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STORYTELLING IN EARLY-STAGE STARTUP FUNDING ACQUISITION

Case: GOOROO Education

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ABSTRACT

Storytelling is a human activity that could be traced back to time immemorial. It was discovered to be a human adaptation that played an important role in the survival of human beings, and that our predilection for and dependence on stories for eons have come to reshape our mind, making us process information delivered via story structure more rapidly, flexibly and precisely. In addition, the past decades have witnessed numerous neurological findings that elucidate the effects that telling and listening to stories can exert on our brain. Such understanding of storytelling can be deliberately taken advantage of to improve human activities, including business in general and entrepreneurship in particular. As observed during the thesis process, storytelling in business is a nascent yet budding topic not only among businessmen, but also among intrigued scholars and researchers. This thesis narrowed down the broad topic of entrepreneurship to as specific as early-stage startup funding acquisition, and in turn set out in search of an answer for this question: How can early-stage startups attract funding with support from the use of storytelling?

There are three main parts that constitute the thesis body. The first part studied extant literature to explore the notion and definition of storytelling, its functions and effects, startup investment landscape, and how storytelling can be of use in helping early-stage startups acquire external funding. The second part applied the findings drawn from the literature to support the case business venture Gooroo Education in acquiring financial capital. Finally, the empirical research was conducted to shed light on business angels' perspective towards the topic at hand and empirically examine certain effects of storytelling. The finding in respect to angel investors' perspective is indicative of the potential of storytelling, and the result of examining storytelling effects is remarkably corroborative.

This thesis adopts both inductive and deductive approaches, in favour of the latter. The mix-method of both quantitative and qualitative is the research method of choice. With regards to data collection, primary data was garnered from in-depth interviews with the case startup founders and business angels. Secondary data was acquired from publications like books, journals, articles, and electronic sources.

Key words: storytelling, entrepreneurial storytelling, entrepreneur, entrepreneurship, early-stage, startup, business venture, external funding, financial capital, business angel, angel investor, Gooroo Education

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1 INTRODUCTION

1.1 Background Information

"Those who tell the stories rule the world"

Plato

This thesis was originated from the author's inquisitiveness and penchant for two fields of inquiry, which are storytelling and entrepreneurship. To kickstart this thesis, this subchapter shall provide the backdrop of storytelling, its budding application in business, and a brief on what this thesis will set out to do.

Much as being relatively novel and gradually fostered as a business practice, the notion of storytelling could be traced back to time immemorial. In the distant past, before the inception of agriculture as a way to proactively produce food, there were no walks of life other than hunters and gatherers. Back then, social lives of our ancestors took place around the glimmering campfire where people exchanged all sorts of stories, from the events of the day's hunt shared by the young lads to the myths and legends of their gods passed along by the elders. The knowledge and experience drawn from these stories are passed down generation after generation, forming the identity of the tribe, shaping its set of values and boundaries, and establishing the tribe's reputation among its rivalries. Such are the earliest form and application of storytelling on record. (Fog, Budtz, Munch & Blanchette 2010, 18.)

Such primeval use of storytelling, Boyd (2010) argues in his book "On the origin of stories", which he integrated scientific findings from a myriad of fields like evolution, social and biological sciences, turned out to be a human adaptation that has not only contributed to the survival of human beings since the dawn of time, but also forged the way we think and developed in us an entrenched appetite for stories. A tentatively compressed version of Boyd's work would go as follows. The course of human evolution inevitably went hand in hand with biological competition. In addition to constant coping with this relentless hardship, human has also sought pleasure, and one of the ways to derive pleasure is to engage in art

in general, and the art of fiction in particular. Art, Boyd argues, is a kind of high play, and virtually all mammals engage in play one way or the other.

In face of biological competition, mammals had to learn and develop flexible behaviours, which cannot be thoroughly derived from genetics. Such behaviours had to be developed and practised during time of security, and this practice determined the outcome in life-or-death circumstances, which would have been rampant in the primeval time. Due to the role that practice played in the survival, the desire to practise grew stronger over time and eventually became self-rewarding, became play. The pleasure derived from play had helped mammals overcome their predilection for reserving energy when there is no emergencies to expend energy to practice. (Boyd 2010.)

When it comes to human beings, we indisputably do not solely count on physical skills alone to tackle hardship head-on, but also cognitive capability, with which we are particularly endowed. To make sense of unwieldy plethora of information in this world, our brain fits it into patterns. Our immense dependence on brain, or cognitive advantage, makes us crave patterned information. As for play, not only we engage in playful physical activities, we also play cognitively. We fit the kinds of information that is most important to us into patterns. We fit sound into pattern that came to be known as music, sight into pattern that came to be known as visual art. Most importantly for this thesis, we, as ultrasocial species, fit social information into pattern that came to be known as *story*. As a result, our crave for patterned social information, or stories, came to reshape human minds, eventually making us process social information more swiftly, flexibly and precisely through engaging in the self-rewarding playful act of storytelling. (Boyd 2010.)

In addition to exploring the advantage of storytelling from the angle of evolution, in the past decades, neurologists have made use of technology to reveal what happens in our brain when we tell and listen to stories.

For example, one study witnessed different sets of activities going on in a brain when it processes facts as compared to when it processes stories. In short, when a brain is processing facts, there are only two areas in the brain, called Broca's area and Wernicke's area, that are activated. When listening to a well-told story, in

contrast, additional areas in the brain are lit up, such as motor cortex, sensory cortex, and frontal cortex. In other words, the experience that comes from reading and/or listening to stories is similar to that in real life. (Paul 2012.)

In another study, storytelling was found to affect the brain in ways that are called neural coupling and mirroring. While the previous example sheds light on the ability of storytelling in simulating an experience, neural coupling and mirroring take place in oral communication and trigger listeners' brain activities similar to those in the speaker's brain and help listeners internalize the ideas and experience being communicated by the speakers. (Stephens 2010.) Additional neurological findings include the ability of stories to induce the synthesis of oxytocin and the release of dopamine. Oxytocin is a neurochemical that is released when we feel trusted or are shown kindness. Increased oxytocin leads to increased cooperative behaviours. (Zak 2014.) Dopamine, released when listening to emotionally-charged stories, is particularly useful in aiding memory, making the listeners and readers of stories remember more easily and accurately (Weinroth 2014).

On the premise of the important role that storytelling plays in our cognitive function, can storytelling be deliberately taken advantage of to improve human and business activities in general and, for the purpose of this thesis, to entrepreneurship in particular? On account of the author's personal observation, the rudimentary answer, also speculation at best, is "yes", and that even though the awareness of the benefits of storytelling in business may have yet to be as widespread as it deserves, it is being brought to attention of businessmen, entrepreneurs as well as scholars and researchers. In an attempt to curate and compile the works on the benefits of storytelling in organization, Gill (2009, according to Gill 2011) came up with the following table. To make it succinct, the author of this thesis limits the number of authors for each benefit to 3, though in actuality there are more authors being enumerated for each benefit.

TABLE 1. Compilation of benefits of storyteling in organization (Gill 2009, according to Gill 2011)

Benefits	Practice	Authors
Storytelling is an effective means of communication with internal employees	Employee Engagement	Brown et al. 2004 Denning 2005 Sinclair 2005
Management using stories is more appealing and engaging to employees	Good employer practice	Kaye 1996 Dowling 2006 Simmons 2006
The content of stories can be adapted by the storyteller to make it more personal without compromising the goals	Internal Communication	Lawrence & Mealman 1999 Gardner 2004 Sinclair 2005
Using stories to present knowledge makes it more believable, since the receivers can reflect to their own interpretation and experience	Employer Engagement	Boje 1991 Sinclair 2005 Simmons 2006
Effective corporate stories are appealing to emotions, their lifecycle are relatable to the organization	Internal Communication	Fryer 2003 Denning 2005 Dowling 2006

Employers can take ownership of the corporate stories by applying their experience into them.	Employer Engagement	Drucker 1989 Barnes 2003 Mohan et al. 2008
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The table above serves well as an introduction to benefits of storytelling in organization and business, especially in terms of the interaction between employees and employers. Nevertheless, the information in the table would be very general for the context of entrepreneurship, in which at inception of any business ventures there are hardly any employees but the entrepreneurs themselves. Since entrepreneurship per se is also quite general a topic, the scope of this thesis will be narrowed down to as specific as the challenge of acquiring external funding that business ventures face in their early stages.

Cutting to the chase, this is what this thesis will do. First, it will delve deeper into the concept and definition of storytelling, before exploring its generic functions and effects. Second, it will temporarily diverge from storytelling to traverse the startup investment landscape. Third, it will try to converge storytelling and startup financial exquisation, finding the overlapping sweat spot where storytelling can be of support to early-stage startups in the quest of attracting external funding. These three steps will take place within the territory of extant literature. In the empirical part, this thesis will use the findings in the literature review to support the case business venture in utilising the concept of storytelling, and then it will conduct empirical research to validate, to a certain degree, the effect of storytelling and to gain more insight into it.

1.2 Research Questions

In essence, the objective of this thesis is to explore the concept of storytelling, and how it can be used to support early-stage startups in acquiring external funding. In addition to that, it will apply the knowledge acquired to support the case business

venture, incidentally using the outcome – the pitch constructed for the venture – to conduct experiment to validate certain effects of storytelling.

Main research question: How can early-stage startups attract funding with support from the use of storytelling?

Sub-questions are devised to serve as stepping stones whose answers are the building blocks of the final answer to the main research question.

- What is storytelling?
- What are the functions and effects of storytelling?
- Which stages of a startup are considered early stages?
- Which type of investors should an early-stage venture target for investment? Why?
- What is the decision-making process of business angel?
- How can storytelling be of support in attracting funding from business angel?
- Is there a framework that encompasses the notion of storytelling in entrepreneurship?
- What are the business angels' perspective towards storytelling?
- How differently a pitch that tell stories influence audience as compared to a pitch that employs typical Powerpoint presentation style?

1.3 Theoretical Framework

According to personal observation and the study of extant literature, storytelling in business is surmised to be a nascent yet budding topic among intrigued researchers and scholars, and a topic as specific as entrepreneurial storytelling in startup funding acquisition is not an exception. That said, although an authoritative framework on this topic has yet to come into existence, there are studies and researches that have developed hypothetical frameworks and had empirically validated findings, holistically expanding knowledge in this field of inquiry. The author, for the purpose of this thesis, assembles priori frameworks and extant knowledge to put forth an entrepreneurial storytelling framework, which could be found in Figure 7 in chapter 4.

1.4 Research Methodology and Data Collection

In essence, research is a process that either involves the act of assembling data in an organized manner so as to scrutinise an issue or to discover a recognisable pattern, or sets out to test one or more hypotheses by systematically garnering figures and facts which are in turn brought under scrutiny and open for interpretation. A sound process would proceed from the point of having devised a set of research questions to putting research approach and research method into consideration. (Davies 2007.)

Research approach

With regards to research approach, there are two major approaches prominent in business study researches: deduction and induction. If a research commences with an established set of premises or frameworks, which will in turn be used to derive conclusion or to test them, the research is adopting the deductive approach. On the contrary, if a research begins by amassing data to subsequently analyse and interpret to construct new theory or framework, it is the inductive approach at play. (Saunders et al. 2012, 143.) The majority of this thesis will adopt the deductive approach. It is particularly evident by the author's attempt to assemble priori framework and extant literature knowledge to put forth an entrepreneurial storytelling framework, which will be used to derive the communication strategy for the case study. Induction also plays a rather minor role, when it is used to interpret qualitative data and in turn sheds light to some recurrent themes emerged from the data.

Research method

As far as business researches are mentioned, there are two prevalent research methods, namely quantitative and qualitative. The distinction between these two methods lie in the nature of the data used in the research. Quantitative method involves the generation and usage of numeric data, whereas qualitative method relies on the generation and usage of non-numeric data. The researchers are not to be restricted in a dilemma of having to choose either of the methods; rather, a combination of both can be put into use. (Saunders et al. 2012, 161.) This combination, also called mix-method, will be the choice of research method for

this particular thesis. Further reasoning behind the choice will be presented in the empirical research in chapter 6.

Data Collection

There are two types of data being used in this thesis: primary data and secondary data. Primary data is the data that is empirically collected by the researchers themselves. Secondary data, in contrast, is pre-existing data that was previously collected to serve other purposes. (Eriksson & Kovalainen 2008, 77-80.) Further details on data collection will be provided in the empirical research – chapter 6. As for literature review, extant knowledge and findings will be drawn from publications such as books, articles, journals, reports, previous studies and electronic sources.

The following picture illustrates the research methodology of this thesis.

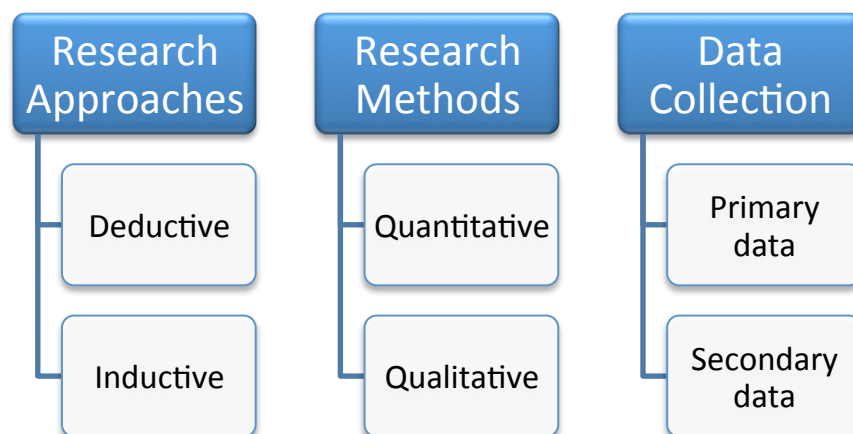


FIGURE 1. Research Methodology

1.5 Thesis Structure

The following picture illustrates the structure of this thesis.

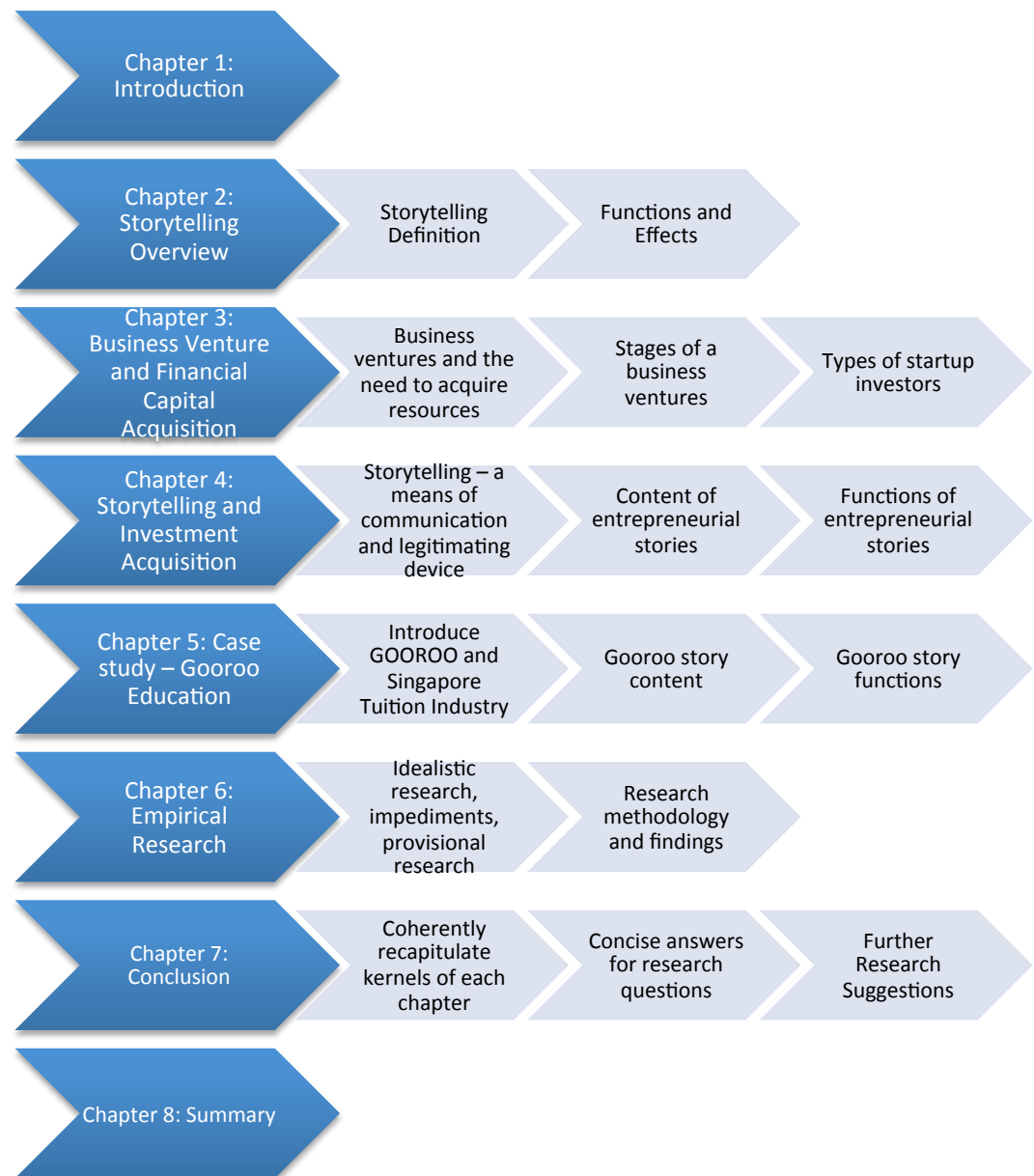


FIGURE 2. Thesis Structure

Chapter 1 provides the background information of this thesis, research methodology and a caveat of limitations to be expected.

Chapter 2 explores the concept and definition of storytelling, and present the generic functions and effects of storytelling.

Chapter 3 traverses the startup investment landscape, reasoning the choice of business angels as the target for early-stage startups to seek external funding.

Chapter 4 presents how storytelling can be of support to entrepreneurs in acquiring external funding. The author assembles priori framework and literature knowledge to put forth an entrepreneurial storytelling framework.

Chapter 5 introduces and analyses the case business venture and attempts to apply the framework developed in chapter 4 to the case.

Chapter 6 is the empirical research. It consists of idealistic research design, impediments to making it happen, and feasible provisional research design. Research findings are also presented.

Chapter 7 goes through all the kernels of each chapter, starting from chapter 2, and briefly answer the research questions. Some suggestions for further research are put forth, too.

Chapter 8 concludes this thesis with a final summary.

1.6 Limitations

As has been mentioned above, storytelling is a nascent yet budding topic, much less as specific as the topic of entrepreneurial storytelling in startup funding acquisition. The author attempted to assemble priori frameworks and extant knowledge to deductively put forth an entrepreneurial storytelling framework. Some of the constituents in this framework have been validated, some remain hypothetical. Though this framework is partially hypothetical and may not have the potential to rise to authoritativeness, it serves well as a plausible and practical fruition of an exploratory research on this topic and as a framework to be deductively applied to the case business venture.

2 INTRODUCTION TO STORYTELLING

This chapter serves as an introduction to storytelling. First, it will go about exploring the notion and definition of storytelling. Second, after having an understanding of storytelling, this chapter goes on to shed light on its generic functions and effects.

2.1 Define story

The need for a different approach to thinking

If there was a word that would characterise the current overall global economic climate (Eanfar, 2011) in general and entrepreneurial environment in particular (Kuratko & Hodgetts 2007, 121), it would be “uncertainty”.

According to the United Nations (2014), global economy might be able to witness growth over the course of the next two years. The positive forecast, however, could be hindered by the climbing levels of uncertainty. The global financial system is not an exception as it has been pervaded by considerable amount of uncertainty, which is allegedly caused by cross-currents (Williams, according to Kearns & Katz 2014).

Entrepreneurship, a driving force that is capable of boosting economic growth via numerous means, such as increasing competition, bringing about jobs, enhancing productivity and/or catalyzing structural change (Kritikos 2014), is prominent for its typical environment permeated by uncertainty and ambiguity. Because of the absence of formal and orderly organization and structure, frequent encounters with impediments and the unexpected, uncertainty denotes daily entrepreneurial life. (Kuratko & Hodgetts 2007, 121.).

Environments of certainty and uncertainty are inherently and diametrically different. Decision-makers that operate, or used to operate, under high level of certainty are highly accustomed to knowing and having virtually all the variables in place, be it empirical or theoretical (Tailal 2008), necessary for the decision making process, and even being able to make decently accurate prediction of the outcomes (Morse & Babcock 2009, 81). That is to say, they are equipped with a

mental model that could process data and information as long as those are empirically observable. Under conditions of uncertainty, on the other hand, the variables needed to be taken into consideration, their availability, and eventual scenarios –together with the likelihood for each to happen – are in relative obscurity. (Tailal 2008; Morse & Babcock 2009, 89.) To make sense of such uncertain and ambiguous circumstances, an alternative way of thinking is crucial.

Two distinct modes of thoughts

Bruner (1986), a renowned psychologist, put forth two modes of cognitive functioning – that is to say, two modes of thought; each of which accounts for a distinctive way of knowing. These two modes of thought operate in two completely different ways, yet it does not mean they could exist independently of each other. As Bruner posited, these two modes of thinking are complementary, when working in collaboration with each other would engender the heterogeneity of the human mind.

One of the two modes is termed logico-scientific or paradigmatic. This mode of thought aims at establishing a formal and empirical system, or conclusion, based on observable and verifiable facts. Endowed with paradigmatic thinking, we are able to figure out formal connections and causality of evident realities, and make a prediction of what is to come based on them. (Bruner 1986.) In other words, we can come to a conclusion and make a prediction of the future state based on observable facts, which are ample under the condition of certainty.

Another mode of thought that governs the way we think is named narrative thinking. Instead of reaching a conclusion or constructing a rational sequence of cause and effect based on observable facts like paradigmatic thinking, narrative mode of thought is involved with attributing meaning to changes, typically unwelcomed ones, of human experience. While paradigmatic way of thinking convinces us of its truth, narrative mode of thought appeals to us by its lifelikeness. (Bruner, 1986.) It creates not truth, but verisimilar versions of reality, also called psychological realism (Hsu 2008), which facilitates the understanding of the meaning of convoluted, ambiguous and uncertain situations. That is to say, narrative thinking – or, in simple terms, *thinking in story structure* – supports our

understanding and sensemaking of circumstances that are filled with uncertainty and ambiguity. To deepen understanding of the distinction between the two modes of thought, direct comparison is displayed in the table below.

TABLE 2. Juxtaposition of two modes of thought (Tsoukas and Hatch 2001)

	<i>Logico-scientific mode</i>	<i>Narrative mode</i>
Objective	Truth	Verisimilitude
Central problem	To know truth	To endow experience with meaning
Strategy	Empirical discovery guided by reasoned hypothesis	Universal understanding grounded in personal experience
Method	Sound argument Tight analysis Reason Aristotelian logic Proof	Good story Inspiring account Association Aesthetics Intuition
Key characteristics	Top-down Theory driven Categorical General Abstract De-contextualized Ahistorical Non-contradictory Consistent	Bottom-up Meaning centered Experiential Particular Concrete Context sensitive Historical Contradictory Paradoxical, ironic

As could be seen from the two modes of thought proposed by Bruner (1986), stories constitute an essential part of our cognitive function. Under the condition of uncertainty and ambiguity, our brain has the inclination to put story into play, owing to the absence of observable and factual variables for decision making and to the ability of story in making sense of situation and constructing verisimilitude. In fact, not only are stories apropos to tackle ambiguity and uncertainty, but also they are well-suited to cope with the transition itself from certainty to uncertainty (Sax 2006). That said, when it comes to defining what constitutes a story, inconsistency arises across a myriad of relevant literature (Hsu 2008).

Story definitions at variance

To a considerable extent, the meaning of ‘story’ is inconsistent across literature of various disciplines (Villanueva 2012). In the course of doing research for his published book *Story Proof*, 60 percent of literature from various fields like cognitive sciences, knowledge management and organizational management, that Haven (2007) came across are far from reaching unanimity on the definition of story.

As far as the study on this topic is concerned, storytelling is inevitably a multidisciplinary field and hence highly subject to the difficulty in reaching consensus among scholars and practitioners about what storytelling is and what it is not (Dalkir & Wiseman 2004). Frye (1957, according to Haven, 2007), an expert in the field of literature, one that in which the topics of story and storytelling seem to be rooted, claimed that the English language has no word but *story* for a work of prose; as a consequence, it becomes an all-encompassing word that is used to indicate virtually everything and in turn fails to take hold of its actual meaning as a specific genre, or narrative structure. In fact, due to its typical polymorphism, scholars have the predilection for defining what a story is not, rather than what a story is. Nevertheless, researchers of storytelling, or any particular fields for that matter, are not supposed to avert defining their study subject. (Hsu 2008.)

The way people so commonly define story is based on the binary system. Binary theory (Crossley, according to Haven, 2007) is about the proposition that people comprehend the meaning of new terms by intellectually establishing a paradigm of binary opposites. Put simply, one word could be understood by contrasting it with its opposite, like “hot” versus “cold”, or “hard” versus “soft”. When it comes to story and non-story, there is a tendency to subconsciously associate them to other binary opposites related to communications that are more specifically understood, such as fiction against nonfiction, truth against lies, real against unreal, fact against fiction. In consequence, *story* is oftentimes referred to as opposition to fact, truth, or reality. It triggers association to unreality, fiction, or make-believe, to some people. (Haven 2007.) In a study conducted on Americans by Freeman (2003, according to Haven 2007), his study subjects tally stories with

fiction and made-up, reality with nonfiction and truth. Notwithstanding its somewhat popularity, this speculation of a sample group goes against many experts' stances on the definition of story.

Here is an array of definitions of *story* by scholars in the fields of organization management and literature:

“The narrative accounts of events and experiences, real or fictitious. They can be spoken, or written, vary in length, and depict past, present, or future events.” (Blythe et al. 2004, according to Haven 2007)

“Story may be defined as the telling of a happening or a connected series of happenings, whether true or fictitious.” (Dalkir & Wiseman 2004)

“A story describe a sequence of actions and experiences done or undergone by a certain number of people, whether real or imaginary.” (Ricoeur 1984, according to Haven 2007)

More meticulously, Jahn (2005) put the definition of *narrative* in the picture, helping steer clear of the common discombobulation between *narrative* and *story*. According to Jahn, *narrative* is “anything that tells or presents a story”, whether it takes the form of text, picture, performance, or a mixture thereof; films and novels serve as typical examples of *narrative*. With regard to *story*, Jahn maintained that it is a “sequence of events involving characters”.

This thesis would not discuss the numerous definitions of *story* in an exhaustive manner, nor would it be capable of taking into account all the viewpoints there are towards the topic at hand. It neither would make another attempt to come up with a new one.

The definition at work

For the purpose of simplicity and relevance, this thesis will concur with the proposition widespread in the field of organizational management that *story* is a means of communication (Hansen & Kahnweiler 1993; Sinclair 2005) by which information can be presented with a narrative structure that is consisted of four underpinning components (Villanueva 2012): “(1) a sequence of progressing events (Ricoeur 1984; Blythe et al. 2004; Dalkir & Wiseman 2004; Jahn 2005),

which are brought about and experienced by (2) one or more focal actors and which are propelled by (3) a plot line that is projected in a specific (4) narrative voice” (Villanueva 2012). In addition, the terms *story* and *narrative* will be used synonymously, a practice that is apparently common among research papers on the pragmatic application of storytelling.

(1) Sequence of unfolding events

As could be observed from the aforementioned array of experts’ definitions, a sequence of events that unfold over time appears to be one of the most rudimentary and widely agreed upon elements of narrative structure (Dalkir & Wiseman 2004; Blythe et al. 2004, according to Haven 2007; Jahn 2005; Hsu 2008). The basic idea underlying this concept is that for a story to be regarded as such, there must be temporal chains of events (Gabriel 2004); put differently, the events and actions in the story are to take place sequentially.

Another striking issue worth mentioning is chronology. Chronology is of the essence when it comes to organizing the story structure (Pentland 1999). Indeed, it governs the holistic structure of every story, coming to be recognizable as the story progresses (Villanueva 2012). Nonetheless, chronology is not to be imposed rigidly on the story structure with every event being a temporal succession of its precedent; the sequence of events can be rearranged for dramatic effects (Pentland 1999).

(2) Characters

Another critically important element that constitutes a story is the cast of one or more focal actors, who are usually referred to as *characters* (Bruner 1991, according to Villanueva 2012). The involvement of characters in story is essential as they catalyze the happenings of events, fall victim to adversaries, or become beneficiaries of the narrated sequence of events (Jahn 2005).

Characters are said to be inherently compelling on account of our tendency to identify with the characters; that is to say, a cast of characters renders the story familiar and captivating to us because they are representative of established character archetypes that the readers or listeners of story carry unconsciously

within them (Bruner 1986). When reading a story, the readers are inclined to put themselves in the shoes of the characters, especially the protagonist, and consequentially experience what the characters are experiencing (Cron 2012), with high level of sameness due to the phenomenon of mirror neurons.

