Trust is Good, Control is *not* Better: Empirical Evidence from an Early-Stage VC Firm

What effects do value-add activities have on the early-stage VC-EV relationship?

by

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May 2022

Master's Program in

International Strategic Management

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Abstract

Venture Capital (VC) investments play an important role in the success of young entrepreneurial ventures (EV). As the nature of the early-stage VC-EV relationship bears risks for both parties, VC firms provide additional support known as value-add activities. These activities range broadly in both scope and effort, thus, have different implications for both the VC firm as well as the respective EVs. Whereas some value-add activities are meant to reduce the pronounced risk, others provide the EV with those resources that accelerate development. Adhering to the calls of various scholars to uncover the "black box" of value-add activities, the purpose of this study is to explore and understand diverse value-add activities in the early-stage and what effects they have on the VC-EV relationship.

A multiple-case study of an early-stage VC and its portfolio companies was conducted through semi-structured interviews to achieve the aim of this study. The findings of this study suggest that value-add activities proved to be consistent with existing literature. Governance measures, which typically aim to mitigate risk, are not implemented as scholars predicted. The study also contributes to the understanding of resource dependency in the early stage described above and shows that the required resources are homogenous and non-industry-specific. A novel VC investment approach was developed that falls into both the business angel and early-stage VC investment category. Due to its intersecting characteristics, the institutionalized angel was consequently derived. The institutionalized angel is characterized by a prolonged due-diligence process through a cohort that assesses the founders' competence and mitigates associated agency risk while eventually hoping to gain a systematic advantage.

Keywords: Early-Stage Venture Capital, Value-Add Activities, Resource Dependency, Agency Theory

Acknowledgement

First and foremost, we want to convey our gratitude to everyone who has contributed to the completion of this thesis. In this respect, we would like to thank the personnel at both our case company Antler as well as the Entrepreneurial Ventures' respective founders for taking time out of their busy schedules to participate in this study, as well as for their positive attitude, which contributed to the high quality of this thesis. We would also like to express our appreciation to Matts Kärreman, our supervisor, for his unwavering support, guidance, and important insights during the writing process. Similarly, we would like to thank our master's program classmates for offering good and honest input on this thesis, as well as keeping a happy and supportive attitude throughout the year despite a demanding schedule.

Finally, we would like to convey our gratefulness to our family and friends for their unwavering support and encouragement during this thesis process and throughout our academic careers.

Lund, May 27th, 2022

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DEFINITIONS AND CONCEPTS

VC refers to venture capital.

EV refers to entrepreneurial ventures.

VC-EV refers to the relationship between venture capitalists and entrepreneurial ventures.

LP-VC refers to the relationship between limited partners and venture capitalists.

RDT refers to the resource dependency theory.

MECE refers to mutually exclusive and collectively exhaustive.

1. Introduction

"*It opens doors that would otherwise be closed* [...]. *It's a fundamental value-add in VC land.*"

– Steve (Founder)

1.1 Background

There are many reasons why entrepreneurial ventures (EVs) need venture capital firms (VCs). One of these reasons is to raise capital that would otherwise not be available to them, as institutions, e.g. banks, are reluctant to provide risk capital to founders. Reasons for not providing capital, especially in the early stages of an EV's life, are additionally manifold. They range from business uncertainty, unproven products, markets, and technologies, negative cash flows, lack of start-up experience, and low or no assets (see **Figure 1**) (Cassar, 2004; Brophy, 1997).

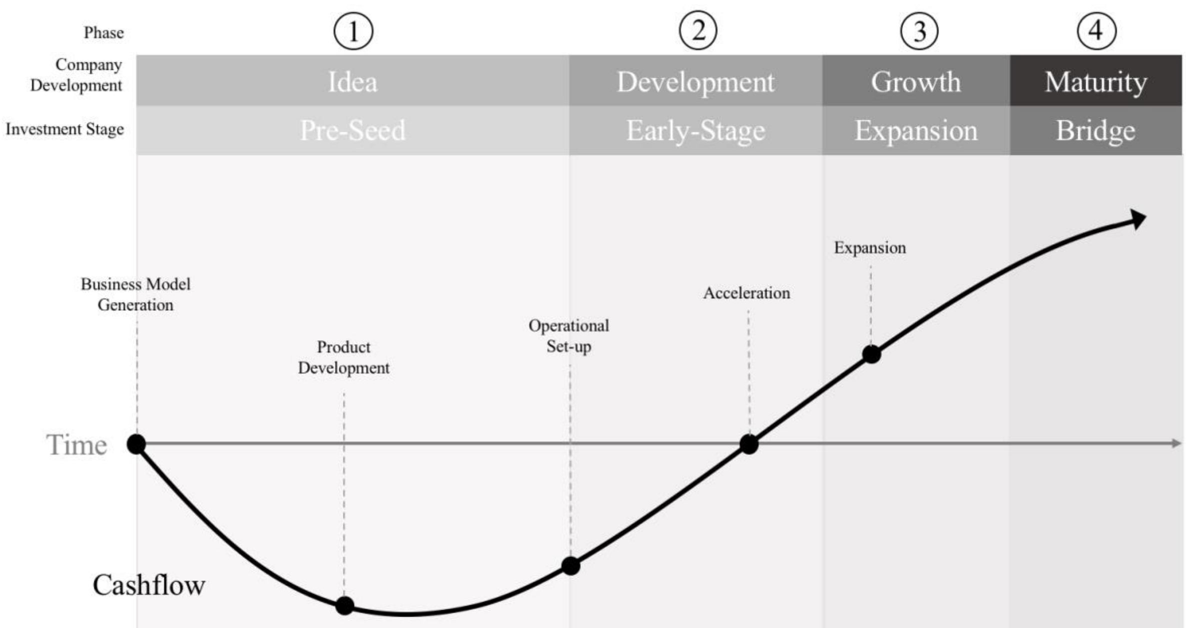

Figure 1: *VC Investment Stages and EV Phase (Adapted from the NVCA, 2020)*

A VC firm's business model circles around risk capital investments and provides these in exchange for an EV's equity stake. In the case of an EV's future success, the VC firm then generates capital gains due to the increased value of the equity stake (Gompers, 1995; Gompers & Lerner, 2001). To increase the likelihood of high returns on the VC investment, the VC firm additionally supports EVs with value-added activities that increase the EVs' future chances of success (Sapienza, 1992). Therefore, VC firms not only provide capital, but add value through a range of different activities and resources (Proksch et al., 2017; Alshaikhmubarak, 2021). However, not many EVs can be considered appropriate for VC investments as high growth potential, as well as a strong founding team, must be prevailing, which only leaves a small single-digit percentage of all newly founded companies as potential investments for VC firms (Timmons, 1999). The more an EV grows, the more VC firms it attracts, leading to more competition for an EV stake and increasing the value of those equity stakes (Gompers & Lerner, 2001; Duffner, 2003). The earlier the investment is made, the cheaper the stake in the company becomes and the higher the future return can be. The aforementioned banks are aware of the profitable business and try to secure their profits without direct interference. Due to the lack of required expertise, the institutions provide the necessary capital to the VC firm while entrusting them to allocate it reasonably (Roesner, 1986; Duffner, 2003). This leaves the VC firm as an intermediary between the external investors and the entrepreneurial venture (Duffner, 2003). Moreover, the EVs are very receptive to VC investments since especially in the early stages the need for both financial and nonfinancial support is detrimental for their growth and success (Sahlman, 1990; Gorman & Sahlman, 1989). VC firms often demonstrate long track records of formulating and implementing strategies, developing businesses, and providing networks which enables them to plug the necessary resource gap that EVs require to develop and succeed (Gorman & Sahlman, 1989). The EV consequently demonstrates dependencies on the VC-provided resources (Brophy, 1997).

1.1.1 Definition of VC

Risk capital entails active ownership, in which a VC firm provides both capital and competence to help an entrepreneur establish a successful business. Risk capital is not only important for the respective EV but also for economic growth and job creation since it acts as a catalyst in the economy (Kelly & Kim, 2018). Depending on whether or not the firm is publicly traded, the equity capital is separated into public and private categories. As indicated in **Figure 2**, private equity is separated into three subgroups: informal VC, formal VC, and other private equity (Isaksson, 2006).

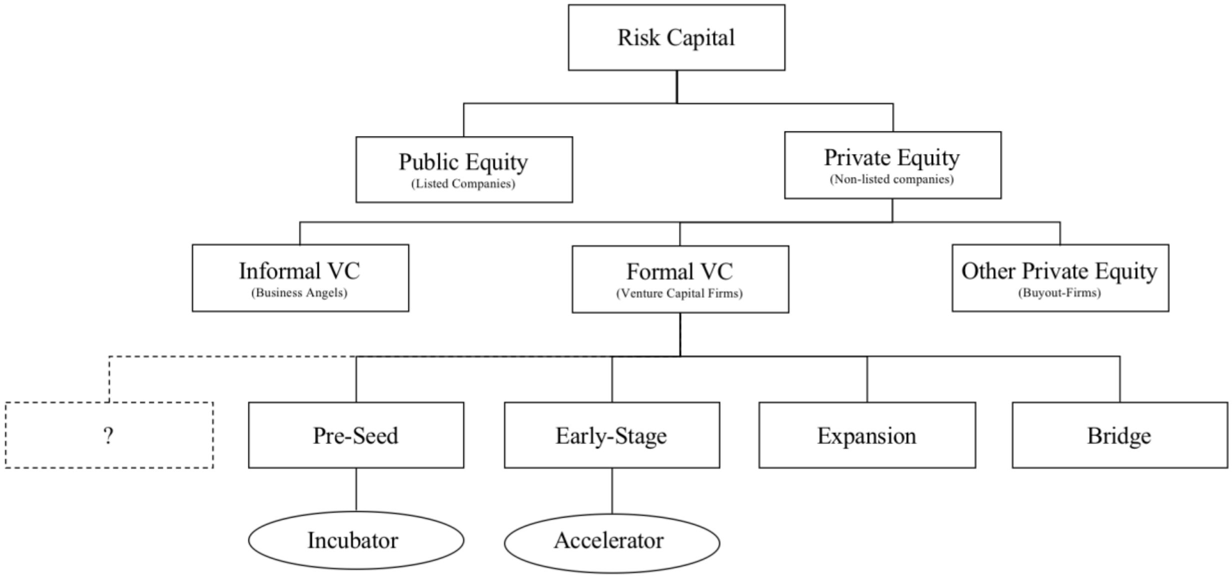

Figure 2: *The Position of Early-Stage Venture Capital (Adapted from Isaksson, 2006)*

The terminology informal VC, known as a business angel, refers to investments made by a single private high net-worth individual using their own money and assets to support an EV (Isaksson, 2006). Typically, they are the first financial contribution to an EV and demonstrate great strategic involvement (Isaksson, 2006; Berns & Schnatterly, 2015). "Other Private Equity" is commonly referred to simply as private equity, with the majority of investments being in mature firms. Formal VC investments refer to investments made up until phase 4 by conventional VC firms (See **Figure 1)**. Formal VC investment strategies span from diversification to specialization, value-add, information sharing, and networking and further distinguish between investment phases like: (Pre-)Seed (phase 1), Early-Stage (phase 2), Series A, Series B, Series C, Series D, Series E (phase 3), Pre-IPO and Maturity (phase 4) (See **Figure 1**) (Isaksson, 2006). In this thesis, however, we will concentrate on an even earlier phase, thus, taking early-stage in the literal sense and not by definition. To our best knowledge, this phase has yet not been defined and therefore is in need of another categorization.

1.2 Problematization

Investments in very young EVs are accompanied by various risks (Gorman & Sahlman, 1989). Besides the uncertainty about the venture and its success, the relationship that the two parties engage in appears very complex. Consequently, different expectations from each side may lead to different problems, one of them being agency problems (Duffner, 2003). Agency problems are inherent in the opportunistic behavior of the EV's founder, which is opposing the VC firm's action plan (Jensen & Meckling, 1976). When the EVs founders hold a significant equity stake in the EV, the VC firm's and EV's goals are aligned as the founders are incentivized to aim for the EV's success and positive development. However, Ruhnka and Young (1987) found that in this case, the risk of the founder's incompetence emerges instead of the risk of managerial opportunism, whereas managerial incompetence depicts one of the main reasons for an EV's failure. This issue is also addressed by Sapienza and Gupta (1994), who argue that high information asymmetry between the two parties remains in either case, which the VC firm is eager to mitigate to be able to make more sound investment decisions.

The younger the EV the less information is available about financials and general metrics (Duffner, 2003; Sapienza, Manigart & Vermeir, 1996). Here, a practical problem arises since the EV is in need of certain resources that the VC firm can supply. However, in the VC-EV relationship value-add activities are perceived differently. Consequently, the VC firms attempt to strategically manage and control their exposed risk in their investment strategy while seeking *abnormal* returns (Driscoll, 1974). Hence, management control mechanisms offer the VC firm access to more information or give more control which is not a direct support mechanism for the EVs growth and success (Timmons & Bygrave, 1986; Perry, 1988; Saetre, 2003; Busenitz, Fiet, & Moesel, 2004; Gorman & Sahlman, 1989; Sapienza, 1992; Sapienza, Manigart, & Vermeir, 1996; Steier & Greenwood, 1995; Gabrielsson & Huse, 2002; Gomez-Meija, Fried & Hisrich, 1995; Ehrlich et al., 1994).

A problem in academia includes the absence of coherence and consensus about the perceived value of certain value-add activities from either the VC firm side or the EV side (Large & Muegge, 2008). However, it is clear that different EVs need a variety of resources to grow their business and be successful (Proksch et al., 2017). Both qualitative (Large & Muegge, 2008; Proksch et al., 2008; Alshaikhmubarak, 2021) and quantitative (Sapienza, Manigart & Vermeir, 1996; Cumming, Fleming & Suchard, 2005; Sapienza, 1992; Gorman & Sahlman, 1989; MacMillan, Kulow & Khoylian, 1989; Kaplan & Stromberg, 2001) research has focused on value-add activities but only a few explained certain behaviors or expectations in the VC-EV relationship based on academic theory. Furthermore, to our knowledge, little research has focused on the earliest stage of investing as indicated in **Figure 2**. The majority of research rarely distinguishes between the specific EV phases or the investment focus of the VC firm and its implications. Therefore, our research seeks to analyze the VC-EV relationship to discover the effect of value-add activities in the early stage.

1.3 Contribution of the Study

The contribution of this research project is relevant for both fellow researchers as well as practitioners in the field of VC. Researchers in the respective field will be presented with new insights into the early-stage VC-EV relationship regarding financial and non-financial value-add services and empirical evidence of a VC firm with a focus on early-stage investments. The provided research study additionally provides a theoretical starting point for further research based on empirical findings which appear rare in the field at the current state of time. Practitioners as well will benefit from the conducted research as this thesis aims to provide detailed information to understand early-stage investment strategies, their value-add activities, and respective implications from both a VC firm as well as EV perspective. Correspondingly, practical implications could be additionally helpful for those that seek a change in the investment strategy with regards to early-stage investments as well as for the chosen case study company that will gain direct and indirect feedback about their current business practices through both us as the researchers and the interviewed portfolio companies. Given that early-stage VC investment strategies appear to yield the highest risks and respective returns, their outlook to strategically add value as a financial intermediary is considered relevant for the discipline of strategic management.

1.4 Purpose of The Study

The study focuses on early-stage investment strategies and their value-add activities from the perspective of both the VC firms and the EVs. Agency theory, as well as resource dependency theory, are helpful theoretical tools to investigate the effects of value-add activities from both sides. As a result, the study's goal is to empirically investigate the effects of VC value-add activities within the context of its relationships to the portfolio companies. In response to the perceived research deficit, this thesis poses the following research question:

What effects do value-add activities have on the early-stage VC-EV relationship?

The overall goal of this research is to investigate the early-stage relationship that underlies the value-adding activities between the VC firms and the EVs. Additionally, this study will add to VC research by addressing agency theory, resource dependency theory as well as value-adding activities and can be of importance for the following reasons – to get insights on possible risk mitigating mechanisms in the VC industry, assist VC fund managers and external investors to receive a different perspective on their strategy and give an impetus for future research in the field of early-stage value-add activities. Additional methodological details will be provided and explained in **Chapter 3**.

1.5 Delimitations

In the VC industry, funds engage in complex two-sided partnerships with different relationships. Upstream with the limited partners (LP) and downstream with the EVs. Therefore, we are aware of the VC firm's mediating role in both directions (Sahlman, 1990). Although we are additionally aware of the added importance of upstream relationships with the LPs, we decided to focus on the VC firm's downstream activities and relationships with the EVs. The lack of time, resources, and access to upstream information, due to legal reasons from the VC firm's side, further reinforces this decision. Furthermore, we do not seek to identify ideal value-add activity categorizations but rather contribute to existing literature as well as deliver empirical insights into early-stage investments. Comparisons to other VC investment strategies and interdependencies on a larger scale within the VC firm's two-way relationship as well as the two-step agency dilemma is beyond the scope of this research project but will be picked up in the closing section of this study. Lastly, despite the case company being a global player this study focuses on the German context as qualitative research is scarce and the specific investment strategy is relatively new in this geographical context.

2. Literature Review

Despite the fact that this study is focusing on empirical evidence, we believe that research studies should always have a theoretical foundation. In this chapter, we critically assess, discuss, and summarize existing literature that addresses the VC industry, and the VC-EV relationship and investigate several value-add activities. We start by exploring the need for VC firms from the VC-EV perspective with the focus on the VC's activity within these relationships but also on how both sides perceive the implications. Both perspectives will be assessed through the lens of relevant theories such as resource dependency theory and agency theory as well as their underlying concepts. Based on existing literature we will analyze differences in value-add activities and their effects on the VC-EV relationship within the early-stage VC ecology. Furthermore, risk-mitigating factors will be explored briefly and how they influence as well as alter the relationships. The literature review builds the theoretical foundation for the relevance of our research and helps to gain an understanding of the VC's downstream relationship with the EVs. The literature review eventually also presents an overview of what issues find great importance in the field.

The literature review was approached with a narrative review method similar to what Bell, Bryman and Harley (2019) claim to be particularly useful for abductive research. This approach provides us with greater initial scope and flexibility, compared to a systematic literature review approach. It moreover enables researchers to adapt their theoretical view which is based on the empirical findings (Bell, Bryman & Harley, 2019). A keyword-oriented literature review has been utilized to offer a comprehensive overview of the current body of research on the topic. This type of literature review is typically used by researchers that seek guidance to narrow down the scope, thus intentionally limiting the research area to a few main areas (Easterby-Smith, Thorpe & Jackson, 2015). The literature review also builds upon Easterby-Smith, Thorpe, and Jackson's (2015) advice to make use of citation tracing to develop a snowball system which has proven to be a productive method to find relevant works and gain a quick understanding of relevant key researchers in the field. According to Easterby-Smith, Thorpe, and Jackson (2015) the research topic arises from the core theme of a certain research project and is eventually narrowed down via a series of revisions that mirrors this study's approach.

