/2019
EN_13	CEO, founder	B2C/services (local)	Online learning and teaching marketplace	Seed	Angel investors / CVCs	25/05/2019 Not recorded
EN14	CEO, co-founder	B2B/C/services (global Asia focus)	Financial services	Growth	Angel investors / VCs / CVCs	28/05/2019

Table 4 List of entrepreneur informants, Continued

ID	Informant	Business type	Industry/ domain focus	Description	Funding sources	Interview date
EN15	VP, regional business development	B2B/C/ services (regional SEA focus)	Online marketplace for small vendors	Growth	Angel investors / VCs / CVCs / Government subsidies	30/05/2019
EN16	CEO, co-founder	B2B/C/services (regional SEA focus)	E-commerce fulfilment	Growth	Angel investors	11/06/2019
EN17	CEO, co-founder	B2B/C/products (local)	Machinery and equipment	Growth	Angel investors / VCs / CVCs / Government subsidies	17/06/2019
EN18	CEO, co-founder	B2B/C/services (regional SEA focus)	Social data intelligence	Growth	Angel investors / VC	24/06/2019
EN19	CEO, founder	B2B/services (global)	Biotechnology	Seed	Accelerators / VCs / Government subsidies	26/06/2019
EN20	CEO, co-founder	B2B/service (local)	Property management platform	Seed	Angel investors / CVC / Government subsidies	01/07/2019

Table 4 List of entrepreneur informants, Continued

3.6.2 Interviews with financiers

The focus of these interviews encompassed their relationships with the entrepreneurs to whom they provided financial support. The interview guidelines were also broadly guided by the definition of institutional logics given by Thornton et al. (2012) concerning their practices and interaction when working with entrepreneurs. To cover the process of new venture investment, the questions were specifically informed by how they did deals (Gompers et al. 2016; Paul et al. 2007), and how their relationships were further developed and maintained (Huang and

Knight 2017; Pahnke et al. 2015), to explore their relationships with their entrepreneurs. In addition, the firms' generic strategies, such as fund size, specialisation, and investment stage, were collected to provide background knowledge. The interview template for financier informants is presented in Appendix III. Sixteen financiers were interviewed for the study, including emails exchanged with one financier. A list of financier informants is given in Table 5.

ID	Informant	Affiliation	Industry/domain focus	Interview date
Angel_01	Business owner	Seed	Diversified	18/03/2019
Angel_02	Business owner	Seed	Diversified	07/05/2019
Angel_03	Retired upper management	Seed	Diversified	25/06/2019
Angel_04	Business owner	Seed	Diversified	29/06/2019
Uni_01	Business owner & head of an entrepreneurial university programme	Seed	Diversified	07/06/2019
VC_01	Director	Start-up	Diversified	30/05/2019 Not recorded
VC_02	Investment manager	Later stage	Diversified	31/05/2019
VC_03	Investment associate	Later stage, growth	Diversified	24/06/2019
VC_04	Director	Later stage, growth	Diversified	Emails exchanged
CVC_01	Director	Start-up, later stage, growth	Opportunistic, based on corporate strategy	06/06/2019
CVC_02	Investment manager	Later stage, growth	Opportunistic, based on corporate strategy	27/06/2019
CVC_03	Director	Later stage, growth	Opportunistic, based on corporate strategy	02/07/2019

Table 5 List of financier informants

ID	Informant	Affiliation	Industry/domain focus	Interview date
CVC_04	Investment associate	Later stage, growth	Opportunistic, based on corporate strategy	03/07/2019
ACC_01	AVP	Seed	Opportunistic	04/07/2019
GOV_01	Grants manager			24/04/2019
GOV_02	Director of digital start-up institute			23/05/2019

Table 5 List of financier informants, Continued

3.6.3 Ethical considerations

This research required human participants as primary sources of information, leading to some ethical considerations. The study adheres to the guidelines, particularly about informed consent and confidentiality, provided by Newcastle University. The protocols were approved before starting the data collection process. Informants were given a copy of the research information sheet, including the informed consent form (Appendix I and IV), ahead of the interview schedule.

Even though the document was provided to the participants, in practice most of them opted to give consent verbally rather than signing. Thus, participants were briefed again about the research project and their right to withdraw from the study prior to the interview. Due to the small size of the Thai start-ups' ecosystem, there was also a risk of respondent identification by those working in or knowledgeable about this area. Thus, the participants were clearly informed that a pseudonym would be assigned if parts of their interview were to be used in this thesis. A copy of the interview transcription was also sent to those who requested one for reviewing their sensitive information. Two informants asked for a copy of the interview transcription, neither of whom suggested that the transcript needed to be amended. In addition, the interview was not recorded for some informants who were not comfortable with this.

3.6.4 Potential limitations from data collection

Although the chosen methodology for this research offers advantages in getting rich details from the micro-level activities in the deal-making and investment process in new ventures, its limitations are worth mentioning. There are two key considerations here: response bias and the nature of cross-sectional studies.

Interviewee bias from the semi-structured interview is likely to happen when the informants are selective about what to discuss under a topic that the researcher wishes to explore, due to sensitive information (Saunders et al. 2016). The informants may play a ‘socially desirable’ role by revealing a partial picture of what has been asked (Bryman and Bell 2015). In this research, there is a potential issue with this form of bias. Given that the research topic concerns the financing process of ventures, this is particularly the case for entrepreneurs in discussing the financial matter of their companies and their investors. This issue was primarily mitigated by ensuring participants’ anonymity, if parts of their interviews were to be used in research. It was also supplemented by conducting interviews in a manner with which informants felt comfortable, resulting in two informants asking that the interview not to recorded. In those cases, the interviews went very well, as the informants could speak at length and answer questions without hesitation. In addition, two informants asked to review their interview transcriptions but did not ask to remove anything from them.

This research may face a challenge of post-rationalisation, possibly when informants were asked to supply or describe retrospective events. Errors may have occurred in data-gathering, given that the interviewees were recalling past events (Glick et al. 1990) and attempts to post-rationalise, when informants later incorporate their own interpretation of events. Even though such a bias is far more related to longitudinal research, it is worth acknowledging in this cross-sectional research, as informants were asked to retrieve their experiences of raising funds/deal-making and working with entrepreneurs/financiers. In particular, many entrepreneurs have been through multiple rounds of fundraising with various types of financiers. Such a bias was primarily alleviated by requesting the backgrounds of specific deals and related events, to help improve the recall.

Another potential limitation is related to the research design, which was cross-sectional, as all interviews were conducted at a particular time (Bryman and Bell 2015). The dynamics and complexity of financing an entrepreneurial venture suggest that longitudinal research may lead to fruitful results (Huang and Knight 2017; Collewaert et al. 2021), ideally by employing multiple case studies of emerging ventures, including their corresponding investors, and observing their progress from their earliest day of development. However, there are practical considerations: such a research design would require a more extended time frame than the average PhD programme, as it takes 4–12 months for a venture to close a deal in a funding round, and 18–24 months of working with the investors before starting a new relationship with a new investor, if such a venture demonstrates promising performance. Also, a new venture is unlikely to sequentially raise external money from those with lower to higher costs of finance. Empirical research on the entrepreneurial finance journey indicates that in reality, even though entrepreneurs initially search for smart capital, especially from more established investors, pressures from the external environment, speed of access, or control issues will cause them to abandon this idea or accept offers from familiar sources (Murzacheva and Levie 2020). This research compensated for this shortcoming by increasing the number of respondents asked to recall their experiences with previous investors.

3.7 Data analysis

One of the most challenging tasks in qualitative research is to grasp meaning from a considerable amount of data (Patton and Patton 2002). There is no single accepted set of procedures for analysing qualitative data (Robson 2002). Therefore, a logical system of classifying such data is essential to the analysis process, which in general contains three crucial activities: data reduction, data display, and conclusion drawing/verification (Miles and Huberman 1994). This research adopted the same line of activities in the analysis process. It began with data preparation, followed by a coding process; these will be explained below.

3.7.1 Preparation

After collection, all recordings were transcribed and the field notes related to each interview were incorporated. The transcriptions were then compared to the recording for accuracy and read through for familiarisation. Cross-checking with the original audio helps minimise potential errors in the verbatim transcription (Poland 1995), whereas reading it through could bring the researcher closer to the data (Halcomb and Davidson 2006). Two informants asked for their interviews not to be recorded. In these cases, the handwritten field notes were immediately summarised by the researcher after finishing the interview. The transcripts and summaries of the field notes were imported into NVivo 12, a program designed to facilitate the organisation and processing of data.

3.7.2 Coding and themes development

Issues of translation and the time of translation might affect the validity of research; Thai is the source language for this research. Language is of paramount importance for qualitative research, in enabling researchers to gain insight into how individuals experience and understand the world (Mason 2002). In cross-language qualitative research, it is acknowledged that there is a risk of getting lost by translation when the words translated do not capture the real meaning (Filep 2009). The timing of a translation can also impact the meaning of translated data (Santos et al. 2015). Santos et al. compare the validity of translation in two conditions – during data preparation (verbatim transcriptions are translated to a target language) and at the dissemination of findings (a final report is translated for publication in journals in the target language) – and find that the meaning of translation at the data preparation reveals richness, whereas that of at the dissemination of findings is quite clear but will sacrifice a narrative or richness. However, achieving richness as a result of high-quality translations involves a considerable amount of time and resources, either financial or human (Chen and Boore 2010).

To strike a balance between richness and limited resources, Chen and Boore (2010) suggest that the optimal solution could be translating only concepts and categories generated from data analysis and then obtaining a back-translation by a bilingual person with knowledge in the field. This thesis partly adopts Chen and Boore's suggestion by conducting analysis in Thai and later translating illustrative examples into English. Examples of transcripts translated by the researcher are provided in Appendix V and Appendix VI for an entrepreneur and a financier, respectively. By analysing Thai, the author, a native Thai speaker, believes this process helps get to closer respondents' experiences without material getting lost in translation. Later, the translation of essential quotes was carried out with the best ability of the researcher. The back-translation could not be achieved, due to the nature of an individual research piece and difficulty finding a bilingual person with the same background knowledge.

The reduction of research data concerns a series of activities to select, simplify, summarise, and transform the data, enabling the researcher to deal with the data in a more manageable way that facilitates verification and drawing conclusions (Miles and Huberman 1994). The reduction process described as coding is an essential link between data collection and explanations of meaning (Charmaz 2006). This research adopts an abductive approach, combining both inductive and deductive reasoning to develop theory (Suddaby 2006). This form of research uses initial theoretical lenses to aid in data collection and allow the gathered data to guide further concepts, to elucidate surprising issues that emerge from the data (Ryan et al. 2012). These surprising issues may be better explained by theorising during the analysis. When analysing the data, emerging themes are compared with the literature, to refine the initial theoretical framework. This approach fits with the overarching aim of this research, to understand the process of financing new ventures in emerging economies. With this objective, the research elucidates the formation of the relationships between entrepreneurs and financiers. This research was initially informed by previous studies which found that there is a particular institutional logic underpinning the formation and management of the relationship. Those works make implicit assumptions about a single logic that dominates the entrepreneur-financier relationship and prescribe a set of practices associated with such a logic. However, institutional logics' underlying premises imply contextuality and intra-plurality, in that the same types of actors can have different understandings of reality, due to their institutional and cultural embeddedness (Gümüsay et al. 2020). Therefore, the basic premise of this research is that 'institutional logics' guide the interaction between entrepreneur and financier, but, as logics are reflections of micro-level activities, different logics can be expected in different contexts. To achieve this, the paramount consideration is to deploy a systematic conceptual and analysis approach that yields credibility of data interpretations and conclusions to convince readers (Gioia et al. 2013). This research adopts a technique for the coding process suggested by Gioia et al. (2013), which includes a presentation of the first- and second-order analysis, and overarching themes. The first-order analysis uses the informants' terms to classify the raw data, whereas the second-order analysis refers to a subsequent classification of the first-order data based on concepts, themes, and dimensions from literature.

The initial process adopted open coding (Strauss and Corbin 1998). The purpose was to generate the first-cycle concept (Gioia et al. 2013), which described what was going on in interactions between entrepreneurs and their financiers throughout the investment process. The coding was separately done by looking at practices between entrepreneurs and a specific type of financier. In addition, it was performed separately between the entrepreneurs and the financiers' side. As it progressed, the data from both sides were compared, giving a sense of how a relationship was developed. Most financiers explicitly referred to their investment as a continual process of opportunity identification and initial preselection of a potential deal, evaluation and finalisation of the deal, and post-investment support. The data were then clustered around these investment timelines. Furthermore, given the research questions, the focus was on statements broadly encompassing both parties' practices in making a deal and investment, rather than narrowly restricted to economic concerns. For example, statements referring to a direct tie between entrepreneurs and financiers, such as 'friend' or 'former colleagues', were grouped into a broader thematic category of 'personal relationship'. These broader categories of first-order analysis were redefined to best capture the phenomenon of interest. Also, in the interviews, the discussion did not simply happen as a linear process in which informants recounted their stories chronologically. This was particularly so for entrepreneurs, most of whom are involved in multiple processes of external financing, either at the same or at different times. Thus, other parts of the interviews were located to relevant themes to help complete the whole picture.

The next step of the analysis was axial coding, linking the first-order concepts to broader theoretical themes, similar to what Gioia et al. (2013) describe as second-order themes. This research was expected to reveal a pattern of relationships between entrepreneurs and a specific type of financier. Thus, this stage of analysis was a reflective process in which data were considered in tandem with the literature to explore descriptive categories that would be best not only for general explanations across types of financiers but also to leave room for the subtle nuance of comparison. Across the investment timeline, the second-order themes generated generic categories of 'leveraging social capital', 'identity mechanism', 'organisational mechanism', 'governance model' and 'resources exchanged'. The first-order concepts that emerged under the tie between an entrepreneur and a particular financier were consolidated to a more specific form under these descriptive categories. For example, a second-order theme of 'pre-existing trust' emerged in relationships with angel investors, and one of 'cognitive social capital' emerged in relationships with venture capitalists, analogous to a category of leveraging social capital (see Tables 6 and 8 for examples).

Lastly, aggregated dimensions were introduced to depict the flow of the relationship between entrepreneurs and financiers. The interviews, supplemented by the literature, revealed that the relationship between both parties concerns a continual process of opportunity identification and initial preselection of a potential deal, evaluation and finalisation of the deal, and post-investment support. Therefore, the aggregated dimension represents the overarching phase in a relationship between entrepreneur and financier. The more theoretical second-order themes representing key activities were consolidated to aggregated dimensions of 'preconditions', 'evaluation', and 'relationship management'. Without losing a nuanced understanding of the investment process in new ventures, three essential stages of investment were simplistically classified for analytical purposes: (i) initial stage of deal-making, (ii) later stage of deal-making, and (iii) investment stage. The initial stage of deal-making covers a range of activities, from opportunity identification and initial preselection of a potential deal to the point where the deal proceeds to further investigation. The later stage of deal-making encompasses activities in which the potential deal is delved into more deeply, such as the further investigation of the deal, due diligence, and finalising the deal. The investment stage entails practices between entrepreneurs and financiers after the investment agreement has been made, including the relationship, resources exchanged, and governance between both parties.

It is also worth acknowledging that the coding process for a qualitative piece of work highly involves researcher interpretation to identify relevant themes from textual empirical data. The validity and credibility of data analysis in this sort of work can be enhanced by a constant comparative method. Researchers who work together usually cross-check their categories from the coding process to refine the coding procedure and reduce discrepancies between them. The process may include 'insider/outsider' coding (Gioia et al. 2013): comparing the coded data between an insider conducting the research and an outsider with no prior knowledge about the data. Due to the nature of doctoral research, the themes identified in this thesis are based solely on the researcher. However, the coding process was discussed and agreed upon between the researcher and supervisors to help maintain validity.

3.7.3 A cross-comparison across entrepreneur-financier dyads

Cross-case analysis enables researchers to demonstrate factors that may account for why an individual case is similar to or different from others (Khan and VanWynsberghe 2008). For this research, a specific dyad between entrepreneurs and financiers can be considered an individual case. This technique facilitates a comprehensive understanding of distinct features between the dyads under discussion. Thus, a further step of data analysis was undertaken, to show similarities and differences across dyadic relationships between entrepreneurs and financiers. In this process, the second-order themes that emerged from the data were compared under the following categories: 'leveraging social capital', 'identity mechanism', 'organisational mechanism', 'governance model', and 'resources exchanged'. These categories represent a key feature of the activities that delineate the construction of institutional logic in the relationships between entrepreneurs and financiers throughout the process of new venture financing.

3.8 Chapter summary

This chapter has outlined the research methodology employed to achieve the study's objective to explore entrepreneurs' and financiers' relationships in Thailand. Given the nature of the lenses informing research questions, the study was conducted qualitatively. The sampling frame was entrepreneurs and financiers based in Thailand. Data were primarily gathered from in-depth interviews supplemented by other publicly available information. A total of 36 interviews were conducted with 20 entrepreneurs and 16 financiers, including emails exchanged with one financier. Section 3.7 highlighted how data ware analysed based on Gioia et al.'s (2013) method in the multiple stages of the coding process and the transition from the first-order codes to the second-order categories and the third-order overarching theme. The next chapter presents empirical stories of how the relationships between entrepreneurs and each type of financiers unfolded.

Chapter 4 Findings

The chapter will present the findings from the study of fundraising and investment by different types of financiers in Thailand. The aggregate dimensions are deduced from the data in relation to the temporal aspects of a new venture financing process to provide a complete picture of the results. These dimensions are preconditions, evaluation, and relationship management.

Preconditions are the seeds of relationships between entrepreneurs and investors, especially in the early stage of the deal-making process when a venture deal comes to investors' attention before they proceed to further detailed evaluation. The findings reveal that two broad categories – leveraging social capital and identity mechanisms – constitute preconditions of the development of an exchange relationship between entrepreneurs and investors. In other words, social capital is utilised by entrepreneurs to pursue their venture opportunity as well as by investors to explore an investment opportunity. Identity mechanisms also serve as a focal point of further discussion of a venture opportunity between entrepreneurs and investors.

Evaluation here refers to a detailed consideration of whether to support a venture opportunity. The evidence points to two categories involved in this process – organisational mechanisms and interpersonal fit – before the finalisation of a venture deal. The organisation mechanism represents the credibility of a venture reflected in implementers, including some tangible results. Also, given the nature of the task-related relationship, the interpersonal fit between entrepreneurs and investors is central to the consideration.

Relationship management involves maintaining an exchange relationship after an agreement between the entrepreneur and financier has been made. This stage concerns two main activities: governance model and resources exchanged. The governance model is the practice of interaction that defines an entrepreneur's accountability for the commitment that has been made for the exchange. Resources exchanged are part of the value-added activities that financiers provide to entrepreneurs in return for equity.

The findings will be organised in accordance with the above dimensions for each type of financier: corporate venture capital, venture capital, angel investors, and government funding. Within these dimensions, the second-order coding themes that emerged related to the development of a relationship with a particular financier are presented; these contain subheadings of the-first order concepts.

4.1 Practices between entrepreneurs and corporate venture investors

Corporate venture capital is one of the main types of stakeholder related to entrepreneurs in this research. Most of the entrepreneurs reported they acquired financial support from corporate venture capital funds after their ventures passed the fledgling stages. Table 6 displays the data structure for this section. The pattern of interaction between entrepreneurs and these financiers throughout fundraising and investment is shown in Figure 4 and will be presented below.

CATEGORIES	FIRST-CODING CONCEPTS	SECOND-CODING THEMES	AGGREGATE DIMENSION
1. LEVERAGING SOCIAL CAPITAL	Prior experience in working with prospective investors Being known in start-up ecosystems	Cognitive social capital	Preconditions
2. IDENTITY MECHANISM	Synergy with the main business Potential for growth	Strategic instrumental ground	
3.ORGANISATION MECHANISM	Performance achievement Traction KPI record Customer at hand	Organisational outcomes	Evaluation
	Team or founder experiences Educational background	Ability	
	Satisfying accounting/legal standards	Professional structure	
4.INTERPERSONAL FIT	Professional attributes	Conative fit	
5. MODE OF GOVERNANCE	Formal control • i.e. regular board meetings and regular and professional reports	Instrumental control	Relationship management
6. EXCHANGE RESOURCES	Strategic advice Introducing the corporate code of conduct Access to partners/clients Enhancing credibility	Strategic partners	

Table 6 Data structure of practices between entrepreneurs and corporate venture capitalists

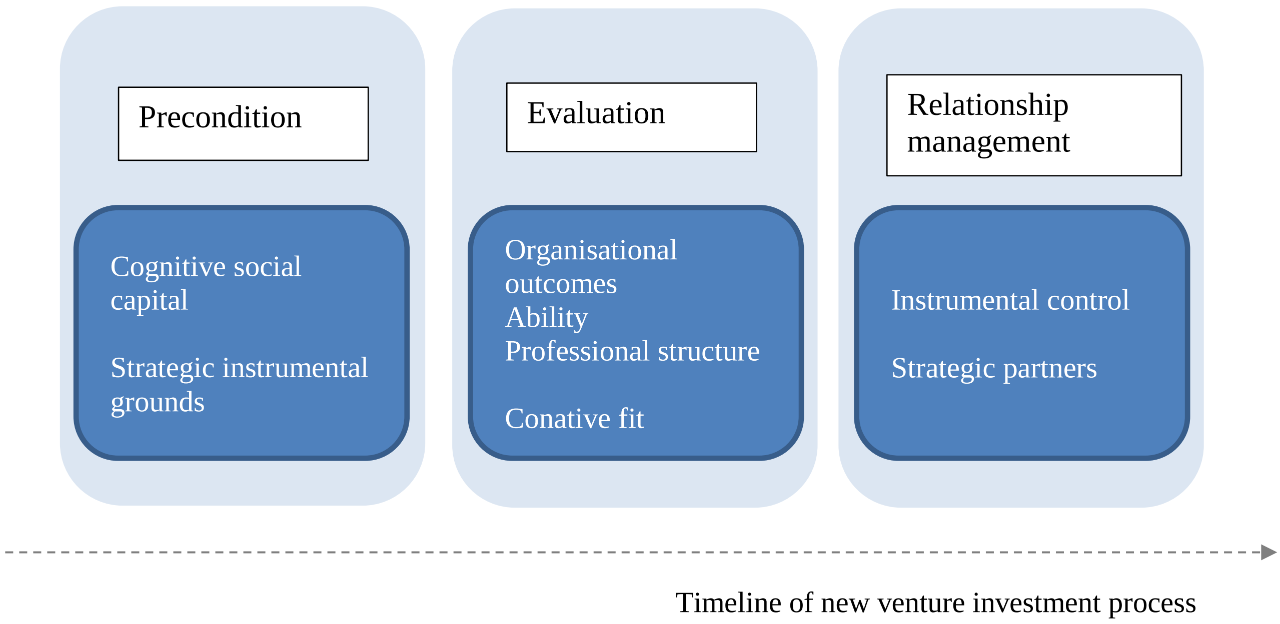

Figure 4 An illustration of the entrepreneur–corporate venture capitalist dyad

4.1.1 Preconditions

The data show that the cognitive dimension of social capital is prevalent at the early stage of deal-making. In other words, both entrepreneurs and investors engage in some sorts of activity first to establish the connection for deal flow initiation. Identity mechanisms involved in the formation of a relationship between an entrepreneur and a corporate venture capitalist reflected the strategic instrumental ground between both parties.

Cognitive social capital

Social capital in cognitive form is related to the resources provided by a shared system of meaning, representation, and interpretation among parties (Nahapiet and Ghoshal 1998). The shared system of meaning can appear in languages and codes. The more people share a common language, the better they can obtain access to people and information. In this research, the shared systems of meaning that enabled a deal to flow – particularly apparent in the case of corporate venture capitalists – were prior working experience with a prospective investor and being known in start-up ecosystems.

A factor that enhances understanding of the core capabilities of new ventures, especially for corporate investors, is prior working experience with prospective investors. This practice is reported as a channel where financiers get to know about new ventures. For instance, CVC_01 and CVC_02 pointed out that previous track records of new ventures with their parent organisations can lead to further consideration for an investment opportunity. Through pilot schemes, investors learn about an investment opportunity in a new venture. One entrepreneur mentioned that his venture captured the interest of CVC_01 after establishing mutual understanding through several successful pilot projects with internal teams of the corporate:

> *When I searched for investors, I did not go to them and ask for the money at the very beginning. I started by searching what they can do for us and discussed this matter before talking about money. For example, I need a payment system. I ask them to work together to see whether it works or not. If it works, I will ask them what we have done until this stage, and I want to develop [the product or services] further. I need the next-round funding to expand in case you are interested. I do this with every CVC. (EN_20)*

CVC_01 complemented the point made by EN_20 on the previous working relationship. When asked how a venture can draw interest from corporate investors, he replied, *'a venture needs to add value to our corporate or have a track record with us. The latest deal we made with venture_20 [EN_20] had 3–4 projects with us.'*

Also, entrepreneurs reported that they needed at least to be well known in a start-up ecosystem to draw attention from their prospective financiers. Through this channel, entrepreneurs gained a better chance to initiate the deal flow with CVCs. One respondent who actively engages in start-up events said:

> *It was not difficult at all in my case [to initiate a deal]. When we had the right product, we're in the start-up's circle, and everyone knew us. VCs [including CVCs] would approach us quite often. We then could talk and establish a connection. If we were not ready to raise a fund with them, it's still OK. When we're ready [to raise funds], they would be happy to have an open discussion. (EN_01)*

For financiers, particularly corporate investors, the start-up ecosystem enables them to have more knowledge of emerging technologies that can apply to their parent organisation. For instance, one corporate venture capitalist described part of her job:

> *What I have to do is to look for [potential start-ups]. [It] begins with building a network so that [I] could know [the start-up] ecosystem in Thailand as well as in the [South East Asia] region. We need to know about this region because the Thai ecosystem is quite small. Some technologies [in Thailand] are not there yet or not advanced enough. Sometimes, we need to look for [the technology] in developed countries like in Europe or the US because we can see successful cases or use cases that we can bring back to apply in Thailand. (CVC_02)*

In short, previous working experiences or engaging in start-up communities are proxies to help establish a shared understanding with corporate venture capitalists about a new venture opportunity. Such an understanding, similar to the cognitive dimension of social capital, enhances the chances of proceeding a deal to the detailed evaluation stage.

Strategic instrumental ground

CVCs in this research reported that their considerations of investment focused not only on complementary but also on financial returns. To gain the opportunity to be further considered by corporate venture capital funds, ventures need to demonstrate *strategic instrumental grounds,* within which two categories – synergy with the main business and potential for growth – are identified as screening criteria to proceed with a deal flow.

Three of the four corporate investors in this research referred to their investment funds as strategic investment funds (CVC_01, CVC_02, and CVC_03). They referred to strategic investments as either equipping the corporate with new technologies or gaining insight into the market. Thus, new ventures having such qualifications would be considered for investment. To illustrate, CVC_02 gave examples of previous investments: *'[venture name] have a Robo advisor for investment fund'* or *'venture_14 provides a payment gateway.'* These examples of ventures were considered to have direct synergy to the core business of the parent organisation of this corporate investor, which operates in the banking and finance industry.

Although the synergies to the main business are central concerns for corporate venture capitalists, potential for growth is equally important. Corporate venture investors added that new ventures are required to possess the qualifications for growth – customers and a revenue stream (CVC_01, CVC_02, CVC_03, and CVC_04) – in order for them to receive further consideration. One remarked that *'there must be people who are willing to pay for products. Otherwise, it will be like Dropbox or Evernote that are adopted, but users don't want to pay for. It will be difficult to survive.' (CVC_01).* In line with the CVCs, entrepreneurs confirmed that the potential for growth is the central theme of discussion for investment opportunities. For instance, EN_12 mentioned that *'in a talk with corporate investors, we need to present two aspects. The first thing is company growth. The second thing is, how can we collaborate. These are used to convince corporate investors.'* Similarly, EN_10 emphasised that traction showing continuous growth made his venture attractive to CVC_03, which was later followed by CVC_01. The entrepreneur said: *'Our tractions are OK,'* and *'They knew us and saw our continuous growth.'*

Nevertheless, it is worth noting that not all corporate investment funds are designed to serve synergy purposes. To illustrate, CVC_04 make it clear that the fund prioritises financial returns, whereas synergy is a bonus. Unlike other funds looking for synergy, CVC_04 may not invest if a venture possesses the technology, but is not a lucrative business.

In summary, for a venture to gain the attention of corporate venture capital funds, it is required to demonstrate *strategic instrumental grounds* in both potential strategic values to a parent organisation setting the fund and market values.

4.1.2 Evaluation

When a deal has been initiated, it will proceed to a more detailed evaluation process, concerning the organisational mechanism and interpersonal fit. The emerging themes indicate that ability, organisational outcomes, and professional structure are essential at the organisational level. The interpersonal fit is observed by the conative fit developed between both parties.

