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The Key Elements of Investors' Presentation

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The key elements of Investors' presentation.

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The Key Elements of Investors' Presentation

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Many start-ups, rapidly grow into large successful companies with annual revenue in the billion dollars range and up sequel to funds raised from an Investor to grow the business. Yet, many others have encountered problems on the way to success or unable to attract investment to grow their business. The purpose of this study was to understand the fundamental elements of seeking funds from an investor for new ventures.

The study was conducted using qualitative methods. Empirical data was used including semi-structured interviews with a successful entrepreneur, business elite and investors to understand the decision-making criteria of an investor and to understand the challenges, and mistakes facing an entrepreneur.

The findings of the study explain that business angels and venture capitalists invest in an entrepreneur to seek investment in the new enterprise. Firstly, an entrepreneur must understand why he is seeking funds and the right source of finance; secondly, he/she must understand the market strategy, building a strong team that know how to be responsible in their individual roles, thirdly, to understand how investors evaluate their business.

Keywords: Entrepreneur, investor, equity, fund, nascent firm, enterprise, market, start-up.

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1 Introduction

1.1 Background of the thesis

The global economic crisis, between 2007 and 2009, placed an enormous economic burden on nations and companies. Large corporations, as well as small firms were faced with a financial crisis that made many businesses to shut down. During the international financial crisis, there were massive layoffs of workforces, order cancellations, prices of stocks in capital market collapsed, and many companies went bankrupt. This period of economic crisis and high unemployment rate had pushed individuals towards creating a new venture because of lack of other opportunities (Dawson & Henley, 2012).

In Finland, the fall of Nokia has been one of the push factors of former Nokia's engineers and others to start their own business. It is a known fact that the fast-growing entrepreneurship and start-ups continued due to the falling of the world economy. According to Bygrave, Zackarakis, and Zacharakis (2010), not only did entrepreneurial businesses generated nearly half of U.S GDP but also have created about 64% jobs in the United States.

In today's globalised world, entrepreneurship and innovative activities have been a catalyst for economic growth. Countries have used new enterprises to impact various socio-economic aspects of a country (Naudé,2011). However, there is more positive impact and success story if there is a well-developed entrepreneurship ecosystem, whereby all relevant stakeholders are working in harmony.

The economic growth has been a major concern for an economist, governments, policy makers and other stakeholders. For these reasons, economic activities shifted from large businesses to small businesses large firms to small firms to boost the economy and create jobs. (Bygrave, Zackarakis, and Zacharakis, 2010b) Echo that 99.9% of US companies are small firms which he classified a small firm as a business entity with five hundred (500) or fewer employees.

In the last decade, the European economy growth has been largely depending on technology start-ups to boost the economy by building enterprise centres, innovation centres, incubators and accelerators' services with high hopes to achieve similar success witnessed with well-known start-ups like Google, Facebook, etc. Government and her agencies, Universities, communities and other stakeholders. Recently, working together to ensure that new business survives, grows and sustains. Despite all these supports, new business still suffered some major setbacks, such as the unavailability of funds due to the economic situation, inability to grow the business in a highly competitive business environment.

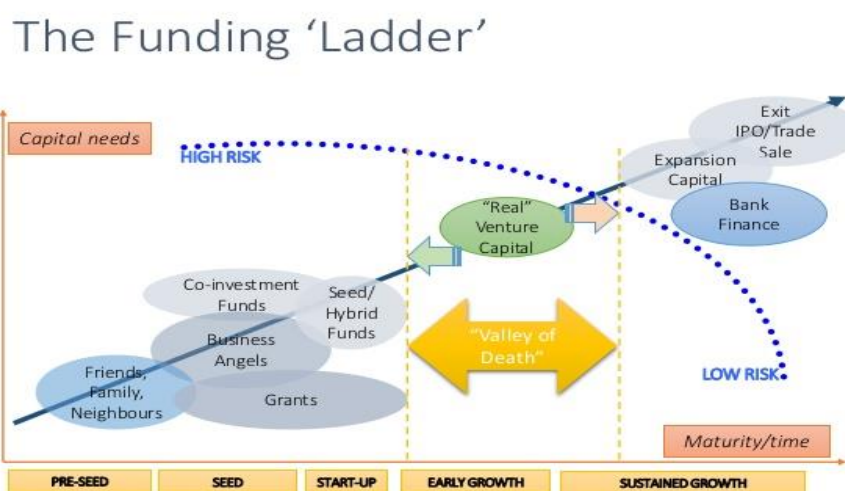
During the economic boom before 2008 crisis, the number of new firms created was varied from 400,000 to 450,000 each year in Spain, and there has been a sharp decrease of about 300,000 new businesses created after the 2008 crisis. Devece, Peris-Ortiz, and Rueda-Armengot (2016).

The period has made funds unavailable for new businesses. Investors classified the early stage of new ventures as high risk; therefore, Venture capitalist shy away from firms at this juncture. Murray and Marriott, (1998) they largely described early stage investments as ones that involve unproven technologies, unfinished products and services, as well as unverified market demand. Thus, the factual evidence may be lacking, with no credible track records or performances. The factual evidence about the new venture might be based on the subjective, none-verifiable claims made by the entrepreneur (Maxwell et al.,2011). Therefore, one of the greatest challenges a nascent entrepreneur faces is that of presenting their ventures in a favourable light and developing an engaging and compelling account-one which investors will willingly buy into.

An attempt to successfully manage investors' impressions are like to impose conflicting pressures on the nascent entrepreneur as they seek external funding. On the one hand, the entrepreneur knows that investors will consider the market growth potential, product quality, innovativeness, and expertise of the entrepreneurial team when making their investment decision.

Consequently, It is common to source for start-up funds from friends and family but it is evident that these types of funds are not enough to grow the business.

Figure 1: Risk finance ladder up the funding landscape



Sourced: Woods,2017

1.2 Theoretical Framework

This section will present the theoretical framework of this study based on the literature reviewed. The literature reviewed in sections 3.0 - 3.3 explain the main building block of the framework; entrepreneur, its characteristics and institutions aimed at the development of an entrepreneur. Sections 4.0 - 4.2 explain the different types of funds available for new enterprises. Section 5.0 - 5.2 explain how investors evaluate the right kind of business and key elements of start-up funding pitch and sections 6.0 - 6.2 present interview response of both business elite, private investor, and investment company representatives. Finally, the conclusion and suggestion for further study.

1.3 Research Objectives and Questions

The main purpose of this study is to understand the key element of an investors presentation. There have been many factors for the increased interest in creating a new venture, firstly, new businesses as been a catalyst for economic growth; secondly, there is a “push factor” whereby employees are laid-off indiscriminately because of innovative destructions in the industry or financial crisis. However, personal fund seems not to be enough to start or grow a business. Therefore, this study helps to understand what important for an entrepreneur when presenting the idea or business to an investor when seeking external fund.

Research Question 1: What are the entrepreneurial characteristics that attract an investor?

The first research question is the umbrella theme for the whole research, is necessary to answer the question before exploring further questions. By answering the first question, the research study aims to understand to what extent entrepreneurial characteristics contribute to the successful presentation of the enterprise to an investor. The answer to the question will be sought from both entrepreneur, institutions, and investors perspective.

