Master's Thesis – Master Sustainable Business and Innovation

# The Communication of Value

## Value Communication In Successful Startup Resource Strategies

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**Abstract**
Innovation in the private sector is very important for increased sustainable development. Yet, the 'liability of newness', or the lack of trust due to little proof of concept in the very first stages of a new business, causes a barrier for entrepreneurs to grow their sustainable business. Access to resources -especially financial resources- is essential for a chance to overcome these fragile first stages according to the Resource Based View (Barney 1991), but due to the lack of a track of record resource acquisition seems difficult to achieve. According to existing literature, tailored value communication is necessary to get stakeholders on board and invest. However, how this value communication is used in startups' strategies in the first development stages is unclear. Therefore, this research aimed to answer the following question: *What are typical stakeholder value communication strategies to acquire essential financial resources in sustainable product-based startups, and how are these contributing to the dynamic acquisition of financial resources of the startup?*

A combination of the three-step stakeholder communication theory by Mast (2013) and the four value pillars by Harrison & Wicks (2013) was used as a framework, to get a comprehensive image of stakeholder value communication practices. An abductive, semi-structured research design was used to conduct 10 interviews with sustainable startup founders, and this data was backed up with desk research for data triangulation.

This research found a spectrum of different financial stakeholder types, with -according to the founders- all a unique set of values and optimal communication climates. The spectrum ranged from 'warm' stakeholders that mostly reacted to the more emotional value pillars, and 'cold' stakeholders that had a high focus on tangible benefits and risk mitigation. Sustainable values were perceived as important throughout the spectrum, but for different reasons: it was seen as an upcoming market trend by cold stakeholders, but as an important shared philosophy by warm stakeholders. Entrepreneurs were often aware of these differences and strategically moved from one stakeholder to another, depending on which stakeholder complied the most with the set of values and level of risk mitigation they had to offer. Sometimes even mixed methods were used, with more than one stakeholder, to get the best of both worlds.

This research should be replicated several times to further test the proposed framework to understand value communication dynamics, but the first results in this research seem to indicate it is a promising tool to work with.

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# 1. Introduction

A large body of scientific literature indicates that innovation in the private sector is very important for development, welfare and, most important in times of environmental crisis, increased sustainability (Sawhney, Wolcott & Arroniz, 2006; Montalvo, 2008; Freeman & Soete, 1997). New sustainable businesses or startups contribute significantly to the innovation rate, both because of their high representation rate as because of their 'innovative' nature (Weiblen, T., & Chesbrough, 2015), which leads to more sustainable business practices overall. Especially innovation in product-based new ventures can reduce the environmental impact of that industry significantly, as product-based ventures still have a major negative environmental influence overall (Meckstroth, 2016 ; Tukker & Jansen, 2006). Yet, many of these startups fail in the first five years of their existence (Lebrasseur, Zanibbi & Zinger, 2003). Reasons for this failure are given by different scholars, for example lack of financial resources, lack of access to essential human capital, or lack of consumer trust due to newness of the brand (Marullo et al., 2018). Most -if not all- of these reasons can be addressed as a lack of access to resources when using the Resource Based View of a firm (Barney, 1991). Thus, in order to maximize the potential of success of a (sustainable) new venture, the capacity to strategically define and attract these resources is of very high importance (Marullo et al., 2018; Harrison & Wicks, 2013; Crane, & Livesey, 2003; Freeman et al., 2010).

Often, resources are seen as fixed or given entities within a firm. However, new sustainable ventures still need to acquire these resources & their routines, and need certain skills to do so (Stinchcombe, 2000). Access to and management of resources is a dynamic and strategic process: in different stages of a sustainable startup, different resources are needed (Paschen, 2017). Yet, there is one particular resource that may 'fuel' all the other types of resources: financial resources are of major importance when, for example, trying to 1) attract human capital, 2) get contracts with essential suppliers, or 3) market the new venture on a large scale, actions which all result in other essential resources for the firm. Especially in the first stages of a new venture, before the actual launch, the first successful acquisition of financial backup can be a major determinant for the possibility to start up, grow, and develop further. As the new venture does not have any established relations, reputation or record of success yet, this pre-launch phase is the most relevant and difficult stage to establish a sound strategy to establish all of that. Several studies therefore argue that the ability -or lack thereof- to access financial resources is a major determinant in a new ventures' initial success (Riepe & Uhl, 2020l; Beck & Demirguc-Kunt, 2006). In short, this particular resource appears to be an essential element in the early development of a high number of new sustainable ventures.

A major pitfall for new ventures to attract financial resources is the 'liability of newness': concerns from potential resource providers that question the new business capabilities and potential success,

due to lack of operating records or former successes (Wang, Thornhill & De, 2017; Stinchcombe, 2000). According to Wang, Thornhill & De (2017), a firm can overcome this liability of newness by actively improving the new venture's legitimacy, or, in other words, nurture the stakeholders' perception that a firm is an appropriate and desirable partner (Wang, Thornhull & De, 2017) .

According to Harrison & Wicks (2013), Freeman et al. (2010) & Mast (2013), all ventures have a certain 'value-exchange' relationship with their stakeholders: a calculated negotiation of the positive 'utility' a firm offers the stakeholder, and the perceived 'pain' the stakeholder has to go through in order to get access to the value. This perception of value is highly subjective, and thus can differ per stakeholder or specific situation (Harrison & Wicks, 2013). Also, as financial investors are more sustainability-oriented, sustainability startups could have a significant advantage when communicating their positive impact (Derwall, Koedijk & Ter Horst, 2011). In this perspective, the startup could overcome the liability of newness, legitimize itself and acquire financial resources by initiating a sound value communication strategy with the right stakeholders, in which the utility/pain offer of the firm is effectively negotiated. In this process, a certain learning effect (or capability development, as defined by Wang, Thornhull & De, 2017) could also occur, in which the startup actors gain skills, experience and knowledge in the negotiation process, either by initially failing in the resource acquisition attempts and improving by trial and error, or (possibly accidentally) be successful from the very beginning and getting more and more experienced in the use of their strategies. Naturally, this learning process, or capability development, may have a positive impact on new negotiations in a later stage. Thus, according to these authors, this value negotiation is highly important for (financial) resource acquisition strategies. Therefore it is relevant to study this process and its dynamics in-depth, in order to further build the theory on business-stakeholder relationships.

Yet, there is still little known about the specific dynamics in this resource acquisition process, the resulting capability development, and its importance in the different development stages of successful startups (Wang, Thornhull & De, 2017). Therefore, this paper studies the capacity of startups to define and communicate the value of the new venture for possible stakeholders that are in possession of essential financial resources, in order to acquire those resources. This research will therefore study the initial successful and unsuccessful value communication strategies in the initial phases of sustainable, product-based startups. In order to do so, the following research question is proposed:

*'What are typical stakeholder value communication strategies to acquire essential financial resources in sustainable product-based startups, and how are these contributing to the dynamic acquisition of financial resources of the startup?'*

In order to answer this research question, a qualitative research design with an abductive approach is proposed. 10 different product-based sustainable startups were selected as a unit of analysis: the startups were found through keyword search on Google, after which the most useful blogs and newspapers were selected to find relevant startups. Of each startup, one founder was selected as the unit of observation, and was interviewed about both their successful as unsuccessful value communication strategies to acquire financial resources. This research question contributes to both business development literature as communication literature. It builds upon the resource based view, and to the (still little) literature there is about how the dynamics of resource strategies play out through stakeholder communication strategies, and how these dynamics can be successfully built up in the light of startup development and this resource based perspective. This paper could therefore contribute to the knowledge base of stage-based resource strategies and their dynamic development.

Regarding the societal value, this resource strategy knowledge is especially important for startups, as they need sound strategies in order to overcome the liability of newness and acquire resources much more than incumbent firms (that already have a certain legitimacy to acquire resources). The aim to develop a practical resource strategy model therefore contributes to the optimization of new venture potential.

The structure of this research is as followed: first, the theoretical framework that forms the base of the research is defined. Then, the research design and its validity and reliability are analysed, and its strengths and weaknesses are discussed. This is followed up by the results section, where the research data is put in contrast with the theoretical framework. Finally, the resulting conclusions are drawn, and their overall legitimacy is discussed. The interview guide and complete coding process can be found in the appendix.

# 2. Theoretical Framework

There are several different bodies of theory that focus on startups' ability to attract resources, overcome the liability of newness, and develop a sound stakeholder value communication process. In the following theoretical framework, the stage-based perspective of the development of a startup is combined with the most appropriate theory from several literature strands, in order to develop a complete and accurate basis to answer the research question. First, the startup process model, with the different development stages of a new venture, is described. Then, the importance of access to financial resources is put into perspective with the problem of liability of newness and business legitimation. Finally, a value-based communication model is discussed as a strategy to attract resources and overcome the initial liability of newness. In this final part, the possible capability development and network effect within the resource strategy are explained.

## 2.1 Startup process model:

As Paschen (2017) argues, the life cycle with different stages a startup undergoes is often ignored. Yet, startups are more complex than is often assumed in literature. The different startup development stages each require a unique mix of resources and capabilities, and therefore startups should be studied on a stage level when assessing their resource strategies (Like in Lebrasseur, Zanibbi & Zinger, 2003; or in Paschen, 2017). Besides that, in order to study any possible learning effect or capability development (Wang, Thornhull & De, 2017), some chronological timeframe in which an accumulation of knowledge and skills could be detected should be in place. Therefore, in this paper, a life cycle model that is based on current literature is utilized as a framework, in order to effectively study the unique resource acquiring strategies in each stage.

Marullo et al. (2018) developed a model to frame the different stages in the startup development process. These authors divide the pre-startup into two phases; the 1) intention phase in which a business opportunity is recognized, the business concept is developed, and the implementation needs are defined, and 2) the organization creation phase, in which measures are taken to develop the necessary technology, the team is set up, and other resources are accumulated. They follow that up with a third and final phase, 3) the startup phase, which includes the entry process and the interaction with the external environment (Marullo et al., 2018). Other models, like the one developed by Paschen (2017), put more emphasis on the post-launch process than on the pre-launch stages. Yet, in

this particular research, the financial resource acquisition strategy will only be studied in the stages before and during the launch process, because of the following reason: at the very beginning of a startup, there are little to no former performance records that a potential investor could rely on when deciding to provide backup or not. This means that, in these phases, the reliance on the value communication strategy for business legitimation is very high for the startup. From the launch on, other factors, like performance records or the good reputation of the brand could already have legitimized the business, which could have a major effect as well. So, as the very initial financial resource acquiring strategy for business legitimation is most relevant in the pre-launch stages, the pre-launch focused model by Marullo et al. (2018) is most appropriate in this framework:

*Pre-startup: - Intention Phase*
*Pre-startup: - Organization Creation phase*
*Startup: - Launch and pre-acceleration phase*

| **Name Phase** | *1.Pre-startup intention phase* | *2.Pre-startup Organization creation phase* | *3.Startup launch & pre-acceleration phase* |
|---|---|---|---|
| **Description Phase** | A business opportunity is recognized, the business concept is developed, and the implementation needs are defined | Measures are taken to develop the necessary technology, the team is set up, and other resources are accumulated. | The actual launch & entry process take place. |

*Table 1: Startup Pre-launch stages by Marullo et al. (2018)*

As startup actors themselves are not necessarily aware of these exact stages, or might have another idea themselves about the different phases the startup went through, these phases will not specifically be defined in the communication with the target group of this research. Instead, they are used as an indicative timeline to set a framework, without being guiding.

## 2.2 Stakeholder Value Communication Strategies:

### 2.2.1 Financial Resources and Startup Success

According to the Resource Based View (RBV; Barney, 1991), an essential determinant in the success of a firm is the effectiveness of its resource strategy. Barney (1991) argues that the unique set of resources of a business is the explanation of its sustained competitive advantage. This RBV drastically shifted the body of theory of strategic management from an external market-based view to an internal perspective, opening up the discourse on both (Mahoney & Pandian, 1992). Since the first literature on this view was published, countless scholars have accepted the RBV as a relevant framework in the theoretical body of their work (For example: Mahoney & Pandian, 1992; Hadjimanolis, 2000).

Also in research on startups, scholars have found that the access to essential resources is a major determinant for its ability to grow, succeed, and develop a competitive advantage (Beck & Demirguc-Kunt, 2006; Semrau & Werner 2014; Riepe & Uhl, 2020). In particular the access to financial resources -or lack thereof- is a major topic in the literature regarding startup success (Beck & Demirguc-Kunt, 2006; Riepe & Uhl, 2020; Cooper, Gimeno-Gascon & Woo, 1991; Manigart, Baeyens & Van Hyfte, 2002), as this resource 'fuels' other types of resources, like marketing, product development, the attraction of capable employees, and much more. Although according to some scholars access to financial resources does not necessarily have a causal relation with a new ventures' eventual success (Manigart, Baeyens & Van Hyfte, 2002), most entrepreneurs state that raising capital to start a business is their biggest barrier, and thus it is a very important gateway to get to the first product launch (Blanchflower & Oswald, 1998).

Thus, the access to financial capital in the pre-launch stage is an important determinant in a firms' initial ability to launch, and its resulting possible success. Yet, due to the lack of tracking records, proof of concepts or any other risk-mitigating data on the potential of a new firm, possible investors are often more reluctant to give access to their financial resources. This major barrier for new firms, defined by Stinchcombe (1965) as the 'liability of newness', is a well-known concept in strategic management literature. Wang, Thornhill & De (2017) argue that a firm can overcome this liability of newness by actively nurturing the new venture's legitimacy, or "generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions." (Suchman, 1995, 574). In order to successfully legitimize and live up to this system of norms, values, beliefs and definitions, a firm should actively nurture the perception that stakeholders have of the new business' potential (Wang, Thornhull & De, 2017). Thus, in order for a startup to get access to essential financial resources, they should start a firm-stakeholder relationship in which they positively influence the stakeholders' perception. As will be described in the following section, the literature on firm-stakeholder communication strategies provides some promising theories on how to initiate and maintain this positive influence on the perception of (possible) stakeholders.

### 2.2.2 Stakeholder Communication Strategies

According to strategic communication literature, the effective proposition and communication of value towards stakeholders is of high importance for the overall performance of firms (Harrison & Wicks, 2013; Pfeffermann, Minshall & Mortara, 2013), and therefore also is an essential part of the strategy to attract financial resources. Mast (2013) designed a framework for developing a sound communication strategy, in order to overcome the aforementioned lack of insight, trust and acceptance among stakeholders regarding new businesses. This framework, a blueprint for effective stakeholder communication strategies, has three main components: 1) Stakeholder Orientation, which is argued to be more than just a specification of a target group and a matching communication tool. In stakeholder orientation, not only should the relevant stakeholders be correctly defined, they should also be seen as human; as a complex set of ratio, emotions, and core values (Mast, 2013). The second component is 2) the Value Based Communication . Here, the tangible and intangible corporate value for stakeholders is defined and prepared to be a point of reference in communication practices. This includes the firms' mission, vision, and core values, but also other tangible and intangible benefits that could be of use in the communication strategy, specified for each stakeholder. Particularly for sustainability-oriented startups, the communication of sustainable value could be relevant when negotiating terms with possible financial stakeholders, as financial actors seek sustainable value more

and more often in recent years (Derwall, Koedijk & Ter Horst, 2011; Dočekalová & Kocmanová, 2018). The third and final component that should be taken into account is 3) the creation of a Supportive Climate, in which the communication channels and the type of communication (formal/informal, language, etc.) are determined. In this theoretical framework an extended version of this model, complemented with a value theory framework, is used:

**Financial Stakeholder Orientation & the Liability of Newness**

In order to be able to effectively acquire financial resources for a startup, the founders first need to be aware of where these resources can be found and how a possible relationship can be negotiated. Therefore, the recognition of valuable stakeholders -that are initially in possession of the resources- is an essential first step in a sound resource acquiring strategy. There are several possibilities for a new venture to get its funding from: the personal network, microcredit organizations, crowdfunding, bank funding, private investors or an incubator programme are several examples. Which type of funding is appropriate for which type of startup is debated, but it is evident that start-up size, asset structure, organization type, growth orientation, and the characteristics of the founder can play a role in this choice (Cassar, 2004). For sustainability-oriented startups, like the ones under study in this research, it is interesting to target stakeholders that are relatively more concerned with environmental performance, as this could give them more value in the relationship (Derwall, Koedijk & Ter Horst, 2011).