2.1 Debt Versus Equity Financing

Especially in the early stages of young high-potential EVs the quest for external financing methods demonstrates significant relevance (De Bettignies & Brander, 2006). Deciding on the right financing methods, whether taking on debt or equity investments, as well as finding a credible investor has gained increased attention in both literature and practice. However, precisely due to the unproven product and negative cash flows, financial institutions are very reluctant to lend the young venture the required capital for their growth needs (Wang & Zhou, 2004; De Bettignies & Brander, 2006). VC investments bridge the resource gap between small growth firms and the availability of long-term financing to these firms (Okpala, 2012). As Wang and Zhou (2004) argue that financial institutions in fact lack the expertise to appropriately assess young, EVs are consequently forced to seek VC investors who have the desired capital, management contributions, and entrepreneurial expertise which can help the EVs grow (Wang and Zhou, 2004; De Bettignies & Brander, 2006). De Bettignies and Brander (2006) claim that VC firms can be attractive for an entrepreneur as the venture capitalist provides managerial guidance and can make a significant impact on the momentum of the EVs' growth phase. The authors further argue that acquiring equity stakes in a start-up results in higher incentivization for the VC fund, however, it can equally lead to the entrepreneur's ambition being reduced since it dilutes their incentive to grow, due to less ownership and control in the venture (De Bettignies & Brander, 2006). Based on this theory, acquiring a bank loan as a means to inject capital increases in attractivity. This theory is limited however by the assumption that a competitive, fairly based bank loan is available to the EV, which, the majority is not the case, especially not for early-stage EVs (De Bettignies & Brander, 2006). Cassar (2004) analyzed that the question of whether to take on debt is dependent on the firm’s size and also their existing asset structure and concluded that the less tangible assets a firm possesses, the less formal the form of financing will be. It is further argued that ventures in the early stage are in greater need of guidance (Cassar, 2004). On a side note, Cressy and Olofsson (1997) discovered that taking on debt has a negative effect on the growth of a company due to constraints the investors put in place to increase their control and lower its risk, and equity financing seems to support growth in cases where the investor also supplied business support.

2.2 Resource Dependency Theory

To understand the behavior of VC firms and EVs in the business ecosystem, Resource Dependency Theory (RDT) is used as a theoretical point of departure (Pfeffer & Salancik, 1978). Opposing the inward-looking resource-based view (Barney, 1991), Pfeffer and Salancik (1978) use RDT to describe external factors that an organization is dependent on to extract the maximum economic success and has become one of the most influential theories in strategic management to date (Hillman, Withers & Collins, 2009). As Pfeffer and Salancik (1978) put it, RDT characterizes corporations as an open system that is dependent on the resources of their environment and is, therefore, an imperative variable to consider in regard to VC-EV relationships. The significance of the resource to the focal firm, the amount to which the resource provider has power over resource distribution, and the availability of alternative replacement resources all influence the extent to which a firm is reliant on external resources (Pfeffer & Salancik, 1978). Links to important markets such as prospective consumers and competition, access to cash and other sources of financing, provision of know-how, and contacts with corporate, political, and other societal networks are not only further examples of external resources but also key for an organization's survival (Granz, Lutz & Henn, 2020; Katila, Rosenberg & Eisenhardt, 2008). Katila, Rosenberg and Eisenhardt (2008) categorize these external resources as financial as well as non-financial complementary. The authors further state that financial resources are defined as the access to equity for young entrepreneurial firms to gain traction whereas complementary resources are essential operational resources that established businesses have but young entrepreneurial firms lack (Katila, Rosenberg & Eisenhardt, 2008). According to Katila, Rosenberg, and Eisenhardt (2008), the scarcity of a resource and the amount of commitment necessary to secure it causes enterprises to make distinct options about how to access it. Granz, Lutz and Henn (2020) reason that VC value-added activities are likely to be a very important factor but oftentimes overlooked.

2.3 Agency Theory

Throughout the past, many different frameworks have been introduced in the attempt to conceptualize the VC-EV relationship which turned out to be very complex. Jensen and Meckling (1976), as well as Alchian and Demsetz (1972), assessed the issue of agency risk through the lens of contracting as well as property rights. However, the perspective of their agency dilemma remains inside a company. Fama (1980) argued for a broader understanding, yet also failed to consider outside players. EVs come into play that seek external funding and provide a good risk-return profile for the VC firm that can supply capital and managerial support (Duffner, 2003). Smolski and Kut (2011) depict how VC firms are facing decision-making situations where high uncertainty is prevailing regarding their investment projects and that the VC firms intend to mitigate that risk through various strategies. The authors argue that one of the main associated risks with a VC investment in EVs is agency problems (Smolski & Kut, 2011). In particular, information asymmetry results in moral hazard and corporate governance issues at the core. Du et al. (2020) state that information asymmetry is prevailing when parties of a transaction possess a different set of information about the same matter whereas the party with more information is in an advantageous position compared to the other one. As a result, information asymmetry is strongly prevailing and for the investors often the root cause for various practical problems and investment strategy errors in the VC industry (Du et al., 2020; Melzer, 2017). The resulting agency costs stem from two main sources, goal verification issues and conflict alignment between the two parties (Smolski & Kut, 2011). Jensen and Meckling (1976) argue that the agency risk in the VC-EV relationship is the founder that takes any action opposing the VC's wishes. However, Sapienza and Gupta (1994) further found that the higher the founder's stake in the company the greater his/her incentive for the EV to perform successfully and grow. Sapienza, Manigart and Vermeir (1996) on the other hand argue that agency risk could also be the VC firm's uncertainty in the founder's ability and judgment. Investing in an early-stage EV, however, provides the benefit of getting information about the venture's operations and its founders to assess the possible upside for the future (Sapienza, Manigart & Vermeir, 1996). This would potentially lower information asymmetries and agency risk associated with the founder's judgment and therefore require investors to use fewer control mechanisms (Myers & Majluf, 1984). Sapienza and Gupta (1994) found consensus with Fiet (1995) as both state that in the early stages increased face-to-face time between the VC and the EVs founder can lower agency risk, however, it is impossible for the founder to always act perfectly competent and a certain risk remains. Sapienza and Gupta (1994) argue that face-to-face meetings are demanded more when no previous founding experience prevails. Gorman and Sahlman (1989) additionally discovered that managerial incompetence is among the most common reasons for EV failure which Ruhnka and Young's (1987) claim is the greatest concern when investing in an EV.

2.4 Value-Add Activities

The most recent study about value-add activities by Alshaikhmubarak (2021) uncovers the need for a better understanding of the value-add activities in practice whereas the author often talks about what Manigart and Wright (2013) describe as the “black box” and therefore calls for further research to take a look inside it. The likelihood for a VC to reproduce success can be broken down into a variety of specific value add-activities (Di Guo & Jiang, 2013). Alperovych and Hübner (2013), as well as Timmons and Bygrave (1986), describe how contributions beyond providing capital help EVs systematically increase their success rate.

We processed 18 research studies (see **Appendix A**) that investigated value-add activities from different perspectives to get a thorough understanding of what value-add activities exist, how these are categorized, and what effects they have on the VC-EV relationship. These studies will mark the foundation for the empirical research where our findings add to the literature and furthermore add insights about how value-add activities are perceived from a VC and from EVs in the earliest phase. To understand how VC firms can systematically help EVs to increase their success rate beyond providing more capital, Teten et al. (2013) identified seven levers, namely team building, operational improvement, perspective and strategic guidance, skill-building, customer development, analytics, and the VC firm’s network. Sapienza, Manigart and Vermeir (1996) found financial, strategic, and human capital to be most common from the VC perspective. Proksch et al. (2017) found consensus with the previously identified activities by Sapienza, Manigart and Vermeir (1996) but included operational support. He also agreed with Teten et al. (2013) that network provision is integral for the EVs' success, from the VC perspective. On the other hand, Gorman and Sahlman (1989) argue strategic analysis is the most common while financial assistance is the most important VC assistance for the EVs' positive development, from a VC and EV perspective. MacMillan, Kulow and Khoylian (1989) built their research on Gorman and Sahlman’s (1989) findings but created a more extensive list of value-add activities and categorized them into four main value-add activity categories, which are management selection, personnel management, financial participation, and lastly operations and development. MacMillan, Kulow and Khoylian (1989), Gabrielsson and Huse (2002) as well as Sahlman (1989) found that VC firms consider the most important activities to be acting as a sounding board, however, they treated VC firms as homogenous and did not assess the outcomes of the value add-activities. Timmons and Bygrave, (1986) researched value-add activities from an EV perspective and found that they considered finding key management members, credibility, strategy support, and network access as the most important ones. Saetre's (2003) most important value adds from an EV perspective go in line with Timmons and Bygrave (1986). While Flynn and Forman (2001) found multiple different value-add activities that VC firms consider to be important, the main categories outline the value perception of them, which are information gathering, establishing control centers, and the provision of resources. Sweeting and Wong (1997) presented the most important value-add activities from the VC side and found informal information sources, communication between VC and founder as well as monitoring and control of performance. Kaplan and Stromberg (2003) found a similar risk mitigation approach preference from the VC perspective because they found that VC firms consider rights for voting, cashflow, board, multiple stock classes, and liquidation to be of the greatest importance for the VC but also EV success. The VC firms wanted control if the performance of the ventures went bad and other control rights. In contrast, Fried and Hisrich (1995) who analyzed both perspectives found capital, access to operating services, network access, credibility, and CEO support to be the most important value-add activities. Another study by Gomez-Meija, Balkin, and Welbourne (1990) found the value add-activity categories with the greatest effects on the EVs growth and VC firm’s return on investment to be financial, boundary spanning, and managerial involvement, taking into account the EV and VC perspective, whereas Cumming, Fleming, and Suchard (2005) categorized them similarly with financial, strategic management, administrative, and marketing having the greatest effect on the EVs and VC firm’s success, all from a venture capitalist perspective. Murray (1996), who analyzed both perspectives found strategy and marketing support, operational skills, target market experience, recruitment assistance and rigorous financial controls as well as demanding targets to be the most important value-add activities. Hellman and Puri (2002) note that VC firm roles take much more than solely being the provider of capital, and rather having a monitoring role. The authors additionally bring to attention that there are further important value-add services i.e. the coordination of human resources, thus finding suitable co-founders and employees as well as shaping policies (Hellmann

& Puri, 2002). Eventually, the effect of VC firms is particularly pronounced in the early stages of a venture's development. Early-stage VC investment strategies and value-adds circle around both financial and managerial resources (Hellmann & Puri, 2002; Sørensen, 2007; Aspelund et al., 2005; Gerstein & Reisman, 1983) which provide significant value to the portfolio firms (Shepherd et al., 2000).

Research that focused on the venture capitalist's perspective found more value-add activities that increase control and information access to be important, whereas the EV perspective puts more importance on strategic advice, network access, credibility, and the support for further funding. When both perspectives were considered, it was a balance of papers that revealed giving strategic advice, funding support, network access but also control mechanisms. A pattern is visible that VC firms often seek to add control mechanisms but the EVs do not ask for it or demand it. Proksch et al., (2017) find that the characteristics of the EV are an important factor to determine what value-add activities are appropriate and needed. Hence, the need for specific activities differs according to the EV's needs. Sapienza (1992) further goes hand in hand with Perry (1988) when stating that the quality of the VC-EV relationships is especially important in the early days as the EV is seeking both financial as well as non-financial involvement in the early stages of their venture while ultimately seeking a mid to long term partner. Proksch et al. (2017) therefore also advised future studies to analyze what value-add activities are needed and relevant for what type of venture and if these are dependent on the EV industry to ensure that all ventures get the support they need to become successful. Since the study by Proksch et al. (2017) based their empirical analysis on VC investment deal proposals it is not verifiable whether they fulfilled their promises in terms of executing value-add activities. The findings are also based on the VC perspective and do not show how the EVs perceive the value-add activities and which one they assess to be most valuable for their success and growth. Their research falls short on theories that could explain the VC behavior and the reason for the involvement in the ventures. Furthermore, not all VC firms can provide appropriate expertise because they do not have the required knowledge for a particular industry, in which the venture might be operating (Proksch et al., 2017).

We ultimately decided on seven categories that entail all mentioned value-add activities in order to provide more consistency for our research. All seven categories seemed mutually exclusive and collectively exhausting. We identified these categories by engaging in a simple face validity test where we used our subjective judgment to gather value-add activities with a high degree of similarity into different categories where it seemed logical to do so. This approach is deemed to have high subjectivity but was considered appropriate for our research, based on the extensive literature review.

2.4.1 Financial

Financial improvements are typically either direct capital infusions from the VC fund or assistance in further fundraising activities from other VC funds that help the EV to overcome any capital restraints (Proksch et al., 2017). Alperovych and Hübner (2013) argue in their analysis that financial improvements, including capital provision and support to raise further capital, are the most common value-add activity and can be considered the core activity of a VC fund, especially for conventional VC firms. Whereas financial injections still remain important and do find consideration in this study, it should be noted that further value-add activities are also discovered to find out about their impact on the EVs.

Sapienza, Manigart, and Vermeir (1996) observed that time plays an important role in determining the value-add activities that a VC might engage in. The longer a VC is invested in a company the higher the likelihood that it was able to take advantage of all possible value-add activities and their benefits such as knowledge, network access, and reputation. The authors, therefore, argue that the greatest amount of value-add appears at the beginning of the relationship but certain activities take greater time to fully capitalize. With the EV having particular resource needs they will be more perceptive and open-minded at the beginning of the relationship (Sapienza, Manigart & Vermeir, 1996).

2.4.2 Strategic

While Busenitz, Fiet, and Moesel (2004) could not discover any significant evidence that the provided strategic advice adds value, yet they still found that the majority of VC firms offer strategic support. Gorman and Sahlman (1989) clearly state that the assist with strategy and strategic analysis is one of the most prominent value-add activities performed by VC firms, that helps EVs become more successful and grow. Sapienza, Manigart, and Vermeir (1996) agree the most crucial work of a VC in fact is strategic involvement and support that helps the EV with positive development. This is of great benefit especially when the management team has to postpone strategy planning and analysis due to the constant daily pressure and urgent tasks (Timmons & Bygrave 1986). Proksch et al. (2017) were able to find a moderate amount of VC firms mentioning strategic advice as an activity they will undertake, however, mostly in cases where the EV's founder had no prior strategy experience. The strategic support was given in the form of build-and-buy, market-entry, expansion, and overall business advice. However, Barney et al. (1994) presented the case that the possible value-added through strategic involvement depends on how receptive the entrepreneur is to the invested venture, and if there is a reluctance to take strategic advice no value can be added by the VC engagement. In this context, Fried and Hisrich (1995) called a VC firm a "relationship investor".

2.4.3 Governance

Proksch et al. (2017) reason that VC involvement with governance-related activities is high and evenly distributed across all analyzed VC firms. This also implies early-stage EVs, but they do not distinguish between the different stages that EVs can be in. The primary reason for this to be in place is to lower risk exposure from information asymmetry between the VC and the EVs (Proksch et al., 2017). It is further argued that activities such as board involvement, incremental financing, and setting milestones can incentivize the entrepreneur while reducing information asymmetries (Proksch et al., 2017; Cherif & Elouaer, 2008). According to Barney et al. (1989) governance-related activities are perceived to be more important when the degree of risk associated with the VC investment is high, as per definition in the early stage of an EV, more rigorous reporting standards are imposed by the VC and frequent meetings are required. Barney et al. (1989) discovered that the degree of involvement in terms of monitoring and control mechanisms comes down to the equity share the VC owns of the venture. If the EVs founder still holds a large percentage of the EVs equity, the EV's success is the main goal, due to the incentivization that the equity share increases in value (Sapienza & Gupta, 1994). The goals of the EV and VC thus would be aligned. In this case, monitoring would have the intent to assess the EV's founder's competence and judgment (Ruhnka & Young, 1987; Fiet, 1995). The greatest monitoring efforts were done in the early stages of EVs, where the highest uncertainty is prevailing, which resulted in the most face-to-face time between a venture capitalist and founder (Sapienza, Manigart & Vermeir, 1996).

Face-to-face time with the EVs founder acts as a governance mechanism to understand the competence and managerial ability of the founder (Fiet, 1995).

Sapienza, Manigart and Vermeir (1996) argue that any activity that increases information exchange between the VC and the EV reduces the risk of high uncertainty and enables the VC to add more meaningful value. They also find that VC firms with more experience demand less monitoring and information exchange. However, this seems to add value predominantly to the VC and not the EV, who are imposed stricter governance and control mechanisms. Ehrlich et al. (1994) found that some VC firms set reporting targets, and financial targets and expect monthly reports and operational control rights, such as veto rights for strategic decisions. Kaplan and Stromberg (2003) also had a strong governance focus in their research of value-add activities and found that VC firms typically demand additional rights, such as cash flow-, board-, voting-, liquidation-, imposition-, and veto rights. Sweeting and Wong (1997) found that VC firms impose monitoring mechanisms that give them access to informal and formal information from the EVs. Rosenstein et al. (1993) state that the biggest value-add in terms of governance is the board involvement. Both Hellmann (1998) and Lerner (1995) found that information asymmetry and eventually agency cost can be lowered by increased control rights in the company through activities such as board involvement. Gabrielsson and Huse (2002) found that VC firms purposely place board members on the EV they invested in to increase their influence, control, and access to more information. Alperovych and Hübner (2013) on the other hand argue that VC firms add direct value through their direct involvement with governance-related activities. Close supervision (i.e. monitoring) of portfolio firms may reduce agency costs (Jensen & Meckling, 1976) and increase portfolio firm performance as well as to detect potential problems (Sahlman, 1990; Admati & Pfleiderer, 1994; Lerner, 1995; Mitchell et al., 1997).

2.4.4 Operational

Operational value-add activities can be very broad and mostly depend on the venture's needs and industry but Proksch et al. (2017) found in their research that the VC firm's operational involvement has an impact on the venture's growth, efficiency, employment, and profitability. Many different possible activities such as technology advice, marketing plans, product development, operational planning, or developing the production process and service techniques may also be observed as value-adding activities. Chen (2009) observed that technology commercialization is increased through VC involvement and leads to better performance of the venture. Prelipcean and Boscoianu (2008) detected increased in-house R&D efforts which were permanent. However, based on Proksch et al. (2017) operational involvement was rarely mentioned and could be due to the limited resources and expertise of the VC firm.

2.4.5 Network

Sapienza, Manigart, and Vermeir (1996) explained how network support from VC firms and the available access to their network for the venture has a great impact on the ventures' success. VC firms are able to leverage their networks in order to match the venture with new potential business partners, suppliers, clients, or new employees (Gorman & Sahlman, 1989; Timmons & Bygrave, 1986). The less experienced the CEO, the fewer industry-relevant contacts he/she likely possesses, and therefore a greater need for network rises towards the VC. Moreover, VC firms can use their network to appoint outside directors who are independent but have the relevant industry expertise (Suchard, 2009). Proksch et al. (2017) discovered that network support has lower importance than strategic and financial support and is only moderately mentioned in investment deal papers of VC investments which shows some reluctance from the VC side to give network access to the venture. This is contradicting previous literature findings but still revealed that VC firms connected their ventures to different institutions, customers, advisors, and agencies (Gabrielsson & Huse, 2002).

