From Software Consulting to Venture Building: A Case Study on Venture Studio Business Models

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Abstract

This master's thesis explores the relatively unexplored phenomenon of venture studios (also known as venture builders or startup studios), which are companies that systematically and concurrently build startups. Despite their growing popularity, the academic literature on how venture studios operate is still limited and no structured and extensive description of the business model appears to exist. This study aims to fill this gap by conducting a case study on six Swedish venture studios, interviewing co-founders, CEOs, and COOs to provide a clear and structured description of the business model.

The business model canvas framework is used to present a generalizable venture studio business model identifying central elements such as a split workload allocation between consulting and venture building, a revenue division between capital and equity, a broad range of business and technology expertise as well as a structured approach to developing companies. The results are then compared with the business model of a software consulting firm, Backtick Technologies AB, highlighting key obstacles and possibilities for implementing the model.

The authors' final strategic recommendation for Backtick is to consider implementing a complete venture studio model, working with both internal and external business ideas, as they can leverage their technological expertise and product building capabilities while needing to strengthen their competence in necessary areas such as business development, recruitment, and investment sourcing. This study's main contribution, however, lies in providing a better understanding of how venture studios operate.

Keywords: venture studio, venture builder, startup studio, startup support, business model, business model innovation

Sammanfattning

Detta examensarbete utforskar det relativt outforskade fenomenet venture studios (även känt som bolagsbyggare, venture builders och startup studios), vilka är företag som systematiskt bygger bolag. Trots att antalet venture studios ökar så är akademisk forskning kring ämnet relativt begränsad. Denna studie syftar till att fylla denna kunskapslucka genom att genomföra en fallstudie på sex svenska venture studios, där medgrundare, CEOs och COOs intervjuas för att skapa en tydlig och strukturerad beskrivning av affärsmodellen.

Affärsmodellen presenteras med hjälp av ramverket business model canvas för att identifiera centrala element såsom en fördelning mellan konsultverksamhet och bolagsbyggnad, en intäktsfördelning fördelad mellan kapital och aktier, en bred kunskap inom affärsutveckling och mjukvaruutveckling samt en strukturerad process för att bygga bolag. Undersökningens resultat jämförs sedan med affärsmodellen för IT-konsultfirman Backtick Technologies AB, för att identifiera centrala hinder och möjligheter kring en implementation av affärsmodellen.

Författarens slutliga strategiska rekommendation för Backtick är att överväga att implementera en komplett venture studio-modell, där man arbetar med både interna och externa affärsidéer, där bolaget kan dra nytta av sin tekniska kompetens och förmåga att bygga produkter samtidigt som de behöver stärka sin kompetens inom områden som affärsutveckling, rekrytering och att säkra investeringar. Studiens huvudsakliga bidrag ligger därutöver i att skapa en allmän förståelse för hur venture studios verkar.

Nyckelord: bolagsbyggare, venture studio, startup studio, startup support, affärsmodell, affärsmodellsinnovation

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Lastly, we are immensely grateful for Alexander Fred-Ojala, Alexander Palm, Daniel Grahn, Erik Starck, Fredric Öjebrandt, Jakob Nielsen, Joachim Widd, Kristaps Prusis, Linus Granborg, Sami Niemi, and everyone else who took the time out of their schedules to support our work. This thesis would not have been possible without your support.

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William de Maré and Hugo Magneteg

Lund, May 2023

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List of definitions and abbreviations

AI	artificial intelligence
BMC	business model canvas
CEO	chief executive officer
COO	chief operational officer
CTO	chief technology officer
HR	human resources
ML	machine learning
MVP	minimum viable product
SEO	search engine optimization
SDG	United Nations sustainable development goals
UI	user interface
UX	user experience
VC	venture capital
VS(s)	venture studio(s)

Deep tech	cutting edge scientific advancements
Femtech	innovation designed to address women's needs
Healthtech	innovation designed to improve users' health
Impact startup	a startup addressing SDGs
Venture studio	a company that creates multiple startups in parallel
Venture	a portfolio company of a venture studio

1 Introduction

This chapter aims to provide some background to the thesis subject while providing information on Backtick Technologies and the Swedish startup scene. The chapter also provides a presentation to the thesis purpose, research questions and delimitations, as well as presenting a thesis outline.