Literary experts and researchers are highly agreeable to the substance of having a set of characters in a story. Rule and Wheelter (1994, according to Haven 2007) insisted that stories are about people in trouble or conflict, and that, by caring about the involved characters, readers (or listeners of stories) follow the story attentively. Gardner (1978, according to Haven 2007) recognized this as early as decades ago when he claimed that characters are the first and foremost reason that people read a story, and that the memorabilities of the characters and the story are synchronous. Indeed, so empowering, fascinating, and exciting is the human effort, which is manifest via a distinguished human face (Lieberman 2005, according to Haven 2007).

As far as character is concerned, it is invariably accompanied by *intent*. Intent of a character is further divided into *goal* (what the character wants) and *motive* (why the goal is important to the character). Goal and motive of a character characterize its beliefs and values. Intentions influence and take charge of behaviour.

Behaviour brings goals, beliefs, and values of the character to light. (Haven 2007.)

But a goal is not invariably attainable with ease. In fact, in any given story, the path to achieve the goal is not clear-cut and easy for the character, usually the protagonist, due to the occurrence of trouble, which is crucial in a *plot line*.

3) Plot line

A story is not a sequence of unrelated and random events that happen to take place in chronological order. Instead, there is a thread that connects these events together into a pattern of cause-effect relationships. Such thread is called a plot.

While the set of characters is tangibly noticeable, a plot is another vital element that serves more as a backdrop underlying the story than being apparent to the eyes. A plot dictates the sequential happenings of events, allowing the storyteller to ‘manipulate’ the events in a story. For instance, he/she can relay the substance of some events and not others, go in-depth into some events while neglecting the

others, to establish connections among seemingly unrelated events or to dismiss connections of events that appear as if they are related. (Gabriel 2004.)

The significance of a plot is its ability to let storyteller instill *meaning* into the sequence of events and in turn make the readers (or listeners) understand the salience of particular events and thus make sense of the story (Gabriel 2004). A plot represents *poetic elaborations* of narrative material, using a range of mechanisms to convey facts as experience rather than as mere information (Benjamin 1968).

One particularly popular way to construct a plot is to employ the dramatic structure, also called Freytag's pyramid, whose usage could be traced back to as early as the works of Aristotle (Monarth 2014). In fact, the most well-known advertisements are the ones that tell complete stories using Freytag's pyramid (Quesenberry 2014, according to Monarth 2014), which is illustrated below:

FREYTAG'S PYRAMID

This simple storytelling structure has worked for thousands of years.

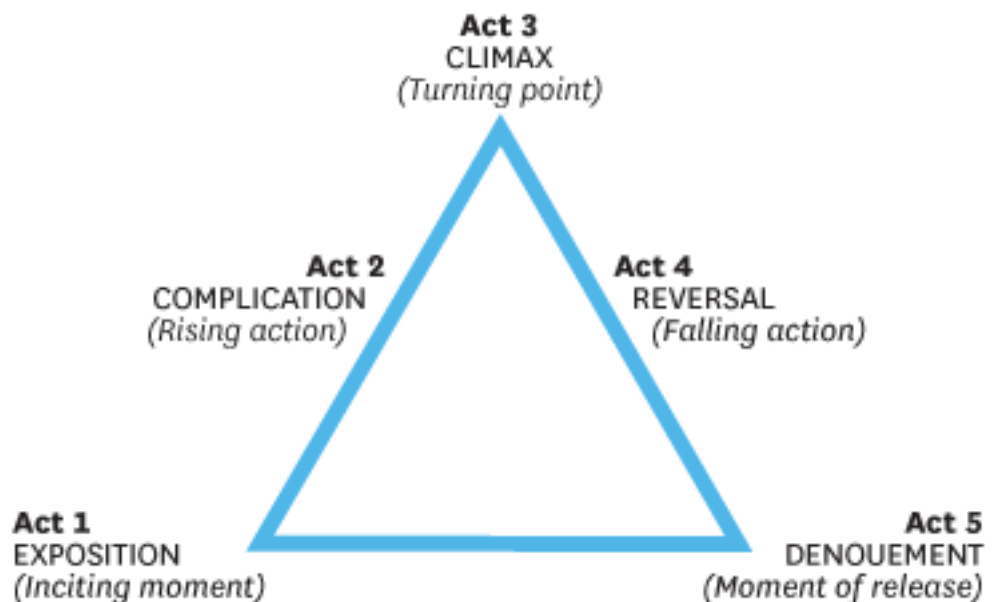


FIGURE 3. Freytag's Pyramid (Monarch 2014)

Exposition (inciting moment)

This portion of story, so-called exposition, presents introductory background information, such as the setting, preliminary events, or the back stories of the characters. Exposition can take the forms of dialogues, thoughts of characters, background details, or the back story told by the narrator. (Hennerberg 2014.)

Complication (rising action)

Complication is a range of events that take place right after the exposition and build up to the climax. Also called rising action, these events escalates towards the point of greatest interest. Complication is by all means the most important part of a story, since it establishes the setting for the climax, and eventually for the gratifying resolution of the story. Put another way, the entire story relies on this part. (Hennerberg 2014.)

Climax (turning point)

The climax is the watershed of the story, a twist of the protagonist(s)' fate that alters the course of the story. If the previous events have gone in favour of the protagonists, this turn of event can change good fortune to bad one, disclosing the protagonist's unknown weaknesses. On the other hand, if the protagonist(s) have been struggling with troubles, the story will unfold in favour of them. (Hennerberg 2014.)

Reversal (falling action)

The end of the falling action marks the outcome of the conflict between the protagonist and the antagonist, with either side wins or loses against the other. In some stories, however, the ultimate result is left ambiguous, inducing a moment of final suspense. (Hennerberg 2014.)

Denouement (moment of release)

While the falling action involves events that lead to the outcome of the conflict, the denouement is consisted of events that follow the falling action to the actual ending scene. Typically, in this stage, conflicts are settled, bringing about a sense

of catharsis for the readers (or listeners or spectators) of stories. (Hennerberg 2014.)

4) Narrative voice

Last but not least, there is invariably an identifiable narrative voice in every story (Pentland 1999). The narrative voice reveals the narrator with a perspective via which the story is interpreted and told. Narrative voice is a crucial element of a narrative structure for not only does it allow the readers (or listeners) to interpret the experience being relayed by the storyteller, but also due to the proposition that one of the critical criteria whereby stories are evaluated is their verisimilitude. (Bruner 1986.) That is to say, as the same story can be told from many different points of views, not only will it be interpreted differently in accordance with the narrator's perspective, but also the verisimilitude of the story will be judged differently.

As this subchapter concludes, here is a brief of what have been discussed so far. According to experts and credible institutions, the current global economic climate is characterised with uncertainty and ambiguity, which require a different approach to thinking and making decision as opposed to an environment of certainty in which variables are usually in place and predictions are made with relatively high accuracy. This thesis goes on to discuss the two modes of thought, proposed by Bruner (1986), each of which accounts for a different way of thinking. The first mode of thought, so-called paradigmatic, helps us form cause-and-effect relationship based on observable facts, which are ample under conditions of certainty. The other mode of thought, on the other hand, is involved with the creation of verisimilar versions of reality, helping us make sense of situations in which uncertainty and ambiguity assume dominance, hence a suitable mode of thought in current economic climate. This way of thinking is called narrative mode of thought; that is to say, to think in *story* or *story structure*. Having understood the importance of narrative mode of thought, the thesis proceeds to explore what a *story* is, and what *constitute* it. As the findings unfold, there is no unanimously agreed definition of story; in reality, storytelling is a multidisciplinary field and how it is defined will depend on the purpose of the specific study. Since the purpose of this thesis is to explore the use of storytelling

in business setting in general and in acquiring investment for startups in particular, the definition in action is in accordance with that used in organizational management, which states that *story* is a means of communication by which information is presented in a narrative structure that has 4 underpinning components: sequence of events, characters, a plot line, and an identifiable narrative voice.

Having equipped with an understanding of what it is a story, the next subchapter will discuss the functions that story can perform and the effects it can produce.

2.2 Functions and Effects

This subchapter attempts to gather functions and effects of storytelling and put them into an organized and coherent format. Based on the author's study of the literature, there is currently no existence of a solid, magisterial approach to categorizing functions and effects of storytelling. Therefore, this thesis imitates a way of organizing them from the work of Gargiulo (2005) into three groups, added with representative labels and additional information from the literature in each group. The three groups are labelled Connecting, Discerning, and Food for thought, respectively, each indicating the gist of each group.

2.2.1 Connecting

The label "Connecting" indicates the functions and effects of storytelling in connecting with other people.

Empowering the speaker

When it comes to verbal communication, a speaker may aim at entertaining the audience or simply persuading them to take certain actions, if not both. A speaker who is armed with a stock of stories readily at their disposal is more effective at capturing the *attention* of the audience. (Gargiulo 2005.) Indeed, stories are generally easy to follow, entertaining in nature, and likely to be remembered (Hansen & Kahnweiler 1993). A story itself has the power to draw attentions from the readers and listeners, even to the extent of making them internalize and adopt

the message being delivered (Weick & Browning 1986, according to Haven 2007).

More importantly, in addition to the attention from the audience, the speaker is further empowered thanks to nature of stories to stimulate the audience to form *associations* (Gargiulo 2005). Stories engage readers and listeners with its characters and struggles, forming a common perspective and context that render the information being delivered by the speaker personal and relevant (Haven 2007). More illustrative a way to put it is that of Gargiulo (2005) when he claimed that while a picture is worth a thousand words, a story equates a thousand pictures.

Creating purposeful atmosphere

Stories can also be used to establish a wide variety of *atmosphere*. For instance, sharing a personal story can induce openness to the atmosphere, culminating in a discussion in which people are open and vulnerable towards one another. Meanwhile, with regard to mitigating a tense ambience, an amusing anecdote is well-suited for the task. (Gargiulo 2005.) What is more, an atmosphere brought about by stories can facilitate the delivery of information to the audience in an influential way, even leading to the momentum towards taking quick actions (Denning 2001, according to Haven 2007). With such a unique effect of creating a purposeful atmosphere, stories enable the speaker to reach the audience and communicate effectively, provided that he is capable of selecting the appropriate story as per his particular purpose (Gargiulo 2005).

Binding and bonding

The fastest way to establish a connection between strangers is by the use of a story. An appropriate story, when told deliberately, can rapidly reveal the common ground between two individuals who were by all means unfamiliar with each other. Among diverse walks of life, perhaps salesman is but the profession that most often bear witness to the bonding effect of stories since reaching out and building connections with prospective customers are tasks that they perform on a regular basis. (Gargiulo 2005.) To place more emphasis on this notion, Gargiulo

maintained that the conversations struck up between strangers that last the longest have the propensity to consist of mutual storytelling.

The rationale behind this notion is the ability of story to build *trust*. Information manifested in the form of story strikes the behavioural inclination to trust in the listener, who may subsequently decide to reciprocate by first being trustworthy and second trusting the speaker. (Gargiulo 2005.) In fact, storytelling is a reliable way to induce trust as it creates a collective context and sense of meaning among speakers and listeners (Auvinen, Aaltio & Blomqvist 2013).

Furthermore, this ability elucidates increasing interest in making use of stories for leadership purposes, in which trust plays a critical role (Boje 2006, according to Auvinen, Aaltio & Blomqvist 2013). The best leaders have always been the most adroit storytellers and influential leadership is all about storytelling, as claimed by Peter (1991, according to Auvinen, Aaltio & Blomqvist 2013) and Ciulla (2005, according to Auvinen, Aaltio & Blomqvist 2013), respectively.

Building community

The ability of stories to build and bond individuals can be projected to culminate in a close-knit community. For instance, in a meeting or training session, stories shared among the staff were observed to create bonds among them and, what is more, a sense of pride in being involved. These staff, in turn, are quick to adopt shared values and attitudes and end up with improved performance. (Haven 2007.)

Through a range of studies in various organizations and companies, Haven (2007) came to realization that storytelling is capable of enhancing staff involvement, making them feel the sense of belonging and become more committed in the working community. Storytelling also allows leaders and managers to imbue into the community organizational values, beliefs, and perspective (Haven 2007). On the other hand, if a concept is important to the organization, it has the natural tendency to grow organically into a story (Snowden 2000, according to Haven 2007).

2.2.2 Discerning

The label “Discerning” indicates the functions and effects of storytelling in allowing communicators to distinguish and sympathise the differences among them.

Story listening

Story listening is by far the most important function of stories, to the extent that all the functions and effects of stories can be consolidated into one overarching principle of active listening (Gargiulo 2005).

That being said, the substance of story listening does not gain the acknowledgment it deserves due to scores of misconceptions about storytelling as a means of communication. One of them is concerned with the widely held assumption that it merely takes the efforts of crafting and telling a story to achieve a desired result. In fact, the practical application of storytelling requires a range of competencies, the most important of which is inevitably listening. A successful communication that utilizes storytelling is the one in which story is told in response to what the other communicators say. Another misconception deals with the interpretations of the experience and interactions we form during the communication process. Such interpretations will subsequently become the stories that guide our communication with others. Yet in numerous circumstances, people form interpretations without prudence and deliberation – that is, without active listening - eventually coming up with stories that have effects that run counter to the original purposes. (Gargiulo 2005.)

Story listening is an activity that transcends the mere act of hearing. If story listening takes place in the same manner with collecting requirements for a particular task, the value captured would be minimal and superficial. Instead, to make the most out of stories, it is crucial to engage in *active listening*. The reason for the need to listen actively is that a substantial amount of value and important information are subtle and tacit. (Gargiulo 2005.) There are accounts that provide useful description and suggestions on how to get the work well accomplished, yet these accounts tend to go undocumented, but rather circulate in the form of stories (Silverman 2006, 206). By actively tuning in and listening attentively to the

conversations across the organization, one can elicit stories that inform of the past, the present and the future, of the current organizational focus as well as of the noteworthy tidbits that would otherwise be hidden in plain view. (Silverman 2006, 218.)

Putting oneself in others' shoes

Stories can inherently allow people to adopt diverse perspectives. People store experience in mind in story structures. These stories serve as vessels that contain values, beliefs, and biases that in turn underlie our behaviours. Actively listening to the stories of others facilitates individuals to reflect the values, belief, and biases in those stories to their own, helping identify similarities, appreciate perspectives at variance, and even establish novel point of view by compiling pieces of different stories. (Gargiulo 2005.)

Moreover, telling and listening actively to stories invoke the knowledge and experience in communicators' troves of stories and in turn bring the common ground to light, generating *empathy* and *compassion* among them (Gargiulo 2005; Weick & Browning 1986, according to Haven 2007). According to a laboratory research, character-driven stories can consistently engender oxytocin synthesis, which would be naturally produced in our brains when we feel the sense of empathy. In other words, mutual storytelling facilitates mutual understanding, eventually leading to enhanced cooperative behaviours and discernment of diverse points of view. (Zak 2014.)

2.2.3 Food for Thought

The label "Food for Thought" indicates the functions and effects of storytelling in supporting cognitive functioning of human beings.

Information vessels

One of the functions of stories is that of an information storage which archives and organizes vast, if not unwieldy, amount of data into more manageable units (Sax 2006). This function especially comes in handy when dealing with "information overload" (Sax 2006), a phenomenon frequently encountered

nowadays in the knowledge economy (Hemp 2009). In addition to functioning as the data archiver, stories themselves are empirically and neurologically proven to be more memorable than separate and fragmented pieces of information and statistics (Callahan 2015).

One typical example of this function is the array of traditional fairytales, allegories, and parables. Every culture or philosophy has an abundant system of norms, values and beliefs, which are deliberately instilled into aforementioned narrative forms so that they could be stored, transmitted and conveniently retrieved among the respective members. (Gargiulo 2005.) Storytelling provides a shared heritage with a tangible form and a collective and distinct identity (Benjamin 2006).

Tools for thinking

A multitude of studies and research have universally arrived at the conclusion that readers (or listeners) retain and comprehend key information and concepts more effectively so long as they are delivered in story form (Haven 2007). Elucidating such conclusion are the three contributory factors surfaced from those studies, namely “evoking extant knowledge”, “providing sensory details”, and “organizing by story structure”.

Evoking extant knowledge

Extant knowledge indicates the existing and accessible cognitive inventory of information that is pertinent to any aspect of the material (written or oral) being read or listened to (Haven 2007). Effective comprehension is potentiated by incorporating new knowledge into that cognitive inventory of information. More importantly, such extant knowledge can be either topical, which means knowledge that is relevant to the subjects (topics) being concerned, or structural, which denotes the knowledge that is relevant to the *way* the new knowledge is being presented. (National Reading Panel 2000.)

The new knowledge that is presented in story form evokes not only our prior knowledge and experience of topical matters being concerned, but also, thanks to early childhood exposure to story, our entrenched understanding of story structure

and the characters in it (Pinker 2000, according to Haven 2007). If the readers (or listeners) have ample extant knowledge of the topics being discussed, they can integrate pre-existing bank of topically related information with new knowledge with relative ease. If the readers (or listeners), however, lack the relevant knowledge, a story with characters, their goals, motives and struggles can activate the readers' (or listeners') prior understanding of story structure, bolstering not only their comprehension but also their interest in the topical matters at hand. (Haven 2007.)

Providing sensory details

Among the keys to enhancing memory and comprehension is to construct *mental images* that represent the ideas being communicated. Mental images allow the transfer of knowledge and concepts. Stories, to a greater extent, contain a high density of *sensory details* that create strong and vivid mental images which not only facilitate the transfer of knowledge and concepts, but also engender neural mapping within the minds of the readers (or listeners), effectively bringing the efforts to comprehend and remember new knowledge to fruition. (Haven 2007.)

Organizing by story structure

The structure of stories offers a framework within which independent and disconnected pieces of information are configured into “related parts of a whole” (Marten, Jennings & Jennings 2007), hence effectively comprehended, efficaciously stored (see *information vessels*), and easily recalled and reproduced (Haven 2007; Martens, Jennings & Jennings 2007).

Persuading weapons

Persuasion is of the essence in business. Making a sale, motivating and springing employees into action, acquiring investment from investors, coming to a deal with a partner, most business activities revolve around the task of convincing others to take certain action. (Fryer 2003.)

It is not the conventional approach to persuasion which places emphasis on the presentation of mere facts and statistics that can keep up to the task, but stories (Fryer 2003). The persuading power of stories is derived from its ability to unite

an idea with an emotion. In other words, reason and factual information alone can't inspire people to take action, if not making them counterargue, whereas stories have the ability to connect to and arouse the emotions and energy of the readers (or listeners). (Fryer 2003.) In fact, a story makes it more difficult for people to refute the idea being conveyed. Moreover, as irrationality tends to largely underpins decision-making process, stories that appeal to emotions are more convincing than sole factual information that triggers rationality. (Gargiulo 2005.)

Healing potion

A glimpse of the field of narrative psychotherapy uncovers a noteworthy healing effect of stories, which is that patients wouldn't be able to promote self-recovery until they could construct a successful narrative that gives meaning to their struggles. (Haven 2007). Storytelling is the primary form whereby human experience is rendered meaningful (Haven 2007), hence particularly important when people come to terms with unexpected, unpleasant, or uncertain events (Babrow 2005, according to Haven 2007). Such therapeutic effect of stories isn't limited to health care, it is applicable to individuals as well as organizations (Gargiulo 2005), which have to operate in the current environment filled with uncertainty and complexity, with ups and downs. In fact, resilient executives are observed to deconstruct hardship to make sense and generate meaning of the situation and the experience for themselves and for the companies (Coutu 2002), a case in which story would be of use.

In a nutshell, this subchapter provides a glimpse of the generic functions and effects of storytelling. While these functions and effects can be diverse and incoherent in nature, this thesis attempts to fit them into three groups, with the gists of them being connecting with others, understanding and sympathising with others, and supporting cognitive functioning. In the next chapter, this thesis will temporarily diverge from storytelling to traverse the startup investment landscape, detecting the overlapping sweat spot where storytelling can be of use.

3 BUSINESS VENTURE AND FINANCIAL CAPITAL ACQUISITION

This chapter aims at exploring the startup investment landscape and seeing to how early-stage startups can go about acquiring external funding. First, it will discuss the need to and challenges in acquiring external resources. Second, it will lay out the stages that a typical startup, or business venture, will go through from the point of inception to the point of becoming a full-fledged company; then, it will clarify the distinction between early stages and later stages of a business venture. Understanding this distinction is crucial, as it implies an array of fundamental differences that have an influence over the type of investors that it could access. Thus, the chapter goes on discussing the types of investors, and pointing out the stages of their preferences. As it will unfold, the most suitable type of investors for an early-stage startup is business angel, hence the final subchapter will be devoted to gaining insights into their characteristics and investment behaviours, which can in turn be used to unveil the sweet spot for storytelling.

3.1 Entrepreneurship and Resource Acquisition

There is a variety of ways whereby entrepreneurship is defined in the ever expanding pool of literature on this topic, among which two streams of opinions rise above the others. The first one is rather mainstream, which takes on the conventional view that deems entrepreneurship a process of creating a business or establishing a new organization. This nascent entity can either be a business in pursuit of profit or a non-profit organization that aims at certain causes. A start-up entity that intends to profit financially is also regarded as a business venture (Businessdictionary). The second stream, as opposed to the mainstream that upholds a somewhat material perspective, considers entrepreneurship in a more abstract way, that it is about discovering and exploiting opportunities (Martens, Jennings & Jennings 2007). These two ways of conceptualizing entrepreneurship aren't necessarily either contradictory or complementary, but both of them uniformly acknowledge a vital element of entrepreneurship, which is the acquisition of a wide range of types of resources (Martens, Jennings & Jennings 2007). Having sufficient resources in place is of such a substance because not only does it allow the entrepreneurs to initiate the business venture, or, as per the

second stream of opinion, pursue the identified opportunities, but also plays the enabling role in the survival and growth of the venture and eventually the generation of profit (Shane 2003, according to Martens, Jennings & Jennings 2007). Some resourceful entrepreneurs utilize the resources in their current possession, purposefully recombining them in a way that serves the new venture. Such process of flexibly making use of own current resources is termed as “entrepreneurial bricolage” (Baker & Nelson 2005). These resourceful entrepreneurs, however, are not exempt from the need to acquire external resources at certain stages in the creation of their venture (Zott & Huy 2007). Put briefly, resource acquisition is not only essential to the survival of new ventures, it also provides them with a competitive advantage (Amit & Shoemaker 1993, according to Miglietta, Romenti & Sartore 2014).

That being said, resource acquisition for business ventures, especially those at the inception or their early stages, is an evidently fatal challenge that the majority of startup attempts would fail to surmount. Such challenge invariably faced by entrepreneurs is usually derived from three reasons.

The first reason is the very nature of the new business venture: its novelty. This inherent liability of startups induces uncertainty to potential resource providers; which means that, the value of the opportunities and the return that the resource providers would receive if they backed the ventures are inevitably unknown prior to the actual exploitation (Shane 2003, according to Martens, Jennings & Jennings 2007). There are two major types of risks that underlie such uncertainty and in turn render the business ventures undesirable to invest, namely market and agency risks. Market risk indicates the risk that is rooted in the unforeseen competitive conditions that may have negative influences on the size, growth and accessibility of the market and factors that would diminish market demand. Such risk gives birth to the concerns over the ability to capture sufficiently large market or to ramp up the production process. (Muzyka et al. 1996, according to Parhankangas 2007). Agency risk is concerned with the possibility of a principal-agent problem. Principal-agent relationship refers to an arrangement in which one entity delegates another to act on its behalf. (Investopedia.) Problem occurs when there is a conflict of interest between the principals and agents, which leads to various adverse consequences like opportunism or incompetence. In the context of

business ventures seeking to acquire investment, agency risks occur in numerous circumstances, such as when the venture ends up bringing great personal return for the entrepreneurs but low monetary payoff for potential resource providers, or when the founders do not carry out the venture in a way that is in accord with the development objectives of the investors. (Parhankangas 2007.) The implication of agency risk is that the level of credibility of the entrepreneurs plays a significant role when it comes to attracting resources from resource providers. All in all, this issue with the inherent newness of new venture is said to be associated with the dearth of *legitimacy* or external validation by Low & Abrahamson (1997, according to Lounsbury & Glynn 2001) and Stone & Brush (1996, according to Lounsbury & Glynn 2001), respectively. As will be uncovered in this thesis, this lack of legitimacy can be tackled with the use of stories in the interactions between entrepreneurs and potential resource providers.

The second reason that accounts for the challenge of startups in acquiring new resources is information asymmetry. In addition to the lack of certainty due to the newness of the new venture, potential resource providers are also likely to lack an understanding equivalent to that of the entrepreneurs about the opportunities and about the means of exploiting put forth by the entrepreneurs (Martens, Jennings & Jennings 2007). While making the effort to communicate the details of the opportunities and the proposed means of exploiting them is undoubtedly a must for entrepreneurs, the effectiveness of the means of communication should be called into question. As have been presented, stories are effective tools to comprehend and remember new knowledge. That information being conveyed via a story not only allows the listeners to comprehend and remember better, but also establishes a connection between the teller and the listeners by illuminating the common ground among them. Using stories to promote the understanding of potential resource providers about the opportunities and the proposed means of exploiting, therefore, the author conjectures, is likely to have the propensity to be more effective than the mere presentation of information.

Last but not least, potential resource providers are faced with an unfavourable combination of long-term commitment in a nascent venture and a substantial possibility of failure. As a matter of fact, it usually takes several years, a considerable amount of time, for a nascent business venture to transform into a

state in which it, or its shares, is sufficiently fledged to be offered for sale. In other words, it is the point in time when the resource providers can make their exits; which means they can get out of the business and cash out their investment (Branscomb & Auerswald 2002, according to Parhankangas 2007). In short, for resource providers, the journey from the point of investment to the point of achieving monetary payoff is lengthy and requiring commitment, while being rife with possibilities of failure.

The resources that new business ventures need to acquire in order to survive and thrive fall into three categories, namely social capital, human capital and financial capital (Miglietta, Romenti & Sartore 2014). Human capital encompasses the collective trove of knowledge and capabilities of the venture's professional team that could be utilized and culminate in the production of goods and/or services (Pennings et al. 1998, according to Miglietta, Romenti & Sartore 2014). Social capital denotes the network of social relations through which the entrepreneur can figure out the opportunities to make use of human and financial capital. The structure of the social network reflects not only the value of the social capital of the entrepreneur, but also his/her competence in terms of being an entrepreneur. (Miglietta, Romenti & Sartore 2014.) An effective social network shares certain features in common, one of which is the heterogeneity in terms of tie strength. That is to say, a working social network should consist of not only strong ties but also weak ones. Such diversity of connections is a contributory factor to the success of the entrepreneur and eventually of the business venture. (Granovetter 1985, Miglietta, Romenti & Sartore 2014.) Financial capital refers to the money required for the establishment of the new business that is comprised of expenses like office space, permits, inventory, product development, marketing, and so forth (Investopedia). Other than engaging in the process of entrepreneurial bricolage, making flexible use of resources at hand, there are a few ways whereby entrepreneurs derive their initial financial capital to pursue the identified opportunities, two major ones of which are business angels and venture capitalists.

The objective of this thesis is to explore how entrepreneurs can go about using storytelling to acquire investment (financial capital) from business angels. Before studying in-depth business angels, their decision-making process and the plausible

impact of stories on this process, it is necessary to grasp the fundamental differences between business angels and venture capitalists, which in turn should be preceded by understanding different stages of a new business venture targeted for investment. Because each stage of a venture has its distinct characteristics with different goals and involves with different types of risks, each type of resource providers will have a different set of investment criteria when evaluating the opportunities. In other words, each type of resource providers is usually more inclined to particular stages than the others of a business venture; therefore, having a rudimentary understanding about the nature of each stage can shed some light on the fundamental characteristics of the investors who favour that particular stage.

3.2 Stages of Development of a New Venture Targeted for Investment

The inception of empirical research on venture capital took place in the 1980s, four decades after the establishment of the first venture capital company in the US (Parhankangas 2007). According to those initial research, professional venture capitalists used to actively engage in early stage investment activities (Villanueva 2012). That said, in recent decades, venture capital research has witnessed a significant shift of venture capitalists from early stage investment activities to investing in ventures in their later stages. Those venture capitalists that still invest in early stage ventures are, at times, regarded as *classic venture capital*, because the original definition of venture capital involves investments in nascent firms, ventures in their early stages, that simultaneously pose high risk and present potential of decent payoff (Parhankangas 2007.), rather than in later stage ventures that have probably taken shape, if not taken off. Even though a small number of venture capitalists still engage in early stage investments, the *equity gap* emerged due to the concerning shift has been currently filled by *business angels*, and organized angel groups, so-called *business angel syndicates* (Villanueva 2012). In a nutshell, as per the current new venture capital landscape, business angels are inclined to engage in early stage investment activities, while venture capitalists are observed to focus their investment activities on later stage ventures. Next, it is important to understand the implications of “early stage” and “later stage”.