Organisational outcomes

Organisational outcomes are associated with previous achievements. Unlike typical early-stage investors, corporate venture capitalists (this was true for both direct informants and those referred to by entrepreneurs) usually invest in ventures at the postlaunch phase. The data show that corporate venture capitalists rely on solid proof of opportunity claims – performance achievements and customers at hand – as criteria for their investment appraisal.

Most corporate venture capitalists described how entrepreneurs generally demonstrated lucrative opportunities in their initial interaction, which grabbed their attention. Nevertheless, their central concerns were whether such claims were reliable. In other words, the actual performance figures must be verified against the opportunities claimed by entrepreneurs as part of the working procedure. To assess opportunity claims made by entrepreneurs, the investors will delve into more quantitative data to benchmark company and industry performance. CVC_04 provided a clear example of such a practice:

> *[We'll] look at financial figures, monthly or quarterly, etc. We may look at some key indicators. Any business will have performance indicators, right? If a company has a group of customers, the question will be how [the characteristics of] this customer looks like? Or [we will consider] how the marketing expenses to attract the customer look? These indicators will tell the trend [of business] of a company.*

Similarly, when dealing with corporate venture capitalists, most entrepreneurs reported that it took them a long time to complete a deal after their initial encounter. As EN_01, EN_10, and EN_12 stated, it was not until the investor saw the real performance of a venture that the deal would go through the final evaluation.[9] EN_12, for instance, described his experience:

> *Oh, [we] update both the financial plan and business plan, including the monthly progress. Performance is a must to show [the investor] from what we made a claim. It is sometimes a technique used by VCs [to ensure the deal]. When we made a claim on day one, they may say nothing but wait to see, three*

[9] The final stage is the due diligence by third parties. Corporate venture investors generally appraise financial feasibility themselves. If a deal is financially feasible, a term sheet of investment will be offered to the entrepreneur, followed by the due diligence. Generally, if the term sheet has been offered, it is less likely for the deal to be terminated.

months later, whether we reach the milestone claimed or not. If we've done nothing, they will know that we have the pitch deck for raising money only.

In addition to quantitative proof of performance, both current and prospective customers are perceived as valuable indicators for the organisational outcomes of a new venture. Such proofs are verified by customer records, as CVC_03 noted: *'we will check whether they have real customers or real contracts, including what [customers] are in their pipeline, whether they have real evidence'*. On some occasions, the investors may engage with customers to see the feedback regarding a potential product. For instance, if it was possible, CVC_02 had to interview customers and ask whether *'they're going to buy this kind of product if it is on the market.'*

Indeed, it is worth noting that the organisation outcomes are partly central to how corporate investors determine the valuations of a new venture. In a funding round for a new venture, investors usually syndicate to mitigate their risk (Wright and Lockett 2003). As a result, there will be more than one investor in the same funding. According to several entrepreneurs in the study, a widely adopted practice, so-called shopping around the deal, aims to get an investment term sheet from a prominent venture capital fund and use it as an endorsement of a venture valuation to complete the funding round with other investors. CVC_03 explained when asked about using a term sheet to shop around the deal:

They [new ventures] may have a term sheet of 100 million baht valuation. [If] it is not reasonable for us or not worth the price, we will pass on such a deal. When we present [for investment approval], although they got a 100 million baht valuation, it won't interest the committees. They will ask what it [the valuation] should be from our calculation.

In other words, such practices may work well with early-stage venture capital funds or angel investors but not with corporate investors. All corporate venture investors explained that they would invest at a fair and reasonable price based on their financial model.

In sum, the previous achievement of a venture is a key consideration for corporate venture capitalists, who usually conduct their own evaluation rather than relying on the judgement of other prominent investors.

Ability

Ability refers to the possession of characteristics allowing an entity to perform particularly well in specific fields (Mayer et al. 1995). It results in the acceptability of such an entity in the eye of another related party in the context of a mutually dependent relationship (*ibid.* 1995) The data show that the ability of new ventures is assessed based on team and founders.

The factor cited most often by both entrepreneurs and corporate venture capitalists as crucial for obtaining funding is founding team expertise in the business. During the evaluation phase, corporate investors will delve into this aspect by spending more time with the entrepreneurial team to gauge management team experience. The statements below show what is searched for during interviews with entrepreneurs or top management teams:

> *First, [we] look for whether their experiences are in line with what they are doing. If not, can [the experiences they have] complement it? Second is the matter of capability; whether they are able to be leaders and suitable for the products they are working on. (CVC_02)*

> *If it is not a traditional business, like deep tech[nology], we need technical expertise. Sometimes, [entrepreneurs] come with a ton of information with reliable sources to support. But when asked [about their expertise, they] replied that they couldn't do coding. If it is like this, we can simply use their ideas and hire others to do it instead. (CVC_01)*

Interestingly, educational background was only mentioned by an entrepreneur whose venture is a research-led company. EN_17 pointed out that it was not only previous working relationships that helped him to get to know CVCs investing in his ventures, but also the strong backgrounds of founding members, showing high commitment to the company:

> *The same [as he did with VCs]. It is a team. We show them a degree of teams working in the company and founding member background. We are a group of three PhDs working together. (EN_17)*

Corporate venture capitalists, by contrast, did not consider this vital. At least, none of the CVCs referred to it during the interview. They would focus on what the entrepreneurs had done in relation to business rather than their educational background. When asked whether graduation from elite universities was essential, CVC_02 replied, *'It has little effect. We value working experiences.'* As she noted:

> *We actually do not expect that [entrepreneurs] should have exact backgrounds. But [we] consider their experience in running a business. Especially if they used to run previous start-ups, even if they failed, it still is fine. They have tried and have a learning curve. This is much more important.*

Briefly, the ability of a venture to perform in its chosen field is assessed through expertise derived from a combination of founding members and teams. The emphasis is put on past working experiences rather than educational background.

Professional structure

The data show that in the deal evaluation process, corporate venture capitalists demand a degree of professionalism from new ventures, especially the accounting standard. Corporate venture capitalists engage in intensive due diligence, encompassing financial, accounting, and legal aspects of the venture. The process will sometimes involve third parties to help validate the company, particularly auditing firms.

Indeed, it is worth noting that several entrepreneurs reported they experienced high demands from corporate investors compared to angel investors or early-stage venture capitalists; the demands concerned financial and accounting systems, including the need for CFO. The accounting practice of a venture is a key consideration for entrepreneurs when facing corporate investors. It is so vital that it can delay the time to complete a deal. As CVC_01 remarked, *'if a venture has good data rooms, a deal will be done quick[er]. Sometimes, ventures do not have good bookkeeping. [They] just record income and expense without classification. We must tell them to do it right.'* Regarding the issue of accounting practice, how demanding corporate venture capitalists are is clearly illustrated by the experiences of EN_08 when trying to raise money from corporate investors to complete a series B funding round. Unsuitable accounting practices can lead to a deal being terminated. As he recounted:

> *Oh ... CVCs. They looked at ... if [you] have not yet generated profit, it is still fine [for them], but the financial figures must be correct [emphasis three times]. I used to deal with a Japanese company. It's one of the biggest car rental companies in Japan. When I talked to this investor, I couldn't answer*

> *anything about accounting. In the end, they sent a rejection email that they couldn't invest in my company because I couldn't answer all of their accounting questions. They asked me today, but I replied to them a week later. Or asked me tonight; instead of responding the next morning, I took three days. They said our accounting system was horrible and they couldn't make the deal. I then knew I needed to improve the accounting system.*

The above incident led to EN_08 hiring a CFO and revamping the accounting system. Later, with the CFO, EN_08 said he could immediately respond to other corporate investors with whom he was about to close the deal.

In brief, dealing with corporate venture capitalists requires a new venture to demonstrate a proper form of professional structure, mostly a matter of financial and accounting systems.

Conative fit

In this research, it is apparent that both entrepreneurs and corporate investors seek conditions to fulfil the potential need for cooperation. This is similar to what Weber and Weber (2007) called *conative fit*, where two parties show cooperative intentions to accomplish mutual goals. The data demonstrate this sort of interpersonal fit through professional attributes to carry on a task.

When working with entrepreneurs, the investor expects them to have good cooperation to ensure that the company will grow. Therefore, they will look for a certain level of professionalism from entrepreneurs. One interviewee commented on his perceptions towards entrepreneurs: he looks for *'sensitivity to understand each other'*, *'integrity'*, and *'similar tastes of working'* (CVC_01). This character in general will be observed in parallel to investigating venture credibility. For instance, CVC_02 explained that how well entrepreneurs can cooperate is observed during the due diligence process:

> *[It's] based on when we meet, interviews [with entrepreneurs] during these two months [of the due diligence]. We will get a sense of how they work, the more or less responsibility they have, whether they alert and try to communicate well with us.*

Moreover, entrepreneurs are supposed to work with investors for long periods throughout the investment. Will a deal be agreed? This also depends upon whether entrepreneurs similarly perceive a relational fit with their prospective investors. Several entrepreneurs mentioned that fit. For example, EN_01:

> *There may be better VCs [offering better financial terms], but we may not feel a click after talking to them. Sometimes, they just don't fit with us. As many said, VCs are even more like family, [we] need to talk, meet, work, quarrel, or face the challenge together. If [we] don't have dedication since the very beginning, [we] may later be arguing. It's not fun at all.*

In sum, the interpersonal fit of the relationship between entrepreneurs and corporate venture capitalists is characterised by conative fit. Both parties search for this form of fit, which serves as an indicator of predictability to help ensure their successful working relationship in the future.

4.1.3 Relationship management

In the investment stage, the exchange relationship between entrepreneurs and corporate venture capitalists is bounded by an instrumental form of control. The key resources exchanged here are human capital, drawn from the expertise of corporate venture capitalists, and relational capital, in terms of access to wider audiences under the corporate endorsement.

Instrumental control

During the investment phase, the pattern of the relationship between entrepreneurs and corporate venture capitalists is found to be comparable to the instrumental form of relationship, which is bounded by task-relevant commitments and expectations (Huang and Knight 2017). The data show that the growth of the business is the major driving force for the relationship. The governance of the relationship is orchestrated by exercising formal control, for example through formal board meetings and formal reports to ensure the progress of the business.

Both corporate venture investors and entrepreneurs revealed that commitment drives their relationship to the growth of the business. All CVCs pointed out a key concern at this stage is whether the expectations set by entrepreneurs have been achieved or not. If expectations are not met, reasonable explanations must be provided. As CVC_03 said:

> *They propose their plans on how the business model, estimated figures of growth, and revenue look. We know that [the plans] are not exactly right. No one will do it right [at the very beginning]. We just use them to see they've got ideas on how they will grow. But at many per cent growths, it's hard to commit. We know this. However, when we invest in them, we will use those plans [as a reference]. We will look at yearly or quarterly business plans. These plans might be changed. In case they are changed, we may ask for explanations. Why did they change from the initial plan?*

In general, board meetings and formal reports are set to ensure that progress is on track. The practice set by the corporate venture capitalists to ensure the progress of the business is the regular board meeting, normally monthly or at least quarterly, as was well explained by CVC_02:

> *We try to work closely with start-ups we invest in and always update [their performance] monthly. It's quite often. Some [investors] may set a quarterly update. We think we need to update very often, monthly. In the first case, updating performance helps us know what is not enough or what we can support. We will ask whether they need our support. If they want, we will be ready to help.*

Furthermore, entrepreneurs added that a professional and very detailed report is essential for investors to oversee the progress of the company. One entrepreneur noted that he has to submit a formal report quarterly; he referred to this as *'exponential control by each round'* (EN_13). The following statement paints a clear picture of how the report should be for the investor:

> *Reports, etc., will be more official. [They will include] how our KPI, growth, and product roadmap look, and whether [these targets] are hit. Who are the new customers on-board? And [for] financial reports, things like our P&L[10] and balance sheet are what investors are serious about. We need to do bookkeeping. (EN_14)*

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[10] Profit and loss statements.

In sum, bounded by the growth against milestones, entrepreneurs and corporate venture capitalists' dyads adopt the instrumental form of control as a mode of governance to ensure the progress of a new venture.

Strategic partners

It is worth noting that the parent organisations setting up funds for new ventures in this research are not by nature research-led companies. Several corporate venture funds were established to harness the wave of digital disruption. They seek to integrate emerging technology into their business model rather than developing technology themselves, equally seeking the financial return from the investment. Aside from this, a team of corporate venture capitalists consists of people with either financial or business backgrounds. The ticket size of the investment will result in CVCs becoming lead investors with board seats in the company. Most of them ultimately expected to exit their investments with IPOs. The data show that corporate venture capitalists bring expertise to a venture by assuming the role of a *strategic partnership* through *strategic advice, introducing the corporate code of conduct,* and *relational capital*.

Given the above background, corporate venture capitalists do not contribute to portfolio companies with direct human capital, especially for the technical aspect. Instead, they play the role of advisors whose contributions appear in the form of advice concerning the corporate or business levels. Such a pattern was well described by CVC_03:

> *We may not give technical advice. We are an investor. We may not know the technical aspect better than entrepreneurs. But we do advise on the business part. In a board meeting, they [entrepreneurs] will propose a [business] plan, and we will comment on whether it should be improved. If it is good, [we] may suggest some details. This is what we always do. But there may be ad hoc [questions] that [entrepreneurs] may ask from time to time about what interests them [in terms of business development]. And what do you think?*

Even if corporate venture capitalists position themselves not to intervene in new ventures at the operational level, they can pass on corporate practices to new ventures. The data show the emergence of corporate venture capitalists as stakeholders to nascent ventures, laying down guidelines for good corporate governance: accounting procedures, legal standards, and internal workflows. Several entrepreneurs mentioned that they had adopted new working practices from CVCs, especially concerning accounting procedures:

> *[It's] the accounting framework. We did not record balances properly. When we have CVCs, we need to adopt new practices in the accounting system. In the past, we recorded income immediately. They suggested we have to record the realised revenue instead. (EN_05)*

Additionally, CVCs help ensure full compliance with legal requirements. Ventures in their fledgling stage, whose primary orientation is towards the growth of the company, might not be fully aware of these. EN_20 experienced an improvement in such a protocol:

> *Some internal processes must be adapted as we've never thought of them, such as digital privacy law. For example, data privacy, when we work with angel investors, they put it aside. When it came to CVCs, they will help warn of the issue. [They suggest that] if someone sues, the company will be gone. Then, they ask us to set up [a procedure to deal with] the issue. They brought [a professional law firm] to help us see the legal restrictions we have to be concerned about. Because, if we grow bigger, we may come to attention for a legal battle. The CVC set it [the protocol] up for the sake of dealing with such an issue. It took time. We grow slower [than we should], but it strengthens our foundations.*

In addition, partnering with corporate venture capital funds helps bridge the relational gap between new ventures and their broader audiences, such as partners and clients, and enhances overall credibility. New ventures' partners obtained and linked to corporate venture capitalists are both within and outside a corporation setting up a fund. Within the corporate itself, as presented above, corporate venture capitalists in this research usually invested in new ventures for both financial and strategic reasons. The corporate can benefit from market or customer insight from a new venture's products or services (CVC_01, CVC_02, CVC_04). With this incentive, corporate venture capitalists help facilitate access to internal partnerships for new ventures. Several entrepreneurs reported that it was hard to acquire a corporate partner unless an entity backing them was under that corporate (EN_10, EN_14, EN_20). For instance, EN_14, whose company provides a payment gateway system that needs some form of support from an incumbent, reported that

> *We had a stakeholder who is a bank. Previously, when we were no name, working with banks was hard. To ask them [for cooperation] is hard. It took time to [proceed] and finalise. When we got an investor who was a bank, due to its stake, it would be far easier for us to ask [to form a partnership]. More favourable terms. Easier to deal with. Agreed faster. Etc. As our product is a payment gateway, we need to work with bank partners. Thus, it is very important to get that support.*

Additionally, a corporate itself is in a better position than a new venture when dealing with other established firms. Corporate venture capitalists help bridge the relational gap between new ventures and other established firms within their networks. One entrepreneur said:

> *I had a concern due to some legal restrictions. They [CVC_01] came up with a technique to call company A, which is a business partner with company_01, to be a subcontractor. If we as a start-up did this on our own, it would be impossible. (EN_20)*

Lastly, it is worth noting that a corporate investor's name in a new venture implicitly passes on the relational capital. In other words, its name provides the apparent endorsement and helps such a venture become visible. EN_14 said, *'when customers know our stakeholders and recognise that a bank also invests in [us], we're credential and can attract them to use our services.'* Similarly, EN_01 commented on his decision to switch his source of finance from angel investors to corporate venture capitalists:

> *The other thing is about credibility. As I [previously] said, we might raise funds solely from angel investors, but there would be some doubt about publicity, etc. However, when VCs [CVCs] became involved, those who want to know us heard the news and recognised the VC [CVC], they will have more trust [in us].*

In conclusion, as part of the resources exchanged, corporate venture capitalists assume a role of strategic partnership to enhance the growth of a new venture. This role covers support for corporate strategy level, proper corporate practices, and a brokerage of the network, helping them to be in a better position to establish a partnership and acquire customers.

4.1.4 Summary

Section 4.1 has outlined important themes emerging from data at different stages of the deal-making and investment process with corporate venture investors. For a deal to proceed to further evaluation, the earliest stage of the deal flow involves the use of social capital in its cognitive form, and initial alignment (demonstration of strategic instrumental grounds). The later stage of deal-making encompasses legitimacy evaluation – organisational outcomes, ability, professional structure, and interpersonal fit defined by conative fit. Relationship management concerns the mode of governance – the instrumental relationship; and the resources exchanged appear in the form of strategic partnership.

4.2 Practices between entrepreneurs and venture capitalists

Venture capital funds are one of the equity financing tools available for a new venture. Their investment policies vary depending on how they are set up. This leads to the different ticket sizes of the investment, ranging from availability to support seed-stage ventures to series A ventures. Table 7 shows the data structure of practices throughout the process. This section will present the formation of relationships between entrepreneurs and this type of financier. Figure 5 illustrates the pattern of relationship development with venture capitalists.

4.2.1 Preconditions

The practice of leveraging social capital in a dyadic relationship of entrepreneur and venture capitalist is somewhat similar to that of entrepreneurs and corporate venture capitalists. The data point out that the cognitive dimension of social capital is prevalent at the early stage of deal-making, where it is a channel for both entrepreneurs and corporate venture capitalists to discuss a further opportunity. Similarly, the identity mechanism employed in relationships between entrepreneurs and venture capitalists is centred on the market potential.

CATEGORIES	FIRST-CODING CONCEPTS	SECOND-CODING THEMES	AGGREGATE DIMENSION
1. LEVERAGING SOCIAL CAPITAL	Being a member of the start-up ecosystem Maintaining contact	Cognitive social capital	Preconditions
2. IDENTITY MECHANISM	Scalable Non-replicable	Market potential	
3.ORGANISATION MECHANISM	Verifiable track record	Organisational outcomes	Evaluation
	Key person expertise Educational background	Ability	
	Getting accredited by prominent investors	External validation	
4.INTERPERSONAL FIT	Coachability Collegiality	Conative fit	
5. MODE OF GOVERNANCE	Formal approach to control • i.e. regular board meetings, regular reports, and site visiting	Instrumental control	Relationship management
6. EXCHANGE RESOURCES	Strategic advice Network of professionals Non-operational support	Strategic partners	

Table 7 Data structure of practices between entrepreneurs and venture capitalists

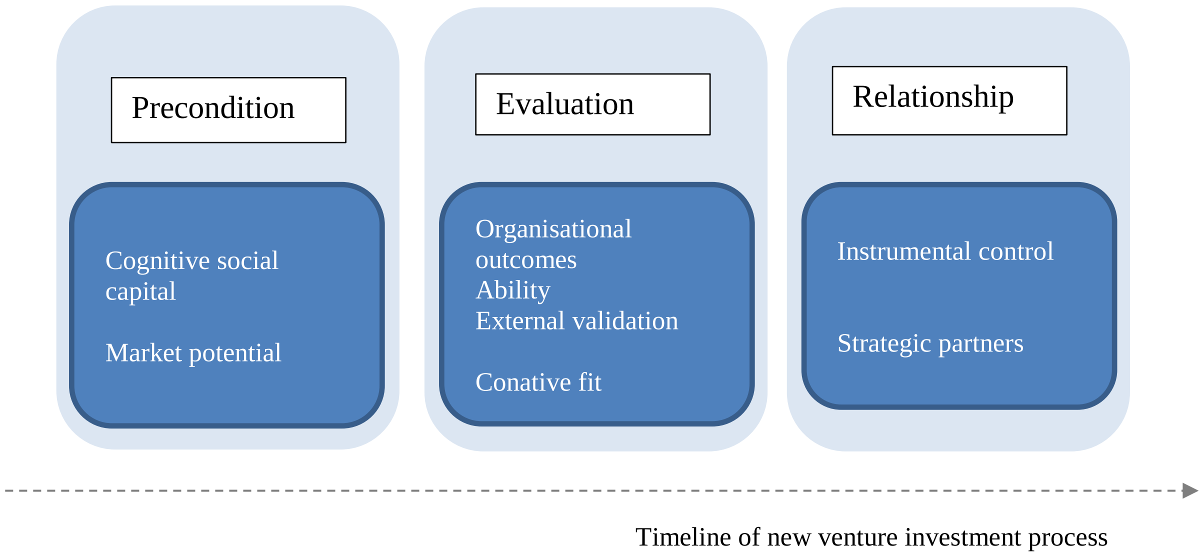

Figure 5 An illustration of the entrepreneur–venture capitalist dyad

Cognitive social capital

To spur a venture's growth, it usually requires a significant amount of money that, in general, exceeds the personal capacity of the entrepreneur themselves or individual investors. The entrepreneur will resort to other forms of external finance, such as venture capital funds. The data point to the prevailing practice of leveraging the *cognitive dimension of social capital* to access venture capitalists. The cognitive dimension of social capital occurs when people establish shared understandings by language and systems of meaning; these cannot be obtained without investment (Nahapiet and Ghoshal 1998). The primary evidence as part of the investment to establish shared understanding consists of (i) being recognised in the entrepreneurial ecosystem and (ii) maintaining contact.

All entrepreneurs reported that it was difficult for them to get venture capitalists' attention if they did not have proper recognition. The entrepreneurs mentioned their engagement in start-up communities, attending accelerators or joining start-up competitions, as a pathway to making their venture visible to venture capitalists. For example, EN_06 described the purpose of this as *'to show the investors that we know how to play their games.'* He further said of the pathway for his venture to gather momentum:

> *We started by joining an xxx accelerator. I think it's the right move. In the accelerator, there's a well-known facilitator from Israel. We learn how to present. We have to change the presentation style and learn how to depict a start-up's picture. We also get a connection there.*

Similarly, EN_18, whose company recently closed a deal with a venture capital fund, reflected on his experience:

> *We are at a peak in terms of reputation because we went to Silicon Valley. You know what I mean. When we've gone through a Silicon Valley–based incubator, it's really easy to talk to the investors. We are the first company in Asia [in this industry] to be there. It's easy. If it was two years ago, it's damn hard. They [investors] thought it's interesting. It's in the global market trend, but their question is, 'Who are you?'*

Additionally, deal-making is a continual process of maintaining regular contact. This pattern was reported by entrepreneurs and venture capitalists. The process takes both time and effort for entrepreneurs and venture capitalists to proceed a deal to further evaluation. On the one hand, the investors are kept continuously informed of the rough indicator of the venture progress. One entrepreneur said, *'it's like building a relationship. It doesn't like ... you may do everything at the time you're about to raise funds, but if you gradually build [a relationship] and give [investors] updates, it will have more potential' (EN_19).* On the other hand, in some instances, not every venture looked attractive to the venture capitalists, who might not be interested in increasing their capital. As one investor noted when finding a prospective deal, she has to get in touch and, *'if someone says no, we won't cut the tie. We still keep the relationship. The venture capital business is about the relationship' (VC_02).* This therefore requires the venture capitalists to maintain a tie for a further opportunity.

Market potential

The data indicate the alignment between new ventures and venture capitalist funds. For an entrepreneur to form a relationship with venture capitalists whose main objective is profit maximisation, the main focus is the *market potential*, defined from the characteristic of being scalable and non-replicable from a prospective deal.

All venture capitalists emphasised the importance of the opportunity having the characteristics of being 'scalable' or 'non-replicable' as part of the initial evaluation of the potential deal. The venture capitalist respondents described prospective deals worth considering, particularly a technology-based business:

> *It must be a business that integrates technology into its business model to scale. I'd say 'scale' means if we need two times output, we may not put in the same amount of input. We may put in three times the input; we may get ten times the output. It's whether [a business is] scalable. (VC_01)*

> *If it's a technology-based business, there are others out there to compete. If we invest in, let's say, for example, drones or other innovations, not everyone can compete. (VC_02)*

In line with the investors, entrepreneurs acknowledged this perception of the investor. A start-up veteran shared his experiences of pitching to grab attention, which he has done a hundred times; he called it *'speed dating'*:

It's the same as start-up theory. First, what we want to fix or what gap we want to close. Second, is it repeatable? Third, is it expandable? Fourth, whether the team are able to execute. These are what matter and need to be a focus. If the investor is interested, they will call for a rematch. (EN_14)

In sum, another prerequisite for entrepreneurs to develop their relationships with venture capitalists is a lucrative identity for the venture. However, it should be acknowledged that this ground is mutually dependent on the cognitive dimension of social capital, which will lead to a further conversation to delve deeper into the opportunity.

4.2.2 Evaluation

The evaluation phase is associated with addressing major concerns in terms of organisational mechanism and interpersonal fit. For a relationship with a venture capital fund, the organisation mechanism involves organisational outcomes and external validation. The interpersonal fit for venture capital investment prevails through the conative fit developed between both parties.

Organisational outcomes

This theme emerged as one of the critical determinants for whether a relationship is to develop fully. It concerns tangible indicators to testify to entrepreneurs' claims about opportunity. The indicator appears in the form of a verifiable track record depending on the stage and sector of a venture.

'Traction' was the most frequently cited term by entrepreneurs as the tangible proof of their ventures. In general, it refers to historical data regarding users, sale figures, or revenue, a sign of product-market fit. The central concern for venture capitalists is to verify traction as part of the due diligence process. However, the intensity of verification depends on the stage of a venture. For an early-stage venture, a seed-stage capitalist remarked:

Some company just founded two to three months ago. There is not much due diligence to do. It's just simply checking whether the company has been registered. Are the shareholders' names correct? Do they have any debt? Are their claims real? If they said they had revenues, we might look at the company book, whether they had the money [as they claimed]. (VC_01)

The process will be more intensive if a deal concerns growth-stage ventures, which require extensive data, particularly financial indicators. One investor noted, *‘data needs to add up: what does cost structure look like; how is the forecast derived?’ (VC_04).* This is mandatory for a detailed evaluation of a deal. Entrepreneurs confirmed this extensive process:

> *For due diligence, they asked me to provide a lot. It’s a page full of checklists, such a list of customers from the beginning, cost per acquisition, history of growth, where the growth came from. I actually have those data, but I have no time to prepare. (EN_16)*

For convenience, this entrepreneur had chosen to raise a series of contributions solely from angel investors. His venture was widely recognised as having promising traction and he engaged actively in start-up communities. The venture attracted investors; as he put it, *‘many VCs and CVCs. They all call me for [further] talk.’* However, the relationships have never been proceeded with, due to his not providing the data required by the investor.

To conclude, the practice of developing a relationship with venture capitalists concerns the demonstration of significant achievement by the venture. Verifiable track records as indicators of market adoption are required to confirm the market opportunities claimed by entrepreneurs.

Ability

Ability plays an essential role in whether another party perceives that an entity can be trusted in its capability to influence within some specific domain (Mayer et al. 1995). Both venture capitalists and entrepreneurs regarded it as just as important as venture achievement. Central to this particular dyad is key person expertise and the educational background used to determine the *ability*.