2.4.6 Human Capital

Besides human capital being one of, if not the most important asset that VC firms capitalize on, venture capitalists further assist in matching external human capital with the EVs to create greater synergies (Timmons & Bygrave, 1986). Something related to network access is the value-add activity of human resource recruiting (Hellmann & Puri, 2002) and especially the assistance in top management recruitment (Gorman & Sahlman 1989). Hellmann and Puri (2002) as well as Timmons and Bygrave (1986) further found that the VC firm often takes care of finding a new, outside CEO to replace the founder who might not be capable of leading the venture. Findings by Proksch et al. (2017) were similar and support the theory that VC firms add value through human capital support. They detected the support areas concerning recruiting, promotions or dismissal issues, and salaries and remuneration. Moreover, Gabrielsson and Huse (2002) found that VC firms prefer an EV where the required human capital support is low, with a complete management team that possesses the appropriate experience and expertise to spend fewer resources on the issue. Yet, Hellmann and Puri (2002), Timmons and Bygrave (1986) as well as Gorman and Sahlman (1989) all found that improving the human capital of the invested venture and supporting management recruiting, like finding key management personnel, are two of the most frequently performed value-add activities VC firms engage in. MacMillan, Kulow and Khoylian (1989) also discovered that venture capitalists often possess a lot of experience and expertise that can help the existing EV management team to further develop their required skills. Colombo and Grilli (2009) depict that the coaching and mentoring which improves the human capital of a venture in terms of skills, abilities, and knowledge is a strong driver for venture growth.

2.4.7 Legitimacy

The last category of value-add activities that is only mentioned in four of the analyzed papers is the act of adding credibility and legitimacy to a new venture. However, Zimmerman and Zeitz (2002) depict in their research the great necessity for young growing ventures to build legitimacy. Saetre (2003) discovered that EVs would choose VC firms that offer great credibility over those that do the opposite. He argues that this credibility can sometimes be an interest magnet for the venture because suddenly other VC funds are getting interested in the venture, solely because of one particular VC with a great reputation and brand image, that invested in the EV. Steier and Greenwood (1995), as well as Zimmerman and Zeitz (2002), also argue that the legitimacy of a venture can increase when a well-known VC investor invests in them which leads to greater access to future financing and access to other key resources, contacts and human capital. Timmons and Bygrave (1986) also argue that credibility helps the venture to create strategic partnerships with various stakeholders. High potential employees or clients get interested to work at a new venture when the legitimacy increases because its growth potential is validated by a prominent VC fund investing in it (Steier & Greenwood, 1995; Timmons & Bygrave, 1986). Booth and Smith (1986) as well as Megginson and Weiss (1991) call it certification, which is the concept that VC funding in a venture is a signal of quality. Large and Muegge (2008) found that especially for technology EVs credibility is considered a critical success factor. The earlier a VC with a reputational brand invests the better for the venture because it lowers future other VC fund due diligence efforts since their credibility has increased (Zimmerman & Zeitz, 2002).

2.5 Risk Mitigation Mechanisms

To decrease agency costs it becomes crucial for the VC to have appropriate performance and management control mechanisms in place to successfully monitor the EV's development. As Cummings (2006), Gompers (1995), Bary (1994) and Trester (1998) found in their research, close to all VC transactions use convertible securities as part of their management control. As discussed before in section 2.4.3, taking a direct influence as being part of the board in the venture may have risk-mitigating implications, however, is followed by the issue of requiring substantial human resources (Sahlman, 1990). Further, Sahlman (1990) claims that measures include a staging approach for the capital they commit, to avoid investing their full amount into a failing project since it leaves them the option to withdraw from the investment and having more managerial control at every stage. This assures constant reevaluation, lowering the sunk cost dilemma and reducing losses from unsuccessful ventures as also described in the following sections (Cherif & Elouaer, 2008; Pierrakis & Saridakis, 2019). Additionally, financial contracting has been realized as a necessary management control and risk mitigation tool, mainly to avoid moral hazard related issues through the principal-agent dilemma (Jensen & Meckling, 1976). To lower these agency costs, Sahlman (1990), Reid, Terry and Smith (1997) as well as Kaplan and Stromberg (2003) depicted how contracting in the VC industry can reveal information asymmetries between both parties. Hence, for financial contracts to mitigate risk and agency problems, they have to be set up flawlessly where the principal is required to foresee any possible future challenges and contingencies (Pierrakis & Saridakis, 2019). Elitzur and Gavious (2003), however, assess the contracting from the EV's view and concluded that optimal contracts are backloaded, meaning incentive payments are getting paid in later stages of the financing round and not in the early stage of an EV.

2.5.1 Incremental Financing

Incremental investments create the possibility of abandonment and therefore minimize the agency cost as well as mitigate investment risks due to its staged process (Cherif & Elouaer, 2008). The agency problem is reduced since new information is revealed throughout the lifetime of the invested EV, which is not possible to assess in a single financing period where further funding is typically tied closely to the achievement of pre-agreed milestones (Pierrakis & Saridakis, 2019).

Therefore, active involvement in the EVs' operations and strategic decisions are necessary for the VC to assess how EVs are developing which can lead to a lowered risk of moral hazard due to the continuous gathering of information and the monitoring of the EVs projects (Cherif & Elouaer, 2008). Together with a VC's investment, many contractual implications for each party arise, however, the VC firm usually assigns goals that the EV ought to reach over predefined periods, otherwise the option to abandon the venture is applicable. While this approach is incentivizing the venture to use the invested capital wisely and to develop the venture, this measure also has drawbacks as it can slow the EV's growth (Pierrakis & Saridakis, 2019). Eventually, Cherif and Elouaer (2008) found that incremental financing can act as a successful mechanism to reduce information asymmetries while Mason and Harrison (2002) have found that incremental financing achieves greater returns compared to all at once investments.

2.5.2 Syndication

With investment syndication, Gompers (1995) and DeClercq as well as Dimov (2004) present another management control mechanism that ought to mitigate the risk of a VC investment. Syndication aims to lower risk as multiple independent VC funds with possibly different performance expectations from their investors mutually agree that an investment will bear *abnormal* returns (Driscoll, 1974). This gives the other VC firm confidence in the investment due to the combination of expertise, the conformation of an investment strategy, greater monitoring, and support (Sah & Stiglitz, 1986; Cherif & Elouaer, 2008). Due to the nature of asymmetric information and high risks in VC investments, the funds seek to lower such by partnering up for a financing round of an EV (Brander, Amit & Antweiler, 2002; Hayes, 2021). Casamatta and Haritchabalet (2007) discovered that syndication with dependence on the venture capitalist's experience can ultimately have a positive impact on the performance of the VC funds investment.

2.5.3 Specialization versus Diversification

Bygrave (1988) argues that a specialization strategy of a VC firm, on certain industries or an investment stage, can lower their risk exposure and give them more specialized access to networks, information and deal flow. He argues that specializing increases the expertise of the VC firm in the specialized industry or stage. Norton and Tenenbaum (1993) also found that specialization investment strategy is a valid approach for risk control but also argue for diversification in different industries and EVs. Buchner, Mohamed and Schwienbacher (2017) hand found that a greater diversification reduces fund risk and allows for a riskier EV selection because the strong diversification offsets the increased risk from the individual EVs. Norton and Tenenbaum (1993) furthermore found that VC firms that specialized on investing into EVs in seed rounds showed a less diversified portfolio when it comes to industries.

2.6 Summary and Preliminary Framework

The literature review suggests that based on the resource dependency theory, the EVs are in need of scarce resources and the VC firms are in a position to supply these required resources. In their relationship, expectations arise that the VC, together with their investment, will supply the EV with the resources they need in order to grow. However, due to the explained agency dilemma, the resources that the VC intends to supply might differ from the expectations of EV because the VC, according to agency theory, will also provide resources and activities that will lower their risk potential thus aiming to mitigate information asymmetry and increase control. With the focus on early-stage EVs, the EVs' resource dependency is great because they possess less or even no assets and resources. Due to limited tangible value creation in the early stages of an EV, the VC firm's information asymmetry is even greater than in later stages and based on agency theory would lead to an increased focus on activities that lower the information asymmetry.

The framework deals as a comprehensive illustration of how theory interacts within the VC-EV relationship as well as what effects value-add activities have on the theory (See **Figure 3**). Traditional early-stage VC provides certain value-add activities that the EV needs to grow its business. Therefore, the EV is dependent on these activities which are marked through the backward-pointing arrow on the upper EV side. Here, the value-add activities are not only provided by the VC but also sought by the EV. We identified seven value-add activities that appeared to be MECE which is why the bubbles touch but do not overlap. On the flip side, the agency dilemma is illustrated through the forward-pointing arrow starting from the VC. The principal, in this case, the VC, continues to provide the EV with value-add activities. However, the governance-related activities in conventional early-stage VC deal to reduce the agency dilemma. Therefore, control mechanisms are infiltrated to especially mitigate risks as well as remedy information asymmetry. However, due to the aforementioned dire need for value-add activities, the EV takes these mechanisms into account as they are dependent on the VC's bundled support. Consequently, value-add activities meet different expectations and perceptions on both ends.

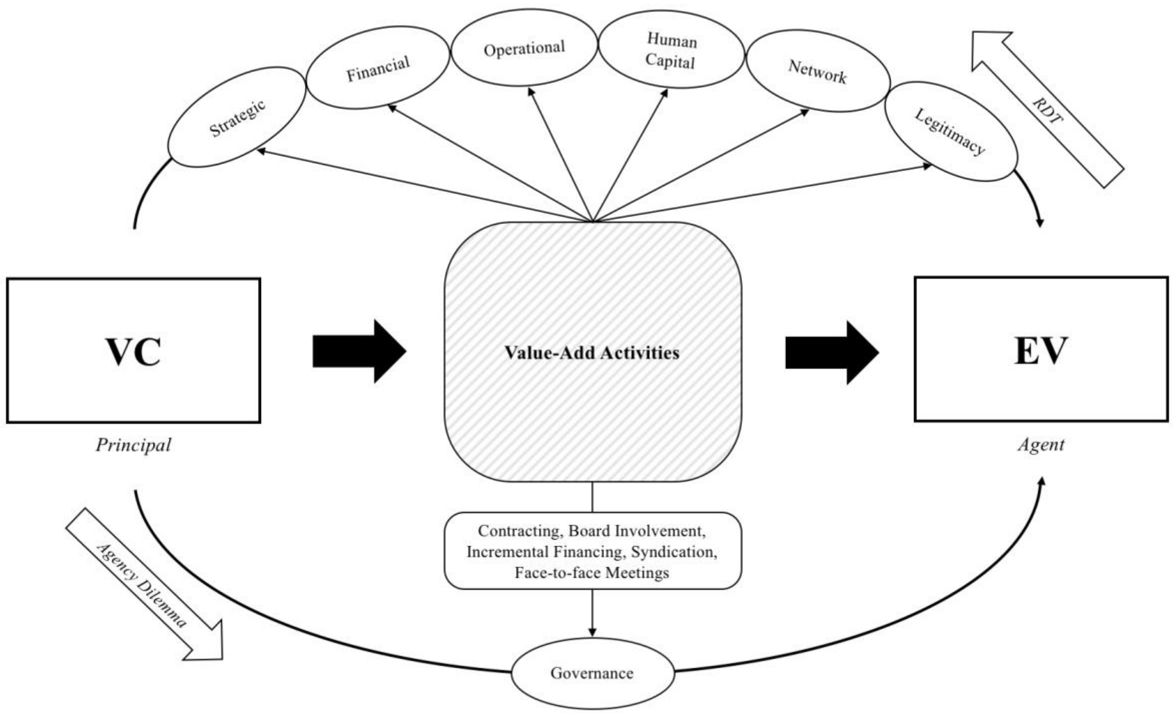

Figure 3: *Preliminary Framework of the Research Study*

3. Methodology

This chapter aims to introduce the rationale of qualitative research in the context of the research study while mentioning specific designs, carefully reflecting on our role in the study, drawing from a list of data sources, using specific protocols for recording data, analyzing the information through multiple steps of analysis, and listing approaches for documenting the methodological integrity or accuracy of the data collected are all part of the process (Creswell & Creswell, 2018).

3.1 Research Design

The purpose of this thesis is to investigate and comprehend value-add activities of early-stage VC investment strategies and find out about the effects of these activities and the relationship between the provider and the recipient. The research design is considered a plan that lays out the process between the research question, the data collection, and its analysis (Saunders, Lewis & Thornhill, 2011). For this study, an abductive research approach was selected (Creswell and Creswell, 2018). The research question is reinforced and discussed further under:

What effects do value-add activities have on the early-stage VC-EV relationship?

The research question is derived through the literature review within the field of early-stage VC value-add activities. By conducting a qualitative study, we gained an understanding of specific phenomena or issues with more information within the context of the VC case company and its EVs (Bell, Bryman & Harley, 2019). A constructionist worldview builds the basis for the interpretation of words and sentences of the qualitative data. This creates a worldview that was deemed suitable to explore, analyze and discuss the phenomena of early-stage VC investments and the different value-add activities that VC firms can provide, what implications they have on the VC-EV relationship, and how their importance for the EVs' positive development is perceived (Creswell & Creswell, 2018; Bell, Bryman & Harley, 2019). The qualitative approach was considered suitable because the perception of different value-add activities and their effects build the basis for the understanding of the phenomenon emerging in early-stage VC investments. Moreover, the abductive approach offers a pragmatic and more flexible way for complex research topics, such as value-add activities and their effects (Bell, Bryman & Harley, 2019). The abductive approach further enables us to deductively explain identified phenomena while also inductively drawing conclusions from the empirical data. It is a viable alternative that is acceptable for this research since it allows for iterative advancement between theory and analysis (Creswell & Creswell, 2018).

A qualitative research technique enables an interpretative and naturalistic approach to understand the underlying factors that drive an early-stage VC (Robson & McCartan, 2016). We have contemplated using a quantitative method, yet collectively concluded that qualitative research will increase the chances of finding appropriate answers about the effects of value-add activities on the VC-EV relationship and its perceived importance. To further understand the dismissal of a quantitative approach is that such merely focuses on correlations rather than understanding concepts and experiences (Creswell & Creswell, 2018). A qualitative method additionally allows for the evaluation of all relevant data and is critical in this study's design. A deductive strategy, as defined by Bryman and Bell (2011), entails evaluating known theory and, as a result, deducing the operational parameters of how data is gathered. This technique is ignored as a stand-alone feature since it mostly entails testing and falsifying hypotheses, which is insufficient for the full investigation, in our eyes. As evidence is gathered, the study shifts to an inductive approach, in which theory is generated from empirical investigation.

Despite using the case-VC's resource provision as the main topic we do not consider this research project a single case study. The research study rather resembles a multiple-case study technique due to the focus on the effects of the resource provision embedded in each VC-EV relationship. Thereby, each interviewed EV represents a single case, comprehending for an overall multiple case study. The interview questions begin with "what" and "how", implying an attempt to shed light on a collection of decisions (Schramm, 1971). Furthermore, the questions aim to focus on the complexity and diversity of value-add activities in the VC-EV relationship. Further, Bryman and Bell (2011) believe that evidence gathered from several cases is more compelling and hence more reliable than evidence obtained from a single case. Also, multiple-case studies allow for a larger study of theory and the development of more convincing theories since the proposals are more sound (Eisenhardt & Graebner, 2007). Because the study necessitates the utilization of substantial resources and time, multiple-case studies should be chosen with caution if investigated by a single student or investigator (Yin, 2009). To overcome this obstacle, we worked together as two investigators.

3.2 Selection of Case Company

Proksch et al. (2016) as well as Alshaikhmubarak (2021) present the significance of value-adding activities in practice but also explain their complexity and diversity. We aim to contribute in-depth knowledge of this topic to research literature, especially in the identified very early-stage of VC investments (Proksch et al, 2017; Alshaikhmubarak, 2021). We seek to counteract this lack through the collaboration with Antler, a globally operating early-stage VC. Antler uses an uncommon human centric approach that identifies high potential founders to capitalize on. Antler further grants access to these founders which will benefit this study's goal to investigate the direct effect of value-add activities. Therefore, first-hand experience from both the VC as well as from the EVs will allow insights into the different perceptions and find further evidence of the relationship and respective resource provision and reception.

3.3 Data Collection

Our data collection process starts deliberately vague by researching the early-stage VC field while gradually funneling down to assess existing literature and theory, and ultimately ending with an empirical cross-sectional multiple-case study (Creswell & Creswell, 2018). Besides others, the following keywords are central to the research: early-stage venture capital, value-add activities, resource dependency, and agency theory. When conducting research, acquiring primary data is critical since it not only aids in a better understanding of the deduced preliminary framework but also helps to modify and enrich existing theories about the chosen research topic and eventually induce new theory (Bernard, 2018). Therefore, interviews in a semi-structured manner were used to acquire primary data for this study. A qualitative multiple-case study was conducted in conjunction with Antler*,* centering the goal to explore and understand the VC-EV relationship regarding the perceived value-add activities. Both the VC firm and the EVs varied in their business models and experiences, therefore a pre-categorized interview guide (See **Appendix B**) was employed to guarantee answers to specific areas of the study (Creswell & Creswell, 2018). The interview guides provide respondents with a high level of flexibility and allow them to express their own thoughts while also allowing us to drive the interviews in the most helpful way through follow-up questions and probes (Bell, Bryman & Harley, 2019). Interviews with the EVs were targeted whereas our premise was to investigate EVs that have their offspring from Antler's cohort program, are part of Antler's current portfolio, and therefore received initial funding from Antler. We chose to conduct research with EVs preferably operating in different industries to find differences in resource provision. Regarding the interviewees at Antler, we ought to have a good mix of different seniority levels, but most importantly sought to gain insights from senior management and partners due to extensive expertise, involvement, and knowledge.

The semi-structured interviews ensured that important subjects were explored to acquire the necessary data from both the VC and the EVs perspectives. Despite allowing for some flexibility while still covering key components of the theory and the conceptual framework (Bell, Bryman & Harley, 2019), semi-structured interviews, however, surface the problem of resulting in discrepancies in the data acquired because each interview could take different directions. Structured interviews and closed questions may have averted this discrepancy (Collis & Hussey, 2013). However, for the purposes of this study, we consider that the flexibility given by semi-structured interviews exceeded a closed-question method since we were able to actively investigate pertinent issues (Bell, Bryman & Harley, 2019).

A pilot interview was conducted before implementing the guide for all interviews with the same recurrent questions. A total of 12 interviews were performed. Five of these were conducted with the VC while the remaining seven were conducted with the EVs. Out of these seven, however, only six were used as two independent interviews accounted for one EV (See **Table 1**). About eight hours of interviews were performed in total. Because of the geographical distance, interviews were held through online video conferences via *Zoom.* According to Curasi (2001), the video interviews have potentially made it impossible to create and sustain a personal contact with the interviewers, which may have reduced the quantity and quality of facts revealed. However, we are convinced that the data collected meets the study's objectives and answers our research question. Although informal controls are abstract phenomena that are difficult for interviewees to focus on, we cannot rule out the possibility that other data collection methods, such as observations, might have extended our understanding of our findings. Additionally, when the participants gave their agreement, the interviews were concurrently and automatically recorded and transcribed using the transcription software *trint*. Instead of taking notes on the side, we were able to fully concentrate on our interview partner.