1.1 Background

Startups can play an important role in the transition to a more sustainable and digital world according to Horne & Fichter (2022) and Jesemann (2020). However, around one fourth of new Swedish business ventures fail within their first three years of operations according to Tillväxtanalys (2020), and programs and organizations offering support to startups such as accelerators and incubators are hence becoming more prevalent (Madaleno, Nathan, Overman & Weights, 2018). As a result, a new type of startup support organization that creates and nurtures startups internally has emerged. It is known as a venture studio (VS) and has been highlighted in popular media as a growing trend (Haffen Lamm & Peters, 2019). However, the phenomenon seems relatively new and unexplored in academic literature.

Backtick Technologies AB (Backtick) is a Lund-based company providing services in software data engineering, data science, artificial intelligence (AI) and related fields. The founders have noticed that ideas and products emerge while working with their clients and have recently started to investigate the potential to collaborate more closely with their clients. The prospect of growing into a future venture studio could be a way to capitalize on these ideas while also sharing more upsides with clients. The founders of Backtick are unsure of what the transition to a venture studio would require of the company, and if the prospect is even feasible. This thesis hence aims to further the academic research on the topic while also providing practical knowledge to Backtick to guide their decision.

The following section provides a brief overview of the Swedish startup scene, startup support organizations and programs as well as an introduction to Backtick Technologies AB.

1.1.1 The Swedish Startup Scene

According to statistics from Tillväxtanalys (2022), 78 690 new companies were founded in Sweden in 2021. This number can be put in contrast with the fact that around one fourth of all newly started Swedish companies founded in 2014 were unsuccessful (Tillväxtanalys, 2020). The number is supported by data gathered from the Eurostat database (Eurostat, 2022) stating that the survival rate of Swedish companies over a one-, three- and five-year period was around 97%, 79% and 63% in 2020. These numbers place Sweden well above the European average of around 82%, 59% and 46% respectively, and show that Sweden is the country with the highest one-year company survival rate in Europe and is in the top regarding three- and five-year survival rates.

Sweden is a large innovation hub with the total enterprise value of startups and scaleups in Sweden continuously increasing, nearly doubling between 2020-2021 according to *The Sweden Tech Ecosystem: Report 2021* (Dealroom, 2022). To support these startups, funding and support organizations such as venture capitalists, incubators, accelerators and venture studios exist and are presented in subsection 1.1.3. According to data from Tillväxtanalys (2023), the venture capital (VC) volume increased from 6.2 billion SEK to 9.3 billion SEK between 2020 and 2021, with an overwhelming majority of almost 83% going towards information communication technology, life sciences and consumer products.

The above-mentioned report by Dealroom (2022) states that Sweden is a European leader in impact investing as about 51% of the country's total VC investments are aimed at startups that address at least one of the United Nations' sustainable development goals (SDGs). Diversity however seems to be lacking and according to a report from 2021, 88.2% of all raised capital 2016-2021 went to all-male founding teams, with only 0.9% to all-female teams (Di Fonzo et al., 2021).

Jesemann (2020) argues that a functioning startup ecosystem is crucial in promoting a sustainable economy by strengthening local innovation and addressing economic and societal challenges. Startups drive the growth of new industries that are more responsible and sustainable than current ones, according to Jesemann. A report from UNCTAD (2019) supports this view, stating that new technologies have the potential to bring about significant economic transformation, resulting in improved living standards, increased productivity, lower production costs and higher wages. Promoting support functions for startups as well as impact startups can hence be seen as key drivers toward the SDGs of sustainable growth and fostering innovation.

1.1.2 Venture Studios

According to Köhler & Baumann (2016), a venture studio is characterized by its ability to assemble and scale new startup companies rapidly in a centrally

coordinated manner. A VS can be defined in many ways and by a variety of names such as a venture builder, company builder, startup nursery, or startup factory. A single definition is not widely accepted and it can be assumed that there are companies engaging in venture building without explicitly being called venture studios. This thesis will however use the definition of a venture studio as:

"A company that creates multiple startups in parallel. Thanks to its infrastructure and resources, startup studios increase a startup's chance of success and optimize its creation and growth." (Lawrence, Fulton, Narowski & Hurwitz, 2019)

It seems, according to a report by Scheuplein and Kahl (2017), that venture studios' startups are generally more successful than traditional startups. In their paper, they present a positive significant correlation between venture studio backing and employment growth rates. However, venture studios also face challenges such as the difficulty of continuously recruiting top talent, resource allocation between ventures, managing studio cashflow, raising funds as well as finding the right structure and adapting with growth (Muñoz Abreu, 2021).