Research Question 2: What are investors’ decision-making criteria?

The second research question looks at how investors decide which enterprise meet up the investment criteria. The research question aims to explore

The challenge faced by the researcher is that how do we know that the findings answer the research questions. It is hard to get the accurate answers, but an effort should be made to reduce the possibility of getting the answer wrong. Saunders, Lewis, and Thornhill, (2015) describe credibility as a means of reducing the possibility of getting the answers from research

questions wrong by paying attention to two emphases on research design: reliability and validity.

2 Research Methodology

In this chapter, firstly, the data and the methods used in this study will be presented. Secondly, the justification of the use of qualitative approach and semi-structured interviews in this study. The data analysis method will be discussed and finally, the quality and trustworthiness of the study.

The research methodology adopted in this study is qualitative. The qualitative research methods typically focus on the expression of meanings, discovering and understanding participants' perspectives or opinion using words instead of numbers (Saunders et al.,2009). It is described by Mills & Gay (2015) as a collection, analysis and interpretation of Qualitative data tends to be gathered from interviews, observations, and artefacts (Mills & Gay,2015). The aim of my study is to understand the fundamental elements for an entrepreneur seeking external funds from an Investors and not for the provision of numeric information using qualitative methods to interact extensively and intimately with the participants using the time-intensive data collection methods, interview, and observation.

The thesis employs a qualitative research approach. Empirical methods to explain what is critical for an entrepreneur seeking external seed or growth funds from an investor. Recent literature review and interview will be used. A semi-structured interview will be conducted to serial entrepreneur, business angels and venture capitalist to understand the research questions.

2.1 Data Collection

The Interview is a purposeful interaction between two or more persons (Mills and Gay,2015). The use of Interview provides reliability and validity of the data that cannot be accessible through observations, for instance, Interview can be used to inquire about the past events (Mills and Gay,2015). The findings do not reflect biasedness of the researcher. An interviewer can further probe the response of the participants to gain an in-depth understanding of the research questions and objectives. The opinions and perspectives of the participants can be freely expressed during an interview especially when the researcher promises anonymity (Saunders et al.,2009).

This thesis used semi-structured interviews to collect data using deductive approach Saunders, Lewis, and Thornhill, (2015). Deductive approach is formulating the research questions in

gathering the research data through existing theory (Saunders et al.,2009). It helps to build one's findings around the existing knowledge.

The data collection targeted to two different types of interviewees: Business elite, venture capitalist companies and serial entrepreneurs that have built successful companies by raising external funds from an investor. The reason for two different types of interviewees was to understand the fundamental elements of Investors presentation from the perspective of an entrepreneur and that of an investor. Five of the Interviewees were met face-to-face in an organised setting, three at investor's event and two through an online video call. To enhance the reliability of data, the interviewees were promised confidentiality and total anonymity by destroying the original tape once the study is published. Also, to ensure that interviewees freely share information that gives insight into to the research questions.

2.1.1 Interview Design

The Interview participants were carefully selected through referral. The data collection adopted elite interview, as explained by Gillham (2007) is an interview that involves talking to the people that are knowledgeable area of research. This means talking to people that have years of experience and understanding related to the research topic. The interview request was made via email. The participants in this study were interviewed face-to-face and through the online platform. Most the interviews were face-to-face and except one that the distance made us to result to use the online platform. There was a pre-arranged place, time of the interview, time and date with the interviewees as most of them run on strict schedule. To avoid sample bias, moderate interview time was proposed to gain a positive response from potential interview participants. A comfortable interview location was pre-arranged to avoid unnecessary disturbance.

The interview questions were formulated based on the relevant themes identified from literature (Gillham, 2007) and brief discussions with serial entrepreneur and investors during SLUSH event. (See Appendix 2) The literature reviewed helped the researcher to understand what themes is important to formulate interview questions aimed to answer the research questions. The themes were sent to the interviewees beforehand to help them prepare for the interview (Saunders et al.,2009). It is important, however, to note that the interview questions were not necessarily asked in the order it was listed (see Appendix). The researcher uses probe to follow up on the initial responses of the participants to obtain greater details of the themes.

2.1.2 Profile of the interview participants

Table 1: **Elite Interviewees & Serial entrepreneurs**

COMPANY	DATE	INTERVIEW LENGTH	JOB TITLE	SEX	CODE	Face-to-face or Video Chat
Serial Entrepreneur	10 th of October,2016	1hr 20 mins	Chief Executive Officer (CEO)	Male	Ent1	Face-to-face
Accelerator program	12 th of September,2016	1hr 30mins	Chief Executive Officer	Male	Ent2	Face-to-face
Entrepreneur	7 th of November,2016	1hr	Chief Executive Officer & Co-Founder	Male	Ent3	Face-to-face
Serial Entrepreneur	19 th of October, 2016	1hr	Co-founder (Entrepreneur)	Male	Ent4	Skype
Accelerator program	26 th of September, 2016	1hr	Chief Operating Officer	Male	Ent5	Face to face

Table 2: **Private investor and Investment company representatives**

Company	Date	Interview length	Position /Job title	Sex	Code
Capital Advisors	7 th of November,2016	60 mins	Investor	Male	Investor 1

Venture Capital Fund	4 th of November, 2016	1hr 30minutes	Company representative	Male	Investor 2
Private investor	5 th of October 2016	55 minutes	Private Investor	Male	Investor 3
Private investor	22 nd of November, 2016	60 minutes	Investor/Serial entrepreneur	Male	Investor 4
Venture Capital	28 th of October, 2016	60 minutes	Business angel	Male	Investor 5

2.2 Data Analysis

This sub-section describes in more detail how the interviews were gathered and how the data collected from them was analysed. The data analysis will be approach with deductive perspective. Data analysis is to clarify the data collected. Since qualitative research method depends on meanings and not numbers, it is likely to be more varied, elastic and complex than quantitative data (Saunders, Lewis, and Thornhill, 2015).

Saunders, Lewis and Thornhill, (2015) emphasised that, in qualitative research interviews, the interview should often be recorded and subsequently transcribed. All the interviewees were recorded, and the recordings were transcribed verbatim as a word-processed account. The researcher was fully focused on what the interviewees were explaining because the interviews were being audio recorded. The recording helped the researcher's focus to easily identify other non-verbal communication which helps the researcher to ask further questions based on how the interviewee answered the question. The recorded interviews were transcribed within 24 hours after the interview to avoid error.

There is no standardise method to analyse a qualitative data, but it is likely to be characterised by their richness and fullness based on the opportunity to explore the subject. The researcher ensured that all the best practices of collecting and analysing data were religiously followed.

2.3 Research Focus and Limitations

This section presents the limitation of this study. The data from this study consisted of ten interviews of both serial entrepreneur, elite and investors or investment company representative across business sectors; perhaps the data would have more in-depth insight if the study is industry/sector specific. It was learnt that investors are industry bias; they prefer to invest or give funds to the businesses where they have gotten enough experience to grow their investment.