Table 1: *Overview of Interviews*

No.	Company	Industry	Pseudonym	Interview Partner & Position	Date and Time	Time in min.
1	Antler	Early-Stage VC	Josefin	Working Student	May 10th, 4:00 pm	51 min
2	Antler	Early-Stage VC	Tim	Associate	May 2nd, 1:30 pm	55 min
3	Antler	Early-Stage VC	Pauline	Managing Director	May 9th, 3:00 pm	53 min
4	Antler	Early-Stage VC	Oscar	Partner	May 12th, 10:45 am	49 min
5	Antler	Early-Stage VC	Ruben	Partner	May 12th, 11:45 am	56 min
6	EV 1	FinTech	Luke	Co-Founder	May 6th, 13:30 pm	46 min
7	EV 2	HRTech	Jacob	Co-Founder	May 6th, 10:30 am	43 min
8	EV 3	HealthTech	Steve	Co-Founder	May 10th, 11:30 am	40 min
9	EV 4	ClimateTech	Max	Co-Founder	May 11th, 1:00 pm	47 min
10	EV 5	BioTech	Ben	Co-Founder	May 12th, 9:45 am	48 min
11	EV 6	CreatorEconomy	Jane	Co-Founder	May 12th, 6:00 pm	42 min

To further support our study additional sources, consist of both free, online literature databases such as Google Scholar, Scopus, Directory of Open Access Journals (DOAJ), and ResearchGate, but also those available through the University's academic library i.e. LubSearch to ensure credibility for both methodology and theory. Moreover, we will study papers addressing early-stage VC investments, VC value-add activities, and VC risk mitigation practices. We used journals[1], VC reports, company publishings, academic books, and monographs to gather mainly qualitative information.

3.4 Data Analysis

Eisenhardt (1989) made it evident that for case studies the data analysis is the most crucial part, while also being one of the hardest ones. Using data to answer the research question the analysis of the data must be done in a structured and consistent way. We had to be aware to not go native, meaning not to take any sides while asking or analyzing questions in the interview (Creswell & Creswell, 2018). After the interviews, the process of transcribing the data begins where we gained a general understanding of the gathered data in order to have reliable data in text format that can be used for the analysis. Furthermore, we aimed to not withhold any results or simply disclose positive results (Creswell & Creswell, 2018).

To analyze the empirical data collected from the interviews we used three phases, as recommended by Rennstam and Wästerfors (2018) – first sorting, second reducing, and third augmenting. This data analysis approach gave us a concise overview of certain phenomena and topics that emerged to be most relevant to answering the research question. The thorough analysis resulted in familiarization with the data, which created a basis where topics and categories were able to surface to answer the research question. An iterative approach to these three phases was helpful to discover new phenomena, topics, and themes. This process was deemed crucial because an abundance of data is needed for sound qualitative research (Rennstam & Wästerfors, 2018). Rennstam and Wästerfors (2018) argue that a sequential and methodical approach in the data analysis process is well-proven for interviews and the resulting qualitative data.

[1] Including Journal of Entrepreneurial Finance, Journal of Financial Economics, Strategic Management Journal, and Journal of Business Venturing

3.4.1. Sorting

According to Rennstam & Wästerfors (2018) the sorting process is the initial step to bringing order into the unorganized qualitative data collected from the interviews. At this stage, we introduced the deductive part of the abductive research process because the sorting was guided by predefined value-add categories which were derived from literature and overarching dimensions to differentiate certain themes and topics. To avoid biases, the empirical analysis started with reading all the interview transcripts without considering the interview guide. We aimed to foster openness when identifying different viewpoints and statements that could help us answer our research question, but also recognize phenomena that might be of great interest because of their novelty. Therefore, the process was characterized by iterative re-reading the transcribed material to not overlook any relevant data. Rennstam and Wästerfors (2018) suggest observing statements that were surprising, recurrent, or contradicting. We started to organize the empirical findings into the predefined categories of value-add activities and other thematic categories that seemed important for the VC-EV relationship. This enabled us to connect the data to the same categories with the findings from literature, and therefore test them more effectively with the preliminary framework. The semi-structured approach facilitated the discussion of frequent topics to identify and further investigate. More comprehensive categories started to emerge, and the predefined categories seemed appropriate to categorize the statements about value-add activities. Throughout this process, first findings of the non-MECE categorization emerged due to intersections between the individual activities. Doing the process iteratively, switching between the categories and raw data, quickly revealed more linkages between the pre-identified categories and new information. The process stopped when no new categories were emerging or deviating (Rennstam & Wästerfors, 2018). After the point where the categories were covering all important dimensions, the coding and labeling of the newly identified categories began, with the goal to use predefined and newly discovered themes that would be suitable to answer the research questions. This approach certainly possesses many risks, as qualitative studies produce an abundance of data, which will be interpreted with a bias, in the sense of what is considered interesting, relevant, and surprising (Rennstam & Wästerfors, 2018). Furthermore, attempting to place data in predefined categories is accompanied by a bias. However, since this approach is chosen to deductively test the identified categories it seemed appropriate. Furthermore, to successfully finish a sorting process, we had to be free from wishful thinking, preconceived notions or stereotypes (Creswell & Creswell, 2018).

The authors challenged each other to be skeptical about their sorting decisions and each other's interpretations, ideas, and thoughts. According to Rennstam and Wästerfors (2018), the resulting data from qualitative research is never sorted without any bias or ambiguous interpretations.

3.4.2. Reducing

The second phase of the data analysis process from Rennstam and Wästerfors (2018) inherits the reduction of the established categories into less and more prominent categories. Whereas the authors appealed to pay attention to the risk of having too many categories as these would potentially exceed the scope of the thesis and overlook its purpose, we reduced the number of categories to be more specific in the findings and discussion (Rennstam & Wästerfors, 2018). We, however, had to be aware not to reduce too much, which would result in fragmented data. This is where our predefined categories created a good narrative with prominent categories and further allowed the new categories to hold their place, instead of reducing and then trying to find a narrative (Atkinson, 1992). We kept a constant dialogue about the most distinguished categories in terms of volume and empirical richness and how the predefined ones were showing first signs of weaknesses. Naturally, categories with more interesting data sets began to take the lead and got supported by related sub-categories. Clear concepts, perceptions, and statements were color-coded with green and ambiguous concepts were color-coded with red. This method refrained us from deleting quotes we deemed not important, which could be of greater interest in the discussion phase. This allows a re-interpretation in the later stage of the data analysis while creating a clearer picture of core concepts in each category (Rennstam & Wästerfors, 2018).

3.4.3. Arguing

Argumentation for the empirical findings presented the last process of the data analysis process. Without an argumentation, only statements from labeled categories that were sorted, and reduced would be presented, not revealing much other than the statement itself (Rennstam & Wästerfors, 2018). In this phase, our abductive approach was leveraged because we were able to argue for the empirical findings by inductive reasoning and adding perspectives, nuances or concepts while still opposing and testing the established ones, derived from the literature review.

We furthermore contributed to the existing literature by presenting new phenomena and theorizing them, without taking a subordinate position to existing theoretical frameworks and research. This phase presents more than just the plain data, it is about iteratively arguing in the scope of the identified empirical data, resulting in a more varied and diverse understanding (Rennstam & Wästersfors, 2018). This was helpful to elaborate and discuss the differences in the empirical findings and existing concepts, to understand their usefulness and contributing nature, practically and theoretically. The testing of existing literature with our empirical findings resulted in new concepts, contradictions, and suggestions for alterations. The theorization of new findings must be related and relevant to existing literature and the current understandings, all within the study scope (Rennstam & Wästersfors, 2018). The risk with arguing and theorizing empirical findings is the exaggeration of the possible contribution and presenting it too opinionated. Moreover, being too modest about the findings also poses a risk. Hence, we attempted to place our empirical discussion in the academic field while arguing for our findings without sacrificing our academic integrity (Rennstam & Wästerfors, 2018). This was achieved by supporting our findings with the data from the data analysis because Rennstam and Wästerfors (2018) argue that empirical statements are not fully understood without any concepts to relate them to.

3.5. Validity and Reliability

In research, validity, and reliability are terms mostly used within quantitative studies, thus, we adopted Lincoln and Guba's (1985) criteria of trustworthiness and authenticity which are interchangeable with validity and reliability when conducting qualitative research. Trustworthiness is split into four sub-criteria, namely transferability, dependability, credibility, and confirmability.

We aim for transferability of the study due to well-established databases and thick descriptions and explanations of the research strategy and a solid framework for comparison in future research (Merriam, 1998). This will provide transparency in the way we displayed context to our research study and the role of Antler as the case company to potentially deal as a foundation for future research within the respective field. Dependability was taken into consideration throughout the mid-seminar's peer-reviews as well as through constant interaction with the supervisor. Both methods were established to create an external audit that would contest our research results. However, the audit was confined to the findings of the results section, which were accessible during the mid-seminar. Because the auditors were not given access to the complete dataset, they were constrained in their capacity to validate and scrutinize the data in its totality, which may have harmed the data's dependability. We further used evidence from different data sources to corroborate the same finding in their data collection (Creswell & Creswell, 2018). Credibility was established by validating the interviewees during all interviews by sharing the transcripts and highlighting the data we used for the empirical findings and analysis section of the study. Presenting negative and discrepant information will contribute to the accounts' credibility and transform the multiple-case study into a more realistic and approachable one (Creswell & Creswell, 2018). As a result, the credibility requirement can be assessed as sufficiently met. We addressed confirmability since perfect objectivity in a constructivist investigation is impossible to achieve. We stayed conscious by taking regular breaks to reflect and talk about how our preconceptions, biases, values, and personal backgrounds were influencing the investigation (Creswell & Creswell, 2018).

Moreover, member checking and peer briefing helped to verify reliable, bias-free data to reduce subjectivity of scrutiny (Creswell & Creswell, 2018). The presentation of our empirical results and our intellectual contribution to academia were the focus of these measures. We are certain that, despite the study's qualitative nature, the validity and reliability are sufficient because we took these criteria into account throughout the writing process. We are aware that our research was focusing on topics we found interest in and, hence, left out potential other topics relevant to the field. Our prejudices are likely to have interfered with our objectivity when researching subjectively intriguing issues. Despite upholding external reliability as described above, we also ensured internal validity through clear communication, documentation, and cross-checking of the established codes while upholding continuous reflexivity (Creswell & Creswell, 2018).

We read Kvale's (1996) list of criteria for organizing good interviews before conducting the interviews. Knowledgeability, structure, and clarity are among the characteristics listed by Kvale (1996). We performed a pilot interview with an associate at Antler versed in the theoretical elements of perceived value-add activities and the explicit experience to date. This facilitated the improvement of the interview process, sharpened the requirements in following interviews, and received confirmation to ask certain questions that resulted in expedient answers. The pilot interview resulted in an alteration of the questionnaire and two questions were deleted respectively. The pilot interview proved to be an important factor that contributed to the study's findings due to the enhanced quality of the interviews' output.

3.6 Ethical Considerations

The significance of ethical issues, particularly for qualitative research, is generally recognized among academics and we were prepared to deal with them (Creswell & Creswell, 2018). We, therefore, have been practicing ethical behavior throughout this thesis to anticipate any ethical concerns that may arise prior to the investigation. Because the conclusions of this study are based on data collected from individuals, addressing these ethical concerns is a critical step for us as researchers to safeguard our participants, maintain the study's integrity, and guarantee that there are no violations (Israel & Hay, 2006). We articulated the ethical implications for Antler as a firm, as well as for all stakeholders involved in the study, be it employees or portfolio companies throughout the process. We explained who we are, what our aim was, indicated their advantages for joining, specified their degree of engagement, guaranteed participant anonymity, assurance of withdrawal at any time, and our contact data for more information and inquiries. Obtaining these permissions, as stated by Sarantakos (2005), is an ethical need before beginning to collect data as well as increases transparency for all parties involved. Together with Antler, we documented in written and oral format that statements will be anonymized, names will be pseudonymized and interviewed EVs will be also kept anonymized while only referring to the operating industry if needed. We restated all the previously supplied information before beginning each interview to ensure the respondents' full agreement and to offer them another option to decline their participation (See Beginning of Questionnaires in **Appendix B**). After each interview, we notified the participants about data processing, statement verification, recording deletion, and how to contact us if they had any additional questions or concerns.

4. Empirical Findings

The previous chapter delivered an introduction of this study's participants alongside with the motivation of the research. Going forward, the following sections will provide the reader with a better understanding of the findings derived from the 11 interviews. Furthermore, an introduction of both the VC as well as the EVs is mandatory to further follow the relationships between the two parties and gain an overall understanding of the contextual situation.

4.1 The Antler Process

Founded in Singapore, Antler is a globally present early-stage VC with offices in the world's most significant innovation hubs around the world including Stockholm, Copenhagen, New York, Toronto, London, and Berlin (Antler, 2022). Since its launch in 2017, Antler has attracted about 60.000 applicants to its programs and only invested in the top 1% of founders (Antler, 2022). The current portfolio stretches over 30 different industries, including HealthTech, PropTech, DeepTech and FinTech. Antler's unique selling proposition centers on the idea to support EVs from the very beginning through experienced entrepreneurs, investors, and company builders while creating long-term relationships (Antler, 2022). This research study was conducted with the 2020 opened Berlin office which accounts for the VC's DACH region's point of contact. To date, Antler Berlin has invested in 16 EVs.

Antler's business model starts with a unique process to find the best possible founders and eventually the most promising EVs. ”*It's all about the people”,* partner Ruben adds when asked what makes Antler so special. To find the right people, Antler takes extensive screening processes into account when selecting people for their cohorts twice a year. Per cohort, between 1.500 and 1.600 applications are not only submitted but also read through with meticulous care by both associates and working students. When narrowing down the scope of potential candidates, Antler continues to have a little different approach. Several stages of interviews including IQ tests and case studies will be conducted with senior management. Eventually, only around 3-5% of the initial applicants will be selected, thus, “*the acceptance rate is minimal"*, as Josefin confirms. The selection process potentially marks the most important phase for Antler. Typically, both partners "*spend x the amount of time that the typical VC partner would spend with one of their portfolio companies".* At the beginning of the cohort, also referred to as phase one, Antler establishes "*different masterclasses*" (Pauline). In this phase "*we will have team challenges, tech challenges, founder stories, founder panels and a huge range of different things that will support the founders and essentially their new journey."*, she adds. Within these first 10 weeks, all founders are working onsite in the Antler office, thus, founders are encouraged to get to know each other and to potentially find their future co-founder. In phase two, the by-then established teams find themselves in an iterative process of generating ideas, business models and new EVs, eventually attempting to convince Antler to receive initial funding. Pauline described the second phase, post-investment, as such: "*The crescendo of phase two, that's where we have set up monthly meetings with teams or in some cases twice monthly depending on their priorities, depending on how much support they need".* Here, Antler provides and orchestrates all necessary resources to best support the founding team.

Regarding Antler's unique business model and all its underlying value-adding processes, the early-stage VC's understanding of its position in the respective industry becomes noteworthy. Antler therefore revolutionizes the early-stage VC industry through the "*level of professionalism that is provided during that stage*" (Pauline). In addition to its differentiation strategy, Antler also does not see itself as *"a competition to any of the other early-stage VCs, but really a partner and a provider of deal flow for them also"*, Ruben says. Whereas Pauline explains that conventional early-stage VC firms are essentially partners that work with an EV to provide a capital injection and help them grow, Antler operates "*one step before*" (Oscar). Oscar furthers his statement and adds to be "*the first institutional check"*. Hence, Antler "*is really institutionalizing an investment stage that so far does not know any professional investors"* (Oscar). Whereas conventional VC firms specialize in one or few industries, Antler puts attention to the type of support that depends on what is being built. Here, both partners agree that "*the idea the founders come with is super secondary in our process*" which leads to a "*systematic advantage"* for Antler as Ruben elaborates. Eventually, one of the founders, Ben, uses a metaphor to describe the Antler process: "*If they had built this particle collider where they put different molecules together, accelerate those, bring them together, and then something new out of that can come that would not otherwise be possible".*

Antler describes itself as a long-term partner, with the opportunity to "*steer and guide those founders for the longer run*" (Oscar) which is possible because of their fund life-cycle: "*Because we're so early in any company, it is going to take seven, ten years anyways until they potentially exit.* [...] *We can hold our investments for a long time.* [...] *the life cycle of our fund is ten years. And we can extend it by up to two years".* This allows Antler to provide meaningful long-term support for the positive development of the EVs.

4.2 Introduction of Entrepreneurial Ventures

Besides substantial drive and spark, all founders demonstrate impressive experience before entering the respective cohorts (See **Table 2**). Experiences range from investment banking over innovation strategy to running a family-owned business. To give an example, Jane worked in "*every aspect of the value chain, from dealing with the factories to the production line to R&D"*. Similarly impressive was Steve who previously was involved in "*entrepreneurial projects*" when "*transforming one of the largest FMCG organizations worldwide*". Some founders also worked in the VC space themselves and thereby brought valuable insights from the other perspective as well. Other founders started building a venture before as Steve depicts having "*no direct startup experience other than trying twice before and failing both times".*

Table 2: *Overview of relevant EV Information*

Industry	Pseudonym	Previous Experience
FinTech	Luke	Investment Banking, VC, Venture Building
HRTech	Jacob	Business Development, Strategy Consulting
HealthTech	Steve	Innovation Strategist, FMCG, Consulting (Healthcare)
ClimateTech	Max	Business Development (Electromobility)
BioTech	Ben	Business Development (Pharmaceuticals)
Creator Economy	Jane	Business Development, M&A, Marketing, FMCG

While the founders' professional experiences differ, reasons to join Antler were cohesive throughout all interviews. Within their argumentation, the founders state that Antler's partners are "*incredibly valuable*" for their journey. Furthermore, Antler's extensive screening process turns out to yield significant value for the founders as well. Jane explains that finding people who complement her and who can "[...] *share the same vision and drive*" is what motivated her to apply. Similarly, Steve explains: "[...] *rather than you going to a million meetups and doing networking* [...]. *They do this entire vetting for you".* Both Jane, Max, and Jacob came for the same reasons mentioned by Steve whereas Jacob also explains that Antler buys the founders "*peace of mind*" through this process. Therefore, finding key personnel circles around one of the most significant reasons for founders to apply, yet for Luke, it is not the co-founder but rather a Chief Technology Officer (CTO) he sought. He states, "*this is why we joined Antler"* and eventually adds "[...] *we went through the program and we found our CTO".*

4.3 Value-Add Activities from the VC Perspective

The interviews revealed the nature of the VC-EV relationship and how each party relates to value-add activities that the case company provided. The perception of which value add-activities are most important found mutual consensus when comparing the VC firm and EVs perspectives. In the following section, the empirical findings of the value-add activities from the VC perspective will be presented.

4.3.1 Financial

Oscar, Paulin and Josefin all stated financial as one of the most important value-add activities that Antler provides. As a partner, Ruben added that it becomes evident early on, that the financial value-add coming from Antler is not only about the capital investment but also about the support for future funding rounds of the invested EVs. Therefore, Ruben mentions that a *"network for further fundraising"* is crucial for any VC and that Antler has "*good relations with investors"* and can offer substantial support with additional fundraising. Regarding the initial investment, Josefin says:

> *"Obviously the 100k is nice, but 100k won't last forever. So* [...] *when they are raising, we're making the introductions to our networks in the portfolio, in the VC industry or angels* [...]."

From the VC perspective, the support for future funding is all about the introduction to potential future investors. Oscar made a similar statement about the financial value-add: "*Providing capital is quite important.* [...] *the access to additional follow-on capital in later rounds is also, I think, an important contributor to what a VC can actually offer to founders*". Interestingly, Oscar also mentioned that: *"I'm investing my own personal capital into that fund and then raising additional external capital to invest"*. It shows the invested interest from the Antler partners because they are not only using capital from external investors but also their own.