The relevant experience of entrepreneurs and their team is acknowledged as critical to ensure that a plan proposed by entrepreneurs will be executed or handled well under unexpected circumstances. In general, during the deal evaluation process, including the background check, venture capitalists will spend time with entrepreneurs and key persons to assess their expertise in the chosen field. For instance, EN_02, a serial entrepreneur, pointed to what helped him secure funding for his second venture:

> *Apart from a clear vision that others do not have, you must be able to execute. They will consider how good the team, [both the] management level and the founding team are. What has been done before by the founder? All of these are see-through during talks [with the investors]. If you know it, you can justify it by words you said. If you've never done this before, the investors will know you haven't closed the funding round, terms and conditions, etc. The prominent VCs in Asia [who first offer the term sheet] have closely monitored cryptocurrency and blockchains. They know a lot about these kinds of stuff. They knew my previous venture, which can prove [my credibility].*

In addition, some investors, especially for an early-stage venture, emphasised educational background as an additional factor in an investment decision. As part of competitive advantage, entrepreneurs holding degrees from prestigious universities will be in a better position to secure funding at their expected valuation. One venture capitalist noted that, *'if the founders or whole team are graduates of MIT or Harvard, we may give them a plus for their competence. They will get a higher valuation.' (VC_01).* Similarly, when asked whether educational background resulted in a positive perception towards entrepreneurs, another investor said:

> *It quite affects it. If you graduate from, let's say elite schools, you must at least have logical reasoning unless you become insane. We assume that it is tough to get into those schools, which means you have to be very competitive to be in those places. Also, those schools, I guess they will have a good curriculum. It's a sort of certificate to help guarantee that you will further survive [if you've survived those places]. (VC_02)*

To conclude, venture capitalists seek to de-risk their investment by focusing on experienced entrepreneurial teams who are able to execute the proposed business plan; this is delineated by professional background and high-profile educational background.

External validation

The evidence points to an emerging theme of external validation: perceiving a social entity as legitimate if it is approved by more powerful actors (Tost 2011). The *external validation* here concerns the perception that it is worth investing in a venture if other credible actors endorse it. The practices of fundraising are like those of art, which concerns not only the amount of money but also valuation. A key consideration for entrepreneurs is to retain the stake in their company as long as they can, whereas the investors will focus on buying low and selling high. In this process, getting accredited by prominent investors implies the valuation of the company.

Several entrepreneurs, especially those having backgrounds in business and finance, mentioned using a term sheet offered by a high-profile investor as a reference for their company valuation. The term sheet is key for entrepreneurs' bargaining power in playing a game with venture capitalists. As one entrepreneur reflects:

> *The hardest of all is to get the first term sheet. If you do not know how to, you won't ever get it. That's what I think. Otherwise, you will be forced to lower your price. At the very beginning, I talked to VC_xxx, and she told me, 'I require at least a 25 per cent stake.' If you have no name and do not know how to play the game, you will probably undersell. (EN_06)*

Two months later, this entrepreneur became the first runner-up in a start-up competition held by an accelerator and received a financial offer from another accredited venture capital fund. The investor who previously undervalued his venture tried to bid against the new investor by increasing the former valuation sixfold.

Venture capitalist respondents confirmed that the practice mentioned above is commonplace in a deal-making process. The entrepreneurs will be in a position to choose if they are in the spotlight, mainly when several investors are paying attention to them. As one venture capitalist noted:

> *it's very simple, like a supply-demand. If entrepreneurs raise funds when they're running [out] of money, they'll have no bargaining power. Also, when they don't have other investors to invest, they won't have bargaining power. You have to raise funds when you're at your peak. (VC_02)*

Another investor (VC_01) added that it is part of their practice to choose high-potential ventures to sustain the fund performance, which is linked to start-up performance. The more investors are interested, the higher the growth is likely to be.

In short, external validation via an endorsement by a credible investor to a certain degree influences the judgement of venture capitalists. It not only confirms the validity of a new venture in terms of securing funds but also implies its valuation.

Conative fit

The data indicate the perception of willingness to cooperate from entrepreneurs, similarly to what Weber and Weber (2007) call conative fit, which is partners' intention to cooperate and pursue compatible goals. This primary evidence linked to this interpersonal fit focused on (i) coachability, and (ii) collegiality.

All venture capitalist informants emphasised the coachable, open-minded character of the entrepreneur. During their several encounters before closing the deal, they will have opportunities to assess entrepreneurs in this respect. Venture capitalists described practices after drawing up a potential shortlist and during meetings with entrepreneurs:

> *We'll meet both founders and the whole team. We will ask them to address some misgivings from the pitch deck about the business. Also, it will be a psychological interview to see whether we will be able to work or not. What are they like? How is their intention? Are they polite or aggressive? Etc. This is what it looks like in a meeting with VCs. (VC_01)*

> *We focus on the founder: whether they are humble, willing to listen to us. How well do they adapt to our advice? How smart are they? If they are dumb or egocentric, we won't invest. We will gauge whether we will be able to work together or not. (VC_02)*

Similarly, entrepreneurs expect cooperation from investors as part of their cooperative efforts to achieve the growth of the venture. Most of them do not want investors who will dictate their company or meddle in their operations. So, they will assess whether an investor is suitable to work with or not during their encounters, just as their investor counterparts do. One entrepreneur noted, *'mostly, it's from talks that we know their expectations. If they are hands-on VCs, they will tell that they will send someone to work with you. If it is like that, they may not be suitable for us, [and we will] turn down the offer'* (EN_14). Some entrepreneurs also do background checks with other start-up peers as an additional measure to ensure they will have a harmonious relationship after receiving the money.

In sum, the interpersonal fit between entrepreneurs and venture capitalists is defined by how well they can cooperate, which is assessed by observation during their talks; this is labelled as *conative fit*. Venture capitalists expect entrepreneurs to be coachable. Entrepreneurs, in a similar vein, expect to have collegial investors.

4.2.3 Relationship management

In the post-investment stage, the exchange relationship between entrepreneurs and venture capitalists appears to be more instrumental. The core resource exchanged as part of value-added activities is strategic partnership, which is derived from the background knowledge or personal networks of the investors.

Instrumental control

Both venture capitalists and entrepreneurs pointed to their mutual expectations of achieving driven growth. Venture capitalists were particularly incentivised by management fees and carried interests of the fund profits. Such incentives predominantly guided the relationship, referred to here as an *instrumental relationship.* The investors introduced a formal approach of control to reinforce their commitments with entrepreneurs. One entrepreneur described how his relationship was governed:

> *They [VCs] are more organised than angel investors. It helps us become more structured, which is good. Previously, we rarely updated the investors depending on their call for an update. We try to set [up] a proper structure and do more things. We need to move faster. (EN_19)*

The associated practices that prevailed in this mode of relationship consisted of regular board meetings, structured reporting tools, and site visits. In a formal board meeting, investors expect to see growth against milestones and will delve deeper into the details confirmed by entrepreneurs and VCs. The aim for the seed-stage venture is to achieve the next-stage goal of a next-round fundraising; for the later-stage venture it is financial suitability. One entrepreneur referred to such practices as *'like lashing the horse' (EN_19).* Another investor added:

> *We have a timeframe for a performance update. They have to set their KPI, and we will meet every three months to see whether they're met, etc. It's like giving them homework; whether you're doing well, [maintaining] growth, the business model needs to pivot. Does the recent model work, or does it need to change? Are customers required from new sectors? Are all these things we can*

provide coaching on or mentor? But it's just only coaching, or mentoring; we have no right to take it in hand. The decisions are on them whether to do. However, there will be some pressure [psychologically] from us that 'you must perform.' (VC_01)

The reporting tool deployed by venture capitalists depends on the stage of the venture; nevertheless, it is mandatory for a venture to submit on a monthly basis. It may be a simple tool like a spreadsheet for seed-stage ventures, or a proper report form or data room for later-stage ventures. The purpose is to give an overview of the progress as well as the financial statement, which is of importance to the VCs. One entrepreneur noted:

The investors will ask for an investor report every month for an update. The report will contain paragraphs, some short, some long. [One part] explains, for example, this month we have collaborations, public relationships, joint events, or do a market survey to expand to another country, etc. Another part is about financial figures: how much money is spent and generated? (EN_15)

Site visiting, in addition to the formal board meeting, is quite commonplace for venture capitalists holding a significant amount of equity, especially in more mature-stage ventures. The purpose is to oversee their portfolio companies: one investor noted, *'we visit their site to see their current progress or problems they may have had and need our help with.'* In some instances, the investors will spend their time helping address portfolio firms at their offices.

To conclude, the mechanism of coordination between entrepreneurs and venture capitalists appears in the instrumental form of control. Driven by achieving growth within a specific period, a formal approach of control is enacted to ensure progress.

Strategic partners

All entrepreneurs mentioned the great expectations of venture capitalists for the hypergrowth of their companies. For venture capitalists to ensure such growth, they need a seat on the board of directors, enabling them to perform an advisory role in their portfolio companies. The investors' advisory capacity, in general, is derived from their expertise, through (i) strategic advice, (ii) networks of professionals, and (iii) non-operation support.

The most frequently cited practice by both parties in the exchange process is ‘strategic advice’. Venture capitalists usually have a professional background in business and finance and see their role as preventing unnecessary risk. Investors, according to entrepreneurs, will have sound comments to make in situation when entrepreneurs are uncertain, which is perceived as particularly helpful for entrepreneurs with a technical background. EN_17, a founder of a research-intensive company, noted the role of the investor in sharpening decision-making:

> *There’s an opportunity to expand a business into China [by xxx]. We consult the VC, whether it’s OK to go there or at which stage we should go, are we ready [from their view]? It helps ease the decision in that what we’ve in mind is we’re quite not ready, but it [the opportunity] is attractive. We need to confirm with them on ‘What do you think from your experience?’*

Another exchange that is perceived as a strength of venture capitalists is the network of professionals, which is believed to foster new venture growth. One venture capitalist described her role: *‘We need to build a strong network. We have to get to know executives, CEOs, or [key men] of corporates in Thailand to help start-ups in portfolios. We connect and grow’ (VC_01).* However, the reflections from entrepreneurs about this partnership are slightly different from those of venture capitalists. Several entrepreneurs reported, *‘some work, and some don’t.’* The keenest practices of the venture capitalists consisted of connecting the venture to potential investors for the next funding round. One entrepreneur stated:

> *In the VCs’ world, they will try to ... it’s like a circle [of the investors]. Many investors work together. Some funds may focus on a particular cheque size. When the size exceeds their limit, they will help introduce [us] to other investors. They know that what they invest at the beginning will be gained if our valuation increases. This is why they want to introduce us or raise the next round. It’s the way they help us. (EN_14)*

In addition to general strategic advice, as a by-product of preparation for the further fundraising round, when financial performance is the central concern, venture capitalists also bring in CFOs or even almost take on this role themselves. One entrepreneur reported that an investor had equipped his company with better financial management:

> *We previously ran [the company] by circulating the profit, making it hard to expand [due to] fewer options in financing. When we got the investors, at least there would be someone to crosscheck on how money is spent, which I like. We see it as positive even though someone is monitoring. I may not be good at finance think when having the investor is good. We can use them without hiring a CFO. (EN_18)*

To summarise, venture capitalists provide non-financial resources, similar to being strategic partners, to their portfolio companies. Having a seat on the board of directors, the venture capitalists see themselves as playing an advisory role, giving advice on non-operational matters. A specialised area of expertise is connecting portfolio companies to strategic partners, which are, in particular, prospective investors for the next funding round. In some instances, venture capitalists who have a background in finance can play an interim role in the financial management of their portfolio companies.

4.2.4 Summary

This section has outlined themes emerging from the development of the relationships between entrepreneurs and venture capitalists. The preconditions for the deal flow involve the use of social capital (the cognitive form of social capital), and identity mechanisms (demonstration of market potential). The detailed evaluation for entering into the relationship encompasses organisational mechanisms (organisational outcomes, ability, and external validation); and interpersonal fit, determined by conative fit. The relationship during the investment stage concerns the mode of governance (the instrumental form of control); and the resources exchanged in the form of strategic partnership.

4.3 Practices between entrepreneurs and angel investors

Angel investors are one of the primary external sources of finance, providing support for four out of five entrepreneur respondents in this research. They are quite distinct in terms of their investment motivations and their backgrounds, usually with less experience in this form of investment, tracing back to the boom of high-growth venture investment less than five years ago. Also, these investors neither invest alone nor lead a deal. The data structure of their practices throughout the process is shown in Table 8. The pattern of interaction between entrepreneurs and these financiers throughout the fundraising and investment is shown in Figure 6.

CATEGORIES	FIRST-CODING CONCEPTS	SECOND-CODING THEMES	AGGREGATE DIMENSION
1. LEVERAGING SOCIAL CAPITAL	Personal relationship	Pre-existing trust	Preconditions
2. IDENTITY MECHANISM	Personal feelings related to the product Shared identity • e.g. alumni network / previous users of the product	Relational ground	
3.ORGANISATION MECHANISM	Entrepreneurial team	Ability	Evaluation
	Prototype	Organisational outcomes	
	Following active angel investors in their close circle Following other prominent investors	External validation	
4.INTERPERSONAL FIT	Perceived good intentions Geniality	Interpersonal affect	
5. MODE OF GOVERNANCE	Less formalised approach of control • informal meeting, simple reporting tools, occasional visit	Self-imposed obligation	Relationship
6. EXCHANGE RESOURCES	Practical suggestions Investor network	Experience-based human capital	

Table 8 Data structure of practices between entrepreneurs and angel investors

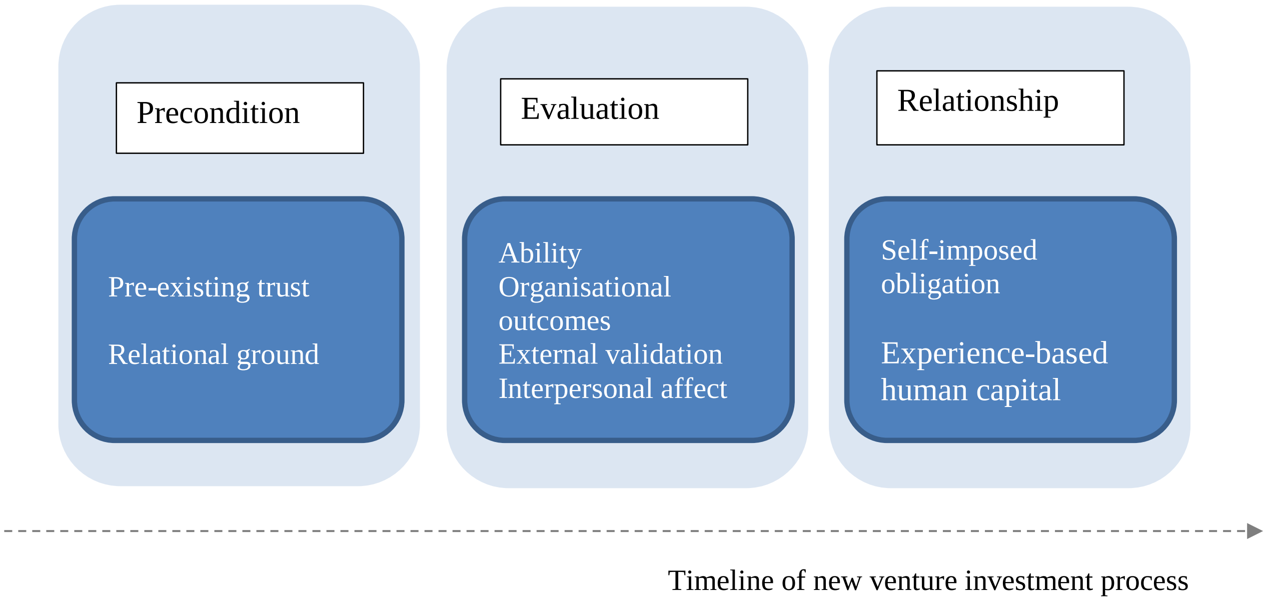

Figure 6 An illustration of the entrepreneur–angel investor dyad

4.3.1 Preconditions

The practice of leveraging social capital is markedly different in a dyadic relationship of entrepreneur and investor. The data show that the relational dimension of social capital is prevalent at the early stage of deal-making, where it is a channel for both entrepreneurs and angel investors to discuss a further opportunity. The identity mechanism employed in the relationships between entrepreneurs and angel investors is slightly different from other types of financiers. Not only must common ground related to the venture's opportunity be demonstrated; other grounds concerning relational elements connecting entrepreneurs and investors are included as well.

Pre-existing trust

In this research, it should be acknowledged that the activity of angel investors is not restricted only to the early-stage venture. Some of these investors also invest in late-stage ventures. These investors very often invest in groups rather than doing so individually. To avoid confusion, the findings presented in this section will be restricted to the emergence of a new venture when entrepreneurs received their first investment from angels.

At the very beginning of a new venture journey, entrepreneurs do not rely solely on self-bootstrapping; they also involve external investors whom they refer to as 'angel investors'. Interestingly, these investors are mostly those with whom the entrepreneur has a pre-existing relationship at the personal level, such as friends and former colleagues. Such personal relationships can be obtained from ongoing interaction, lending them approval and prestige (Nahapiet and Ghoshal 1998). A majority of entrepreneurs, for instance, replied as follows when asked why they came to these specific angel investors:

> *Mostly, we know [them] beforehand. They are friends who see us [working on the venture project] for one or two years. They've seen us for a while. (EN_07)*

> *I would say it's about having a relationship as friends. I would say that. (EN_14)*

Moreover, persons located in the entrepreneur's professional network, such as former colleagues, were reported to offer entrepreneurs help in embarking on their venture ideas in exchange for equity. Several cases of entrepreneurs showed similar patterns (EN_07, EN_12, EN_13, and EN_20). One entrepreneur whose venture was backed by colleagues in the same industry put it this way:

> *Whether we chose the angel investor or not, actually we did not have any knowledge [about fundraising]. Honestly, in the first round [of fundraising], it was due to our connection only. They are a group of angel investors [and] did not even have a term sheet. They just liked us [also wanted to support us], and gave us money. (EN_12)*

However, it is worth noting that not all venture deals proceed to further consideration for investment through this channel. For entrepreneurs having no personal relationship with the angel investor, their ventures can also grab investors' attention if they have other mutual grounds, which will be presented below. Nevertheless, the findings indicate that the relational form of social capital provides more significant potential for further consideration for investment. This is similar to previous research on resource acquisition, where relational ties help facilitate entrepreneur access to wider audiences who are reluctant to trade with relatively unknown entrepreneurs (Hite and Hesterly 2001).

Relational ground

Market potential is central for investors; this was confirmed by all entrepreneurs in their initial encounters with angels. Having a track record helped some ventures to gather interest from the investors. Ventures seeking support from angel investors usually lack historical data; despite this, they have a financial forecast to draw angel investors' attention to explore the potential opportunity further. However, a distinct element that emerged here was *relational ground*, which is a connection between entrepreneurs and angel investors, either through an idea itself or by having communality.

Several entrepreneurs mentioned a certain degree of subjectivity that lay in the personal interests of the investors themselves. This was how angel investors felt related to the product or services. To illustrate, EN_10 described how he unintentionally met his angel investor who came to visit a friend at a co-working space. A friend of the investor introduced the project on which EN_10 was working. The project grabbed the investor's attention due to its connection to his experience:

> *At the time, I organised a workshop. He [the investor] was interested and asked whether I had other projects. I then told him about this project [which later become the first product of the company]. He had a pain point that his wife bought concert tickets very often. And [he] wondered why there was only one ticketing service in Thailand. [We] then talked more [about the project]. We kept talking for two or three weeks before he agreed [to invest].*

Similarly, one investor gave an example of a business idea she would take to further consideration:

> *I would say I'll do it because it's suitable for [my] lifestyle. Let's say for the funeral flower delivery. If there is a one-stop platform, everything will be done with just a single click, I will go for it. I see it as a pain point for many Thais whose hometowns are in other cities but are currently working in Bangkok. When their beloved passes away, others find it hard to express their sympathy. For me, I've loads of friends. I have no idea what to do if I have to send the flowers to cities I'm not familiar with. At my age, I've to send the flowers ten times a month which costs me around £1000. Sometimes, I can't find a way to send, and there may be a little problem. I can just send them money. Actually,*

I want to do both sending money and the flowers. If the venture ideas are like this, suitable for Thailand, it will make me decide easily. (Angel_02)

Having a shared identity, especially being alumni of a university, provides a better position for entrepreneurs to initiate a conversation with angel investors, subsequently leading to the deal closure, as reported by EN_09, EN_13, and EN_19. One entrepreneur running an online education platform said this:

[My] angel investors are mostly [xxx] and [yyy]. Especially [xxx], we share something in common. [We're] nerdy and things about education are far easier to talk about. Also, they are successful in their career and have some sense of giving back. (EN_13)

This point was confirmed by one successful alumnus of a university who spends his extra time in initialising the entrepreneurial university project for his alma mater. The project includes setting up a group of other wealthy and successful alumni to provide supports for young alumni or current students. The support covers the seed financing invested under the personal capacity of those alumni. He said:

We do this by giving them a try with [business ideas] by their own hand. If they fail, they will learn something. [It's fine if the money is lost] because we usually support the school financially every year. We invested in them; if they survive, the gain will be reinvested in other start-ups in the university. (UNI_01)

Previous users of the product were also mentioned for providing seed funding for a venture. EN_01, who owns an online investment library and later developed an investment platform for retail investors with the aid of computer algorithms, said:

We are quite lucky because angel investors are those using our products. They believe in us, that we've lived long enough. We have been there for three or four years and offered free services. They're our users and would like to contribute. They don't want us to fail because they still use our product and want to see us grow.

In this particular case, the sense of attachment eased further conversation. The investors expressed their interest in support, leading to a list of investors in the entrepreneur's hand, which was subsequently used to initiate the deal flow when the entrepreneur needed more capital.

In sum, it is not only the market potential side of the deal that the angel investor prioritises, but also how they feel related to products or entrepreneurs. The *relational ground* with the investor will help enhance the possibility of a product gaining the attention of angel investors.

4.3.2 Evaluation

In the development of relationships between entrepreneurs and angel investors, the evaluation phase is associated with addressing major concerns in terms of organisational mechanisms and interpersonal fit. At the organisational level, the evidence points to ability, organisational outcomes, and external validation. The interpersonal fit is defined by the interpersonal affect developed between both parties.

Ability

Ability plays an essential role in whether a party perceives that another entity can be trusted in its capability to have influence within some specific domain (Mayer et al. 1995). Undoubtedly, in the establishment of an exchange relationship, it is a quality highly regarded by angel investors as one of the primary sources of evaluation. Angel investors usually invest in the emergence stage of firms and acknowledge unknowable risks (Huang and Pearce 2015). Thus, both entrepreneurs and angel investors acknowledge that the proposed business plan is subject to change due to unexpected circumstances related to the emergence phase of the venture. During this phase, the entrepreneurial team is used to determine the *ability*. One angel investor participating in a venture at its very beginning remarked:

> *It's all about the team that we will focus on. We rarely cling to the [initial] business model and [it's] not even important. At day 1, people are far more important as well as direction. If [the business direction] sounds sensible, it's OK. We can revise [the business model] later. It is actually not one time talking. Sometimes, it took six months to find out the right direction. (Angel_04)*

Thus, to realise a deal, angel investors assess entrepreneurs from previous experience linked to their venture idea. Also, it is worth noting that angel investors strike a deal quickly, on average around two or three weeks after the initial encounter. Therefore, their practice is to interview and assess the team to get a sense of whether they have expertise in their chosen field: to *'be able to test by the words you've said whether or not you have skills,'* as EN_02 reflected from his experiences.

Whereas entrepreneurs mentioned teams as a vital factor, the investors were more specific about such aspects, pointing to the balanced combination of the team's technical and market understanding. One angel investor stated:

> *If we talk about start-ups, it's about technology. Thus, there needs to be an understanding of technology [among a team]. It's not like you have only an idea and then find a programmer. If you don't understand [technology], it going to be hard in the long run. There needs to be a person connecting customers and the back door to translate the information received from customers to developers. (Angel_04)*

In sum, the angel investor seeks to mitigate the unknowable risk involved at the fledgling stage of ventures by looking at an entrepreneurial team capable of executing their venture ideas. The investor's emphasis is on the founding team's credibility not only to transform ideas into reality but also to capture their value.

Organisational outcomes

Although most angel investors identified in this research invested in early-stage ventures, they rarely invested in pure ideas. Venture achievements must be demonstrated to persuade angel investors. These *organisational outcomes* consist of tangible evidence related to an entrepreneurial venture. Evidence found acceptable by angel investors is in the form of a prototype of a service or product.

At the time of raising funds from angel investors, most entrepreneurs in this research were trying to bring in a digital-based business model to a traditional business with a focus on retail customers. The convincing evidence they could show to investors was a prototypical application or website, to help the investors get a sense of how their product would work. EN_14, whose company provided a payment gateway, said:

> *At the time, we had a prototype to show how it works, including the outcome we expected to see. It's like a simulation [of how] the system can work. We didn't have a real product.*

However, the practice is slightly different in ventures in deep technology with a business-to-business (B2B) focus. The long cycle of development requires a significant amount of money, and the high transaction cost of a B2B exchange demands a relatively more robust signal. In addition to the prototype, the investor attends to initial market validation, for example through ongoing discussions with customers or attending accelerators. EN_19, who licenses research from a university, explained what had helped him strike a deal with an angel investor:

> *[The research] was scaled up [from laboratory to pilot plant]. It took time because [we're] in the biotech sector. We got a minimum viable product which is quite reliable, and we're in talks with [potential] customers. It's not just a pure idea. Also, we've been through many stages, attending lots of accelerators, making it easier because others have a guarantee. It's not just like three nobodies working together.*

As noted by Drover et al. (2018), there are measurable differences in organisational signals for signal receivers. This section suggests that the business milieu affects the perception of new venture achievements. A prototype is reliable enough for less uncertain opportunities (i.e. b2c model), whereas a more concrete signal is preferable in more uncertain opportunities (i.e. b2b model).

External validation

The data point to the prevalence of external validation, when approval of a social entity is influenced by peers or other credible actors (Tost 2011). *External validation* refers here to the influence of others on the individual investor. Practically, the amount required in a funding round usually exceeds the capacity of one investor, sometimes seeking for risk diversification. Especially for angel investors, the distinct pattern found in this research is that they co-invest, either within their circle or as follow-on investors. These investors seek external validation from the other investors they trust: (i) active angel investors in their close circle, and (ii) other prominent investors.

In an angel investment group, there will be some investors who are relatively active and perceived as a frame of reference for the others. Other investors in such a group will consider the judgement of such people valid and likely to influence their decision. For example, EN_13, who relied on angel investors for the support of his venture, said:

> *The way it works is that [you] have to know. In the group [of angel investors], there will be those who are influencers. We have to address the two things, their expectations and fear. If we can persuade the influencers, they will nominate other investors in their circle.*

In line with the entrepreneurs, angel investors themselves confirmed this practice. One angel investor (Angel_02) who is still running her business and does not have time to get deeper into start-up businesses, explained:

> *I always invested with Angel_01. I saw him as my dealer. I trust him and the way he works, and I will have him filter a deal first. I can't filter the deal myself as there might be something I cannot see through. So, I trust in angel_01. However, it doesn't mean I did nothing. I still read the white paper.*

In addition to the dominance of other investors in the same circle, more professional angel investors in close connection with a start-up ecosystem can strike a deal by following prominent institutional investors. One entrepreneur described how he managed to secure money for his seed round:

> *We [show that] we have one of the most prominent investors [VC] guaranteeing the deal at this price. We use the term sheet to shop around with other investors who want to invest but may be less famous. They're willing to match at this price and offer better non-financial terms. So, we choose angel investors because they are more flexible [than VCs]. (EN_02)*

Other respondents reasserted that this practice is commonplace in the post-seed venture, where a huge amount of money is involved. In this round, new investors, especially venture capitalists, will play an important role in the due diligence process. However, to 'diversify investment risk' or 'limit the ticket size', investments from venture capitalists may partially fill the funding round. Thus, the term sheet issued by credible investors will be used to attract follow-on investors to close the round, particularly angel investors.

Interpersonal affect

Unlike other investors, a deal with angel investors, on average, takes two or three weeks for evaluation. Due to the short period of time for learning about each other, the prevailing theme that emerged indicated the favourable perception towards entrepreneurs at the personal level, similar to what Casciaro and Lobo (2008) term *interpersonal affect*. The interpersonal affect in the relationship between entrepreneurs and business angels is formed by (i) perceived good intentions, and (ii) geniality.

Investors' perceptions of good intentions are important for the development of the relationship. Entrepreneurs revealed that unless they knew the investor personally, they had to demonstrate a sort of genuine action supplemented to their venture credentials. One entrepreneur remarked, *'what is most difficult is that we did not have any tractions except our intentions at the very beginning.' (EN_05).* Another entrepreneur added that it is not a matter of alluring the investors with a beautiful pitching deck and financial projections:

> *The investors are not dumb. They've done more business than us. I think being realistic [in business aspects] and honest, I think this the most important [thing] for you to show them. The key is that there is nothing to prove [at the time when you can't prove anything with results] except yourself. You have only yourself and a paper [business plan]. (EN_16)*

Consistent with the entrepreneurs, angel investors referred to observations of an entrepreneur's behaviour, as one angel investor commented on his priority as to what to look for from an entrepreneur:

> *They [entrepreneurs] need to be open. If it seems they're trying to hide something, which I experienced myself and it didn't end well, because they're economical with the truth, I won't invest. (Angel_01)*

Additionally, feeling connected with each other, developed through geniality, was often cited by entrepreneurs as an essential part of closing the deal. An entrepreneur with experience in raising money from several angel investors explained:

> *One of the difficulties in talking to angel investors is that, what if it doesn't click? No chemistry, the deal may not happen. If they invest, they have to work*

> *with [us] for years. For meeting every quarter or two quarters, if they don't like us, they won't invest. (EN_07)*

In sum, the data indicate that unless a pre-existing relationship is involved, at the stage where the financial achievement remains questionable, the interpersonal element substitutes for venture credibility.