**Value Based Communication**

According to Freeman et al. (2010), Harrison & Wicks (2013) and Mast (2013) all stakeholders can in some way be seen as customers, and the primary responsibility of a firm is to maximize value for all of them. But what is value exactly, and how can it effectively be optimized?

Harrison & Wicks (2013) define value as '*anything that has the potential of being worth to stakeholders'* (p100-101). They directly connect this notion of value to *utility,* which more specifically indicates the perception of the stakeholder of the value received from the firm, and the perceived pain (or sacrifice) the stakeholder has to go through to engage in the relationship ('pain' in terms of money, time or effort spent). This indicates that value is a subjective concept, and that every stakeholder can have its own idea of what is valuable to them (Harrison & Wicks, 2013). These authors created a comprehensive model explaining different types of value for stakeholders. In the four pillars of this model they did not only include the tangible value itself, but also the distribution of this value. The four pillars are: 1) stakeholder utility associated with tangible goods and services, 2) stakeholder value associated with organizational justice, 3) stakeholder utility from affiliation, and 4) stakeholder utility associated with perceived opportunity cost.

The first pillar is the most obvious, as tangible goods and services (like the prospect of economic returns) , are most visible in a firm-stakeholder relationship. Yet, the other three pillars could offer significant utility for financial stakeholders as well, especially when using the positive sustainable impact the new venture has as a 'selling point': as mentioned, more and more investors seem to be interested in the sustainable value that startups have (Derwall, Koedijk & Ter Horst, 2011; Dočekalová & Kocmanová, 2018). The second pillar categorizes organizational justice, divided in three subcategories: distributional justice, or whether the relative distribution of utility among other stakeholders is considered as just; procedural justice, referring to the perceived fairness of rules and procedures within a firm; and interactional justice, referring to the day-to-day interaction and the way people treat each other. The authors argue that, within the second pillar, a concept called *generalized*

*exchange* appears: as stakeholders of a firm are often interconnected, they also are sometimes willing to sacrifice some of their own perceived value in order to contribute to another stakeholder. For example, investors could be more likely to choose to invest in a more environmentally-friendly initiative, even if this means the financial returns are relatively lower than when choosing other investments. Therefore, how a firm is perceived to treat one stakeholder can have a direct influence on it's relationship with other stakeholders (Harrison & Wicks, 2013).

The third pillar is stakeholder affiliation utility. This type of utility has to do with the way how stakeholders identify with the philosophy and behaviors of the firm. This stakeholder-firm identification can produce the feeling of being emotionally connected to the company, and can generate esteem and satisfaction. This affiliation effect is believed to be a powerful driver to motivate stakeholders to care about the firms' and other stakeholders' success. Again, the environmentally friendly orientation could be of use when taking this pillar into account, as stakeholders could feel more emotionally connected with a sustainable initiative if this philosophy aligns well with their own (Derwall, Koedijk & Ter Horst, 2011; Dočekalová & Kocmanová, 2018). The fourth pillar describes opportunity cost dynamics as a utility generating concept. This pillar can be integrated into any of the first three, as it explains the tendency to compare the value proposition done by the firm with other opportunities, for example with competing firms or other solutions (Harrison & Wicks, 2013).

**Supportive Climate Creation**

This component does not focus on *what* is communicated, but more on *how* it is communicated. According to Mast (2013, 179), "*the nuances of statements and the choice of which person says something in which channel and especially when"* are of high importance for effective value communication. Also, she states that creating a microclimate in which real conversations with the stakeholder are conducted is an often overlooked -but essential- practice in this third component. In this climate, the type of messaging should be honest, consistent, and open for suggestions and participation of the stakeholder in the process. Stakeholders should be viewed and treated as partners instead of as a 'target group' that is ought to deliver a certain reaction. The ability of the startup actor to recognize lack of trust or other doubts on the side of the stakeholder are also very relevant in this process. Yet, in order to be able to recognize those, close proximity to the stakeholder is of high importance. Mast (2013) argues that the rise of the digital era is both an opportunity as a challenge: lots of relevant stakeholders can be reached with a consistent message, but on the other hand it is harder to effectively sense doubt or lack of trust from their side. In order to make up for that, Mast (2013) states that strategies like storytelling, personalization and visualisation can be of use, as these elements could give the sensation that the new innovation can be '*experienced and felt*', and thus seems to be of closer proximity, even when communication is done online (Mast, 2013, 202).

### 2.2.3 The Learning Effect

As discussed, in different stages of the startup, different resource acquiring strategies are expected, adapted to the specific stage, the specific resources needed, the specific financial stakeholders involved, and the types of value that are in place for these stakeholders. These types of value can presumably all be categorized into the four value pillars of Harrison and Wicks (2013). Throughout these resource strategies in different stages, it is possible that some positive effects for success of the strategies can be detected. The experience in adequately applying value communication strategies towards stakeholders may cause a certain learning effect: the development of capabilities that can be

valuable when in need of more resources in the same stage, or throughout later stages of the startup (Wang, Thornhull & De, 2017; Mena & Chabowski, 2015). If a startup founder already has spent lots of time negotiating its startup's value with early investors, it may be easier to do the same in order to get more financial resources, with other (possibly bigger) investors. This capability development regarding stakeholder communication could be recognised as stakeholder-focused organizational learning, which Mena & Chabowski (2015) define as *gaining new stakeholder-related knowledge that has the potential to influence an organization's behaviors toward its stakeholders.* In Figure 1, the resource acquiring process and possible learning effects are summarized.

In the following paragraph, the research design & methodology that will aim to disentangle this process and its effects will be explained. Besides that, an external effect - or network effect - could also be in place. When the aforementioned startup investors that the founder negotiated with are successfully sparked with enthusiasm and value recognition, they may themselves further communicate this positive effect throughout their network, which could result in other relevant stakeholders to get a positive perception of the startup, or even approach it themselves for a valuable relationship (Cristofaro, 2017). As this effect typically is external it will probably not be visible in the results of this research. Yet, the existence of this possible positive network effect again proves the relevance of developing a sound resource acquisition strategy in the initial phases of a new venture.

The use of the three components in the communication process, and the resulting learning and network effects, all can have influence in the success or failure of the initial financial resource strategy of a firm. In the successful startups that are under study in this research, these components and their interconnectedness will be analysed. In the following section, the exact research design will be specified.

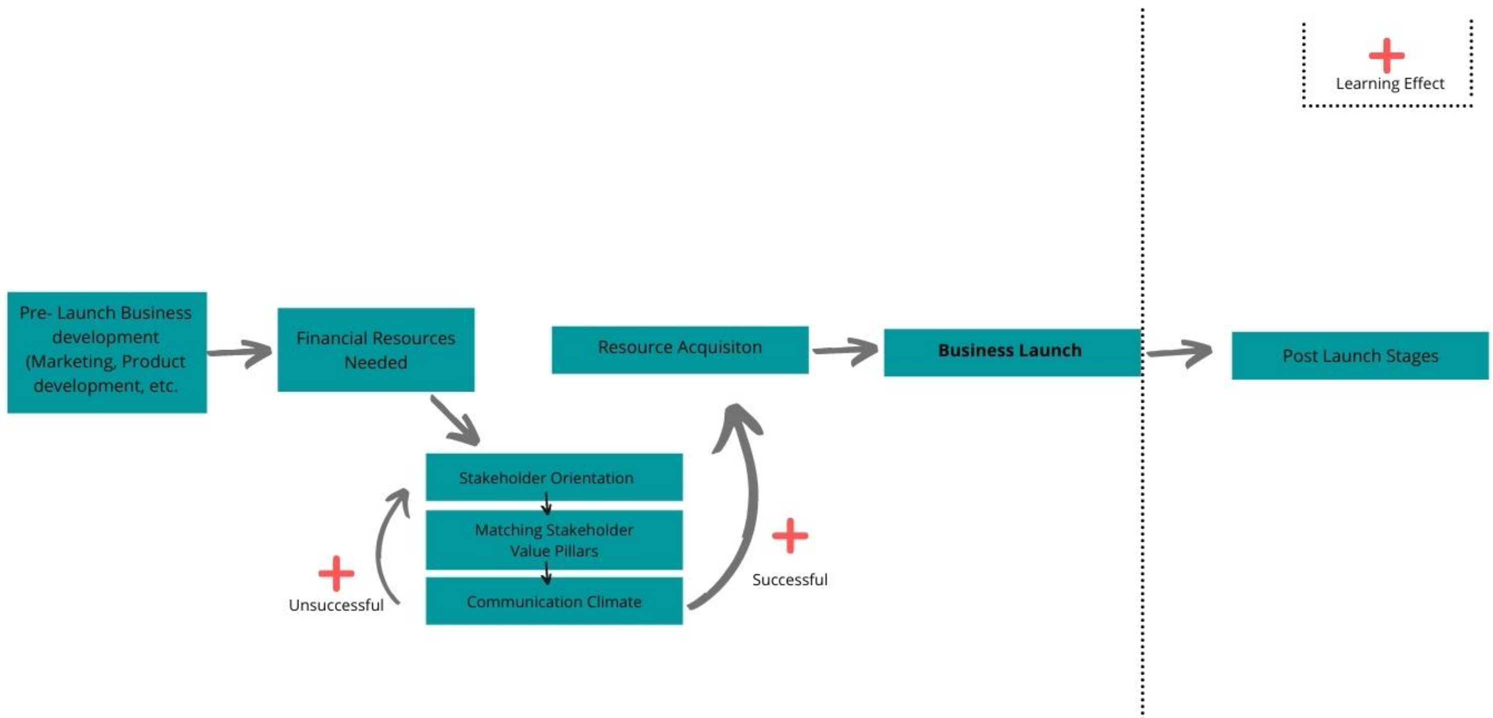


*Figure 1 - Value Communication Strategies for resource acquisition, Inspired by Harrison & Wicks (2013) & Mast (2013). For new (pre-launch) business development, external funds are often needed. According to Harrison & Wicks (2013), startups then go through a process of 1) stakeholder orientation, 2) matching their relevant values with those of the stakeholder, and 3) creating a supportive communication climate that builds trust and connection with the startup. If the startup is unsuccessful, it would have to reinitiate this process, with the opportunity of learning from the mistake (negative learning effect). If the attempt was successful, resources are acquired and the strategy adds on to the negotiation experience (positive learning effect).*

# 3. Methodology:

## 3.1 Research Design

In order to study how actual startups deal with the creation and communication of value to financial stakeholders in order to acquire resources, the following methodology is proposed. For this research, a qualitative design is the most appropriate, as the complex dynamics of resource acquiring and value communication strategies are best detected and understood in an open and holistic research model. The proposed research design has an abductive approach: the results will be deductively organized according to the aforementioned theoretical framework, but both the process of gathering data as the interpretation have inductive elements as well. This mixed approach is appropriate in this research as already existing literature will be tested as a framework. Yet, as there is still very little known about the specific dynamics of new ventures' resource acquiring strategies, an open and inductive perspective is also required, in order to not miss out on essential data that the framework does not take into account. A comparative case study of 2 industries and in total 10 startups (5 per industry) was conducted. This way, possible differences between industries could be detected, while still having

enough case material per industry to draw conclusions. Every startup was analysed by interviewing one of its founders. Whenever possible, the answers given in the interviews with the founders were backed up with desk research. News articles, crowdfunding campaigns, and other relevant platforms were used in this verification process. For example, whenever a founder mentioned an interview in a local newspaper, the article was looked up in order to see if the content was coherent with the data. Yet, for the sake of protecting the anonymity of the founders and their startups, no references to this grey literature have been given.

## 3.2 Unit Of Analysis

The aim of this research is to study new ventures that have overcome the first development stages of their startup. This research exclusively targets startups that were successful in overcoming the first stages, instead of comparing successful vs unsuccessful ventures, for the following reasons: first of all, it is a lot more difficult to track down unsuccessful startups and their founders, as the unsuccessful venture usually does not exist anymore. Besides that, even if they get tracked down it is not very probable they openly and objectively disclose data on their failure. After all, it is easier to honestly talk about success than about missteps. Hence, going after both successful and unsuccessful ventures would very likely be harmful to the quality of the gathered data.

Thus, the goal of this research is to analyze strategies that helped startups to overcome the liability of newness. Therefore, the unit of analysis for this study should at least successfully have overcome the initial stages of startup development, in which the lack of proof of record was imposing a barrier for its legitimacy towards stakeholders. Hence, all of the startups under study launched at least 2 years ago, which would indicate that they successfully completed the stages up until launch, and have generated a legitimate proof of record.[1]

Recently, due to the digitalisation of society, there has been a high rise of service-based new ventures, whose specific new aspects are regularly under study (Schettkat, 2007). Yet, the high focus on service based initiatives in literature nowadays may overshadow the fact that product based companies still have a very high impact on 1) the economy 2) human welfare and 3) the environment (Meckstroth, 2016 ; Tukker & Jansen, 2006). So, specific innovation dynamics in product-based industries are also an important research theme. Yet, as product-based and- service-based business models highly differ and therefore possibly require completely different strategies, these two types of businesses should not be mixed together in one single study. Therefore, this paper exclusively focuses on two product-based sectors: the food industry, and the cosmetics/personal hygiene sector. These two industries were targeted for this research for the following reasons: First, these industries both have a high impact on both human and environmental welfare, and therefore sustainable new initiatives have an important contribution to their improvement regarding responsible business. Secondly, in both industries a high number of sustainable new startups can be discovered, which means that this research can get a complete and relevant sample of new ventures out of these markets.

Within these sectors, the unit of analysis is further specified to exclusively sustainable business models, because of the following reasons: first, one of the most important drivers for innovation is the highly increased need for corporate sustainability. Especially in the industries under analysis in this research, a considerable part of new initiatives have a sustainable philosophy. Secondly, the aforementioned value pillar framework may indicate a more diverse and complete mix of values the

[1] Track record verified with newspapers, websites, blogs and social media.

firm has for stakeholders if it is primarily a sustainable business: after all, as Dočekalová & Kocmanová (2018) and Derwall, Koedijk & Ter Horst (2011) argue, environmental and social values have recently become a lot more evident in both business- and- consumer choices. Sustainable new ventures therefore may show more diverse and interesting value communication data. Thus, all of the new ventures under analysis comply with at least one of the sustainable business model archetypes as developed by Bocken (2014), for example by creating value from waste, or by maximizing material and energy efficiency.

Finally, all ventures under study in this analysis are Dutch initiatives. The Netherlands has a pro-innovation culture with many startups, and therefore has a lot of potential to contribute to the overall innovation rate. Besides that, The Netherlands has the incentive to become more sustainable in the short term, resulting in a relevant sample of sustainable startups to study.

## 3.3 Sampling Strategy:

In order to reach the above mentioned target group to conduct interviews, the following strategy was used. First of all, relevant keywords were used on the search engine Google: keywords like ‘sustainable food startup’, ‘circular food startup’, ‘sustainable cosmetics brands’ ‘sustainable soap brands’ et cetera (all in Dutch) were used to get a first rough list of results. Then, among the results, the most relevant websites were visited in order to find startups that complied with the unit of analysis. Startups were found on big sustainable blogs (like, for example, whensarasmiles.com ), startup news platforms like Sprout.nl or Dutchcowboys.nl, or industry relevant platforms like Kitchenrepublic.nl . Only websites that were not linked to a certain financial resource acquiring strategy (no websites of financial incubators or banks) were used, in order to get an unbiased sample of results. In total, more than 100 startups were contacted, of which the larger majority either didn’t reply, or declined to collaborate. Of the startups that did want to participate, a sample of 5 startups per industry was taken to interview.