The first VS, Idealab, was founded in 1996 and the first wave of early venture studios began around 2007-2008 when venture studios such as Betaworks and Rocket Internet were founded (Szigeti, 2019; Lawrence, Fulton, Narowski, & Hurwitz, 2019). Since then, the number of venture studios has grown and Zasowski (2020) reports a 625% increase in the total number from 2013-2020. Today, about half of all venture studios worldwide are in the USA according to Vijay Rajendran (2022), stating that market dominators such as such as Idealab, Betaworks, Science Studios and Rocket Internet have made many investments and around 50 to more than 100 exits. A number of Swedish venture studios also exist. While some of these have a broad scope, spanning multiple industries, others are more specialized and cater to niche markets. Additionally, the nature of VSs vary, with some functioning more like traditional investors, while others resemble product-building companies.

1.1.3 The startup Support Ecosystem

The startup support ecosystem includes various types of support actors, such as venture capitalists that invest capital in companies, incubators that provide workspace, network, financial and technical services without taking a large stake in the company, corporate accelerators that offer short-term growth programs for startups, and finally, venture studios. (Lawrence, Fulton, Narowski & Hurwitz, 2019). Differences as well as similarities regarding the offer proposition in terms of areas such as infrastructure, business support, access to networks (Hamida, 2020) and investments (Drover et al., 2017) exist.

Incubators provide less business support than accelerators and venture studios, mainly offering shared resources and ad-hoc support as a co-working space (Cohen

& Hochberg, 2014). While venture studios support both internal and external ventures, incubators and accelerators focus on external ventures (Hamida, 2020; Mittermeier, Hund & Beimborn, 2022). Venture studios engage in long-term support by providing capital, tools and internal resources in exchange for equity, with the goal of nurturing and developing early-stage ideas into sustainable and self-sufficient companies. Accelerators on the other hand trade equity for support to existing, early start-ups through a fixed-term program with a focus on scaling businesses and making them investment-ready (Haffen Lamm & Peters, 2019). In their study, Hamida (2020) explains that the researched accelerator program offers a curriculum of business education through seminars and workshops while the researched venture studio rather encourages learning by doing while continuously offering consultations and support.

Further, venture studios tend to own a larger equity share in the startups they co-found, while accelerators and incubators tend to receive smaller portions or no equity at all (Hamida, 2020; Mittermeier, Hund & Beimborn, 2022; Blank, 2022; Radojevich-Kelley & Hoffman, 2012; Cohen & Hochberg, 2014). Haffen Lamm and Peters (2019) state that while the resources provided by venture studios are more efficient than those provided by the accelerator, the accelerator has a far wider funding network. The venture studio, however, provides a more specific and targeted network (Haffen Lamm & Peters, 2019).

1.1.4 Backtick Technologies AB

Backtick Technologies AB is a Lund-based consultancy firm employing twelve engineers providing services in machine learning (ML), software engineering, data engineering, data science, AI and related fields to local clients ranging from startups to large enterprises. Backtick was founded by Oskar Handmark and Michal Stypa in 2018 with the mission of targeting startups and has since moved on to work with mid- and large-cap companies as well. According to Backtick's website (Backtick, 2023), their standard offering consists of four main areas: advisory, workshops, projects, and studio. Advisory consists of advisory sessions to guide clients in their work with data and AI. Workshops support clients with quick testing of ideas by activities such as proof of concept testing and building minimum viable products (MVPs). Backtick's main offering, projects, include building new or improving existing solutions for clients in a typical IT-consulting manner, as an independent contractor or incorporated in the client's engineering team. Lastly, Backtick has a studio offering, where Backtick becomes the technology partner of its customers.

Backtick's founders have started to notice that ideas and product concepts emerge in their daily consultancy work and are interested in capitalizing on this opportunity. As a result of this, Backtick recently demerged into three separate companies consisting of the holding company *Backtick Valley*, a consultancy firm and a data platform company. The data platform product company, *Cinter,* which is currently

in the making, epitomizes Backtick's vision to generalize customer solutions and build new ventures. In the long run, Backtick's founders see a prospect of evolving into a venture studio. This would involve investing in internal projects and providing sweat equity, engaging in joint ventures and making early-stage investments in startups while maintaining their consulting operation for steady cash flow. Although a majority of Backtick's current workload is allocated to consultancy projects with corporate clients, the goal of becoming a venture studio is attested by the company vision stating that *"Our vision is to create a tech focused venture studio where talented engineers and innovators work together to produce engaging investment opportunities for both employees, startups and investors. (…)"* (Backtick, 2023). A more in-depth presentation of Backtick is found in section 6.1 of this report.