4.3.3 Relationship management

In the post-investment stage, the exchange relationship between entrepreneurs and angel investors is determined by self-imposed obligations as a primary mode of governance. The core resource exchanged as a part of value-added activities is human capital, which is derived from the background knowledge or personal networks of the investors.

Self-imposed obligation

Both angel investors and a majority of entrepreneurs referred to having flexible terms of investment, agreed before closing the deal and reported in a written form which was generally entrepreneur-friendly. Such agreements had subsequently guided their relationships in the investment phase; these are referred to here as *self-imposed obligations*. On the one hand, the relationship is driven by company growth, as both entrepreneurs and angel investors confirmed. On the other hand, instead of using strict measures, the investors minimised their intervention to allow the entrepreneur to feel comfortable. To illustrate, one entrepreneur described changes in his company after receiving funding from angel investors:

> *There's a bit [of] change. Overall, it rarely changes. However, what's changed much is [we've got] more commitment. Even though angels won't be serious about their money, we got their money; we will have an obligation to achieve our missions. It's like they believe in us. We must push [the success] out. The most difficult is, we must find the business model whatever. It's not like we got their money for fun, to do nothing or don't find a way to generate revenue. We can't be like that in business. (EN_01)*

The primary evidence that points to this mode of relationship is the less formalised approach of control, such as informal meetings, simple reporting tools, and occasional visits. In an informal meeting, the investors expect to be told how the business is progressing and whether or not they can help. The respondents – both entrepreneurs and angels – confirmed this approach to their relationships. Angel_01 best described such an approach:

> *It's quite simple. We meet every two to three months. In case of an emergency or [if entrepreneurs] have something to discuss, they can give us a call. It's informal. It is not quite like a regular board meeting. [We] may have a formal meeting at the end of the year or the beginning of the year to brainstorm. However, we cannot have everything in the formal meeting. Sometimes, ideas come up later, and we may give [entrepreneurs] calls for suggestions. [We] have informal meetings quite often. I would say that.*

Entrepreneurs point to similar a pattern of their angels' expectations, which one entrepreneur (EN_10) referred to as *'getting off the ground'*. The investors, in general, preferred to see entrepreneurs fulfil their commitment to delivering growth rather than maintaining the investor cost. As one entrepreneur remarked:

> *Actually, when they invest in us, it means they trust in our visions and beliefs we can execute. If they ask [us] every day or control that we have to follow their direction, it will be hard for us to grow. Thus, he [the angel investor] allows us the freedom to carry the business by the strategy of the founders. (EN_14)*

Therefore, the reporting tool deployed by angel investors is simple: to give the investors an update. Most entrepreneurs indicated that investors required monthly, quarterly, or yearly reports, which were not only given in a written form: *'[they're] realistic, rely less on paper, and focus more on the interaction or discussion.'* (EN 13). In some instances, the entrepreneur may not submit the report regularly; nevertheless, this does not break their trust with the investors.

Furthermore, regular site visiting is quite rare in relationships between entrepreneurs and angel investors. Almost none of the respondents referred to this as an essential part of their relationship. Several entrepreneurs revealed that if the angel investors do visit, they will just drop by and see if they can help or will ask entrepreneurs to go out and catch up in a congenial manner.

In sum, the dyad between entrepreneurs and angel investors is held by an entrepreneur's *self-imposed obligations*. The investors give entrepreneurs a certain level of freedom by utilising a less formalised approach to control to enable their mutual target of company growth. With less control, the growth will be driven primarily by entrepreneurs themselves.

Experience-based human capital

The exchange resources in a dyadic relationship with an angel investor show distinct characteristics which are interwoven with the mode of relationship. Several entrepreneurs indicated a certain level of expectation from their angel investors, who expected the business to have emerged. With this aim, the angel investors contributed a certain level of human capital to their portfolio companies even if they did not run the companies themselves. The evidence points to *experience-based human capital* provided by angel investors through (i) practical suggestions and (ii) investor personal networks.

Practically, different angel investors are involved in a funding round, ranging from those leading to those following on a deal; this yields different contributions to a new venture. The data reveal that the human capital obtained by a new venture is linked to investor expertise, depending on the background of the investor – business owner or corporate executive. As part of their advisor roles, the investors usually provide practical suggestions from their entrepreneurial or managerial experience. As one entrepreneur remarked, *'[contrary to CVCs], angel investors are business owners, they will bring their experience in running their business. For the internal matter [concerning specific tasks], the angel can help a lot'* (EN_20). To illustrate, one entrepreneur whose angel is a business owner provided an example of operational-level suggestions:

> *It's about team management, recruiting HR and other staffs. I feel a little uneasy about having a senior on the team. However, the investor told me, 'you have to do it if you want to scale.' Finally, I realised they've told us, we just simply try. And, finally, we can scale. (EN_16)*

A similar pattern has been found in angel investors with backgrounds as executives. EN_05 described what he generally discussed with his angel investors, a group of executives, as asking for *'business tips'*:

The highlight is about focusing on the data we have at hand. They suggest that whenever we doubt what we should we do, we always have to look at our data. This is a tip that helps reduce our fear about the future of the company. We know what we will do next because we focus on our data.

Unlike other professional investors, the angels' networks are less organised, mostly based on personal contacts and relations. Entrepreneurs pointed to the angels' attempts to introduce or provide access to persons in their network who might be helpful, which were sometimes utilised by entrepreneurs. In exceptional cases (EN_10 and EN_18), entrepreneurs mentioned access to initial customers or to some key actors. Such access helped play an instrumental role in an emergent venture by paving the way for promising tractions. These tractions are one of the primary assessment criteria for investors in subsequent funding rounds, such as venture capital firms (Fisher et al. 2016). For example, EN_10 described how his company established a relationship with the market:

He [angel] helps fast track what used to take time in building the relationship. Due to his connections, he helps reduce a lot of time. We can focus on development, whereas he helps in terms of the marketing side. In the beginning, when we need reliable pilot customers, he can help introduce [us to the customer].

Overall, the relationship between entrepreneurs and investors, in general, involves an exchange of resources, similar to experience-based human capital. In other words, some personal knowledge possessed by the investors has been passed on to leaders of a venture, later being beneficially transformed into the venture. However, it should be noted that not all angel investors provide the support mentioned above. For some instances, especially in a dyad between amateur entrepreneurs and inexperienced angel investors, the non-financial resources will be excluded from their relationship.

4.3.4 Summary

This section has outlined themes emerging from the development of the relationship between entrepreneurs and angel investors. The preconditions for the deal flow involve the use of social capital in its relational form, and an identity mechanism (having relational ground). The thorough evaluation for entering into the relationship encompasses organisational mechanisms (ability), organisational outcomes and external validation, and interpersonal fit determined by interpersonal affect. The relationship during the investment stage concerns the mode of governance (self-imposed obligations), and the resources exchanged in the form of experience-based human capital.

4.4 Practices between entrepreneurs and government funding agencies

Government agencies also play a substantial role in providing financial support for emerging ventures. As an alternative approach to promoting public welfare, public funds aim to create gazelle companies, which are subsequently expected to contribute in terms of job creation. Government funding for a new venture falls into two broad categories: (i) for products/services/ operational development, (ii) for marketing-related campaigns. The former involves a significant amount of money granted to a venture and requires a fair and rigorous process of screening. In contrast, the latter scheme provides a fair amount of money (around £10,000 to £20,000) through a simple pitching competition. Here, the findings will be restricted to financing schemes for products/services/operational development, only where a pattern of relationship is distinguishable. The following section will present the pattern of the relationship between the new venture and public funders. Figure 7 shows the formation of a relationship with this type of financier. The data structure of the practices throughout the process is shown in Table 9.

CATEGORIES	FIRST-CODING CONCEPTS	SECOND-CODING THEMES	AGGREGATE DIMENSION
1. LEVERAGING SOCIAL CAPITAL	N/A	N/A	Preconditions
2. IDENTITY MECHANISM	Detailed project proposal addressing national welfare	Potential economic contribution	
3. ORGANISATION MECHANISM	Involvement of industry professionals as a committee	External validation	Evaluation
4. INTERPERSONAL FIT	N/A	N/A	
5. MODE OF GOVERNANCE	Reimbursement Specific deliverables	Contractual obligations	Relationship management
6. EXCHANGE RESOURCES	N/A	N/A	

Table 9 Data structure of practices between entrepreneurs and government funding

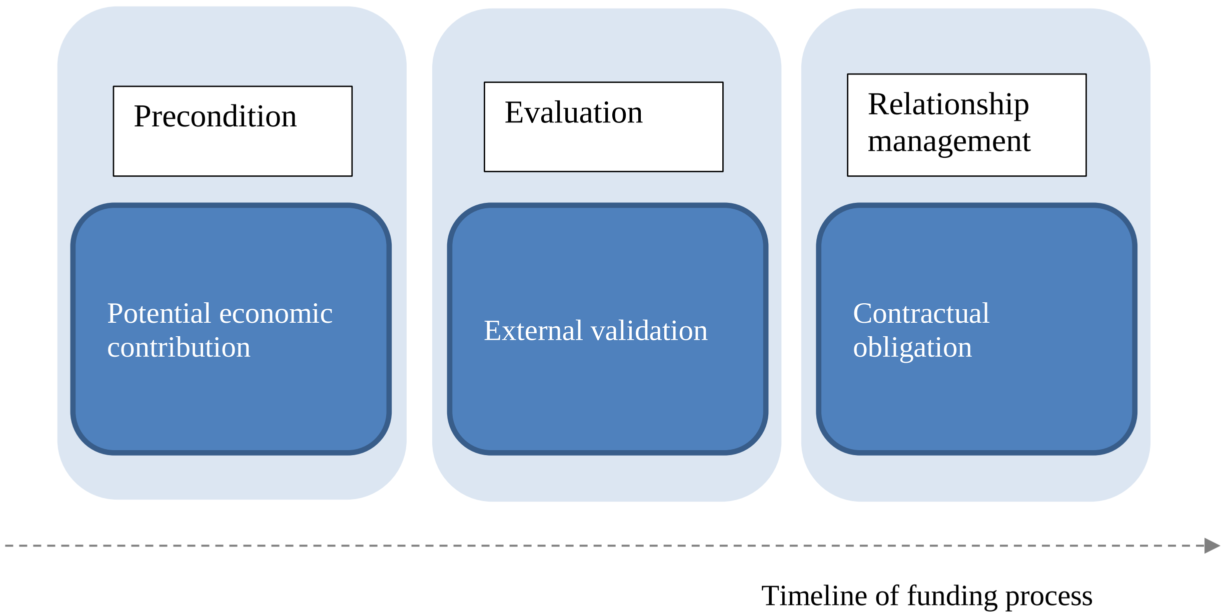

Figure 7 An illustration of the entrepreneur–government funding dyad

4.4.1 Preconditions

The development of entrepreneurs' relationships with government agencies is very different from those with other types of financiers. The protocol for public funds is straightforward, as information about the fund is publicly available, implying that leveraging social capital is not necessary. The identity mechanism, established through a feasible project with an economic contribution, is important for obtaining public funding.

Potential economic contribution

The evidence points to the alignment between entrepreneurs and public funders. To further develop a relationship with the public funder, entrepreneurs are required to ensure a *potential economic contribution* through rigorous application screening and demonstration of contributions to public welfare. This is mandatory for grant administrators.

An associated practice for a government grant is rigorous application screening by submitting a detailed project proposal, which is described by entrepreneurs as a 'thick report'. According to entrepreneurs, meeting this requirement is an extremely time-consuming process which takes a whole month to complete. One entrepreneur described how *'to apply for the public grant, [I] have to write a hell of [a lot of] papers. Sometimes, [while writing] I think when will I have these 30 pages done?' (EN_03).* Due to this complexity, some entrepreneurs decide to give up. The proposal requires every angle of a venture, including team backgrounds, track records, market research details, business plans, a detailed project budget, and a timeframe. Its purpose is to show the feasibility of the project, that it is worth spending taxpayers' money on.

In addition, grant providers put great emphasis on consequential impacts after financial resources are allocated. Entrepreneurs reported the need to justify the broader effect of their project. One said:

> *Our innovation is xxx business, which has never been built solid in Thailand [by a Thai company]. It [the market] is dominated by foreign companies. Also, it's about SMEs. Most government agencies are really into this. Thai SMEs can't grow effectively and sustainably, and it matches with our vision. I do not know which one came first [the vision match or SMEs needs shaping vision].*

Anyway, they [the government agency] think that our business can help boost Thai SMEs' growth as a whole. (EN_06)

Contrary to traditional norms for this sort of business, where business terms and conditions are favourable only for large and medium enterprises, this entrepreneur referred to one of his company's visions: offering small and micro enterprises an affordable warehouse and inventory management system.

In short, for an entrepreneur to receive attention for grant consideration, the feasibility of the prospective must be demonstrated, as well as its expected impactful results.

4.4.2 Evaluation

Seeing themselves as facilitators of public funds and prospective start-ups, government funding agencies focus on the organisational mechanism by seeking external validation on the likelihood of success. The evaluation process will have external actors, considered as industry or business experts, to help justify funding decisions.

External validation

The data indicate the prevalence of external validation, which occurs when approval of a social entity is influenced by peers or other credible actors (Tost 2011). *External validation* here refers to the involvement of external actors in justifying the funding decision. The government agencies involved in this research aim to promote a vibrant entrepreneurial ecosystem by setting an example through successful cases or start-ups under their support. Their role is to bridge the funding or equity gap for young and innovative companies whose growth nevertheless may be hindered by 'market failure'. Therefore, the funding decision will be primarily informed by market actors rather than officials' judgement alone.

Both GOV_01 and GOV_02 shared this similar practice of funding. In general, grant administrators have broad knowledge of technology and basic business sense; nevertheless, they are not very well informed about the market. Therefore, to fully support their decisions, grant reviewers will involve industrial experts or investors in a funding decision. The aim is to ensure that the ventures are worth supporting and are likely to grow. A team of investors and business experts will review all aspects of the venture. As one informant noted:

> *We rely on them for business potential. Our beliefs are if the market won't buy, no one will buy. They [start-ups] must fail and be reborn. The failure culture is normal [for start-ups]. Therefore, our screening process will have a team of judges from private sectors. They need to have enough experience [in investment]. Let's say in our growth fund, we have venture capitalists investing in the series A round with a big ticket size as a judge. (G0V_02)*

Such evaluations replicate the practice of venture capitalists in general when they review a prospective deal for further evaluation, similar to when they review a business proposal or assess the pitching competition. Gov_02 noted, *'the matrix used [for assessment] is the same as it is in measuring start-ups: tractions, market fit, opportunity, and team.'* Nevertheless, it does not include a due diligence process as commonly performed by professional investors.

In short, in interpreting the success of a high-potential new venture as a means to promote national welfare, government agencies are selective about entrepreneurial projects. However, their lack of market knowledge requires them to resort to market actors to help inform their funding decisions.

4.4.3 Relationship management

The data show that relationships between entrepreneurs and public funding agencies are far more straightforward than those with other types of financiers. They are governed by contractual obligations, and there are no other non-financial resources involved as exchanges.

Contractual obligation

The data indicate a predominant theme of the governance mechanism, referred to here as *contractual obligation.* This practice somewhat overlaps with that of CVCs or VCs, who are oriented toward commitment, but is unlike them in the control mechanism employed. The enactment of an extreme form of control is illustrated through the practices of (i) reimbursement and (ii) specific deliverables.

Government funders control their relationships using reimbursement. The support is usually designed as a co-funding or matching grant. Entrepreneurs have to spend their money in advance before getting it back later by submitting all receipts of money spent on the project; otherwise, they will not be eligible to claim their money. The process is sometimes thought excessive. As one informant said:

> *We need to pay in advance. It's like when we come to reimburse; we have first to spend our money, keep all receipts and hand them in later. We also need to justify the spending of the money, and they [grant officers] will audit. It's the same as a tax audit. Sometimes further explanation is needed. We need to think when applying for [other grants], whether it will be really beneficial or wasted effort. [To] write a report every month, it's draining. (EN_12)*

Entrepreneurs also reported adherence to contracts as a focal mechanism of exchange. Rather than supporting the whole firm, the government would focus on an entrepreneurial project and expect specific deliverables enforced by the contract. Thus, entrepreneurs must deliver their commitments precisely as they are stated in the agreement. The practice is sometimes problematic for entrepreneurs, especially those engaging in product development:

> *If it [a grant] was for product development, it [the agreement] would be written in a contract. We had to state what will be delivered. Sometimes, we had features [about product development] that we thought we would do at the beginning, but we found out later that customers did not want those features. Nevertheless, we had to keep doing as we promised [grant offices] to do. (EN_20)*

However, it worth noting that even though the practices mentioned above are commonplace among government funding bodies, there is an exceptional case with GOV_02, which has been engineered to address the impracticality of government financial and administrative rules. Instead of a grant, this fund adopts a style of government venture capital funding, taking equity from high-potential ventures, allowing them to have more flexibility in terms of reporting and money spending.

4.4.4 Summary

This section points to the main themes found in the development of the relationships between entrepreneurs and government funders. The precondition enabling the relationship is an identity mechanism showing a potential contribution to public welfare. The evaluation phase of the relationship employs external validation by having market actors assess the whole venture credibility. The relationship management shows direct reciprocity, governed by contractual obligations.

4.5 A cross-comparison across types of financiers

This section draws key findings together, then compares and contrasts across the types of financiers. Table 10 presents a summary of the different dyads.

Aggregate dimensions of construction institutional logics	**Types of investors**			
	CVC	**VC**	**Angel investors**	**Government funding**
Preconditions	Cognitive social capital Strategic instrumental ground	Cognitive social capital Market potential	Pre-existing trust Relational ground	Not applicable Potential economic contribution
Evaluation	Organisational outcomes Ability Professional structure Conative fit	Organisational outcomes Ability External validation Conative fit	Ability Organisational outcomes External validation Interpersonal affect	External validation Not applicable
Relationship	Instrumental control Strategic partners	Instrumental control Strategic partners	Self-imposed obligation Experience-based human capital	Contractual obligation Not applicable

Table 10 Summary of practices between entrepreneurs and financiers

4.5.1 Preconditions

The precondition for a relationship is a gateway to initiate a deal flow by financiers. This involves leveraging social capital and identity mechanisms.

Utilising social capital is a key ingredient for an entrepreneurial venture to enhance further talks about a business deal with a prospective investor. Nevertheless, the modes of social capital exploited differ depending on types of financiers. The findings point to similar patterns of leveraging a cognitive form of social capital with corporate venture capital and venture capital. Conversely, a different form of social capital is found with angel investors. Most importantly, social capital is not relevant to public funding sources.

Corporate venture capital and venture capital, in general, are external to entrepreneurs in the sense that they are not personally tied to them from the very beginning. Some effort is required for entrepreneurs to forge a link with these investors, particularly through proving that their ventures are worthwhile. Broadly speaking, the *cognitive dimension of social capital* is necessary when a new venture seeks to secure a deal involving a significant amount of money from corporate venture capital or venture capital funds. With both investors, a shared understanding can be enhanced through participating in entrepreneurial ecosystems, especially start-up events. These events provide opportunities for a venture, similar to start-ups' identity construction through pitching and bonding (Katila et al. 2019), thereby helping external audiences recognise its value. This sort of capital can be obtained from previous track records with the investors themselves, as is found in the case of corporate venture investors.

Compared to corporate venture capital and venture capital, angel investors are more diverse. Some of them are much more personally close to entrepreneurs, such as friends or former colleagues investing at the earliest stage of a new venture. *Pre-existing trust* derived from personal ties is more prevalent as the antecedent condition for proceeding a deal with angel investors.

Interestingly, social capital is of peripheral importance in developing a relationship with public funding bodies. None of the informants referred to it as an important part of funding evaluation. This is because the overarching aim of government funding programmes is to bridge a 'funding gap', supposedly publicly available for potential ventures. Therefore, the protocol for application is straightforward; a prior relationship is not required for further consideration.

In parallel to leveraging social capital, another prerequisite is a ground that connects a venture with financiers. All private financiers have monetary incentives for their investment. In particular, venture capital firms have a straightforward premise of generating a return for their investors. Thus, an essential ground for their relationship with the entrepreneur is *market* *potential*. However, different shades of this link are involved in forming relationships with other private financiers. As perceived by corporate venture investors, the locus of opportunity is both internal and external. In other words, they seek potential complementary to their parent organisation as much as financial return from the investment. Therefore, a *strategic instrumental ground* will enhance the possibility for a deal to gain further consideration with corporate venture capital funds. For angel investors, a *relational ground* drawn from commonalities with the investors, either by venture ideas themselves or by having a sense of belonging, will move a deal forward, especially when there is no pre-existing trust between the entrepreneurs and investors. In contrast, the merit system of funding allocation used by public bodies requires a feasible project with *a potential economic contribution* for further evaluation.

4.5.2 Evaluation

Evaluation is a crucial step for entering into a relationship. It concerns the detailed evaluation of a prospective deal by probing into aspects related to the organisation mechanism as well as the interpersonal fit between entrepreneurs and financiers.

The organisational mechanism encompasses aspects related to the whole venture's credibility. Financiers have both similar and different perceptions of new ventures' credibility. Two similar themes of *ability* and *organisational outcomes* emerge across all types of financiers. *Ability* concerns the qualities of founding members or key personnel to steer towards a successful outcome; *organisational outcomes* are associated with the previous achievement of a venture. For all investors, founding members or key personnel must demonstrate relevant expertise to execute a plan that has been proposed, preferably entrepreneurial experience and industry knowledge. A slight difference was found in the case of a venture capitalist who also emphasised educational background. In addition, the organisational outcome is proxy for proof of an opportunity claim that all investors will expect, which has to be verified as part of the due diligence process; nevertheless, the level of concreteness of proof demanded differs among investors. In particular, corporate venture capital funds, which are usually involved in big investment deals, will stress the importance of a track record to ensure potential. The same practice also applies to venture capital funds. In contrast, angel investors investing in the earliest-stage ventures that have no commercial proof available will rely on prototypical work as an indicator for achievement.

The different focuses among financiers are as follows: *professional structure* and *external validation.* The focus on professional structure predominates with corporate venture capitalists as they engage in intermediate-venture investment and expect a venture to have the proper structure of practices and procedure. External validation is commonplace for venture capital funds, angel investors, and government capital. Venture capital funds and angel investors are sometimes betting their investment on those whom they perceive as having superior judgement, particularly in determining a venture's valuation. Entrepreneurs can strike a deal with venture capital if prominent investors endorse the reference price. With angel investors, who tend to co-invest within their close network, a deal endorsed by dominant investors in a group will be likely to persuade more passive members. For public funding agencies, external validation is vital for their decision to support a venture. Their lack of market knowledge leads them to involve real investors in the evaluation process to ensure the commercial success of a prospective project. This practice is not relevant to corporate venture investment funds, who usually perform their own evaluations.

In parallel to the organisational mechanism, the *interpersonal fit* developed between entrepreneurs and financiers is also brought up as part of the evaluation phase. Some characteristics will be observed during an ongoing discussion about a deal to ensure a fruitful relationship for the investment phase. The data have shown various preferences for interpersonal fit across types of financiers. A similar form of interpersonal fit, *conative fit*, is found in the case of both corporate venture capitalists and venture capitalists, whereas *interpersonal affect* plays a significant role in forming relationships with angel investors. Interpersonal fit, however, is not relevant to government funding.

Overall, both corporate venture capital and venture capital funds have a specific timeframe of investment, leading to a performance-driven practice toward the exit event. This orientation towards exit requires cooperative intentions and conative fit, to ensure that the future work relationship will lead to the end goal. This fit is derived from the development of a sense of a good colleague accumulated throughout the encounter. Conversely, the interpersonal fit between entrepreneurs and angel investors is primarily defined by the interpersonal affect, particularly when they do not have a prior personal tie. In other words, feelings of favourability towards each other or being friends are involved in parallel to other informational indicators, which are usually incomplete for the earliest-stage ventures.

Unlike other financiers, interpersonal fit does not appear in the case of government funding. No respondents referred to it as an important factor in funding decisions. By its nature, government capital aims to support the specific development of a product or project perceived to help new venture growth. Nevertheless, the funding administrators see their role as allocating financing rather than being a business partner. This implies that no other match between the parties is required to maintain the relationship.

4.5.3 Relationship management

This phase concerns two main activities of governance mode and resources exchanged. The governance model is the practice of interaction that defines an entrepreneur's accountability towards the commitment that has been made for the exchange. The resources exchanged are part of the value-added activities that financiers provide to entrepreneurs in return for equity.

When entrepreneurs and financiers enter into a relationship, a form of governance is put in place to ensure the investment objective is achieved. The data indicate different modes of governance in place across types of financiers. A similar pattern of *instrumental control* is prevalent in relationships with both corporate venture capitalists and venture capitalists. In contrast, *self-imposed obligations* predominate in relationships with angel investors. Relationships with public funders are determined by *contractual obligation*.

Both corporate venture capital and venture capital funds are oriented toward milestone stages of financing. The mutual goal between both parties is determined by the growth of a venture against a specific milestone. The instrumental form of control, a formalised approach, is implemented to ensure that the goal will be achieved. Overall, this form of control involves a formal meeting, regular reports, and site visits. One slight difference is that corporate venture capital funds tend to exert a higher degree of formality.

Conversely, angel investors use less formalised methods of control. Even though the growth of a venture also drives the relationship here, a more pragmatic view is predominant. Investments by angel investors usually include a sense of a generous offer, giving an opportunity, in parallel with monetary incentives. The ultimate goal is to let a new venture emerge, letting the entrepreneurs deal with the essential work to grow a company rather than spending time maintaining the investors' cost. The work to maintain the relationship is self-imposed by entrepreneurs to fulfil the commitments they have with the investors.

Interestingly, the form of relationship governance imposed by public funding agencies contrasts sharply with other financiers. The focus of government support is on the accomplishment of a specific project proposed by a new venture rather than on the company's growth. Therefore, the exchange relationship, in this case, involves adhering to a written contract.

Both corporate venture capital and venture capital funds exchange quite similar resources. They add value by assuming the role of *strategic partners* to ensure their portfolio companies' growth. In this role, a practice found among both investors is to offer advice about business development. These investors also bring particular expertise in professional organising to new ventures, and they can help a new venture broaden its network. They also play the role of a social capital broker to wider audiences. In terms of resources exchanged, angel investors exhibit a fair level of input to new ventures by assuming the role of *experience-based human capital*. The expertise offered by angel investors is quite varied, depending on the investors' background, and less oriented towards professional organising; nevertheless, it is far more practical compared to the help given by corporate venture capitalists and venture capitalists. Most importantly, public funding sources give no further input to the ventures they back.

4.6 Chapter summary

This chapter has outlined the development of relationships between entrepreneurs and financiers. These have three main phases: preconditions, evaluation, and relationship. Across all these phases, the dyad between entrepreneurs and financiers can be broadly categorised as follows. First, entrepreneurs' relationships with corporate venture capitalists contain elements that combine corporate and professional logics. Second, relationships with venture capitalists are driven by professional logic. Third, it appears that relationships with angel investors are driven by quasi-community rather than by pure market logic. Lastly, relationships with government funding sources follow state and market logics. The details on the institutional logics will be discussed in the next chapter.

Chapter 5 Discussion

This chapter discusses the findings in relation to the literature and presents the contributions of this thesis. It begins with an overview of the findings, followed by a detailed discussion. Later, the contribution to literature is provided, including wider implications.

5.1 Overview of the findings

This research aims to understand the process of financing new ventures in emerging economies. In particular, it attends to the linkage between institutional logics and their reproduction and translation at the micro-level of practices in entrepreneur-financier relationships. It extends previous works that point to how interactions between entrepreneurs and financiers occur under institutional logics (Fisher et al. 2017; Pahnke et al. 2015). These relationships emerge within contexts as they are formed on a distinct pathway influenced by the varying institutional logics of each type of financier, through a combination of precondition, evaluation, and relationship management throughout the investment timeline. However, here the institutional logics shaping the relationship deviate from those previously characterised in the literature. The most striking findings involve entrepreneurs' relationships with corporate venture capital and angel investors. The former were shaped by *corporate* and *professional logics*, whereas *quasi-community logics* shaped the latter. A different pattern of relationships was found in the context of government funding, shaped by *state logic* complemented by *market logic*. Practices with venture capitalists coincided with those in the literature, indicating a predominance of *professional logics* in the relationship. The sections below offer a detailed discussion of these findings in relation to the research questions and clarify the original contributions of this thesis.