## 3.4 Data Analysis

An open interview of +- 45 minutes was conducted with one founder within each relevant startup , in which the questions listed in appendix 7.1 were presented to the representative of the firm. The interview questions were open and primarily guiding, which means the researcher could deviate from the question list when the answers of the entrepreneur guided the interview to other possible interesting topics. The founder was chosen as a unit of observation for this research for several reasons. First, (one of )the founder(s) has been involved in the development process of the startup from the very first idea creation. After all, the entrepreneur initiating the startup has the most complete set of information about its development from the starting point to the end. Besides that, as this research focuses on startup strategy, it is important to target the actor behind the strategic ideas. Strategies in emerging businesses can be relatively intangible compared to incumbent business (due to the lack of ‘formalization’ of business processes), so in order to get a complete understanding of strategy in initial stages it is essential to get access to the brain behind the startup.

| Entrepreneur | Industry | Product | Year Of Launch |
|---|---|---|---|

| Entrepreneur 1 | Food | Cheese | 2017 |
|---|---|---|---|
| Entrepreneur 2 | Food | Whisky | 2015 |
| Entrepreneur 3 | Food | Various | 2014 |
| Entrepreneur 4 | Cosmetics | Various | 2015 |
| Entrepreneur 5 | Cosmetics | Various | 2016 |
| Entrepreneur 6 | Food | Meat Substitutes | 2018 |
| Entrepreneur 7 | Food | Beer | 2009 |
| Entrepreneur 8 | Cosmetics | Various | 2016 |
| Entrepreneur 9 | Cosmetics | Various | 2017 |
| Entrepreneur 10 | Cosmetics | Various | 2018 |

*Table 2: List of interviewed entrepreneurs*

Just one interview was conducted with one founder, mostly due to time constraints. Yet, one interview with one founder was regarded as sufficient, as the data was complemented with news messages, websites, profiles on startup or industry specific platforms, and social media. This triangulation was conducted in order to further improve the legitimacy of the data. The interview was recorded with an audio recording application, and was transcribed in full afterwards.

Then, the interview transcripts were fully coded in order to move from data to theory. In coding, according to Belgrave & Seide (2019), ‘ *one fractures (breaks apart) the data, organizing it into codes. This moves the researcher from the empirical to the abstract level.’* This research uses existing theory as a basis, but from a dynamic point of view, with a developmental time frame: a new perspective in this particular body of theory. Therefore, in this process from getting from empirical to abstract, codes of any findings not applicable to existing theory would be left out in deductive coding, while codes relevant to already existing theory would not be recognised as such in inductive coding (Tavory & Timmermans, 2014). Thus, a creative, abductive strategy is relevant in this particular research. As (Tavory & Timmermans, 2014) argue, *an abductive approach refers to a creative inferential process producing new hypotheses and theories based on surprising research evidence*. In abduction, existing theories can be applied as a framework or guideline, without closing the window of opportunity for surprising new findings (Tavory & Timmermans, 2014).

The data processing software Nvivo was used for the next step. The coding process in this research was roughly similar to the abductive grounded theory approach by Rahmani & Leifels (2018), in which a combination of open coding, axial coding and ‘theory matching’ with existing theory was used. The process of this research started with an inductive approach, open to new findings (O’ Conner et al., 2008). The textual data was given an open code that was completely based on its content, without interference of existing theory (Belgrave & Seide, 2019), in order to make sure the researcher was not focusing too much on matching the data with the theoretical framework, and to find surprising new data. One piece of text could get more than one code, whenever the data could be

categorized in more than one insight. When the first set of open codes was produced, a set of axial codes (or more general theme codes) was made, not based on the data, but on the aforementioned theoretical body. The open codes that matched these axial codes were categorized in the established framework, while the codes that did not belong to any of these categories were given their own theme pillars, using an inductive strategy of axial coding and theory creation (O' Conner et al., 2008). Hence, the results that were eventually produced were a creative mix of findings that could be put in contrast with existing literature, and completely new findings that could be used to initiate new theory.

Then, based on the initial theoretical framework and the resulting data collection, a model was designed featuring the different startup development stages, the resources required, financial stakeholders involved within each stage, and the communication strategies used within each stage. Also, an analysis was conducted of the possible interconnectedness between resource acquiring strategies in different stages, and the possible existence and dynamics of internal and external effects was studied. Possible other interesting themes that did not fit into the original framework were assigned their own theory pillars.

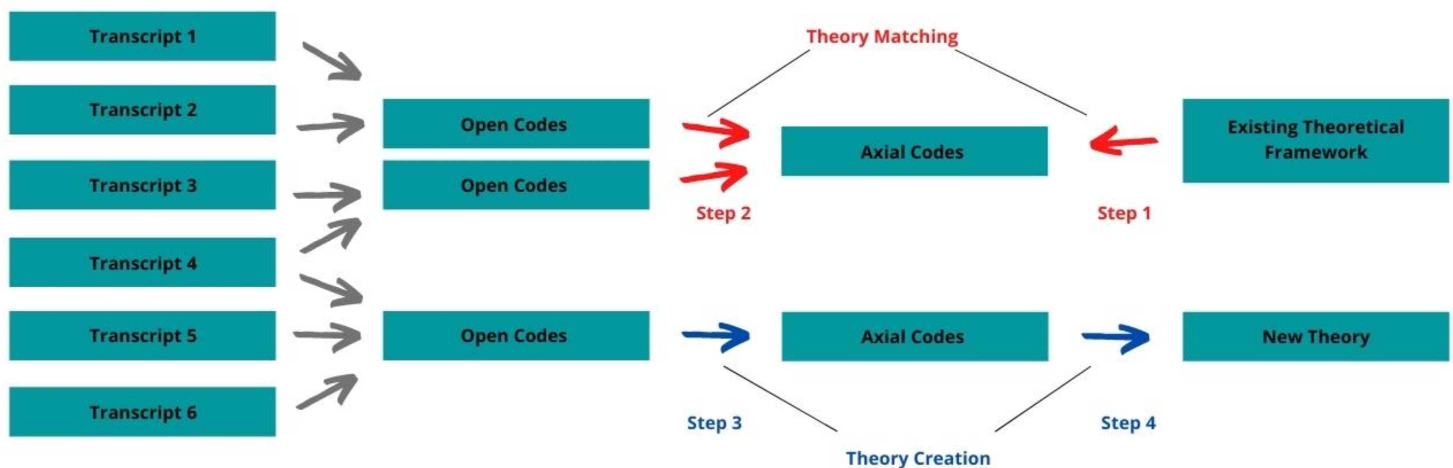


*Figure 2 - The Abductive data processing strategy used in this research.*

## 3.5 Research Validity:

### 3.5.1 Ethical Issues

In this research, personal and corporate data was used to draw a conclusion and answer the research question. This means that an ethical code of conduct should be in place, making sure that this data is collected, handled and stored in a morally correct way. Therefore, the following rules are applied in every stage of the research:

- In all interviews, informed consent forms as provided by Utrecht University were asked to sign in order to ask for informed consent for participation in interviews.

- Whenever the company or interviewee preferred to remain anonymous, measures were taken to secure this personal data. Another name was used for both the company and the interviewee, and a sealed document with the real and public names was made to keep track of who said what. The data was stored on both a protected laptop and a password-protected cloud platform. The initial personal data will never be published and the original company and/or interviewee is untraceable. When demanded, a Non-Disclosure-Agreement was signed.
- The interviews were held online to avoid personal contact, due to COVID-19 safety measures that were urgently advised by the Dutch National Institute for Public Health and the Environment (RIVM, 2020). The tool used for interviews was a reliable, well-protected software, like Skype or Microsoft Teams.
- Permission to record and to conduct the interview was always asked before starting the interview, both in the consent form, as at the start of the videocall itself. When given consent the interview was recorded.
- When the transcripts were made and corrected, the audio recordings of the original interview were deleted.

### 3.5.2 Internal validity

In high-quality research, the internal validity of the research design should always be as high as possible. In this research the internal validity is relatively high, but some issues should be taken into account. First of all, the research builds upon the Resource Based View of firms (Barney, 1991), a theory that has a high focus on the internal structure and strategies of a company. An important point of criticism of this theory is that there is a resulting lack of focus on external impacts that could also have a significant influence in firm performance, like (economic) crises, other market fluctuations, competitors, culture, or other societal dynamics. Thus, as the Resource Based View is a core element of this research, so is this criticism. After all, crises like the Covid-19 pandemic could have a huge impact on which startup is successful and which not, and whether a business startup can get funding. Yet, these external impacts do not receive a lot of attention in this paper. Therefore, this criticism is kept in mind during the whole research process, and when, in any stage, an external impact seems to have to do with the results it is mentioned.

Another risk to the validity of this research that should be taken into account is the biased view of founders towards their own business. This means that this study has the limit of the founder's perception and point of view. In the interviews, the aim is not only to gather data about successful strategies, but also about what did not work well for the founder. Failures may not be disclosed properly due to feelings of shame or guilt, and successful strategies may be held back due to fear of competition. For instance, Shepherd (2003) argues that the loss of business may cause grief in an entrepreneur, which significantly affects the ability to learn from failure. Yet, this author also states that the entrepreneur can work through this grief so that it fades over time, making it easier to admit mistakes of the past, learn from them, and move on. When taking these findings into account, one could argue that it is easier for entrepreneurs as well to be honest about mistakes if they happened further in the past, as they have already detached their negative emotions from the event. Besides that, fear of competitors taking advantage of the information about strategies that did work could be less high as well when talking about development stages that are in the past. Thus, only startups that have

had their launch at least two years ago were targeted, to partially make up for this biased perspective. The downside of this strategy is the possible memory loss of the founder that may occur over time, but as founding a business is often an important and emotionally challenging process for the founder, this research assumes that the most relevant events will be remembered.  Also, the interviews will be backed up by data from grey literature like other interviews, websites of the company or third parties, or other sources of media that may provide relevant information. This data triangulation, making up for both possible memory loss as the biased view of the founder, will increase the validity of the findings as well (Thurmond, 2001).

### 3.5.3 External validity:

As the research design is qualitative, only several specific cases are used as unit of analysis. Besides that, the subjective nature of interviews also has an impact on the exact reproducibility of the research results. This means that the external validity, or the potential to generalize the results, is naturally low. When more research is done with a similar research design and generating similar results, an overall review of these cases could be done to be able to generalize more.

### 3.5.4 Reliability:

In order to make this research as reliable as possible, some measures were taken. First, the same interviewer was used for all of the interviews. A downside of this approach is the possible personal bias of the interviewer that could have an impact on the results, but an upside is the higher coherency in the interview approach, interpretation, and overall process. Besides that, in all of the startups under study, exclusively founders were interviewed, in order to be able to generate data on the whole startup process, and to compare the point of view of actors that are in the same position in a firm. Also, in all the interviews the same setup and (open) questions were used, and the same time was given to the interviewees to respond (45 minutes). A possible threat to the reliability of this research is the choice to conduct all of the interviews online, through a tool for video calls, instead of in person. As non-verbal communication is limited in this setting, overall communication issues could induce less reliable results. Yet, for safety reasons, in-person interviews were not optional during the COVID-19 crisis.

# 4. Results

In this section, the results of the conducted interviews are disclosed and explained. The results section is divided into three sections. First, the results that were coherent with the framework inspired by Mast (2013) and Harrison & Wicks (2013) are discussed (thus, the data that was ‘matched’ with the framework) in part A, followed by findings on the learning and network effect in part B, and, finally, financial resource strategies that did not comply with the framework in part C. Then, later on, the conclusion of the research is drawn, and the results and methodology are further discussed.

*Part A: Framework Results*

## 4.1 Stakeholder Orientation

The theoretical framework discussed the subjectivity of value, which indicates that every possible stakeholder has another perception of the value of a new business. This means that, when an entrepreneur starts a business-stakeholder relationship with possible investors, they need to go through the aforementioned stakeholder orientation and value communication process. Almost all interviewed entrepreneurs mentioned that they consciously oriented which actors could be interested stakeholders, and how they would negotiate the value of the startup with them. In this section, the different chosen stakeholders and their values as perceived by the entrepreneur are described. According to the founders, each stakeholder turns out to have a different mix of tangible and intangible values, all of which could be categorized under the four value pillars by Harrison & Wicks (2013).

### 4.1.1 Bank

An often mentioned stakeholder to get financial resources from is the bank. Several founders initiated a business-stakeholder relationship with the bank to see what the possibilities of funding were. They noted that the bank in general provides loans with low interest rates that would be favourable for the startup, which made it an interesting stakeholder to review. However, almost all of the entrepreneurs indicated that going to the bank without a proof of record or concept in the initial phases of their business was (or would be) an unfruitful attempt. According to them, the bank always needs some indication of success, like a sound financial prospect, and, most of all, a lot of risk mitigation (Entrepreneur 1, 2, 5,6, 7, 10). Yet, in the pre-startup phase, these risk mitigation factors are often not in place yet. A sustainable philosophy, local production or goodwill for the entrepreneur were barely relevant for this stakeholder. Thus, the usual lack of tangible benefits and financial risk mitigation that a startup can offer in the beginning phases made it very hard for entrepreneurs to initiate a valuable stakeholder relationship with the bank:

*“And they say: how do you know that your whiskey will taste good in 3 years? And how do you know that people would pay that kind of money for a bottle? So all those insecurities. And it takes 3 years before you even know anything. And the huge sums of money that you need before that. They all said: no go. It just isn’t possible.” (Entrepreneur 2).*

*“So the bank… well, you have to manage risks, so we had to co-sign for risk mitigation, which means you co-sign personally as well. So that is a lot colder and brings less… well, no emotion actually.” (Entrepreneur 7)*

### 4.1.2 Microcredit

Another option that some interviewed entrepreneurs mentioned was going to a microcredit organization. These are perceived by the founders as ‘*financial organizations that fund the smaller*

*entrepreneur, where the bank does not*'(Entrepreneur 5 & 8). According to these founders, microcredit organizations were particularly attractive as they would be interested in lending smaller amounts of money compared to institutions like the bank. Besides that, another attractive element was the offer of support in the shape of a tutor when developing the business plan (Entrepreneur 8). This level of support combined with appropriate funding gave one founder an efficient start, both due to the financial resources as some gained confidence in her own idea (Entrepreneur 8). Yet, like at the bank, applying for funding at a microcredit organization requires a lot of financial paperwork, and they ask a relatively higher interest rate to make up for the perceived risk. According to the two founders that aimed to engage in a possible relationship with this stakeholder, the extensive applying process and risk mitigation practices of the microcredit organization were similar to that of the bank:

*So, we needed a very good business plan. That was the biggest part of the work, and of course it is very educational to ask the questions and develop the financial picture… […] Now, we really focus on ourselves and our personality, and on including people in the adventure and to really give an image of the new plans. And then, at Qredits it just was a lot more business-like. (Entrepreneur 8)*

This business-like approach of microcredit organizations did cause a barrier for one entrepreneur:

*I think I needed to hand in an operating budget and a liquidity budget and well, I have never ever done that in my life. And I didn't have anyone who could help me with that. And even if I did hand it in, its content probably wouldn't have been satisfying... [....] So that ['that' refers to 'the story behind the numbers'] completely disappears. So regarding that, it is just like at the bank. So that's why I thought: it's clear that all of this wasn't meant to be. (Entrepreneur 9)*

Thus, microcredit organisations are interesting financial stakeholders for some founders. The relatively lower funding and offered support are the two most attractive factors to approach this actor. Yet, for others, the high interest rate, financial paperwork, and explicit focus on risk mitigation do raise similar barriers for the entrepreneurs as at the bank.

### 4.1.3 Incubator

One founder participated with her startup in several business incubators and accelerators, which, after the training period, also gave her startup a financial injection. This founder, an entrepreneur with over a decade of experience in the startup incubator industry, commented that she would advise every other founder to participate in as many business incubators and accelerators as possible: not just because of the access to funding (which is not offered in all cases), but also for more efficient business development and legitimation of the idea, as most incubators offer an extensive training period. Yet, interestingly, none of the other founders actively participated in a business incubator in the initial stages of their startup to receive funding. According to the founder that did collaborate with a business incubator, there was an extensive selection period prior to the eventual funding:

*They [the incubator] look for plant based startups that are interesting enough to participate in an accelerator. But you really need to get selected for this. So there, we got 20 000 euro of funding, even before we started. (Entrepreneur 6)*

This contest-like selection could possibly have been a barrier for other entrepreneurs to see business incubators as interesting financial stakeholders, but this could not be verified.