In general, according to prior literature, the developmental progress of a given business venture targeted for investment falls into one of the following stages: seed, start-up, first stage, second stage, third stage and bridge financing. These investment stages differ in terms of their characteristics, developmental goals and major risks. The seed, start-up and first stage financing are deemed early stage investment, the ones in which business angels actively engage. (Ruhnka & Young 1987.)

Seed financing is concerned with providing a small amount of fund to an entrepreneur who might have yet to initiate the building of the new venture, but who has an idea or concept that has the potential to be profitable. The primary goals of this stage are creating a working prototype based on the idea or concept, making market assessment to explore the market potential, and/or developing a business plan. (Parhankangas 2007.)

The business is ready to proceed to the second stage - the start-up financing, given the following signals: a working prototype has been created, the viability of the business concept, though still under adamant investigation, is starting to manifest in the forms of a formal business plan and an analysis of the market for the proposed business or service. The fund provided in this start-up financing stage will allow the entrepreneur to implement product development and initial marketing activities. The management organization is also starting to take shape. (Parhankangas 2007.) Typically, a venture reaches this stage when it is about one year into the business (Osnabrugge & Robinson 2000).

The business venture starts running its first stage financing when the market appears to be receptive of the proposed product or service; that is, some orders have been placed or some sales have been made. The management team is also supposed to be in place. With the funding received in this stage, the business venture starts to ramp up manufacturing, assemble a sales force or create a distribution systems to penetrate market and reach sales goals. An ambitious goal for this stage is to break even, or even reach profitability. (Parhankangas 2007.) A venture in its first stage financing tends to have been in the business for five years (Osnabrugge & Robinson 2000).

After the first stage financing, the business venture enters the later stages of its development. This is the point in time when the venture has already established a market presence; that is to say, it is experiencing substantial increases in sales and orders. It may have reached break-even or even profitability, or they have been very close at hand. The management has become seasoned or properly revamped. All in all, the venture has become a full-fledged and profitable company, and any further fundings received would be dedicated to increasing market shares, enhancing profitability, expanding the business, or preparing for window-dressing for IPO. (Parhankangas 2007.) Window-dressing for IPO means that the company will manage to bolster the appearance of its performance prior to its IPO – Initial Public Offering, the first sale of its stock to the public (Investopedia-b & Investopedia-c).

The following table offers an all-encompassing overview of the developmental stages of business ventures targeted for investment.

TABLE 3. Developmental stages of a Business Venture Targeted for Investment (Ruhnka & Young 1987; Parhankangas 2007)

	Seed stage	Start-up stage	First stage	Later stages
Amount	0-\$25K	\$100K-\$500K	\$500K-\$2000K	>\$2000K
Characteristics	<ul style="list-style-type: none"> - Only have an idea or concept on hand - Only the presence of founders and/or technicians, no management team - Prototype is 	<ul style="list-style-type: none"> - Market analysis and business plan are completed - Working prototype is finished and is under evaluation/b 	<ul style="list-style-type: none"> - Market is receptive, some orders placed and/or sales made - Management team is all set 	<ul style="list-style-type: none"> - Substantial sales and orders - Broadened market - Have (nearly) broken even or reached profitability

	not finished, still under development	eta testing - Management team is coming together, but still incomplete - Product is ready to market, initial sales	- Prototype is in place - Come the need to ramp up manufacturing and boost marketing	- Management team becomes seasoned or properly revamped - Established product
Primary goals	- Develop and validate the concept - Create a working prototype - Implement market assessment to explore market potential - Muster a management team and form the company structure - Develop a meticulous business plan	- Complete the evaluation/beta testing and get product ready to the market - Make initial sales, demonstrate demand - Establish manufacturing viability - Organize the management team and the company	- Penetrate markets and reach sales goals - Break even or attain profitability - Boost production capacity, reduce unit cost - Assemble sales force and/or build distribution systems	- Raise sales, growth and market share targets - Bolster cash flow breakeven, profitability - Diversify product or service offerings - Kickoff of a major company expansion - Come the need to window-dress for IPO, buyout

Major risks	<ul style="list-style-type: none"> - Founders lack of competence in general and management ability in particular - Possibility of an insufficiently large market (market risks) - Out of funds, progress become stagnant - Unable to produce a working prototype - Product can be produced but at an uncompetitive cost 	<ul style="list-style-type: none"> - Beta test result turns out to be unsatisfactory - Founders are unable to attract or manage key management superintendents - Market size/share is not viable - Out of funds, unable to attract additional funding - Insufficient sales/marketing volume - Products produced at uncompetitive costs - Unexpected postpone in product development 	<ul style="list-style-type: none"> - Managerially incompetent (founders or management team) - product inadequately competitive - Too high manufacturing costs, insufficient profit margin - Market fails to keep up with projection, slow growth - Marketing strategy flaws; ineffective distribution - Immoderate burn rate; lack of financial 	<ul style="list-style-type: none"> or merger - Incompetent/inadequate management - Insufficient sales/market share - Unanticipated competition - Unable to attain adequate profit margin - Technology rendered obsolete - IPO window closed/no exit for both entrepreneurs and investors
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As could be seen from the table, a venture needs access to a certain amount of financial capital regardless of which developmental stages it is currently in; and the further the venture develops (prior to reaching profitability), the more capital is required to finance expanding volume of business activities. Put another way, the need to acquire external equity funds is huge - in fact, it is must greater than commonly thought (Mason & Harrison 1996, according to Osnabrugge & Robinson 2000) – and the fund required gets larger as the venture grows before it can start earning profits. The reason for this is partly attributed to the fact that benefit of external equity funds usually would not be immediate, but only realized in the long run. In a study conducted in the US in 1991, firms that received external fundings had the inclination to project higher growth rates and larger market shares than those self-funded counterparts. The level of external financial input is indeed an important determinant of the survival prospects for business ventures. (Osnabrugge & Robinson 2000.) Having distinguished between the early stages and later stages that a venture usually go through together with their distinct characteristics, key goals, major risks and the amount of money usually required, now comes the need to know which type of investors a venture at a given developmental stage should target to maximize the opportunities to acquire investment, for a given type of investors tend to have particular preference as to which developmental stages they would be more likely to invest in.

3.3 Types of Investors

There are numerous types of outside investors that provides financial capital for new ventures. Since the characteristics as well as the financial demand of each developmental stage are distinctly different, there tends to be one type of investors that is more inclined to invest in ventures of particular stages. That is to say, the developmental stage and the amount of money required are two optimal indicators of viable sources of external fund. It is noteworthy that as a venture grows and

matures over time, both the need to acquire external financing and the difficulty in doing so accordingly diminish. (Osnabrugge & Robinson 2000.) The following model will illustrate the likely sources of external fundings in correspondence with the amount of funding required and the developmental stage of the new venture.

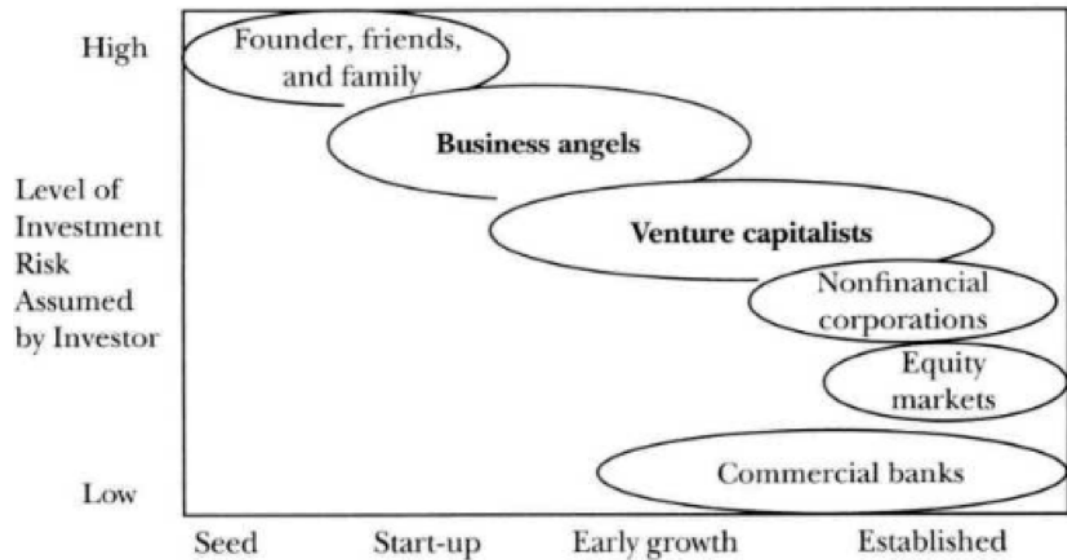


FIGURE 4. Model of the Primary Providers of External Finance through the Development of a Business Venture (Osnabrugge & Robinson 2000)

As could be observed from the model, at any given developmental stage of a business venture there is a primary type of investors from which the venture could most likely attract investment. That said, this model is not determinate, meaning that it only illustrates the most likely sources of investment for a venture at given stages, but it dictates neither that a venture could not acquire investment from the non-primary type of investors which is unlikely to invest in the developmental stage the venture is currently in nor that the venture, as it grows, has to acquire investments from all types of investor in order to survive and develop (Osnabrugge & Robinson 2000). For instance, a venture can survive and develop through the initial stages solely on the fundings from the team of co-founders until it can secure fundings from venture capitalists without any financial support from business angels. In the same vein, a venture can get a loan from a bank as early as its outset. This is a situation that is incongruous with the sequence of types of investors shown in the model, and most likely to happen in cases when the

entrepreneurs are willing to put their own assets on the table which act as collateral. All in all, as a venture grows from as early as its inception to the point in time when it has become full-fledged, the most likely sources of external funding it is likely to attract include:

1. The founder, family, and friends
2. The equity gap (a period void of finance)
3. Business angels
4. Venture capitalists
5. Banks
6. Nonfinancial corporations
7. IPOs and the equity markets (Osnabrugge & Robinson 2000.)

3.3.1 The Founder, Family, and Friends

The majority of business ventures starts off on the personal savings of the entrepreneurs. In fact, two decades back in the US, roughly two-thirds of the companies initiated their business using private funds at the initial stage. At times, the entrepreneurs also mobilize additional capital from family and friends, which could be regarded as “love money”. Not only does using private funds allow the entrepreneurs to quickly spring into action without having to make the effort to attract external fund, which tends to be time-consuming and particularly difficult in the very beginning of a venture, they also offer several important advantages to the venture. (Osnabrugge & Robinson 2000.)

The first major advantage is associated with equity. At the inception when there is nothing but an idea or concept, the business is a venture at best. The resulting sky-high perceived riskiness makes the cost of external funding, if the venture was able to attract at all, exorbitant, meaning that the entrepreneurs have to surrender a large proportion of equity in return for the external funds. If, however, the venture can survive, develop and reach the next stages based on the personal funds and *sweat equity* (hard work) of the entrepreneurs, the *perceived riskiness* and subsequently the equity needed in exchange for external funds will decrease substantially. (Osnabrugge & Robinson 2000.)

Equally important an advantage is the sovereignty over the business. The bigger the proportion of the equity an investor has, especially business angels whose motives would likely include involvement in the venture (this will be further uncovered in this thesis), the more of a say he or she will have in the venture and its developmental direction. A self-funded venture will provide the entrepreneurs with complete sovereignty over their own business in the initial stage. (Osnabrugge & Robinson 2000.)

Another advantage that personal funding can bring about is the signals it emits about the quality of the opportunities and the capability of the entrepreneurs to exploit them successfully (Kelly 2007). In economics, signalling theory denotes the idea that one party must convey certain credible information about itself to another party due to information asymmetry between two parties (Connelly et al., 2013). Accordingly, the entrepreneurs need to provide credible signals to the investors. Since most ventures in their early stages lack proven track records, obvious asset value and profitability (Lounsbury & Glynn 2001), the amount of personal funds the entrepreneurs devote to the venture is an important signal to the investors, especially business angels whose portfolios are mostly comprised of early-stage ventures. Put another way, the higher the proportion of personal wealth the entrepreneurs dedicate to the venture, the stronger the signal of both the entrepreneurs' commitment and the perceived value of the business will likely be (Kelly 2007).

Nevertheless, once the private funds are depleted, the venture needs to acquire external fundings.

3.3.2 The Equity Gap

Locating external finance by itself is considerably difficult, much less acquiring it. Such difficulty is derived from what is called an *equity gap* that exists in the entrepreneurial financial market. An equity gap indicates the deficiency of a small amount of venture capital from institutional sources for business ventures at the seed, start-up and early stages; such deficiency arises owing to the reluctance of banks to make unsecured lending and to the fact that the incurred fixed costs of making investment assessments and monitoring render small investments

uneconomic for venture capitalists. (Mason 1996, according to Osnabrugge & Robinson 2000.)

Equity gap is a genuine concern in the entrepreneurial financial market. It was initially attributed to a lack of funds in the marketplace. However, the attribution has been redirected to the fragmentation of the marketplace, meaning that there is market inefficiency that impedes the free circulation of relevant information about fund sources and investment opportunities among the buyers and sellers of capital. There is a certain degree of debate on the cause of such inefficiency. The supply side of capital tends to consider it as a problem from the demand-side, that investment proposals and entrepreneurs are oftentimes of inadequate quality. On the other hand, the demand-side is inclined to ascribe the inefficiency to the preferences and lending practices of institutional investors, irrespective of the availability of funds. (Osnabrugge & Robinson 2000.) All in all, this progress-hindering gap is a concern of the economy in general and of the entrepreneurs running new ventures in particular. If a nascent venture was to be funded by an external source of capital and able to avoid succumbing to or to overcome this equity gap, that source of capital would highly likely be business angels.

3.3.3 Business Angels

Business angels are well-known for primarily making investments in high-risk early-stage ventures, whom most other sources of venture capital would be disinclined to fund (Maxwell, Jeffrey & Lévesque 2011). These investors make use of their own wealth to invest; more importantly, they tend to have a trove of relevant knowledge and experience to counsel the entrepreneurs, if not closely involve in the ventures. Business angels are allegedly active in every country in the world and have been formally studied in a few developed countries, including Finland. (Osnabrugge & Robinson 2000.) In fact, The Finnish Business Angels Network, or FiBAN, is one of the biggest and most active business angels network in Europe (Sarle 2014). Such business angels network has become an increasingly popular practice, whereby a number of business angels come together to form what is called a business angel syndicate that allows them to collectively make larger and more frequent investments (Osnabrugge & Robinson 2000;

Riding, Madill & Haines 2007). These business angel syndicates can be generally divided into single-deal syndicates and multideal syndicates. Single-deal syndicates are formed targeting a specific deal, whereas multideal syndicates are ongoing and organized to sustain and invest in multiple opportunities. Such communal investing approach, however, is not particularly appropriate for individual angels who would like to have a large say and active involvement in the ventures that they invest in. (Osnabrugge & Robinson 2000.)

With the much-needed funding and likely supportive involvement of business angels, the venture would be able to proceed operation and accomplish developmental goals. Once the venture starts taking shape, the market begins showing signals that validate the potential of the business concept, the management team becomes more or less in place and the evaluation of the product or service prototype delivers positive results, the venture has evolved and moved on to the next stage and, as a result, the volume of its business activities has probably increased dramatically and transcended the means provided by business angels. At this point in time, not only would the need for financial capital of the venture soar, but acquiring capital from formal institutional resource provider would become more feasible an option for the evolving venture.

3.3.4 Venture Capitalists

Venture capitalists are the next most feasible financial resource providers from whom business ventures could acquire investments, provided that they show adequately high growth potential to meet the restrictive criteria from the venture capitalists (Osnabrugge & Robinson 2000). As opposed to business angels who extract personal wealth to make investments in nascent companies, venture capitalists are formal firms that operate as agents of other fund providers. In other words, venture capitalists use the money not from themselves, but from other sources of funds to invest in business ventures. Therefore, venture capitalist firms are subject to the pressure of exuding and exerting competence and professionalism, which in turn leads to the set of restrictive evaluation criteria that contributes to the explanation as to why early-stage ventures would find it extremely difficult to attract fundings from venture capitalists and, in the same

vein, there is a low level of investment activities of venture capitalist firms in early-stage ventures. (Villanueva 2012.) In fact, venture capitalist firms are built upon a complex business structure that justifies the aforementioned shift from early-stage business ventures to evolving ventures in their later stages.

The complex structure of venture capital

Since business angels use their own money for their investment activities, they are only accountable to themselves and thus could be driven by motives other than financial return. Venture capitalists, on the other hand, have to raise financing from external sources of funds on a competitive basis and in turn make use of those funds for their investment activities in business ventures. The sources of funding are various, comprising of limited partners (which account for the majority of the funds organized), pension funds, individuals, corporations and insurance companies. The fundraising activities of venture capitalists are usually of large scale so as to take advantage of economies of scale. Since the venture capitalist firms are accountable not only to themselves, but more importantly to external sources of funds whose sheer reason for providing funds is monetary return, they are liable to making investment decisions that primarily aim at gaining financial return. If the investment portfolio ends up earning a return, the venture capital firm can repay the principal together with a portion of the profits to the fund providers and keep the remainder of the capital gain. The firm would not get their share of the return until the fund providers have been reimbursed. (Osnabrugge & Robinson 2000.) The figure below illustrates the complex structure of venture capital firms.

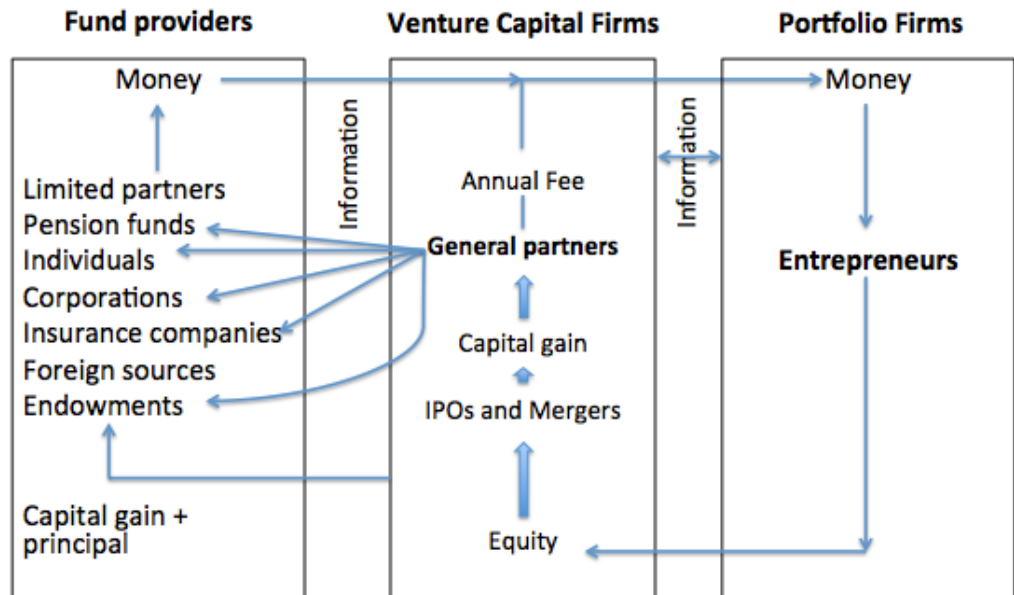


FIGURE 5. The Flow of Venture Capital (Osnabrugge & Robinson 2000)

There are several reasons venture capital firms are generally averse to investing in early-stage business ventures, some of which are rooted in such complex structure.

For instance, investments in early-stage ventures are less likely than later-stage startups to help build reputation of the venture capital firm. As have been mentioned, resource acquisition is invariably a difficult task for startups due in part to agency risk (Parhankangas 2007). Agency risk is concerned with the possibility when the agent who is supposed to act on behalf of the principal end up acting in a way that is against the interest of the principal (Investopedia). As far as agency risk is concerned, venture capital firm is faced not only with the risk from the companies in its investment portfolio, but also with the pressure to reduce the risk perceived by its principals, its resource providers. One of the tactics that venture capital firms employ to reduce the perceived risks for their fund providers is to build its reputation. In fact, reputation provides a venture capitalist with a competitive edge over its competition in attracting money from fund providers. The better the reputation of a venture capital firm, the bigger total funds it can attract and higher annual management fees it can charge the fund providers, which in turn can culminate in economies of scale. A big and successful venture capital firm is usually the result of synchronous working of its

reputation and performance, which tend to go hand in hand. Investing in early-stage startups is a risky and difficult way to build reputation. While an investment in early-stage venture could take up to ten years for an albeit potentially high return to be realized, later-stage deals take much shorter time for venture capital firms to showcase the return and subsequently build up their reputation. In other words, when given two choices between a high-risk, potentially high-return strategy with a long-term horizon and a low-risk, low-return strategy with a short-term horizon, the firm would most likely choose the latter as a better means to build its reputation. This long-term horizon that characterizes investments in early-stage ventures is also generally unsuitable for the investors who also have to compete in the competitive funding marketplace. The power of fund providers is on the rise owing to the multitude of firms vying for funds. Venture capitalists, in response to growing pressure to demonstrate competence to fund providers, would place greater emphasis on quicker exits, or, in other words, short-term horizon that characterizes investment in later-stage ventures. (Osnabrugge & Robinson 2000.)

If the venture, with the financial support from venture capitalist firms, could continue to grow and expand to become an established business, it is ready to go after further large-scale financing options that are characterized by big amount of money and an inclination to low level of risks. Three examples put forth in the model are banks, nonfinancial corporation and equity markets.

3.3.5 Banks

Banks hardly make investments in early-stage ventures because of its nature to minimize risks, albeit a few exceptions of firms that could offer collateral for a loan. In fact, it is claimed by a venture capitalist that while venture capitalist firms try to minimize the positive correlation between risk and return, sheer interest of bank is to keep risk to a minimum. Early-stage ventures are not only full of risks, they lack a proven track record, are highly illiquid and have a generally volatile profit and cash flow measures. (Osnabrugge & Robinson 2000.)

Banks are not a potential source of external funds for ventures in their early stages, but they are an important source of funding for established companies, and the record of acquiring venture capital in early stages plays a contributing role.

Nascent companies that have acquired investments from external fund providers will, in later stages, become attractive propositions for banks since they are likely to be growth-oriented and have a strong balance sheets. (Osnabrugge & Robinson 2000.)

3.3.6 Nonfinancial Corporations

Among different types of financial resource providers, large corporates are the only one that would provide business ventures with funding not for the sack of potential monetary return. Rather, these corporates, many of which belong to the Fortune 500, fund new ventures that develop offerings or technology that is complementary to their own; if the new ventures end up successful, they will acquire the small businesses to add the new products or services to their set of offerings or to append the complementary technology to theirs. Such practice of corporate venturing is considered as strategic investments in new ideas. In addition, this practice prevents these small firms from cooperating with the competitors or from becoming their direct competitions. With strong share prices, these nonfinancial corporates can purchase small firms by handling over some of their stock instead of using cash. (Osnabrugge & Robinson 2000.)

From the perspective of entrepreneurs, such opportunities from nonfinancial corporates are usually considered not so much a source of funds as an exit opportunity. Traditionally, the path of a successful business venture would lead it to becoming public in an IPO - Initial Public Offering. That said, in light of instability in the IPO market, more business ventures have chosen to be acquired by big corporations. In fact, such practice has become popular to the extent that many entrepreneurs set out to build a venture with the sole objective of being acquired by larger nonfinancial corporations and receiving substantial wealth in the process. (Osnabrugge & Robinson 2000.)

3.3.7 IPOs and the Equity Markets

If a business venture makes it through the high-risk early stages of development to become successful, the firm can end up listing its shares on a publicly traded

financial market (Osnabrugge & Robinson 2000.) Doing so brings a number of advantages:

- Listing on a stock market helps attract further external funding to finance the firm's increasing volume of business activities
- The investors who have funded the firm during its earlier stages can reap the fruits of their investment. Not only would return on investment be realized, the investors can cash out their investment to reinvest elsewhere.
- The endeavours and hard work of the entrepreneurs come to fruition.
- The entrepreneurs can repurchase the shares of stock, thus regaining control of their ventures. (Osnabrugge & Robinson 2000.)

In fact, IPO stage is not so much an opportunity to attract additional finance for the firm's growth as procuring exit routes and share liquidity. A common objective for the majority of business ventures, reaching IPO, however, is extremely difficult to accomplish. In a study conducted in the US in 1991, 73 percent of technology-based venture firms believed a public stock offering was highly likely, while there was de facto only 1 percent of corporations were publicly traded and 0.25 percent were listed on an organized exchange. What is more, IPOs tend to be complicated as they would result in a wide variety of changes to the firm, such as management changes, refinancing, reevaluation, et cetera (Osnabrugge & Robinson 2000).

3.4 Business Angels – More Insights

As could be observed, the most suitable type of investors that early-stage business ventures should target for investment is business angels. This subchapter will be dedicated to exploring in-depth their characteristics and investment behaviours.

3.4.1 Common Characteristics

The search for business angels is a challenging task in its own right, let alone acquiring investment from them (Kelly 2007); according to Osnabrugge & Robinson (2000), such challenge is derived from the following reasons:

- First and foremost, business angels are renowned for their anonymity. Their preference for remaining incognito is inherent and justifiable, for no sooner had they become widely known than they would be inundated with investment proposals (Osnabrugge & Robinson 2000; Kelly 2007). This poses an elusive challenge not only for entrepreneurs but also for researchers (Kelly 2007).
- Neither their transactions nor directories are publicly recorded, at least until 2000 when Osnabrugge & Robinson first published their findings.
- They come from diverse and dispersed population of well-to-do individuals.
- The subject matter in their investments tends to be private and personal, thus unexposed to the public.

There are a number of characteristics commonly shared among business angels that could be of assistance to entrepreneurs to better identify their potential investors, namely:

- Business angels are usually middle-aged male with entrepreneurial knowledge and experience (Kelly 2007).
- Their investment decisions are driven by both financial and non-financial motives (Kelly 2007). Financial return remains the primary objective for business angels, although the word 'angel' could happen to give erroneous impression of sheer altruism. On the other hand, they are also into new business ventures because they want to play a role in the entrepreneurial process so that they can put their business knowledge and experience into good use, or some of them consider involvement in business ventures as good alternative to retirement. Other non-financial motives include excitement of involvement and a sense of social responsibility. (Osnabrugge & Robinson 2000.)
- Due to the aforementioned preference for involvement, business angels will be attracted to opportunities where they have a relevant stock of knowledge, skills and experience to contribute added values (Kelly 2007). This has potentially important implications for entrepreneurs when searching for business angels. First, business angels could be found among individuals who are successful and wealthy in the field in which the

venture operates. Second, having a business angel who possesses relevant capability on board can be utterly beneficial to the venture.

- They have a close circles of referrals, including business associates as well as friends and relatives, who refer investment opportunities to them (Kelly 2007). The implication of this is that one of the ways entrepreneurs can locate business angels is through their social capital.
- Business angels, especially angel syndicates, usually make deals in ventures that have close physical proximity to their home base (Kelly 2007).
- A large proportion of business angels have yet to make their first investment. These angels are variously described as *latent angels* or *virgin angels*.

3.4.2 Advantages and Disadvantages

The table below shows the advantages that business angels could offer as investors.

TABLE 4. Advantages of Business Angels

Advantages	Explanation
They favour small-size investments	Early-stage ventures tend to require an amount of funding that would be too small to catch the interest of institutional investors, mainly due to the fairly large cost incurred for due diligence and monitoring. Such costs would only be justifiable when it comes to much bigger deals, and it is rare for nascent ventures to obtain large investments without having attracted small investment in prior. (Osnabrugge & Robinson 2000.)
They favour start-ups and early-stage ventures	As mentioned above, these investors have the predilection to invest in early business ventures. They are, therefore, of considerable substance not only as a financing option for entrepreneurs but also in the enterprise economy by filling the <i>equity gap</i> in the market. (Osnabrugge & Robinson 2000.)

They make investments in all sectors	Business angels are generally observed to make investments across all sectors in the economy. That said, it should be brought to attention that they are mostly attracted by sectors that have high-growth potential. (Osnabrugge & Robinson 2000.)
They are flexible	As opposed to institutional investors for whom it is usually required to formally cohere to a decision-making process before ending up closing the deal, business angels are rather flexible with their financial decisions (Osnabrugge & Robinson 2000). At each stage of the decision-making process, they can make the decision to invest, to reject or to proceed to the next stage (Riding, Madill & Haines 2007). Moreover, they have a different set of investment criteria from that of institutional investors, a longer investment horizons and shorter investment processes. They also have lower expectation of monetary return than other types of investors. (Osnabrugge & Robinson 2000.)
Less procedural expense	Raising funds from business angels does not incur high fees as institutional investors (Osnabrugge & Robinson 2000).
Value-added	Business angels are value-added investors. They will utilize their experience, relevant expertise, networks, and so forth, to support the entrepreneurs in building the venture. (Osnabrugge & Robinson 2000.)
They are dispersed geographically	Business angels are ubiquitous, not particularly located in financial centres. It is noteworthy that business angels are inclined towards ventures that have close physical proximity to them. This is quite inherent as being near to each other makes it more convenient for investors to involve and support the ventures. (Osnabrugge & Robinson 2000.)
Leveraging	Funding from business angels provides ventures with leveraging effects. That is to say, the record of having obtained investments

Effects	from business angels could enhance the interest of venture capital firms in the venture. (Osnabrugge & Robinson 2000.)
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Business angels are distinguishing targets for early-stage ventures to attract investments. Nevertheless, they are not without flip sides, as displayed in the table below.