5.2 Identifying logics through examining entrepreneur-financier interactions

First and foremost, it is important to discuss the contexts within which entrepreneurs and financiers interact. Existing research suggests that new ventures will experience different demands from their external stakeholders (Überbacher 2014). Among those stakeholders are financiers, and the literature has begun to acknowledge their differences; nonetheless, research usually focuses on a single type of financier and neglects the ongoing development of a relationship between entrepreneurs and financiers, which is a process by its nature (Gompers et al. 2020; Paul et al. 2007). This leads to a perceived gap in systematic classification of how entrepreneurs' ties with financiers differ. Recently, researchers have adopted a promising approach to understanding the interface between entrepreneurs and financiers. Institutional logics have been utilised to systematically help classify financiers based on their portfolio companies' interactions (Pahnke et al. 2015; Fisher et al. 2017). Nonetheless, the literature has documented how investing practices tend to vary across contexts. This leads to another perceived gap in how relationships in other contexts will be different from previously characterised. Based on these gaps, the first two specific research questions sought to investigate the institutional logics shaping the relationships between entrepreneurs and financiers in emerging economies, and how entrepreneurs and financiers constructed institutional logics throughout their relationships.

The findings indicate a generic interface between entrepreneurs and financiers; this is illustrated in Figure 8. *Preconditions* are the seeds of the relationship, especially in the early stage of the deal-making process when a venture deal comes to investors' attention before further detailed evaluation. Two broad categories – leveraging social capital and identity mechanisms – constitute preconditions of developing an exchange relationship between entrepreneurs and investors. In other words, social capital is utilised by entrepreneurs to pursue their venture opportunity as well as by investors to explore an investment opportunity. The identity mechanism also serves as a focal point for further discussion of a venture opportunity. *Evaluation* here refers to a detailed consideration of whether to support a venture opportunity. The evidence points to two categories involved in this process – organisation mechanism and interpersonal fit – before the finalisation of a venture deal. The organisation mechanism represents the credibility of a venture, reflected in the implementers, including some tangible results. Also, given the nature of the task-related relationship, the interpersonal fit between entrepreneurs and investors is central to the consideration. *Relationship management* accounts for maintaining the exchange relationship after an agreement has been made. This stage concerns two main activities: governance model and resources exchanged. The governance model is the practice of interaction that defines an entrepreneur's accountability towards the commitment that has been made for the exchange. Resources exchanged are part of the value-added activities that financiers provide to entrepreneurs in return for equity.

Some of the themes that emerged from this thesis – leveraging social capital, identity mechanisms, and organisational mechanisms – are related to the Fisher et al. (2017) framework.

In addition to those dimensions, this thesis found that interpersonal fit, mode of governance, and resources exchanged are relevant for revealing logics types. These dimensions were not included or not acknowledged in the aforementioned framework. This thesis aligns with previous research arguing that interpersonal fit plays an important role in finalising an investment deal. In the conceptual model of resource exchange relationships, Huang and Knight (2017) describe interpersonal signals as attributions that entrepreneurs and investors make about each other's personal characteristics. They argue that such signals, in addition to other information-related characteristics, act as seeds of a relationship between the two parties. Similarly, Scarbrough et al. (2013), in examining the role of trust in the deal-making process, found that interpersonal trust has a significant role in an investment decision. The other two elements, mode of governance and resource exchanged, are in line with previous research in that they vary depending upon types of financiers (Bessière et al. 2020). In a study of a company's financing trajectory, Bessière et al. found that a company experienced various forms of governance and contributions brought in by equity crowd funders, angel investors, and venture capitalists.

The above framework not only provides a means of empirically capturing logics and how they are instantiated to varying degrees of practices, values, and beliefs (Thornton and Ocasio 1999), but also adds to the overarching context of how entrepreneurs and financiers interact. The findings reveal critical elements of micro-level interaction between entrepreneurs and financiers that signify institutional logics. Logics were identified by micro-level action throughout the investment process between entrepreneurs and various types of financiers. The following section will discuss each group of relationships between Thai entrepreneurs and financiers and demonstrate how the relationships are consistent with and contrary to previous studies based on more developed economies.

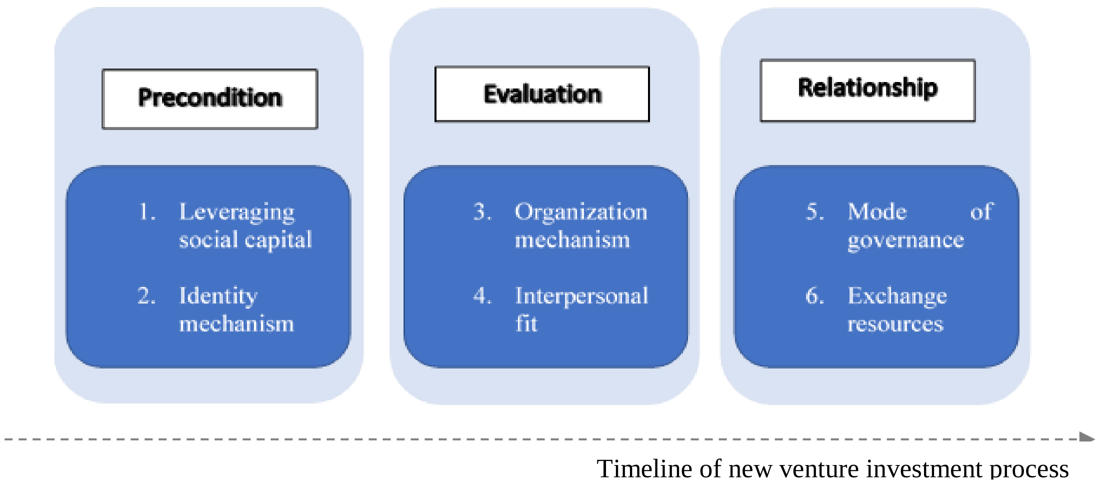

Figure 8 The main elements unfolding from this research

Aggregate dimensions of institutional construction logics	**Types of investors**			
	CVCs hybrid of corporate-professional logic	**VCs** professional logic	**Angel investors** quasi-community logic	**Government funding** state logic complemented by market logic
Preconditions	Cognitive social capital Strategic instrumental ground	Cognitive social capital Market potential	Pre-existing trust Relational ground	Not applicable Potential economic contribution
Evaluation	Organisational outcomes Ability Professional structure Conative fit	Organisational outcomes Ability External validation Conative fit	Ability Organisational outcomes External validation Interpersonal affect	External validation Not applicable
Relationship	Instrumental control Strategic partners	Instrumental control Strategic partners	Self-imposed obligation Experience-based human capital	Contractual obligation Not applicable

Table 11 Summary of pathways of how entrepreneur-financier relationships emerge

5.3 Institutional logics between entrepreneurs and financiers in emerging economies

Section 2.5 pointed out that not only is financing a new venture a process by its nature, but the entrepreneur's relationships with financiers also vary depending upon the type of financier (Huang and Knight 2017; Bessière et al. 2020). To explain financiers' differences, the literature has suggested that each type of financier will subscribe to dominant institutional logics, and such logics will shape their interactions with entrepreneurs (Fisher et al. 2017; Pahnke et al. 2015). However, the institutional logics are expected to be revealed in practices at the micro-level of interaction (Thornton et al. 2012). This point brings into question, as discussed in section 2.6, how financiers' investment practices in emerging economies differ from those in Western economies. Those varying practices could reveal the institutional logics prevalent in the relationship. From the entrepreneur-investor interface discussed above, the data indicate a particular set of practices under each feature, reflecting prevailing institutional logics in the relationship. Entrepreneurs' relationships with CVCs, VCs, angel investors, and government agencies are formed by *corporate and professional logics*, *professional logics*, *quasi-community logics*, and *state logics*, respectively.

5.3.1 The entrepreneur–corporate venture capitalist dyad

As summarised in table 11, the practices between entrepreneurs and corporate venture capitalists reveal a combination of corporate and professional logics, contrary to the suggestions of Fisher et al. (2017) and Pahnke et al. (2015) that corporate logics profoundly influence CVCs. Instead, this research supports Souitaris and Zerbinati's (2014) view that, with a moderate emphasis on corporate investment practices, CVC units tend to adopt the traditional VC investing style.

The manifestation of corporate logics was partially identified here at two points in the financing process. First, in the precondition phase, the identity mechanism is a key consideration. For a prospective deal to be taken into consideration, a *strategic instrumental ground* must be demonstrated – market potential and potential complementarity to the CVC unit. Similar to the ties with corporations, the findings revealed the *cognitive dimension of social capital* in the precondition phase, which enables a deal flow by corporate venture capital funds. This refers to how a new venture's opportunity is recognised through previous working projects with a company or participation in the entrepreneurial ecosystem. Second, during the evaluation phase, *professional structures* such as accounting standards are mandatory as part of the organisation mechanism. These findings resemble Fisher et al.'s (2017) description of how a tie between an entrepreneur and a corporate venture capitalist will emerge. They presume that corporate logics entail the following features: (i) complementary claims for identity mechanisms, (ii) ties to other corporations for a source of social capital, and (iii) the levels of professionalism of both the entrepreneur and their venture for the organisational mechanism.

Apart from those two points, professional logics do more to shape entrepreneur-corporate venture capitalist relationships. For the evaluation phase, the observed findings suggest a whole venture will be assessed by the *ability* to advance the venture, drawn from the credibility of founding members and top management level staff, and the *organisational outcome*, retrieved from verifiable data. These indicate 'exoisomorphism' to VC norms (Souitaris et al. 2012) of conducting extensive due diligence (Bonnet and Wirtz 2012; Bessière et al. 2020). The findings indicate that another facet, interpersonal fit, is also perceived as important for deal-making; nevertheless, it has been overlooked as part of institutional logics. With corporate venture capitalists, the *conative fit* of two parties showing cooperative intentions to accomplish mutual goals plays an essential role in the late stage of deal-making; this could more broadly be understood as professional logics.

Relationship management is more growth-oriented and more comparable to the professional logics of entrepreneurs' ties with VCs as it is driven by task-relevant commitments toward growth. These entail *instrumental control*, a set of practices imposed on the relationship to ensure portfolio companies' growth (i.e. regular board meetings and typical/professional reporting) as the mode of governance; and *strategic partnership* (i.e. providing advice, access to partners/clients, and enhancing credibility) as a form of resource exchanged. These findings are contrary to early works which argued that CVCs often do not require a seat on board committees (Maula et al. 2005) and are less active, distant, and non-influential (Pahnke et al. 2015). Instead, the findings indicate the assimilation to VC investing style of active involvement with the client entrepreneur by taking board seats (Hallen et al. 2014) and acting like professional advisors for business skills to achieve the stage-financing milestone (Pahnke et al. 2015).

Overall, relationships between entrepreneurs and CVCs are guided by a hybrid of corporate and professional logics. The possible explanation for this hybrid is twofold: isomorphism in the CVCs unit's external stakeholders and micro-level identity. Firstly, Souitaris and Zerbinati (2014) point out that the level of isomorphism (endo-isomorphism vs exo-isomorphism) will determine how CVCs do deals. They argue that CVCs which perceive high parental pressure will focus primarily on integrating technologies to serve the corporate goal, whereas those perceiving less parental pressure will tend to align with the traditional VC norm and place moderate focus on corporate investments. In this thesis, the evidence indicates that CVCs do not experience high pressure from their parent units. As a result, they pursue a duality of logics by using alignments with the parent organisation to identify prospective deals and adopt VC practices for the rest of the investment process. Secondly, this hybrid is possibly associated with the identity of the team composing a CVC unit; these individuals can be couriers for logics (Almandoz 2014). Dokko and Gaba (2012) found that CVCs' backgrounds will lead to different investing practices. Those with a background in the finance industry will import financing norms to the CVC unit. The CVCs that directly participated in this research or were referred to by entrepreneurs had two common characteristics: they were either set up by banks or by holding companies. Also, from their background information, the CVC teams had experience in finance and banking prior to joining the units. The micro-level identity of a CVC unit may help explain the hybrid logic underpinning their relationships with entrepreneurs that emerged in this research.

5.3.2 The entrepreneur–venture capitalist dyad

As summarised in Table 11, this research shows that entrepreneurs' ties with venture capitalists gradually emerge through professional logic. This is similar to the process in more advanced economies.

The *cognitive dimension of social capital* in the precondition phase enables a deal flow by a venture capital fund. This is an attempt to establish a mutual understanding of an opportunity possessed by a new venture through practices of participating in an entrepreneurial ecosystem and maintaining contact between entrepreneurs and investors. The *market potential* of a deal will trigger further talks between the two parties. Such potential is drawn from the perceived scalability, which is somewhat similar to the competitive claim. For the evaluation phase, the observed findings suggest the relevance of the organisation mechanism, assessed by the *ability* of the founding members and management team, and the *organisational outcome*, retrieved from verifiable data. The results add *external validation* by other prominent investors, which significantly enhances deal credibility. Most importantly, another facet, interpersonal fit, is perceived as important for deal-making; however, it has not been neglected as part of institutional logics. With venture capitalists, the *conative fit* of two parties showing cooperative intentions to accomplish mutual goals plays an essential role in the late stage of deal-making; this could more broadly be understood as professional logics. These findings contradict previous work arguing that in emerging economies, entrepreneurs' history with or connections to the venture capitalist are vital for them to strike a deal (Ahlstrom and Bruton 2006; Bruton et al. 2009). These practices resonate more with the prevalence of professional logic in entrepreneurs' ties with VCs, similar to previous descriptions by Fisher et al. (2017) and Pahnke et al. (2015).

The essential feature of the entrepreneur and venture capitalist dyad is the commitment to growth. Thus, the relationship management phase entails *instrumental control*, a set of formalised governance approaches pursued to stimulate the new venture's growth (i.e. regular board meetings, typical/professional reports, site visiting); and *strategic partners* (i.e. advice, professional networks) as a form of resource exchange. The reliance on formalised control found here is in contrast to Ahlstrom and Bruton's (2006) findings that the monitoring of funded firms is performed through informal ties to entrepreneurs and their families. Instead, these associated practices assimilate to Pahnke et al.'s (2015) description of the professional logics of entrepreneurs' ties with VCs, characterised by active involvement with entrepreneurs by taking board seats, acting like professional advisors for business skills, and providing access to a network of professionals to achieve the stage-financing milestone.

5.3.3 The entrepreneur–angel investor dyad

As summarised in Table 11, the practices between entrepreneurs and angel investors point to replicating community logics in their relationships. This is strikingly different from previous contentions that market logic will prevail in this relationship.

Market logics only manifest themselves in the evaluation phase. Under the element of organisational mechanism, the primary themes are ability, organisational outcomes, and external validation. *Ability* is derived from the expertise and credibility of both entrepreneurs and their teams. *Organisational outcomes* involve some proof of the entrepreneurial idea, such as a prototype or initial track record. *External validation* occurs when the most trusted angel investors in a circle or prominent investors help enhance deal credibility. These elements resemble generic practices of how a deal is evaluated by angel investors via a more informal selection process (Bonnet and Wirtz 2012; Bessière et al. 2020) that is information-driven to anticipate the likelihood that a venture will advance.

The other interactions between entrepreneurs and angel investors can be broadly understood by community logics (Thornton et al. 2012). Communities here can be referred to, in broader senses than geographical boundaries, as collections of actors united by a sense of membership, *'drawn from propinquity, interest in a common goal, or common identity'*, that provides social and cultural resources that shape their actions (Marquis et al. 2011, p.xvi). Such community logics become apparent at the very beginning of the interaction. *Pre-existing trust* derived from being friends or colleagues, serves as a significant source of social capital for the precondition phase. Complementary to pre-existing trust is *relational ground*, reflecting a shared identity or common goal between the entrepreneur and the angel investor. The findings indicate another facet, interpersonal fit, that is perceived as necessary for deal-making; nevertheless, it has not been neglected as part of institutional logics. *Interpersonal affect*, derived from a perception of geniality, plays an essential role in ties between entrepreneurs and angel investors. This resonates with Huang and Knight's (2017) proposal that addressing interpersonal compatibility will become more salient in a one-to-one relationship between entrepreneurs and investors. Such a fit may be better explained by community logics than by pure market logic.

The relationship management phase is determined by a *self-imposed obligation.* Investors give entrepreneurs a certain level of freedom by utilising a less formalised approach of control to enable their mutual target of company growth. With less control, the growth will be driven primarily by the entrepreneurs themselves. This form of control contrasts with what is defined by market logic, focusing on minimising the agency problem through shareholder activism (Zajac and Westphal 2004; Thornton et al. 2005). Instead, it is far more relevant to informal control based on expectations of reciprocity, influenced by community logics (Thornton et al. 2012). The exchange of resources, *experience-based human capital*, is drawn from personal knowledge and network closure, similar to Everton et al.'s (2013) description of community logic influencing early-stage venture investors.

Overall, relationships between entrepreneurs and angel investors are predominantly determined by quasi-community logics. The supple explanations for the demonstration of quasi-community logics are as follows. First, one of the main characteristics of an emerging market is the lack of fully developed institutions (Peng and Heath 1996). As a result, actors in such a marketplace place greater emphasis on personal trust than those in developed markets. This effect is evident in the precondition phase when the investment tie is pursued. Second, community logics are related to how a so-called angel investment is interpreted. In his remarks on angel investing around the world, Harrison (2017) points to how the characters of angel investors in advanced economies are aligned with the conventional wisdom on angel investors (see section 2.3.3 for the definition), whereas angel investors in emerging markets exhibit the characteristic of 'affinity capital'. The quasi-community logic underpinning entrepreneurs and angel investors' ties found in this research provide conclusive support for affinity-based capital.

5.3.4 The entrepreneur–government funding dyad

The results indicate a slight difference in the state logics argued to govern the relationship between entrepreneurs and public subsidies (see table 11). Contrary to previous assumptions, some elements in the relationship are borrowed from market logics.

In this research, the *contributions to public welfare* based on the potential socioeconomic return (i.e. job creation or other forms of economic boost) are instrumental for identifying an entrepreneurial project to be supported by government officials. Although this is slightly different in terms of how the contribution claim is perceived (potential socioeconomic returns identified here vs knowledge advancement), this could arguably be understood by state logics (Thornton et al. 2012). The relationship management phase is determined by a *contractual obligation* through associated practices of reimbursement and specific deliverables. This is a rigid form of control rooted in a rational-legal and centralised authority structure. Such a form of control makes government subsidies less useful as entrepreneurs cannot deploy the capital freely to develop a product that meets market demand. Most importantly, the relationship is less influential as this sort of financier provides minimal non-financial resources. This is consistent with Pahnke et al.'s (2015) description of the state logic that restrains entrepreneurial firms from partnering with the NIH[11] program.

However, the overarching aim of the government subsidies in this research is to bridge the financing gap presumably experienced by young and high-potential firms. Therefore, alignment with business norms is another decisive factor, termed here *external validation* from real financiers. This contrasts with the received wisdom that the audience involved in government funding allocation would be expert evaluators, mostly university professors or scientists with domain expertise (Fisher et al. 2016; Fisher et al. 2017; Pahnke et al. 2015). These audiences are embedded in a socially constructed system underpinned by a 'logic of science' which values scientific advancement (Dunn and Jones 2010). When allocating funding, these audiences will bring in their norms and assess an application by its technological plausibility, team members' reputations and affiliated institutions, and compliance with scientific practices (Fisher et al. 2016). When financiers are involved in allocating grants, instead of using academic reputation or scientific achievement to assess whole venture credibility, they align with business norms. This alignment is drawn from founders/teams' credibility and their track records. These practices are more consistent with the market logics of financiers than with state logic.

Overall, entrepreneurs' ties with public funding partners entail a combination of state and market logics. State logic primarily determines how entrepreneurs and funding partners interact with each other, manifesting itself as an antecedent for relationship formation and as a critical governance mechanism for relationship management. Complementary to state logic, market logic becomes involved in the relationship when prospective entrepreneurial projects are evaluated. By seeing themselves as champions of public welfare through successful innovation, public funders will involve market or investment professionals, replicating some business practices when making a funding decision.

5.4 Theoretical contributions

The overarching aim of this research is to unpack what determines practices and interactions in emerging economies between two related parties in the investment process: new ventures and financiers. It specifically addresses the following questions: (i) What are the institutional logics

[11] The National Institutes of Health (NIH), a part of the US Department of Health and Human Services.

shaping the relationships between entrepreneurs and financiers in emerging economies? (ii) How do entrepreneurs and financiers construct institutional logics throughout their relationships? The answers to these questions contribute to entrepreneurial finance/entrepreneurship literature and institutional logics literature.

5.4.1 Contributions to entrepreneurial finance and entrepreneurship

By looking at fine-grained differences in the way that entrepreneurs and financiers foster their relationships, this thesis extends discussions in entrepreneurial finance literature. The field is perceived as segmented as most research studies a single source of finance (Cumming and Vismara 2017), even though entrepreneurs raise money from multiple sources. These sources of finance are different by their nature; nevertheless, not much work has been done to illustrate how they are different, or especially on how their relationship has emerged. Previous research often treats financiers as having economic rationality, assuming formal relationships with entrepreneurs, and turning attention away from non-market logics and informal modes of relationship (Clough et al. 2019). The focus has previously been mainly on funding decisions (Collewaert et al. 2021; Ferrati and Muffatto 2021); scant research has been done on how the relationships vary (i.e. Huang and Knight 2017; Bessière et al. 2020). A promising lens for explaining such differences is the institutional logics perspective, as the literature has suggested that each type of financiers will possess dominant institutional logics, and such logics will shape their interactions with entrepreneurs (Fisher et al. 2017; Pahnke et al. 2015). However, prior work utilising institutional logics has not considered the relationship as a whole process of financing new ventures. Instead, it has exclusively focused on either the pre-investment (i.e. Fisher et al. 2017) or the investment phase (i.e. Pahnke et al. 2015). The comprehensive framework summarised in table 11 helps to fill in this incomplete picture. In particular, it delineates the paths by which entrepreneurs' relationships develop with various types of financiers: corporate venture capitalists, venture capitalists, angel investors, and government funding.

In addition, the framework offers a twofold reframing of Fisher et al.'s (2017) deliberation on new venture legitimacy. Firstly, as discussed in section 5.2, the findings indicate another distinct mechanism that was not included in their framework; nonetheless, it is pivotal for entrepreneurs in forming relationships with financiers. This mechanism is an *interpersonal fit*, found in how the fit is perceived between both parties. Secondly, the analysis demonstrates the temporality of these elements (see Figure 8), which play their roles at different stages of deal-making, at least for preconditions and the evaluation phases. This is not to suggest that the process comprises two discrete phases. Rather, it aims to highlight the dynamic and temporal ordering of the process and the focal point of interaction. At the very beginning of the relationship, the necessary prerequisites are leveraging social capital and the identity mechanism. When a deal is getting more serious, the focus shifts to other features: organisational mechanism and interpersonal fit.

This research also contributes to the understanding of entrepreneurship in emerging economies, with settings markedly different from developed economies, especially the lack of fully developed formal institutions, leading to varying entrepreneurial practices at the micro-level (Ahlstrom and Bruton 2006; Bruton and Ahlstrom 2003; Zacharakis et al. 2007; Scheela et al. 2015). The existing frameworks on entrepreneurial resource mobilisation are derived from studies in mature market economies, which may be inadequate for emerging market economies (Foo et al. 2020). Foo et al. note that the actions of relevant actors in developed economies are guided by economic rationality or personal interest, bound by contractual arrangements. By contrast, those of emerging economies, apart from pure economic interest, are driven by family, community, or religious interests, and bound by relational arrangements, such as trust, identity, and reciprocity. By examining institutional logics in entrepreneurs and financier relationships, this research finds that non-market-oriented actions shape some, but not all, of the resource mobilisation processes in emerging economies. Instead, market-oriented logic is used to varying degrees, depending on the types of actors. The entrepreneur-CVC dyad formed under *corporate and professional logics* and the entrepreneur-VC dyad formed under *professional logics* resemble practices similar to those in developed economies and predominantly reproduce economic rationality. By contrast the entrepreneur-angel investor dyad shaped by *quasi-community logics* seem to encompass non-market-oriented actions predominantly. The finding generally thus enriches the notion of the evolving landscape of emerging economies (Bruton et al. 2013). On this point, Bruton et al. note that as these economic regions evolve, the significant rise of the middle class, informed by exposure to Western culture, will enable demand-side conditions, leading to new entrepreneurial opportunities. This thesis adds that other stakeholders like VCs, including the CVCs previously documented that rely on informal ties or kinship for investment practices, also embrace Western practices as reflecting upon their institutional logics.

5.4.2 Contribution to institutional logics

Apart from its contributions to entrepreneurial finance literature, this research's uses stretch from organisational studies to entrepreneurial finance studies. It seeks to understand patterns in the relationships between entrepreneurs and each type of financier throughout the investment process. Firstly, the analysis points to the contextuality of institutional logics. As discussed in section 2.7, the varying practices of financing new ventures in emerging economies have been well documented. Those practices are the results of the institutional arrangements in which the actors are situated. It can therefore be anticipated that relationships between entrepreneurs and financiers will apply varying forms of institutional logics; this is what Gümüsay et al. (2020) refer to as the contextual dimension of institutional logics. As noted by Gümüsay et al., the contextuality of institutional logics is caused by local conditions and respective cultures specific to the country. An example of this contextuality, as conceptually exemplified by Gümüsay (2020), is the case of Islamic finance. He explains that Islamic finance in Islamic states emulates principles derived from Islamic norms and rules; however, in a country where Islamic religious logic is considered a minority or foreign perspective, for example, the United Kingdom or Germany, Islamic finance practices are co-created by merging Islamic religious values with the financial norms of profit maximisation and other ethical guidelines. This empirical finding enriches the notion of the intra-logic plurality and contextuality of institutional logics as they are instantiated, situated, and contextualised (Gümüsay et al. 2020). Not only do logics prescribe meaning; they are also created through meaning, which leads to various understandings and enactments as they are differently interpreted and believed in. Of the four types of financiers in this research, it is evident that two (angel investors and government funding) are more localised and have their particular sets of practices. The quasi-community logic shaping entrepreneurs' relationships with angel investors in this research exemplifies the contextuality and value plurality of logic. Such a logic indicates a distinct variation from market logic, presumably underpinned by entrepreneurs' and angel investors' ties. Undoubtedly, an element of market logic is involved in the relationship as angel investors expect personal gain when making an investment. However, their patterns of interaction differ greatly from the perceived wisdom of angel investing in developed economies, which is characterised by market logic. Instead, the angel investing practices found here are more related to 'affinity capital' (Harrison 2017). In a similar vein, state logic broadly encompasses the premise of the steward of public welfare (Thornton et al. 2012). Early work documenting government funding bodies perceived them as directed toward public welfare through advancing scientific or technological knowledge. They therefore brought scientific norms into their selection process. In this thesis, the government shared the notion of itself as a steward of public welfare; nonetheless, it interpreted this differently, in the form of expected socioeconomic returns. As a result, elements from other logics (i.e. market logic) were assembled and enacted in entrepreneurs' ties with government funding agencies.

Secondly, the findings speak to Waldorff et al. (2013) on how action at the micro-level facilitates a specific constellation of logics. An example of this is the emergence of relationships between entrepreneurs and corporate venture capitalists. The CVCs do not operate within their own sphere. They instead replicate norms of VC investment, leading to hybrid corporate and professional logics that shape their relationships with their investees. With CVCs, the antecedent of the relationship is first defined by corporate logic as the justification for deal selection, and subsequently defined by professional logics similar to their VC counterparts. How these micro-level practices facilitate a constellation of logics resembles Ten Dam and Waardenburg's (2020) premise of logic fluidity. These authors argue that when multiple logics exist, actors neither try to resolve conflicts nor adhere to a specific logic. Instead, they deploy logics as tools to give meaning to their micro-level actions.

5.5 Practical contributions

This research also has several broader implications that can address the following questions: (i) What can entrepreneurs do to increase their success in the investment process? and (ii) How can institutional environments be improved to support successful investment in emerging economies? The findings indicate that the entrepreneur-financier dyad is held together by different logics. These logics imply various degrees of formality in the relationship, which can be summarised as follows. First, quasi-community logics suggest a more informal relationship. Second, corporate and professional logics indicate a more formal relationship. Last, state logics represent a very formal relationship. These modes of relationship closely resemble Fisher et al.'s (2016) description of the 'institutional pluralism' experienced by a new venture at different stages of its life-cycle depending on the type of financiers involved. In general, different financiers will engage with a new venture at different stages. Figure 9 illustrates the pattern of relationships in relation to the stages of development of a venture. The managerial implications and policy implications will be summarised below.