As this stakeholder type is just mentioned once in the selection of startups (while other stakeholders were mentioned at least three times), it is not taken into account in further data processing and theory building. In future research, the importance of this stakeholder type should be analysed further.

### 4.1.4 Private Investor(s)

Another option that several entrepreneurs perceived as an interesting stakeholder to build a relationship with is the private investor. These are defined by the entrepreneurs as '*wealthy people in their network, often experienced entrepreneurs, that could invest in a significant part of the business.*' (Entrepreneur 1, 2, 9). This category of stakeholders was sometimes described as just one investor, but sometimes also as a small group of multiple investors. This financial stakeholder was interesting for the founders due to the appropriate amount of funding (not too much, not too little per stakeholder), but also because of the long-term support and knowledge that entrepreneurs could tap into when collaborating with this type of investor. Yet, similar to the bank and microcredit organizations, these often experienced entrepreneurs also did demand a tangible, business-like approach. According to the founders that dealt with private investors, they needed some type of prospect, risk mitigation, and an answer to the 'serious business questions' in order to engage in a successful negotiation process. However, more intangible values like sustainability, local production, or goodwill for the entrepreneur seemed to matter relatively more than at the aforementioned types of stakeholders:

*So I need someone with my knowledge and experience. And someone that can invest and enjoys getting involved with a new brand. Preferably just one person. (Entrepreneur 9)*

*So this is about the bigger money. More serious questions. But they also look more seriously at your exploitation, at your model. It is a hybrid, intermediate form [of investors] that I have not seen that often yet. (Entrepreneur 2)*

*He partially sold his company, has a few millions on the bank, and is always looking for a way to invest. And then you get these people around you, those financial advisors, that love to get another few percent at Shell at the stock market. So that is a way. But his wife and kids said to him during dinner: hey dad, when are you going to invest your money in a sustainable manner? You could do something with the birds here in the region, did you know those are disappearing? So you know, those people that have money, they really are starting to get to deal with their kids at the kitchen table. (Entrepreneur 1)*

In short, approaching private investors was interesting for several different founders, due to the offer of not just appropriate funding, but also experience and knowledge. The private investors that the founders interacted with demanded tangible deliveries, like a financial prospect, a sound business plan, and risk mitigation measures, but intangible factors had a significant impact on the negotiation process as well.

### 4.1.5 Future Business Clients

Specifically for the B2B businesses, another way of acquiring funding was to directly approach possible larger clients, and get them to pay upfront for the product they would buy. The most

interesting factors of this type of stakeholder relationship were the long-term nature of the collaboration, and the possibility to simultaneously grow funding and sales. Besides that, having the financial investor and the client acting as one and the same stakeholder saved the entrepreneur time and effort in the negotiation process. Similar to the private investors mentioned above, this negotiation logically focused on the tangible utility for the investor (pricing, business plan, contract), but the creation of goodwill in the relationship between the stakeholder and the entrepreneur was also relevant in the value communicating process. Thus, according to one founder that executed this strategy, it was essential to make the negotiation experience with the future client as personal as possible:

*So I told them: you would need a lot of product. Is it also possible that you finance that beforehand, and receive it later? And then he said: yeah, sure! So that was the right question at the right moment, because if not, I wouldn't have been able to deliver.* (*Entrepreneur 1)*

So, approaching possible clients as financial stakeholders was an efficient and successful strategy for this entrepreneur. This specific financial construction may only be interesting for business-to-business startups, but the benefit of creating a value negotiation strategy that is aligned with both clients as investors is visible with crowdfunding as well, as will be explained below. Unlike business incubators as stakeholders, this particular stakeholder type was taken into account in further analysis (even though just one entrepreneur mentioned this stakeholder), as the type of stakeholder was very similar to the private investors.

### 4.1.6 Crowdfunding

A considerate part of the interviewed founders did a crowdfunding campaign. Crowdfunding was done through several different platforms, of which crowdaboutnow.nl was the platform mentioned the most. On these platforms, the founders published information on their idea in the shape of their story, images of them and their product, and a video about the idea. On the platform, the founder negotiated the terms of participating for the crowdfunders: in some cases, investors could donate, loan money with interest, or buy a future product. The interviewed entrepreneurs mentioned a variety of benefits of running a crowdfunding campaign. First of all, they argued, using crowdfunding to find financial stakeholders is very interesting from a marketing point of view: similar to the business-to-business stakeholders, the crowdfunders were often future clients at the same time. The entrepreneurs melted two value negotiation processes (startup-investors & startup-clients) together, which jumpstarted both the access to financial resources as the first sales when their product was launched:

*So by doing crowdfunding, you create ambassadors, fans. So that means that anyone that invests in the brewery also sort of gets involved. They become a past of it, and that's how we communicated that: you are a cofounder of the brewery. This way people feel included, which makes it more attractive for them to come and drink a beer here, and to talk about us. (Entrepreneur 7)*

Besides that, crowdfunding was interesting as it had the potential of raising significant amounts of money, while requiring less risk mitigation and (prospects of) tangible benefits for the investors compared to the stakeholders mentioned before. For startups that could not bring up any type of future prospects or risk mitigation, it was therefore often a very attractive option:

*The idea of these crowdfunders is not to get millions out of it, but more that they just really resonate with it. Just like us, happy that something like this finally is put together. Something that was not there before, that is unique and that is compatible with their own sustainable values. (Entrepreneur 10)*

Yet, it depended per crowdfunding platform how important the tangible benefits and security were. One founder explained that he tried to collaborate with one platform, but could not provide the demanded risk mitigation:

*So eventually I went to One Planet Crowd. That is a sustainable crowd platform. And they were interested in us, but they demanded that we should deliver a report of at least a half a year of visible revenue. That was a little difficult for us, so they were not an option. (Entrepreneur 2)*

Yet, even in the case of Crowdaboutnow, the crowdfunding platform had some rules in terms of the resource acquiring process: first of all, the entrepreneur needed to raise at least 30% of the required funds independently, before being able to publish on the platform. The founders that ran a campaign on this platform explained that this created a perception of value for the visitors on the platform: if they would start the campaign at 0%, it would subconsciously be of little worth to the potential investors. By showing that a significant part of the funding is already collected, more value was automatically addressed to the startup idea:

*So you start with your inner crowd, as you have to collect 30 percent of the funding yourself from your own network before going live. Because if you go live too early, and you collect too little, everybody thinks: 'that will never work', and they would all refuse to invest. And apparently they [the platform] know from experience that that psychological barrier always shifts around 30-35 percent. (Entrepreneur 2)*

Besides the policy on the percentage of funding, this platform also gave advice in terms of interest levels at loans for the crowdfunders, of which the height depended on the level of risk there was for the participating investors:

*So, I asked them: 'if I need to get funding again, could I get back to you?' 'Yes', he said. 'And if you would have a contract at a big client by then, you could even lower your interest rates compared to now. 'lower interest?' I asked. 'Yes, of course, as you would be able to offer more security. So you could go from two to one percent.' (entrepreneur 1)*

Thus, although the negotiation of tangible benefits for the platform were connected to the level of risk of the new business, most entrepreneurs that ran a crowdfunding campaign indicated that the tangible benefits were not the core value with the crowdfunding stakeholders, making it an interesting financial stakeholder for them in the initial stages of the development of their startup. However, they mentioned some downsides to participating in crowdfunding as well. First of all, most entrepreneurs argued that it required a lot more time and effort to do crowdfunding compared to other types of investment, like for example funding from the bank. They argue that they had to deal with a great number of investors, of which every single one had to be managed appropriately, in a personal way of communicating (per mail or phone). Besides that, the high amount of financial interest that had to be given to the crowdfunders made the funding in general less cost efficient:

*If you look at cost efficiency, crowdfunding is not interesting at all. The interest rate is extremely low, and the margin on the interest you pay to your crowdfunders is actually extremely high. So if you want to acquire funds, it is way better to go to the bank and get a cheap loan for three and a half percent. (Entrepreneur 7)*

Hence, Crowdfunding was an interesting option to acquire funding for several reasons. The positive impact of simultaneously raising funding as practicing marketing to future clients was perceived as a major benefit. Also, the relatively lower demand for tangible risk mitigation or a proof of record by both the platform as the crowdfunders themselves made it an option for startups that usually would not be able to acquire more business-like stakeholders, like the bank or microcredit organizations. Yet, the downside of this acceptance of higher risk by the platform were the relatively high interest rates. This more expensive nature of the funding, combined with the huge amounts of time and effort that were required, made this financial stakeholder relatively less attractive to some founders that had access to other, more cost efficient options as well.[2]

### 4.1.7 Own Network

A final way to collect financial (or other) resources that was used by some of the interviewed founders was within their own 'warm' personal network, like friends and family. This way of funding was always used at the very beginning of the organization creation. Close friends and family provided small amounts of funding at the very beginning of the organization creation phase, when no physical action was taken yet, no product was developed, and no tangible features could be used or shown in order to negotiate with other types of stakeholders:

*So I got a loan from my family, a few thousands of euros. It was not a big loan, so I did not need to try to approach the bank. (Entrepreneur 5)*

Van Gelderen, Thurik and Bosma (2005) link success in the pre-startup phase to a relatively large network of the founder: they argue that a founder may depend on their personal network in these initial phases, in order to acquire resources. Some of the interviewed founders in this research seem to draw similar conclusions. Several of them already had a background in the specific industry they founded their startup in.[3] According to these entrepreneurs, this background was of use when constructing the first relationships with external stakeholders: not just for finance, but in general. Having a background in the industry gave them access to an extended personal network that was highly relevant for the start of their new business (Entrepreneur 1, 3, 6, 10):

*We still have, but mostly back then had a very marginal name and visibility. Yet, we did write a lot [for food magazines}, so there was already a small target group that knew about us because of the magazines. So the amateur chefs, they knew us already. (Entrepreneur 3)*

According to these founders, it was easier to either find funding, contacts or other services that would (indirectly) lower their need for funding. For example, whenever a good or service was needed that the startup would normally have to pay for, they could often 'bootstrap' it for free or very little due to friends or colleagues in the industry that could provide them. Thus, this would be coherent with the

[2] Backed up with information retrieved from the respective crowdfunding campaigns on the platform.
[3] Backed up with grey literature from newspapers, blogs and social media.

positive influence of the personal network on availability of resources, as Van Gelderen, Thurik and Bosma (2005) concluded.

The entrepreneurs that received funding from their warm personal network, or friends and family, did not mention any specific strategies for acquiring financial resources from this type of stakeholder. It is very likely that there was little to no negotiation strategy required in these cases, as friends and family already have an intimate relationship with the founder: the amount of goodwill for the founder was probably in most cases enough within this already existent relationship.

In short, these financial stakeholders were taken into account in the stakeholder orientation strategy by the interviewed entrepreneurs. The founders indicated that they consciously weighed the pros and cons of each type of stakeholder, and often already anticipated the possibilities for the value communication process when choosing which stakeholder to approach and which not. In the following section, this communication of value by the entrepreneurs with different stakeholders is discussed on a deeper level.

| **Stakeholder Type** | **Benefits** | **Downside** |
|---|---|---|
| Bank | - ‘Cheap’ loans<br>- Little time/effort required | - Only for larger amount of funding.<br>- Very risk averse<br>- Need for knowledge of ‘business paperwork’ |
| Microcredit | - For smaller amount of funding<br>- Tutor for support<br>- Relatively little time/effort required | - Very risk averse<br>- Need for knowledge of ‘business paperwork’ |
| Incubator | - Long-term support to improve business plan | - Contest-like, extensive selection process |
| Private investor | - Supplier of both financial as human capital<br>- Long-term, personal relationship<br>- Intangible values also important | - Not easy to find |
| Business Client | - Long-term, personal relationship<br>- Finance and sales can grow simultaneously<br>- Intangible values also important | - Only applicable to B2B startups<br>- Requires time and effort due to personal contact. |
| Crowdfunding | - The client is targeted as investor, which is great for marketing<br>- Legitimacy can be tested with the success | - ‘Expensive’ money<br>- Requires lots of time and effort<br>- Dependent on network effect, where investors |

| | | |
|---|---|---|
| | of the campaign<br>- Relatively little risk aversion<br>- Builds a long-term, connected fanbase | mimic each other. |
| Personal Network | - Not risk averse<br>- Highly dependent on goodwill | - Usually limited funding<br>- Dependent on personal contacts of entrepreneur |

*Table 3: Summary of the mentioned stakeholder types*

## 4.2 Value Communication

After the orientation of possible stakeholders, the negotiation of the value proposition with the financial strategy begins. All types of value that were indicated by the founders could be categorized under one of the four value pillars by Harrison & Wicks (2013). Tangible value was mentioned in the shape of (the prospect of) benefits for the investor in terms of money or product. The second value pillar, organizational justice, was found back in the importance of goodwill that was felt for the entrepreneur. Within the third pillar, stakeholder affiliation value, concepts like sustainability, local production, shared cultural heritage, and identification with the entrepreneur were found. Finally, the fourth pillar of opportunity cost was visible in most communication strategies, as all of the entrepreneurs made sure to distinguish themselves from their competition. In this section, the value communication strategies are disentangled and categorized within their appropriate pillars. Then, the importance of the types of value for the specific stakeholders as described above is discussed.

### 4.2.1 Tangible Benefit Negotiation & Risk Focus

The first pillar represents the categorisation of tangible utility for the financial stakeholders. In the case of the startups under study, the tangible benefit is always a future promise which cannot be fulfilled at the moment of the negotiation: after all, in the very first stages of the development of a startup, the new business cannot deliver any tangible return on investment yet. Therefore, when discussing tangible benefits in this research, it refers to the prospect of tangible benefits, in the shape of interest rates, return on investment in product, or a share in the business. Logically, as these benefits are only of worth in the future, there is also a considerable level of risk involved for the financial stakeholder: the chances of actually receiving the tangible benefits (and their worth) can be insecure. This barrier, in result, is one of the main contributors to the liability of newness in the initial stages of a new business.

The entrepreneurs under study recognized this barrier, the focus on risk mitigation and the security of the tangible benefits mostly at the bank and microcredit organizations. The actual tangible benefit proposition at the bank was relatively attractive for the entrepreneurs, as the interest rates were low. Yet, every entrepreneur that initiated a relationship with this stakeholder mentioned an extensive focus on risk reduction, and the ones that were successful in receiving funding in the initial stages addressed their success to risk mitigating factors, like the aforementioned money management experience, personal capital, another legitimate business as a guarantee, or a successful crowdfunding campaign

(as will be discussed in-depth under 'Mixed Methods'). The microcredit organization, on the other hand, was perceived as slightly less strict on risk mitigation, but the significantly higher interest rates that were demanded made up for the higher perceived risk. Besides that, the amount of money that could be loaned was relatively lower compared with the bank. According to the founders, at these organizations it seems as if the tangible benefits and risk are the main point of focus, and there is little space for negotiation. Therefore, if not complying with one of the above mentioned risk mitigating factors, receiving funding from either the bank or microcredit organizations was usually seen as impossible.

On the other hand, with private investors, future business clients and crowdfunding, more creativity was allowed to negotiate the tangible benefits and risk mitigation factors: with these stakeholders, interest rates were higher than at the bank, but the exact tangible benefits could be adjusted according to the perceived risk. Especially in crowdfunding, a high variety of tangible benefits and interest rates were used.[4] Whenever a risk mitigating factor was taken into account, interest rates were lower, and products or shares in the business were sometimes also offered. The higher flexibility in the risk taken for these financial stakeholders is, according to the founders, due to the relatively lower importance of the prospect of tangible value. For private investors and future business clients, interest rates, risk, and possible return on investment are still core elements, but, as will be discussed below, intangible value also plays a major role in the negotiation process. For crowdfunders, the tangible value and risk mitigation is even perceived as of inferior importance compared to the other pillars:

*Those crowdfunders only focus on the spirit of the idea. And the algorithm, they take that for granted. They think: 'I'll maybe lose my money, but at least I will get five bottles of whisky then. So they basically make a casual dead-or-alive consideration. So that is way different. (Entrepreneur 7)*

Hence, the higher flexibility in the first value pillar can be explained by the increased importance of the other, more intangible value pillars. In the following sections, the nature, use and importance of intangible value pillars for different stakeholders is discussed.