2.4 Reliability and validity

“Reliability is the degree to which study data consistently measure whatever they measure” (Mills and Gay, 2015). This means that if the same study were to be conducted with the same techniques and the researcher’s findings were the same; then it is reliable. However, the threat associated with a semi-structured interview is the biases related to the researcher or the interviewees; therefore, they might not be consistency in the findings as response and perspectives of the interviewees might change over time. Human behaviours as a response to a particular stimulus, the economic opportunities today might not be there tomorrow, which affects the willingness to create a new venture and on another, determine the perspective of investors towards new ventures. The researcher is not an expert interviewer; therefore, some ethics of interview may not be adequately observed, which pose a threat to the reliability of the data.

However, to contribute to the reliability of this study, the researcher continues to interview experts (Interviewees) until a saturation point is reached. The data were analysed immediately after the interview session, to avoid loss of words or meaning. Though, the interview session was recorded to prevent the distraction of writing down points during the interview session. Confidentiality and anonymity were promised to the interviewer, therefore, made it possible to get in-depth insight into the phenomenon.

Validity of the study

Saunders, Lewis, and Thornhill (2015) define “Validity as the appropriateness of the measure used, accuracy of the analysis of the results and generalizability of the findings”. Validity is the extent the researcher measure what supposed to be measured. In this study, validity is to measure if the data collected from the unstructured interview answers the research questions appropriately. To achieve this, experienced professionals were selected for an interview. The researcher built a good rapport with the interviewees before the actual interview session and

probing questions techniques were used to get clarification, especially when limited response were given.

3 Entrepreneurship and Start-up Companies

“The word “Entrepreneur” is derived from the French word “Enterprendre” meaning to undertake” (Mohanty, 2005). From a business perspective, to undertake simply means to start a business. Entrepreneurship means different things to different people. Scholars have grappled different set of definitions to conceptualise the abstract idea. To some it is venture capitalist while to others is to initiate great ideas, pursue them by creating a new business. The generalised use of the word has been responsible for the confusion that exists and lack of responsibility most modern day entrepreneurs finds themselves.

Entrepreneurship has been an important aspect of economic development for the last decade. Entrepreneurs have changed the business environment and play a major role in the global economy. Adam Smith, the father of economist, had used words like the employer, the undertaker, the merchant and the master to describe an entrepreneur. With J.A Schumpeter, describe entrepreneurship as an innovator that performs a new combination of raw material, even if he/she does not invent it, to initiate the process of economic development through the creation of new products, markets because of new source of new materials and establishment of new organization (Mohanty, 2005). Schumpeter further emphasised the different between entrepreneur leadership and other types of leadership. Entrepreneurship leadership is not the type that need to convince the market about the vision, ability to lead mean of production, but to convince the financier i.e. the private investors, the venture capitalist, the bankers among others.

Per Oxford advanced learner dictionary, Entrepreneurship is an activity of making money by starting or running businesses, especially when this involves financial risk. Is a process of turning ideas into reality with the aim of making a profit while organising, managing, and assuming the risks of business. In general, entrepreneurs are leaders, risk-bearers, coordinators and organiser, owner-manager, gap-fillers, and innovators. There is no accepted definition of Entrepreneur, but there are critical components that are vital in defining what entrepreneur truly is.

3.1 Characteristics of Entrepreneur

Entrepreneurs are not of one mould; no one set of characteristics can predict who truly will become entrepreneurs and whether they will succeed. Indeed, diversity seems to be a central characteristic of an entrepreneur.

- **Desire for responsibility:** - Entrepreneurs are those that feel a deep sense of responsibility for the outcomes of ventures they start. They are responsible for being in total control of their resources and use those resources to achieve self-determined goals. They do not go around throwing blames on others for the failure of the ventures; they stand up to whatever challenges that may bar the success of the ventures.
- **Risk taking:** - Entrepreneurs are not a gambler. They take a calculated risk and not a wild risk-taker. There is no link between risk tolerance and entrepreneurship. There is a common belief that entrepreneurs take a high risk to venture in ideas that are a myth. The idea might seem myth or impossible in the sight of others, but entrepreneurs are more passionate and visionary about their thought and goal that they see the situation from another perspective. They are more of risk eliminator than a risk taker, they systematically removing or reducing the risk in running the ventures.
- **Full of Determination:** - To become an entrepreneur is a challenging undertaking that comes with much pressure ranging from setting up the business, growing the business, increasing sales, hiring staff and increase profit among others. It takes only determined mind to stay focus amidst all challenging situation at every facet of the business. It is important for an entrepreneur to demonstrate high levels of determination to be successful.
- **Vision:** - One of the unique traits of an entrepreneur is that they see potentials where others see problems. At first, they are being ridiculed for their actions until their vision or idea becomes a huge success. They see the future before the future plays out. They have a good sense of imagination and able to communicate the future for an investor, customer and staff.
- **Passion:** - It is a common misconception that entrepreneur is wholly driven by money. To the contrary, achievement, to conquer or ability to see things to conclusion seems to be the motivating force for a successful entrepreneur. The passion for their product or service, the passion to make things easier, better, cheaper or the passion to solve a problem has been the forces behind a successful entrepreneur.
- **Tolerance for ambiguity:** - Entrepreneur tends to have high levels of adaptability. There is always uncertainty in this era of an ever-changing business environment, even in a well thought out plans or strategy, there can be surprises around every corner. The

ability to adapt helps an entrepreneur to respond swiftly and make decisions that can navigate the business towards a success path.

- **Resourceful:** - Entrepreneurs are skilled at getting most out of the limited resources available. During the start-up, entrepreneur manages to get most of the things done by using the service of students willing to build their portfolio or volunteers willing to help put, while pouring all the money into the business. At the beginning of an enterprise, entrepreneur tends to cut cost, and they tend to fill multiple roles to make their businesses successful.

3.2 Concept of Entrepreneurial ecosystem

The world economy has reached a critical tipping point that drastically transits between the industrial era to information era. Studies show that consumer is eagerly embracing new technologies and becoming a smarter consumer who has caused some companies to lose their world marketplace. Most of the global economy has been largely depending on technology start-up businesses to boost the economy by building enterprise centres, innovation centres, incubators, accelerators centres which are element of entrepreneurship ecosystem, with the high hopes to repeat the success of well-known start-ups like Google, Rovio, Supercell, etc

The entrepreneurship ecosystem is no different from any natural ecosystem whereby it is in balanced shape only when all its components are working together or in harmony. For an entrepreneur, it is not enough to only provide financial or law and regulatory support, but need to be nurtured with entrepreneurship ecosystem that places equal importance on the development of core human capital and leadership as well as other factors such law and regulatory, open market, education, fair investment, funding, mentoring and coaching etc. (Bury, 2016)

Entrepreneurship ecosystem is the interaction of hundreds of specific elements, which could be grouped into six domains such as a conducive culture, enabling policies and leadership, quality human capital, availability of appropriate finance, venture-friendly markets for products, and a range of institutional and infrastructural supports, in highly complex and idiosyncratic way. (Isenberg, 2011).

It is evidence that these elements impact the level of entrepreneurship in society but the impact is seen over a long-time frame. It is key for what statistician called variable working together of the elements, as the concept of entrepreneurship ecosystem is not established if all the elements work in isolation.