5.5.1 Managerial implications

Given the issue of 'institutional pluralism' mentioned above, prospective entrepreneurs may have a better chance of being successful in the investment process if they know how to cope with varying demands from their potential financiers. As illustrated in Figure 9, the emergence of the entrepreneur-financier relationship contains three essential stages.

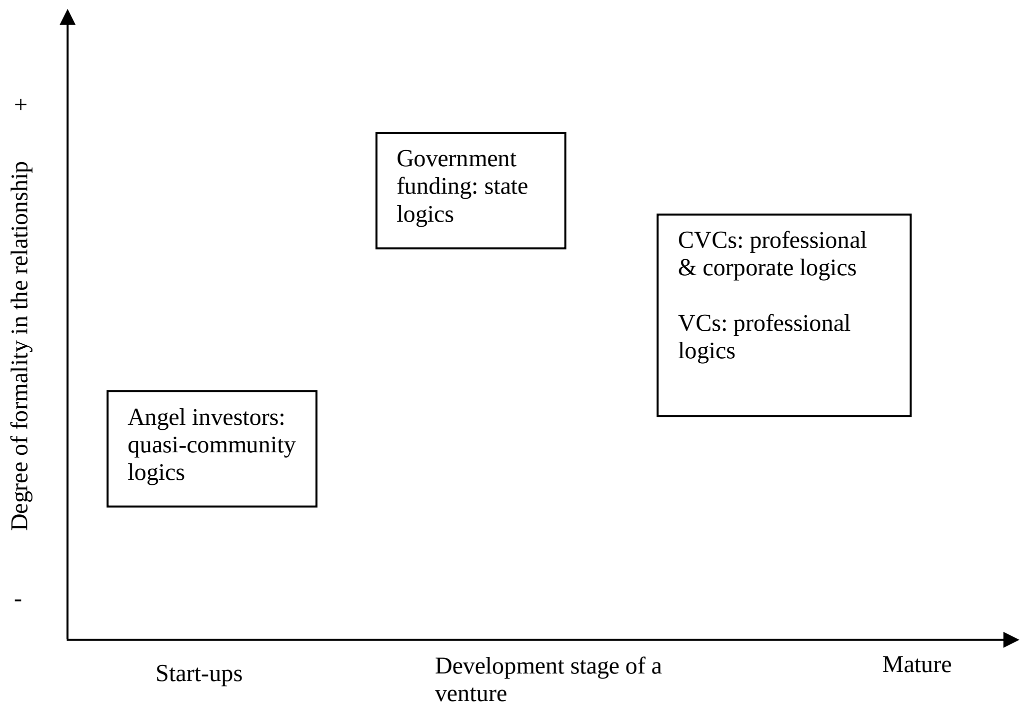

Figure 9 The patterns of relationship in relation to the stage of development of a venture

As preconditions for developing relationships with financiers, two key factors need to be considered: identity-related ventures or entrepreneurs, and social capital. First and foremost, what financiers look for must be kept in mind when approaching them. To ease a deal flow, entrepreneurs must know what financiers are looking for, which could be highlighted by the narrative of their identity in relation to the venture or individual entrepreneurs. For all types of financiers, a venture must demonstrate the potential market opportunities generated by offering a solution to a customer pain point. However, there is an additional requirement for an identity match between both parties. When approaching angel investors, CVCs, and governments, entrepreneurs can signal a shared identity, corporate complementary, and enhancement to public welfare, respectively, to enrich a discussion and subsequently ease a deal flow. Equally important to compatibility, leveraging different forms of social capital is worth considering by entrepreneurs, especially when planning to approach equity financing stakeholders such as venture capitalists or corporate venture capitalists. Unlike angel investors, these investors generally are not close to entrepreneurs at the personal level, leading to a low level of pre-existing trust, which requires the entrepreneurs to form new social capital cognitive dimensions with them.

Participation in entrepreneurial ecosystems – communities allowing actors who share common ground in creating and investing in new ventures to meet (Roundy 2017) – can be the social expression that helps VCs or CVCs recognise the value of new ventures and ease a deal flow process. By speaking or pitching at conferences, for instance, entrepreneurs can gradually enhance their visibility. Not only does attending such events offer a chance of being recognised; it also provides an easy opportunity for an entrepreneur to approach extended networks of investors. These events usually have an informal session to form a new bond between both parties (Katila et al. 2019). Additionally, if entrepreneurs manage to have a fruitful collaboration with the parent organisations of CVCs, this can strengthen their venture's worth in the eyes of CVCs and facilitate a deal process.

When passing the necessary prerequisites, the centre of interest will shift away from rough indicators of a prospective deal to more important details. The other two key factors that become prevalent in this evaluation phase are organisational mechanism and interpersonal fit. On the one hand, regardless of the stage, the most vital representation of a whole venture is the entrepreneurial team's credibility. As deal-making constitutes a series of ongoing conversations, entrepreneurs can enhance financiers' confidence in their ability by demonstrating their relevant expertise and knowledge when responding to the financiers' inquiries. On the other hand, financiers' demands will generally be varied as they will be involved in a venture at different stages of its development. Angel investors tend to invest in very early-stage ventures which mostly have nothing solid (i.e. quantitative grounds on their products or services performed) to prove. As a result, the fit between both parties is important, especially the interpersonal affect towards each other. As such, for entrepreneurs, resonating with the views of investors by displaying congenial manners during the encounter might enhance their chance to secure a deal. Angel investors also tend to be less professional as they will invest in a group of their close circle, with few of them playing active roles in deal evaluation. Entrepreneurs can strengthen their possibility of pooling more finance from less active angel investors in a group if a lead investor accredits them.

Mainly investing in emerged ventures, VCs and CVCs share a similar focus on proof of the claims made by a venture. Thus, for entrepreneurs to strike a deal, they have to reveal as much factual information about their venture's performance as possible, if they are capable of doing so. These two investors usually prioritise their fit with entrepreneurs on how they can work well together to achieve a goal. Showing that they can be a good colleague when working through the deal process can strengthen investors' investment justification. With slight differences, as most CVCs prefer investing in more established companies, they will expect a level of professionalism from a venture approaching them. Thus, for a new venture, having a proper organisational or accounting structure will facilitate deal-making. In some instances, venture capital may invest in early-stage companies. Unlike their late-stage counterparts, who already have established track records, most early-stage ventures may have partial track records. Therefore, they may boost their chance of securing a deal if they emphasise team qualifications, professional background and high-profile educational background. Furthermore, there will be a perception of exclusivity for those achieving successful track records with VC investors. Thus, if entrepreneurs receive an investment proposal from a prominent investor, they can further harness this as their legitimacy endorsement to achieve preferable investment terms from other prospective investors.

During the relationship management phase, the varying institutional logics across ties suggest different accepted practices for entrepreneurs to maintain good working relationships with financiers. As long as commitments, mainly growth or progress, are delivered, everything will be fine with angel investors. However, for ventures seeking financial support from external audiences such as VCs, CVCs, and government funding partners, these financiers usually introduce a formalised approach to control. To ensure a fruitful relationship, entrepreneurs need to try to avoid the informal practices they may have been used to when these financiers become involve in their venture. Additionally, the formal approach to control implies finding a balance between growing a venture and maintaining financiers' cost. Entrepreneurs whose ventures are in the early stage, with the situation still uncertain, need to carefully consider what kinds of external audiences should become involved in their company.

5.5.2 Policy implications

Recently, countries characterised as emerging economies have expanded their economic functions, spurred by Industry 4.0, becoming more market- and technology-oriented to attain developed nation status (Foo et al. 2020). Nonetheless, one significant barrier acknowledged in these entrepreneurial ecosystems is resource scarcity, especially the notion of financing gaps due in part to underdeveloped capital markets and limited public resources (Cao and Shi 2020). It has been argued that equity financing is a relatively new concept, of which key stakeholders in the ecosystem have a limited understanding (Guerrero and Urbano 2017). By looking at entrepreneurs' dyads with their key financiers through the investment process, the findings offer a more nuanced understanding of each financier, who has various perceptions of financing new ventures. Policy implications can be drawn from the findings as follows:

First, more established financiers such as VCs or CVCs seem to assimilate practices roughly similar to their counterparts in more advanced economies and to better understand new venture investment. Unlike previously documented (i.e. Ahlstrom and Bruton 2006; Bruton et al. 2009), they do not rely heavily on a pre-existing relationship at a personal level. Instead, they are somewhat information-oriented when making a deal. Looking from the supply-side view, this could imply that there is sufficient funding available, as a deal will not be prevented by the lack of a personal tie between entrepreneurs and these investors. In fact, CVC_03 commented on financing new ventures:

> *[Investors] are waiting out there, but it's the new ventures that are not good enough in terms of their growth to draw [investors'] interest. [The investors] may have to start looking for a deal elsewhere, because they [new ventures] are not attractive enough. These ventures, I mean, seed-stage ventures that have the potential to be profitable. In fact, there are few new ventures with business feasibility, let alone profitability.*

He later added:

What we need is some basic knowledge of doing business. Let's say, if we, you want to set up a business, you need to know what should be done, step-by-step. I'm not saying that they [start-ups/entrepreneurs] need to have a very detailed checklist 1 2 3 4 etc., at hand—just a broad understanding of what to do. At least, there should be a list for meeting legal requirements to follow properly. We need this kind of mindset.

Therefore, if any policy intervention should be implemented to enhance entrepreneurs' chances to obtain funding from these investors, it should be 'investment readiness programmes' (Mason and Kwok 2010) to improve the quality of investment opportunities. This can be achieved by initiatives to help new ventures reach out to the market to gain a sufficient track record, or to equip them with knowledge on financial and legal matters.

Second, government agencies and angel investors have the potential to play a vital role in very early-stage ventures. However, the institutional logics that prevail in entrepreneurs' ties with these financiers imply that getting access to seed finance is quite exclusive and will require investment readiness. Even though they were conceived as a policy instrument to address a new venture's funding gap at its earliest stage, state logics constrain government initiatives. In other words, impractical rules and regulations caused by bureaucratic domination pose certain limitations to the development of products or services by ventures to meet the actual market demand. Additionally, the grant mechanism is mainly based on reimbursement, making it incompatible with pre-revenue companies working on pre-launch products or services. Therefore, the government should consider relaxing rules and regulations on how money must be spent and revising the grant scheme to better support early-stage venture development. Alternatively, some financing tools used in professional venture capital, such as issuing convertible notes, would offer fluidity for a venture when spending money.

Angel investors, by their nature, can bear downside risk from their investment; nonetheless, they tend to provide 'affinity money' and concentrate their investments almost exclusively on those within their inner circle. Re-engineering these 'affinity-based investors' could offer a chance to exploit the full potential of angel investing in supporting an early-stage company. In fact, one angel investor comments that *'there's something missing between people my age group who have experiences and money and young entrepreneurs. There is no link [for us] to meet'* (Angel_04). This could be done first by establishing an intermediary organisation like a proper association to connect the dispersed groups of angel investors and enhance investors and entrepreneurs' chances to meet. Additionally, as angel investing is a not commonplace practice in emerging economies and not understood in the same manner as it is in the West, education on this investment concept would be beneficial to newcomers, which could turn them into more professional angel investors in the future.

5.6 Chapter summary

This chapter has outlined a further discussion of the institutional logics shaping entrepreneurs' and investors' ties in an emerging economy and the implications for the literature and wider context. In doing so, it has discussed the interface of how both parties interact and offered a further reflection of the dynamics of activities in a new venture financing process that constitute the prevailing institutional logics in entrepreneurs' ties with specific types of financiers. It has discussed the implications for entrepreneurial finance literature and institutional logics literature, and made suggestions in terms of practices and policies. The final chapter will draw conclusions from this thesis.

Chapter 6 Conclusion

This thesis has analysed the relationships between entrepreneurs and financiers in Thailand through an institutional logics perspective. The findings are based on practices between entrepreneurs and external financiers – corporate venture capitalists, venture capitalists, angel investors, and government funding agencies – throughout the investment process. The main elements that constitute their relationships have been drawn out. Situated in entrepreneurial finance and entrepreneurship literature, this thesis contributes to a more systematic comparison of entrepreneurs' relationships across types of financiers, as the literature falls short in considering the wide range of external financing stakeholders that take practical roles in supporting an entrepreneurial venture. A richer explanation is provided when contexts of how entrepreneurs and financiers interact are considered in tandem with institutional logics. If the same dominant institutional logics classify the same type of financiers, it will be expected that entrepreneurship with those financiers would be similar regardless of their situated contexts. However, probing into the investment process in the non-North American/Western European context reveals that, in some cases, the logics shaping relationships deviate from previous descriptions.

The chapter will revisit the central objective and subsequent research questions, and summarise key findings and contributions. It will then outline the limitations of this research and propose further research directions to both address these limitations and explore further interesting avenues regarding the current findings. Finally, the concluding remarks will pull together all aspects of this thesis.

6.1 Key findings and contributions

This thesis set out to explore broadly the process of financing new ventures in emerging economies. With this objective, the research elucidated the formation of relationships between entrepreneurs and financiers and set out four specific research questions. The first two questions concern theoretical aspects. The latter two concern more normative and practical aspects.

1. What are the institutional logics shaping the relationships between entrepreneurs and financiers in emerging economies?

2. How do entrepreneurs and financiers construct institutional logics throughout their relationships?

3. What can entrepreneurs do to increase their success in the investment process?

4. How can institutional environments be improved to support successful investment in emerging economies?

Overall, the empirical findings show the paths by which entrepreneurs and financiers shape their contexts of interaction. Institutional logics can describe such contexts. However, there is not a single dominant universal logic that prescribes entrepreneur interaction with a specific financier. In some relationships, practices from other logics are accommodated, whereas others have their own interpretations, leading other forms of logics to predominate.

Regarding the first research question, the study found that the institutional logics in a relationship vary depending on the sort of financier with whom the entrepreneur is forming the tie. The logics shaping the relationships involving the key external financing stakeholders included in this thesis can be summarised as follows. Hybrid logics, combining corporate and professional logics, characterise the pattern of entrepreneur-CVC relationships. Relationships with venture capitalists are based on professional logic. Relationships with angel investors are formed by quasi-community logic, whereas state logics forge relationships with public funding agencies.

Regarding the second research question, this thesis presents the interface of how entrepreneurs and financiers interact, which is a path of the gradual construction of logics in their relationship. The relationship requires preconditions for further development. At this stage, there are two main focuses: leveraging social capital and the identity mechanism. If those two conditions are satisfied, the relationship will move to the evaluation phase, where the focus is on the organisational mechanism and interpersonal fit between both prospective parties. When agreement is reached, the focus will turn to governance and resources exchanged. During this process, distinct practices are enacted by both parties and become the logics governing their interaction.

The above findings have implications for two strands of literature. First of all, the thesis extends discussions in entrepreneurial finance and entrepreneurship literature. The field is perceived as segmented as most research studies a single source of finance (Cumming and Vismara 2017), even though entrepreneurs raise money from multiple sources. The focus is mainly on how investment decisions are made, even though engagements after striking a deal are the essence of investment (Collewaert et al. 2021; Ferrati and Muffatto 2021). Besides, previous studies underscore the resource mobilisation process between entrepreneurs and resource providers who hold non-market logics and informal mechanism governance (Clough et al. 2019). This thesis has proposed a comprehensive framework that encompasses the whole financing process and delineates how entrepreneurs' relationships with various types of financiers – corporate venture capitalists, venture capitalists, angel investors, and government funding – emerge. Each path is developed under its own associated practices that trace back to a wider context shaping the relationship. In addition, the framework offers a twofold reframing of Fisher et al.'s (2017) conceptualisation of how entrepreneurs and financiers interact in an attempt to access financial resources. It adds *interpersonal fit*, another facet neglected but highly relevant in forging a relationship, and stretches the boundary of the framework by pointing to the temporal aspect of acquiring financial resources when different mechanisms are relevant at different points of time.

Secondly, this thesis extends the understanding of entrepreneurship in the emerging market. These regions were acknowledged as having deficient institutions (Rottig 2016). Arguably, this deficiency leads to the predominance of non-market logic and informal means, rather than economic rationality and formal means, to provide the basis of interaction between entrepreneurs and resource providers (Foo et al. 2020). The varying logics found in entrepreneur-financier dyads provide a more nuanced understanding of the resource mobilisation attempts of young firms in emerging economies. Not all interactions are non-market oriented, it depends on the type of actor. In addition, this thesis supports the view in Bruton et al. (2013), that emerging economies will evolve, and some actors may incorporate practices from developed economies. The associated practices found in the entrepreneur-CVC and entrepreneur-VC dyad complement this view.

This research also brings implications for the institutional logics perspective. Firstly, the logics shaping the relationships between entrepreneurs and financiers resemble the notions of intra-logic plurality and contextuality of institutional logics in the sense that they are instantiated, situated, and contextualised (Gümüsay et al. 2020). The financiers labelled under the same category, presumably operating in the same field and influenced by the same logic, do not always possess a dominant and universal institutional logic. Some types of financiers (VCs) seem to embrace the more established practices of new venture financing, so the context in which entrepreneurs' ties with these investors are formed is somewhat related to professional logics as described in the literature. Other types of financiers (i.e. angel investors or government bodies) evidently have a habitual method of organising action. The context of how entrepreneurs' ties are formed deviates from the conventional logics supposedly shaping it. Secondly, the hybrid logic in the entrepreneurs-CVCs dyad speaks to Waldorff et al. (2013) on how action at the micro-level facilitates a specific constellation of logics. Such logic is a consequence of varying associated practices at different periods of time during the financing process, leading to a combination of corporate and professional logics shaping their whole relationship. This resembles Ten Dam and Waardenburg's (2020) premise of logic fluidity in that actors attend to logics as tools to give meaning to their micro-level actions rather than resolving conflict or adhering to a specific logic.

Regarding the third question, this thesis brings in managerial implications that can be relevant to those managing a new venture and planning to secure external financing. It could be beneficial for entrepreneurs to understand what financiers look for at different phases of relationship formation and what they can expect from them. Two key factors need to be considered at the precondition stage: identity-related ventures or entrepreneurs, and social capital. To ease a deal flow, entrepreneurs must know what financiers are looking for, which could be highlighted by the narrative of their identity in relation to the venture or individual entrepreneurs. Leveraging social capital is as important as having compatibility. Especially when searching for VCs or CVCs, entrepreneurs should be involved in active networking.

At the evaluation phase, entrepreneurs can emphasise team qualifications, professional background, and some proof of the venture idea to strengthen their venture credibility. With more demanding financiers like CVCs, entrepreneurs must get their venture to an appropriate level of organising to increase credibility. Financiers also have varying focuses when assessing entrepreneurs personally. On the one hand, more established investors such as CVCs or VCS focus on entrepreneurs contributing towards the investment goals. Signalling a manner of being a good colleague when working through the deal process can strengthen these investors' investment justification. On the other hand, angel investors tend to close a deal quickly and rely on interpersonal affect towards entrepreneurs. Entrepreneurs may enhance their chance of closing a deal by showing congenial manners.

During the relationship management phase, achieving commitments, mainly growth or progress, are central concerns for all financiers. However, VCs, CVCs, and public funding agencies tend to enact a formalised approach to control, which will require extra time from entrepreneurs to reduce agency cost for these financiers. Entrepreneurs may have to take a strategic view about the right timing for involving those financiers in their ventures, especially in the formative stage.

Regarding the fourth research question, the study brings in policy implications that can be relevant to those working on promoting entrepreneurship. Three policy recommendations can be drawn in relation to the types of financiers and stages of a new venture. First, more established financiers such as VCs or CVCs seem to assimilate practices roughly similar to their counterparts in more advanced economies and to better understand new venture investment. Therefore, if any policy intervention should be implemented to help entrepreneurs obtain funding from these investors, it should be 'investment readiness programmes' (Mason and Kwok 2010) to improve the quality of investment opportunity. This can be achieved by initiatives to help new ventures reach out to the market to gain a sufficient track record, or to equip them with knowledge on financial and legal matters.

Second, government funding has the potential to play a vital role in very early-stage ventures. However, impractical rules and regulations caused by bureaucratic domination pose certain limitations to the development of products or services by ventures to tackle the actual market demand. The government should consider relaxing rules and regulations on how money must be spent and revising the grant scheme to better support early-stage venture development.

Third, angel investors can be more instrumental in financing entrepreneurship. They can bear downside risk from their investment; however, their investment involves a sense of affinity. Re-engineering these 'affinity-based investors' could offer a chance to exploit the full potential of angel investing in supporting an early-stage company. This could be achieved by establishing an intermediary organisation to connect the dispersed groups of angel investors and enhance investors and entrepreneurs' chances of meeting. Additionally, as angel investing is not a widespread concept in emerging economies and is differently interpreted from how it was initially conceived in the West, educating enthusiastic newcomers on this concept could potentially turn them into proper professional angel investors.

6.2 Limitations and future research

This research offers insight into the development of relationships between entrepreneurs and financiers by looking at rich details from the bottom ground about deal-making and the investment process in new ventures in emerging economies. However, it is important to acknowledge the limitations of this research effort. There are two significant limitations to this current study, drawing from (i) the scope of research and (ii) the nature of the research design. As some of these limitations point to future avenues of research, those will be incorporated and summarised below.

The first limitation of this research lies in its specific contexts of study. Whilst this is also a strength of the thesis, exploring heterogeneous logics within a particular context means a potential limitation to the generalisability claims to all emerging economies. Even though these economies theoretically share the same characteristics of 'institutional voids', these voids are practically *'the intermediate outcome of conflict and contradiction among' different institutional orders such as the 'local political, community, and religious spheres'* (Bothello et al. 2019, p.1507). Thus, comparative studies could further enhance understanding of the relationships between entrepreneurs and investors in these economies.

The other limitation is the cross-sectional nature of this research. Although the findings indicate how entrepreneur-financier relationships are formed and maintained, it is worth acknowledging that the logic underlying the derivation of the relationship is linear. This is especially so for modes of governance and exchanged resources. The data obtained by this research only allow the researcher to draw a conclusion on a generic state of how the relationship is managed. However, as suggested by exchange theory, a relationship tends to be reinforced by actions and reactions between related parties (Huang and Knight 2017). It is likely that entrepreneurs' relationships with VCs or CVCs, which are oriented towards disciplinary matters as found in this research, may switch to more informal arrangements as they develop their bonds over time. During their formative stage, new ventures engage in a dynamic process of legitimation in that they are required to build, rebuild, maintain and restore their legitimacy with financiers (Arntzen et al. 2018; McDonald and Gao 2019).

Taking into consideration these forms of dynamics may provide insight into the conditions under which the logics in entrepreneurs' ties with the same type of financiers will shift. In doing so, future research should consider a longitudinal approach and incorporate secondary documents like board meeting memos, which would provide a more nuanced understanding of relationships. Furthermore, the dynamics and complexity of financing an entrepreneurial venture suggest that longitudinal research may lead to fruitful results (Collewaert et al. 2021). Ideally, such research should employ multiple case studies of emerging ventures, including their corresponding investors, and observe their progress from their earliest day of development.

Given that the main focus of this thesis is on how relationships occur, this research does not test the interplay between the context of financial resource mobilisation and its outcome. Nonetheless, some of the findings point to a future research opportunity. Different logics are a reflection of various practices related to governance and exchanged resources during the relationship management phase. This opens up a further inquiry into how they actually help ventures to progress, especially the effect of varying governing logics on additionality to the focal venture. The modes of governance and social resources exchanged can be considered as another form of indirect intervention. As practices or pieces of advice vary depending on types of financiers, the extent to which practices are adopted and advice is taken into consideration can potentially lead to a firm's behavioural change. In embarking on such an effort, future research may consider the literature on behavioural additionality. This concept has been widely deployed in evaluating innovation policy by seeing how the intervention affects organisational routines (Buisseret et al. 1995; Roper and Hewitt-Dundas 2016; Gok and Edler 2012). Incorporating this into a longitudinal design would help unfold the process of firm change under particular logics.

6.3 Conclusion

The basic premise of this thesis is that sources of finance are heterogeneous in nature and new venture financing is an ongoing process that can be seen as the development of the entrepreneur-financier relationship. Recent developments in explaining why financiers are different point to the institutional logics prescribing their behaviours. This research further extends the explanation by conceptually linking institutional logics to the micro-level of interaction between entrepreneurs and prospective financiers. Through fieldwork with a total of 36 interviews – 20 entrepreneurs and 16 financiers – and subsequent analysis, this thesis has established an original contribution by extending the boundary of institutional logic to incorporate the formation of ties between entrepreneurs and financiers. Going further, it has done this in an emerging economy context where the investment practices vary from those of well-developed economies. The research has explored and analysed how the formation of these ties between entrepreneurs and financiers operates within the Thai context. The analysis offers a comprehensive framework that delineates the emerging entrepreneurial relationship between various types of financiers. Hybrid logics, combining corporate and professional logics, characterise the pattern of entrepreneur-CVC relationships. Relationships with venture capitalists are based on professional logic. Relationships with angel investors are formed by quasi-community logic, whereas relationships with public funding agencies are forged using state logic. Divergent pathways of relational formation are found amongst various types of financiers, leading to an argument that the underlying logic of the relational formation is far from universal. Instead, it depends on the habitual organising principles of the focal actors.

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Appendices

Appendix I: Information for research participants

This information sheet is designed to give you full details of the research project, its goals, the research team, the research funder, and what you will be asked to do as part of the research. If you have any questions that are not answered by this information sheet, please ask. In addition, your participation in this research is voluntary, and you may change your mind about being involved in the study at any time, and without giving a reason.

Title of Research

Entrepreneur and financier relationship: An institutional logics perspective

The purpose of the research is to understand logic leading to interactions between entrepreneurs and financiers throughout the investment process in new ventures in Thailand entrepreneurial ecosystem.

Who is carrying out this research?

The principal investigator for this research will be Mr Jirawat Worakantak, a second year PhD from Newcastle University. This research project is sponsored by the Royal Thai Government through the ministry of science and technology as part of innovation and entrepreneurship study.

What will research participants be asked to do?

If you agree to take part in the study, you will be part of an interview which will be asked to discuss issues – no right or wrong answers to answer the interview questions. The researcher is only interested in your opinion, perspective, and experiences on the topic under discussion. The interview result will only use for research purposes.

What will happen to the information provided?

The information and data you give and supply during the interview will be held in strict confidence, viewed only by the named researcher (see below) and then anonymised. Names will not be attached to audio recordings and informants will be identified by a code number. Anonymised interview transcripts will be stored in a locked password-protected computer.

What will be the outputs of the research?

All the received information from the interview will be analysed, reported and used for a PhD thesis. The result may also be published in academic journals or conference proceedings. Anonymity and confidentiality of the participants will be maintained.

What if something goes wrong?

It is extremely unlikely that something will go wrong during this study. However, the University has procedures in place for reporting, investigating, and recording and handling adverse events and complaints from study volunteers. The university is insured for its staff and students to carry out research involving people. The university knows about the research and has approved it. Any complaint should make, in the first instance, to the researcher identified for this particular study. Any complaint you make will be treated seriously and reported to the appropriate authority.

If you have any further questions, you may contact the principal researcher, Jirawat Worakantak (j.worakantak2@newcastle.ac.uk) at any time of this study.

You may also directly contact the research supervisors, Dr Robert Newbery (robert.newbery@newcastle.ac.uk) and Dr Jonathan Kimmitt (jonathan.kimmitt@newcastle.ac.uk), from the Centre for Knowledge, Innovation, Technology and Enterprise, Newcastle University Business School.

Appendix II: Entrepreneurs interview aide-memoire

Company name:

Name of informant:

Role in the company:

Contact email:

Date and time of interview:

1. Background information of informant (e.g. founders or co-founders)
    a) Professional and academic background

       ความเป็นมาของผู้ให้ข้อมูล เช่น ประวัติการศึกษา / ประวัติการทำงาน ก่อนมาตั้งบริษัท / มาร่วมงานกับบริษัทนี้

2. Company's background

    ความเป็นมาของบริษัท

    a) When and why the company was founded?

       บริษัทก่อตั้งเมื่อไหร่ / เห็นโอกาสทางธุรกิจนี้ได้อย่างไร หลังจากนั้นไอเดียถูกพัฒนาต่อมาอย่างอย่างไร

    b) Which development stages company are in? How many employees?

       บริษัทพัฒนามาอย่างไร ปัจจุบันถือว่าอยู่ในขั้นไหนของการพัฒนา / มีพนักงานกี่คน

    c) Could you please explain the company's core value?

       ช่วยอธิบาย

    d) How would you describe your business model?