### 4.2.2 Organizational Justice

The second pillar by Harrison & Wicks (2013), the value of organizational justice, was also visible in the research data. Yet, as the organization of the startups under study always consisted of just the founder(s) in the first stages, the created value that can be categorized under this organizational pillar was directly connected to the persona of the founder itself (as the founder was the organization). Almost all interviewed founders indicate that goodwill was a major factor of why stakeholders offer their help in terms of investment or services. Some of them argue that they created this goodwill within their own network long before starting their business, by giving value to the contacts in their network, through helping them with services or general support. This created leverage that made it easier to ask for favours once the business was developed:

*I really noticed that, in that network that I had built up in which I had always done everything for everyone, that that really came back like a boomerang: I helped you before, but now I need you to return the favour, as I started something myself. (Entrepreneur 6)*

[4] Backed up with information retrieved from the respective crowdfunding campaigns on the platform.

This is a clear case of distributional justice, one of the categories under the second pillar: the distribution of utility between the founder and stakeholders within their network was actively used by this founder to gain leverage and opportunities in the initial stages.  Besides that, interactional justice, referring to the day-to-day interaction and the way people treat each other, has been found in the strategies as well, again in the creation of goodwill for the founder and the business: the perceived importance of regular interaction with their financial stakeholders was mostly visible in crowdfunding, where most founders kept their stakeholders personally up to date with every new development.

A recurring concept in the communication strategy is transparency, both in how the development of the startup goes, as in imperfections in the business model or product itself. According to some founders, it was more effective to actively show transparency instead of pretending that the business itself was perfect. This procedure, in which not only the good side of business was shown, but stakeholders were informed in a transparent manner, open to feedback, was -according to the founders- perceived by the financial stakeholders in crowdfunding as something positive. This is a case of Procedural justice, referring to the perceived fairness of rules and procedures within a firm: the recurring procedure of disclosing both positive as negative developments and letting them in on tough choices built trust with stakeholders:

*So everyone made… well, you can also say nothing of course, but all the heart warming support that came back, was amazing. (Entrepreneur 2)*

Harrison & Wicks (2013) argued that, in this second pillar, the concept *generalized exchange* appears, in which stakeholders sometimes are willing to sacrifice some of their own perceived value in order to contribute to another stakeholder. This effect is clearly visible in the aforementioned goodwill for the founder, that all interviewed founders mentioned as a help when looking for funding, when little other value could be given. With all types of financial stakeholder except the bank and microcredit organization, goodwill for the founder(s) was perceived as one of the bigger reasons why people invested:

*So if they see me or Marjolein, or Maarten, or someone else, and if they both see us, talk to us and get to hear all of this, then they think: wow, so great. You know, they really say: I would give you the world if I could. (Entrepreneur 6)*

The founders did name different ways of creating this goodwill with people. From a more rational negotiation, as the exchange of favours mentioned above, to something more intangible, described as 'being likeable' and 'connecting' with the stakeholders  on a deeper, emotional level:

*So people don't really look at the numbers. They just think like: 'hey, these are nice entrepreneurs and they have a nice product, I think I trust them, and I would like to help them! (Entrepreneur 8)*

*What made most people enthusiastic was the personal story. Especially the people that knew both me as my mother, they knew our personal story as well. (Entrepreneur 9)*

However, even though the exact idea of what created that goodwill differed among the founders, they all agreed that personal contact and building a relationship with the stakeholders was an essential

element. According to them, there are different ways to establish this personal contact for the creation of goodwill, as will further be discussed under Supportive Climate Creation.

### 4.2.3 Stakeholder affiliation

The third pillar by Mast (2013) represents stakeholder affiliation, or how the financial stakeholders identify with the philosophy and behaviors of the startup. The founders under study mentioned several aspects of their philosophy that created a sense of emotional connection with the financial investors they negotiated with. All of the startups under study complied with at least one of the sustainable archetypes by Bocken (2014), which created a connection with stakeholders that, like the startup, valued sustainability as well. Yet, besides the sustainable value affiliation, another often mentioned aspect that created a connection was local production and its resulting embeddedness in the local cultural heritage. Finally, some identification with the founder itself that could be used for affiliation was also mentioned.

**Sustainable Value**

In literature, the sustainable aspect of business is perceived as becoming a more and more important value for investors (Derwall, Koedijk & Ter Horst, 2011; Dočekalová & Kocmanová, 2018). Similarly, in this research, the founders perceived the sustainable nature of their business as a valuable point of leverage with all the stakeholders they interacted with. Yet, interestingly, they argued that for different stakeholders the added sustainable value falls under different types of value. For the stakeholders that were more focused on tangible benefits and risk mitigation, like banks and microcredit organizations, the sustainable value stands for an upcoming market trend that increases chances of success, and, therefore, also the chance of financial benefit for the stakeholder. Therefore, for these investors, the sustainable value would be categorized under the first value pillar, as it would be perceived as increasing the chance of tangible benefits:

*These economy men will do that [invest in sustainable startup] just because it is a trend right now. (Entrepreneur 5)*

*So that was in a time when sustainability became more and more important in society. And the microcredit organization of course knew that as well. (Entrepreneur 8)*

On the other hand, for the stakeholders like crowdfunders, the added sustainable value was perceived as a more intangible value: according to the founders, these stakeholders invest because they themselves have a sustainable philosophy and identify with the sustainable values of the startup. This means that, for these investors, the concept of sustainability would fall under the stakeholder affiliation utility pillar (Mast, 2013):

*So if you read through those [the crowdfunders' reactions after investing], then those two [sustainability and local production] are the reason why they invest, and just really to help. Because they find it important that these kinds of initiatives are stimulated more. (Entrepreneur 2)*[5]

*At crowdfunding, we directly speak to our clients. And those are people that make conscious choices, that want sustainable products, and are very critical of that theme. (Entrepreneur 8)*

[5] Verified on the respective crowdfunding campaign page.

Thus, the founders are aware that the same sustainable value of their business idea could turn out to have a different type of value for different stakeholders, and use this knowledge in their communication strategy.  At crowdfunding, an elaborate explanation of what exactly was sustainable was perceived as important. With private investors and future business clients on the other hand, the communication of sustainable value could also be more formal: one founder that negotiated with future business clients mentioned that they just needed a sustainable certification to be on board.

**Local Production**

A similar aspect that connected financial stakeholders emotionally with the startup was local production. This value was, according to the founders, also relevant in all types of stakeholders except the bank and microcredit organizations, but mostly in crowdfunding. Some of the founders consciously used the locality of their startup as a selling point in their entire communication strategy: they used local newspapers (for example to announce a crowdfunding campaign), used a historical building as a production site, or integrated the local language and artifacts in their narrative and logo. As a result, some of their financial stakeholders 'warmed up' to the startup because of the shared philosophy of local production. Yet, interestingly, also for local production the exact perception of value differed among stakeholders. On the one hand, some investors identified with the specific locality where the startup was from as well, and connected more on grounds of shared cultural heritage:

*So, Weesp used to play an important role in Amsterdam during the Dark Age regarding beer brewing; a major supply came out of Weesp and Harlem, and that was actually a little known fact among the people here before. But as you market such a physical product and explain this history, it really sparks interest, and also a bit of that local pride of 'wow, how about that!'  (Entrepreneur 7)*

*Once I put an interview in the local newspaper on Linkedin. And then, I got a reaction of the category manager of a major possible client. He said: 'I just read this, and I think this fits perfectly with our mission; I think we need to have coffee some time.' And eventually, it turned out he always used to sail in the same area as where I have my farmers. (Entrepreneur 1)*

While, on the other hand, stakeholders connected not so much with the specific locality, but more with the general concept of local production, possibly from a sustainable point of view:

*You see that people from Velsen-Zuid [not the same locality as the startup] invest in us, just because they find local production important. The concept, the aspect of local production is important, but it is not necessary that they are rooted there. (Entrepreneur 2)* [6]

Thus, similar to the sustainable value aspect, local production also was valued differently among stakeholders. Yet, as both the connection to cultural heritage as the more abstract concept of local production connected with the stakeholders on a deeper, emotional level, both types of value fall under the stakeholder affiliation pillar.

**Identification With Founder**

Finally, some founders argued that personal identification with them, as entrepreneurs, as well could be of value in the stakeholder negotiation process. Some of the female entrepreneurs, for example,

[6] Verified on the respective crowdfunding campaign page.

mentioned that female stakeholders may identify with them as a person, which could create a connection. Yet, the eventual positive effect this strategy could have had on the creation of affiliation is not really clear to them. One founder explained that she and her (female) colleague decided to join a women investors' network, which was a small group of female private investors and startups that could be connected with each other. The existence of these initiatives likely have to do with the shared value of female entrepreneurship. Yet, as the founder argued, eventually the network did not turn out to be a major success:

*80 to 90 percent of the investments are done in male companies. This women's network was set up to make sure that that would change. And then it turned out that, also in this network, eventually 80 percent went to male companies as well, even though only women were in the network.*

So, eventually, for this founder this strategy did not have a positive effect. Yet, another female founder that perceived being female as well as a point of affiliation does see potential:

*We are also female entrepreneurs and we really commit to talk about women entrepreneurship and women empowerment.[7] [...] So we get scouted a lot because we comply with several different themes: we were scouted for example because we are female or female entrepreneurs, and we were scouted because of the vegan trend. (Entrepreneur 6).*

So, some signs of using personal identity affiliation have been found in the results. Yet, the actual success of this strategy differed among founders. More research on this specific concept would be valuable to learn more about its effect.

### 4.2.4 Opportunity Cost

Finally, the fourth value pillar of opportunity cost is also used by the founders. In crowdfunding and with future business clients, the investor is a possible future client at the same time. Therefore, with this type of financial stakeholder, the comparison with competitors is very similar to that of a conventional sales strategy for clients (why buy our product instead of competitor X). In this narrative, the 'competition' would be industry competitors, offering the same or a similar product compared to the startup under study. Logically, this opportunity cost negotiation is already part of the core business plan of the startup, regardless of what financial resource acquiring strategy is done. Yet, the opportunity cost negotiation is also done with more of an investors' perspective, in which the startup is not compared with competition in the industry, but competition in the investment (why invest in us instead of investment X)[8]:

*So also for these private investors, they can spread their risk with these kinds of things, as they don't know what to do with their money anymore either. Because if you go to the bank and deposit more than 100 000, you start to pay. (Entrepreneur 2)*

*Beautiful brewery, lots of added value, and 4,5 procent is actually a great interest rate, if you see what a savings account would return. (Entrepreneur 7)*

[7] Verified in newspapers, crowdfunding campaign, on website, and social media.
[8] Verified on several crowdfunding pages.

Yet, after all, the second type of comparison has been found relatively little. Possibly, the rational nature of comparing one investment to another in an opportunity cost analysis does not match that well with the more emotional nature of the value communication done in pillar 2 and 3.

| Value Pillar | Interview Results | Most relevant for stakeholders: |
|---|---|---|
| Pillar 1 - Tangible Value | Interest rates, ROI, financial buffer, risk mitigation measures. | Highly Relevant For: Bank, Microcredit Organizations.<br><br>Moderately Relevant For: Private Investors & Business Clients |
| Pillar 2: Organizational Justice | Transparent & personal approach. Relationship building, goodwill creation by ‘being likeable’. | Highly Relevant For: Crowdfunding, Personal Network.<br><br>Moderately Relevant For: Private Investors & Business Clients. |
| Pillar 3: Stakeholder- Startup Affiliation | Shared sustainable values, shared cultural heritage, personal identification with founder. | Highly Relevant For: Crowdfunding, Personal Network.<br><br>Moderately Relevant For: Private Investors & Business Clients. |
| Pillar 4: Opportunity Cost | ‘Investment in startup is more interesting than investment x’ | Not verified. |

*Table 4: Representation of the four value pillars in the results*

## 4.3 Supportive Climate Creation

Supportive climate creation, the final part of the value communication framework by Mast (2013), does not represent what is negotiated, but how. Creating a supportive climate in the negotiation process is as important as the values themselves. Among different stakeholders, different supportive climates were perceived to be appropriate. In this section, the different aspects that are important for the creation of a supportive climate according to the entrepreneurs under study are discussed.

### 4.3.1 Personal vs Formal Contact

First of all, personal contact was perceived to be of high value when negotiating the more intangible values under pillar 2 and 3: both the creation of goodwill for the entrepreneur and company as the emotional affiliation with the shared values of the startup required personal communication done by the entrepreneur. Therefore, personal communication seems to be relatively more important with the more ‘emotional’ stakeholders, like the personal network, crowdfunding campaigns and (to a lesser

extent) private investors and business clients, and relatively less important with the more 'rational' stakeholders, like the bank and microcredit organizations, that mainly focused on risk mitigation and tangible benefits. In the personal network, the private investors and the business clients, literal personal contact (where the entrepreneur and the stakeholder meet in person) is a major help when creating a supportive climate and aiming to build goodwill:

*So I can bring clients to the specific area, put them in the middle of the field, get a drone up and show them exactly what they help develop. That's great, right? (Entrepreneur 1)*[9]

Yet, in crowdfunding, this in-person-contact is not viable due to the larger number of investors. Yet, the entrepreneurs still aimed to 'keep it personal', for example by sending every investor an email to thank them, by putting a video of themselves and their business on their platform profile, or by sending them a little present when they invested.[10] Yet, aiming to keep it personal with a larger group gives a major workload, which was seen as a downside by all founders that run a campaign:

*So all of these people, they expect something from you. So you have to keep in contact with this community, and they expect you to communicate a lot, which is logical, but it also gives you a lot of work. (Entrepreneur 2)*

*At crowdfunding the personal touch is very important, that you show your face, that people start to trust us as an entrepreneur. And for microcredits the business plan was way more important. (Entrepreneur 8)*

For the more rational stakeholders, the personal contact was not evident in supportive climate creation according to the founders. They argue that the value communication at these stakeholders, banks and microcredit organizations, was done through 'formal' tools like graphs, calculations, certifications and other paperwork. This fits in well with the rational values these investors have, where tangible benefit negotiation and risk mitigation are key. Private investors and future business clients seem to be in between, as entrepreneurs mention a mix of formal and personal communication channels with these stakeholders. For example, a lot of goodwill may be created with future business clients by maintaining personal contact, but the client may still demand a formal business contract, or certification that proves the sustainability claims made by the startup. This mix of communication channels is also coherent with the mix of value pillars that has been found back in this stakeholder type.

Some founders mention that this personal communication climate is especially important in times of crisis, in order to maintain trust and loyalty among their investors:

*So we learned that if it doesn't go well, that communication is very important. When things go well it may be a little less relevant. In those bad times you really need to pay a little more attention to your communication. (Entrepreneur 7)*

In short, personal maintenance of contact seems to be relevant for different types of investors. The more 'emotional' the connection, the more important was to build a well-maintained, personal

[9] Verified on photos and videos website
[10] Verified on several crowdfunding pages.

relationship with the stakeholders. Especially in times of crisis this relationship could be made or broken, of which some entrepreneurs were well aware from experience.

### 4.3.2 Storytelling

Storytelling is also frequently mentioned in the results as a way to frame the value pillars towards stakeholders. Storytelling can be a major help in communication, when trying to 'hook' someone and create a deeper interest or emotional connection on the specific topic (Sole & Wilson, 2002). Some founders even mentioned that the product itself is not as important as the story around the startup, and that storytelling can be an effective way of getting possible investors to warm up to the idea. For example, they used their own background story, the story of the company, or a narrative on one of the values under pillar 2 or 3:

*So we made all kinds of social media posts with the products combined with little stories. We tried to communicate the story of my mother and the idea behind the brand, and what that meant. (Entrepreneur 9)*

Logically, due to the emotional nature of storytelling and its ability to get a deeper connection, it was most important in crowdfunding, the personal network, and (again, to a lesser extent) private investors or business clients. At the bank and microcredit organizations, storytelling was perceived as being less relevant.

Thus, not only the values themselves but also the creation of the climate around the negotiation is different among stakeholders. In general, using a personal approach, transparent crisis management and storytelling seem to be more important in communicating value pillar 2 and 3, while the more formal communication channels (paperwork, statistics) were of importance in value pillar 1. This results in not only the communication of different values among different stakeholders, but also in a different supportive climate creation around the negotiation process.