Entrepreneurship ecosystem is city or country based. Some cities have centred its ecosystem around an industry while others bring many industries together to share information, challenges, resources, etc. Studies have shown that the interconnecting entrepreneurial ecosystem's elements have sprung up of a lot of innovative ideas in the recent years.

Smart entrepreneur understands the importance of healthy interaction with other stakeholders in entrepreneurial ecosystem, as it increases the productivity of companies in the area, drives innovation and stimulates the formation of a new business. There is different objective that motivates all the actors, for public officials, is job creation and tax revenues. For financial institutions, is profitable loan portfolio. For a university, it knowledge generation, reputable and endowments. For corporations, innovation, product acquisition, talent retention and for entrepreneurs and investors, wealth creation and actualization of self- determined goals.

Figure 2: The Domains of the Entrepreneur Ecosystem



Sourced: (Kapoor, 2017)

3.3 Accelerator and Incubator program in Finland

The rise of accelerator and incubator programs have been associated with the fall of Nokia and the changing economic situation. The accelerator programs are also a good avenue to introduce team of talents with great ideas to investors and stakeholders. It helps the investor to build confidence in prospective investable start-up company. Accelerator and incubator program in Finland is one of the most active in Europe, with success stories of companies like MySQL, Linux, F-Secure and recently with Rovio, SuperCell, Better-doctor etc.

The list of accelerators in Finland

- Startup Sauna
- Cleantech Invest
- Koppicatch
- Lifeline Venture
- Royal Majestics
- Gorilla Ventures
- Boost Turku
- Turbiini
- Newco factory
- AppCampus

Start-up sauna is one of the most active accelerator in the Helsinki region that focuses on finding the right product-market fit and go-to-market strategy for tech start up team. They take no equity; the program is free and there is offer of 1000€ grant or free accommodation. The programs is about 5 to 7 weeks which its main priority is to build good start-up and investors rapport.

4 Funding of Start-up Companies

“Capital refers to financial assets or the financial value of assets, such as cash and funds held in deposit accounts, as well as the tangible machinery and production equipment used in environments such as factories and other manufacturing facilities. Additionally, capital includes facilities such as the buildings use for the production and storage of the manufactured goods” (Fontinelle, 2013).

Capital is any form of wealth used to produce more wealth. It is in a different form, typically for business, it exists in form of a cash, inventory, plant and equipment and for an entrepreneur, it exists in the form of two different capitals: equity and debt. (Scarborough & Cornwall, 2015). Though, Lara Hodgson, president & CEO, NOWaccount Network said, in one of her conversation, analysing how the entrepreneur could also raise funds through grant and sales/revenue.

Capital is a crucial element in the process of creating new venture yet raising the money to launch a new business venture has always been a challenge for entrepreneurs.

The general economic condition of the stock market, capital rise and fall with the stock market and investors' fortunes has been a big challenge in finding outside source finance especially for an entrepreneur starting out or not in a glamorous industry. Many banks have refused to give a loan to a start-up company, a venture capitalist is looking for a larger deal, a private investor is more cautious, and public stock offering requires fast growth futures and good track records.

Securing funds from investors have moved away from good design business plans to the ability to present the idea impressively. For an entrepreneur to secure fund from outside source nowadays has largely been based on the ability of the entrepreneur to impress the lenders or investors through pitch or deck. In recent years, the submission of written business plans precedes the opportunity to meet face-to-face with investor but seeking funds today has gone beyond well-written formal business plan but ability of the entrepreneur to present the business model, projected revenue of at least the first 3 years, the problems to be solved and how entrepreneur will strategically solve them.

4.1 Equity Capital and Borrowed Capital Funding

Equity capital is a personal cash, wealth or investment injected into the business either by the owner or contributed by one or more investors. This form of capital is also called risk capital, as the founders and investors share the primary risk of losing their fund should the business fails. They equally share the benefits if the business succeeds. For example, founders and investors of companies like Google, Intel, Sun Microsystem, Federal Express, Microsoft have ripped the benefits of their equity capital invested. (Scarborough & Cornwall, 2015).

When the entrepreneur decides to choose equity capital, there is no obligation of interest repayment, unlike debt capital where periodic interest payment is obligatory. Another benefit of sourcing for equity capital is that it has lower risk on each contributor, as the burden if the business suffers setback, are shared amongst the investors likewise the success. Entrepreneur raises equity capital from investor by giving a share of stock in exchange, where stock represents ownership position in entrepreneur's venture. In adopting this source of capital funding, for every share of stock you sell, your ownership stake has been diluted or reduce. Typically, equity investors have the right to be part of the critical decision process of the venture. An entrepreneur should be extremely careful at this point not lose control of the business.

Debt capital is a form of financing where entrepreneur borrows and must repay with interest. The repayment could be periodical or instalment. It is rare to find an entrepreneur that could

adequately fund a total start-up cost of a new venture from personal savings. It is extremely difficult for small companies to get loan or borrowed capital from lender as they are high risked ventures with no record of accomplishment of being successful. There are more numerous lenders than investors, as the lender

4.2 Sources of Funding for Start-ups

4.2.1 Entrepreneur's personal savings

Is the most preferred source of funding for owners and it is much easier as you only need to convince yourself unlike seeking external funds, whereby you need to have head-to-head meeting with investors, pitch deck or submit well-written business plan. The early-stage of a company has often been considered as high-risk stage, therefore, investors seek larger equity from the business to secure their money, which might result to ownership dilution or total loss of control of the business.

Lenders and investors expect an entrepreneur to have invested significant amount of own money into the business before seeking equity fund from external, as it is difficult to borrow or convince investor to risk their money on a business where owner has not been convinced enough to put significant capital of their own money. (Scarborough & Cornwall, 2015).

4.2.2 Friends and Family Members

Although, the first and the most preferred place entrepreneurs look is their own pocket to finance their business, but few have the sufficient resources to start the business alone. When this happen, the next place their look at is friends and family who might be willing to lend or invest in a business venture. Because of their relationships with the founder, they are more likely to lend or invest in the firm. They tend to be more patient, not interfering in the business's affairs, may not clearly understand the risk and legal term of the investment like other investor.

Investment or loan from friends and family are a major source of capital for entrepreneur likewise the relationship. The capital is an excellent source of seed capital that can get the start-up far enough to attract money from external sources. Studies have shown that there has been a default rate of fourteen percent on business loans from friends and family members compared to a default rate of one percent on bank lending. Few friends and family members have unrealistic expectations on the investment or loans, most misunderstood the risk of investing in a business venture if there are a setback and no return on the investment, that

might destroy the relationships. (Scarborough & Cornwall, 2015). The smart entrepreneur usually enters a formal agreement with friends and family members, where opportunities and risks are clearly explained.

4.2.3 Crowd Funding

Customers and members of the public have always had a special place in modern marketing, where they become the key information source for what to produce, how to produce and how an organisation can create more values. Over the years, this trend has revealed huge development in marketing. In line with this tendency, customers and members of the public's role has been expanded to include donation and investment support for a project or business ventures called crowd funding. Crowdfunding is a collective effort by people who network and pool their money together, usually via the internet, to invest or support efforts initiated by other people or an organisation. (Ordanini, Miceli, Pizzetti, & Parasuraman, 2011).