       ช่วยอธิบาย business model ของบริษัท

    e) What would you say to be the major contributing characteristics that brought this company to the current stage?

       อะไรที่คิดว่าเป็นปัจจัยสำคัญที่ทำให้บริษัทพัฒนามาจนถึงปัจจุบัน ช่วยยกตัวอย่างหน่อย

3. At what point do you need finance? And which are sources of capital provided financing your company?

    ในขั้นไหนบ้างของการดำเนินการที่ต้องการเงินทุน / แหล่งทุนที่ใช้ในการดำเนินการบริษัทมาจากแหล่งใดบ้าง

4. Why did you decide to draw on X, Y, or Z for financing?

    ทำไมถึงเลือกระดมทุน / ขอ funding จากแหล่งเงินทุนต่างๆ ที่ กล่าวมา (government funding, angel investors, venture capital, corporate venture capital)

5. How would you describe the investment process?

    ช่วยอธิบายกระบวนการระดมทุนจากแหล่ง ต่างๆ เช่น เข้าถึงแหล่งทุนนั้นๆ ได้อย่างไร ขั้นตอนขอทุนนั้นมีอะไรบ้าง

6. How do you engage with financiers throughout the investment process?

ช่วยเล่าประสบการณ์ในการระดมทุน รวมถึงการทำงานร่วมกับผู้ให้ทุน / นักลงทุนประเภทต่างๆ ว่าเป็นอย่างไรบ้าง

a) Pre-investment

ขั้นก่อนได้รับเงินลงทุน

- How did you present your business case to financiers in particular?

  ตอนที่นำเสนอ business case ต่อ แหล่งทุนต่างๆ นั้นเสนออย่างไรบ้าง ช่วยเล่าให้ฟังหน่อย

- What contributing factor made the impact for you to obtain financing from X, Y, or Z?

  อะไรเป็นปัจจัยสำคัญที่ทำให้ได้รับเงินทุนจากแหล่งนั้นๆ

- What went particular difficult and/or easy with source X, Y, or Z?

  จากการระดมทุนจากของบริษัทผ่านแหล่งเงินทุนต่างๆ นั้น มีความยาก / ง่ายยังไง

  ถ้ายากผ่านได้ยังไง / ถ้าง่ายคิดว่าเพราะอะไร

b) Investment

ขั้นตอนหลังจากได้รับเงินทุนนั้นแล้วเกิดอะไรขึ้นบ้าง

- How do you work with financiers X, Y, or Z?

  หลังจากได้รับ การลงทุนแล้ว ทำงานกับ แหล่งนั้นๆ ยังไงบ้าง

  ทางแหล่งทุนช่วยเหลือยังไง / ทำยังไงถึงได้รับการยอมรับจากผู้ให้ทุน เคยมีปัญหาอะไรมั้ย

7. How has the company changed (in terms of values, practices, and beliefs) after receiving the investment from X, Y, Z?

หลังจากที่ได้รับเงินทุนแล้วเกิดความเปลี่ยนแปลงอย่างไรบ้างกับบริษัท

8. What do you think about access to finance for entrepreneurs in Thailand?

คิดอย่างไรกับการเข้าถึงแหล่งทุนสำหรับผู้ประกอบการในประเทศไทย

9. Any recommendations to improve the investment process from your view?

มีคำแนะนำอะไรเพื่อที่จะช่วยให้การระดมทุนรวมถึงการลงทุนได้ผลมากขึ้น

10. Any final comments or anything else you would like to share?

มีสิ่งใดที่ท่านอยากจะแนะนำเพิ่มเติมหรือไม่

Appendix III: Financiers interview aide-memoire

Company name:

Name of informant:

Role in the company:

Contact email:

Date and time of interview:

1. Background information on the informant

   ความเป็นมาของผู้ให้ข้อมูล

   a. When joined and How

      ท่านร่วมงานกับที่ทำงานปัจจุบันเมื่อไหร่ รวมถึงมาร่วมงานกับที่นี่ได้อย่างไร

   b. Responsibilities

      หน้าที่ที่ท่านรับผิดชอบอยู่

   c. Professional and academic background

      ประสบการณ์การทำงานที่ผ่านมา รวมถึงประวัติการศึกษา

2. Could you please tell me more about the firms?

   a. What is the current strategy of your firms? (regarding stage, size, and sector of investment)

      แผนการลงทุนของในปัจจุบัน เช่น stages ในการลงทุน จำนวนเงินลงทุน sector ที่ลงทุน

   b. What is the rationale behind your strategy?

      ทำไมถึงเลือกที่จะลงทุนในบริษัทที่เข้าเกณฑ์ข้างต้น

   c. Who are the limit partners or investors? (For VCs)

      แหล่งเงินทุนของบริษัท

3. What are you looking for from entrepreneurs before and during the investment process?

   คุณมองหาอะไรจากผู้ประกอบการทั้งก่อน และระหว่างที่ร่วมลงทุน

4. How do you engage with entrepreneurs throughout the entire investment process from sourcing deals to existing deals?

   ร่วมงานกับ entrepreneurs ยังไง

   a. Background of specific investment

      ยกตัวอย่างบริษัทที่เคยลงทุน หรือกำลังทุนอยู่

   b. Pre-investment

i. Deal sourcing

หา deal จากที่ไหน อะไรเป็นเกณฑ์สำคัญ

ii. Deal evaluation

ประเมิน deal ยังไง อะไรเป็นเกณฑ์สำคัญ

iii. Due diligence

ตอน due diligence ดูอะไรเป็นสำคัญ

iv. Deal structuring

c. Investment

i. Monitoring and value-added activities

หลังจากที่ลงทุนไปแล้วทำอะไรกับบริษัทบ้าง

ii. other activities

นอกจากนี้มีกิจกรรมอื่นๆ อีกรึป่าว

5. Could you please share with me about the financing landscape in Thailand?

ช่วยแชร์ประสบการณ์ลงทุนของคุณเกี่ยวกับการลงทุนใน startups ไทยหน่อย

6. What are your comments on the entrepreneurs seeking external sources of funding? And any advice to entrepreneurs seeking finance?

   คุณมีความเห็นอย่างไรต่อผู้ประกอบการที่กำลังมองหาแหล่งทุนในการดำเนินธุรกิจ / อยากจะแนะนำอะไรบ้าง

7. Any advice for the government for supporting early-venture investment?

   คุณมีคำแนะนำต่อภาครัฐเพื่อที่จะช่วยสนับสนุนการลงทุนใน new ventures ในประเทศไทย

8. Any final comments or anything else you would like to share?

   มีสิ่งใดที่ท่านอยากจะแนะนำเพิ่มเติมหรือไม่

Appendix IV: Interview consent form

- The research is being carried out on behalf of Newcastle University.
- Interviews will last for about an hour and will be audiotaped (with your permission).
- Interviews will be transcribed. You may request a copy of the notes.
- Interview notes will be analysed only by researchers employed on this project. This analysis will only be used in publications associated with this particular research project.
- All aspects of the study, including results, will be strictly confidential and only the researchers will have access to information on participants.
- While the entire transcripts will not be used, selected quotations will be used in publications associated with this research. In written material related to this research project, your identity will be disguised by the use of a pseudonym. Any direct quote will be published using this pseudonym.
- Please indicate any quotes you wish to keep off the record; we will ensure these are not included in any published material.
- You have the right to withdraw from the research study at any time if you need to.

I have read and understood this consent form, and any questions I have asked have been answered to my satisfaction. I understand that my participation is voluntary and I agree to participate in this research, knowing that I may withdraw at any time.

Participant's Name:..
(block capitals)

Participant's Signature:..
Date:...................

Appendix V: A translated transcript of the interview with an entrepreneur

Interview ID: EN5

Interview date: 01/04/2019

Time: 7 pm (ICT)

Location: the company office

Could you please tell me about your background?

My name is EN5 a co-founder and chief of marketing officer of company 5. Company 5 is an application platform for calling […] services. I completed my bachelor's degree in information and communication engineering from A University. After graduation, I did not continue doing a master's degree, but I get a certificate from Y-Combinator. I also took short courses at X about entrepreneurship and design thinking. My first course was a one-week startup camp arranged by X students. The other course, sponsored by DEPA , was a three-week course for visiting X and big corporates in the US

Before cofounding company 5, I took a freelance job for 4 or 5 months after graduation. I was a project manager in a course for educating startups provided by B. I was responsible for a whole project by recruiting speakers, creating contents, and promoting the course. It gave me backgrounds for each topic in running startups.

Why do you pursue an entrepreneurial career?

Because I am quite young, the risk is quite low in the case of failure. I always keep this in mind and think that I should pursue this career at a young age. So, I decided to become an entrepreneur when my co-founders asked me to join the team to develop the idea. They are friends of my friend.

How would you describe your role as an entrepreneur?

As an entrepreneur, you see an opportunity and pursue it. But, for startups entrepreneur, it is not just a simple opportunity like seeing what can make profit or trading. We're looking for a business that affects millions of people. It's about scalability. So, I see that startups entrepreneur is a person who has big vision and, see how and which means to solve problems for hundreds, thousands, and millions of people. The combination of entrepreneur and technology becomes startups.

How do you perceive this opportunity?

In fact, it was my co-founders who initiate the business idea. They are the owner of [xxx] at C and D , and saw that there was no platform to call […] available at the time. After they got started on the ideas for 1-2 months and hired assistants to gather data from the internet, we had a chance to meet and discuss the idea. After listening to the idea, I wrote a plan about how it was supposed to be executed. They then asked me to be a founding member.

When was the company founded?

We'd worked on the ideas stage in August 2015 since we met. The company was later founded in November 2015.

How has the company developed since starting up? In which development stages the company is?

The development of the company may be viewed in several angles. The first development is the technology itself. We started from prototype website to application, and now expanding to software services. What stages we are in… we currently raise Serie A. If we talk about stages of company development, we now generate revenue around 70-100 M THB per year which is considered the growth stage.

Could you please explain the company' visions and values?

Our vision in a short form is the best service providers in South East Asia. The full version is we will become an infrastructure of […] in South East Asia by providing decent jobs for […]. And, we have five core values. First, trust, we will do business with trust, both trust in the team and being trusted by customers. It will lead to other actions, such as transparency. Second, innovation, our company will not die in the next 5-10 years because we will find new things to meet the company need at all times. Third, healthy passion, we will not be too extreme, but we will do things as appropriate. Forth, we emphasize efficiency. We will do everything as soon as possible with the shortest amount of time. The last is we believe in teamwork. We try to convince our team that one person can do only one thing. If we do as a team, we can do more.

How would you describe your business model?

In the very beginning, our model is an online platform for booking […]. The booking fee will be a markup from the price that we agree with […]. I can say that we standardize services prices. In the past, there is no market price in the […] industry. It just depends on what buyers agree with […]. We think that we need to set a standard price for everyone to comply. This is our first model.

Next, we see that there are people who need a repeat-based […]. So, we add package and subscription services to our business model, apart from on-demand services. For package model, the customer will get a discount if they buy services in advances. For the subscription model, the customer gives us date and time. For example, if a customer needs […] on Monday, Wednesday, and Sunday, we will calculate the price on a monthly basis. It differs from package model in that customer will get services every week. If you use the package model, it likes buying in bulk. You can book for services at any time. These are the main models.

Another is a new line of our services, lunched this year. We have software that we use internally. So, we made it white-label for other companies. It is software for delegating tasks.

What do you think it drives your company to this stage?

The main driver is persistent. Our business seems not to work well in the early days, but we always find out why it did not work. After that, we rather do everything lean. We spent the least amount of money and took the least time in each step of the process, until we gradually refine each product from on-demand, package, subscription, to B2B hybrid. Our B2B hybrid allows […] to have a regular job but it will take only 2-3 hours. For example, if […] requires […] for 2-3 hours, we will find […] in that area for our […]. So, […] can travel from […] to […] and get money from 3 sources a day. In total, they will earn up to […] THB per month. Previously, they get only […] (40% less) THB a month.

How did you finance your company since starting up?

At first, it was the co-founder's bootstrap, and one of the co-founders hold a major share. Then we raised seed fund from angel investors. Also, we attended several startups competition and received equity finance from corporate venture capital for pre-series A round. We also received a grant from the government by attending several programs held by the government. For example, we received 500K THB from DEPA when joining its startups competition program. We received a grant of 1.6 M THB from MOST used for our marketing campaign.

Why did you decide to draw on those sources of finance?

I think…startups have to find all the ways to get financial capital. We apply for government grant because we do not lose equity, and it is startups right to apply for support from the government funding program. We raised fund from external investors because we need a huge amount of money that no one will grant without taking equity in exchange. It was also a smart move for us to partner with entities under corporate venture capital, such as their customer or partners etc.

What's about angel investors?

We chose angel investors for strategic reasons. Each angel investors different expertise and connections. So, we decided to talk to many angel investors at the same time.

How could you get to those sources of finance?

For government grant, I get information from the online announcement, including telling from friends. For CVCs, we know them because we attend their accelerator program.

What's about angel investors?

We meet angels at several events, and we set up a talk later after we met. Some are interested, and some aren't. That's fine, at least we get to know them.

How did you make a deal with angel investors?

We have dinners or coffee to talk about details. After that, we will hire an attorney to draft a term sheet and negotiate with the investors.

How long does it take before closing the deal with angel investors?

The angel round took half a year. We gradually talked to many angel investors and negotiate with them to fill the round. In the end, everyone signed the contract on the same term (the same term sheet). In this round, we have 15 parties, including 3 co-founders. All investors hold preferred share, 8% of equity. We have no lead investors for this round because all investors invest the same amount of money.

How did you do to persuade angel investors to invest in your company?

We did the same to all investors in this round. We show them traction and business plan. Just only these two things. Traction includes what we have done, how many booking we have, how many services providers we have and, revenue we generated. We update them all of those data. I would say we focus on consistency. We did not just send them data for one time. For those who want to be our investors, we regularly sent them data around half a year. During the half year, we continue the talk until we finally close the deal. The business plan we used at the time was on-demand services summarized in the pitch deck. In the pitch deck, we gave them details about what we were going to do with our business. Other models of services were devised for raising funds in other rounds.

What makes you legitimate in the eye of investors?

If we show the number only, I think it will not work. What I think actually effective is that we talk to them very often, especially in the evening dinner. It helps the investors see our intention. It is because, in Thailand, there is no prove that services startups platform will survive. We have no evidence to show them except the intention of co-founders. In additions, we also show them that we are young and competent entrepreneurs. We attend several startups competitions. We are active, be able to communicate, and can manage. What we need is time to prove but we need financial support to make it happen. Mostly, we use a team profile to convince. The business plan is not an important matter.

What is easy/difficult when raising fund from angel investors?

What difficult most is that we do not have any tractions except our intention at the very beginning. It was not until we regularly update our investors for six months that we get started a serious talk about the deal. I do not know whether it is difficult or not. I have no idea what to compare.

Did angel investors conduct due diligence?

There was no due diligence process in the angel investors round, but we show them all data for six months in terms of booking number and revenues. That’s all.

Who are angel investors in your company?

They are in the same circle. We invite them to join a group dinner. When they agree with our ideas, the group gets bigger overtime.

How did you work with angel investors after receiving investment?

To be honest, there is no work between the company and angel investors. The practice is sending monthly reports. Apart from that, we usually have informal talk especially in dinner to ask them for some business tips. We did not ask them for business benefits. We do not ask for a partner from their networks. What we mostly discuss is about the tips in running the business.

From those tips, they gave you, what is beneficial to you most?

The highlight is about focusing on the data we have at hand. They suggest that whenever we doubt what we should we do, we always have to look at our data. This is a tip that helps reduce our fear about the future of the company. We know what we will do next because we focus on our data.

Do angel investors visit you very often?

Not at all. We send them a monthly report. Also, we are a startup that our investors are confidence in our team at the very beginning. Therefore, the idea to force us for what to do does not happen.

Is there any involvement by angel investors in case problems arise in the company?

It depends on whether we will inform them or not. Mostly, the problem is under our control. We do not have to inform them.

What was happening in your company after receiving investment form angel investors?

Ah… (think for a while) It might be that we have more capital. Thus, we can hire more employee. The significant different for each round of raising fund is an increase in head count.

What's about changing in practices, values, and beliefs of your company?

There is no change in those things. The investors (angel investors) did not have any influences. They do not force us. Board seat still be in our hands. What investors did is give us suggestions.

For the government grant, how did you persuade them to give you financial support?

Mostly, the government agency will run startups competitions program. We convince them by using a pitch deck. Our pitch deck looks beautiful, and it quite helps. After that, it is about the relationship with government organizations. For example, we help them in many events to give suggestion to, or to teach other entrepreneurs. Especially the program offered by MOST, they will focus on how to make use of technology in business. For the program offered by DEPA, if they do not have speakers or participant, we give them good cooperation. I think it was one of the factors that help us gain more advantage for grant consideration. Another factor is our marketing. We are good at marketing. We have reputations among the government organisations including the judges in startups competition. A lot of people know us, it helps boost our credibility.

Who are the competition judges for a government grant?

They are successful entrepreneurs having experience in running startups, and government officers who are expert in the field. We met them in some occasions and continue to have chats with them. So, we are quite known in startups circle. They know what we do. Thus, it quite easy to get to the government program because we know each other beforehand.

What do you mean by having a beautiful pitch deck that you previously mentioned?

It is about making attractive presentation slides. An outstanding slide is very helpful to trap audiences' attraction. I would say many Thais do not have good skills in making a presentation slide, especially SMEs. They do not know how to craft a presentation. They can produce just mediocre slide. With this different, even our figures are not good enough; it can attract more attention and help persuade the audiences. Our company also the same figure as we present to angel investors. (The founders mentioned in the very beginning when they raise fund from angel investors, their projection figures may not be attractive enough for investors)

After receiving the government grant, how do they monitor their support?

It depends on what kinds of program, and the assessment criteria they set. For example, we received a grant from MOST, and its objective is to sponsor a company marketing campaign. They did not give us monthly directly unless we provide them monthly report. In this case, we had to send them a report every month for six-teens month. They checked our reports and later reimbursed our marketing expenses each month for 100K THB. We received a grant of 1.6 M THB in total for our marketing campaign.

What did you include in the report?

Actually, we just reported our marketing spending each month, such as google or Facebook advertisement expense. We also send them records of how many people reach our platform, number of booking, and revenue. That's all.

What's about a grant from DEPA?

We attend the startups program called "DEPA digital startups 2017". It contains three rounds of competitions, begun with 400 startups and only 100 startups would be selected for the second round. 16 startups would be selected to proceed to the third round. The money was incrementally granted for those passing each round of the competition. The team passing each round will receive an incremental amount of grant. For example, those passing the first round will receive a grant of 50K THB. Those proceeding to the second round will get a grant of 150K THB. Those in the final round will get 200K THB, and the winner will receive 300K THB. Our company was the winner in the final round receiving a total grant of 500K THB. It is all because we win the pitching.

Are there any conditions of use for DEPA grant?

They just transferred money to our company account. There were no conditions. We can use it for any kinds of expenses in our company. We don't have to send them a report. We received this grant because we win the pitching.

How did you convince CVCs in particular?

For this round with CVCs (Series A round which is about to close the deal soon), investors do both technology and financial due diligence. For technology due diligence, they will have a team to assess technology/framework we use, do stress testing, and evaluate the ability to expand. There is nothing for financial due diligence. About the financial due diligence, nothing much here to be concerned. We're required to submit a financial statement and monthly expenditure sheet. All expense transactions must be properly recorded. This is what going on in the process of raising fund in Series A round. We have a lead investor who has signed the term sheet and are trying to fill the round with other investors. We raise $2.2 m for this round. The lead investor invests $600K, whereas the other three investors will invest around $500K-$550K and one of them has already confirmed. They all are Thai venture capitals. In fact, we need foreign venture capitals for this round, but it is quite difficult. The figures and market conditions in Thailand are not attractive for them. We see that we will prove ourselves again in Thailand for series A round. We will not expand to the international market.

Are they all CVCs?

Yes, they are all CVCs, such as E and F . The lead investor is G owned a subsidiary company called G. Actually, G do not have a venture fund but we work with them on one software project. We tell them that we are raising fund if you are interested. They then send the case to CEOs and he agrees. We raise fund from them around $600K, which is not a huge amount of money compared to other projects they invest in. As they usually invest in big projects, such as power plant or heavy machinery, costing them more than 100 M THB. Investing in our company is not a big deal for them. All board member has approved and offered us the term sheet.

We are about to close the deal with E. They ask us to provide a ton of information. However, one of our angel investors is the CEO of E. The process is quite smooth. We just need to follow their standard procedure. Y hasn't decided. We need F to invest along with E. At least, we got a commercial deal from them. They use our software. We give them 6 months for the current valuation. If they don't confirm within this period, the term will be changed. We plan to close the round at $2.2 M and $8 M valuation. Another investor is H. It is a VC fund interested in the technology sector.

Why do you raise fund from these investors for series A round?

We are looking for synergy. For example, Z is about to install our software called workforce. The software will help them manage […] services and distribute works for […]. For E and F, we get a deal from them to use our software and […]to generate revenue in their […].

Who are your investors in the pre-A round?

They are I , J , and K . We join accelerators program by I first and later by J. I is lead investor because they invest more money in our company. J invested because the fund manager is a founder of J. He was asked to join. We close the funding round at $500K in August 2017, lose 9% of equity. They all got preferred share.

How did you convince investors in the pre-A round?

We do not have to convince them because we attend their accelerators program. That's all.

What are the main factors you think it helps you to pass through their accelerators program?

It's about pitching and marketing. I think even you have very good products; it will not be helpful if you cannot market your products. By contrast, if you have just good products, but you know to market them, you will win.

How does marketing help in particular?

We inject money into Facebook marketing. It helps us become known by many people. At least, around 1/4 of people in Bangkok will know us.

How does it actually help you in the eye of investors?

It helps us a lot. It is about the psychology effect in that we have social prove as well as being well known in the market. Investors will trust our company.

Do they check your track records?

We showed them our traction. They accepted us to the program then. If you talk about startups in Thailand, we have good performance and, are among the top. We have good marketing campaign, and it affects our traction in that a lot of people become our customers.

What went difficult/easy when dealing with investors in the pre-A round?

It's easy because we win the contest (in accelerators). It becomes clear to investors. We do not have to negotiate with them.

Are there any differences in working with angel investors and VCs / CVCs?

It is quite better when VCs come. They have a framework helping us do everything systematically. Apart from that, there is nothing different.

What is the framework about?

Such as the accounting frameworks. We did not record balance properly. When we have CVCs, we need to adopt new practices in the accounting system. In the past, we recorded income immediately. They suggest we have to record realise revenue instead.

What do you have to deliver or commitments you have with them for investors in the pre-A round?

There is nothing to deliver. We also do not have commitments with them. We have only KPI that we set within our team. We will set KPI linked to the financial model and sent them. They do not have any comments on that. They may have some comments on what should be done more about the business. Or, ask for other business plans.

Do investors in the pre-A round involve in your business plan?

We devise own business plan. They did not take an active role. It is quite free in startups industry.

Have they visited your company very often?

Not at all. This year, I haven't seen them.

What have been changes in terms of practices, values, and beliefs after receiving investment?

Ah…(thinking for a while). Nothing…There is no pressure from investors. We have to pressure ourselves. It is our target that pressure us.

What do you think about access to finance for startups in Thailand?

There is much funding for startups. A lot of organisations are willing to help. Many gurus are in Bangkok. I think it is difficult for startups from outside Bangkok. It will be easy if you are based in Bangkok and join startups events. Sometimes, you just post to Facebook, someone may contact and talk to you. Many investors are here, including huge amount of funding. I don't remember the figure exactly, but it would around $8 billion in total from all funds in Thailand. So, it means there is so much money, but m post startups don't get it due to their business maturity. What I mean by maturity is they are not qualified, and their traction is not good enough. So, it makes them not ready to receive investment. Most of the investors in Thailand shrink away from seed round. Some startups raise the seed round but don't continue. Or, some fail.

Do you have any recommendations to improve success in getting investment?

The co-founder…There is co-founders' character that investors like. It is about sensitivity. That is the main thing. Sometimes, those going for a pitch are not sensitive enough. Not sensitive means not having enough knowledge, skills, good mindsets. The investors will not invest if startups have such co-founders. For example, investors will like to ask questions. If we can't handle the questions, they may think we are stupid. In fact, how we frame ourselves really affects. Actually, for good startups, investors must look at us like cockroaches. Whatever problems will happen, we can survive and think of the solution.

When do investors ask you questions and what kind of questions they are?

Investors may ask while having dinner with them or after pitching. In fact, they will ask you any time. For example, they ask me what you will do if […] kills people? If you lack experiences, you may answer haphazardly. I answer to them what we are supposed to do in general. I told them don't panic. If the case happens, we have information about the culprit. We just hand in all information to police and let them do their jobs. After that, we will make a public announcement for the case. It is just to show the investors that we can handle an extreme case. If we can cope with the extreme case, we can handle everything. All investors will always ask questions to check you. After we talk to investors more enough, we get a set of answers to respond to any questions. It means we are ready for every contest. Most of the time, investors will assess you on how you answer their questions. For pitching, every team can pitch, but what important most is Q&A. Even you are very good at pitching; you may fail during Q&A session if you just remember the script. You need to know as much as you can about the industry you are in and can answer all questions.

Do you have any recommendations in working with investors?

Just show them KPI and growth. That’s all. The investors don’t think much. They wait for a long-term result. When investors set up a fund, they will close it in the next ten years and return money to other investors.

What if your performance is not as expected?

There’s sometimes we get below the target. It might be because our target is too high, or we may haven’t tried hard enough. We have to see what it is. Mostly, it is because we use the wrong tool or do not access to appropriate resources. The investors rarely say anything. It is a matter that we can manage internally. At one time we hadn’t sent the investors the report for 3-4 months, but they didn’t say anything.

Anything else would you like to share?

In fact, we should see investors as individuals. They have different characteristics or styles. So, when we go to talk to investors, we will screen them from industry and behaviour. We look at the industry to see whether their expertise is related to what we are going to do or not? Whether they understand or not? Who is in their network? We also screen their behavior. Are they passive or active? Passive means they are willing to help us when asked. Active means they will meddle with our operations. Actually, it depends on what kind of entrepreneurs you are. I am an active person, so I don’t need active investors. It will mess everything up. We need passive investors. We lead. You just give us supports. We’re ok with such practice. All of our investors are like that. Don’t run business for us. You, investors have your own things to do. We are just an extra part of their investments. After that, it will be about whether we click or not. We can see when we hang out or have dinner. Let investors be more like friends, senior friend.

How could you know their behaviors?

We don't need quick cash. Our first round (angel round) took half a year. We know each other at least for six months before closing the deal. We met, talked, have dinner and hang out every month. We ask them for suggestions. We learn from each other. No one no whether we will fail, specially seed round. We talk to them. They will know what positions or stages we are in. This helps them feel more comfortable to invest in our company.

Appendix VI: A translated transcript of the interview with a financier

Interview ID: CVC2

Informant: Investment Manager

Location: On-site

Date: 27/06/2019

Time: 10.00 am (ICT)

Total time: 1 h 2 mins

Can you please me about your background information, such as your role responsibilities?