## 4.4 From warm to cold negotiation

Thus, the results show that the interviewed founders targeted different types of stakeholders, and communicated different types of value. A general spectrum can be recognised, in which the more emotional value pillar 2 and 3 are most important on one end (representing the personal network and the crowdfunders), in the middle the stakeholders that had mixed values (the private investors and the future business clients), and on the 'colder', more rational end the microcredit organizations and the bank, where value pillar 1 (tangible benefits and risk mitigation) was core. Several founders that interacted with more than one stakeholder type recognized this spectrum as well:

*So at the bank, they only think about threats. Crowdfunders on the other hand don't really think at all, they just think 'ah, nice! let's just try this out!' The bank only sees roadblocks, and liability. But those [private] investors, they are in between and they see opportunities. Of course they want to mitigate their risks, but they see opportunities. (Entrepreneur 2)*

In Figure 2 an overview of the stakeholders are aligned on this spectrum.

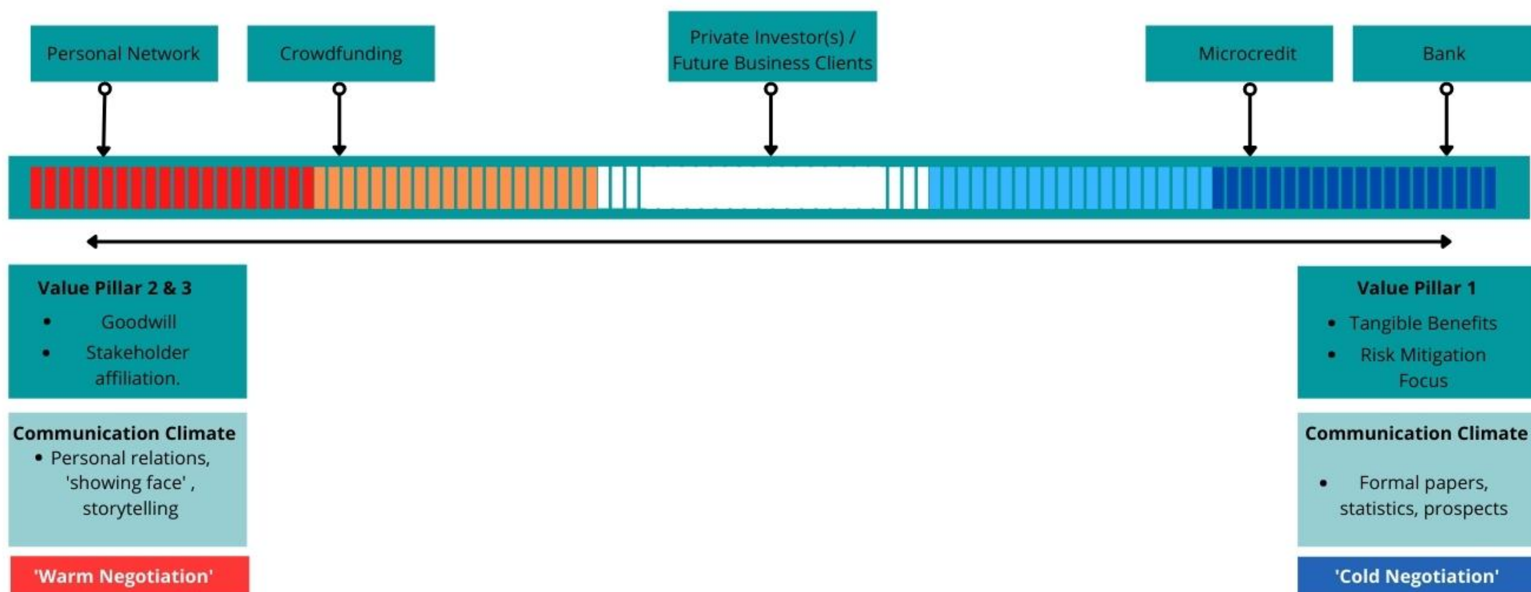


*Figure 3: Warm- Cold Negotiation Spectrum*

The entrepreneurs that negotiated with more than one external stakeholder strategically moved around on this spectrum. As will be explained in 'Mixed Methods' below, some of them used the gained legitimacy on the warmer left to get access to stakeholders on the colder right. Yet, moving from warm to cold stakeholders is not necessarily the only goal for startups. Strategic movement from colder to warmer stakeholders has also been mentioned, depending on the benefits the specific stakeholder would offer:

*"So imagine that we would have to invest in something that is important for us, but not necessarily for our client, or that it is not something they directly benefit from, but more something that enables us to scale up or something else less visible. Maybe that we would do that with the bank as you would have to create less attention for that. But then, crowdfunding is of course very interesting when you advertise your store, and want to reach your clients right away."* (Entrepreneur 8)

Hence, most entrepreneurs seem to be well aware of the different stakeholder types, the benefits they have, and the matching value communication strategies that are required to engage in a successful relationship with them. In the following section, some creative mixed methods the founders implemented while using this information are discussed.

## 4.5 Mixed Methods

In the different development stages of the startups, different types of value could be offered to the stakeholders. Logically, in most of the startups under study, the tangible value that could be offered at the very beginning brought a high risk with it, which caused a lack of trust with the stakeholders that

were more focused on the first value pillar. In order to overcome this liability and get access to the 'colder' stakeholders, some entrepreneurs used a strategic mix of stakeholders to gain legitimacy.

### 4.5.1 Personal Network and Crowdfunding

First of all, in order to be able to run a crowdfunding campaign at Crowdaboutnow (the most often mentioned crowdfunding campaign), the entrepreneurs needed to collect at least 30% of the funds in their personal network. The founders argued that this was a first test of the legitimacy of their business idea, and that it already gave them some successful proof of record to begin with, which gained trust among the investors in crowdfunding. So, even with crowdfunding, some tangible legitimacy or risk mitigation was needed. At the personal network, the pre-startup relationship and built up goodwill and trust was likely enough for most entrepreneurs to get funding: so that was a good place to start at the very beginning for most entrepreneurs, before moving on to crowdfunding.

### 4.5.2 Crowdfunding And The Bank

Another way of 'scaling up' from warm to cold, or emotional to rational, was by using crowdfunding as a way of building legitimacy at the bank: several entrepreneurs ran a crowdfunding campaign that only partially made up for the required funding. They perceived the funds coming from crowdfunding as 'inefficient', or 'expensive' money, because of the high workload associated with running a campaign. Yet, they still saw it as an option: not just to get the financial resources themselves, but most of all to be able to get 'cheaper' funds at the bank. With the crowdfunding campaign, they showed the bank that they had a business plan that the market actually approved of, which significantly mitigated the risk for this 'colder' stakeholder:

*So there is a reason why we did crowdfunding after all, even though it's not cost efficient. First of all, the bank said: we want to have some type of proof of record, to see what the chances of success are. If no one wants to invest in you, we would not be interested either. So for them it was a good way of telling if they wanted to give us funding as well. (Entrepreneur 7)* [11]

*So you have to see that as a way of blended finance. Crowdfunding… is a great first way, as you show two things: one, you can offer more security as part of the risk is carried by the crowdfunders, and 2, the bank sees that you have societal legitimacy, and that the people trust your idea (Entrepreneur 1)*

Thus, these entrepreneurs used warmer, emotional stakeholders (for which they needed little proof of record), to overcome their liability of newness and get access to the bank. This warm-to-cold negotiation gave them the best of both sides: a first marketing campaign among possible future clients at crowdfunding, and financial resources at an affordable price at the bank.

### 4.5.3 Informal Product Testing

Several of the entrepreneurs used either their own financial resources, or those from the warm personal network, to try out their idea on an informal scale. The initial financial resources usually were just enough to get a first product, and try out if the market was interested. After gathering

[11] Checked on the crowdfunding campaign page.

enough legitimacy and gaining a sense of security themselves, some entrepreneurs moved on to colder stakeholders to get more funding:

*So when we really noticed that even outside of our own network people were actually interested, like shops for example, that's when my boyfriend joined as well, and we started looking for an investor. We wrote a second business plan, that was more serious and business-like, and we went to Qredits to get financial resources. [...] And yes, I think it definitely helped that we could show something, like, we notice that we gain this number of customers each month, so we predict this growth rate. So we could be here and here in one or two years. And that was based on the experience that we already had. (Entrepreneur 8)*

So, this is a similar strategy as the aforementioned mixed methods: the entrepreneur gained legitimacy through testing the market, and gathered enough data to mitigate the risk at a risk-focused financial stakeholder.

### 4.5.4 Experience Entrepreneur

Finally, the entrepreneur could also use his personal proof of record to gain legitimacy on the colder side of the stakeholder spectrum. As the entrepreneurs argued, a background in the industry they funded their startup in did not only give them the greater personal network to work with, but also more perceived legitimacy to start the business:

*The fact that we are from the industry is very positive, because that means that we have -and had- a whole network, all people that you could approach. Also, you can already enter this segment with a certain authority, because they know you and say: but wait, if it's you guys that developed this, then we know you have experience. (Entrepreneur 10)*

Some of them even stated that the experience that they could leverage on did not necessarily have to be in the same industry, but that experience with money management in general made them more legitimate for external parties:

*"Why did the bank trust me? Because I wasn't a 25-year-old post-graduate, but someone that already had about 7-8 years experience in being independent as a consultant, with which I sometimes made 150 000 per year. So they saw that I was capable of that." (Entrepreneur 1).*

*"Look: when you already have a track record of 20 years, you make it more reliable for them [the investors]. Because you've seen this world already." (Entrepreneur 2)*

In short, experience and an existing network do not only have direct benefits, but according to these founders it also can provide indirect accumulation of legitimacy that could be used in risk mitigation negotiation. The entrepreneurs with experience (either in the specific industry, or in entrepreneurship in general) were well aware of this, and used their experience as a bargaining power towards possible stakeholders.

### 4.5.5 Other Business as buffer

Finally, another 'mixed method' in which legitimacy is gained in a creative way to negotiate with financial stakeholders, is the use of another business owned by the entrepreneur. This did not only make them more legitimate as an entrepreneur (due to the aforementioned proof of capability), but also because the other business could perform as a literal financial buffer for the investors. Therefore, when another business is owned by an entrepreneur, this is also regularly used to build leverage.

In summary, the framework used in this research appears to be a relevant tool to analyze financial stakeholder communication: both the three stakeholder communication steps by Mast (2013) as the four value pillars by Harrison & Wicks (2013) can be recognised in the results. In the following chapters, the emerging themes that could not be matched with the aforementioned literature are discussed. First of all, the possible learning effect that occurs over time when engaging in the value negotiation process is analysed, before some signs of a network effect with particular stakeholders is discussed. Then, the argument of several entrepreneurs that this negotiation is an ongoing process (instead of just a pre-launch element) is uncovered, and finally the choice of some founders to stay away from external stakeholders and develop their business independently is explained.

*Part B: Learning and Network Effect*

## 4.6 Learning Effect

As mentioned in the theoretical framework of this research, a certain learning effect, or stakeholder-focused organizational learning (Mena & Chabowski, 2015) was expected in the value communication towards stakeholders. As expected, sometimes entrepreneurs learned by trying a strategy that eventually turned out well (positive learning effect), while in other cases they learned by making a mistake and correcting that in a later attempt. The learning effect happened on every level in the value communication process. In stakeholder orientation, some entrepreneurs made the mistake of going to financial investors that were too focused on value pillar 1, while the entrepreneur could not offer sufficient risk mitigation factors yet:

"*So the banks, they were all closed for business, and we could not get loans. Private investors were like, okay, but you need a verified product first. Thus, we were given the runaround several times like this. And eventually, crowdfunding turned out to be the most interesting option for us then*." *(Entrepreneur 6)*

On the level of value communication, some entrepreneurs underestimated the importance of goodwill when initially starting out:

*It's just that I create a lot of goodwill with those people. You don't want to know… What an idiot I have been to let others take care of that personal contact. When I let that go, I listed a huge client in no time. And now, we are in 800 stores with our product. (Entrepreneur 1)*

Also, the workload of communicating the intangible values on the 'warmer' end of the spectrum was sometimes underestimated:

*So I always advised other entrepreneurs: just launch a crowdfunding campaign to get your first financial resources. Yet, now I know that if you launch a crowdfunding campaign you need to have so much prepared already… (Entrepreneur 6)*

Finally, on the supportive climate creation level some entrepreneurs also mentioned a learning effect. One noticed, for example, that the time when they communicated was even more important than the value itself:

*In those bad times you really have to pay some extra attention to the communication. And if things go well, it doesn't even matter as much, as people are less worried. So that is something that we really learned, that you have to stay visible then. (Entrepreneur 7)*

Hence, on every level a certain learning effect was visible. This effect helped entrepreneurs orient better towards stakeholders that were more coherent with the values they could offer, made them have more success with a new (but similar) stakeholder in communicating values, or got them to improve the supportive climate in their current stakeholder relationship. However, whether this learning effect helped entrepreneurs to improve their value communication when going from one type of stakeholder to another (in other words, move on the warm-cold spectrum in Figure 2) is not clear. Whenever entrepreneurs moved to another type of stakeholder, like in the case of the mixed methods as described above, it was first and foremost the gained legitimacy that enabled these entrepreneurs to engage with the new stakeholder. As the values and supportive climate creation of the 'warmer' stakeholders are so different compared to the 'colder' stakeholders, the learning effect could possibly be less strong in the case of a shift from one type to another. After all, the gained knowledge in the communication of value pillar 2 and 3 may be of little use when targeting a stakeholder that has the main focus on value pillar 1, and different capabilities may be needed when negotiating with different types of stakeholders.

Yet, on the other hand, one entrepreneur argued that the gained knowledge itself is not the only factor that made her improve in the value negotiation process. According to her, the gained legitimacy in first attempts also made her more confident in the whole process. She did not only know better what type of stakeholder she needed, she was also less afraid to go after them:

*Now, we start thinking a lot more: who matches with us? And when we just started out, we thought: who would be willing to help me? But now, it is more like: who do we want to help us, and which demands do we actually have, and what do we have to benefit? Instead of just thinking: Let's hope someone would like to help us. (Entrepreneur 8)*

Thus, it is possible that the learning effect does not only accumulate knowledge, but also a certain kind of confidence, that allowed this entrepreneur to start thinking about the value negotiation from a place of abundance. What effect this shift has on the value communication process - either with similar or other types of stakeholders- cannot be verified from this study, but would be a very interesting theme for future research.

## 4.7 Network Effect - Fear Of Missing Out

Besides a learning effect in the stakeholder negotiation process, a certain network effect was also visible when the entrepreneurs ran a crowdfunding campaign. As mentioned before, 30% of the funds needed to be collected before publishing the campaign, in order to reach a certain perception of value with the crowdfunders: a psychological effect that was based on their view of how many others were

investing in the same business. According to some founders, this perception of value based on how many others invested was even stronger when reaching the end of the crowdfunding campaign:

*It was almost a bank run, where people would take their money from the bank as they were scared it would go bankrupt, but then the other way around: everybody suddenly wanted to invest. (Entrepreneur 7)*

*So you have two psychological aspects. The first is that nobody dares to invest in the beginning, as they think it wouldn't work out. And then, at the end, you get a fear of missing out when everybody thinks like: wait, wait, it will be full soon, and then I missed my chance. The latter, of course, is a luxury problem. (Entrepreneur 2)*

Hence, when looking at this network effect in crowdfunding, it seems as if the value perception of other investors is as important as the value perception of the investor itself: an effect that appears to significantly grow in strength when the 'Fear of Missing Out' (FOMO) effect kicks in, which is mentioned more often in relationship to crowdfunding (Ackermann, Bock, & Bürger, 2020; Sabia, Bell & Bozward, 2021). Possibly, this psychological effect may have an impact on the perception of value of other stakeholder types as well.

Another entrepreneur noticed that once his startup had gained sufficient legitimacy in his industry after launch, investors started to approach him without any effort made by himself (Entrepreneur 4). This, again, is a network effect that can indicate that the startup has overcome its period of liability of newness. However, when and how this shift from having an extensive resource acquiring strategy to having investors show up by themselves occurs (both in specific crowdfunding campaigns, as in the financial strategy in general) exactly is not clear. Therefore, further investigation of possible network effects could be relevant in future research.