Crowdfunding is a funding technique that tap the power of internet and social networking that allows an entrepreneur to post their elevator pitches or campaign into the specialized online community, with details such as the nature of the business, the amount of money their hope to raise and possibly what the money will be used for, the campaign deadline and acknowledgement or reward the donor with receive in return. Customer or members of the public can invest or donate in the form of support as little as €50. Money receive through this source should be considered a contribution or a donation, rather than an investment. Therefore, there is a nominal benefit in return for financial support. For example, acknowledgement, one-time free products or one-time free services. (Scarborough & Cornwall, 2015).

4.2.4 Accelerator program

Over the last decade, nascent ventures have relied on accelerator companies or organisation for seed fund capital (Falbe et al., 2011 cited in Hoffman & Redojevich-Kelley, 2012)). Most of the nascent companies, after the 2008 recession, have difficulties in raising seed capital from friend and family members or angel investor, yet personal fund is not enough to start the business, they are turned down by banks due to the high risk that surrounds new ventures, this inability of nascent companies to start operations due to lack of seed capital have stimulated communities, universities, institutions, experienced or successful entrepreneurs and government to collaborate to create or give support to incubator and accelerator programs.

Incubator and Accelerator programs do not only give seed capital but also give other support programs like mentorship, open office space, free internet, conference rooms, etc. For

example, in Finland, the start-up ecosystem located in Espoo, Finland, “Start-up Sauna” coaches the start-up, provides free internet in an open-space location, help fine-tuning the ideas, give grants without taking equity which is rare and amazing. Accelerator programs give seed capital to help enterprise kick-off the ground to where the founder can pitch for a more significant fund.

4.2.5 Angels Investor

Angel Investor otherwise known as a private investor, has become more popular in the past few years. It had gained more attention in the business world today, especially when companies like Apple and Google got their seed capital from an angel investor.

Finnish Business Angels Networks FIBAN (Oy and Vesterinen),2015), reveal studies conducted by European Business Angels Network (EBAN), *in 2013,” 7.5 billion euros were invested in early stage companies throughout Europe. Of this sum, 5.5 billion came from business angels, 2.0 billion from the private equity companies and 80 million euros through crowd funding*”. It is evidence that angels have filled the capital gap in start-up seed capital as venture capitalist do not want to invest at this early stage of the firm as its seem as high risk that has a low potential for growth.

Angel investing is a situation whereby individual entrepreneur invests their money in an unlisted potential small start-up company in exchange for equity. Unlike other entrepreneurial source of funds, Angel investor do not sit back, aside from seed capital, they add values to the growth of the company by helping to shape the ideas, tapping into their contacts to grow the investment, gives mentorship and they often invest in the industry they have personal interest and experience (Scarborough & Cornwall, 2015). Angels are syndicate, they find investment opportunity through referrals such as the CEOs of companies in which they have already invested. Also, they find investment opportunity in a regional or national events, like SLUSH, Helsinki, at which early stage companies pitches their ideas to raise fund. Business angel investors seek investment opportunity in companies with potentials to grow. Unlike mainstream investors, angels usually invest in relatively small, new companies that is privately held rather than public held in Stock Exchange market. (Rose,2014)

4.2.6 Venture Capital

Venture capital as describe by (Bygrave, Zackarakis, and Zacharakis, 2010b) is “a financial institution specialising in the provision of equity and other forms of long-term capital to an enterprise, usually to firms with a limited track record but with the expectation of substantial growth”. Venture capital does invest in the start-up but not often at the early stage. They invest in a firm with potentials to growth with at least minimal success story. Venture capital fund manager do not only provide money but also the value-added resources to

entrepreneurial firms. Venture capital fund capital managers play a significant role in enhancing the value of their entrepreneurial investment by providing support to ensure the firm succeeds like marketing, financial administration, strategic advice as well as pools of professional networks. Studies have shown that firms backed by venture capital fund have high rate of success.

5 Seeking for Start-up Funding

5.1 How do investors evaluate start-ups companies?

In the last decade, the world economy has shifted from manufacturing companies to service and technology companies. Particularly, the internet of things (IoT) which has caused a social revolution that forces companies to change their operational strategy to the use of the internet, technology has brought industrial revolution. During the dot-com bubble or Internet bubble roughly 1995 - 2001, in the stock market where investors saw their equity rise rapidly in the internet sector. Investors still invest in highly risky companies if the entrepreneur can demonstrate the control or understanding of crucial elements. It is becoming critical to understand how investors decide to invest in one venture over the other. (Riding et al.2007 cited in Maxwell, Jeffrey, and Lévesque, 2011) echoes that 97% of ventures were not able to attract funds in Canada and similarly low rates has been recorded in the US and UK. This study explains the investment decision criteria to attract seed capital for the new venture.

5.1.1 Market

One of the major reason why new venture cannot secure seed capital from Angels is that there is no market for the product or service they have built. Angel or Venture capitalist investment criteria is based on the value proposition. There must be a real need for product or service, not just possible need that exists in the mind of would-be entrepreneur. (Skok, 2009) echo that, to compel a customer to buy product or service in this “tough economic condition”, the entrepreneur must look for a customer that has his “hair on fire” or “in extreme pain”. Moreover, is the value proposition a “vitamin” “nice to have” or an “aspirin” “must have”. The Idea might be great, innovative (it does not exist elsewhere) but if there is no willing customer to buy the product or service, this gives red alert to the investor. An entrepreneur must able to show the list of customers who are ready to buy or have already bought the product or service.

Market timing is also crucial when meeting with an investor. If timing is wrong, the market will not be visible at that moment. An entrepreneur might be ahead when the market is not ready for the product or service, or behind when the market is not ready for the product or service.

For example, selling a Videocassette recorders (VCRs) advanced countries where many have access to NETFLIX or selling a 4G technology device in a remote area in Africa.

5.1.2 Business Model

It is evident that ventures fail despite the presence of market opportunities, adequate resources, novel ideas, talented entrepreneurs simply because they give little attention to the business model. Investors do not only evaluate the ideas, the market, but also how the venture intends to deliver the values in a more accurate way to make a profit. The changing business environment has given more attention to the disruptive business model innovation. Companies do not just want to give values but want to do so in a way no one has ever done. Google offers office application software to its user for free and the same product that Microsoft charges its user, about 500€. The idea here is not to compete with Microsoft but to give more values that increases its user database while making money through advertisement. In today's dynamic market, the survival of a new venture depends largely on its ability to develop and adopt innovative business models. The investors are interested in the roadmap of the firm. A disruptive business model gets investors' attention straight away.

Investors assess business model in its holistic view, that is how the company intends to generate revenue; is it by giving services or products to sell its core value while generating revenue through other channels or by selling its core value to generate revenue. What is crucial is how big can the ROI of income (Return on Investment) be in the next few years. Typically, in the next three to five years.

Another view of the business model is in units. Business model consists of different elements based on the framework adopted by the entrepreneur. For example, product roadmap, marketing strategy, target customer, value proposition, competitive advantage, sales strategy, price strategy, cost structure and revenue. Investors are interested to know how each unit interplay to make the venture successful. Ventures attract investment when they have adopted a disruptive business model that is easy to replicate. They want to see a business model that is already increasing the income stream for the venture.