TABLE 5. Disadvantages of Business Angels

They are less likely to make further investment in the same venture. On the contrary, venture capitalists devote a large portion of their funds on expanding funding of prevailing firms in their portfolio. (Osnabrugge & Robinson 2000.)

Involvement in the venture is one of the criteria to make investment decision of business angels. On that account, they would want to have a say in the running and future developmental direction of the firm. Such participation of business angels, albeit potentially beneficial, would require entrepreneurs to give up certain degree of controls. If the business angels do not have relevant expertise and experience, their involvement can turn unfavourable (Osnabrugge & Robinson 2000.) This implies the need of entrepreneurs to also be prudent on their part in choosing investors.

A minority of business angels can turn out to be downright jeopardy who pursue self-interest against the good for the venture (Osnabrugge & Robinson 2000).

While leveraging effect of funding from business angels can help enhance interest of venture capital firms in the venture, it usually would not be applicable to investment bank or IPO due to the general lack of reputation of business angels (Osnabrugge & Robinson 2000).

3.4.3 The Process of Making Investment Decisions

Several scholars have studied the decision-making process of business angels and illustrated it with a few different models. According to Certhoux & Perrin (2013), many of those models are not empirically validated, like the ones developed by Osnabrugge and Robinson (2000) and Haines and co-authors (2003). Paul, Whittam & Johnston (2007), on the other hand, conducted a research on 30 Scottish based business angels and put forward a model that consists of seven stages. Paul and co-authors posited that the relationship between an entrepreneur and a business angel is based on psychological attraction; as opposed to that between an entrepreneur and a venture capital firm that places great emphasis on pseudo-rational criteria like numbers and potential returns. The authors took one step further to draw an analogy with courtship and marriage so as to render the process more readily intelligible; such analogy is illustrated in the picture below.

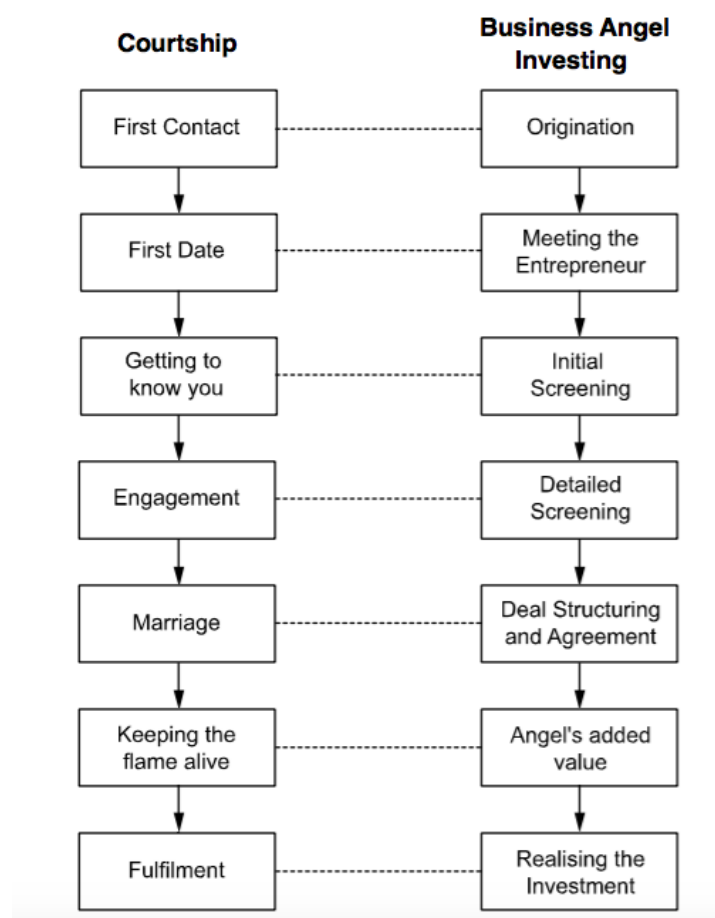


FIGURE 6. Marriage and Courtship Model of Business Angel Investing (Paul et al. 2007)

There are two columns in the picture above; the left one illustrates the sequential stages of a courtship/marriage and the right one depicts the process of making investment decisions of business angels. Each successive stage in one process is supposed to be an analogy to a matching stage in the other one. As could be seen from the picture, the relationship between a business angel and an entrepreneur starts with the first stage – Origination.

Origination

The origination stage involves the encounter between the business angel and the entrepreneur; that is, the business angels first learn of the opportunity. There are three major means by which the angels get to know of the nascent venture, namely business associates, angel syndicates or any investment networks of which they are members. (Paul et al. 2007.)

Business angels commonly expect to read a business plan or at least its executive summary (Paul et al. 2007). However, only a small proportion of business plans are considered acceptable to these investors. There are three suggestions for business plan improvement emerged from the study of these thirty business angels, including:

- At this initiating phase the angels prefer to read an executive summary of two to three pages at most. Not until did they found interest in the deals would they consider further reading of the detailed business plan. (Paul et al. 2007.)
- The route to market, that is, the way by which the proposed offering reaches the market, should be clear-cut and sharply defined. This is by all means more important than a financial projection to which the angels will be least receptive at this phase. (Paul et al. 2007.)
- Expenses should be projected realistically and should not be understated (Paul et al. 2007).

At this stage, angels would likely filter out deals that are not in accord with their preferences for accessibility and application of relevant expertise. That is to say, the opportunities that could receive further consideration should have close proximity to the homebase of the investors, or at least should be acceptably

accessible; also, the venture should operate in the field that the angels have relevant working experience and expertise and are familiar with the technology. (Paul et al. 2007.)

Meeting the entrepreneur

In this stage, the entrepreneur and the business angel will have their first face-to-face meeting, or at least the first meeting between the two that is solely concerned with the investment opportunity. The entrepreneur will deliver a presentation of the business opportunity, also called *a pitch*, to the angel. (Paul et al. 2007.) As the name of the stage suggests, the assessment of the opportunities made by angel investors will inherently revolve around the entrepreneur and the entrepreneurial team in this stage. In fact, the quality of the entrepreneurs, together with the market-product characteristics of the business, is the key criterion at play in the investors' evaluation (Riding, Madill & Haines, 2007).

In evaluation of the quality of the entrepreneurs as well as the team, the entrepreneurial attributes under consideration include not only issues of competency, which is objective and measurable (via credentials and track record), but also human qualities like enthusiasm and trustworthiness, which are less tangible and less substantive (Villanueva 2012). Particularly important for this thesis is the finding from a study by Clark (2008), which maintained that presentational factors (as opposed to non-presentational ones like the details of the opportunity) have the propensity to have the highest level of relative influence on the overall score an entrepreneur received; what is more, such influence is not short-lived but enduring over the investors' post-presentation interest in the opportunity. It is worth bringing to attention that business angels tend not to recognize (or unwilling to admit) the influence of these factors but instead focus on non-presentational ones. Clark (2008) conjectured that the overall scoring of the entrepreneur and the opportunities would reflect more accurately the 'tacit, gut feel' process that the angels, either knowingly or unknowingly, engage in when evaluating the opportunity.

All in all, as far as the quality of the entrepreneur is concerned, the following characteristics come into play, in descending order of ranking:

- Enthusiasm
- Trustworthiness
- Expertise
- Good impression – liked upon meeting
- Track record (Osnabrugge & Robinson 2000.)

Screening

At this stage in the process, there will be further meetings with the entrepreneurs to confirm initial impressions. Since nascent ventures and in turn their investors typically face a paucity of reliable information and historic data, business angels will inherently employ different ways to mitigate this risk, such as checking out the background and track record of the entrepreneur with their business networks. (Paul et al. 2007.)

Business angels will also conduct meticulous inspection of the business plan. An assessment of whether they have expertise that could be of value to the venture will also be made. The entrepreneurs should also bear in mind to consider the role that they wish the angels play in the running of the venture. (Paul et al. 2007.)

Evaluation and Refinement

This is a stage whereby the investors have developed an 'emotional' commitment with the ventures, resulting from and in mounting about of time spent on the proposal (Paul et al. 2007).

There are two key activities that happen in this stage.

First, the angel will join force with the entrepreneur in revising the business plan. Having the business plan amended, at times substantially, is a common practice once the angel has been heavily involved in the venture. Areas in the business plan that would undergo the most changes tend to be marketing and finance (Paul et al. 2007).

Second, a decision on whether to invite an additional angel on board will be made, which in turn could result in higher amount of funding and variety of perspectives and expertises (Paul et al. 2007).

Deal structuring and agreement

This stage officially marks the making of the angels' investment decisions. But before that, a number of activities have to be carried out, starting with conducting due diligence. According to Riding and co-authors (2007), business angels tend to conduct relatively less, and less formal, due diligence as they place more emphasis on actual involvement in the firms.

Furthermore, the angels and the entrepreneurs will enter into negotiations over the value of their investment in equity. The valuation is usually very difficult due to, again, the absence of sufficient information, which could in turn lead to the difficult negotiation. However, the Scottish investors in the study were observed to approach this issue of equity pricing quite intuitively. (Paul et al. 2007.)

How and when the funding will be available to the venture are also agreed upon in this stage. A common practice is that the firm will receive succession of fund infusions will take place over time as the venture evolves through its early stages. (Paul et al. 2007.)

Angel's added value activities

Business angels exert their business skill, experience and even contacts to contribute to the ventures. Their contribution oftentimes comes at strategic level, and occasionally at operational one. (Paul et al. 2007.)

Realising the investments

Business angels tend to bear in mind flexible exit strategies. Though they do not share preference for a particular exit route, research indicated that it is most achievable via trade sale rather than IPO or share repurchase. (Paul et al. 2007.)

4 STORYTELLING AND ENTREPRENEURIAL INVESTMENT ACQUISITION

This chapter marks the convergence of storytelling and startup investment. It revolves around how early-stage business venture can go about using storytelling to enhance the likelihood of attracting funding from business angels. First, it will provide the rationale behind the use of storytelling; that is, answering the question "Why". The remainder of the chapter will be dedicated to answering the question "How".

4.1 Entrepreneurial Storytelling – A Means of Communication

As has been pointed out, the second and third stages of the process of making investment decision of business angels (meeting the entrepreneur and screening) mark the inception of the communication between an entrepreneur and a business angel. Starting with a pitch to briefly but convincingly communicate the opportunities to the potential investor, further interactions, given that the pitch earned the entrepreneur advance to the next stage, will take place between two parties for the investor to confirm his or her initial impression as well as conduct inspection of the business plan. During this particular period of time in which initial interactions between two parties take place, not only does the entrepreneur has to provide a variety of information to the angel, he or she also needs to employ a means of communication that would leverage what they have to communicate to secure investment capital. This thesis proposes the use of storytelling as the means of communication in question.

Storytelling is a crucial skill that all the entrepreneurs must have in their repertoire. In fact, accomplished entrepreneurs are renowned for being regarded as "raconteurs"; according to some of the most successful ones, the entrepreneurial ability even coincides with the ability to tell great stories. Entrepreneurial storytelling has been brought to the attention of an increasing number of scholars and researchers so as to dissect its uses in the entrepreneurial process, including the task of acquiring funding from external sources. (Martens, Jennings & Jennings 2007.)

Scholars who study storytelling in organization widely agree on the use of storytelling, positing that it is a fundamental, preferred and effective means of communicating, sense-making and sense-giving (Martens, Jennings & Jennings 2007). Before delving into the use of storytelling as a means of communication with investors, it is necessary to recapitulate the difficulties in acquiring external resources that young entrepreneurial ventures face during its budding stages.

4.2 Entrepreneurial Storytelling – A Legitimizing Device

There are numerous impediments that hinder the ability of the entrepreneurial firm in attracting external funding. The first one stems from the nature of a nascent venture: its uncertainty. Most of the investors are reluctant to fund business ventures in its early stages because the dearth of information makes it nearly impossible to evaluate the opportunities and anticipate the return. The second difficulty is information asymmetry, which denotes the idea that the investors tend to have less information than the entrepreneur about the opportunities as well as the proposed strategies of exploiting these opportunities. The third difficulty is the long-term commitment required on the investor's part while the journey is rife with failure possibilities.

All in all, it could be seen that ambiguity encompasses the new venture and any social actors that involve in it, including the entrepreneurs and committed investors. With the absence of proven performance, tangible asset value, profitability and many elements required for valuation and anticipation of future outcome of a business entity, the entrepreneurs confront the problems associated with the lack of *legitimacy* or external validation (Lounsbury & Glynn 2001). Such legitimacy, one that is of pressing demand for a new venture, could also be derived from 'cultural alignment', or cultural support of the young enterprise (Lounsbury & Glynn 2001).

Culture used to be theorized abstractly as a set of beliefs that motivate entrepreneurs by researchers of entrepreneurship. More recent studies, however, have conceptualised culture as a "flexible set of tools that can be actively and strategically created and deployed as actors struggle to make sense of the world" (Swidler 1986, according to Lounsbury & Glynn 2001). Putting this point to the

context of entrepreneurship, successful entrepreneurs are the ones who are skilled users of cultural tool kits, being able to make use of symbolic language and behaviours that could quickly capture cognitive legitimacy. Put differently, entrepreneurs who understand culture in operation and have the cultural tool kits at their disposal can mold the interpretations of the nature and potential of their new venture to potential external resource providers. The primary tool in this cultural tool kits being concerned is storytelling. (Lounsbury & Glynn 2001.)

As presented in chapter I, stories help make sense of ambiguous circumstances for both the speaker and the listener, or, in the entrepreneurial context, both the business venture and the external stakeholders (e.g. investors), by distilling and simplifying a convoluted clutter of otherwise ambiguous activities and impressions into a refined and coherent format. They create an account in a 'symbolic universe', resulting in social verisimilitude that could in turn alleviate uncertainty (Lounsbury & Glynn 2001).

Stories are important organizational symbols that could take either written or oral form. Entrepreneurial storytelling not only provides sense-making to the business venture but also assists in sense-giving to potential investors who 'mine for golden nuggets' in an environments filled with ambiguity and complexity. As the business venture will initially appear as an ambiguous entity to the investors, an engaging and coherent story becomes a salient asset to the young firm by making the ambiguous more familiar, understandable, and eventually legitimate. (Lounsbury & Glynn 2001.)

In a nutshell, entrepreneurial stories have the abilities to reduce uncertainty and bring about legitimacy to the new venture, inducing favourable interpretations of the wealth-creating potential and eventually being of assistance to the enterprise in acquiring external funding. These abilities particularly come in handy in earliest stages of the nascent enterprise, when uncertainty is at its peak, and entrepreneurial conception and venture formation are taking place. (Lounsbury & Glynn 2001.)

Uncertainty alleviation and legitimacy creation are the fruition that comes about when entrepreneurial stories exercise their functions, namely relaying identity of

the entrepreneurial enterprise in an intelligible way, elaborating the strategies put forth by the founders for exploiting the opportunities, embedding familiar and unfamiliar contextual elements into the stories to engender interest and commitment, and influencing intuitive evaluation of potential investors (Lounsbury & Glynn 2001; Martens, Jennings & Jennings 2007; Villanueva 2012; Miglietta, Romenti & Sartore 2014). Before studying in-depth these functions, it is necessary to bring to attention the *content* of entrepreneurial stories that gives rise to their come-about.

4.3 Content of Entrepreneurial Stories

According to Lounsbury & Glynn (2001), entrepreneurial stories are composed of the prevailing trove of entrepreneurs' resource capital and institutional capital.

4.3.1 Resource Capital

Resource capital is a category that embraces a variety of kinds of capital, including technological capital, human capital, social capital, financial capital, and intellectual capital. Resource capital can also be divided into tangible and intangible resources, with a typical intangible one being the founder's vision, 'a system of beliefs and language which give the organization texture and coherence'. (Lounsbury & Glynn 2001.)

Regardless of offering portfolio, any nascent business ventures initially engaged in resource-picking activity for economical purpose; the stronger the firm's resource-picking advantage, the more profit is to be expected (Lounsbury & Glynn 2001).

Entrepreneurial stories, in turn, should demonstrate not only the trove of resource capital of the firm and its resource-picking ability, but also the value and relevance of those resources to the wealth-creating possibilities of the venture. This provides the investors with a basis for valuation of the firm's resource capital and the firm with competitive distinctiveness. (Lounsbury & Glynn 2001.)

4.3.2 Institutional Capital

While resource capital denotes the stock of firm-level resources that a nascent firm possesses, institutional capital refers to three important industry-level elements: industry legitimacy, industry norms and rules, and industry infrastructure (Lounsbury & Glynn 2001).

Industry legitimacy concerns with whether the portfolio offering of the firm (i.e. products and services) would be deemed appropriate and useful by public in which they are on offer. Put differently, industry legitimacy begs the question of how receptive the public would be towards the products and/or services offered by the young enterprise. Industry norms and rules, as the name suggests, indicates the economic behaviours that are considered appropriate and decent. Industry infrastructure denotes the broader set of industry resources, such as availability of capable labour, extant technology and/or market opportunities. (Lounsbury & Glynn 2001.)

4.4 Functions of Entrepreneurial Stories

Once having reflected and laid out the resource capital and institutional capital in current possession, the business venture can start constructing a story that would exercise 4 major functions. This subchapter is conducted to discuss these functions in-depth.

4.4.1 Relaying Identity of the Entrepreneurial Enterprise in An Intelligible Way

Story structure offers a logic that is used by human beings for self-presentation. Individuals make and tell stories as resorts to understand and describe who they are. When individuals tell their personal accounts, they construct themselves as characters whose attributes will be uncovered and communicated, thereby shaping not only how they view themselves but also how others view them. In other words, stories are effective means by which a social entity can construct and communicate its identity. (Martens, Jennings & Jennings 2007.)

Such function is derived from stories' ability to arrange independent and fragmented pieces of information into connected parts of a whole. Instead of merely presenting facts, they relay facts in an elegant way. This function of stories can also be applied to entrepreneurship; entrepreneurial stories order the firm's stock of resource capital into a sophisticated and coherent whole to construct a young firm's identity that is comprehensible and memorable. (Martens, Jennings & Jennings 2007.)

With regards to the aforementioned impediments that nascent firms usually face, identity constructed in a narrative format can assist in alleviate these impediments. In particular, by packing the firm's extant stock of resource endowments into an appealing narrative format, stories can strengthen the investors' understanding of the firm and its capabilities, subsequently reduce information asymmetry between investors and the venture. With more insights into the firm and its stock of resource capital, the investors can then evaluate the possibility that the venture will succeed, thereby alleviate perceived uncertainty. Ultimately, identity constructed and communicated with the means of storytelling can culminate in enhanced likelihood of financial capital acquisition (Martens, Jennings & Jennings 2007).

A few empirical researches on this particular function of entrepreneurial stories have brought about some valuable pragmatic findings on its actual effects. According to Martens and co-authors (2007), there are five common identity constructions that nascent firms would adopt:

- Established leader
- Aspiring leader with track record
- Aspiring leader with logical plans
- Aspiring leader with social ties
- Ambiguous identity

According to the empirical research conducted by Martens and co-authors, identities constructed and communicated by means of storytelling do exert influence on potential resource providers better than other means of communication. But such function comes with a caveat, which is that identities

that are not entirely independent of actual resource in possession should not be added with fabricated details, which can lead to undesirable counter-effects.

As indicated by Lounsbury & Glynn (2001), stories should not only present a firm's resource capital and its resource-picking ability, but also illuminate the links between such resource and the possibility of creating wealth of the firm. Miglietta, Romenti & Sartore (2014) empirically validated this idea and came to a conclusion that the identity communicated through an entrepreneurial story can lead to positive influence on resource acquisition if showing the connection between track record and current behaviours. Put differently, the stories should use past achievements to explain why current behaviours are feasible and conducive to future success.

4.4.2 Elaborating the Strategies to Put Forth by The Founders for Exploiting The Opportunities

Stories are excellent means through which the founders of the nascent firm can elaborate their proposal strategies of exploiting identified opportunities (Martens, Jennings & Jennings 2007).

Stories are a fundamental tool thanks to which human can make sense of ambiguous circumstances and communicate their insights to others (O'Connor 2004). Stories facilitate sense-making and sense-giving, figuring out and communicating causality. Therefore, in addition to constructing and communicating identity of a social entity as has been mentioned above, stories are also of support in elucidating the actions of the social entity, rendering those actions justifiable and plausible in a broader given context. (Martens, Jennings & Jennings 2007.)

By the same token, entrepreneurs, by means of storytelling, can explicate their rationale behind their proposed strategies of exploiting opportunities in an environment full of risks. Information asymmetry is mediated once the investors have understood the proposed strategies; yet for uncertainty to be as well alleviated, the stories would have to frame risk in a way that is more tolerable to investors (Martens, Jennings & Jennings 2007.) Reinforcing this idea is the

empirically validated finding by Miglietta, Romenti & Sartore (2014) who concluded that stories would have more influence on funding acquisition if they show clear links among risks, opportunities and the proposed strategies.

4.4.3 Embedding Familiar and Unfamiliar Contextual Elements into The Stories to Engender Interest and Commitment

One of the aforementioned difficulties is the required long-term commitment in an environment rife with failure possibilities. Entrepreneurial stories can induce interest and commitment in investors by embedding contextual elements, fitting the venture into a broader picture (Martens, Jennings & Jennings 2007).

A story that motivates audience to act in accord with the teller's expectation must resonate with the audience. In order to do this, the entrepreneurs must understand the sociocultural context in which they craft the story. A story that is embedded in a larger context becomes more meaningful to its intended audience. It must be able to symbolically connect its ideas to 'pre-existing, ongoing and encompassing conversations'. (Martens, Jennings & Jennings 2007.)

A challenge for entrepreneur is how to properly position its story in relation to entrenched cultural accounts. An appropriately positioned story balances between familiar symbols, which provides the venture with understandable verisimilitude in a given context, and unfamiliar, original symbols, which makes the venture stand out and distinctive (Martens, Jennings & Jennings 2007). For instance, when it comes to institutional capital, entrepreneurs must aim at *optimal distinctiveness*, balancing strategic distinctiveness of the firm and industry-level appropriateness (Lounsbury and Glynn 2001). A right balance that gives enough stress to both familiar and unfamiliar contextual elements can render the perception of the venture as less risky and yet intriguing (Martens, Jennings & Jennings 2007).

4.4.4 Impact on Intuitive Evaluations of Bas

Contrary to popular beliefs which maintain that evaluative judgment of business angels over the business venture is strictly based on objective, espoused standard criteria, the evaluation of these investors are actually substantially influenced by

subjective and intuitive factors, such as 'personal chemistry with the founders'. Put briefly, intuition, or gut feeling, *de facto* has important implications for entrepreneurs of early-stage business ventures in acquiring external funding. (Villanueva 2012.)

Villanueva (2012) conducted an empirical research on the affective influence of entrepreneurial storytelling on evaluation of business angels *independently* of the content of stories. In other words, she hypothesized that communicating the opportunities in the form of story, *ceteris paribus*, led to positive affective influence on the investors' evaluation in terms of perceived competence, perceived motivation, perceived market demand and empathetic identification. The empirical finding, however, turned out to run counter to half of these hypotheses, namely perceived competence and perceived market demand. That said, the result did reveal two important affective influences of stories on business angels. First, entrepreneurial stories will enhance the degree of empathetic identification with the entrepreneurs, or the entrepreneurial team, of the investors. Second, these stories can also bolster the investors' assessments of the level of motivation of the entrepreneurs. This is of particular importance, given that, as has been pointed out, motivation, or enthusiasm, is one of the most important qualities in an entrepreneur that business angels would look for.

As this chapter reaches its end, here is the summary of the findings on entrepreneurial storytelling. The author of this thesis puts forth an overarching framework that provides a holistic illustration of entrepreneurial storytelling. This framework is a result of assembling *priori* framework and existing knowledge achieved through the review of relevant literature.

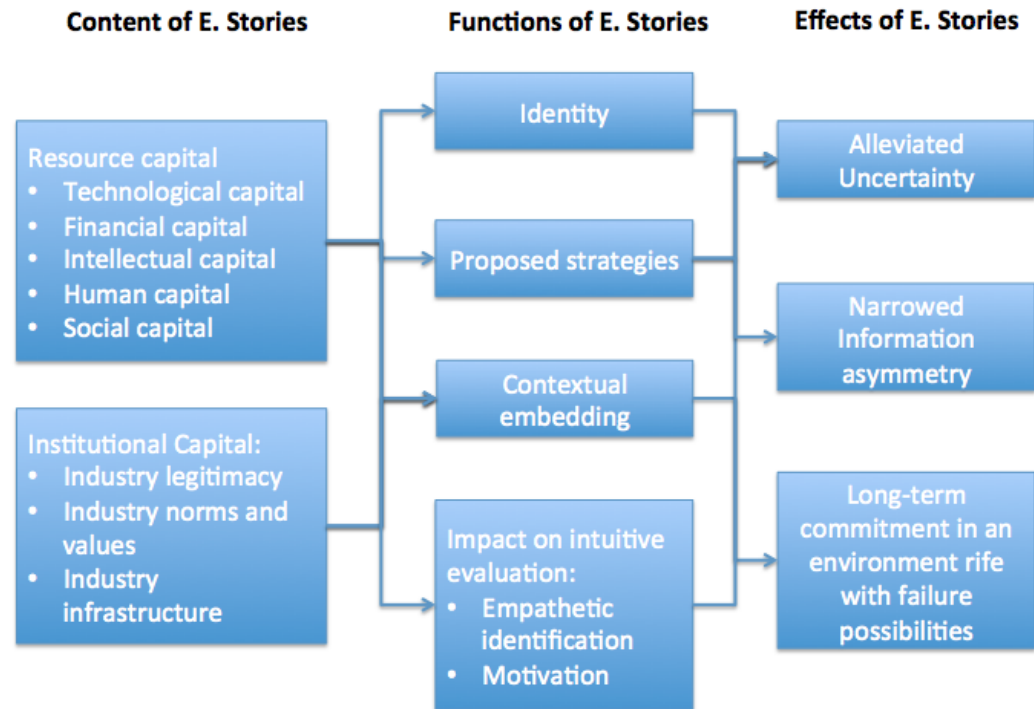


FIGURE 7. Entrepreneurial Storytelling Framework (adapted from Lounsbury & Glynn 2001; Martens, Jennings & Jennings 2007; Villanueva 2012; Miglietta, Romenti & Sartore 2014).

In summary, business ventures, especially those in the early stages, face a number of inherent impediments that result in pervasive ambiguity and in turn hinder its possibility of acquiring external funding. Entrepreneurial story is a means of communication that could facilitate the acquisition of financial resource by mediating between the firm's prevailing resource and the ambiguity that encompasses the venture and its social actors (i.e. entrepreneurs and investors). The entrepreneurial story has the following functions that give rise to its mediating effect: constructing and communicating the venture's identity, elaborating the proposed strategies, embedding familiar and unfamiliar contextual elements to engender interest and commitment to investors, and finally, influencing intuitive judgment of business angels.

5 CASE STUDY: GOOROO EDUCATION

GOOROO Education is a business venture with its base located in Singapore. The venture was co-founded by three Singaporean entrepreneurs in 2014 with the aim to take advantage of modern technology to join forces with the impending reform in the private tuition industry in Singapore, which has stayed controversial and yet unchanged for the past 10 years () in a country whose education is rather successful at a global scale (Hogan 2014). Before getting to more details about the business venture, it is necessary to have a fundamental grasp of larger picture - the private tuition industry in Singapore.

5.1 Private Tuition in Singapore

In Singapore, the majority of students have to attend private tuition after their primary educational session in school. The general purpose of attending private tuition is to maximize the students' academic performance, be it the desire of parents or of the students per se. With regards to Singaporean parents, they send their children to private tuition because they are afraid that their children fall behind in class, or that the teachers in the school with whom their children are studying do not sufficiently covered all the materials that are crucial for national examinations. ()

Private tuition is a uber-profitable industry in Singapore. In 2008, only a minuscule number of 3 out of 100 students reportedly did not attend private tuition (Gooroo Business Plan 2015). In 2014, there were roughly 850 tuition centres that offered private tuition (Thetutorwebsite 2015) in an area of less than half the size of London (Traveler's Digest 2014). These tuition centres, which do not represent the whole private tuition industry, allegedly gained SGD\$110.6 million in 2005. According to the market research conducted by the founders, 67% of Singaporeans currently have or have formerly enrolled their children in private tuition; another 23% show intention to do so in the future, which add up to potentially 90% of the population. In short, private tuition has become an obsession in the country, to the extent that Singapore has been dubbed "tuition country". (Gooroo Business Plan 2015.) That said, this industry has yet to be properly regulated (Teng 2014).