### *Part C: Unexpected Findings*

## 4.8 An Ongoing Process

The development stages as mentioned in the theoretical framework were roughly guiding, but not always applicable to the startup development of the interviewed founders. For some founders, the pre-launch intention phase and organization creation phase were not separable, as the founders started taking action to develop their new idea right away. Besides that, the actual launch was not always a clear, separable event: as mentioned before, some founders had been producing their products in an informal way, on a trial basis, before actually starting the external funding process and step up to a higher, professional level. In these cases, it depends on the definition of 'business launch' where the line would be drawn from pre-startup to startup. Also, as some founders mentioned, the whole process of thinking of a new business idea, developing it and launching for the market is not something that stops at the first launch. With every new market, product or production scale-up, a new 'legitimization' process had to be started, as the startup would step out of their regular way of doing business. Thus, according to the founders, this business-stakeholder legitimization process is ongoing:

*Three years later, we are still always short on money. We have raised 60 000 with a crowdfunding campaign, 250 000 with a first private investor, and almost 6 tons with closed wallets, which means we will pay with products. And still, as we speak, we need to go looking for more. (Entrepreneur 6)*

As mentioned before, most entrepreneurs did notice a certain learning effect in this process. They did not only know better how to orient their stakeholders and communicate their value, they also gained more confidence in the negotiation process, which according to them added on to their legitimacy. But still, reinitiating a new negotiation was necessary, even years after launch.

## 4.9 Independent Finance

Interestingly, some of the interviewed founders decided not to implement the above mentioned attraction of external financial resources in their strategy at all. Instead of attracting external funding, these entrepreneurs forced themselves to work with very little financial resources. They organized their business in such a way that they needed very little investment to begin with, even if they would scale up their production. They subcontracted almost everything that could be externally developed, and only managed the part of the business that no other stakeholder could be put in charge of.

Some were reluctant to attract any type of capital: they did not only choose to stay away from external investors, they also did not want to contract any employees. They argued that the process of attracting and managing these resources did not fit the philosophy and values they had: they did not want to be dependent on external parties with other values, and did not want to adapt themselves and enter in the value negotiation process as described in this paper. This negotiation with external parties, they mentioned, would constrain their creativity. The upside of keeping their independence, according to them, was the great flexibility in business: they could shift to another strategy or product in a very short timeframe. As they did not have to legitimize themselves, they could keep thinking 'out of the box'. These entrepreneurs argue that this strategy gave them some strategic benefits, as they could be more creative and quick in the development of new products:

"*So, starting a food brand is, of course, focussing a lot. Yet, we do not want to focus on just one category, you know, we have peanut butter, but we also have pizza sauce. So that is different. We've just launched a whole line of vegan spreads, so we quickly put mayos, salsas and dressings in the supermarket. Yet, we also have vegan, palm-oil free hazelnut butter. So these are all completely different products. (Entrepreneur 3)"*

*"I have had talks with investors, but I never got any partnership out of it, as they always had these conditions that did not fit my vision. By being independent I could choose my own path." (Entrepreneur 4)*

Yet, as they argued, there are also some downsides to this strategy. Some call their lack of funding a major limit to growth. External funding can, according to them, be a boost in this initial phase to get to grow significantly.:

*"So, for example, you have [Competitor 1] and [Competitor 2]: they both started after me, but they are already a lot bigger. I guess that's because they do attract funds or get an initial buffer."(entrepreneur 5)*

Also, they mention some missed opportunities because of this strategy:

*With a new product you should always show that you are performing within the first half year. If not, you will be thrown out [of the supermarket]. And if you have a lot of money to spend in that half year to get people to be familiar with your product, it succeeds faster than how we do it. [...] So I know for sure that we have been thrown out with some of our products, of which we thought: "if we would have had more time or money to get people to try it… we would have pulled it off." (Entrepreneur 3)*

In short, although the continuous resource limits caused some problems that were a liability for their business, these founders decided to choose another strategy, as the negotiation with external stakeholders did not fit their core values and philosophy. Therefore, they organized their business in the leanest way possible, enabling them to quickly shift from one strategy to another without having to go through the process of legitimization. This perception of external funding legitimation slowing down business development seems to be shared with the founders that did aim to attract external capital: these entrepreneurs mentioned that their process of legitimization cost a lot of time and effort, and that it sometimes forced them to slow down their creativity as well:

*So most of them just focus on the beaten track, what already has been done. So we also thought, nah, maybe we should not even do this. Because the whole point of launching our business was because we wanted something completely different. (Entrepreneur 10)*

Thus, this 'legitimization inertia' may possibly be a constraint to both the velocity of developing new ideas, as the creative 'out of the box' nature of these ideas. The initial problem statement of this research argued that a lack of external funding could be a barrier to the development of new firms and thus the innovation rate, but the arguments of these entrepreneurs show another perspective: when aiming for more creativity, attracting external investors could also be a constraint.

## 4.10 Industry Difference

Within the two industries under study, no real difference was found in the types of financial stakeholders and the strategies of value communication. Some entrepreneurs did mention market developments that were different, and that may have had an impact on the success of the entrepreneurs when getting through the very first stages: in general, the value of sustainability and local production in the beauty/cosmetics market is possibly less developed compared to the food industry. Founders from the food industry mentioned a shift towards more sustainable values that happened around a decade ago, while owners of sustainable startups in the cosmetics industry only noticed the increased importance of sustainability more recently:

*Ten years ago, it [the food industry] changed. People became more conscious of what they were eating. More and more people started following certain diets, gluten free, lactose free, or vegan. (Entrepreneur 3)*

*This industry [the beauty industry] is just not transparent at all yet. There are a few huge companies that still rule the market, and sustainability is not a serious theme yet. (Entrepreneur 4)*

*The world of the Spa is lagging behind a little. In this industry, you see lots of beauty products. Yet, interestingly, beauty products are the most natural at all. It all sounds fantastic, but they really do not work with clean products. (Entrepreneur 10)*

Of course, this difference in importance of sustainability may possibly have an effect on the success of resource acquiring strategies and overcoming the first stages of the startup. Yet, as this research only focuses on the internal strategies of the startups and not so much on market dynamics, the exact effect cannot be made clear in this study.

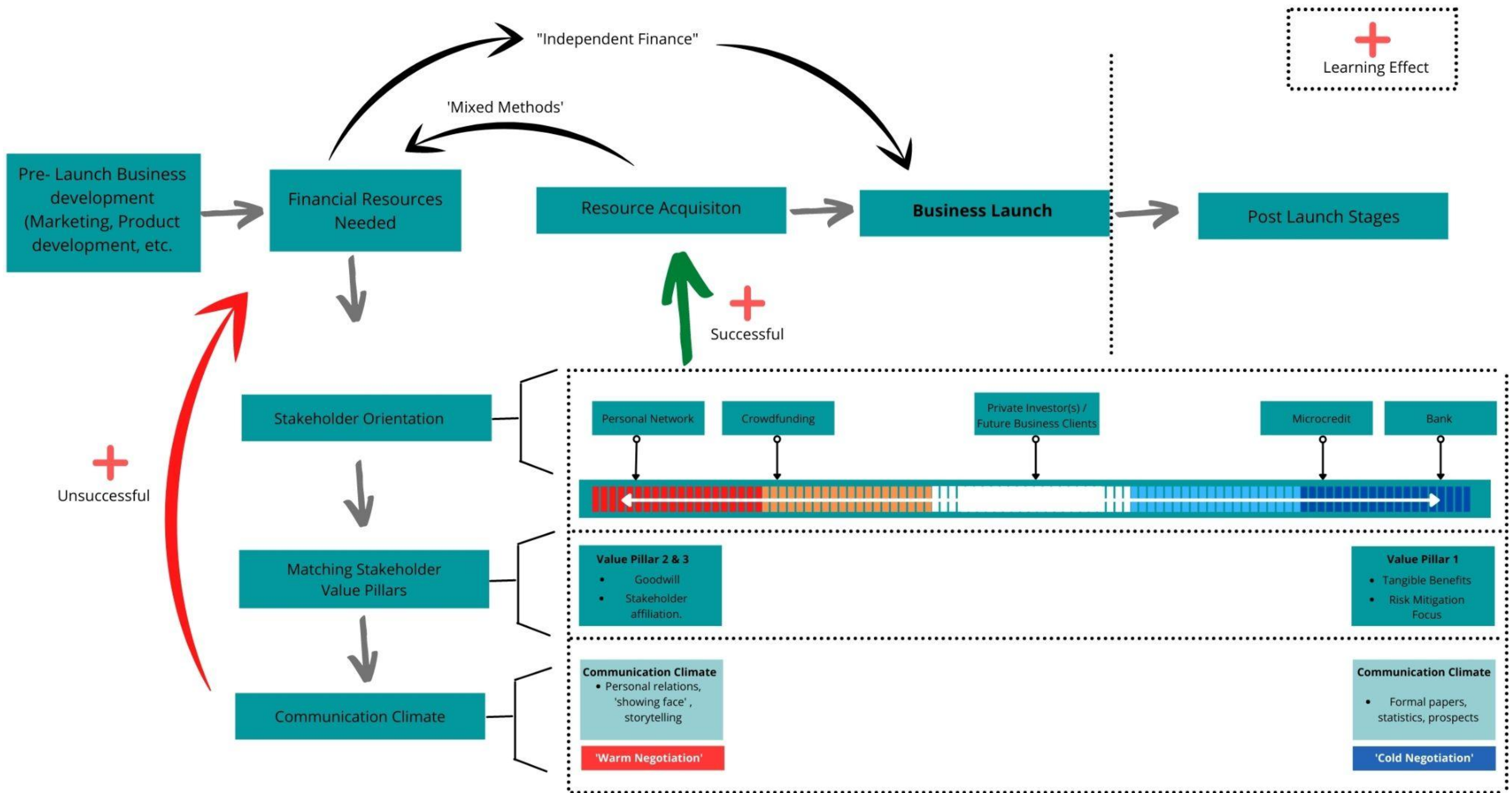


*Figure 4: , inspired by Mast (2013),* Harrison & Wicks (2013), interview results, and desk research on the startups under study*: When financial resources are*

*needed for a new business development, the startup goes through the three stages by Mast (2013): Stakeholder Orientation, Matching Stakeholder Value Pillars, and Supportive Communication Climate Creation. Within this process, appropriate alignment of the values and capabilities of the startup with the Four Value Pillars by Harrison and Wicks (2013) and coherent communication climate of the specific stakeholders on the warm-cold negotiation spectrum is of high importance. When the values and communication climate do not sufficiently match, the negotiation process can be unsuccessful, forcing the startup to go back to new stakeholder orientation again (while learning from its mistakes). When successful, the startup can either continue the business development, or get access to 'colder; stakeholders on the spectrum with the abovementioned Mixed Methods approach. Finally, some stakeholders chose independent finance (with limited financial resources), as they believe their values and practices do not align with any external stakeholders*

# 5. Conclusion

Sustainable Innovation is often driven by emerging new business. Yet, the lack of access to financial resources may cause a major barrier for entrepreneurs to develop a sustainable, innovative idea. Several different ways to get access to funding exist, but the lack of trust of investors due to the absence of proof of concept or any other record, also called the liability of newness, often is a difficult problem to overcome. In order to survive these difficult first stages of the startup process, new ventures need to have creative strategies to get access to financial resources. Yet, their exact strategies and their dynamics have not been thoroughly studied yet in existing literature. Therefore, in this research, the creative strategies of 10 Dutch sustainable startups to get access to financial resources was analysed, and The Resource Based View as defined by Barney (1991) was used as a perspective to do so. According to Harrison & Wicks (2013), Freeman et al. (2010) & Mast (2013), all ventures have a certain 'value-exchange' relationship with their stakeholders: a calculated negotiation of the positive 'utility' a firm offers the stakeholder, and the perceived 'pain' the stakeholder has to go through in order to get access to the value. Research showed that this value does not only have to be tangible: financial investors are more and more sustainability-oriented, so sustainability startups could have a significant advantage in value negotiation when communicating their positive impact (Derwall, Koedijk & Ter Horst, 2011). This makes it particularly interesting to target sustainable startups, as the sustainable value of these new businesses likely has had a place in the value negotiation process.

Thus, in order to study the dynamics of this negotiation, and the types of values it uses in relation to financial resource acquisition in the very first stages of a sustainable startup, the following research question was used:

*'What are typical stakeholder value communication strategies to acquire essential financial resources in sustainable product-based startups, and how are these contributing to the dynamic acquisition of financial resources of the startup?'*

In order to answer this research question, a theoretical framework was developed that was inspired by the three-step stakeholder communication guide by Mast (2013, which are stakeholder orientation, value communication, and supportive climate creation, and the four value pillars by Harrison and Wicks (2013), which are Tangible Value (pillar 1), Organizational Justice (pillar 2), Stakeholder Affiliation (pillar 3), and Opportunity Cost (pillar 4). The research was conducted within a chronological perspective, in which the development stages of the startups under study were taken into account. Of each startup, one founder was selected for a semi-structured interview, which was backed up by desk research for data triangulation and verification.

After applying an abductive data processing method, the results of this research indicated that the aforementioned theoretical framework is an appropriate tool to analyse the financial resource acquiring strategies of startups. Both the three step guide by Mast (2013) as the four value pillars by Harrison and Wicks (2013) could be recognised in the results. The interviewed entrepreneurs mentioned various financial stakeholders that they interacted with, which could be categorized in several different stakeholder types. Every stakeholder type had different benefits and downsides, and different types of value (from the value pillars) had to be communicated to different stakeholders in

order to successfully acquire financial resources. Besides the values themselves, the way of communicating -or the communication climate- was also perceived as important by the founders.

In the results, a general spectrum could be recognized, in which some stakeholder types, like the personal network and crowdfunders, were more focused on the more emotional value pillar 2 (organizational justice, or goodwill) and 3 (stakeholder affiliation), and other stakeholder types, the bank and microcredit organizations, were more focused on the more rational value pillar 1 (Tangible benefits and risk mitigation). The group that had more emotional values was defined as the 'warmer' end of the spectrum, which also valued a more personal communication climate. The 'colder' stakeholders, on the other end of the spectrum, seemed to perceive a more formal climate (with statistics, contracts and other paperwork) as more important. Interestingly, the sustainable value of the startup was, according to the founder, of importance with every investor, but the value was interpreted in different ways: the group with the more emotional values simply identified itself with the value pillars, and therefore the sustainable value fell under pillar three for these financial stakeholder. For the more rational stakeholders, according to the founders, the sustainable value was more of an upcoming market trend that may indicate a higher chance of success (and thus economic return), which means that for these investors the value would fall under pillar three. Hence, the same value proposition of the startup could be interpreted differently by different stakeholder types.

Most of the interviewed founders were well aware of this difference in stakeholder types, their value perception. and the value communication that they required. Some entrepreneurs used creative mixed methods, for example by gaining legitimacy at the warmer end (for instance, by doing crowdfunding) in order to get access to the colder end. Yet, the other way around has also been mentioned as a possibility.

In the whole resource acquiring process, the founders did perceive a certain learning effect, in which they knew better which stakeholder to approach, with which values, and how to set up a supportive climate. Yet, besides just gaining knowledge, some entrepreneurs also mentioned that they accumulated self-esteem and a confident attitude when engaging in new stakeholder negotiations. Both the gained knowledge as the increased confidence may have a positive effect on stakeholder negotiations in later stages, but this could not be verified.

Some entrepreneurs made the strategic decision of working with limited financial resources in the initial stages, instead of attracting external investors. They argued that their independent way of developing gave them several strategic advantages: first of all, they could be more creative, without anyone limiting their out-of-the-box ideas. Besides that, as they did not have to deal with the inertia of having to legitimize their new business development with external stakeholders, they could also move faster when bringing a new innovation to the market. Yet, on the other hand, they argued that the little financial resources they had also limited their development, and sometimes could cause missed opportunities. In short, this is an opposite effect compared to the initial argument made in this paper that external finance actually enables innovation. Thus, it seems as if the financial resource strategy of startups is a complex phenomenon: in some ways, external funding offers major opportunities for businesses, while in other ways it also impedes limits, giving some entrepreneurs enough reason to not develop any resource acquisition goal. Therefore, it would be interesting to further investigate the exact effect of engaging with external stakeholders, versus trying to develop a business independently.