5.1.3 Entrepreneurial team

In the recent time, the importance of team has widely recognised in business management study. Thus, the entrepreneurial team have started a significant number of a new venture, or it can also be referred to a team created at the early stage of an enterprise. A team is a small number of individuals with complementary skills that are interdependent in their task for a common goal, which they hold themselves mutually accountable Katzenbach and Smith (1993).

Studies have suggested that a business venture founded and managed by the entrepreneurial team have recorded high success rate than firms run by a single person. The superior performance has kept entrepreneurial team different from the management team. Companies with the collection of highly skilled individuals in a team who are interdependent in their task but who share the responsibility of the outcomes have a significant propensity to succeed.

There is overlapping definition of the management team and entrepreneurial team but slightly different is that entrepreneurial team share entrepreneurial risk while management team does not share risk. A management team is a small group of managers who are heads of a different functional area of an organization, who are part of decision making and running of the business operation in an organisation. In a management team, managers do not necessarily need to have a financial commitment in the firm. Apparently, the management team is most common in a large organisation where multiple skills and experience is required for a task. Though, the managers work interdependent but meet regularly with the Chief Executive Officer (CEO) to make a key decision that will help the firm to achieve its organisational goal.

In this section of the study, the focus will be on understanding entrepreneurial teams of ventures seeking external fund to start or grow the venture, and not already established firms.

“An entrepreneurial team consists of two or more persons who have an interest, both financial and otherwise, in and commitment to a venture’s future and success; whose work is interdependent in the pursuit of common goals and venture success; who are accountable to the entrepreneurial team and for the venture; who are considered to be a at the executive level with the executive responsibility in the early phases of the venture, including founding and pre-start up; and who are seen as a social entity by themselves and by others Kraus, (2009)”

According to Katzenbach and Smith (1993), the survival of a team depends on shared commitment to a specific performance goal. The entrepreneurial team have a shared financial commitment, shared entrepreneurial risk, shared ownership of the organisation. An entrepreneurial team with a clear purpose focuses its members’ energy on a common pursuit. Setting specific goals helps the team to set priorities, track its progress and hold itself accountable.

An entrepreneurial team presenting their ideas, products or services to an investor for money must ensure to gain the confidence of investors, customers and the entrepreneurial themselves by having a balanced team. The team underperformed if any skills that are critical to the team performance is missing or not well represented. Entrepreneurial team with an outstanding performance are not necessarily brighter or committed than the less performed team, but they

have a high level of interdependency among the team member. The skills of one member of the team are complementary skills for others in the team.

Having a very good idea in a scalable market environment is not enough as investors invest in the team and not how great the ideas or products and services presented to them. The business idea is only a half of the puzzle while the other half is the balanced entrepreneurial team or “backable management team” in attracting investors (Deeb,2016). The investors admire the domain of expert in a team. They also believe the skills are interdependent to complement skills of other team members; it is more attractive to lender or investor if each member is an expert with years of experience in their various fields. Katzenbach and Smith (1993) suggested that team must have the adequate level of practical/technical; problem solving/decision making and interpersonal as a complementary skill.

Many entrepreneur teams have a great idea but lack the passion and energy of execution. It is of great important for all members of the team to feel passionate about the specific goals set out for the team. This is often the problem when one or two members of the team do not understand what the team stands for or why they are doing what it is that they are doing. The goal should be vigorously discussed amongst members of the team and people who are not a member of the team to ensure that all the members understand it. The team must be excited to discuss the goal of the team clearly. Hardly will anyone want to buy into the teams’ idea if they do not sound enthusiastically about it. An entrepreneurial team with great ideas, seeking external capital must get people, including an investors or lenders excited about the business. The perception of investors is; “if you cannot get your venture capitalist excited, it is unlikely you will get potential business customer excited in driving revenues and hitting the Venture Capital’s Return-on-Investment (ROI) expectation” (Deeb,2016).

Furthermore, flexibility, listening and communication skills are another important attribute Investors or lender look for in an entrepreneurial team. Today’s business environment is dynamic and constantly changing, therefore, it is critical for an investor to know that the team are flexible enough to take input as needed. Business angels and Venture Capital reveal thousands of business plans, business model and strategy every year, so, they are one way or the other understand the pitfall of business plans. They bring most of these intelligences to the table to avoid the known pitfall and to help them drive home their Return on Investment (ROI) expectations. Studies have shown that business angels and venture capital firms rarely consider venture proposals from individual entrepreneurs, but favour proposals from an entrepreneurial team with a right attribute as they have overall better performance record. “VC’s would much rather invest in an A+ team with a B+ idea, than an A+ idea with a B+ team” (Deeb,20016)

5.2 Essentials of Start-up funding pitch

A pitch deck is usually a presentation particularly designed to give a summary of your company, the problems you intend to solve with your business, the vision and how you plan to go about running the business. The presentation usually takes about 10 to 30 minutes.

Having an impressive pitch deck for your business is a key component of fundraising. A great pitch deck gets investors to want to listen more to your idea and ways you intend to run the business, which consequently might lead to investment.

It is important to spark an investors' interest through the pitch deck and pitch presentation as it is the first things that an investor is seeking to learn more about your company. The entrepreneur must know how to tell a compelling story about the business and other attributes like the team, the business model, the problem you are solving and what makes you different.

To give a solid pitch deck and pitch presentation, an entrepreneur must ensure to understudy its audience. Investors are not interested in learning how fantastic you are, they are more interested to know how they can grow their investment. Successful entrepreneurs research potential investors and make a tailor pitches to them.

During my time as a coordinator for registration at SLUSH conference, I witnessed at the pitch presentation, how investors asked various questions about numbers and projected sales and more. A successful entrepreneur must not depend entirely on the slides for information, you must able to tell a story about your business and the numbers behind the company forward and backwards.

Value proposition. When entrepreneur step-out to pitch, the first thing the audience wants to know is what the business represents. A successful entrepreneur must be able to give a quick one sentence overview of the business and the value proposition for the customer. The use of metaphor could help, but carefully.

The problem you are solving. Every successful business has some problems they are solving. It is ideally to tell a story that is relatable when defining the problem. It helps the investors to connect to how much the solutions might be needed.

Your product. It is usually tempted to want to move the slide to the first, but it is usually good to resist the temptation. Investor pitch deck is interesting when it is like a story telling. After the problems, have been clearly identified and your company is providing the solution through your products or services.

This slide explains how a customer uses the product or service to address the problems you have stated out in your previous slide. The way smart entrepreneur usually present this part is with the use of short video or pictures to show how to use the product or service.

Marketing / go-to-market strategy. Having explained clearly the vision and identifying the problem, you are solving. Investors want to know how you intend to roll out the products and services to capture the targeted market share. Getting the product and service in front of the customer seems to be the biggest challenge for an entrepreneur. A successful entrepreneur must demonstrate a solid grasp of how to reach the target market. If there is a competitor, it is also helpful to highlight the sales channels and how it is different from that of a competitor.

Team. As explained in the text, investors are looking for team, team, team. They want to invest in the team's passion and dedication to make the business successful. It is important to highlight the key strength and achievement of each member, why they are the right person to deliver the goal of the business and identify the gap that needs to be filled in the team if there is any.