The business entities at play in Singapore's private tuition industry includes tuition centre, tuition agencies and private tutors. Tuition centres have their own brick-and-mortar location that offer tuition classes of varied sizes. These tuition centres can be generally divided into two main types: those of good quality which tend to be overly expensive and those of average quality which tend to be disproportionately crowded. Tuition agencies play the intermediary role of matching private tutors with suitable students, whereas private tutors can find clients (students) on their own or through the service of tuition agencies. Private tutoring can take place at either the tutor's chosen location or the students' home, hence so-called home tuition. (Gooroo Business Plan 2015).

The founders point out the following pain points in the industry that could be translated into business opportunity:

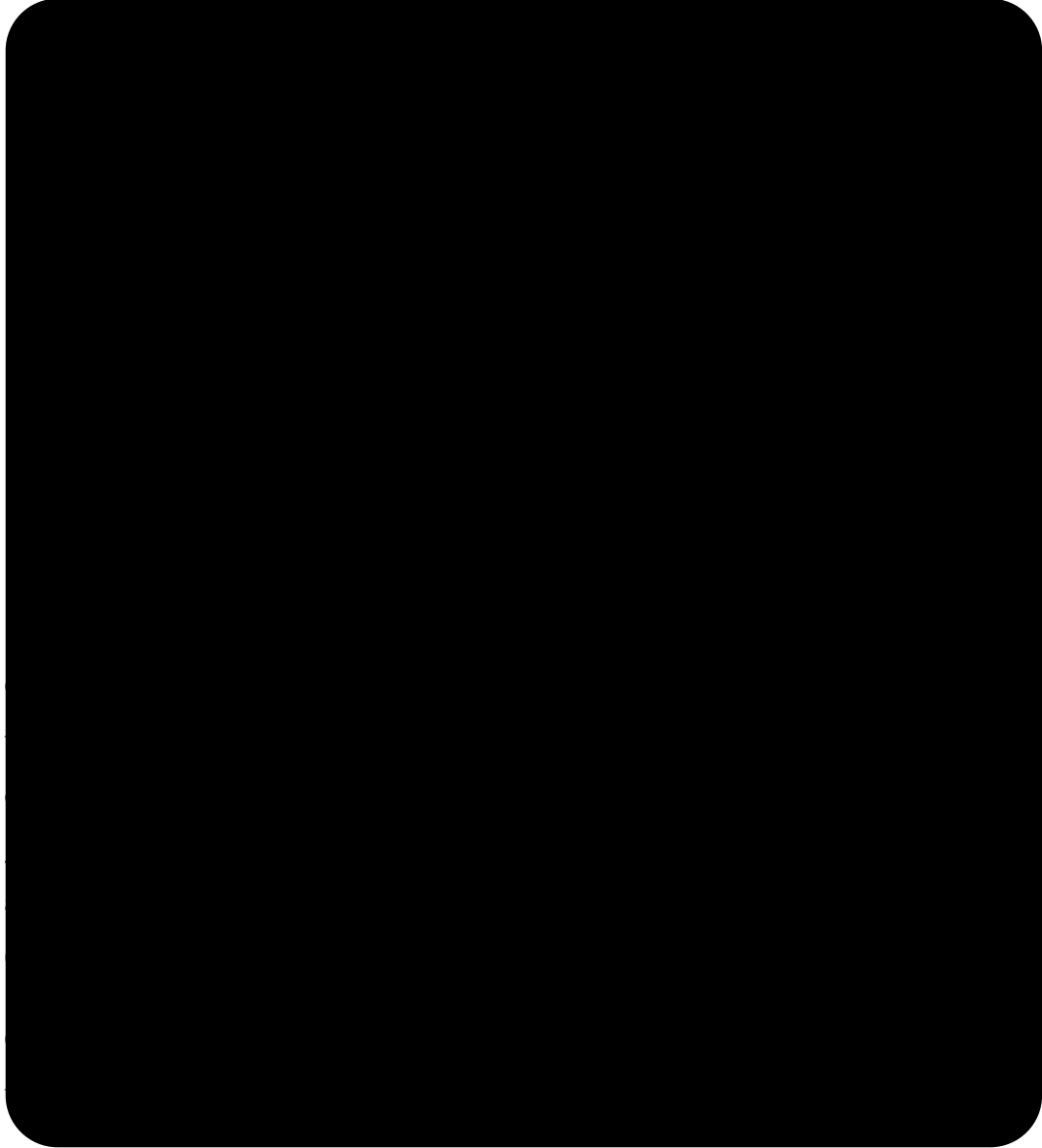
- With regards to tuition agencies and private tutors, the most common problem is that students are often matched with tutors who are not suitable for them, if not even inhibiting their improvement. Tuition agencies operate based on a revenue-model that charge tutors 50% in fees for the first month, and afterwards the tutors are free to carry on with their work without any interference from the agencies. Since the agencies are incentivized by turnovers as they gain revenue whenever parents change or hire new tutors, this model does not motivate the agencies to match the most suitable tutors to the students. (Gooroo Business Plan 2015.) In some cases, students and tutors fail to achieve desirable results simply owing to a lack of "personal chemistry" between them
- Inconvenience in home tuition in terms of geographical and scheduling challenges. Also, there is a limit to the number of students a tutor can handle (Gooroo Business Plan 2015).
- Time lag to realizing results of tuition. Academic performance is only known after exams. Prevailing progress of students then depends on the communication between parents and the tutors. That said, both parents and tutors tend to be snowed under, and there is currently no efficacious means of communication between the two. (Gooroo Business Plan 2015)
- Students are generally disinclined to tuition (Gooroo Business Plan 2015). They tend to be motivated by the highly competitive educational

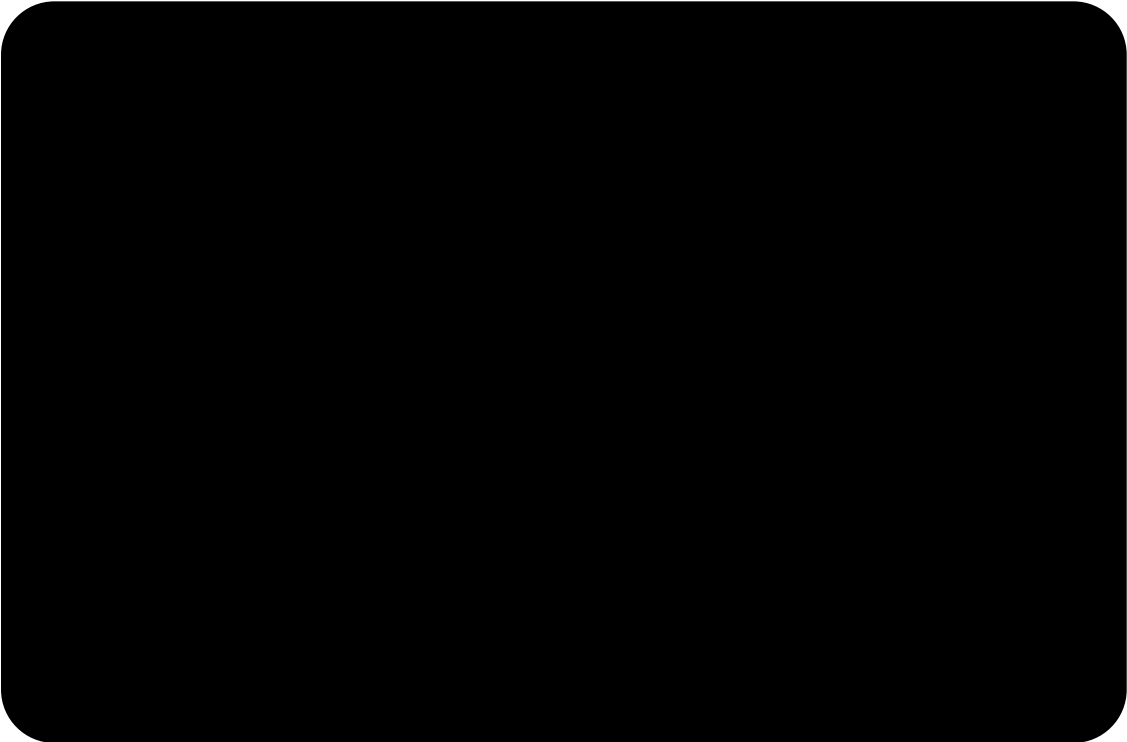
environment in Singapore rather than by genuine interest and a sense of purpose in their education [REDACTED]

- Only 20% of the lowest income household have children enrolled in tuition, indicating that tuition is less accessible for those without the means (Gooroo Business Plan 2015).

5.2 GOOROO Education

With a grasp of the industry as well as the problems-cum-opportunities, the founders at Gooroo propose some tackling solutions that could potentially exploit these market opportunities. Taking advantage of technology advancement, Gooroo plans to construct and brings to market an Internet





At this point in time (March 2015), Gooroo is finalizing their business model and building their platform. They have also conducted a market research for customer validation with the research sample being the client base in their pre-existing tuition agency; and they intend to execute another market research at a larger scale. They have a semi-finished business plan while keeping a heads up for any necessary modifications to the plan. [REDACTED] Reflecting against the developmental stages of a business venture targeted for investment (FIGURE 4), Gooroo is undoubtedly at its earliest stage of a business venture – the seed stage. As a business venture at its seed stage, and also as has been confirmed by one of the founders, Gooroo has come to need external financial support. Being an early-stage venture, the most feasible option that Gooroo could opt for is business angels, especially those who are located in Singapore.

The purpose of this chapter is to be of assistance to Gooroo and its co-founders in communication with business angels so as to boost the likelihood of financial capital acquisition. The means of communication that can be expected from this thesis is apparently storytelling. As has been pointed out, the interaction between entrepreneurs and business angels usually commences with the entrepreneurs' delivery of a pitch that communicates the business venture within a minimal time

span. The desired upshot of this chapter, hence, is to construct a pitch using entrepreneurial storytelling framework for the case company.

In order to do this, it is crucial to garner the content for this entrepreneurial story, including resource capital and institutional capital of Gooroo. A series of in-depth interviews conducted with the founders has disclosed important details that could be organized into these two categories of capital. These interviews are briefly recorded in the following table.

TABLE 6. History of Interviews with Gooroo's Founders

Date	Founders	Description
15.03.2015	CEO	In-depth interview – to obtain general understanding of the startup, the motives of the founders and their prevailing progress
29.03.2015	CEO	In-depth interview – to obtain insights into the startup, its idea and the industry it operates in
3.04.2015	CEO	In-depth interview – to be informed of how the founders will go about acquiring financial funding and preparing for the pitch
10.04.2015	COO	In-depth interview – to have a grasp of Singapore's students allocation of time and financial resource for private tuition, and a glimpse of the competitive culture, the locally so-called Kiasu-ism

5.3 Resource Capital

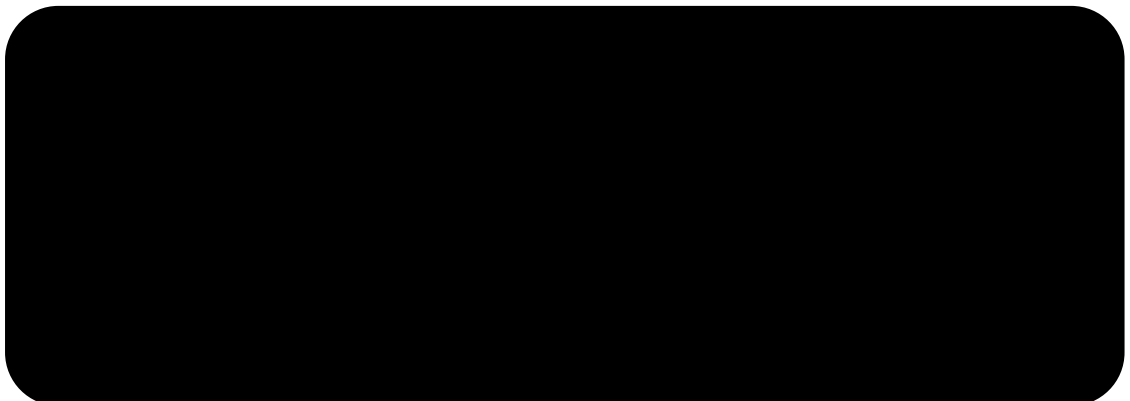
5.3.1 Technology Capital

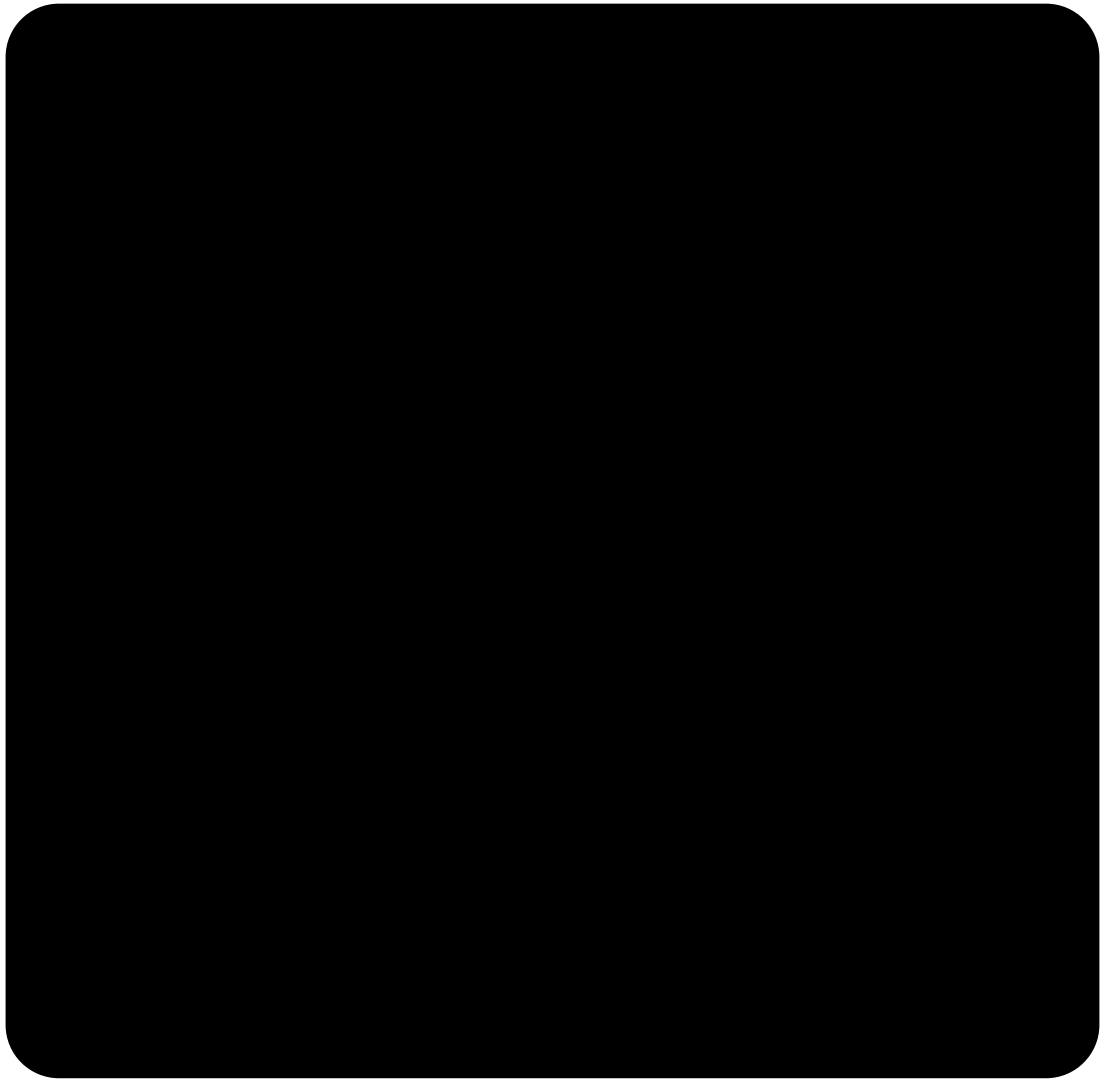
The firm intends to take advantage of advancement in technology in a lucrative industry that has remained traditional for the past 10 years [REDACTED]. This means that the company will utilize current technology to alter existing business practices as opposed to developing their own proprietary technology. As a business venture in the seed stage, the offering primarily remains a concept in the founders' mind, though the platform is under construction; in the case of Gooroo, the conceptual offering is the aforementioned interactive platform featuring various functions.

5.3.2 Financial Capital

All the expenses in relation to initiating the business venture have amounted to SGD\$5000. According to the interview [REDACTED] the team will be able to commit SGD\$20000 and can manage to acquire a grant of equal value of SGD\$20000 (which demonstrates the firm's resource-picking ability), adding up to a total of SGD\$40000. The founders intend to attract another SGD\$50000 in exchange for 10% of the firm's equity. [REDACTED] In other words, the entrepreneurs have managed and devoted 80% of the amount of funding they are asking for, which should be a suitable signal of their commitment to the business angels.

5.3.3 Human Capital



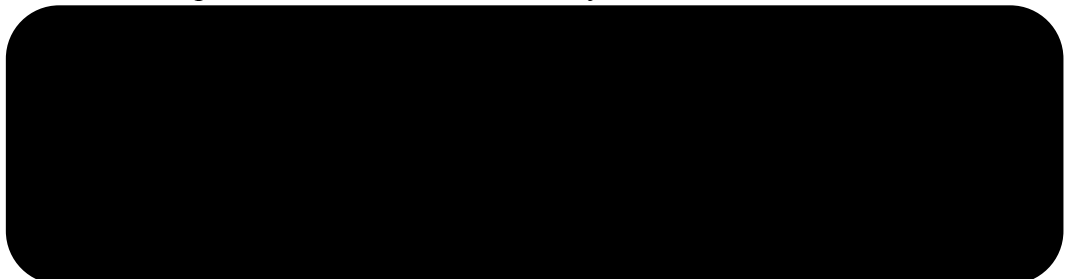


On brief, the team appears to be armed with strong human capital with the following considerable strengths:

- Complementarity – The firm has basically what it would need to initiate this business: an industry insider, a solid technician, and a business savvy.
- More importantly, they have not only been close friends for ten years, an extended period of time, but also worked together very well.

5.3.4 Social Capital

The complementarity of this founding team brings about benefits not only in terms of competence but also of the diversity of the social networks of the team.



A number of select essential details of the Gooroo's arsenal of resource capital are distilled in the following illustration.

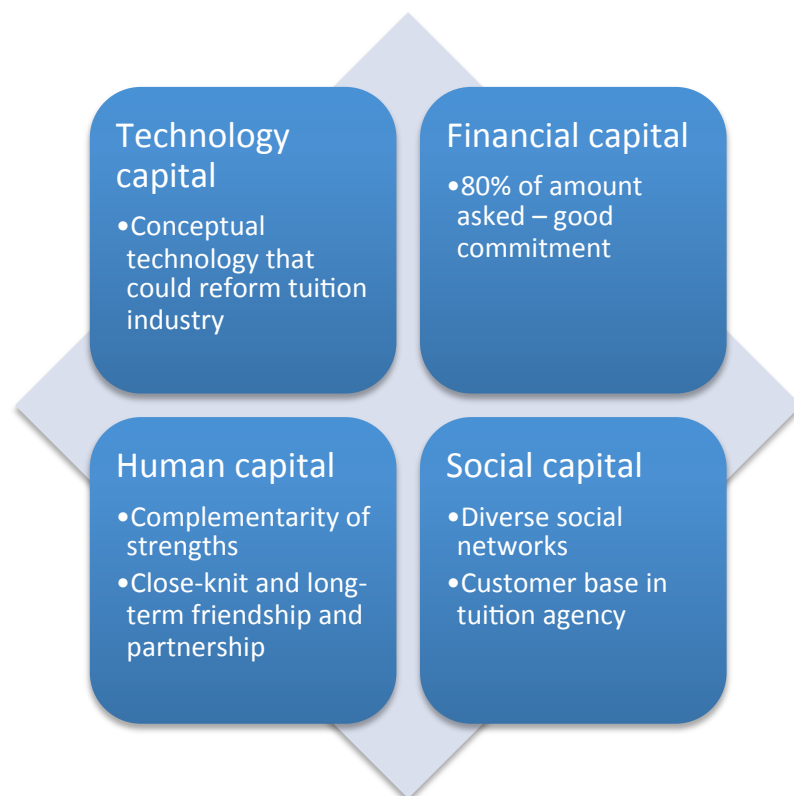


FIGURE 8. GOOROO's Prime Resource Capital

5.4 Institutional capital

5.4.1 Industry Legitimacy, Norms and Values

Industry legitimacy concerns with the degree to which the products or services offered by organizations in a given industry are considered decent and useful by the public in which it operates (Lounsbury & Glynn 2001). According to the

market research with the sample being the customer base of the existing tuition agency of one of the founders, students and young parents appear to be receptive to the idea of the venture [REDACTED]. The founder did not indicate the response of older parents, which could be a hint that these parents may be reluctant or even opposed to the idea.

In the firm's business plan, the firm claims not to become direct competitors with existing business entities in Singapore private tuition industry, namely tuition centres, tuition agencies and private tutors. Rather, it will "disrupt the market with innovation, and has the potential to capture the entire market". (Gooroo Business Plan 2015.) Looking at the business model of Gooroo, it could be seen that the model will end up benefitting students, parents and tutors, but, on the other hand, capturing the market share of tuition centres and rendering tuition agency old-fashioned and even futile. Nevertheless, as the model will not only add value to the industry but also, if the venture were to become successful, will join forces to impending reform in the industry and contribute to the education system in the country. Therefore, while the new practice that makes use of modern technology may encounter reluctance in an industry that has stayed traditional for a decade, the business model will ultimately add value to the industry as well as the society, hence subjectively deemed decent and beneficial.

During certain moments in an industry when a unique practice or technological innovation comes about, entrepreneurial stories should place more emphasis on the benefits of such novel practice or technology rather than the firm's distinctiveness. This novelty in business practice or technology tends to bear a risk that information and knowledge pertinent to the operation and usage of the offering is not widespread, if not principally taking place in the minds of the founders. (Lousbury & Glynn 2001). Putting this proposition into the context of tuition industry in Singapore, Gooroo, in communicating with the business angels, should emphasize the advantages of this new business practice, i.e. bringing tuition and tutoring online, as opposed to exalting the uniqueness and transformativeness of the interactive platform. By underscoring the advantages, entrepreneurial stories can bolster legitimacy of this new practice of using Internet for tuition and tutoring. With regards to the legitimacy of using Internet per se, Internet has become so entrenched and legitimate that entrepreneurial stories no

longer have to manage to legitimate it (Lounsbury & Glynn 2001). Moreover, on the basis of practical observation during the author's internship of 5 months in Singapore, technology has pervaded the country, renovating many industries and shifting many traditional business practice, as well as many other rather conventional practice (e.g. public reporting) for that matter, on to the Internet. Therefore, the author of this thesis speculates that the overall technology landscape in the country would provide Gooroo proposed strategy with adequate legitimacy, or at least the unlikelihood of downright pushback.

5.4.2 Industry Infrastructure

Singapore is a high-tech country (Smith 2015) with one of the highest internet penetration in the world – 73%, exceeding those in neighbouring countries like Thailand and Indonesia, with 26% and 15% respectively (Huang 2014). The prevalence of technology can be strongly substantiated by a report by Google in 2014 which showed that the island city had the highest smartphone adoption rate in the world (Low 2014). With regards to labour force, 10% of degree holders in the country major in Information Technology, ranking fourth among the fields of study (Ministry of Manpower, 2013). This is a credible indication of not only the popularity of IT major in Singapore but also the size of IT labour market. As far as education per se is mentioned, it is internationally renowned (Hogan 2014), occupying third place in global education rankings (Davie 2014).

The figure below provides an illustration of the institutional capital of the case company.

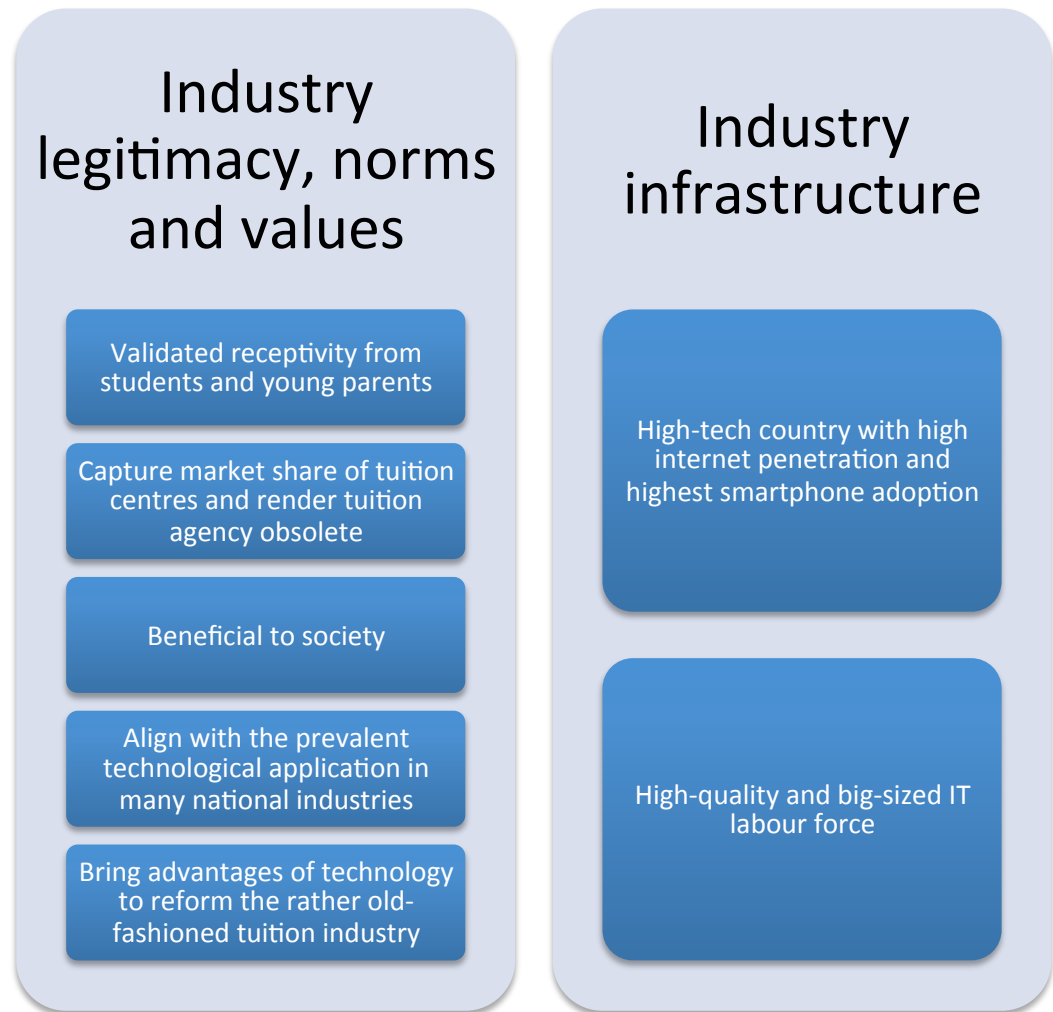


FIGURE 9. Gooroo Institutional Capital

5.5 Gooroo Story Functions

So far, this thesis has acquired and compiled information regarding Gooroo and its resource endowments. Such information will serve as the bedrock based on which this sub-chapter will involve in the making of the functions that Gooroo's story – that is, its pitch – will feature. In particular, this thesis will first construct an identity for Gooroo to relay in the pitch. Then, it will lay out the sequence of elaboration for Gooroo's proposed offering with logic and seamlessness kept as aspired standards. What follows is the selection of contextual elements to be embedded into the story. Finally, this thesis will contemplate the last function of story, which is to exert an influence on intuitive evaluations of business angels.

Alas, the nature of the making of these functions bears a striking caveat worth mentioning. While the author will stick to evidence and argument to the best of his ability, there might be occasions in which this making will have to part with the substantiated to enter the realm of intuition and speculation, with unsubstantiated details popped up out of the blue. Such realm, as a matter of conjecture, might have correlation with the employment of narrative mode of thought mentioned in chapter II. Such correlation could potentially be causality, with entering realm of intuition inherently ensued from employing narrative thinking.