4.3.2 Strategic

Both partners and Josefin claimed strategic value-add activities to have one of the greatest importance and impact from their perspective. Oscar explains that *"to a certain degree,"* they *"have the opportunity to help steer and guide those founders for the longer run, maybe more so than you can do in a later stage"*. The nature of the strategic advice that Antler gives is different, as Pauline argues that "*the strong strategic advice that we give to teams because we're so, so, so early stage, may change over time, especially when we come to follow-on fundraising runs"*. Oscar agrees and adds: *"The impact of what we do together in a three-hour session probably is more directional than it is ten years later when the company is already established."* The strategic influence is crucial for the venture's development in the early stage, as with the maturity of the EVs the input decreases. Therefore, Antler's employees require a certain skill set to help grow an EV, both strategic and operational. The two partners showcased very strong expertise in venture building, and strategy consulting as well as in assisting multiple other EVs before getting started. Ruben said: "*I think, given my background, my strength lies in terms of strategy",* meaning, *"*[...] *understanding markets, understanding demands, understanding customers"*. Oscar also explains: "*I've been an active angel investor in the space of pretty early-stage companies"* and therefore was accustomed to the needs of early-stage founders and how to solve business-related issues in this early stage. Before joining Antler, Pauline made sure to also fulfill the criteria of necessary expertise as she says that people were questioning the value, she could provide in the VC space:

> "*So, you've got some interesting experience, but you don't really have any operative experience. You've never really worked with founders before.*"

She acquired the necessary experience to act as a sparring partner for founders as well as to understand the early-stage startup industry. Eventually, she managed to find answers to the following questions: "[...] *how do you build a team, how do you build out a product? How do you go to market? How do you fundraise?".* Oscar elaborates that the VC partner's task is to be "*a strategic sparring partner"* and further adds it to be "*quite an important role"* as to "*bringing in some impulses from other companies* [...] *to work with pattern recognition across verticals, across different business models".* After all, the Antler approach is portrayed by Pauline's statement as follows: *"We would work collaboratively with the portfolio companies that we invest into* [...]". Josefin elaborates further on the strategic value-add approach:

> *"So, every portfolio company has an investment manager for them. So out of our team, there's one person who is their touchpoint and we do everything from sitting down with their business plan, their runway for the next three years to figuring out the strategic positioning."*

However, Antler does not push the founders into specific directions as Oscar explains:

> *"*[...] *there is not a legal imposition on them* [the EVs] *to be doing what I tell them to do. But a lot of them will ask me for my opinion. In some cases, I do know. In some cases, I do not know. And in many cases, I will have an opinion. But it's not knowledge."*

However, the ideas and propositions from the founders are questioned critically and constant feedback is given on a very individual basis:

> *"I would share my feedback in particular if I do not believe that this business can fly* [...] *But then again, where do we go from there? Super individual. And so, for some things I'll just say this is my opinion, my impression as an end customer, for some will go deeper into what does that mean? What features do we need to build, or do you need to build? And what's the roadmap going to be in detail? What do you need for that?"* – Oscar

Antler also urges the founders to think strategically and demands to "*think beyond the current trend*" (Josefin). Their strategic support focus, however, is not about industry-specific issues at this early stage, but more about the overall business model as Ruben depicts.

> *"We think that in these first 6-12 months. We love the challenges that founders face. And those are not industry-specific, I think that changes a little bit at a later stage.* [...] *A lot of the challenges are super, super similar. And that's where we specialize. That's our focus and that's what we are really good at."*

Oscar supports his partner by commenting: "[...] *with some founders I'll speak three times a week and then I won't speak with them for three weeks.* [...] *And with other founders, it will be one hour every other week.".* The required support for the ventures is very dependent on where they are in their current development process and how much external advice is currently needed.

4.3.3 Operational

Compared to other value-add activities, members from the Antler Berlin office did not have as much input as compared to other activities. For Ruben, operational value add means *"supporting the founders in the day-to-day business"*. For Oscar on the other hand, it is more about structural support for the founders and their venture: *"there's also a bunch of admin criteria that you can do right or wrong in the way that you set up and structure your company".* Oscar's statement about their operational value-add activities goes along the lines of:

> *"Making sure that kind of founders get the right support across the ecosystem. And that support is legal support, support from freelancers, and tech teams. There's also the right access to cloud computing and a couple of technology partners."*

The idea behind the free access to operating systems is to keep the costs as low as possible for the EVs as Josefin elaborates: *"We have agreements with certain software platforms or Google or AWS that we can give the founders credit for the first year of running their business so that they're able to obviously keep their costs as low as possible to build their product".* However, Pauline then argues that Antler is "*super hands-on super operational in our approach*" and how they support the ventures. However, she thinks of the likes of Oscar who mentions operational support to be rather structural.

4.3.4 Governance

Oscar states that the aforementioned role as a sparring partner "*is much more important than having strict, strict governance in that early stage."* He further makes clear: *"I don't believe that a board meeting once a month with me or Ruben would be the right solution in that investment stage".* Therefore, Antler's approach is much more support focused than risk mitigation focused. Giving the founders full discretion will lead, according to Antler's view, to more successful companies and investments:

> *"When thinking about the stage, there's relatively little value in the first 6–12 month life cycle of a company.* [...] *So there's a number of things that we can do with regards to information rights, with regards to kind of veto rights that will make the founding teams much slower.* [...] *we're trying to not stand in the way of the founders. We give them a corridor that we believe is meaningful and leaves enough leeway for them to be taking the right business decisions. At this stage, it's very unlikely that I will make a better business decision than the founders.* [...] *So we want to make sure that we don't overburden them and over-protect us with stuff that's going to make them slower."* – Oscar

Hence, Antler works more towards providing support for success instead of installing control mechanisms that might slow down the EV. Josefin explains: *"*[...] *you see if there are problems within, then obviously you reach out more and you want to then mitigate the risk of them failing. And that's on one hand very good because you can actually interfere. On the other hand, you always have to keep your distance".* Oscar, however, states that downside protection exists but does not demonstrate an important activity: *"If a portfolio company fails in the first six months, then it fails in the first six months. And then for me, there's relatively little to protect. And so if I recoup 10% of my investment. It doesn't really help me in the end".* He further adds that the minimum degree of protection exists: *"So we have kind of a downside protection, for instance, in our investment documents, but it is not going to save anybody's day or anybody's fund performance. So, I think it is important to help founders' kind of find an effective governance mechanism.* [...] *many founders are quite afraid of other people taking control".* Antler engages in informal downside protection, which is the reason the investment approach has two phases. The first phase includes a heavy screening and due diligence process which Pauline describes as follows: "*Our due diligence happens way back to when we screen candidates manually. So, before people even join the program and we have partner interviews, we have case interviews with myself and the team. We have a very extensive due diligence on an individual before they even join the cohort"*. She further explains: "*So I think there's like 200 hours of due diligence that we will have done up until the investment is made".* She further claims "[...] *that there's been a level of due diligence on both the founders and on the teams that are probably lacking elsewhere"*. Oscar explains how a strong relationship full of trust gets created:

> "*It's quite a gift that we get to work with them so early on. So typically we know the founding teams, the parts of the founding team before they know each other, which is a great source of trust."*

However, he also argues that this close relationship does not mitigate all the risks:

> *"The investment process is very, very different to other VCs. You do typically not have the luxury of getting to know people for three months or even longer when you count the pre-cohort work that we do with them. Now, does that take away all the risk of the investment? Obviously not, because there are many risks to an investment, a market risk, technology risk, a team risk, etc. Do we have a very, very good view of the integrity of a team? I think so."*

The deepened understanding of the integrity of the founders, therefore, results in less strict management control mechanisms:

> "*When you think about control mechanisms, mechanisms that are being put in place to make sure that integrity is managed, then I think we may indeed have the opportunity to go a little lighter on governance activities because we know the better."* – Oscar

Strong governance mechanisms that would increase control over the founders and their ventures does not make sense according to Oscar: *"The question of governance and what's appropriate and what's important depends very much on the stage of the company"*. Ruben agrees with his partner as he states: "*Why bother about risk mitigation, I think that changes a little bit as you go to later* *stages when there is more value"*. At this early stage there is often very little value creation that needs appropriate governance mechanisms. When it comes to board involvement, Ruben argues as follows:

> *"I never take board seats. It's going to be a million times better at a later stage because they are more specialized, our specialization lies in the first six, 12, 18 months. And that's where I don't need formal governance. I need a good relationship with the founders."*

The two partners mention that the invested amount and the equity share in the ventures do not require stricter and controlling governance activities from Antler:

> *"We see ourselves as a minority investor. I want to invest to strengthen our businesses. They call the shots. With 10% shareholding, I don't call the shots and I don't want to, and I can't with the size of the portfolio that I'm building."* – Ruben

Oscar also emphasizes to be *"not a majority investor and that by intention"* and goes on to say: *"we hold a meaningful stake in the portfolio companies"*. Antler still owns a sizable equity share which according to Oscar implies having rights to information automatically. Yet, there is only little need in this early stage to maximize the information they could get as Ruben explains:

> "[...] *I think the question is, will the investor make a better decision than the founder? And I think in the first couple of months, it's relatively unlikely. The frequency is declining as the company matures.* [...] *Typically, it's very, very usual to get on the board and to have some of the bigger strategic decisions go through that board in the later stages with bigger decisions."*

4.3.5 Network

Network was mentioned frequently throughout all Antler interviews and seems to play an important role regarding value-add activities in an early stage. Pauline starts and explains: "*founders typically speaking will not have an extensive network either locally or regionally or globally actually. And so, in theory Antler provides all of that*". A strong network can open many doors for founders and their ventures and generate many opportunities and accelerate the ventures' positive development as Oscar clarifies:

> *"I think one of the things that any early-stage or later stage company can never have enough of is network and connectivity in the space that they are in. And that comes in many shapes and forms* [...]*"*

Oscar further argues that "*The most important kind of contributor to a venture capitalist's success is* [...] *the quality of the companies that they work with",* and further adds that network is also *"very, very important on the talent side of things".* Antler, therefore, aims to provide its entire network to the founders in the hope to accelerate their development and make them more likely to succeed. Pauline calls this to "*democratize entrepreneurship in a way by giving access to the teams, our network. So, both locally and regionally and globally"*. Because Antler is operating globally in many different countries and continents its overall network is very large:

> *"*[...] *We now have over 600 advisors around the globe, and our network obviously is not limited to those advisors. But we source very, very actively from the people around us, their expertise, in understanding and diligence in the investment opportunities, but then also helping them build their companies."* – Oscar

This large network does not just create great value for the EVs but also allows Antler to leverage their contacts if they need advice, expertise, and opinions. Especially since the network is not just limited to the existing people but the network can also be utilized *"When we activate our networks, the network of our network kicks in quite well and people are excited about working with these founders",* Oscar explained.

4.3.6 Human Capital

Antler's approach to providing human capital value-add activities differs slightly from normal VC firms for various reasons. Due to the cohort principle increased access to potential co-founders is available. Ruben states: "*The access to co-founders, which is, especially for very experienced people, one of the key things that keeps people from founding"*. In this context, Oscar explains Antler's role to be "*active and supportive in the process of completing the team".* After curating founders that are "*100% committed to building a company"* (Oscar), it will create ambitious people the opportunity to find like-minded founders. Furthermore, Antler can provide great value to the established portfolio companies that are still in the need of additional personnel. Due to the low acceptance rate, and the natural consequence of leaving ambitious people behind, Antler has many hundreds of talented and smart people in their network that can still be valuable for other portfolio companies. These people also demonstrate excellent records but *“may not be a great fit to be a founder in one of our cohorts”,* therefore “*they could be wonderful for a second and third employees in those companies”.* This leaves a “*massive talent pipe”,* as Ruben describes it, that is *more systematic than other funds that don't have that in their core DNA”.* Oscar emphasizes that it is all about top talent and the quality of a founder from the beginning as he explains that *“the most important kind of contributor to a venture capitalist's success is the quality of the founders* [...]*”* and that his role is to identify *“*[...] *the best founders and the best companies and then bringing them from good to great”*.

4.3.7 Legitimacy

Since the opening of the Antler Berlin office, only about 3 years have passed. The reputation of Antler as a VC is consequently not as strong as other established VC funds with a proven track record yet. Ruben agrees by saying: *“*[...] *it's still very early days. So, I'm far, far away from the reputation of Y Combinator just because the company is three years old. And I think we still have a few years ahead of us”.* Josefin agreed and added that once a Berlin-backed EV starts to receive (inter)national attention, then “*legitimacy will rank among the top three”* of value-add activities. The approach Antler takes is getting noted by potential founders and investors that Antler is able to select the most skilled and appropriate founders. Pauline stated: “*I think, generally speaking, most other investors know that Antler curates a kind of a credible bunch of people together.”* She later added: “[...] *in terms of legitimacy, I know a lot of other VCs, other investors that come to the Antler portfolio days or the demo days, especially just because they know that they're working with a highly curated group of founders on teams”.* Antler being the initial investor immediately gives the venture that received confirmation from the investment committee a certain amount of credibility and legitimacy that this founding team and the company is worthwhile investing into. In Oscar’s words: *“We'll be around, and we'll be the first investor, the only investor as they make the first hires. So, lending visibility and lending a bit of credibility, maybe also to attract early employees that are hopefully as good as the founders is quite, quite helpful. And for that, we actively curate the community”.* Ruben agrees there and puts an emphasis on the importance of legitimacy in the early stage of an EV: “*I think that the reputational halo effect is often the least* *talked about but probably the most important one."* He is convinced that Antler can provide value to the EVs: "*I think we do have a positive signaling effect on founders".*

4.4 Value-Add Activities from the EV Perspective

In the following section, empirical findings of the value-add activities from the EV perspective will be presented and broken down into the seven identified categories, namely financial, strategy, operational, governance, network, human capital, and legitimacy. Given the variety of industries the EVs operate in, some EVs had different needs and therefore perceived certain value-add activities as more valuable than other EVs did.

4.4.1 Financial

When asked about the value-add activities, financial resource provision differed in the respective answers. Antler's initial financial injection has been recognized as crucial yet not life-changing as other resources were found to be more valuable. Jane goes along these lines and says: *"I think it goes a bit beyond the financial part, but also kind of makes you feel like you are on something you can start".* Steve further adds that financials are "*not a value-add"* and goes on to say that "*it is because you need something to start with but the equity to return ratio is not ideal*". Both Max and Luke agree the capital injection is "*super small"* and even further exaggerate that "*it's like nothing*". Jane runs the point again and argues that "*100k cannot get you too far, but it's a good starting point".* She goes on to mention that it gives an incentive to be more driven to keep going and agrees with Luke when arguing that it is not about the initial investment but rather the access to capital in future funding rounds. Luke reveals that future funding is the most important factor for him and his venture as he states:

> *"We are fundraising business at the end of the day.* [...] *They invest in you and then they support you with your follow-on fundraising runs."*

The support he speaks about is also something Jane picks up again when she says that "*during the fundraising process they would give us advice because we have our interests aligned".* This advice includes pitch deck revisions and reviews as well as the process of teaming up with potential other investors and Antler's strategic partners. Max goes on and states that Antler already proved valuable for him by saying that: "*they made us a lot of introductions, especially to potential angels or advisors for our next funding round"*. Luke confirms Max's statement and adds that "*the team was extremely supportive of introducing us to various VCs, business angels and into the market."*

4.4.2 Strategic

The founders' perceived strategic help in the form of guidance. Ben, Luke, and Steve recall they had to face challenges presented by Antler including strategic decision-making and business model sense-making. Questions that the founders typically faced include: "*where to operate*" and "*how to charge fees"* (Luke), as well as *"where to get the know-how to run a business, and how to execute in a startup world"* (Steve). Ben goes on to say that most questions are essential when starting a business, but it was "*the amount of support"* that helped not only him but also others. Steve calls out Antler's partners, Ruben, and Oscar, to be "[...] *sparring partners to brainstorm for whatever issue comes up*". The idea of being a sparring partner is also picked up by Ben who explains that most founders, including himself, make use of Antler to "*ping pong some ideas back and forth"*. Interestingly, however, this guidance is only provided when asked for by the EV. Therefore, Jane explains:

> "They *provide their experience where they can from their perspective.* [...] *They can give you guidance when needed, but as a founder, you know where you want to go. You're the one in the driver's seat. They can just give some opinions."*

Eventually, Antler provides external advisors that help with more venture-specific strategic problems as Steve remembers:

> *"During the program, they have some advisors specifically. There are like four or three. I think that they advise in the tech aspect and the business aspect. They are also some more industry-oriented people like climate and other topics."*

Luke recalls similar help and adds that Antler "[...] *brought in sector experts from within the German market"* which turns out very helpful for the founders as many services and products are relatively new and disruptive.

4.4.3 Operational

When asking questions about operational support provided by Antler, Steve answers the following:

> *"They have a very, very useful huge amount of perks.* [...] *So if I were to roughly do the math right now there are about 200 and something k of credits. Free money, basically. All these service providers, Google Cloud or AWS,* [...] *a bunch of different platforms."*

Despite offering software applications and providing access to platforms for free, Jane, Luke, Ben, Jacob, and Max concluded that Antler is not deeply involved in operations as "*they're not the kind of operational VC that is deeply involved in the operational part"* as Jane mentions. Ben furthers this argument by saying:

> "*I think operational obviously needs to be a lot bigger. Have a lot more manpower sitting there dedicated to do basically work for you."*

Luke brings up that besides the provision of online tools and applications, Antler teaches the founders to run a financial model and do financial analysis as well. "*There was a legal guy that came in and spoke about the legal framework in Germany and how to set up your business", h*e also remembers. When it comes to day-to-day operations, founders get support in streamlining their business but keep full control. Jacob adds that the operational involvement differs from pre- to post-investment and that especially in the post-investment phase operational support was "*not super strong"*.

4.4.4 Governance

Value-add activities from a governance perspective fell short in perceived value and effects for the founders as Steve mentions it to be "*the bare minimum so far"*. Governance mechanisms are described as followed by Jane:

> "*I remember when we were doing the program, we kind of needed to do a weekly report."*

From the current point of view, it becomes clear that there is no control mechanism in place as Steve states: "*It's not like they're asking for a check-in every month*". Max and Luke both also claim that they "*chat with the guys every two weeks*" or "*send a weekly update"*. Moreover, all founders emphasize that meetings rather happen on the pull-side, using Jane's words: "*But that's from our side because we want to keep in touch"*. In addition, the meetings are completely voluntary. *"We also still like to share our finances with them. They never question them."* says Max and adds that they, referring to Antler, "*don't force it*" or as Jane says "*it's not mandatory"*. Steve speculates "*If it happens in the future, we'll see"* while Ben is sure, *"I think that is relevant only in later stages where you're a big company"*

4.4.5 Network

Particularly the network provided by Antler has found the liking of all founders.