I'm now an investment manager at […]. Actually, […] is structured like a [investment] fund. Within the Thai legal framework, if banks or financial institutions want to invest in [new ventures], [they] have to set up a new fund separated from the bank like another company [in terms of a legal entity]. With this structure, [this fund] is a subsidiary of […]. I am working with this subsidiary as an investment manager. The overall function is [that I] have to take care of the money to be invested, how to manage, where to put it to get profit or return, based on the company direction. The structure [of our team], in fact, I don't know how to explain it. That is, it will differ from company to company. [However] if talking about the nature of this company only, it's quite special in that we don't just make investments. As a subsidiary of the bank, we want to bring in technology to the bank. So, the method is not just about investing money but encouraging startups to work with the bank. Therefore, the money [provided by the bank] may not be only just for investment but also for organizing other activities such as accelerator programs. The programs will incubate startups at the early stage or [those who already] launched products to get them to get to know the bank's business unit so that we can see their potential to work with the bank's business units. Here it means that, for example, the whole bank group will be divided into different departments such as payment, lending, auto loan, security, or asset management etc. We'll look at each startup. Which one has what is outstanding? How [these startups] can complement the bank? By working together, we can make startups grow from our infrastructure, our customer base, our network. This is what we add to them. While they will bring new technology or innovation to add to the bank. Because the bank is a big organization [incumbent], it is slow and relies on traditional work forms. It may be not easy to be able to quickly flip [business] models. So, we work closely with startups [by] letting them be like [our] experimental fields, and if it really works, we will be more closely [work] as a partner. Finally, if we see their potential to grow, we will give them money [by] investing in them. Investing here, as in general, is exchanged for the company's shares. So what I have to do is to look for [potential startups]. [It] begins with building a network so that [I] could know [the startup] ecosystem in Thailand as well as in the [South East Asia] region. We need to know about this region because the Thai ecosystem is quite small. Some technologies [in Thailand] are not there yet or not advanced enough. Sometimes, we need to look for [the technology] in developed countries like in Europe or the US because we can see successful cases or use cases that we can bring back to apply in Thailand. Once we saw what happened, built networks and got to know persons, next, startups will be shortlisted and analyzed in detail to see whether it is appropriate to invest or not, which is the process of doing DD [due diligence]. The method is to meet the company, talk to the management team, interview the team leads, and understand the company's work style and culture. We see it as the key to the company whether it will go well or not. One thing is the people [behind it] that is the core that will drive the company forward. After that, we'll also be discussing the company's strategy, how they have visions, and how they want to grow in the future, not just in the present. In addition to that, we will look at the various model structures. That's all about due diligence and will be summarized in a report, then presented to boards [committee]. This is a rough idea of how we work, but there will actually be another side: the backend. That is, after we invest, we have to try to add value to our [portfolio] companies because we also hope that the company will grow. This will also make it easier for them to work with us and we'll have a good return. So, to do it for them, we have to promote them like this. The method is that [if] we'd like to know what [values] to add, we have to keep track of their performance after the investment has been made by looking closely every month or quarter and see if there's anything we can do to help, or what expertise the business unit has to feed and help them. It is like being in the same family after investing. This is the whole process. Both looking for investments, investments, eventually will help them continuously. Until finally, it will be an exit, which is secondary to that investment. But right now, we haven't exited yet because the Bank of Thailand framework allows us to invest up to 10 years for each one we invest. Let's say starting from today; we can hold shares in this company for ten years. Another thing is that we'd like to stay with them for a long time, like building a long term partnership [so that] we can work together closely as well. If we only hope for profit by pushing them through IPO to exit [a deal], it's probably not a strategy that we will invest. Our mandate is that this company has set up is to make strategic investments, not just hoping for financial returns.

Please explain a little more about the so-called strategic investment. What does it mean?

Each person [fund] may have different views. But for […], we see that it must be an investment that has synergy between ourselves, the investment side, the [whole] bank group, and the startups. There must be a win-win [situation] for both sides. For example, if there is something co-developed by startups, from their technologies, and the bank customer base or what we have with the bank, we develop together first. After that, they may present to other customers or other banks because we want them to grow. Thus, we won't' ask for an exclusive [of using products] limited to us. This is the synergy that we want to happen, like working to develop something together.

Of course, there will be synergy, but what are you looking at in terms of investment objectives?

Along the way, we'd like to have projects that make the bank work more efficiently. Actually, the objective is if the bank has a product or something that better meets the customer's needs, we will grow up too and grow up simultaneously. Another point is the matter of financial return that we have to talk about anyway. Well, we're investing, but we may not focus very much. When we consider investing, we do not look for the highest % (return). It's not like if a deal show [a sign of] good returns, we'll rush to invest. It's not like that. However, it must be justified [justifiable]. If they [startups] give us a valuation and we see it sound okay, it makes sense, and then there are some returns, we'll invest. We think that we must be able to exit the investment at the end, that is, that we can push into the Thai IPO market whether it's MAI or SET. Either M&A by a tech company or a big player, whether it's [in] Thai or from aboard. If they want to acquire them, we'll try to push it if it's the right timing.

Does this mean you will focus on potential synergy with the bank first?

Yes

So let me ask you a brief question about the background of the fund. And when was it set up?

It was established in 2017.

Why does the bank have to set up a unit like this?

Well. For [corporate] venture capital investing, it has recently been adopted in Thailand. The first wave [of adopting this practice] was telco such as […] and […] that set up funds if you could trace back 5-6 years ago. After that, 2-3 years ago, it's the beginning of the second wave when the group of banks started to wake up and set up venture capital funds. [It's] at the same time when BOT[12] introduced a new regulation for banks. If a bank wants to do this kind of investment, they have to set up a new venture capital fund under a subsidiary company that is the bank owns 100% of the shares. So, the money in these funds was supplied by banks, unlike regular venture capital raising funds that come from LPs or various partners. That's time we're all alert, so we're all set up funds at the same time. Each bank would come up with a fund size that wouldn't be like any other [VC] funds that have already specified their fund size. These [VC] funds will try to raise money to meet their target within one year and then start investing. The difference here is that, with CVC [set up by banks], each bank [fund] may first start with a certain amount of money and invest within the first two years. Later, the CVC can request additional funding. Since the structure is a bank's subsidiary, [if] we have a new investment target that or the strategy has changed, we can raise more money from the bank itself. Therefore, it is not a fund with a limited size and has to invest within 1-2 years. Not like that. Ours is a long term investment and will exit after ten years [and will continue to invest]. It is different from general funds [traditional VC funds] that have a limited life cycle of 10 years. Therefore, they will invest within the first four years and then try to exit [deals]. Our fund is much more like a company. Since 2017, we have invested for two years in 5 companies, almost all of them in Thailand. There is one foreign [company] based in Singapore. Our direction is that we want to support Thai startups, so we are trying to look in Thailand first with technology that can help the bank. Thus, it's going to be quite diverse, not fintech alone. For example, the first one may be fintech. […] have a Robo advisor for investment funds. The second one, […], is still fintech. It provides a payment gateway. The third one may be a little different. It is […] in real estate [sector] and dealing with big data. It can be linked to the bank in that the bank offers mortgage and want to know where the customers are and how to target them. Therefore, […], a platform with big data, can provide insightful information to the bank. Then, the bank will know how to

[12] Bank of Thailand (BOT) is the central bank of Thailand

mortgage. […] sends the bank leads. Now that the 4th one is foreign [based], […]. […] has expertise in managing data. We think […] is very interesting because […] utilizes AI technology to handle data. The bank has tons of data from different business units. It may be the data from payment groups, lending groups, and etc. However, it's hard [for the bank] to connect [all data] to best know the customer's identity. So how can the bank do that? […] helps get all the data together and build a relationship graph. [It] is called a knowledge graph to show what an individual [customer] actually does and the relationship he/she has. So, this information here is valuable. The bank will gain more insights and [can] provide financial products that better suit each customer's needs. And the last one is Thai-based, […]. […] provides CRM [software] to manage customers for SMEs or retails such as restaurants, coffee shops, etc. They [enterprises/retails] have to manage their stores/shops to see what and how much they sold. Besides, they also want to keep their clients' memberships to get to know their customers better and offer something better or give the customers good promotions. In fact, the […] system is like a POS, but it also keeps CRM. Well, we're looking at that we can work with […] because the bank has retail or SME customers. So, the bank can bundle […] products with other financial products. For instance, to manage customers, stores/shops will need payment [system]. [The bank] can also provide lending to those stores/shops through POS. Therefore, we think […] has the product bundled with the bank's products.

How big is your [investment] ticket size?

Actually, the ticket size that we are looking at is around $1-$2 m per deal. However, as we mainly focus on synergy, we will look at each [prospective] deal about the potential synergy. If it's very important or promising to [the bank], we may increase the ticket size. So, we are not limited to [$1-$2 m]. It's not a hard cap that it's restricted to only $1-$2 m. If it goes beyond this frame, it's still fine.

What's about your previous deals? How big were they? Max/min/average

Yes, it's around what I previously said.

When you got a deal flow and all DD were done, who is the person finalizing the deal?

Usually, there'll be the investment committee. We have this [committee]. Its members are the board of this company. This company's five boards are internal from the bank [the parent orginastion], such as chief of finance, chief of strategy, etc. The bank sends them to sit on boards in this company. Thus, these five boards have final consideration for all deals. Investment managers will be responsible for bringing to the board about deals we're interested in and justify why these deals are matter with the reasons 1/2/3/4… If the panels are okay [with these deals] and [have] no questions, they will give [us] the green light [for investment]. It's this board that is responsible for [investment] approval.

It means that you have to get approval from the representative of the person who owns the money, right? (Compared to normal VCs that fund managers can decide.)

Yes

Do they usually approve based on your suggestions? Do they have their own agendas?

Well, um, it's as appropriate since people might look differently. Boards may suggest, you know, maybe this one's not necessary. Can we do it ourselves? Therefore, it also depends on the board. The selected boards have experience and expertise. They might not be technology experts, but they're quite open and ready to adopt innovation. They'll help look from the angle of the bank. [There'll be suggestions like] whether the startups will really help if working with the bank, or, uh, is there anything we should find out more about? Maybe we may need to discuss 2-3 rounds [before getting approval].

Is there any case of a deal that doesn't happen?

Yes

Is it because the committee does not approve?

Yes

Why?

Of course, there are because each person [fund] gives different values. [We need to see] whether they fit us. A startup may be good for another company, another corporate, but maybe not with us. There is nothing wrong with that. It's just directions that are different.

Is this what happened? Are you referring to the panel opinion?

Yes, but most of the time, when [we] bring [prospective deals] to the board, we must be pretty confident that these deals are really good. Otherwise, we [the CVC team] will lose credibility.

What's about people joining […] team? How do you recruit them? Are they from the bank or newly recruited? What are their backgrounds?

We have both. Myself is an outsider. For newly recruited members, they need to have relevant experiences such as investing. I also had this experience with another bank that has a similar fund. However, that fund positions itself like private equity funds and mainly targets SMEs [rather than early-stage ventures]. […] now trying to recruit those having similar experiences to join the team. Mainly in the investment team, we'll look for those having expertise in finance to deal with numbers and [financial] models. [It] may be people previously working as IB because the working principle is similar. These are the criteria for recruiting. For the business side, there is another team member previously working with the bank. As he came from the bank, he is the person who looks after the business aspect he knows well about the bank and its product, including [the bank] plain point etc. He will add [to the team on parent corporate aspect].

I just wonder it may be quite straightforward when IBs do IPOs deal because companies issuing IPOs usually have track records. What's about investing in startups? How do you check these companies?

Yes. The track record of [startups] can be traced back [only] a year or half a year. In addition, their numbers or track records, even though they have been run for five years, may not look good or still be negative. In fact, almost all startups are like this. What we can do is that there are many methods for doing [a startup] valuation. Thus, we have to compare among multiple methods. Let's say DCF is a must. As we are a bank, we have to assess their cash flow etc. However, the numbers [calculated] may not look good. We have to look at their assumptions thoroughly on how they perceive their business at present and in the future. What kind of product will come out, what kind of target, what kind of customer, how much is the market size? We will go to validate to assess if it's true or not. I mean, we have to break down everything [assumptions] into specific categories to see if, yeah, it's really possible. In addition to DCF, we will make multiple comparisons. That is, we will look at both the case abroad and in the country. If abroad, we will find similar tech[nology] in the same category or industry that it is very close to [potential startups]. And then we'll see how many multiples it is when compared to revenue or etc., including whether the valuation is appropriate or not? The other way is to compare with Thai [based starups]. However, in Thailand, there may not be another company doing exactly the same. Therefore, we will focus mainly on product-based tech[nology] companies to roughly compare as multiples.

Let me get back to questions about the pre-investment process. How do you start the deal flow? Which channel does it come in? Is it an active source or a referral, or what?

Of course, it's mixed. We got deals from all channels. The first channel is, as I previously said. We have an accelerator that is actually for creating a network. So, here it is like recruiting startups to meet us. This is a channel that feeds [prospective deals from the very beginning] to the investment. It's like [starting] from accelerators, to work together and to eventually invest. This is part of deal sourcing. Another channel is from our management or even our CVCs team that build networks to get to know other funds and get a chance to learn deals. The other is investing in other funds. Not only do we make direct investments, but we also have a fund of fund investment. For instance, there is a fund, […] in Japan. This fund mainly targets AI and Blockchain. We're quite interested in these technologies. However, in Thailand, since these technologies are not advance enough [to invest], we need to look further at other places. However, it'll be hard to track [monitor] the investment as [those startups are] primarily located in Japan, the US, or Europe. So, we instead invest in other funds. These funds will manage. It's similar to generating deal flow [for us] because these funds must give us updates. As their investors, the funds need to update [about prospective deals]. Which one did they meet? What is in their pipeline? Which one is promising? Which one will they eventually invest in? And, we will see from these [activities] like a deal flow for interesting technologies or for potential startups to work with us. This is how we get a deal flow roughly.

What's kind of deals grabs your attention? If a company approaches you, what will you use to justify I want to invest in this company?

First of all, we think that it must be an interesting technology or it can disrupt the bank. Something like this, or the bank doesn't have it yet. If the bank has it, it will be very good. Or it is indispensable. [If startups meet these criteria], we will get to know them and then consider whether it is appropriate to invest or not. Roughly, we set themes for investment based on the stages of startups. We will invest in series A and above. It means that they [startups] must already have a product and a customer base. They have to generate some revenue stream;

otherwise, we can't invest. We can't bear the risk [at the high level as new ventures usually have]. As we are a bank, we have to search for a company that has much more than an idea. Its product must be launched, including having users. If it grows like this, it must be capable enough to work with the bank. If it is at the seed stage, there may not have enough team. If we want to codevelop something, the startup may not have enough resources or time to do that.

As you previously said, when doing DD, you need to interview TMT or team leaders. What do you look for from them?

Well, first, [we] look for whether their experiences are in line with what they are doing. If not, can [the experiences they have] complement it? Second is the matter of capability; whether they are able to be leaders and suitable for the products they are working on. And another thing is to look at the culture to see what kind of style they have. So what's it like when working with a team? How do they drive their team? We also look at their commitment [to their venture]. You're a startup. You can't simply do it like a part-time job. You have to give it you're all. It must look like this is their main job so that we can be confident in the person who will drive the team. And it's also about passion. Whatever you do, you must have passion. Otherwise, if you do it like a typical office job, we don't know how long you'll be with it.

What does it mean by commitment? Are you looking at whether they do this for the full time like leaving other opportunities for doing this?

Yes, by doing this full time and knowing everything [about the venture]. [Entrepreneurs who are] CEOs or heads of the team need to know everything by their hearts and answer every question. They should not [wait to] check or ask other team members

Can you please share your experience on what entrepreneurs expect from you and what you expect from the entrepreneurs? How is it actually?

The first thing is that when they need an investor, they need capital for product development or whatever which is really important for them. They may find it from anyone, but why do they need us? They have to have to look for the strengths of specific investors to really complement their ventures. At least, the investors need to have the same view or vision so that they can fit the venture and entrepreneurs to work well together. Even though the investors are not management team, they still have a board seat or some rights to approve [or veto] about the venture direction. We don't want to disrupt or cause trouble to them. Therefore, it's really important that we [both] have the same directions. In addition, entrepreneurs expect other supports. Apart from money, it might be assets from the bank, such as infrastructure, data, customer base, or network, that can feed the startups. [We] facilitate these things so that the startups can grow. Most startups expect these supports continuously. We try to work closely with start-ups we invest in and always update [their performance] monthly. It's quite often. Some [investors] may set a quarterly update. We think we need to update very often, monthly. In the first case, updating performance helps us know what is not enough or what we can support. We will ask whether they need our support. If they want, we will be ready to help. We have resources, experts from various business units who can give [ventures/entrepreneurs] advice, and other connections that we can [provide] refer[al].

Referring to the performance update, what do you want them to update?

[They have to] update numbers or figures

What do you measure from them?

Actually, every company has to set up KPIs. [They need to have] a plan for each year. They need to track what they plan, like monitoring budget and actual use and see how much it is different, why it happens, why it does not look like what they have planned. All these we keep tracking are KPIs. Their performance are, for example, let's say tractions. Any company or business will have indicators to measure [its performance] such as the number of customers or the transaction size. The indicators are revenues from products or expenses, especially salary, the largest, including marketing to get acquaintances through Google or Facebook. [We] can monitor whether [statups] spend too much money or whether [the spending] actually drive revenues by looking at these trends.

What's about KPIs or performance in terms of synergy? How do you measure it?

That'll be measured by projects we've done together. We'll have to refer [startups in portfolio] to the relevant business units. Suppose they're interested in doing a project together. In that case, we'll help them get to know each other and later follow up on how well they're going. It may be a proof of concept project to see whether it is okay. Or it may be an actual project. In this case, the bank is the customer of the startups by paying them for the project to assess whether it works or it's good enough because the project is not a usual product of the startups. Otherwise, they will be like regular vendors, but, in this case, we're trying to codevelop something together, such as testing a new product. If the bank uses the product, will it helps either work more efficiently or reduce costs or time? If the product is proved to work well, we may expand the scale. There'll be this sort of project done in parallel to prior investment or after investment.

Does this mean you'd like the startups to continue their own work? At the same time, if it's possible, you'll see what they can add to the bank, right?

Yes

This means it's you that try to facilitate both parties, right?

Yes

The other way is that we'll talk business units and may get 20-30 ideas. We may discuss pain points in their working process or from providing products/services to customers. Is there anything challenged or lacking? We'll draw technology from [potential startups] and introduce these startups to the business units.

From what you previously said, is this what you're done before investing? Does it mean you need to know at least they can potentially do something for you?

Yes, otherwise, we won't invest because we expect synergy. It differs from traditional VC funds. When it comes to CVC funds, it [the investment] need to support the corporate. Typical

VCs don't consider this but will add value through their network [instead of synergy] or etc. They'll be hoping for a financial return because they have to return profits to the LPs whom they raise money from.

That's you'll bring startups to talk to business units first, right?

Yes, we'll arrange a meeting for them to know each other first. After roughly working together, we'll look for feedback on whether business units like these startups or can work well together. Good feedback will strengthen investment likelihood.

How long does it take for closing a deal?

The duration is about two months.

I mean, the length of time from the very beginning that you know a startup to close the deal.

Oh, maybe that's hard to tell. For some companies, we've known them since two years ago. We keep tracking by getting in touch like 'hello how are you?' or occasionally meeting in events. Two years later, [those companies] may scale up or pivot [their business model]. And if they want to raise funds, we'll discuss. Sometimes, we've known [these companies] for a long time.

However, suppose a deal grabs our interest, and the company approaches us. In that case, it will take around 2-3 months for due diligence. After that, we'll present [the deal] to the [investment] board that will take approximately two months as we have to wait for the board meeting cycle. It may also take more than one discussion with the [investment] board for some deals. In addition, while waiting for the board meeting, we must draft a contract and engage legal advisors in this process, which will take months. Thus, it'll take a pretty long time, up to 4/5/6 months or more, to close a deal.

Do you do due diligence yourself or hire someone else to do it?

Mainly, for commercial due diligence about the [prosective] company, we do it in-house. For financial dd, we also do it in-house. However, for legal due diligence, such as company registration or structure, it is pretty technical, we'll hire external advisors.

Every deal, right?

Yes, at least for now. If we get large or complex deals in the future, like a company with a complicated structure, we may outsource financial due diligence.

When doing due diligence, do you require startups to send all documents you need?

Yes, we'll discuss, sign NDA, set up a data room, and then supply information, documents, and paper works. It's followed by a back and forth Q&A.

Is there any chance that the startups do not respond to your request?

There may be some confidential information. They might have to mask [that information]. So, we try to gather information as much as they can supply.

What effect does this have on a deal? (intending to ask if it will send you a chance to close the deal successfully).

No, we have to understand that it's their business/trade secret.

How do you choose to lead or not to lead a deal when making an investment?

Mostly, we are lead [investors]. If you are a lead investor, you'll be able to control the terms of investment, including rights. As we aim at strategic investment, we expect to create some values [from the investment]. We need to have some rights in the venture so that we can first access technology or etc. To do this, we have to hold quite % in the venture. It's may not be a really high stake, around 10%. We also require board seats, making us a lead investor in every deal [at the moment]. However, if it's a very large deal or there are others [investors] suitable for leading that deal, it's okay. We'll follow [the lead investor] and invest with a small ticket size.

Just wonder about practices of VCs investing that usually co-invest. If you want to lead the deal, why don't it just you investing in that deal? What is the rationale behind this?

It is partly because for an investment round, [a focal venture] may need to raise money around, let's say, $10 m, and we don't want to take risks alone. You know, a fund may have $50 m in total. It wouldn't be okay if 1/5 of the money was spent on just only a company. We need to diversify risks. So, we'll invest in a ticket of $1-$2 m. [When raising funds], most startups will specify what they're going to develop and how much money they will need. Mostly, the capital these startups require may exceed an investor capacity. That's why there are many investors in the same funding round. At the same time, the startups may need diverse investors to add value differently.

However, there is another point that the more people, the more mess it's hard to manage. Some may demand x. The others may demand y. It'll require really good management. We'll try to…when investing in late-stage [ventures], we won't prefer many angel [investors]. We try to clear them out, remaining only a few established investors.

As you previously said about synergy, do you have to play the mentor/coaching role as most VCs do when you work with entrepreneurs? I mean mostly, you invest in ventures that have already emerged or are at the growth stage. These ventures may function or run properly. How is your role?

Yes, actually, they can run the business themselves at a certain level. However, in each stage of a venture, there might be something to be added. When a venture has to transform to another stage, it may need additional supports. For example, its current status may be stable, but to reach the next level, it needs to expand to a market abroad. This is where we can add to them as we have networks. Our bank is a subsidiary of […]. Therefore, we have networks and partners in other regions. We can add these networks to portfolios companies. As I said, there are differing demands from ventures in different stages. At the seed stage, a need from a mentor is usually about how to raise a fund with investors, pitch and structure business models. These are all done [for ventures we invested in]. They all know this. To reach the next stage, they need other supports.

Would you please give a real example of how you helped your portfolio companies?

Okay, well, there is one case similar to what I've told you. [This venture] is going to raise funds in a bigger round which will involve bigger [foreign] funds operated in the whole region [SEA]. When it comes to the foreign fund, it'll focus on what you'll get from an investment. Thus, [a focal venture] must be scalable, not just operate in the Thai market only. It doesn't mean the Thai market is small, but a startup needs to expand [its operation] at some points. A key of a startup is to be able to scale. Those funds will focus on how you will expand the product or how to expand to other markets. This is where we support the startup. We help figure out about product varieties and expanding to and market trial in foreign markets. To do a market trial, how will it do that? It requires our network. We suggest [the startup] connect with banks under the same conglomerate as they have similar kinds of customers. Sometimes, to operate abroad, it needs partners to ease running the business. We can [give] refer[al] to partners in that location.

Do you help them in technical aspects, such as helping develop the core technology?

There're parts we can supports. It may not be on the technology side because banks aren't experts on that, which is why we welcome these startups. However, we can help startups understand customers because we've been working with the customers for a long time. We know that we can't serve [customers] or what pain points are from the customer side. So, we'll let startups know what still missing here and try to tackle it. It's about giving startups [customer] insights

What's about valuation? Usually, the startups have to propose. Do you agree with that price?

In general, startups will propose their valuations with some figures or within a range. We'll look back based on their current status and proposed plan to assess whether they will reach the valuations with the money they need. It's like financial modelling to validate [whether the proposed valuations] are appropriate.

How do they usually come up with the valuation? Overprice?

Yes, [It's] mostly overrated for later bargaining. After we work on our own [about the price], we have to negotiate with them and tell them that they should lower the price as per their plan [it may not reach the proposed valuation]. Or we may negotiate by offering what we can add to them. There will be bargaining. In general, [it will be agreed by] the valuation a litter lower [than an initial proposal]. It won't be far from the range that startups expect, as we don't want to weaken the relationship. It is what they aim for, and if we trust in them, we have to believe that they can make it.

Is there any case you pay a premium price?

Yes, sometimes.

Why that is the case?

Because we look to the distant future that it'll really have rocket-fuelled growth, and we trust in it.

What do you mean by trust? Because in a company, there're people, technology, and the company itself.

As I said, the main thing is the team, whether it's strong enough. Sometimes, startups need to adjust the [business] model or whatever [to circumstances]. We can't just only stick to the [business] model we like. We are confident in persons [behind team]. If they're qualified, they'll be able to drive [team/business], which is okay [for changes yet to come].

What'll tell you that these people are qualified?

Well, [it's] based on what we meet, interviews [entrepreneurs] during these two months [of the due diligence]. We will get a sense of how they work, much or less responsibility, and whether they alert and try to communicate well with us. Also, sometimes we'll survey their clients. We'll ask the clients we'd like to do a survey, ask for feedback or ask about the potential if there is a product like this in the future. Would you be okay?

How much [entrepreneurs] backgrounds do affect?

It's quite a lot. We actually do not expect that [entrepreneurs] should have exact backgrounds. But [we] consider their experience in running a business. Especially if they used to run previous start-ups, even if they failed, it still is fine. They have tried and have a learning curve. This is much more important.

How much effect does educational background have? Like from prestigious universities.

Well, (it seems to be thinking) it has little effect. We value working experiences.

I asked because some VCs said they'd give premium if [founders] went to MIT, Harvard, etc.

Laughing (unanswered)

When working together, if startups do not meet your expectations, will it affect your relationship?

There are some [effects]. I mean, almost every startup doesn't hit its target. It usually sets an ambitious target but finally turns out to a certain level. But, understandably, we know that sometimes it depends on the market situation. It's not going to be like we're looking at them differently. We'll focus more on what we can do to help.

Would you please share your opinion on the financing landscape and supporting new ventures in Thailand?

[The landscape] in Thailand differs a lot from other countries. We can see many VC funds in other countries [US/Europe] and are ready to invest, but things are quite different here. In Thailand, if you look at VCs that support early stage, there may be only […] or […], not a lot. Most funds here are CVC funds. [It's because] corporates are alert and turning to investment with the hope to bring in [new] technology to their company. That said, it's telco [who move first], followed by banks. However, in the past 1-2 years, [there're] new players from typical corporates. They're [energy sectors], [heavy industry conglomerate], [food and beverage], or even [properties developers], turning to this trend. As it happens, [it's quite hard] for startups to get financial supports. We don't have to talk about traditional lending. Forget about it. These startups don't have track records and collateral to apply for lending. When it comes to equity finance, it'll be VCs. However, there's few VCs here. Most of them are CVCs. In addition, a deal with CVCs is quite tough. They don't invest frequently and randomly, unlike early-stage VCs investing in 50 companies. [Among 50], 40 may fail, but ten are profitable enough to cover all costs. For us [CVCs], it's hard to do that. If a company fail, the board won't be okay. Therefore, we have to make sure that they're worth [investing]. At least, [they] must reach break-even. That's all about the landscape, mostly will be investments by CVCs. However, a strength of CVC investing is it can help startups grow to a level, you know, [in terms of] size... it grows quickly. Because when the startups get funding from CVCs, of course, there're jobs or projects with [corporates]. So, they'll get a good deal of money from those jobs. It's unlike we're investing and will use their products/services with free of charge. We'll be their customers and pay them to run the projects.

What advice do you have for entrepreneurs looking for external sources of finance? I mean, as investors, you've seen many entrepreneurs/startups. How good/ bad are they? What's needed to improve?

Well, if you look at Thailand right now, it's a thin market. Some people come with ideas and want to do it, but they don't actually do it. You know, they need money first; otherwise, they won't do it. I think they should at least test or survey [their ideas] beforehand to see if it's going to work. It should look possible [based on testing or surveying the ideas]. They have to try something first. Actually, before raising the fund with us, they might seek supports from angels [invetors] or relatives to try it out. Also, when entrepreneurs ask for money, they have to pitch, right? Our consideration is about the market data. How big is the size? Are there any opportunities to grow? We're quite interested in What market do you play in? What kind of business do you focus on? Your products/services are for b2b or b2c. If [they're] b2c, it's really difficult because you have to find retail [customers]. There is a cost of acquiring the customers. If [they're] b2c, you'll get the sheer volume. Also, you should be prepared, especially information on the market, how much room it has. Is it suitable to get into? And you have to really understand the competitive landscape. Are there players in the market? How well they perform or what they lack. You have to highlight how you're different or what strength you have. You can't just simply say what you want to do. What you want to do may exist out there. Some don't really know what they're doing for or different. [They] just want to do it.

So, the ventures that come to you are going answer all of this? All you invested in also pass all this?

For [ventures we] invested, we had them find out all this [before investing] to prove what you're doing, why are you doing this? It needs to be something that's a must or can't live without it. If it's just simply for making life more comfortable, it won't be sustainable [financially].

Any advice on how to support early-stage investment? As a player, are there any issues from the current conditions that make your investment go well as expected?

Some regulations might affect, but in fact, it depends on the industry that startups are in. Some may require licenses which is not easy for small startups to get these licenses. It needs money and time to obtain the licenses in order [for startups] to run legitimately. This partly affects, but it depends on the industry as well.

Do you have any final thoughts to share?

I don’t think so. Actually, at present, everyone is quite active. However, it has to come from both sides, startups and investors, whether what they want is matched. As previously said, in Thailand, most of the investors are CVCs. So they want something to add to their business.