5.5.1 Identity Construction

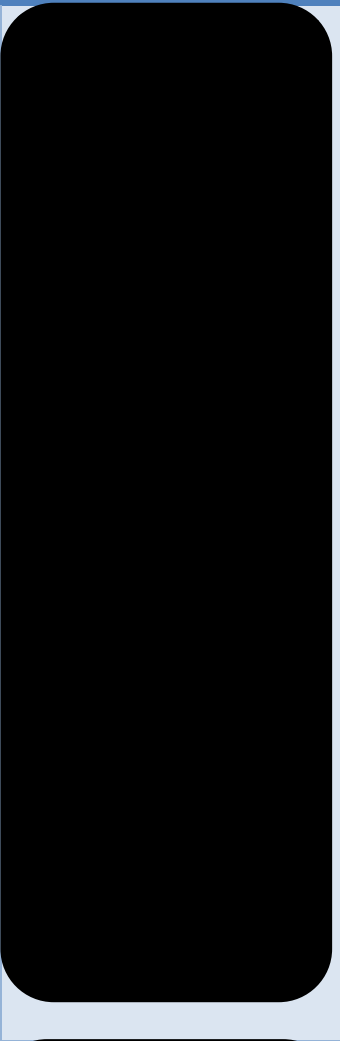

Assumingly, an identity of a social entity is a composition of its characteristics, values and beliefs. While it could be assumed that each social entity has a distinct identity and that such supposed premise could give rise to the idea that there is a plethora of non-identical identities, the author conjectured that it could not be known whether there is an optimal identity archetype that would invariably guarantee favour from social entities in general and from business angels in particular. So, the author will attempt to construct the identity for Gooroo on the ground of authenticity, which is widely advocated in the business world (George 2007; Forman 2013; Monty 2014). This is congruent with the literature that maintains that identity should not be independent of the actual resource in possession (Martens, Jennings & Jennings 2007).

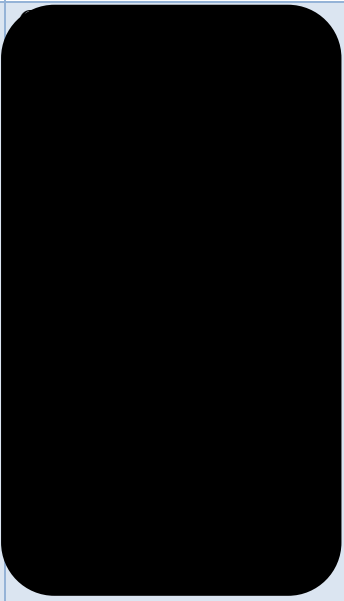

The author will go about selecting identity characteristics for Gooroo in three steps. First, he will list several characteristics that emerge as he went through the information regarding the case company and its trove of capital and as he observed entrepreneurial landscape. Second, he will write down the information corresponding with the substantiated characteristics. Finally, he will rate each characteristics by either of two variables: strong or weak. A characteristic is assessed as strong if it is well substantiated and has high potential to influence angel investors positively. Characteristics that either are not well substantiated or do not exhibit potential will be deemed weak. On which ground would how well a characteristic is substantiated and the potentials of these characteristics be

assessed? The answer: judgment of the author. Therefore, this assessment of these characteristics is inevitably subject to the author's subjectivity.

The outcome of the execution of these three steps is shown in the table below.

TABLE 7. Assessment of Viable Characteristics for Gooroo's Identity

Characteristic / Overall Assessment	Substantiating Details	Assessment of Substantiating Details	Assessment of Characteristic Potential
Competitively competent & cutting edge / Weak		Weak The founders exhibit professional competencies. But whether they are at the edge of their fields would require more evidence.	Weak Being competent and cutting edge should be prerequisite when it comes to entrepreneurship, but not competitive edge in this landscape.
Multi-achiever/Serial entrepreneur		Weak It could be observed from obtained	Strong Being a serial entrepreneurs with past successes

<p>urs /</p> <p>Weak</p>		<p>information that entrepreneurial initiatives from the case company is quite minimal</p>	<p>plays an important role. It could potentially alleviate uncertainty by making the angel investors believe in the repeat of entrepreneurial success.</p>
<p>Renowned entrepreneurs with large networks /</p> <p>Weak</p>		<p>Weak</p> 	<p>Weak</p> <p>Though network is supposedly a vital element in business, an empirical finding by Martens and co-authors (2007) posited that having a large network per se does not really exert influence on investors' evaluation of the venture.</p>
<p>Well thought out plan and strategy /</p> <p>Strong</p>	<p>The founders have detected market problems and industry inefficiencies through personal experience and observation. They have also developed</p>	<p>Strong</p> <p>The team has not only developed conceptual offering that could potentially meet the market need, but</p>	<p>Strong</p> <p>”Plans are nothing; planning is everything”, as per Dwight D. Eisenhower, US</p>

	<p>conceptual solutions that seem effective in tackling those market pains.</p> <p>They have also developed implementation plan, marketing plan and they have a logical idea what to do with the funding.</p>	<p>also has crafted plans to make their ideas a reality instead of hubristically lingering on their ideas.</p>	<p>34th President.</p> <p>As per investors, it could be speculated that they want to know how their money would be put into good use.</p>
<p>Socially responsible / Strong</p>	<p>All founders have personal experience and concern for education. One of the founder, back in his studenthood, was particularly discontent with his experience with the education and has fostered a vision of a well-rounded education and an endeavour to better it ever since.</p>	<p>Strong</p> <p>It could be observed that it all was originated from the founders' desire to improve the quality of life and study of young generation.</p>	<p>Strong</p> <p>As mentioned in the literature, motives for investing of business angels include financial and non-financial ones, particularly social responsibility.</p>
<p>Astute trend follower Strong</p>	<p>The solution put forth by the case company primarily primarily makes use of technology. This is particularly congruent in Singapore as the country has become a</p>	<p>Strong</p> <p>The conceptual idea and implementation plan both revolve around the use of modern technology, which</p>	<p>Strong</p> <p>As mentioned in the literature, though angel investors generally invest in all sectors, they are mostly attracted by ones</p>

	<p>high-tech country with one of the highest internet penetration and the highest smartphone adoption rate in the world.</p> <p>What is more, many other industries and business practice have been innovated with modern technology. Tuition industry, against all odds, remains traditional, inefficient and open for a lot of innovation opportunities.</p>	<p>is on the rise nationwide.</p>	<p>that have high growth potential (Osnabrugge & Robinson 2000), which is evident in technology landscape in Singapore.</p>
<p>Disruptive reformer / Weak</p>	<p>Similar to the substantiating details for socially responsible, the founders have detected inefficiencies in the traditional industry and yearn to reform it with conceptual technology.</p>	<p>Weak</p> <p>In terms of thought process they have conceptually developed a disruptive idea. In terms of implementation, however, little provided evidence could strengthen success likelihood of the team in this reform endeavour.</p>	<p>Weak</p> <p>While a market that is ripe for disruption may seem to have a lot of room for improvement and opportunities, it is unknown whether a disruptive innovation, on the premise that the founders are highly capable to carry out their plan, would</p>

		<p>What is more, the conceptual solutions seem to have yet appeared in Singapore, if not anywhere in the world. This means that this could bear a high amount of risk rather than provide an impression of competent reformer.</p>	<p>be welcomed with open arm. In his book <i>Great by Choice</i>, Collins and co-author (2011, 74) posited that while pioneering innovations could be beneficial for society, they tend to have lower survival rate than followers who are left with valuable empirical evidence of what work and what do not.</p>
<p>Established reputation / N/A</p>	<p>The case study appears to have yet to establish a reputation.</p>	N/A	N/A
<p>A strong team / Strong</p>	<p>The founders appear to form a team of complementary strengths: one with domain experience, one with technical capability, and one with business experience.</p> <p>They have also been</p>	Strong	Strong

	close friends and partners for more than ten years.		
Visionary / Weak	One of the founders have a vision of a well-rounded education where students can develop in all aspects.	Weak On the assumed premise that visionary is the ability to foresee unseen changes and prepare for it, the case company does not really exhibit quality of visionary. The problems in education and tuition industry are controversial on the media, and technological innovations are so popular and legitimate nationwide.	Weak The author assumed that angel investors are deluged with endless influx of business proposals, many of which would envision a future bettered by their ideas. Therefore, a vision per se may not provide a venture with a competitive edge.

According to the table, the characteristics that are assessed as well-substantiated and potential are "well thought out", "socially responsible", "astute trend follower" and "a strong team". Based on these characteristics, the identity of Gooroo can be articulated as follows:

"A startup that endeavours to better a cause by taking advantage of the global and nationwide technological boom. It is composed of a strong team with complementary combination of strengths and well-thought-out plan and strategy."

5.5.2 Proposed Strategy Elaboration

A story that effectively elaborates the proposed strategy is one that shows clear links among opportunities, risks and the strategy (Miglietta, Romenti & Sartore 2014). In order to facilitate entrepreneurial story to exercise this function, it is beneficial to recapitulate the functions and the underpinning components of stories. Stories function as effective tools for thinking, allowing listeners to comprehend and retain new information better. Such function is explained as that it evokes extant knowledge of listeners, provides sensory details, and, particularly important for this entrepreneurial story function, it configures disconnected pieces of information into "connected whole" by the merit of story structure. When it comes to story structure, chronology is of the essence (Pentland 1999). It governs the holistic structure of every story, coming to be recognizable as the story progresses (Villanueva 2012).

Based on this theoretical ground, the author will attempt to elaborate the case company's proposed strategy in chronological order. Here are the action steps that the author of this thesis will follow in elaborating the case study's strategy. First, the author will select the conceptual solutions that he considers most important. Since a pitch tends to be allowed a very limited time span to deliver, startups tend to cherry-pick the most important tidbits in their strategy and plan to cover in their pitch. Next, the author will select the market problems that could be tackled by the chosen conceptual solutions. Finally, these market problems will be organized in chronological order and matched with the corresponding conceptual solutions.

The outcome of the execution of these action plans is illustrated in the picture below.

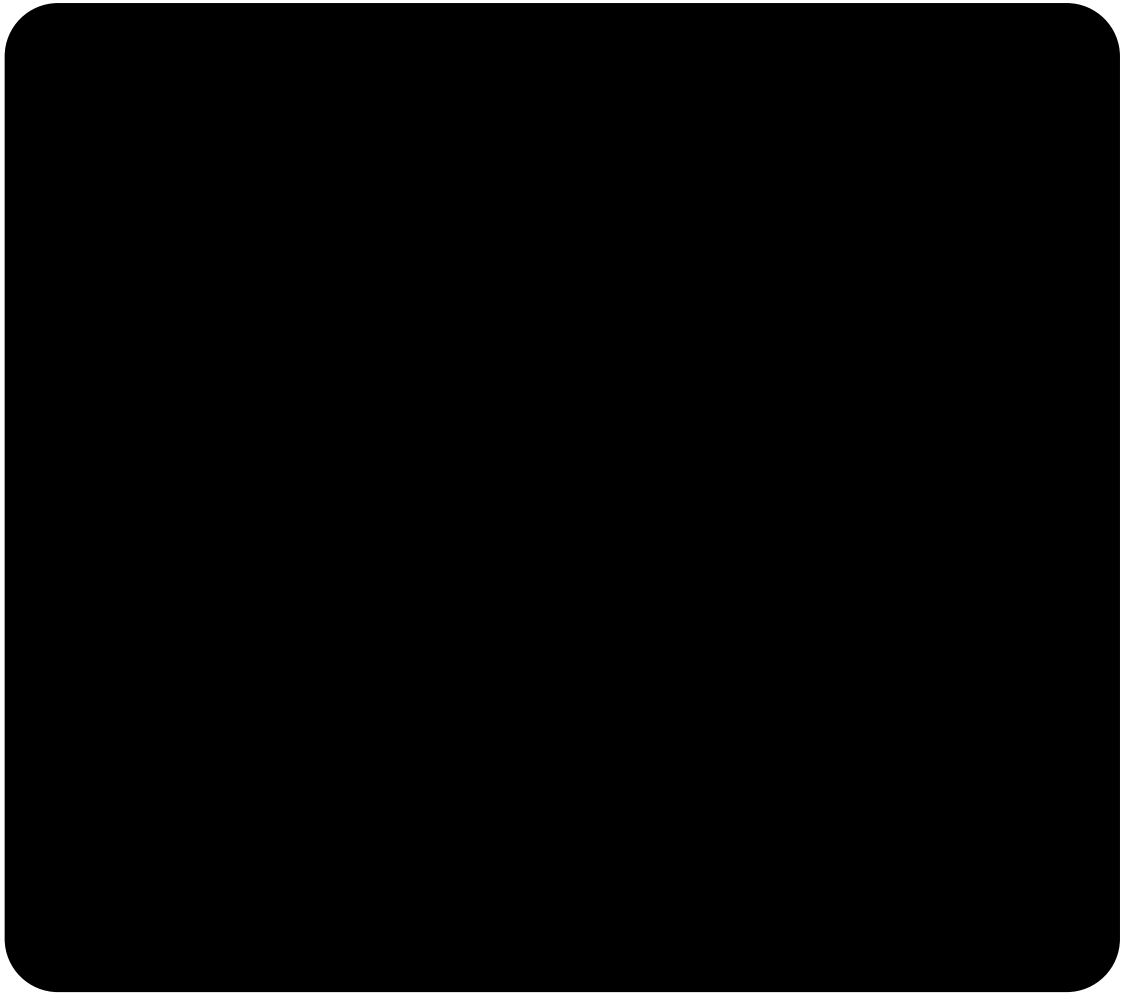
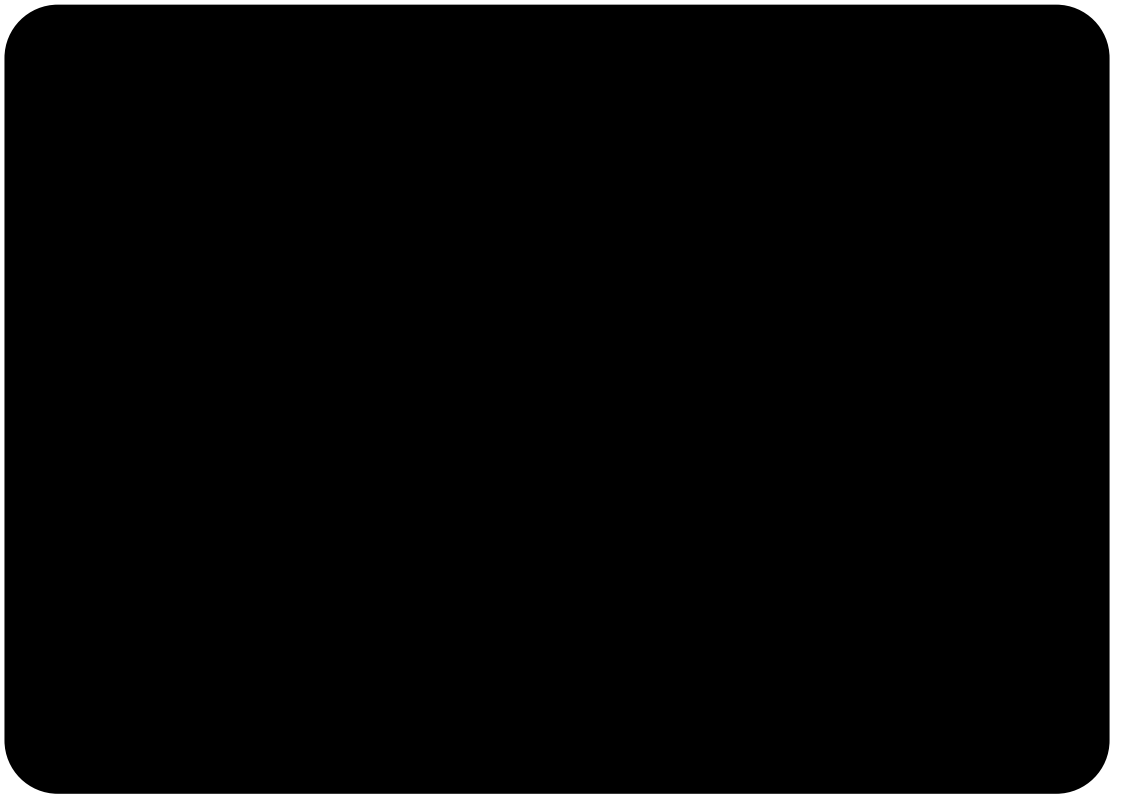


FIGURE 10. Elaboration Gooroo's Proposed Strategy



5.5.3 Embedding Contextual Elements

A glimpse of Gooroo's industry capital and the island state of Singapore elicits three major pertinent contextual themes: Culture, Education, and Technology. The author will attempt to draw from each theme plausible and viable contextual elements, be it substantiated or not, to be embedded in the startup story. The outcome is shown in the table below.

TABLE 8. Contextual Elements for Gooroo's Story

Culture	Education	Technology
<p>Education is universally held with high regard, if not a prime preoccupation. Good educational performance is usually equated with propitious future prospect.</p> <p>Singapore culture is characterized as obsessed with kiasu-ism which is equivalent to the fear of losing out to others (Investopedia-d). This kiasu-ism engenders immense motive for parents to push their children to strive for best academic</p>	<p>Singapore education has a decent international reputation (Hogan 2014).</p> <p>In contrast, tuition industry is traditional and rife with inefficiencies. It is unjustifiable and incongruous with the well-regarded education</p>	<p>Singapore has become a high-tech country, with one of the highest internet penetration and the highest smart phone adoption rate in the world.</p> <p>Technology innovations have altered many industries and</p>

<p>performance.</p> <p>A stream of belief that supports well-rounded education – one that concerns with not only academic performance but holistic development of a student – is getting more popular. As per this belief, students should be enthusiastic and purposeful in their study rather being merely test-driven.</p>	<p>landscape in the country.</p> <p>Inefficient as it is, tuition industry is a lucrative industry, with an estimate of over one billion turnover a year in recent years.</p>	<p>practice, from as widespread as online shopping to as budding as public reporting. A lucrative yet traditional and inefficient industry like tuition leaves a lot of room for technology innovations to better it.</p>
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Armed with the contextual elements from three themes, Gooroo Education can selectively embed these elements into its story to tailor to specific business angels.

6 EMPIRICAL RESEARCH

6.1 Research Design and Data Collection

The purpose of the empirical research in this thesis is to examine the influence of entrepreneurial storytelling on business angels' evaluation of nascent business venture. This purpose serves as the foundation based upon which research questions will be raised and decisions on the choices of research method, research strategy and data collection technique will be made.

Halfway through the process, however, the author of this thesis happened to confront with a series of both objective and subjective impediments. In order to come to terms with these impediments, the author undertook some reflexive activities. Reflexivity is the concept used in social sciences that involves self-examination to “explore and deal with the relationship between researcher and the object of research” (Saunders et al. 2012, 346). Through reflexivity, the author decided to resort to certain degree of adjustment to the research design and thus the desired outcome – that is, to validate whether entrepreneurial storytelling does exert positive influence on business angels' evaluation or not – would be compromised. Further elucidation will be made while recounting the research process, which consists of three main stages: idealistic research, realization of impediments, and adjusted, provisional research.

6.1.1 Idealistic Research

In order to fulfill the aforementioned purpose, an idealistic research strove to seek answers for two questions:

- ❖ Question 1: What is business angels' perspective on entrepreneurial storytelling?
- ❖ Question 2: How is business angels' evaluation of the case study changed after they listen to the pitch that was constructed based on entrepreneurial storytelling framework, as compared to after they listen to a pitch that was constructed based on a typical PowerPoint presentation style?

A research design that would be well-suited to answer these two questions would adopt a mono qualitative research method. Monomethod means that only one data collection technique will be employed and corresponding analytical procedure will be conducted. On the contrary, multimethod involves the use of more than one data collection technique and analytical procedure. (Saunders et al. 2012, 164.)

When it comes to research strategy, survey will be chosen in both idealistic research design and adjusted research design.

“Survey is a research style that involves systematic observation or systematic interviewing to describe a natural population and, generally draw inferences about causation or patterns of influence from systematic covariation in the resulting data.”
(Sapsford 2007, 12)

In an idealistic research, the data collection technique to be employed in the survey will be interviews. With regards to interview, there are several ways to classify it. One typical classification regards an interview as either:

- Structured interviews;
- Semi-structured interviews;
- Unstructured or in-depth interviews. (Saunders et al. 2012, 374.)

In a structured interview, the interviewer prepares a standardized set of questions prior to the the interview. This set of questions will be used in interviews with all the interviewees, and will be orally asked with identical intonation to avoid introducing any bias. The answers, too, tend to be predetermined. Structured interviews are used to collect quantifiable data and at times referred to as interviewer-administered questionnaires. (Saunders et al. 2012, 374.)

As opposed to structured interviews, both semi-structured and unstructured interviews are non-standardized (Saunders et al. 2012, 374). They are oftentimes considered as qualitative research interviews (King 2004). With regards to semi-structured interviews, instead of a standardized and predetermined set of questions, the researcher will have a list of themes and some key questions at their disposal, though they are used will vary from interview to interview. Depending on the organizational context or flow of the conversation, the researcher can

exclude some questions, rearrange the order of questions and/or add questions as per specific circumstances. The answers of the questions as well as the follow-up discussion need to be captured by means of audio-recording or notetaking (Saunders et al. 2012, 375.)

In an unstructured interviews, there is no prepared themes or set of questions, but rather a clear idea of the aspects that the researcher aims to explore. The interviewees are able to freely express what they have to say in relation to the topic area. Unstructured interviews are particularly useful to explore in-depth a general area, henceforth referred to as in-depth interviews. (Saunders et al. 2012, 375.)

In an idealistic research, the survey will consists of two types of qualitative research interviews. First, unstructured interviews will be used for the first question to profoundly obtain objective perspectives of the angel investors on entrepreneurial storytelling. Second, semi-structured interviews will be used to elicit answers for the second question. For this question, the survey will feature two videos, one shows the founders of the case company delivering the pitch constructed based on typical Powerpoint presentation style, the other shows the founders delivering the pitch that was constructed based on the entrepreneurial storytelling framework. After the investors have viewed two videos, the researcher will use the list of themes and key questions to inquire about the investors' changes in evaluation, and have follow-up discussion so that the investors' opinion can be freely expressed but not constrained by the prepared questions of the researcher.

With this research design in mind, it could be expected to empirically gain insight into the perspective of business angels on entrepreneurial storytelling and examine the actual influence of entrepreneurial storytelling in general and of the pitch in particular on angel investors' evaluation, hence fulfill the purpose of this research. In reality, however, after hundreds of attempts to reach and conduct interview with business angels via direct contact or indirect contact through angel syndicates, the number of survey participants still ended up inadequate, with a meagre sample of two angel investors participated in both unstructured and semi-

structured interviews. Through reflexivity, the impediments and suitable recourse came to light.

6.1.2 Realization of Impediments

There are a number of objective impediments on account of the nature of this research. First and foremost, business angels have an inherent and justifiable preference for staying incognito, for no sooner had they become widely known than they would be inundated with investment proposals (Osnabrugge & Robinson 2000; Kelly 2007). Their anonymity poses an elusive challenge not only for entrepreneurs seeking early-stage funding but also for researchers who study business angels and their investment behaviours (Kelly 2007).

In addition, business angels are informal investors who not only provide funding but also tend to involve in the running of the startups they have invested in (Osnabrugge & Robinson 2000). This may imply that they are snowed under and hence deliberate and prudent in time allocation. Compounded by the preference for anonymity and usually massive influx of funding and contact requests, angel investors may have the propensity to cherrypick the ones that they deem most promising to respond to. This means that the author's request for interview was probably engaging in an intense competition against scores of startup proposals for attention of the angel investors. While even business angels who are strong advocate of entrepreneurial storytelling may have too little time to spare for the interview, those who are indifferent or even dismissive of the topic would have taken it with a pinch of salt. In fact, a good many investors refuse to approve the influence of non-substantive factor like storytelling even though they may have been influenced by it (Villanueva 2012).

In face of these two major objective impediments and a number of subjective ones, such as time constraint and lack of resources (finance, network and credential), it is more rational to ponder a recourse than to doggedly press on with the idealistic research. As a result, the author decided to resort to some degree of adjustment to the research design. Since the aim of this adjusted research design is to culminate in the completion of this paper while only being able to partially test the influence of entrepreneurial storytelling on business angels' evaluation, it will

be regarded as provisional. Simply put, this provisional research will only be able to partially examine the effect of entrepreneurial storytelling in question.

6.1.3 Adjusted, Provisional Research

Similar to how idealistic research design was recounted, this provisional research strove to seek answers to two questions:

- ❖ Question 1: What is business angels' perspective on entrepreneurial storytelling?
- ❖ Question 2: How differently is the pitch that is constructed and delivered based on entrepreneurial storytelling framework perceived in comparison with a pitch that is constructed and delivered in a typical PowerPoint presentation style?

While the first question remains intact, certain degree of adjustment has been made to the second question. There are two major differences embued from this adjustment. First, the research population will no longer be business angels, but rather members of the general public who have good command of English and are from various walks of life. Second, it will not be the change in evaluation of the startup to be examined, but rather the change in perception of the participants in terms of the following metrics: captured attention, degree of comprehension, perceived trustworthiness, perceived level of motivation of the presenter, perceived persuasiveness and degree of information retainment. These metrics are derived from the effects of generic storytelling discussed in chapter II. Since an adequate sample to examine actual evaluation of business angels is unachievable for the time being, the provisional research will examine the differences in effects of the two pitches on the general public. This will be explained further when analysing the empirical data.

These two questions, however, requires different research strategies and data collection techniques and thus will be recounted separately.

6.1.4 Question 1 – Research Design and Data Collection

To seek answer for the first question, survey will remain as the chosen strategy. Since the aforementioned impediments to the idealistic research could be boiled down to an inadequate sample, this section will aim to figure out a feasible sampling technique.

As far as sampling technique is concerned, the available options are shown in the picture below.

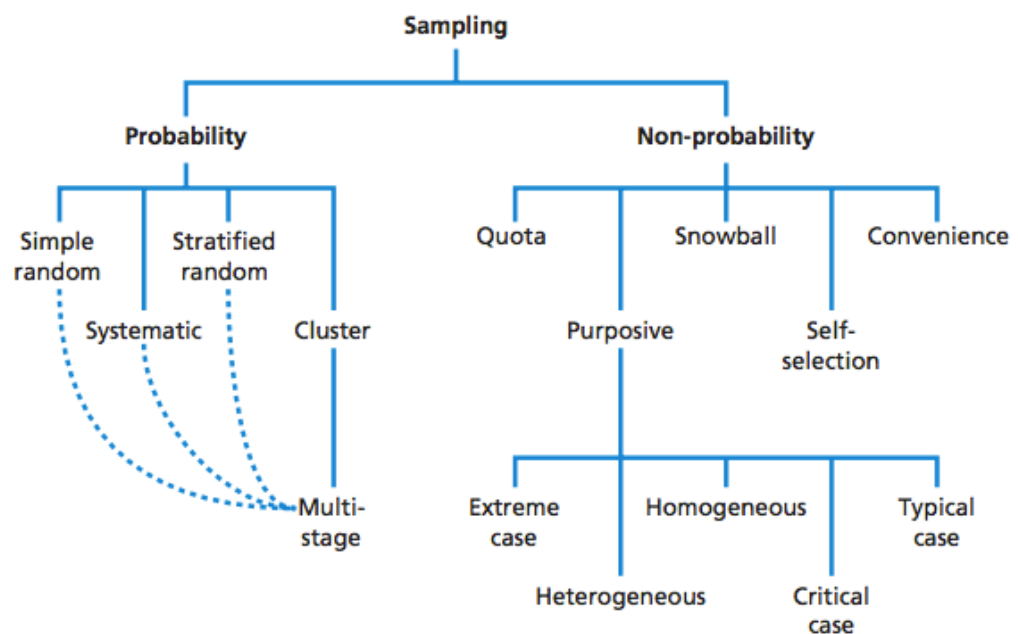


FIGURE 11. Sampling techniques (Saunders et al. 2009, 213)

As could be seen from Figure 11, available sampling techniques fall into either of two categories: probability and non-probability. These two categories differ in that in probability sampling, the chance – or probability – of each case being selected from the population is known and usually equal for all cases (Saunders et al. 2012, 261). For example, the probability of a random student to be picked from a population of 100 student is equally 1%. Meanwhile in non-probability sampling this probability statistics is not known (Saunders et al. 2012, 262).

The decision as to whether probability or non-probability will be chosen depends on the availability of **sampling frame**. In a probability sample, sampling frame is “a complete list of all the cases in the population from which your sample will be

drawn” (Saunders et al. 2012, 262). In this particular research, a sampling frame does not exist because the population of business angels is not known (due to their preference for anonymity), much less an exhaustive list that enumerates each individual angel investor. The absence of sampling frame means that non-probability category is the way to go.

The flow chart below provides a roadmap to select an appropriate non-probability sampling technique.