> *"A good network, not just knowing people, but really being able to build bridges to people who can go and join you on the journey you have, that's, I think, a big, big value add." – Ben*

Ben further testifies his statement by saying that bringing up the importance of *"having good access to a local network"* as for him specifically *"there is a lot of value"*. But not only Ben, also Max points out the value of network access as he says: *"I think there's definitely an opportunity that comes from having this super-wide network and being global* [...]*"*. In Addition, he emphasizes the value added by stating:

> *"If an Antler partner makes a warm intro, the people are hunting you and trying to get a call with you. It is a totally different game."*

Steve and Luke also elaborate on Antler's network provision. Steve appreciates Antler's support for network access as he believes that Antler's introductions to follow-up investors may potentially have a "*signaling effect"* on other VC firms. Luke, who operates in a very fundraising-intense business agrees and furthers Steve's statement by adding: "*our network has grown a hell of a lot in the past nine months"*.

4.4.6 Human Capital

As presented earlier in section 4.2 most founders applied and started the cohort for one reason, finding a co-founder or plugging a specific c-suite position. Consequently, Steve elaborates on the human capital value-add: *"I would say if you don't have co-founders because I've been there, it is important. But if you have a co-founder, I don't find it that important"*. It becomes evident that human capital as value-add activities is perceived to be important in the beginning as Jane states: *"I think the Cohort was pretty cool. I think the quality of the people was even better than in my MBA class.",* and further explains: "*When we started it, it's on the human capital".* Steve and Jacob seem to consent to Jane's observation and make clear:

> "*You go in there for the team* [...]*",* and goes on, "*you don't join Antler because you want to go for a solo founder. You want to find a team.* [...] *the most critical one, access to ambitious people, because as a founder, I think, sure, you have specific skills, but that's not enough."*

Ben believes that especially the human capital provision and its combination with the Antler network provides important advantages for all parties involved. *"It is really super frustrating, you get to know so many awesome, brilliant and smart people along the way as you develop professionally that you would want to found with. But then everyone has a plan for their life",* says Ben when he continues explaining that Antler's thorough due diligence on people detects "[...] *vetted professionals that really want to found, that are ready, that have taken the leap".* Despite finding important positions, Luke mentions that support in human capital may also be "[...] *looking for people on the business side towards sales and marketing".*

4.4.7 Legitimacy

In terms of legitimacy, other words like institutional stamp or check, brand recognition as well as credibility have been used interchangeably. Although each founder's perspective on the term differed in nature, the importance and overall understanding of the term remains the same for all. For Luke and his FinTech, legitimacy plays a vital role as he frames it this way:

> "D*oes Antler legitimacy play a part? Of course, it does in our branding and for our next round I mean, of course, it does."*

In the context of further fundraising activities, other founders like Steve and Jane agree that "*brand recognition is actually proving to be very significant*". Steve explains this significance as the following:

> "*You are an ad for being a part of an Antler portfolio. It opens doors that would otherwise be closed if you were just Joe Schmo. It's a fundamental value-add in VC land."*

Or as Jane puts it:

> *"I think something important is about credibility because as a very, very early-stage founder without founding experience already getting funded by Antler, will bring us some credibility. It will make it slightly easier when we go out."*

Whereas Ben argues in a similar manner:

> *"If you're very early, people always assume whatever you do must make sense."*

He then goes on to claim that "*legitimacy that comes with the investment is a huge conversation and door opener"* which goes hand in hand with what Max identified as a crucial value-add as he goes: "*with Antler, we have a certain proof. It's a quality check for us and the investors."* Additionally, Ben finds agreement with Jacob's point of "*legitimacy is also something which is especially, in that very early-stage system or ecosystem. It's super important"* as he elaborates:

> "*I like it because you have nothing. You have guys with drive and a track record. That's it. But your product is nothing. Basically, it's an idea. So, to have this credibility is super important. And so, this is number one."*

Thus, when Steve presented his own ranking of value-add activities, it seems he speaks for the remainder of founders when putting legitimacy quite high in the ranking:

> *"So basically, in my way of thinking, besides the financial and the network, I include the legitimacy there, the brand."*

4.5 VC-EV Relationship

The following two sections will cover the findings related to the VC-EV relationship. The two sections depict information that will pose an importance for successive chapters as it helps understand the interrelationship between the value-add activities and the roles of the two parties. To get a closer view of each party, they will be presented one after the other, starting with the VC perspective.

4.5.1 VC Perspective

The relationship between Antler and its EVs is a very close and collaborative one. As a result of their early-stage investment strategy, many different value-add activities contribute positively to the relationship, apart from sole capital injections. Josefin put it: "*we are very close to the founding teams*" and Antler is *"going beyond the money and actually building the long-term relationship and being there for them as sort of a parent".* Antler presents itself as a long-term partner that is "*building the relationship"* and not simply injecting capital and hoping for the EV to *"come back in a quarter and report"* their finances. Ruben argues that the strong founder support creates a great basis for mutual trust:

> *"I need a good relationship with the founders. And I have that because I've been working with them from day zero and I'm usually in the trust zone with them where they're happy to discuss even the most fundamental fears.* [...] *That's how I can help."*

The other partner, Oscar, agrees and explains the relationship as follows: "*I think it is the emotional kind of bond between us and the founders"* and further explains *"I think it is much stronger than it is between many other later-stage investors".* According to Ruben, this relationship turns out to be of economic value as he goes: "I *think by being part of the genesis of these companies and being so close and so involved with the founders so early on, we build a super close relationship with the founders and the really good relationship pays off also economically".* Ruben reveals: "[...] *more than 90% is on the team and the remainder is on the product and the business. That changes over time in later stages".* Oscar goes on to mention the economic benefit of an early-stage VC-EV relationship when saying: "*I think we also have an opportunity to obviously enter a very attractive valuation at this stage from a financial point of view, that is quite beneficial".* Pauline further strengthens this notion by saying that Antler intends to accompany an EV throughout its growth and development and goes: "*We will never leave the room. We would just kind of follow on, which means that we will always be involved. We can always like to invest up until Series-C"*. However, when the EVs grow Antler reduces the value-add activities because their expertise is focused on the early-stages. VC firms with a later stage focus can provide more relevant and specialized expertise to the EVs then: [...] *in the follow-on rounds, we are never the lead investor. But we follow strong lead investors.* Throughout the intense value-add phase in the very early stages of the EVs Antler attempts to provide the same resources to all founders and EVs. Antler wants all their investments to be successful and not just put increased emphasis on the EVs that seem to be more likely to succeed. It comes down to the founders and EVs how intense the value-add activity provision from Antler's side looks like and how close the relationship is.

> "*So technically they all receive the same. So, they all get access to the platform, they all get access to the advisors, and they all get access to us as a team. It's then up to them how they use it, how close they make that relationship."* – Josefin

Partner Oscar agrees by stating: "*The availability of our time and resources to everyone is generally the same. What we do is going to be very different."* Pauline argues similarly that their main objective is to provide the required resources to the EVs in the most meaningful way: *"We provide and try and orchestrate the resources in the right way to best support the founder."*

4.5.2 EV Perspective

The relationship from the EV's point of view is perceived as a very close and valuable one. Regardless of the initial starting point and the current funding situation, all founders agree to have strong connections to Antler, as Luke sums it up:

> ***"****They supported us in every shape and form, from operations to legal to our fundraising. I like that. I'm in touch with them every single day via WhatsApp and Slack on every channel. They are always looking to support us. So, my experience is very positive with these guys and I don't think we were at this stage today if I didn't go through, and I had to go find a CTO and where my network wasn't as big per se one year ago in the European VC landscape, do I think we would be in the position where we are today? Probably not, to be honest with you."*

Adding on to what Luke says another point the founders bring up is the cordial yet demanding relation to Antler. Jane remembers, "*they don't interfere at all*" and continues "[...] *you have 100% freedom in finding your interests*". It becomes clear by now that finding a co-founder is one of the main reasons why founders went through the program, however, for Max, there is more to it: "*Finding a co-founder was let's say 80, 90% of what I want to get out of it. And the rest was the general network. And there was more actually, they provided more than that, but I didn't expect this*". From a serial entrepreneur perspective, Jacob states a similar experience when saying: "*I've never started a venture with this much access to resources and it never felt this great so far* [...]". Steve also describes that Antler is not the typical super early-stage VC as he goes: "*there's other firms which are much more internal hands-on. They build it themselves.*", meaning that Antler remains to be non-operational and rather be described as the *"legitimacy, confirmation partner"* that helps with the "*extension of network*" but also acts as a *"strategic sparring partner"* (Jacob). Eventually, Max sums it up nicely when saying:

> "*Antler had very hard questions and questioned a lot, especially early on. And after the program, it became more like your partner, like it's one that you're convinced of, so you check the boxes.*"

Shifting from the early stages of the EV towards the current status and even beyond, most founders also recognize that the effort Antler puts in remains. Steve narrates:

> "*I don't know how they do it. I don't know how they find the time. I'm impressed. And they keep impressing me* [...]. *I'm amazed.*"

He goes on to say:

> *"And I've also seen other programs, so that's why I say it. And I've seen how committed* [...] *they are."*

Both Steve and Luke expect the connection with Antler to naturally become thinner as soon as their EVs evolve. Steve states metaphorically:

> ***"**I guess that when we next fundraise, this mother connection is going to be looser. Even now we can see the difference that it's not as it was at the beginning, not because they are not there, but because we don't need that much."*

Luke describes the relationship with a similar metaphor:

> "*They would be willing to follow on in the next round up to a certain percentage of the total run. But it just shows a nice continuity and support from basically our birthplace that they want to continue investing with us."*

This birthplace, as Luke names it, is what most founders seem to extract much value from. The amount of value, however, exceeded any expectations beforehand. Luke describes his journey as:

> *"I expected to come in there and really get a CTO and get to building the product very quickly. But I have great relationships with the partners. You know, we have structured discussions every two weeks, but they're always pinging me messages on Slack just to say, hey, I met this type of fintech investor, are you around?"*

Therefore, the relationships are again outstanding between the EV and Antler but most importantly to the partners as Max confirms: *"The partners are most relevant to us"*.

5. Discussion

The following chapter aims to both discuss and analyze the empirical findings and eventually first compare and then position them against existing literature regarding value-add activities from the VC and EV perspectives. Unexpected findings that result from the very early-stage VC investment strategy will be presented and discussed in the VC ecology's context afterward. The chapter concludes with a summary of the findings and the preliminary framework will be revised eventually.

5.1 Resource Provision and Reception

The interviews' data revealed that both the VC as well as the EV perceived value-add activities differently. While literature predicted a similar outcome, an examination of the data enclosed differences in both meaning, importance, and implications of certain value-add activities from both perspectives. Whereas the seven value-add activities were derived from previous research studies and conceptualized in a MECE format, the data analysis however does not replicate a clearly delineated categorization. To uncover the "black box" and declutter the findings, the value-add activities will be presented in an alternating sequence covering both perspectives (Manigart & Wright, 2013).

The findings section draws attention to several valuable insights. One of them circles around the advised research recommendation by Proksch et al. (2017) to investigate resource dependency regarding the EVs industry, product, or service. The importance of resource provision and reception demonstrated high variability and inconsistency which finds common ground with Large and Muegge's (2008) study that perceptions of impact and importance differ among the EV's respective industries. Luke, whose FinTech operates in a very fundraising-intense business, therefore, states: *"We are fundraising business at the end of the day"* which represents the financial value-add to be his top priority. Other founders such as Max explain that his hardware-heavy product is a rather disruptive technology in the BioTech industry, and thereby make clear that it is not the operational expertise that he sought. Despite Antler not being able to provide the latter anyway, partner Ruben honestly reveals: *"I've no clue about biotech, quite obviously"*. It becomes evident that it is not about product-specific knowledge but rather the expected network and general business advice that Antler provides and what Max and others eventually sought.

Proksch et al. (2017) revealed that characteristics of the EV are an important factor to determine what value-add activities are appropriate and needed whereas Sapienza, Manigart, and Vermeir (1996) find the VC's network to be an important lever to make up for a lack of expertise and connect EVs with potential business partners, suppliers, or clients. This has been demonstrated by partner Ruben who is aware of his rather low industry-specific knowledge but knows how to compensate as he makes clear: "*I could pull in one of my partner colleagues from the US who studied biosciences at MIT and built a company in that field"*. It turns out that Antler does not try to infiltrate detailed expertise as their idea circles around the provision of general business advice because in this super early stage, the latter outweighs industry-specific knowledge which is, according to Ruben, more relevant in later stages. The lack of specific expertise is compensated with the help of a large network of specialists through the partners or the Antler ecosystem. Consequently, Antler even intentionally invests in new and unique businesses as they seek a systematic advantage through the non-obvious. Therefore, in this very early stage, both parties perceive network and strategy as important value-add activities whereas the boundaries between these two are blurry.

Perceptions of implications further differed from an EV perspective due to different understandings of the value-add activities. An example to demonstrate the difference in perception depicts the case when asking the EVs about the operational support provided by Antler whereas Steve elaborates on the free access to software applications such as Google Cloud and AWS and describes it as: "*Free money, basically"*. The remainder of the founders also appreciates this kind of support yet mutually agreed that Antler is not involved in the operational part as Jane makes clear, due to lacking manpower:

> "*They're not the kind of operational VC that is deeply involved in the operational part."*

Antler, however, remains confident to provide operational support as to assisting in day-to-day operations and taking on responsibilities such as legal support, access to the aforementioned technology services as well as the support from freelancers throughout the first weeks of the cohort.

Giving technological advice, constructing marketing plans, helping with product development and involvement in operational planning are not only what Antler but also Chen (2009) understands under operational support from a VC perspective. Subjectivity obviously plays a significant role when it comes to perception, therefore, the way Antler described operational support is similar to what the EVs understood under strategic support. The discordance in importance or understanding of value-add activities is also noted in previous research by Fried and Hisrich (1995) and emphasizes that EVs put more emphasis on strategic advice, network access, credibility as well as support for further funding. VC firms on the other hand seek increased control and information access which will be discussed successively in a later section. However, when considering both perspectives, it is a well-balanced result that reveals giving strategic advice, funding support, network access but also control mechanisms. Despite the majority of VC firms offering strategic support, Busenitz, Fiet, and Moesel (2004) found no clear evidence of such in their study. This is disproved by the study's findings as it appears to have an important effect on the EV's positive development. Gorman and Sahlman (1989), Shepherd et al. (2000), as well as Proksch et al. (2017) additionally state that the support with strategy and strategic analysis is one of the most prominent value-add activities performed by VC firms whereas EVs theoretically only seek such if the founders did not demonstrate a significant track record of strategy experience including formulation and implementation. The findings paint a similar picture as both sides acknowledge that the strategic influence is very crucial for the EV's development and growth in the early stage.

Literature diverges, however, when it comes to previous strategy experience as most founders bring ten or more years of professional experience in different roles and companies as well as various strategy-related tasks ranging from investment strategies to got-to-market strategies as outlined in the findings and as we intentionally asked for such experience to prove literature wrong (See **Appendix B**). Nevertheless, both sides agree that strategic advice remains important despite impressive professional expertise because Antler strategically injects overarching leadership and general management expertise to develop the EVs required interpersonal proficiency which blends in with a strategic value-add activity (De Bettignies & Brander, 2006). Colombo and Grilli (2009) depict that coaching and mentoring, which improves the human capital of a venture in terms of skills, abilities, and knowledge, is a strong driver for venture growth. In the same strategic context, Oscar describes his partner role as a "*quite important*" one due to the tasks of acting as "*a strategic* *sparring partner"*. HealthTech founder Steve confirms both Ruben's and Oscar's role as strategic sparring partners as he believes that collectively brainstorming and to "*ping pong some ideas"*, as he puts it, helps to face, and solve strategic issues. MacMillan, Kulow and Khoylian (1989), Gabrielsson and Huse (2002) as well as Sapienza, Manigart and Vermeir (1996) depict being a sounding board as well as a mentor or coach to be an important value-add activity both perceived by the provider as well as the receiver. The way both Antler and the EVs describe sparring partners, however, the term seems to have a stronger character than simply being a sounding board. Especially in this super early stage the character of a sparring partner appears to be more intense due to more frequent meetings, small iterative processes, and a long-term relationship perspective.

As touched upon earlier, the network was perceived as one of the most impactful value-add activities for both parties which finds coherence with the study by Sapienza, Manigart, and Vermeir (1996). However, so far two important value-add activities have not been touched upon, namely human capital and legitimacy. Similar to the aforementioned financial, strategic, and operational value-add activities, human capital and legitimacy also blur with network provision. Antler's statement: "*It's all about the people"*, and the accompanying focus on the founder have already surfaced. Therefore, the perceived importance of human capital from the VC side may be self-explanatory at this point. Antler rightly states that the people, or rather their respective spark and drive towards founding, play a vital role in an EV's success. Besides claiming that the most important asset that VC firms capitalize on is human capital, value-add activities often involve the recruiting of human resources, thus, matching external human capital to create greater synergies (Hellmann & Puri, 2002). It can be argued that both perspectives value human capital as important. Reasons for this can be found in quotes from both perspectives. Oscar makes a point that *"the most important kind of contributor to a venture capitalist's success is the quality of the founders* [...]*",* and therefore emphasizes that it is all about the top talent. The EVs on the other side argue similarly. Many founders' initial motivation to start the cohort was to have *"access to ambitious people"* (Jacob) and as Jane highlights: "*when we started it, it's on the human capital"*. Hellmann and Puri (2002), Timmons and Bygrave (1986) as well as Gorman and Sahlman (1989) perceived the involvement in finding key management personnel as very valuable. However, in the case of Antler, regarding the early-stage, they operate in, the definition of finding key management personnel differs. Here, finding key management personnel circles around matching co-founders which both parties put high importance on. Henceforth, human capital and network value-add activities seem to overlap as well.

The thorough investigation of human capital and the close-knit relationship between the two players tend to gain the EVs another decisive value-add. Both Zimmermann and Zeitz (2002) as well as Saetre (2003) also discovered the great necessity for young growing EVs to gain legitimacy and found out that VC firms can help build up credibility for them. Antler is aware of its worldwide reputation and consents to facilitate the EV's traction in the VC ecosystem as Oscar confirms: "*I think we do have a positive signaling effect on founders".* Booth and Smith (1986), as well as Megginson and Weiss (1991), call it certification or a signal for quality which is also echoed by the EVs as Steve states:

> "*It opens doors that would otherwise be closed* [...]. *It's a fundamental value-add in VC land."*

Not only Steve but also Jane and Ben agree and explain that "*brand recognition is actually proving to be very significant*" and being *"*[...] *very early, people always assume whatever you do must make sense".* This signaling effect, therefore, is not only related to the legitimacy of both parties but also to other value-add activities such as future fundraising. Steier and Greenwood (1995), as well as Zimmerman and Zeitz (2002), agree that the legitimacy of an EV may lead to greater access of future fundraising opportunities and access to further key resources.

This section revealed findings that have also been discussed by Sapienza (1992) and Perry (1988) who state that the quality of the VC-EV relationship is especially important in the early phase as the EV is seeking both financial as well as non-financial involvement while ultimately seeking a mid to long term partner. Furthermore, both parties equally emphasize similar value-add activities yet sometimes have a different understanding of such. The resource provision and reception differed in perception from both sides whereas most founders have not expected the amount of support from Antler. Expectations were even exceeded.