Financials / Projections. This is a slide where an investor wants an entrepreneur to demonstrate their financial metrics and ability to operate the business. You are expected to present your sales forecast, cash flow forecast and at least three-year projections. It is extremely helpful if such projection could be given based on traction you already have. Otherwise, the numbers should be realistic. Investors hate to see awful projection. The entrepreneur must be ready to give reasons why you arrive at sales and expenses assumptions.

Investment and use of funds.

Investors are syndicate. They are more likely to invest in another company that already had a professional investor on board. You give the information about the investment you had and how you intend to use the fund you are asking for. Ability to explain why the entrepreneur need the amount and how you think the amount will help the valuation of the company or achieve its business goals.

Tone of your message

As people often say, personality is everything. The tone of the message is not only the professional sounding voice you have decided to use but also your appearance, smile and ways in which you drive the investors to give you the money you are asking for. You should be fun

when they throw questions at you but don't get distracted from the focus. Investor's questions will mount pressure on you but you should be calm enough to give some logical answers and clearly explain why you believe you are doing whatever you are doing in a better way.

6 Findings

The findings of this study is based on the interview conducted with ten (10) participants, which include five elite and five investor's firm representatives. The interview data will be presented in this chapter based on the research questions.

RQ 1: What are the entrepreneurial characteristics that attract an investor?

RQ 2: What are the investors' decision-making criteria?

Based on the confidentiality and anonymity promised to the research participants, the names of the interviewees will not be disclosed, instead represented with codes, which has been given in section 1.3.4 (See table 1 and table 2). Sub-section 5.1 will answer to the research question 1 and sub-section 5.2 will answer to the research question 2.

6.1 Attribute of a Start-up companies that attract Investor

This section answers the first research question, which seeks to understand the fundamental characteristics that Start-up companies or founders of nascent companies should possess to successfully attract an investor.

RQ 1: What are the entrepreneurial characteristics that attract an investor?

The research questions were examined from both serial entrepreneur, accelerator program representatives, and private investors and Investment company representatives. The findings suggested that to present an idea to an investor for funds; the entrepreneur must possess some unique characteristics to attract investment. For instance, the entrepreneurial team is key to the success of an enterprise. Investors would rather invest in a team nor the idea. They believe, if there is a bad team behind a great idea, the business might not succeed. Serial entrepreneur and accelerator program believed Start-up companies must ensure they hold several meetings with prospective investors before the actual presentation.

*“The first characteristic investor want to see is the team, the second is the team and the third is the team” (Ent1) **

*“Accelerator program helps Start-up to build the business development side of the business; we received applications from companies with great products or ideas all over the world but does not attract investors, but the business development models does. (Ent5)**

*“We ensure that Start-up companies in our camp build a good rapport with bunch of investors in our accelerator program to learn the key elements of Investor’s presentation” (Ent2)**

The findings clearly indicate that every professional investor has a slightly different perspective on what is Important when deciding fundable business. However, most of the interviewees agreed that entrepreneurial team is an important attribute in attracting investors. They believe it will be too costly for Start-up company to outsource or hire someone to filled the required capacities in their business operations. Therefore, complementary skills in a team seem like as a strength when presenting a Start-up company to an Investor. Also, early stage companies must ensure to minimise spending to maximise profit, as most companies run at zero profit in their first year.

“...my background is from business school. I met brilliant friends from engineering school and we thought we could form a team to build a successful company, perhaps, they have formed the company but it was not working and thought they need someone with business background to join the team to fill the required capacity to build a successful company”. (Ent3)

“ ...I found the team so good at the broad base, from business, electronics, coding, and very intelligent people to champion such idea. The whole team was so coherent and was attractive, then my gut feeling accepted them for investment”. (investor 4)

“First of all, I think you need to have a good team or at least some good team member, and after that, a good and scalable product or business idea not necessarily innovative because some innovative product or idea are not scalable, to attract investor”. (Investor 1)

Other interviewees, believe that team factor is not important in funding criteria. They believe staff could be employed to complement or fill in required capacities in a team.

“Team is not as important as the product and the innovative idea” (Ent 2)

“A good team can always change the idea, but good idea cannot change the team” (Investor 3)

“if you have a great team and good idea, you will definitely get funded and what I mean by that is most importantly you must have a great team that can execute the idea” (investor 3)

The accelerator program representatives believed the programs help start-up company to find a product-market fit, to-go-market strategy and coaching start-up team to able to develop their businesses and build a working business model. The programs help to build trust between investors, founders and other stakeholders. During the 5 -week intensive programs, founders meet face-to-face with investors, and it helps to build confidence in their presentation.

“...at Start-up Sauna, we do not take equity. We are heavily backed by the Government, at least for now. We don't help start up for profit gain or business but to help them succeed. The accelerator programs are not two or three to four month, our programs are intense, full-time, it is seven weeks, five days a week and for the whole week, we have a different kind of lectures, workshop, one-on-one coaching and basically anything that will help the Start-up grow forward. Additionally, we have a weekly theme; the first week, we are drilling down to Start-up finding focus; What do they actual do? Why do they do it? Who do they do it for? The second week is all about the customer, who is your customer? Do you really understand the customer's pain you are solving? Not just the problem you figured out. The third week is about go-to-market strategy and product market fit. The fourth week is about funding and the fifth week is about the Demo Day; how to talk to media and how to find your way around SLUSH. The non-profit, shortness of the program and ability to pitch it in one of the best Start-up event in the world (SLUSH) make it one of the unique accelerator start-up. If I want to highlight one thing about the programs, it is not about pitching training, it is not the marketing workshop or anything like that but it is the amount of one-on-one coaching the start-up gets. Every Wednesday, during the five weeks we in about 25 to 30 investors, serial entrepreneur and each start-up gets 40mins one-on-one with about 5 to 15 coaches to really drill down to the problems issues and challenges that the start-up is facing. The investors and serial entrepreneurs are not guys that work with the big corporation but those that built their companies from that scratch, so they understand the problems and better advises that suit each start-up.” (Ent 5)

“It is evidence that the success recorded by many startup companies like Facebook, is the use of non-equity accelerator” (investor 3)

6.2 What are the investors' decision-making criteria?

The findings from investor's interview suggest that some are aware that start-up companies are those with no credibility or track records, so years of experience are not crucial when deciding the investment. The decision- criteria of such investors, will not be based on the number of last year financial record of the company but it will be built on the ability of the team to perform on the well set-out plan. If start-up company has seen this way, other factors like the targeted niche market, business plan, and business model are considered for a fund.

“It is not utmost important if the start-up company have not had turnover, but it gives clearer picture and attract investment if they can show some sales records, but as an investor there are numbers of other factors that might be considered with companies with no track records; like the team, how many people are full time in the team and what is the team dynamic? is there a market for the products or services? How will the customer be willing to buy? Does it measure up to customer’s needs? Does the business model make sense? Is there an early indication that the products or services are what people really want? Who is the competitor and what does the competitive landscape look like?” (Investor 1)

However, all interviewees did emphasise that record of past event it is not something they completely overlooked. While some interviewees can consider other factors when deciding the investment, it is no go area for others. In some of the interviewees, if it believes that there is a lot of contingency in running a business, even a well thought out business plan or a business model witness challenges along the way. They believe that at least two years of operating experience will help to easily identify the potential and help their decision making.