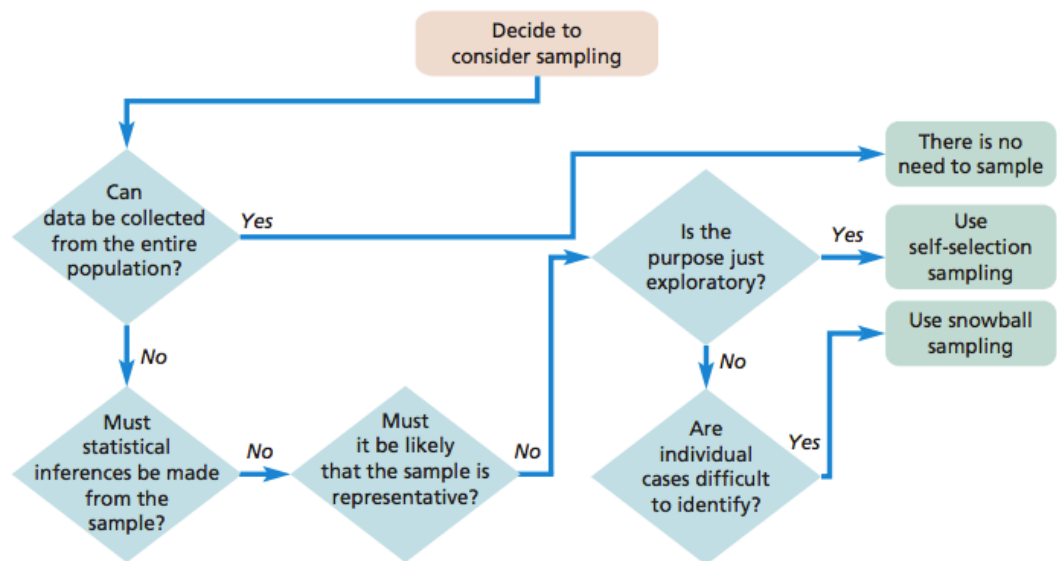


FIGURE 12. Selecting a non-probability sampling technique (adapted from Saunders et al. 2009, 234)

By answering the questions in the conditional rhombi, the appropriate sampling technique ended up being self-selection sampling. The table below shows the answers for those questions.

TABLE 10. Answers Leading to Chosen Sampling Technique for First Provisional Question

Questions	Answers
Can data be collected from the entire population?	No. The entire population of business angels is not known. Even if it was, it would be too large a population to

	thoroughly collect data from.
Must statistical inferences be made from the sample?	No. Because the entire population is not known, it is impossible to make statistical inferences.
Must it be likely that the sample is representative?	No. The number of reachable cases is highly limited, so a sample that would be proportional representative of the population is not to be expected.
Is the purpose just exploratory?	Yes. The purpose is to explore the perspective of angel investors on entrepreneurial storytelling.

When a researcher employs self-selection sampling technique, he/she publicises his/her need for participants and lets the individuals to identify their desire to opt in (Saunders et al. 2012, 289). Likewise, the author of this thesis made attempts to spread requests for an interview to angel investors and two angel investors happened to be aware of and interested in this topic agreed to participate. However, two participants would not make for adequate sample. Therefore, in addition to unstructured interviews, this thesis will make use of secondary data as another data collection technique to fill the void.

Secondary data is the one that was initially collected to serve other purposes. It can then be reused to be analysed to obtain additional or different knowledge or interpretations. (Saunders et al. 2012, 681.) Secondary data that would be beneficial for this research includes historical interviews with business angels on entrepreneurial storytelling and personal, self-published accounts of both business angels and entrepreneurs – who have successfully employed storytelling in communication with angel investors – on this topic, on mass media. The rationale behind this is rooted in the nature of self-selection sampling. As per this technique, participants who identify the desire and interest in the topic volunteer to take part in interviews. Apart from historical interviews, the secondary data will

also consist of personal accounts from both angels and entrepreneurs who have experienced and caught interest in this topic, and in turn took the initiative to communicate their opinion via mass media. When entrepreneurs who have experience in using storytelling in communication with angel investors come into picture, they could provide useful perspective on the effect of storytelling that angel investors could be unaware of or unwilling to admit.

The picture below illustrates the research design to seek answer for the first question.

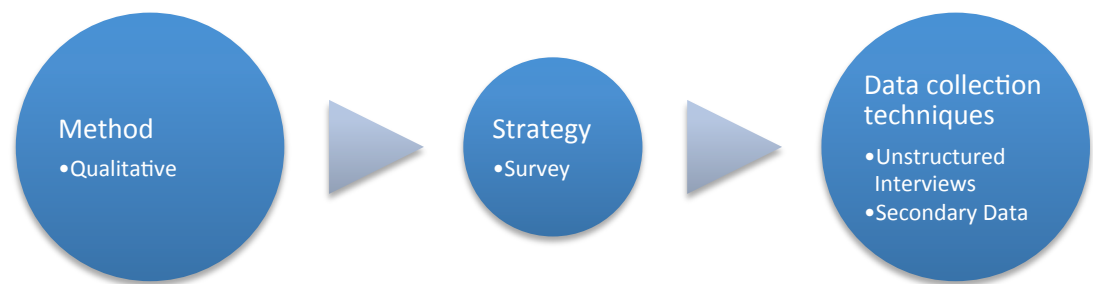


FIGURE 13. Research Design for the First Question

6.1.5 Question 2 – Research Design and Data Collection

To seek answer for the second question, the research strategy to be employed is experiment. Experiment is a research strategy that aims at studying the probability of a change in an independent variable engendering a change in another, dependent variable. Independent variable is to be manipulated or changed to measure its impact on a dependent variable. Dependent variable, on the other hand, is one that may change as a result of changes in other variables. (Saunders et al. 2012, 174.) In this research, the experiment will study the probability of a change in the means by which the pitch is delivered – that is, the change from powerpoint presentation style to storytelling - causing changes in the aforementioned metrics, or dependant variables, namely captured attention, degree of comprehension, perceived trustworthiness, perceived level of motivation of the presenter, perceived persuasiveness and degree of information retainment.

Experiment usually starts by forming predictions, or hypotheses, which will be either rejected or accepted by the statistical result. In a standard experiments, two

types of hypotheses are formulated, namely null hypothesis and alternative hypothesis. The null hypothesis anticipates that there will be no significant difference or relationship between the variables. In contrast, the alternative hypothesis predicts such significant difference or relationship. The null hypothesis will be statistically tested by the experiment. If it is rejected, the alternative hypothesis is likely to be true, and the other way around. (Saunders et al. 2012, 174.) The null hypothesis of this experiment, therefore, is as follows:

The change from PowerPoint presentation style to storytelling will not lead to significant improvement in captured attention, degree of comprehension, perceived trustworthiness, perceived level of motivation of the presenter, perceived persuasiveness and degree of information retainment.

There are three primary experimental designs, namely classical experiment, quasi-experiment and within-subject design. Classical experiment and quasi-experiment divide sample into experimental group and control group, with one being exposed to planned intervention while the other is not, respectively. On the contrary, within-subject design makes no such separation of the sample, but expose the entire sample to the pre-intervention and planned intervention. (Saunders et al. 2012, 175.) In this experiment, the author will employ within-subject design, letting 30 participants first watch the video of the PowerPoint presentation pitch and then ask them to answer a predetermined set of questions in an imposed order similar to how the metrics are laid out in the null hypothesis. After that the process iterates with the second video of the storytelling pitch. The scripts of two pitches can be found in Appendix 1 and Appendix 2. The list of questions could be found in Appendix 3. The answers will then be analysed and rated on a scale from 1 to 4, which each sequentially indicates *bad*, *neutral*, *good* and *very good*.

This way of collecting data is also akin to questionnaire, “a general term to include all methods of data collection in which each person is asked to respond to the same set of questions in a predetermined order” (deVaus 2002). Types of data to be collected from questionnaires include opinion, behaviour and attribute. While opinion data indicates how the participants feel or think about something, behaviour and attribute data record how they do and are. (Dillman 2009.)

The experiment makes use of a web-based application to design and build the questionnaire and store questionnaire answers. This application can be found at www.surveymzmo.com.

The picture below illustrates the research design to seek answer for the first question.

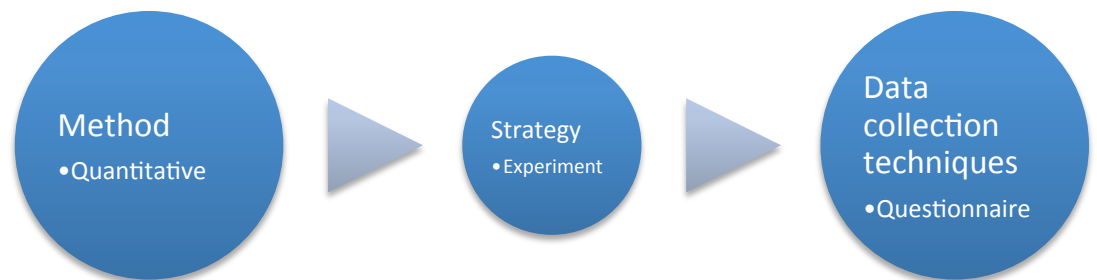


FIGURE 14. Research Design for the Second Question

6.2 Question 1 – Data Analysis and Answer

As mentioned above, a combination of two data collection techniques, i.e. in-depth interview and secondary data, is employed to seek answer for the first question. A total of 11 interviews and self-published accounts were collected. The metadata of the collected data is displayed in the table below.

TABLE 10. Metadata of Data Collected for First Question

Type of data	Name – Role	Date of collection / Publication date
In-depth Interview	Anna-Kaarina Lipsanen – Business Angel	14th April 2015
In-depth Interview (via email exchanges)	Tim Berry – Business Angel	11th April 2015
Self-published Account	Tomasz Tunguz – Venture Capitalist	1st August 2014

Published Interview	Bob Okabe – Business Angel	25th January 2013
Self-published Account	Ben Yoskovitz – Business Angel	22nd March 2010
Self-published Account	Perna Gupta – Business Angel	16th May 2014
Self-published Account	Conrad Chu – Entrepreneur	14th April 2014
Self-published Account	Teju Ravilochan - Entrepreneur	12th March 2014
Self-published Account	John T. Meyer - Entrepreneur	7th October 2013
Self-published Account	Alex Barrera - Entrepreneur	14th April 2015
Self-published Account	Abhishek Ballabh - Entrepreneur	27th February 2015

Adapted to the exploratory nature of this thesis, the data analysis will go about perusing the data, identifying recurrent themes and organizing them into self-labelled categories. The three categories into which recurrent themes will be organized and based on which articulation of research finding will be structured take the form of three rudimentary questions: Why, What and How.

Why tell stories?

Why

According to the finding, even though the number of pitches that one happens to listen to is varied among the business angels, it tends to be considerably large.

More importantly, those that tell stories are more inclined to stand out and catch the attention of the angel investors. That said, there is a general disinclination towards storytelling, which is to be explained by the following reasons:

- Entrepreneurs in general have yet to know how to tell good stories.
- They have the penchant to rely strictly on cold, raw fact, although facts alone lack of context and relevance.
- They have the penchant to make truisitic statements that most other companies would say, rather than telling authentic stories.
- The entrepreneurs and the startups are part of the stories, if not living the stories day in day out, so many of them think it would be boring to tell their stories.

So what are the benefits of telling stories?

What

According to the finding, storytelling has a number of benefits. First of all, it is an effective means of communication in various circumstances. Other than entrepreneurs raising money, which was the primary topic of the interviews and self-published accounts, stories were said to be effective in attracting customers and engaging employees. In an interview, a business angel emphasized at length the role of stories in engaging employees and building organization culture. Second, a story provides fact and data with context and relevance and simplifies them, in turn rendering the pitch more understandable. Last but not least, telling stories help engage emotion and create human connection with the investors, making them lower their guard, open up and invoking their sympathy.

With these potential benefits in mind, how can entrepreneurs go about using storytelling in their pitches?

How

While the finding did not reveal any coherent and detailed guideline showing step-by-step how to use storytelling in pitches, a few rather fragmented themes emerged as follows.

One of the popular comments on how to go about telling stories revolves around authenticity. Each business angel or entrepreneur has his or her own way to elaborate their thought on this issue. One entrepreneur recounted his attempt to tell his own life story and its ups and downs in which he ended up concluding that startup difficulty is just subpar to his personal experience. He made this change to his pitch after failing several fundraising attempts in which he got right into products and operational details. Another entrepreneur brought up the role of honesty, which could create deep impact on the business angels. One of the business angel, albeit being an advocate of storytelling, emphasized the indispensable need for actual data and information.

Another shared comment that concerns with storytelling know-how is in line with the literature, in that there should be a set of characters with two essential ones. The first one is the protagonist, which can also be referred to as hero and is usually the company or the entrepreneurs. The quest of the hero would be the goals of the startup. The other character is the antagonist, which can also be referred to as villain, which could be not only the competitor, but also other challenges, such as slow adoption and inertia.

Another recurrent theme is the need to select the most compelling elements, which could be thought of as 'selling points', to relay in the story. Using visual aids while pitching a story is another noteworthy finding tidbit.

Last but not least, communicating vision is among the most collectively agreed comment among the research subjects. The vision, to be specific, could be concerned with whether the company will be heading to, what course of actions it will take, and how the funding will be put into use.

Follows are the redisplay of the first provisional question and a table below into which the essence of the finding is distilled and the corresponding research subjects are cited.

Question 1: What is business angels' perspective on entrepreneurial storytelling?

TABLE 11. Empirical Qualitative Findings for First Provisional Question

Research Finding	Count - Cited Angel Investors/Entrepreneurs
Why	
Angel investors have to listen to a lot of pitches	4 – Berry, Lipsanen, Gupta, Tomtunguz
A pitch that tells stories is more inclined to stand out and capture attention	5 – Barrera, Meyer, Gupta, Lipsanen, Berry
<p>There is a disinclination towards storytelling, because</p> <ul style="list-style-type: none"> - Entrepreneurs in general have yet to know how to tell good stories. - They have the penchant to stick to raw and cold facts, although facts alone lack context and relevance - They have penchant for truism, and they think the company story is boring to tell. 	<p>2 – Ravilochan, Meyer</p> <p>3 – Lipsanen, Barrera, Ravilochan</p> <p>1 - Lipsanen</p>
What	
<p>Effect means of communication in various circumstances:</p> <ul style="list-style-type: none"> - Startup fundraising - Attracting customers 	<p>All 11 research subjects</p> <p>6 – Meyer, Berry, Tomtunguz, Lipsanen, Okabe, Yoskovitz</p>

- Employee engagement	3 – Meyer, Lipsanen, Okabe
Provide data and fact with context and relevance	3 – Ballabh, Berry, Barrera
Facilitate comprehension	6 – Ballabh, Gupta, Tomtunguz, Lipsanen, Okabe, Ravilochan
Engage emotion, connect with the investors	6 – Ballabh, Baberra, Ravilochan, Gupta, Tomtunguz, Lipsanen
How	
Authenticity	5 – Ballabh, Lipsanen, Barrera, Ravilochan, Chu
Have set of characters	4 – Ballabh, Berry, Barrera, Okabe
Select the most compelling elements to relay	4 – Meyer, Barrera, Okabe, Berry
Use visual aids	3 – Meyer, Berry, Gupta
Communicate vision	7 – Tomtunguz, Yoskovitz, Gupta, Chu, Okabe, Lipsanen, Ravilochan

Reliability and Validity

This part will scrutinise the reliability and validity of the survey. Reliability and validity were essentially originated from positivism and thus were more widely applicable in quantitative research. When it comes to qualitative research, which takes a rather naturalistic (interpretivist) approach, however, the notions of reliability and validity were redefined to adapt to the different perspective. (Golafshani 2003.) Simply put, in qualitative research, reliability inspects the trustworthiness of data (Golafshani 2003), where as validity examines the interpretation from data to conclusion (Bapir 2014).

With regards to reliability, the qualitative data collected is trustworthy. This assertion comes from two reasons. First, the unstructured interviews witnessed generous openness from the business angels as they discussed the topic openly and candidly. The secondary data is trustworthy as well, since the business angels and the entrepreneurs were apparently open and keen on the topic to publish their opinion via mass media. Second, the sampling technique used for this qualitative research is self-selection sampling, thanks to which those who could identify with the topic would volunteer to partake in the interview, hence highly trustworthy.

As far as validity is mentioned, if the researcher ascertains that he/she has accurately interpreted the data, the study is valid. This research, therefore, is valid. The language used by the research subject was quite straightforward and not allusive, so the data was interpreted primarily in its literal senses. Some metaphors were used to illustrate what was being said, but other than that, there were but rare occasions when the author had to read between the lines, and no occasion in which discrepancy between what was said and what was meant was detected.

6.3 Question 2 – Data Analysis and Answer

The experiment conducted a Paired Sample T-Test to analyse the data. T-Test is used to test whether two groups are different (Saunders et al. 2012, 517). Accordingly, it is used to test whether watching a storytelling-based pitch is different from watching a PowerPoint presentation. The chosen significance level for this experiment is 5%. As mentioned above, the experiment conducted to seek answer for the second question formulated a null hypothesis, which is to be either rejected or accepted based on the p-value. Statistically resulted from the experiment, if the p-value is equal or smaller than significance level, the null hypothesis will be rejected and the alternative will be accepted. Conversely, if the p-value is larger than significance level, the null hypothesis will be accepted. Furthermore, it is noteworthy that this experiment will assume two tail distribution, which means that the rejection of null hypothesis would only establish that the change in independent variable will lead to a change in dependent variable, but direction of change - either increase or decrease - remains

unknown. To establish the direction of change, mean value will be put into use. For ease of conducting T-Test, the null hypothesis is slightly changed as below:

*The change from PowerPoint presentation style to storytelling will not lead to any significant **difference** in captured attention, degree of comprehension, perceived trustworthiness, perceived level of motivation of the presenter, perceived persuasiveness and degree of information retainment.*

As could be observed, there are six dependent variables to be tested here. For the purpose of simplicity and clarity, each of these variables is to be analysed separately.

Captured attention

The graph below illustrates the responses of the participants regarding how well each pitch captured their attention.

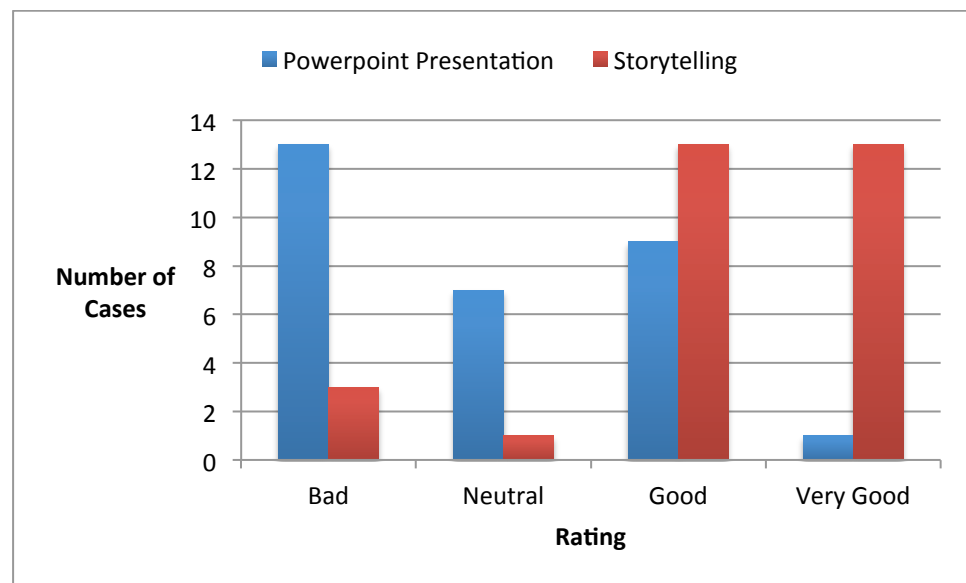


FIGURE 15. Captured Attention

According to the graph, responses to the PowerPoint presentation in terms of captured attention fall into three primary classes, namely bad, neutral and good, with 13, 7 and 9 number of cases, respectively. Responses to the storytelling pitch is rather auspicious, with most of the participants recorded to have paid good or very good attention. With this figure, it could be speculated that it is true to say

that storytelling can capture attention better than PowerPoint presentation. The result of T-Test below will further validate this speculation.

TABLE 12. Paired Sample T-Test for Captured Attention

	<i>Mean</i>	<i>Variance</i>
<i>Powerpoint Presentation</i>	1.93333	0.89195
<i>Storytelling</i>	3.2	0.85517
<hr/>		
<i>Two-tailed distribution</i>		
	1.96967866461506E-	
<i>p-level</i>		08

As could be seen from the table, the p-value is miniscule and remarkably smaller than the significance level, establishing that the null hypothesis is rejected and giving rise to the alternative hypothesis. In other words, based on the result, storytelling pitch captures different level of attention as compared to PowerPoint presentation. Since the mean of storytelling group is much higher than the mean of PowerPoint presentation group, with variance relatively equivalent, it could be established that storytelling pitch captures attention significantly better than PowerPoint presentation.

Degree of Comprehension

The graph below illustrates the responses of the participants regarding how well they comprehend the information.

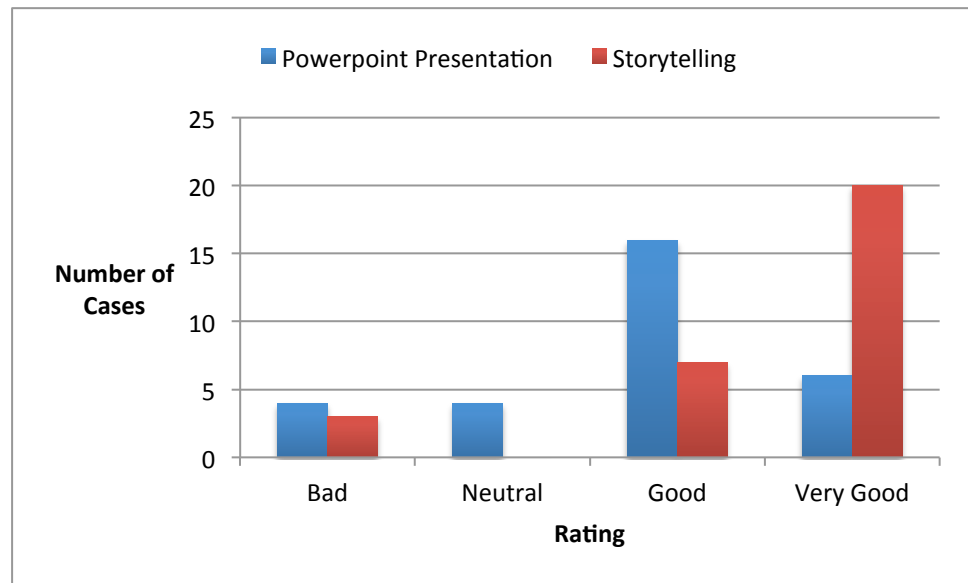


FIGURE 16. Level of Comprehension

As could be seen from the graph, nearly half of the responses to the PowerPoint presentation recorded good level of comprehension, while the remainder distributes quite evenly across other classifications. With regards to responses to the storytelling pitch, two-third of them considered their level of comprehension very good, another one-fourth recorded good level of comprehension, and three participants had negative responses. In overall, it could be observed that most participants could generally understand both pitches, but the storytelling pitch could make them understand better than the PowerPoint presentation.

TABLE 13. Paired Sample T-Test for Level of Comprehension

	<i>Mean</i>	<i>Variance</i>
<i>Powerpoint Presentation</i>	2.8	0.85517
<i>Storytelling</i>	3.46667	0.87816
<i>Two-tailed distribution</i>		
<i>p-level</i>	0.00294	

The fact that p-level is smaller than the significance level ($0.00294 < 0.05$) establishes that storytelling leads to different level of comprehension as compared to PowerPoint presentation. The mean of storytelling group being bigger than that of PowerPoint presentation group, with variances of both being relatively

equivalent, establishes that storytelling leads to significantly higher level of comprehension as compared to PowerPoint presentation.

Perceived Trustworthiness

The graph below illustrates the responses of the participants regarding how well the trustworthiness of the speaker is perceived.

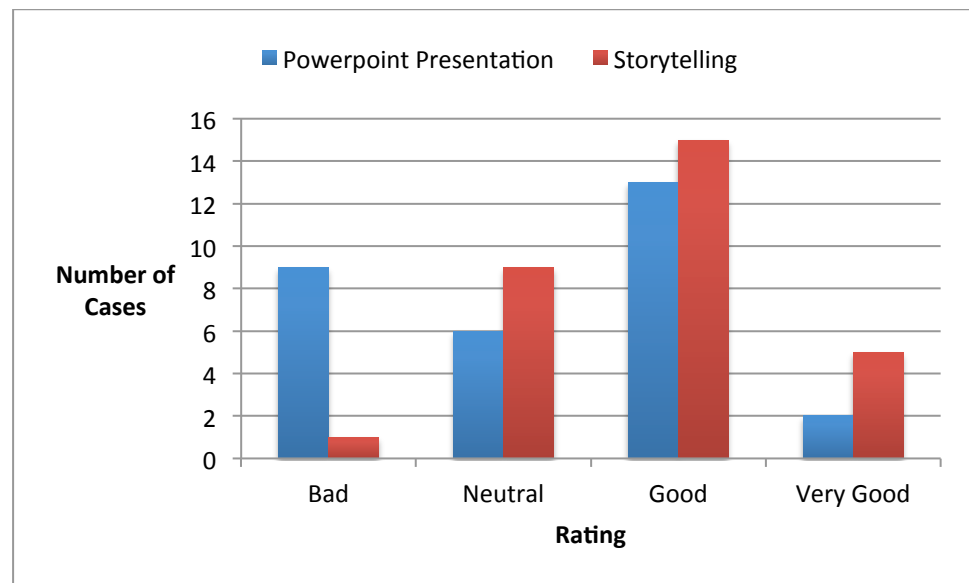


FIGURE 17. Perceived Trustworthiness

As could be seen from the graph, other than classification of bad rating, each of the other rating classifications witnessed a pair of comparable numbers of responses, with storytelling has marginal upperhand against PowerPoint presentation. The obvious indication of the figure is that storytelling made the participants perceive the speaker to be more trustworthy.

TABLE 14. Paired Sample T-Test for Trustworthiness

	<i>Mean</i>	<i>Variance</i>
<i>Powerpoint Presentation</i>	2.26667	0.96092
<i>Storytelling</i>	2.8	0.57931
<i>Two-tailed distribution</i>		
<i>p-level</i>	0.01557	

The fact that p-level is smaller than the significance level (0.01557) establishes that storytelling leads to different perception about the speaker's trustworthiness as compared to the powerpoint presentation. The mean of storytelling group being bigger and its variance being smaller than those of powerpoint presentation group, with the difference in the variances being smaller than that in the means, establishes that storytelling leads to significantly higher level of perceived trustworthiness of the speaker, as compared to powerpoint presentation.

Perceived Level of Motivation

The graph below illustrates the responses of the participants regarding how the level of motivation of the speaker is perceived.

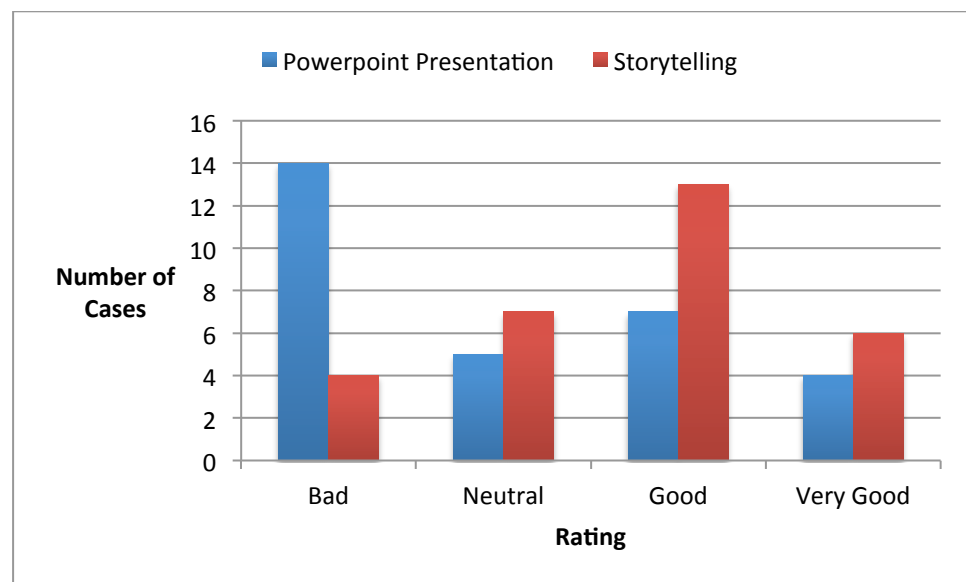


FIGURE 18. Perceived Level of Motivation

This graph shows a relatively similar pattern with the illustration of perceived trustworthiness, in that other than classification of bad rating, numbers of storytelling responses in other classifications are higher than those of PowerPoint presentation. The difference, however, is that there are more responses that record negative perceived level of motivation in both PowerPoint presentation and storytelling. Again, the graph indicates that storytelling made the speaker appear to have higher level of motivation as compared to its PowerPoint presentation counterpart.