The analysis of the empirical findings also finds coherence with Pfeffer and Salancik's (1978) resource dependency theory. The VC-EV relationship proves to be characterized as an open system that allows for a constant flow of resources (Pfeffer & Salancik, 1978). The EVs' required resources appear to be homogenous as Josefin agrees *"they all receive the same* [resources]*"*. The resources are only adjusted in intensity, based on the EV's needs. The significance of the resources, the amount to which the resource provider has power over resource distribution, and the availability of alternative replacement resources demonstrated a clear dependency from the EV side as, especially in the beginning, essential resources such as a co-founder, network and financial are deemed extremely valuable. It is important to note, however, that the VC has an equal interest in investing its funds in the EVs and thus also shows some sort of dependency. It is additionally important to recognize that the resource dependency is specifically predominant in the early stages in which links to important markets such as prospective consumers, access to cash and further fundraising resources, as well as contacts with corporate and other societal networks are key for the EVs' survival (Granz, Lutz & Henn, 2020; Katila, Rosenberg & Eisenhardt, 2008). This, however, may change once the EVs develop and take on new relationships with other VC firms in the future.

5.2 Trust is Good, Control is *not* Better

VC firms do not only provide extensive resources but also seek increased control and information access (Kaplan & Stromberg, 2003, Sweeting & Wong, 1997, Flynn & Forman, 2001). Proksch et al. (2017) argued that VC involvement with governance-related activities is high and evenly distributed across all analyzed VC firms. Control mechanisms include the intent to lower the risk of exposure to information asymmetry between the VC and the EVs through governance mechanisms. However, the empirical findings from early-stage EVs and Antler oppose literature in this aspect quite significantly and suggest that VC involvement with governance-related value-add activities is low for VC firms, investing in early-stage EVs. The findings show that this activity is of low importance from both perspectives and only the legal minimum gets executed. In this early stage, governance value-add activities would slow down the founders, their discretion, and therefore the EVs development and hinder the optimal development.

In the empirical findings, it is mentioned that governance related value-add activities do not showcase a priority for the VC firm Antler. This is in contrast with research by Jensen and

Meckling (1976), Kaplan and Stromberg (2003), Sweeting and Wong (1997) as well as Flynn and Foreman (2001) who found that VC firms demand monitoring and control mechanisms to reduce their risk and therefore perceive these activities to be very important. Based on their findings, rigorous reporting's are demanded by the VC firm as well as frequent meetings, even mandatory, to increase the information exchange between the VC and EV to reduce information asymmetries. Antler's early-stage perspective about this differs significantly in the sense that no reporting's are required from the EV side, only during the cohort a weekly update was mandatory but that changed to become a voluntary activity in the second phase of the cohort as well as the post-investment relationship. Frequent meetings for information exchange are strongly prevailing with the case companies and its portfolio firms, however, again these meetings are not required by Antler and are only set up, based on the EVs needed for them and for strategic or business advice, which contradicts Fiet's (1995) findings that post-investment the VC demands more face-to-face meetings to gather more information and lower their agency risk. No pattern was found regarding the intensity of face-to-face meetings when considering the EV founders' previous experience and expertise.

> "*We want to make sure that we don't overburden them and over-protect us with stuff that's going to make them slower.*" – Oscar

The findings suggest that the EVs want to share as much information as possible about their operations, thus they can get better and more detailed advice, as Max put it: "*the more we share with them, the better it is for us*". The empirical findings further revealed that the capital investment that Antler takes in the EVs is relatively small with 100.000€ for a 10% equity stake, all at once, without an incremental financing structure, which according to Cherif and Elouaer (2008) would mitigate risk and protect the downside of an investment. From the VC perspective, it became evident that there is too little to protect to engage in strict risk-mitigating practices and governance value-add activities would not be as beneficial for the fund performance as other value-add activities that are perceived as more valuable for the VC and EV. As Oscar puts it: *"We have kind of a downright protection,* [...]*, but it is not going to save anybody's day or anybody's fund performance"*. The empirical findings support Barney et al. (1989), who discovered that the degree of involvement in terms of monitoring and control mechanisms comes down to the equity share the VC owns of the venture. Antler considers 10% still a meaningful stake but not enough to establish strong governance and control mechanisms, as they are a minority investor and that 10% will decrease as other VC firms invest in the EVs in later rounds. Because the EVs founders at this point still possess around 90% company equity, they are incentivized to focus on the EV's success and positive development (Sapienza & Gupta, 1994).

The goal alignment in this stage is very strong and solely about the positive development of the company and further funding, as Jane underlines: "*during the fundraising process they would give us advice because we have our interests aligned at least for now.",* which therefore contradicts the idea that agency costs arise between VC and EV due to goal verification and conflict alignment (Smolski & Kut, 2011). Barney et al. (1989) argue if the agency risk is higher, such as with early-stage and pre-seed EVs, the deal structure will involve more close monitoring and control rights over the EV, which is not the case for Antler and thus contrasts the literature. The partners at Antler made clear that risk mitigating value-add activities in this early stage do not make sense due to little tangible assets in the EVs. However, Antler engages in little downside protection, that is legally required, and Jacob explains: "*Governance, I would say it's like the bare minimum so far"*. Through the investment agreement, Antler is legally obligated to enter into a contract with the EVs which goes in line with Sahlman (1990) and Reid, Terry and Smith (1997) research that emphasizes the importance of contracting. However, Antler's contract reflects the minimum governance mechanism that is necessary for a VC firm when injecting capital into young ventures. The findings further reveal that both information- and veto-rights do not pose an important factor for Antler which contradicts Kaplan and Stromberg (2003) as well as Ehrlich et al. (1994) findings. The two research teams claim that VC firms seek those rights to mitigate early-stage investment risks.

> *"With regards to information rights, [...] and veto rights that will make the founding teams much slower. But we're not in a better position to make a better decision."* – Oscar

Rosenstein et al. (1993), Hellmann (1998) and Lerner (1995) all discussed how VC board involvement in the EV increases control rights and mitigates agency risks through increased information access and is considered the most important value-add activity from a VC perspective.

The empirical findings for an early-stage VC led to another insight of this research, that no board seats in the EVs are taken as, according to Antler, it makes more sense for VC firms to take board seats in later funding rounds when more special expertise is needed. It also contradicts Gabrielsson and Huse (2002) who claimed that VC firms purposely take EV's board seats to increase their influence and control whereas the findings revealed that in very early stages neither the VC nor the EV considers this to be a value add. This can also be attributed to the operational burden on the small team of Antler, whereas taking board seats in every invested EV would take too much time and does not align with the goal of the VC's portfolio number of EVs. as Ruben states: "*I never take board seats.* [...] *it's going to be a million times better at a later stage because they are more specialized, our specialization lies in the first six, 12, 18 months".* Another reason for this approach could be insufficient resources in terms of people with sufficient knowledge and expertise available for Antler. Moreover, Antler does not place outside directors from their network on the EVs' boards, which according to Suchard (2009) is a viable option.

In the early stage, it appears a good, trustful VC-EV relationship is more important than formal governance structures. This notion aligns with Sapienza and Gupta's (1994) research, which says that if the VC and EVs goal is the venture's success because both hold an equity stake and want the value to increase, the agency risk shifts from a classic agency dilemma such as Jensen and Meckling (1976) describe it to the uncertainty about the founder's competence, managerial ability, and judgment, which poses a risk to the positive development of the EV. The approach Antler pursues lowers this uncertainty because it is a prolonged due-diligence process that starts before EVs even exist and focuses on the founders themselves. The selection and screening process before and during the 12-week cohort as well as the collaborative relationship between Antler and the founders' results in Antler acquiring an abundance of information about the founders, how they work, their managerial skills, their judgment, and how they are motivated. They support them in the founding process and constantly provide strategic advice while acting as a sparring partner which eventually lowers information asymmetries early on, due to increased face-to-face time, which lowers the agency risk associated with potential founder incompetence even more (Fiet, 1995) The empirical findings suggest that risks such as market-, technology or team risk still prevail but the integrity of the founders is confirmed, which creates trust and lowers the risk of an agency problem after the investment has been made. Hence, Antler monitors the founders of EVs very closely for about three months and works together with them on a day-to-day basis to reduce agency risk and assess the founders and therefore the EVs quality before the investment, which goes in line with what Sapienza and Gupta (1994) argue VC firms do. However, after the investment, they discontinue the close monitoring and rely on their due diligence about the individual person which then contradicts Jensen and Meckling (1976) who say that close monitoring is always needed and Fiet (1995) who says a high frequency of face-to-face meetings are required to assess the founder's competence. Thus, Antler takes on what MacMillan, Kulow and Khoylian (1989) claim to be a *laissez-faire* management attitude. (Bi-)Weekly or (bi-)monthly check-ins and update calls are still prevailing but only on the EVs request.

"*We're super close engaged with them, but they don't force it.*" – Max

Due to this long due-diligence process, this intense post-investment assessment about the founder's quality becomes unnecessary. Other risk-mitigating practices such as incremental financing, where more information is revealed over time and milestones must be hit to receive further funding (Pierrakis & Saridakis, 2019; Cherif & Elouaer, 2008), are not considered appropriate or needed and would slow down the EVs development. The empirical findings did not suggest other risk mitigation mechanisms such as syndication (Gompers, 1995) or other governance mechanisms the VC firms engage in, as presented in literature by Flynn and Forman (2001), Ehrlich et al. (1994), Kaplan and Stromberg (2003) as well as Sweeting and Wong (1997). Based on the empirical findings, governance value-add activities in the early stage of EVs do not increase the performance of the VC's fund and neither increased the positive development of the EVs but rather slows them down which contradicts many findings from the literature (Sahlman, 1990; Admati & Pfleiderer, 1994; Lerner, 1995; Mitchell et al., 1997; Hellman & Puri, 2002). In this early-stage there is too little value creation and too few assets that these governance mechanisms can be used for, and a strong due-diligence of the founders is more expedient. Ruben sums it up when saying: "*Why bother about risk mitigation, I think that changes a little bit as you go to later stages when there is more value*". Neither the VC nor the EVs consider governance an important or even a value add at all in the very early stage of an EVs development.

5.3 Recategorizing Early-Stage VC

The main findings replicate what many researchers have identified. Thus, the variety of categorizations is manyfold, and it remains difficult to design those that are mutually exclusive and collectively exhaustive. The findings of this research study not only proved the difficulty of recategorization and surfaced interesting deviations regarding governance mechanisms in place, but also has further reviewed another stage of early-stage VC that has not been shed light in literature as to our awareness.

Throughout the interviews, Antler demonstrated its unique approach to finding the right people and eventually the right investments. The study has broken down this particular investment approach to fully understand its procedures and expectations, however, it remains unclear what category Antler falls under, regarding **Figure 2** in the introduction. Antler's fundamental approach to "*spend x the amount of time that the typical VC partner would spend with one of their portfolio companies*" (Oscar), as it is "*all about the people*" (Ruben) points at what Teten et al. (2013) would define a VC as a portfolio operator. In contrast to the conventional VC strategy to solely provide cash investments before conducting heavy due diligence on the potential EV, which Teten et al. (2013) call financiers, Antler behaves differently. The portfolio operator is deeply involved in hands-on resource provision while institutionalizing these activities with the aim to become the long-term partner of the EVs (Teten et al., 2013). However, apart from providing software applications and further online service tools, all founders concluded that Antler is not deeply involved in operations as Jane repeats:

> "*they're not the kind of operational VC that is deeply involved in the operational part.*"

Ben furthers this argument by saying: "*I think operational obviously needs to be a lot bigger. Have a lot more manpower sitting there dedicated to do basically work for you*". It becomes evident that Antler does not fit the description of the portfolio operator but also does not act as, what Sapienza (1992), Sapienza, Manigart and Vermeir (1996) as well as Teten et al. (2013) describe as, the mentor because the mentor decides to not institutionalize value-add activities and only provides these on-demand.

Furthermore, it is especially the amount of industry-specific manpower within the VC that Teten et al. (2013) identified as the main driver for portfolio operators. Apart from Antler's Berlin office being still in their early days, the analysis also surfaced, that it is particularly the partners, Oscar and Ruben, who pull the strings to ensure both Antler's and the EVs growth and success. Undoubtedly, Pauline and the remainder of the team are essential for Antler's success, yet it is particularly the partners that the founders have put emphasis on during the interviews. While most of the network provision and strategic advice appears to come from the partners, Luke raises his concern when he goes:

> *"I mean, they've already invested in eight and eight, that is 16. They're doing another one now. There'll be 24 companies by September. Can they provide that value add as intensely as they did us in the beginning then and now? So that hands on approach is probably not there from the partners because the portfolio is 60, 70 big."*

His reasoning finds consensus with our perception and raises the question how this alleged problem will play out in the future. The specific emphasis on the partners' expertise therefore raises the attention to the future resource provision as such might suffer when the partner to EV ratio changes. To find an answer the question of how to categorize Antler in the VC ecosystem Ben helps and argues pictorially:

> *"The value proposition is how I would like to metaphorically describe it. If they had built this particle collider where they put, let's say, different molecules together, accelerate those, bring them together, and then something new could come that would not otherwise be possible."*

Ben uses the verb accelerate which goes in line with the VC-specific term accelerator. Whereas Antler does not possess the features of a typical accelerator it is again rather a mix of such and other concepts. The mix further consists of an incubator, pre-seed VC, operational VC, and angel investor which all happen simultaneously at this very early stage. We conclude that Antler would fit the term *institutionalized angel* as the activities provided do not match any other VC form. As described in the introduction, the business angel, part of the informal VC, has most characteristics in common despite Antler's institutional background. Antler also states to operate both "*one step* *before*" other early-stage VC firms and adds to be the "*first institutionalized check*" (Oscar) which confirms our suggestions (See **Figure 4**). Ultimately the new categorization finds consensus with Antler's comment to "*really institutionalizing an investment stage that so far does not know any professional investors"* which usually describes a business angel's task.

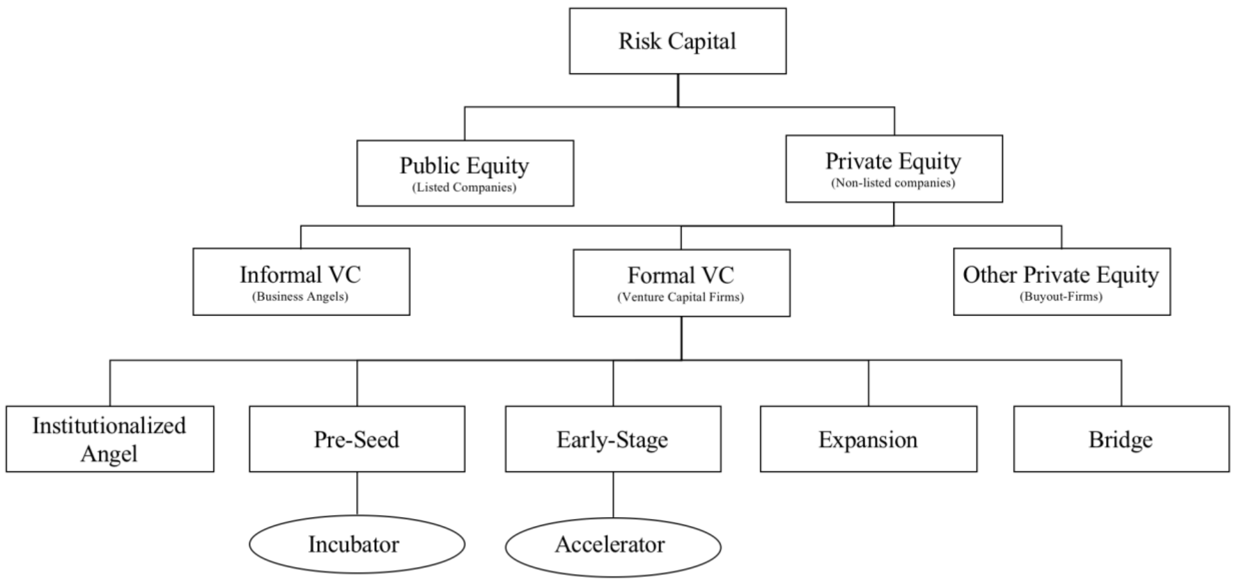

Figure 4: *Institutionalized Angel as The New Categorization in The VC Ecology*

5.4 The Instant Marriage Principle

Antler appears to be different from conventional VC firms because of their unconventional people-based due-diligence in the very beginning. Hence, Antler's approach is not to look for innovation and then allocate funds toward such but instead focuses on identifying innovative people that will generate disruptive ideas. Oscar's statement described it well when saying: "*So Antler's position in the early-stage ecosystem is intentionally a step earlier for the first investment and basically any other institution would allocate. And we're also starting to work with founders probably one step earlier than any other institution would".* Antler's initial value-add is very human capital focused and as the findings revealed potential founders are attracted by Antler because it has become a place to find the best potential co-founders. In Ben's words, Antler, therefore, becomes a *"matching platform"* where people with various backgrounds and experiences meet, discontinued their previous jobs, and intend to start a company. Hence, Antler's most important value-add for both sides is the provision of very talented and available founders. As Oscar said it, Antler is very supportive in the process of completing the team and goes on to say: *"I think one of* *the values that we provide is really access to other great founders that we have curated before that are coming into one of our workspaces where you have an opportunity to meet them and they are 100% committed to building a company and now they've left their previous role they are ready to fire"*. Hence, Antler provides great importance in the early stages, namely human capital, and network access, which here go hand in hand. Thanks to new technology, this creates a platform in which many different backgrounds with similar interests collide and new companies emerge within a short period of time. Ben describes it as:

> "[...] *it is 100% like dating with the difference that there is literally, the time to marry is almost instant."*

The findings present a business model that is relatively novel to the VC space and, to the best of our knowledge, did not find much attention in the literature so far. This VC investment approach represents an attempt to mitigate information risks earlier than other investment strategies and rather puts a focus on the potential of the people than their ideas which result in a very diversified portfolio (Isaksson, 2006).

> "*We take people from any type of industry and with any type of idea that apply to us and we interview them agnostic initially. Actually, what idea they come in with is super secondary in our interview process. This is actually a systematic advantage for us as an investor. Because it allows us to end up investing in the non-obvious stuff that we would never have come up with. And that isn't on a million VCs thesis list, which is usually some of the most attractive investment opportunities."* – Ruben

Antler specializes in investments in the very early-stage and invests into a wide variety of industries with no specialized focus there. Hence, they further mitigate their investment risk by specializing in the very early stages, which is consistent with Bygrave's (1988) findings to allow for more access to networks, information and deal flows. While specializing in the early-stage Antler also further mitigates risk through diversification in its EVs, which according to Buchner, Mohamed and Schwienbacher (2017) lowers risk and allows for a riskier EV selection. Antler opposed Norton and Tenenbaum (1993) findings that VC firms that invest in the early stage EVs show limited industry diversification. Josefin mentions: *"Having a broader approach makes sense* *also for risks",* which shows the awareness of Antler to not limit themself to a particular industry and invest in a broad range of industries.

The intense founder support can be seen as another risk mitigation strategy of Antler: "*So we invest a lot more interest than the typical venture fund will. Why? Because risk and return are married".* While Alshaikhmubarak, (2021), Gorman and Sahlman (1989), Proksch et al. (2017), Large and Muegge (2008) as well as Sapienza, Manigart and Vermeir (1996) all argue that VC firms make their investment decision based on metrics and start to provide value-add activities after their investment the empirical findings suggest that Antler's approach in the very early stage differs because they start to add value before an investment is made, work very closely with the founders and EVs and base their investment decisions not on metrics and historical data but on the potential and trust with the founders of the EVs. If this approach is worthwhile and more successful than traditional VC investment strategies cannot be assessed yet because Antler Berlin has only existed for about three years now. It is still too early to tell.