# 6. Discussion

## 6.1 Research Design Limitations

The nature of the research design had some implications on how its results can be interpreted. First of all, whether the used startup sample can be perceived as representative of the Dutch startup population is questionable. There may be a lot more startup types and coherent financial resource strategies out there, that have not effectively been recognized by this research. Adding on to that, it is very likely that the fastest growing, most successful startups in the target group have been relatively less willing to participate, as these probably receive lots of interview requests and have little time to participate. In order for this research design to increase its validity, it should be replicated several times and with different samples of startups.

Besides that, as this research adapted the perspective of the Resource Based View by Barney (1991), it deals with similar weaknesses that have been brought up over time. The most important downside of the RBV is the lack of attention given to market forces, which are proven to regularly have a major influence on business performance. Also in this research, several entrepreneurs in both industries under study mentioned a market shift in the last 10 years. These market fluctuations inevitably have had some impact on the success or failure in emerging new business, but this impact was not properly taken into account in this research. The impact of market forces on the first stages of a startup may be better understood if, besides the internal point of view given in this research, also an industry-wide analysis was conducted. Yet, due to limited time and means, in this study no attempts to do this have been made.

Furthermore, in this research, no distinction between B2B and B2C startups was made. This has not been done due to the assumption that the focus on financial stakeholders of this analysis, instead of on clients, would mean that no difference in the financial stakeholder types would exist: after all, the financial stakeholder would have little to do with whether the startup had businesses or customers as clients. Yet, in hindsight, this assumption appears to not be true. As mentioned in the results, one stakeholder approached possible future business clients as financial stakeholders, something which would be either impossible or done within a completely different setting in the case of a B2C startup (which, likely would be crowdfunding). Therefore, in future replication of this research design, a choice between B2B and B2C should be made. Another option would be putting the two business types in contrast with each other in a similar research setting, in order to see what the differences in financial resource strategies actually are.

Finally, some stakeholder types as listed in the results have been mentioned relatively little by the interviewed stakeholders. The bank, private investors, crowdfunders, and personal network have been mentioned at least three times, while the microcredit organizations and incubators have been mentioned less than that. Therefore, the data regarding these stakeholder types should be perceived as less reliable compared to the other types. The incubator as a stakeholder was even mentioned only once, so this stakeholder type has not been taken into account in further analysis. In order to make the

data and conclusions of this research more reliable, it should be replicated at least several times in a similar setting. Replication in both similar as other settings could also improve the potential for generalization of the accumulated knowledge, which could eventually result in legitimate scientific theory.

## 6.2 Future Research Suggestions

Thus, in future research, the same stakeholder value communication framework could be used in order to further test its legitimacy. This replication could be done both in similar as in different circumstances, in order to gain legitimacy and, eventually, possibly build new theory that adds on to both stakeholder communication literature as (sustainable) innovation literature. An example of a replication possibility is, for instance, taking a sample of startups in other industries or in other countries, to see whether their value communication strategies and stakeholder types differ.

Also, both existing literature and this particular research show an increasing importance of sustainable values. Yet, what impact these values exactly have on financial resource acquiring strategies is unclear. Therefore, a particularly interesting case study that could be done, is the comparison of sustainable with non-sustainable startups.

Furthermore, in future research the movements and strategies of entrepreneurs on the warm-cold stakeholder spectrum could be analysed further, as well in later stages of the development of startups. Besides that, the exact influence of the gained knowledge and confidence in negotiations in future stakeholder relationships should be further explored, especially in the case that a startup approaches a different stakeholder type: as different stakeholders seem to require different values and another supportive climate, it could be possible that different capabilities are needed in order to successfully negotiate. Whether gained experience and confidence with other stakeholder types is of relevance then, should be investigated further.

Another possibility for future research is the use of the same or a similar value communication framework for other stakeholders. After all, both the three-step framework by Mast (2013) as the value pillars by Harrison & Wicks (2013) were developed with all types of stakeholders in mind (not just financial stakeholders) as they argued that all stakeholder types can, in some way, be seen as customers. Hence, this framework may also be appropriate to apply to a startups' strategies to acquire employees, suppliers, customers or any other stakeholder type. These stakeholders may even be interconnected (as the crowdfunders and the future customers in this research were), so the application of the same framework to different stakeholders would build a more general understanding of value proposition and communicating strategies of startups.

For managers or founders of new ventures, this research and framework may currently give some insight in the dynamics and possibilities of financial resource acquiring strategies in startups. It may possibly make them more aware of their value offer, and their negotiation strategies towards financial stakeholders. Yet, both more inductive and deductive research should be done in order to increase the legitimacy of the findings in this research. When replicating and improving this first attempt to map value negotiation dynamics, real tangible value could be generated in the shape of a solid theoretical framework that could support them in their future strategies.

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# 8. Appendix

## 7.1 Interview Guide

*Short introduction research + goal interview.*

*Ask for permission: 1) use of real names or anonymous, 2) Record interview*

1. **Background startup**

1.1 First of all, tell me about your life before the startup. What was your dedication?

1.2 Why did you end up in this industry?

1.3 Did you already have experience in this industry beforehand?

1.4 Did you already have experience in founding companies?

2. **Success startup (Did break even happen, when? Financial success increasing?)**

2.1 Have you experienced significant growth in the last few years? How much growth?
2.2 Do you consider your startup to be a success?

**3. Pre-startup initial intention**

3.1 How was the very initial idea created?
3.2 How much time did it take for you to think it through, and take action?
3.3 Did you make a business case beforehand?
3.4 What resources did you need in order to get started?
3.5 How much did that financially cost?
3.5 Who did you talk to in this initial phase to get financial backup? Why did you go to them?
3.6 How did you communicate the value the idea had to them?
*(Possible follow-up questions:*
*5.5.1 Did you try to try to communicate tangible benefits? Like cost saved, higher quality, convenience?*
*5.5.2 Did you try to communicate organizational justice (fairness of the firm, treatment of stakeholders, good references)?*
*5.5.3 Did you try to communicate shared values, like the importance of sustainability, local business, personal details of your story, etc?*
*5.5.4 Did you compare yourself to competitors in your argument?)*
3.7 Were there any failed attempts to receive funding?
3.8 If yes; why do you think it failed, and what was your solution?

**4. Pre-startup organization creation**
4.1 When did you start to take real action to develop your idea?
4.2 What actions did you take, and which resources did you need at this point?
4.3 Was the initial backup that you received in former attempts to receive funding enough?
4.4 If not; did you turn to similar stakeholders, or did you go to another type? And why?
4.4 How did you communicate the value the idea had to new stakeholders?
*(Possible follow-up questions:*
*5.5.1 Did you try to try to communicate tangible benefits? Like cost saved, higher quality, convenience?*
*5.5.2 Did you try to communicate organizational justice (fairness of the firm, treatment of stakeholders, good references)?*
*5.5.3 Did you try to communicate shared values, like the importance of sustainability, local business, personal details of your story, etc?*
*5.5.4 Did you compare yourself to competitors in your argument?)*
*4.5* Through which channels did you communicate? Why did you choose these channels?
4.6 Was there any difference in your approach compared to former attempts, and why?
4.7 Did experience in former attempts help you to get resources this time?

**5. Stage 3: Startup Launch:**
5.1 After how much time/ when did the startup launch take place?
5.2 How did it take place? Did the startup take-off slowly or rapidly, and did you already have a widespread reputation at the launch?
5.3 Which resources did you need in order to launch? Did that require more funding?
5.4 Which stakeholders did you search for in order to find resources? How did you find them?

5.5 How did you communicate the value the startup had to them, and get them to cooperate? In other words, what was in it for them?
*(Possible follow-up questions:*
*5.5.1 Did you try to try to communicate tangible benefits? Like cost saved, higher quality, convenience?*
*5.5.2 Did you try to communicate organizational justice (fairness of the firm, treatment of stakeholders, good references)?*
*5.5.3 Did you try to communicate shared values, like the importance of sustainability, local business, personal details of your story, etc?*
*5.5.4 Did you compare yourself to competitors in your argument?)*

5.6 How did you engage with them, and through which channels?
5.7 Did experience in former attempts help you to get resources in this stage?

6. **Did you notice an overall learning effect in your resource strategy?**

6.2 Did you use the same value communication techniques for different stakeholders?
6.3 Did you find an overall strategy that works well for you? How did that impact your business?

*Is there anything you would want to add that has not yet been discussed?*
*Can I contact you if I need clarification on any issue?*

## 7.2. Coding Process

- Interview Transcripts available on request.

| Transcript part (not exhaustive) | Open Code (Not Exhaustive) | Axial Code (All codes) | Matched With Theoretical Framework: |
|---|---|---|---|
| *So I got the initial idea in Asia, where I was triggered by the huge amount of plastic waste. So, when still in Asia, I asked my professors if I could write my thesis about this, and how should I do that independently? So when I was still there, I started tryong things out with soap and sponges. (Entrepreneur 5)* | From idea to first action. | Startup Process in stages | Yes |

| | | | |
|---|---|---|---|
| *So by doing crowdfunding, you create ambassadors, fans. So that means that anyone that invests in the brewery also sort of gets involved. They become a past of it, and that's how we communicated that: you are a cofounder of the brewery. This way people feel included, which makes it more attractive for them to come and drink a beer here, and to talk about us. (Entrepreneur 7)* | Running a Crowdfunding Campaign | Orientation Stakeholder Types | Yes |
| *Look, the only thing the bank does is risk minimization. And only if they can minimize enough and legitimize the investment, they can loan you money. (Entrepreneur 1)* | Risk Minimization focus bank | Tangible Benefit Negotiation & Risk Mitigation | Yes |
| *I really noticed that, in that network that I had built up in which I had always done everything for everyone, that that really came back like a boomerang: I helped you before, but now I need you to return the favour, as I started something myself. (Entrepreneur 6)* | Building up goodwill network | Organizational Justice Negotiation | Yes |
| *So, Weesp used to play an important role in Amsterdam during the* | Local production and shared cultural heritage creates | Stakeholder Affiliation Creation | Yes |

| *Dark Age regarding beer brewing; a major supply came out of Weesp and Harlem, and that was actually a little known fact among the people here before. But as you market such a physical product and explain this history, it really sparks interest, and also a bit of that local pride of 'wow, how about that!' (Entrepreneur 7)* | connection | | |
|---|---|---|---|
| *So also for these private investors, they can spread their risk with these kinds of things, as they don't know what to do with their money anymore either. Because if you go to the bank and deposit more than 100 000, you start to pay. (Entrepreneur 2)* | Comparing investing in startup to other investing options | Opportunity Cost Negotiation | Yes |
| *So I can bring clients to the specific area, put them in the middle of the field, get a drone up and show them exactly what they help develop. That's great, right? (Entrepreneur 1)* | Personal approach important | Supportive Climate Creation | Yes |
| *Why did the bank trust me? Because I wasn't a 25-year-old post-graduate, but someone that already had about 7-8 years experience in being* | Legitimacy due to experience | Influence Background Founder | Yes |

| | | | |
|---|---|---|---|
| *independent as a consultant, with which I sometimes made 150 000 per year. So they saw that I was capable of that. (Entrepreneur 1)* | | | |
| *So there is a reason why we did crowdfunding after all, even though it's not cost efficient. First of all, the bank said: we want to have some type of proof of record, to see what the chances of success are. If no one wants to invest in you, we would not be interested either. So for them it was a good way of telling if they wanted to give us funding as well. (Entrepreneur 7)* | Combination Crowdfunding (legitimacy) & Bank (attractive funds) | Mixed Methods | Yes |
| *Now, we start thinking a lot more: who matches with us? And when we just started out, we thought: who would be willing to help me? But now, it is more like: who do we want to help us, and which demands do we actually have, and what do we have to benefit? Instead of just thinking: Let's hope someone would like to help us. (Entrepreneur 8)* | Shift to confidence due to experience. | Learning Effect & Confidence | No |
| *So you have two psychological aspects.* | FOMO effect crowdfunding | Network Effect | No |

| | | | |
|---|---|---|---|
| *The first is that nobody dares to invest in the beginning, as they think it wouldn't work out. And then, at the end, you get a fear of missing out when everybody thinks like: wait, wait, it will be full soon, and than I missed my chance. The latter, of course, is a luxury problem. (Entrepreneur 2)* | | | |
| *"I have had talks with investors, but I never got any partnership out of it, as they always had these conditions that did not fit my vision. By being independent I could choose my own path." (Entrepreneur 4)* | Not wanting to adapt values to investors. | Independent Finance | No |
| *Ten years ago, it [the food industry] changed. People became more conscious of what they were eating. More and more people started following certain diets, gluten free, lactose free, or vegan. (Entrepreneur 3)* | Market shift in food industry | Market Influence | No |
| *Three years later, we are still always short on money. We have raised 60 000 with a crowdfunding campaign, 250 000 with a first private investor, and almost 6 tons with closed* | Always need for more investment after launch. | Continuous Process | No |

| *wallets, which means we will pay with products. And still, as we speak, we need to go looking for more. (Entrepreneur 6)* | | | |
|---|---|---|---|

*Table 5: Coding Process*

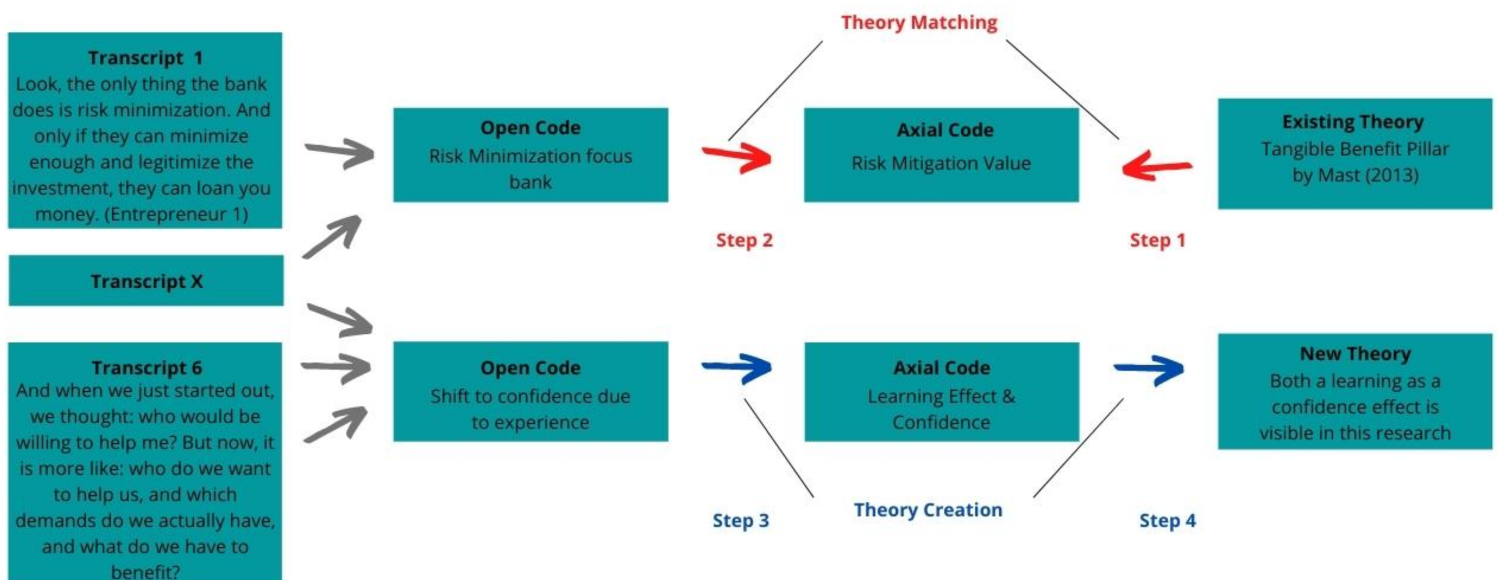


*Figure 5: Example Coding Process*