TABLE 15. Paired Sample T-Test for Perceived Level of Motivation

	<i>Mean</i>	<i>Variance</i>
<i>Powerpoint Presentation</i>	2.03333	1.27471
<i>Storytelling</i>	2.7	0.9069
<i>Two-tailed distribution</i>		
<i>p-level</i>	0.00232	

The fact that p-level is smaller than the significance level ($0.01557 < 0.05$) establishes that storytelling leads to different perception about the speaker's trustworthiness as compared to the PowerPoint presentation. The mean of storytelling group being bigger and its variance being smaller than those of powerpoint presentation group, with the difference in the variances being smaller than that in the means, establishes that storytelling leads to significantly higher level of perceived level of motivation of the speaker, as compared to powerpoint presentation.

Perceived Persuasiveness

The graph below illustrates the responses of the participants regarding the perceived persuasiveness of the pitches.

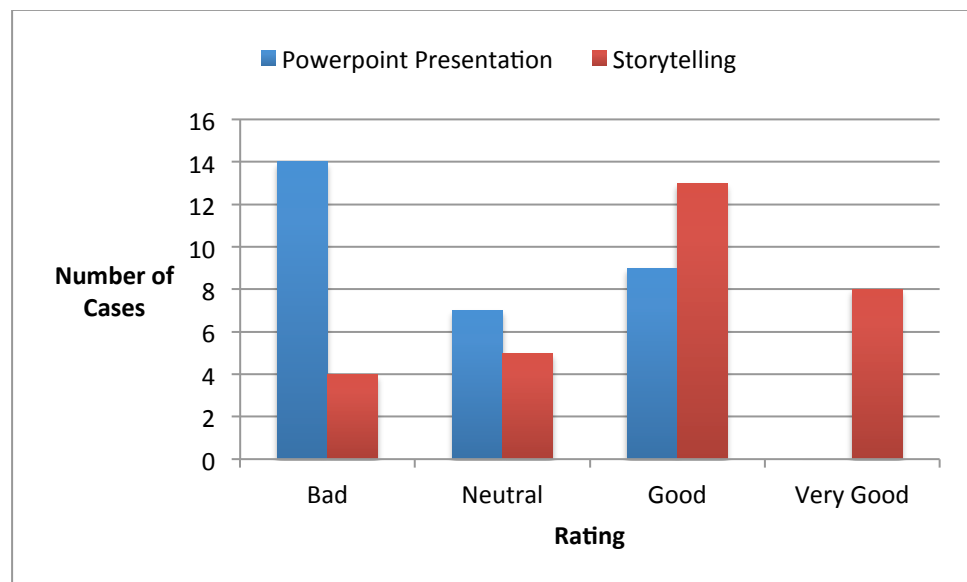


FIGURE 19. Perceived Persuasiveness

While the illustration of perceived persuasiveness witnesses some predictable pattern in the responses to PowerPoint presentation with nearly half of the participants recorded negative perceived persuasiveness, zero case perceiving its persuasiveness as very good is by all means unanticipated. It begs the question as to whether PowerPoint presentation would have been as effective as it is a universal means of business communication. All in all, the figure again apparently indicates that storytelling could be more effective in convincing others as compared to PowerPoint presentation.

TABLE 15. Paired Sample T-Test for Perceived Persuasiveness

	<i>Mean</i>	<i>Variance</i>
<i>Powerpoint Presentation</i>	1.83333	0.76437
<i>Storytelling</i>	2.83333	0.97126
<i>Two-tailed distribution</i>		
<i>p-level</i>	0.00003	

The fact that p-level is smaller than the significance level ($0.00003 < 0.05$) establishes that storytelling has a different convincing capacity from the PowerPoint presentation. The mean of storytelling group being bigger than that of powerpoint presentation group, though with a relatively larger variance, establishes that storytelling leads to higher level of perceived persuasiveness of the pitch, as compared to powerpoint presentation.

Information Retainment

The experiment recorded responses for this dependent variable in a different way. At the end of the questionnaire, the participants were asked to choose either of the pitches to retell from memory, and then to guesstimate how much percentage of the chosen pitch they could remember. According to the result, 27 out of 30 participants, or 90% of the sample, chose the storytelling-based pitch to retell from their memory, and the average estimate proportion that could be remembered is 69%.

With 90% of the sample choosing the storytelling-based pitch to retell from memory, it could be established that storytelling results in significantly higher information retainment as compared to PowerPoint presentation.

Wrapping Up

All in all, the result of the experiment has validated the alternative hypothesis, which in turn becomes the answer for the provisional second question. Follows are the articulation of the question and its answer.

Q: How differently is the pitch that is constructed and delivered based on entrepreneurial storytelling framework perceived in comparison with a pitch that is constructed and delivered in a typical PowerPoint presentation style?

A: The pitch that is constructed and delivered based on entrepreneurial storytelling framework results in significant improvement in attention captured, level of comprehension, perceived trustworthiness, perceived level of motivation of the speaker, perceived persuasiveness and information retainment, as compared to a pitch that is constructed and delivered based on a typical powerpoint presentation style.

Reliability and Validity

This part will bring the reliability and validity of the experiment under scrutiny. In quantitative research, reliability refers to whether the research conclusion would remain intact should it be replicated, while validity is concerned with whether the research measures what it was meant to measure (Hair 2011; Saunders et al. 2012, 192). Simply put, reliability and validity are concerned with the consistency and accuracy of the resulting construct (Hair 2011).

As far as the reliability of the second research is concerned, similar result can be expected should the research be replicated. The participants were solicited from the general public, who have come of age, have fluent command of the English language and are from assorted walks of life, with complete randomness. The variables that were studied were rather innate to human and did not require any particular domain expertise.

When it comes to validity, there are internal validity and external validity. Internal validity is concerned with the actual linkage between variables established by the research. In experiment, internal validity chiefly relies on the how the intervention was implemented (Saunders et al. 2012, 176.) In this particular research, the internal validity could be brought to attention because it is influenced by the constructions of the two pitches and two videos whereby the pitches were delivered. While the two pitches were by all means differed by the the use of different backbones, one being the powerpoint presentation prepared by the case company, the other being the entrepreneurial storytelling framework, the making of the pitches and the videos, which involves a range of skills (i.e. storytelling, video and audio editing) that are not particular strengths of the author, might result in potential discrepancy between what is supposed to test and what was actually tested. Nevertheless, with the difference resulting from two different backbones being rendered particularly salient while minimizing the concerning discrepancy, the author claims that the research is internally valid.

With regard to external validity, it is concerned with whether the research findings could be generalized to other relevant settings or groups (Saunders et al. 2012, 194). As for the second provisional question with the participants being solicited from the general public with complete randomness besides the demographic constraints, the research finding is valid can be generalized to other groups or settings, with the level of randomness intact. That said, it could not be certain whether the finding could be generalized, with zero randomness, to a population of only business angels. For this particular matter, the author will part with the scrutiny of reliability and validity of the research. Rather, he will devote the next part on the discussion over this matter.

Translating the answer to the second idealistic research question – A speculation

Effects on general public, indeed, may not always be translated to effects on angel investors, but it could be surmised that certain degree of translation could be expected. As for captured attention, business angels have more motive than the general public to maintain attention on the pitch to evaluate the investment opportunity. If the research participants, without such motive, still have their

attention captured by the pitch, it makes sense to conjecture that the pitch would likely to have equivalent effectiveness in capturing attention of business angels.

With regards to degree of comprehension, business angels are supposed to be more likely to comprehend the pitch than the participants from the general public because of their business background, as the pitch is communicating a business opportunity, and because they are likely to be sharp in figuring out what the entrepreneur is trying to say after having listened to enormous number of startup pitches. *Ipsa facto*, if the participants could understand it, most likely so do the angel investors. The same reasoning could also be applied to degree of information retainment. As for perceived level of motivation and persuasiveness, it could be argued that if presenter is not perceived as having high level of motivation and the pitch was not perceived as persuasive to the participants from the general public, he/she would not appear motivated and the pitch would not be persuasive to angel investors who are much more demanding. Perceived trustworthiness, however, is quite tentative a variable to be expected to be similarly translated to business angels.

7 CONCLUSIONS

This chapter marks the completion of the objective that this thesis set out to do. The first subchapter will provide a brief account of what this thesis has undertaken and the findings it has uncovered in the process. The second subchapter is purposed to give succinct answers to the research question and the sub-questions. Finally, the final subchapter put forth a few suggestions for further research.

7.1 Conclusion

In essence, this thesis is the author's inquisitive initiative to explore the notion of storytelling, and how it could be applied to the task, which is as much of a challenge as it is a need, of acquiring external funding for early-stage startups. The thesis set out by studying existing literature on the topic. The findings drawn from reviewing existing literature can be divided into three main parts.

The first part of the finding revolves around the notion of storytelling per se. As the finding unfolded, there are two modes of thought, one of which is narrative thinking or, in other words, thinking in story structure. While the other mode of thought, paradigmatic, forms conclusion based on observable causes and effects, this mode of thought allows people to unverifiably attribute meaning to experience and in turn create verisimilitude. The narrative mode of thought tends to dominate our way of thinking in face of uncertainty, which by all accounts characterises entrepreneurship. The thesis proceeded to explore the definition of story, when it came to realization that storytelling is a multidisciplinary field whose definition varies in accord with corresponding field of inquiry. For the purpose of simplicity and relevance, the thesis chose the definition that is widely used in organization management, which maintains that storytelling is a means of communication that has four underpinning components: a sequence of events, one or more focal actors, a plot line and a narrative voice. Then, the thesis shed light on some major functions and effects of storytelling. While there is currently no existence of a solid approach to categorizing functions and effects of storytelling, this thesis imitated a way of organizing them from the work of Gargiulo (2005) into three groups, added with representative labels and additional reinforcing

information from the literature in each group. The three groups are labelled Connecting, Discerning, and Food for thought, respectively.

The second part of the literature review temporarily diverged from the topic of storytelling to traverse the startup investment landscape. In brief, each startup, despite the effort of being resourceful on the outset, would come to a point in time when it needs to acquire external resources, especially financial resources. When it comes to startup investment, there are several types of resource providers from whom entrepreneurs can seek external funding. Each of these funders has a predilection for startups at particular stages. A startup, from the point of inception to the point of going public, undergoes several stages, which can be generally grouped into early stages and later stages. Early-stage startups, which obviously appear most risky as compared to its later stage counterparts, are particularly targeted by business angel, a special breed of investors who would provide not only funding but also assorted contributions, such as experience, expertise, network, and so forth, if not direct involvement. In general, business angels use their own money to invest, so they are not constrained by principal-agency relationship with other external funders as other types of investors would. They ipso facto adopt a rather informal process of evaluating startup proposals, and they are more likely than any other investors to be influenced by subjective, less tangible and less substantive factors like 'gut feel', human qualities like enthusiasm, trustworthiness, impression management, and presentational ones. This leaves a space for storytelling to potentially interpose. The evaluation process of business angels is consisted of several stages. The first stage, origination, is when business angels filter out as many proposals as possible, leaving them with few proposals to proceed to the next stage. The next couple stages is when entrepreneurs deliver a pitch in a minimal time-span to the business angels, and, if they were to be permitted to proceed, will have further interactions with the angel investors so they can validate their opinion about the proposal. This period, particularly the pitch, is when, this thesis suggests, entrepreneurs should use storytelling as the means of communication with angel investors.

The last part of the literature review marked the convergence of storytelling and early-stage investment acquisition. It recapitulated the three inherent difficulties of early-stage business ventures in acquiring resources, namely uncertainty,

information asymmetry, and the required long-term commitment on the part of the investor in face of an environment rife with failure possibilities. These difficulties, in overall, cast an all-encompassing ambiguity over the new venture and any social actors that involve in it. Such ambiguity is associated with the lack of legitimacy, or external validation. Such legitimacy, however, can be derived from 'cultural alignment'. Put differently, entrepreneurs can get to understand culture and make use of cultural tool kits to be more culturally aligned, in turn enhancing legitimacy and reduced ambiguity. The primary tool in this tool kit is storytelling. Entrepreneurs can construct the stories of their startup using the components in their resource capital and institutional capital. Entrepreneurial stories have four functions that, when being exercised, can alleviate the three aforementioned inherent difficulties. These three functions are constructing and relaying the startup identity, elaborating proposed strategies, embedding contextual elements, and influencing intuitive evaluation. Figure 7 provides an overarching entrepreneurial storytelling framework, concluding the review of literature of this thesis.

The thesis then entered the empirical part, which comprises two chapters. One of them aimed to study the case startup company and construct a pitch for it based on the entrepreneurial storytelling framework. This pitch will serve two purposes, one practically being a reference for the entrepreneurs in the case company to contemplate its in particular and the use of storytelling in general, the other being used in the empirical research, which is the other empirical chapter. In the empirical research, the author put forth an idealistic research design that could not be realized due to a number of impediments, some of which are objective and some are subjective. Objective impediments inherently ensue from business angels' preference for anonymity and their likelihood of being snowed under. These objective impediments are compounded by subjective ones like the author's lack of resources, i.e. finance, network and credential. In the wake of this, the author resorted to some degree of adjustment in research design. Having been adjusted, the provisional research design are constituted of two separate researches. The first is qualitative research, which conducted in-depth interview with business angels and garnered secondary data to empirically explore business angels' perspective towards storytelling. The second is quantitative research,

which conducted an experiment that tests the effect of the pitch constructed for the case company. The experiment exposed 30 participants to two pitches, one of which was constructed based on typical PowerPoint presentation style with the slides prepared by the case company, the other was the aforementioned story-based pitch. The participants were in turn asked of their opinions in terms of the following variables: captured attention, degree of comprehension, perceived trustworthiness, perceived level of motivation of the presenter, perceived persuasiveness, and degree of information retainment. The result of the experiment showed that the second pitch results in improvement of those variables, as compared to the first pitch.

7.2 Answers for Research Questions

The answers for the research questions are condensed into the following table

TABLE 16. Succint Answers for Research Questions

Question	Answer
1. What is storytelling?	<i>Storytelling</i> is a means of communication by which information can be presented with a narrative structure that is consisted of 4 underpinning components: “(1) a sequence of progressing events, which are brought about and experienced by (2) one or more focal actors and which are propelled by (3) a plot line that is projected in a specific (4) narrative voice”.
2. What are the functions and effects of storytelling?	Briefly put, storytelling are effective when it comes to connecting with others, discerning and sympathise the differences among communicators, and supporting human cognitive functioning. Further elaboration of other functions and effects that give rise to these generalized effects can be found in chapter 2.
3. Which stages of a startup are	The stages in question are comprised of seed stage, start-up stage, and first stage. In essence, a startup is still in its early-

considered early stages?	stages until it has broken even, or at least attained profitability.
4. Which type of investors should an early-stage venture target for investment? Why?	Business angel is the source of funding that is most suitable for early-stage startups. Business angels are essentially the investors that fill in the equity gap, which was left void as venture capitalists steered it focus on later-stage ventures several decades ago. The reasons are numerous. In simple terms, unlike other types of investors who manage the money of other fund providers and thus are particularly averse to risk, business angels use their own money, so they are not constrained by principal-agency relationship with other fund providers and hence much less risk-averse and, as a result, more open to early stage startups. In addition, while other types of investors chiefly concern with monetary return, business angels, albeit inarguably similar concern, have other motivations as well, such as putting own expertise into good use, involving in entrepreneurship, contributing to society, and so forth.
5. What is the decision-making process of business angel?	The decision making process of business angel consists of the following phases: Origination, Meeting the Entrepreneur, Initial Screening, Detailed Screening, Deal Structuring and Agreement, Angel's Added Value, and Realising the Investment.
6. How can storytelling be of support in attracting funding from business angel?	<p>Ultimately, storytelling helps alleviate three inherent difficulties early-stage startups usually face: uncertainty, information asymmetry, and required long-term commitment on the investor's part in an environment rife with failure possibilities.</p> <p>Such ability is rooted from storytelling being a cultural tool box, when appropriately used can enhance legitimacy of the new venture. The lack of legitimacy is associated with</p>

	<p>ambiguity ensued from the concerning difficulties.</p> <p>Such ability is activated when entrepreneurial stories exercise their functions, namely constructing and relaying identity, elaborating proposed solution, embedding contextual elements, and influencing intuitive evaluation.</p>
<p>7. Is there a framework that encompasses the notion of storytelling in entrepreneurship?</p>	<p>There are some theoretical frameworks in the existing literature, but none of which suits this thesis. Hence, the author assembled the priori framework and relevant knowledge in the existing literature to put forth an overarching framework for entrepreneurial storytelling particularly suited for this thesis (Figure 7).</p>
<p>8. What are the business angels' perspective towards storytelling?</p>	<p>Put briefly, the perspective of business angels on storytelling can be structured as answers to three rudimentary questions: Why, What and How?</p> <p>As to the first question, it concerns with why entrepreneurs should tell stories. The reason is, angel investors have to listen to a lot of pitches, so only a few that stand out and catch attention would be noticed. These pitches turned out to be telling stories. Yet, entrepreneurs are generally reluctant to tell stories, because they can't tell good ones, or they prefer to stick to raw and cold facts, or to say truistic statements.</p> <p>As to the second question, it deals with the benefits of telling stories. Those benefits are effective means of communication in various circumstances, providing data and fact with context and relevance, enhanced comprehension, engaging emotion and connecting with investors.</p> <p>Last question concerns with how to tell good stories. Recurrent answers include authenticity, having a set of</p>

	<p>characters, cherrypicking the most compelling elements to relay, visual aids, and communicating vision.</p>
<p>9. How differently a pitch that tell stories influence audience as compared to a pitch that employs typical powerpoint presentation style?</p>	<p>The pitch that tell stories could result in significant improvement in attention captured, level of comprehension, perceived trustworthiness, perceived level of motivation of the speaker, perceived persuasiveness and information retainment, as compared to a pitch that is constructed and delivered based on a typical powerpoint presentation style.</p>
<p>Main research question: How can early-stage startups attract funding with support from the use of storytelling?</p>	<p>An early-stage startup should target business angels to attract external funding. The reason for the choice of business angel could be found in the answer for subquestion 4.</p> <p>The decision making process of business angels commence with the following stages: origination, meeting the entrepreneur and initial screening. While origination stage leaves next to no opportunity for entrepreneurs to take any initiative, they will have the opportunity to interact with business angels in person in the next two stages. This is when it has to communicate its proposal in a way that could help them and the angels overcome the challenges of a new venture, which are uncertainty, information asymmetry, and required long-term commitment in an environment rife with failure possibilities. Storytelling is proposed to be the effective means of communication.</p> <p>The business venture can make use of the entrepreneurial storytelling framework to go about using storytelling to attract funding from business angels. As per the framework,</p>

	<p>it must first reflect and gather resource capital and institutional capital in current possession. Having prepared these capitals, it can go on constructing the story that can exercise four functions: constructing and relaying identity, elaborating proposed solution, embedding contextual elements into the story, and influencing intuitive evaluation of business angels. These functions will subsequently enhancing legitimacy for the business venture, mediating between the firm's prevailing resource and the ambiguity that encompasses the venture and its social actors (i.e. entrepreneurs and investors).</p>
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7.3 Further Research Suggestions

Having worked on the areas of storytelling, startup investment and their intersection – entrepreneurial storytelling in attracting funding, the author recognised that storytelling is a nascent yet budding research area that presents ample room for improvement and numerous puzzles to be solved. Here are a few suggestions that intrigued scholars and researchers can ponder undertaking.

This thesis per se is quite revealing in how it could be improved; that is, to successfully implement the idealistic research. If the idealistic research was to be implemented on a sufficiently large scale with the participation of scores of business angels, the outcome would be significant not so much because of the more insight into what the angel advocates would maintain, though this is by all means important too, but because opinions of those who are indifferent or dismissive of the topic could be illuminated. Then, armed with such counter opinions, the scholars can proceed to investigate whether those indifferent and dismissive angel investors would actually be influenced by storytelling or not, in a positive way or negative way. The upshot of this daunting research can either confirm the positive effect of storytelling, if those investors turned out to be positively influenced by storytelling, or shed light on the downsides of storytelling, if those investors' behaviours are truly in line with their opinions. This array of studies may cut out a path that leads to a complete SWOT analysis

of entrepreneurial storytelling in communication with business angels. If one was to embark on this path, the importance of commensurating disposable resources with the demand of the research would never be emphasized enough.

For the scholars that share the penchant for entrepreneurship and storytelling, there are a lot of aspects to be explored in the overlapping sweet spot of these two fields of inquiry. As Martens and co-authors put it, many accomplished entrepreneurs are regarded as “raconteurs”. Other than attracting funding, how these ‘raconteurs’ are in action in other aspects of entrepreneurship could contain a lot of insights waiting to be unveiled.

8 SUMMARY

This thesis is originated from the author's inquisitiveness and penchant for two fields of inquiry: storytelling and entrepreneurship. It bears an exploratory nature, not so much because of intentional and deliberate choice as owing to the fact that the author had virtually no knowledge about storytelling prior to this research. The thesis has three main parts: the review of extant literature, the study of case company, and the empirical research.

Embarking on the literature review, the thesis first sought to explore the notion and definition of storytelling, and subsequently its generic functions and effects. Then, storytelling was temporarily put aside, yielding the stage for startup investment landscape. The literature findings on this include the need of business ventures to acquire external resources, particularly financial resource, the distinctions among stages of a startup, the types of startup investors and the type of investor that early-stage startups should target for funding. Next, the application of storytelling in startup funding acquisition was studied in-depth, concluding the literature review with the entrepreneurial storytelling framework.

The second part commenced by studying the case business venture and the industry in which it operates. Then, the author conducted in-depth interviews with the founders to collect resource capital and institutional capital in preparation for the construction of the company story that followed. The outcome of this chapter is a pitch that is constructed based on the entrepreneurial storytelling framework. This pitch will serve not only as a reference for the case company to contemplate its use in particular and the use of storytelling in general, but also the empirical research.

Last but not least, the research wanted to explore the perspective of business angels on storytelling and empirically examine their opinions on the pitch constructed in the second part. That said, due to a number of subjective and objective impediments, the research resorts to a provisional research design, which consists of a survey for business angels' perspective and an experiment to test certain effects of the pitch in particular and of storytelling in general. The outcome of the survey provides recurrent themes on storytelling among the

participants. The result of the experiment indicates that storytelling can significantly exert more positive effects as compared to a typical PowerPoint presentation.

With the fruition from the literature as well as empirical findings, the author believes that storytelling is here to stay, and that it will play an increasingly important role in business, in entrepreneurship, and particularly in the quest of acquiring external resources for early-stage startups.

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APPENDICES

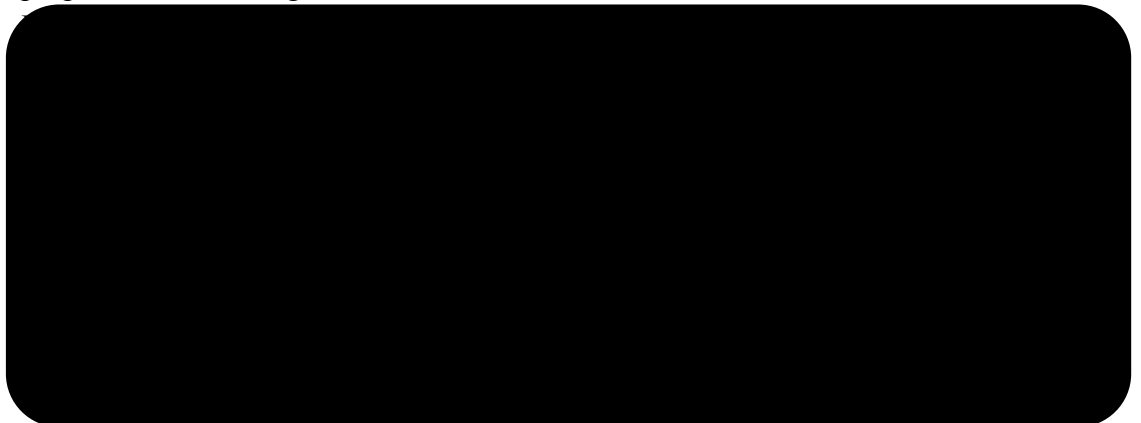
APPENDIX 1. Script of Pitch 1 (Powerpoint Presentation)

Hi lady and gentlemen,

My name is [REDACTED] the CEO of Gooroo Education, a technology startup that endeavours to reform the tuition industry in Singapore using modern technology. In Singapore, tuition is a highly profitable industry with a reported turnover of S\$820 million in 2008, which is equivalent to 560 million euro, and by now must have exceeded 1 billion in revenue. However, such a lucrative industry has remained traditional and inefficient for the past 10 years, given that Singapore education has a very good international reputation and technology has brought innovations to many industries in the country.

97 out of 100 Singapore students go to tuition, but not many of them like tuition. In fact, it is reported that many of them dislike it, which is one of the problems that exist in current situation in this industry. One of the ways that students can get tutors is through agency. But the business model of these agencies does not motivate them to choose the best tutors for the students. They charge the tutors 50% of first month fee and the tutors are free to go on with their work. Which means that they earn money whenever parents need to find a new tutor. In reality, students getting unsuitable tutors is quite popular a problem. Another problem is the inconvenience in scheduling and travelling. A good tutor has a limit number of students he can handle, not because of his capacity, but because a busy schedule and time-consuming commute to different students locations. Apart from private tutors, students can also attend classes in tuition centres, which tend to be overcrowded and make them distracted. Last but not least, communication between parents and tutors is extremely limited because of busy schedules of both, making it difficult for parents to keep track of their students' performance and provide necessary support.

Understanding these market problems, Gooroo aims to make use of technology to propose the following solutions:





APPENDIX 2. Script of Pitch 2 (Entrepreneurial Storytelling Framework)

I always picture a good education is one that makes students love learning. They are fascinated about going to school to learn new things, and they could imagine what they learn will become useful in the future, will lead them to the job of their dream. They love learning and they always have a sense of purpose. This is how I always imagine a good education should be. But when I was in highschool, about more than 10 years ago, it wasn't like this. I remember, my highschool, or actually also my elementary and secondary school, was not so much a place that students eagerly come to study for their dream as a battlefield. The environment is intensely competitive. All students studied to get better grades than their friends. All parents wanted their children to get better grades than their friends. They studied really hard to avoid bad grades, and if they get bad grades they would consider themselves failures. They spent half the day studying in school, and after school they took private tuition to reinforce the lessons they just learn in school. Like, I had this friend called Sophia. Every weekday she finished school at 3 in the afternoon, and then she went to tuition centre from 4:00 to 6:00. After that she took one-hour train to come home. Then she would have dinner, take shower, and then spend her evening studying and doing homeworks. That's a really busy schedule. Even travelling takes a lot of time. Sophia left home in the morning for school, then went from school to tuition centre, and then went back home. The travelling itself took about 2 to 3 hours. I remembered myself thinking many things could be done in 3 hours, playing sports, reading books, things that allow young people to develop more fully. Still, she was afraid she was not doing well enough. Once she told me that the class she studied in tuition centres is too crowded, 40 students in a room. She usually lost focus and got distracted. The class's too big, the tutor couldn't make sure everyone catch up with the lesson. In my group of friends there was this guy called James. James didn't go to tuition centre, but he had private tutors go down to his house for him. Sophia thought having private tutor like James is more effective, and she went to look for a private tutor. In Singapore, students get private tutor through tuition agency, an intermediary who will find a tutor based on the student's need. But unfortunately, the tutor that Sophia got wasn't suitable for her. Her grades suffered, and had to ask the agency for a new tutor. As it turned out, the agency didn't really try to find

the most suitable tutor. The agency charged the tutor 50% of the first month fee and then let the tutor be free to go on with their work, which means they earn money everytime people come to ask for new tutor.



We are still testing these ideas out, but we believe it will solve the problems that my friend Sophia and many other friends have faced and will face. We also know that using technology is the right way to reform this old industry. Singapore has become a high-tech country, with one of the highest internet penetration and smartphone adoption rate in the world. Everything is being brought online. Shopping is done online. Food order and home delivery are done online. Even public reporting is done with mobile apps. There is no reason private tuition should stay outdated in this era of technology boom.



APPENDIX 3. Experiment's Questionnaire

[Let the participants watch the first video]

1. How good/bad is the presentation at grasping your attention? Could you explain?
2. How good/bad is the presentatino at making you understand what it talked about? Could you explain?
3. What do you think about the trustworthiness of the presentation? Could you explain?
4. What do you feel about the level of motivation of the speaker? Could you explain?
5. What do you think about the persuasiveness of the presentation? Could you explain?
6. Do you have any other comments about the first presentation?

[Let the participants watch the second video]

7. How good/bad is the presentation at grasping your attention? Could you explain?
8. How good/bad is the presentatino at making you understand what it talked about? Could you explain?
9. What do you think about the trustworthiness of the presentation? Could you explain?
10. What do you feel about the level of motivation of the speaker? Could you explain?
11. What do you think about the persuasiveness of the presentation? Could you explain?
12. Do you have any other comments about the first presentation?

13. Imagine if you pick up your phone, call your friend and present to him/her the whole presentation from your memory. Which presentation would you more likely to tell?

Three options for participants to choose from: 1st presentation; 2nd presentation; None, I don't remember anything

If either of the first two options is selected, the participants are directed to the last question.

Last question: How many percentage of your chosen presentation could you remember?