5.5 Summary and Revised Framework

Antler decides to allocate the same resources to each of their portfolio companies despite them operating in very different industries. Whereas most VC firms specialize in one or few industries, Antler specializes on the very early general business advice (Bygrave, 1988; Norton & Tenebaum, 1993; Buchner, Mohamed & Schwienbacher, 2017). It makes sense for Antler to do so, as the very early stage they operate in demands such advice to set the correct foundation for future success. This general business advice is enclosed in valuable strategic support in which Antler often takes the role of a sparring partner that challenges the EVs to think critically. However, industry-specific knowledge is still taken care of, either through inhouse expertise or through the partners' external network. Intensity and scope of the value-add activities furthermore differ regarding the stage of the EVs; however, the overall intensity and scope decrease with the maturity of the EV.

Another key finding includes the importance and impact of network provision as it proved to be most valuable for both parties at this early stage. Many additional value-add activities find synergy in the access to external networks such as financial, which includes not only the initial investment but more importantly future fundraising which facilitates the access to follow-on VC firms or angels. Finding follow-on investments is also closely related to value-add of legitimacy as Antler vouches for the EVs businesses with their initial investment which appears to work as a certificate of credibility. Whereas the human capital value-add was also related to the network provision from an Antler perspective, most EVs perceived it as a key resource and number one motivation to join the cohort. Most surprisingly, however, was the perceived value of governance activities and the associated control mechanisms from the VC firm's side. There seems to be little to no value added in these very early stages when installing governance mechanisms as these rather slow down than support the EVs' growth. Additionally, the competence assessment of the founders, in the beginning, replaces formal control mechanisms. Ultimately, both the VC firm and the EVs align on network (including human capital and financing), strategy, and legitimacy to be most important and to have an overall positive effect on the EVs development at this point in time.

The framework was updated accordingly and showcases the study's key findings (See **Figure 5**). Whereas the flow of information prolongs, and the overall relationship proved to be significant in both directions, the value-add activities seem to rather overlap and did not come out to be MECE. Whereas an agency dilemma remains, the governance mechanisms did not prove to be an important value-add for both sides in the very early stage and therefore no longer connect to the central bubble. The governance mechanisms in place were reduced to the two parties' formal agreement as to contracting as well as the thorough due diligence process through the Antler program's cohorts. The revised framework accounts for a comprehensive overview of the two parties and thus includes both perspectives.

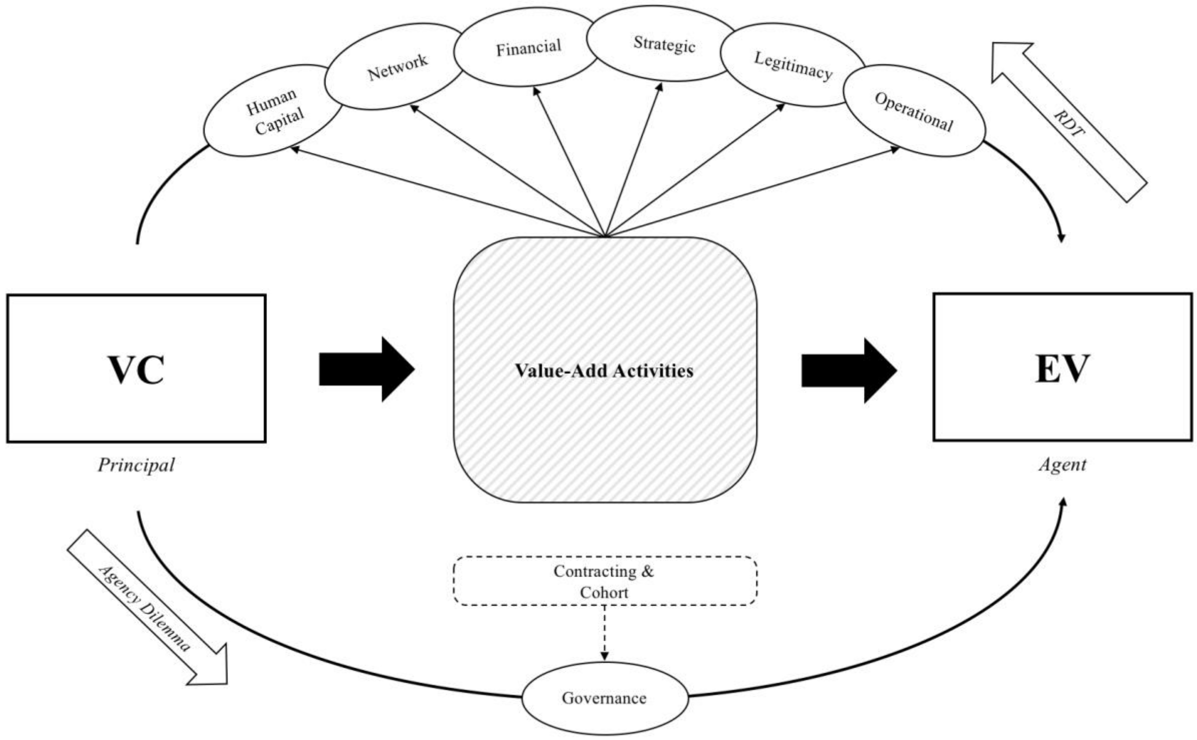

Figure 5: *Revised Framework*

6. Conclusion

The purpose of this study was to explore the value-add activities provided by the VC in the earliest stage and the following research question was formulated:

What effects do value-add activities have on the early-stage VC-EV relationship?

We addressed this question by analyzing and identifying underlying concepts that provided detailed insights into the perception of value-add activities and their effects on the VC-EV relationship. Based on a qualitative multiple-case study, the empirical findings suggest that the value-add activities lead to a trust-based collaborative relationship. Hence, they have a positive effect on the VC-EV relationship and support the EVs' development and growth. In the early-stage value-add activities cannot be categorized as overarching themes in a MECE manner because value-add activities occur in a similar nature and do not vary depending on the EVs industry or founders' experience. Ultimately, the study revealed the institutionalized angel as a new categorization of early-stage VC.

The new category of the institutionalized angel emerged through findings and was accompanied by new insights. Since VC firms often specialize in a particular industry or investment stage, the institutionalized angel uses a different strategy with a specialized VC pre-seed investment strategy. The institutionalized angel is aware of the high risks associated with the investments but specifically capitalizes on the general business advice rather than the industry-specific expertise as recognized in conventional VC firms. The institutionalized angel is also particularly aware of the risks, as are the banks mentioned in the introduction, and places a special emphasis on the due diligence of the founder's competence, reducing the need for a monitoring mechanism. This novel practice, therefore, does not dissolve the agency dilemma but rather shifts its scope and intensity. The institutionalized angel eventually marks a novel, trust-based VC investment strategy that showcases an interesting way to mitigate risks early on, however, its future pertinence remains unclear due to its young history and the question of whether it yields more economic benefits than conventional VC.

6.1 Relevance

Despite intersections with existing literature, the research study provided new insights into academic literature on VC investments and revealed insights about the effects of value-add activities on the VC-EV relationship in a very early stage. The findings suggest that agency risk in the early-stage VC-EV relationship differs in nature compared to later stages, as risk mitigations mechanisms circle around alternative methods such as the presented cohorts. The investigation, therefore, demonstrated a different aspect of agency theory which rather focuses on the founder's competence than opportunistic behavior. Through the lens of RDT, the thesis also challenges existing literature as homogenous resource provision rather than industry-specific resources prolongs the work of the newly categorized institutionalized angel. As outlined in the methodology section, we additionally aimed for the transferability of the study due to thorough descriptions of the research approach and its findings. Despite our limited ability to statistically test the findings, we hope for analytical generalizations for the reasons regarding this study's description and the established framework that may contribute to future research (Merriam, 1998).

In addition to the theoretical implications, this study also presents several practical implications for VC firms, EVs, and external investors. Existing research indicates that VC firms put a great emphasis on governance mechanisms that mitigate the risk associated with the investment. However, our study surfaced that VC firms, investing in early-stage EVs, do not put great importance on control mechanisms and rather increase their emphasis on other value-add activities that support the EV and its founder. Hence, in the early stages of an EV, network access, strategic advice, and legitimacy provide more value for both parties in the relationship.

Secondly, in the earliest stage, the institutionalized angel can engage in a different due-diligence approach than conventional VC firms as the founder's competence is at the center of the EVs' success. Monitoring the founder after the investment through face-to-face meetings is one way but assessing the competence of the founder before the investment and building a trusting relationship is arguably a better way, or at least another way, to mitigate risk at the very early stage. Market risks, technology risks, and product risks always remain, but increased confidence in the founders' integrity can create a more collaborative relationship.

6.2 Limitations and Future Research

To emphasize the study's transparency, we also mention the limitations regarding the consequences and comprehension of our findings. Due to the qualitative methodological approach of this study, we are limited in our ability to statistically test correlations among the themes we identified as well as the strength of relationships related to the outcomes presented. This study is further limited to the number of interviews which, when increased, potentially results in more accurate findings. To confirm or deny previous findings in literature, our goal was to investigate the perception of the respective interviewees on the effects of value-add activities. However, perceived value is subject to biases which played an overall important role in this study because of its qualitative nature. The strong dependency of the EVs to the VC firm might have played an important role that led to the perceived positive experience. Therefore, another limitation of this study circles around the sample type as interviews were only conducted with those EVs that already received initial funding. Lastly, due to the early stage of the analyzed novel VC investment strategy, it remains vague whether the provided value-add activities have a long-lasting impact on the future success of the EVs and eventually on the VC's business, as so far only two cohorts have been accomplished.

Due to Antler's global presence with 21 locations around the world, future studies could investigate the VC-EV relationship regarding value-add activities within a certain geographical frame, e.g., regional or international. Here, comparisons across countries or continents could assess the value-add activities' effects and how those might differ depending on both the VC's and EV's location. Furthermore, since this research study analyzed EVs that received funding from the VC case company it would make sense to investigate those EVs that have been accepted to the cohort but did not graduate, and thus, did not receive initial funding. The perception of certain value-add activities may differ and poses another interesting study to find out about possible downsides that did not reach the surface in our conducted study.

Future research could also investigate whether LPs consider capital provision to early-stage VC firms more or less risky than to conventional VC firms. Thus, analyzing the LP-VC relationship and investigating whether the LP influences the VC firm's value-add activities would give a different perspective on the early-stage VC investment strategy. Additionally, it could be of interest to the research field of VC what role the interdependencies between the LP, VC firm, and EVs play. Lastly, precisely because Antler itself was founded in 2017 and the Berlin office had only two investment rounds so far it would make sense to conduct a longitudinal study in the future to assess whether this novel VC investment strategy results in a better VC fund and EV performance than conventional VC investment strategies. Thus, a quantitative study would help to statistically test the outcome of the study over a certain period and perhaps test the findings of our research study.

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Appendix A

Literature Overview of Value Add-Activities

Value-add Activities	View	Title	Literature
Finding key mgmt. team members, Credibility with stakeholders, Strategy support, and connect to potential customer and supplier	EV	Venture Capital's Role in Financing Innovation for Economic Growth.	Timmons & Bygrave, 1986
President replacement; Advice, Customer contact, Recruiting advice, and Check references of potential executive position candidates	EV	The Capital Connection: How relationships between founders and venture capitalists affect innovation in new ventures.	Perry, 1988
Outside CEO recruiting, Credibility, Network access to industry contacts, Network access to contacts with business services, Advice for general business topics, Advice for specific industry topics, Regular report discipline, Industry news knowledge, and Customer knowledge	EV	Entrepreneurial Perspectives on Informal Venture Capital.	Saetre, 2003
New venture team dismissals, Sound business advice, Excellent financial advice, Sound management advice, Force entrepreneurs to accept VC terms, Willing to compromise, and Hamper new idea development	EV	Reconsidering the Venture Capitalists' "Value Added" Proposition: An Interorganizational Learning Perspective.	Busenitz, Fiet, and Moesel, 2004
Assist to obtain additional financing, Strategic planning support, Management recruiting, Operational planning support, Connection to potential customers and suppliers, and Compensation issue support	VC & EV	What Do Venture Capitalists Do?	Gorman & Sahlman, 1989
Sounding Board advisor, Business consultant, Coach or mentor, Financier, Friend & confidant, Management recruiter, Professional business contact, and Industry contact	VC & EV	When Do Venture Capitalists Add Value?	Sapienza, 1992
Financial advice, Business advice, Sound board for management, Mentor and confident to CEO, Contacts to other firms, and Contacts to other professional	VC & EV	Venture Capitalist Governance and Value Added in Four Countries.	Sapienza, Manigart, & Vermeir, 1996
Legitimation, Information and key resource access, Promotion and management of the company, Find knowledgeable people for board, Conduct market study at cost, and Connect with possible lead customers	VC & EV	Venture Capitalist Relationships in the Deal Structuring and Post- investment Stages of New Firm Creation.	Steier & Greenwood, 1995
Capital acquisition support, Sounding board, Financial competence, Economic safety, Board of directors involvement, Networking support, Managerial competence, Strategy and business concept development, Business professionalization, External contact support, Negotiation and litigation support, Support and motivation, Marketing support, Key personnel recruitment, Production expertise, and Technical expertise	VC & EV	The Venture Capitalist and the Board of Directors in SMEs: Roles and Processes.	Gabrielsson & Huse, 2002
Direct capita source, Support for going public, New investor acquisition, Structure firm's financing, Business plan review, Budget finalization, Obtaining competitive information, Refer to accountants, lawyers, consultants, Environmental scanning, Competitive market analysis, Internal control system	VC & EV	Influence of venture capitalists on high tech management.	Gomez-Meija, Balkin, & Welbourne,

support, Board member recruitment, Reporting relationship establishment, Coordination system development, Key reward package negotiation, Stock incentive program development, Top management team recruiting, Management team mentoring, Performance criteria for evaluation, Request for CEO progress reports, Assess CEO performance, and CEO replacement if needed			1990
Money (from VC and future access), Operating services (partnership or acquisitions), Networks (for money, managers, service provider, strategic information), Image (credibility for banks, customer, management recruits), Moral support for CEO, General Business expertise, and Discipline (meeting goals, replacing managers)	VC & EV	The venture capitalist: A relationship investor.	Fried & Hisrich, 1995
Team Building, Operations, Perspective, Skill Building, Customer Development, Analysis, and Network	VC & EV	The Lower-Risk Startup: How Venture Capitalists Increase the Odds of Startup Success	Teten et al., 2013
Informal information source, Communication facilitator between VC and entrepreneur, Control and monitoring of venture performance, and Value-add creation for venture	VC	A UK 'hands-off' venture capital firm and the handling of post-investment investor–investee relationships.	Sweeting & Wong, 1997
Separation of rights (Cashflow, voting, board, liquidation and other), Rights to multiple classes of stock, Contingent rights imposition, VC control if poor performance through control and liquidation rights, Imposition of non-compete and vesting (Expensive for entrepreneur to leave company), Cashflow incentives, and control rights & contingencies made complementary with other control mechanisms	VC	Venture capitalists as economic principles	Kaplan & Stromberg, 2003
Help obtain alternative debt / equity financing, Financial performance measure, Interfacing with investors group, Motivation, Sounding board for management, Crisis and problem management, Professional support group development, Searching for management candidates, Interviewing and selecting, Negotiating employment terms, Replace management members, Vendor and equipment selection, Production/service development, Product/Service development, Customer/distributor soliciting, Marketing plans formulation, Marketing plan testing & evaluation, Business strategy, and Operational performance measurement	VC	Venture capitalists' involvement in their investments: Extent and performance.	MacMillan, Kulow & Khoylian, 1989
Customer related, Competitor analysis, Special marketing research, Personal discussions, Opportunity related decisions, Long-term strategies direction, Use of specialized technical personnel, Operations research, Periodic brainstorming, Use of staff specialists, MIS, Cost control centers, Profit center measures, Quality control, Formal appraisal of personnel, Due diligence processes, Attendance of board meetings, Capital, Skilled labor, Suppliers for material, and Management talent	VC	Life cycles of new venture organizations: Different factors affecting performance.	Flynn & Forman, 2001
Financial, Administrative, Marketing, and Strategic Management	VC	Venture Capitalist Value-added Activities, fundraising and drawdowns	Cumming, Fleming & Suchard, 2005
Financial, strategic, governance, operational, network and human capital	VC	Value-adding activities of venture capital companies: a content analysis of investor's original documents in Germany	Proksch et al., 2017

Appendix B

Interview Guide for Antler

Before starting the interview: We would like to thank you for taking the time and helping us conduct our research study. You are free at all times to stop the interview or to deny answering any questions that you feel are inappropriate. To ensure privacy, both your answers as well as your name will be anonymized and only be published after mutual agreement. Lastly, we would like to ask whether you confirm that this interview will be recorded.

Context

1. Please tell us about your personal background and professional experience.
   → **Follow-up:** What is your background in strategy formulation and execution?
2. What is the role of Antler in the VC industry?
   → **Follow-up:** What is your role?
   → **Probe:** Could you please exemplify?

Value-Add Activities

3. What does value-add mean to you?
   → **Probe:** Could you please exemplify?
4. What are the most important value-adding activities that you provide to the EVs?
   → **Follow-up:** How do value-add activities differ from pre- to post-investment?
   → **Follow-up:** Would you define them differently?
5. Does each EV receive the same resources or are they adjusted based on their needs?
   → **Follow-up:** How do you make sure that each EV receives the same amount of attention?

Agency Theory

6. What do you consider control mechanisms that you have in place to mitigate high risks?
7. What attribute is most important for Antler's activities: potential growth opportunities or your (operational) expertise?
   → **Probe:** Could you please exemplify?

Implications

8. What future benefits do you anticipate as being the initial investor?
9. Do you expect anything from your portfolio companies?

Other

10. Would you like to add anything?

Interview Guide for EVs

Before starting the interview: We would like to thank you for taking the time and helping us conduct our research study. You are free at all times to stop the interview or to deny answering any questions that you feel are inappropriate. To ensure privacy, both your answers as well as your name will be anonymized and only be published after mutual agreement. Lastly, we would like to ask whether you confirm that this interview will be recorded.

Context

1. What industry does your EV operate in and please tell us about our product or service?
2. Please tell us about your previous professional experience.
   → **Follow-up:** What role(s) did you have previously and what is your background in strategy formulation and execution?
   → **Probe:** Could you please exemplify?
3. Why did you choose Antler as a VC firm?
   → **Probe:** Could you please exemplify?

Value-Add Activities

4. What do VC value-add activities mean to you?
   → **Probe:** Could you please exemplify?
5. Which value-add activities do you consider most important for you as a founder?
   → **Follow-up:** Please elaborate on the top 3
6. What resources did you expect before applying to the Antler program?
   → **Follow-up:** Did the provided resources meet your expectations?
7. How do value-add activities differ from pre- to post-investment?

RDT

8. What factors were most decisive when choosing your product/service?
   → **Follow-up:** Has your initial idea changed when entering the cohort?
   → **Follow-up:** If yes, was it because of better access to specific resources or personal interest?
   → **Probe:** Could you please exemplify?
9. What future benefits do you expect of Antler being the initial investor?

Other

10. Would you like to add anything?