“...though there is no formula for success, but a start-up company that has a proven record that their team understands cash flow, understands the cost-effective way of acquiring customers and customer lifetime value to become successful gets more of our attention. If the customer adoption and revenue are scaling so quickly make us feel confidence for the investment.” (Investor 4)

Despite all the challenges faced by start-up companies seeking fund, some interviewees believe that business angel tends to syndicate with another business angel. Investor finds investment opportunity through referral, especially from their colleagues. One investor attracts the other. They believe there is a chance of success for a start-up with more than one professional investor, as all will bring their resources to work for the success of the firm.

The ownership of the company is diluted which result to equity ownership of all skate holders. Investor preferred to share investment risk especially with early stage company with uncertainty. The findings further suggest that investors prefer to put their money where they can add values to grow the company rather than giving out money for investment and expect others to return the investment in multiple folds. Consequently, they invest in the industry of their expertise. By so doing, they tap into their existing network and with the years of experience in the industry, they give a very rich advice to the management team. They often change the business model, modify the business plans and suggest an efficient way of adopting customers.

“we do not have difficulties to attract investor because we had brought one on board at the very beginning of forming the company” (investor 2)

The findings suggest that innovativeness, market timing or understanding of the niche market, and the elevator pitch are critical factors in attracting investors. With the number of years of experience, professional Investors have seen many ideas and many start-up pitches, but the smart entrepreneur does things differently. They find a unique or innovative way of doing the business. Their businesses are very disruptive, and they disruptive business model clearly state out the income stream which is something that must be convincing to an investor.

Furthermore, no matter the uniqueness of the idea if there is no market, there is no business. Again, an entrepreneur must ensure the products or the services are what customer are willing to buy at the time of launching the goods and services. With a wrong timing of introducing an idea or business into the market could translate to an investor as an unattractive investment. For a nascent firm to become successful with investor presentation, the entrepreneur must be able to identify the niche market and demonstrate a good understanding of the market.

“...there is no good product or service as the one that the time has come” (investor5)

“...I always say you should ask why what you are doing is different, it might be small but always find your unique angle” (Investor 1)

“...do not be afraid to do new things, is a key success factor” (investor 5)

“ideas are cheap, I mean there a lot of ideas in the world but to convince an investor of the execution is what can get you there” (Investor 4)

“as a nascent firm, there is nothing much to prove so entrepreneur must able to tell a compelling story about the idea, the elevator pitch must be convincing to an investor” (Ent 3)

7 Conclusions

This chapter summarises the research process and presents the main findings and practical implications of the study. Section 6.1 summarises the study, its objectives and the main findings. Section 6.2 will present the proposed recommendations of the study, based on the findings. Potential limitations and suggestions for further research are presented in 6.3 and 6.4 respectively.

7.1 Research Summary

The main objectives of this study were to understand the key element of the investor presentation. It has been increasingly difficult for an entrepreneur to secure funds from an investor especially after the 2008 economic crisis. Consequently, this study is to help understand the fundamental elements when approaching investors for funds. This objective was addressed by answering the following research questions.

RQ 1: What are the entrepreneurial characteristics that attract an investor?

RQ 2: What are the investor's decision-making criteria?

The research questions were studied using qualitative research design, and a semi-structured interview was used to collect data. A total number of ten interviews was conducted. The interviewees consisted of the business elite like a representative of an accelerator program, serial entrepreneur, private investor and investment company representatives. The interviewees were carefully selected based on background and through referral.

7.2 Main Findings

The main findings of this study are based on the research questions. (1) What are the entrepreneurial characteristics that attract an investor (2) What are the investor's decision-making criteria? It is evident that the unique features of an entrepreneur lie in its team. All the interviewees agreed that it is crucial to have a good team to attract an investor. It is the team that gives investor's confidence that business goals and financial projections are likely to be achievable. Having a good team is when skills are complementary, and they can interdependent toward a set goals. The team must be passionate in achieving the business goals.

The findings also suggest that entrepreneurs should research the investor before the actual presentation. As Investor's decision-making criteria differ, it is important to understand whom your audience when presenting your business to them. The findings suggest that Start-up Accelerator programs create an environment to that facilitate investor and founder meeting. During these programs, start-up companies meet with an investor and one-on-one meetings that last for about an hour is scheduled.

Additionally, the team must have a solid knowledge of financial metrics, the niche market and customer acquisition. Investor wants to ensure that an entrepreneur knows how to manage, secure and grow the money they are asking. During the pitch deck, Investors ask series of questions about the financial projections like the sales forecast, turnover for the next three years and profit and loss statement, among the others. The entrepreneur must give an accurate figure, and they must justify why they are asking for the money. They must demonstrate that

they have thought about cutting expenses by seeking volunteers to help in an area of the business.

The market must be ready for whatever products or services entrepreneurs are introducing to the market. They must be able to explain precisely how what they are doing is different from that of their competitor and state the competitive advantage they have over other companies. They must show that the market is ready to adopt the products and services and the effective way proof it, is to demonstrate the number of sales the company has generated over one or two years or customer pre-order list. It is recommended in the findings that to-go market strategy helps the presentation of the business to an investor. Entrepreneurs demonstrate that they understand cheap and cost effective way of acquiring a customer over the lifetime value of the customer. The cost of acquisition should be low to the lifetime monetization. Investor wants to know that entrepreneurs have already thought of the ways to get products or services to the targeted customer at a low cost.

7.3 Suggestion for further research

The present section provides main recommendations for further research. The present study defines the key concept of entrepreneurship, explore how investors evaluate start-up companies and gather data from serial entrepreneur, business elite and investment company representatives.

Firstly, since the findings of this study suggest that investor's decision-making criteria are because of the knowledge the investor has in the industry. Therefore, it will be interesting to see a study on how investors evaluate start-up company based on industries specific. Investors are more attracted to a start-up company where they can add more values other than the money to grow the business. This section recommends study to look at what is crucial for an entrepreneur to seek funds in different industries.

Secondly, this present study defines the characteristics of an entrepreneur that attract investors for firms seeking external fund. It would be interesting to see research that focuses on a case study of a successful entrepreneur to understands the characteristics and how entrepreneur presented their products or services.

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Figures

Figure 1: Risk finance ladder up the funding landscape

Figure 2: The Domains of the Entrepreneur Ecosystem

Tables

Table 1: Elite Interviewees & Serial entrepreneurs

Table 2: Private investor & Investment company representative

Appendixes

Appendix 1: Interview themes for an Investors

Theme 2: An entrepreneur characteristics that attract investor?

- How do you form a company?
- What are the challenges faced when growing a nascent firm?
- How do you convince people that your business idea will work?
- What are the attribute of a successful entrepreneur?

Theme 1: Understanding decision-making criteria of an Investor

- What makes companies attractive for investment
- Why are you interested in a company as an investment target?
- How do you rate companies seeking fund?
- What are the fundamental elements of seeking external fund?
- How do you evaluate start-ups companies after pitch competition?
- What do you look out for in a company before it become investment target?
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