1.2 Purpose and research questions

As mentioned in section 1.1, the phenomenon of venture studios is relatively new and unexplored in academic literature. Although research exists on certain aspects of venture studios such as their venture building process, how they differ from other types of startup support organization and their equity strategy, there appears to be no structured and extensive description of the business model. Hence, the purpose of this thesis is to further academic research by clearly defining a general venture studio business model in a structured way. Moreover, the thesis aims to provide practitioners like Backtick Technologies AB with an analysis of their potential to implement a venture studio business model. From this purpose, the research questions in table 1.1 are posed:

Table 1.1 Research questions.

RQ1	How do venture studio business models typically operate?
RQ2	What is needed for an IT consulting firm to implement a venture studio business model?
RQ3	Should Backtick Technologies AB implement a venture studio business model?

1.3 Focus and delimitations

The venture studios included in the case study of this master's thesis are all Swedish companies operating primarily on the Swedish market. As Backtick primarily acts in the Swedish market, this is determined as a reasonable delimitation that will result in relevant results for Backtick.

Another delimitation made in this thesis is to use the term venture studio as an umbrella term to cover all similar business models. A distinction is not made

between terms such as venture builders, startup studios, corporate venture builders etc. Although some variations exist, equally significant similarities are deemed to exist within each term.

1.4 Thesis outline

An overview of the thesis is presented in table 1.2 below.

Table 1.2 Thesis outline including page span and short introductions.

Chapter	*Page numbers*	*Short introduction*
Introduction	10-15	An introduction to startup support organizations, Backtick Technologies as well as a presentation of the thesis purpose and research questions is presented
Methodology	16-26	The method used for conducting research as based on Yin's methodology (2018) including a strategy for planning, designing and preparing for the study, collecting and analyzing data and sharing the results is presented.
Theoretical framework	27-31	Presentation of the theoretical framework business model canvas.
Literature review	32-46	A systematic literature review presenting what is known about the business model of venture studios in available literature.
Case Study	47-75	A Case study consisting of interviews with stakeholders from six Swedish venture studios. Results are presented as company summaries as well as a data cluster analysis resulting in a generalized venture studio business model canvas.
Comparative analysis	76-84	Results from workshop sessions with Backtick employees are presented. These aim to map out Backtick's business model and to compare it with venture studios.
Discussion	85-95	Results, potential future scenarios, a final recommendation for Backtick, as well as limitations of the study and suggestions for future work is discussed.
Conclusion	96	A summarizing conclusion of the report's results and contribution.

2 Methodology

This chapter provides a description of the research methodology used, including a case study on Swedish venture studios followed by a comparative analysis and ends with a discussion on research quality and ethics.

2.1 Overview

As described in subsection 1.2.2, the main purpose of this thesis is to answer three research questions. RQ1 is answered by conducting a case study based on the methodology presented by Yin (2018) in *Case Study Research and Applications*. The case study consists of interviewing Swedish venture studio stakeholders to present a generalized venture studio business model. The case study is then followed by a comparative analysis where Backtick's business model is mapped out and compared to the venture studio business model to answer RQ2. Lastly, RQ3 is answered through a discussion of potential scenarios for how Backtick can implement a VS business model. Figure 2.1 provides an overview of the methodology used.

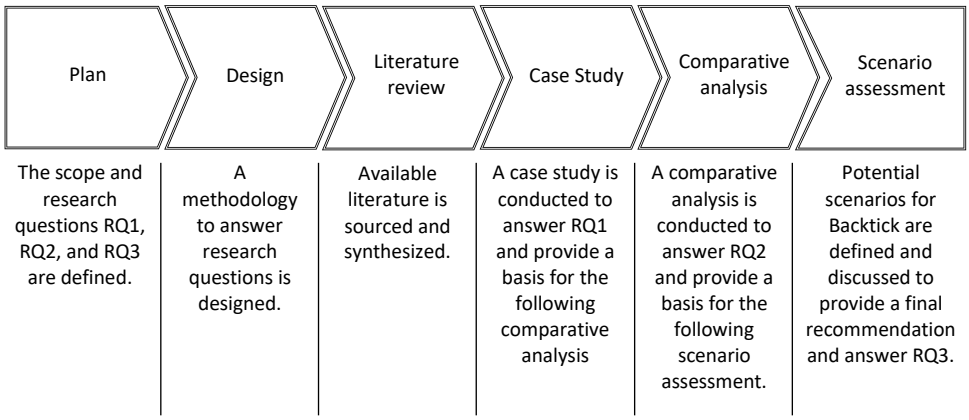

Figure 2.1 Overview of the methodology used for this thesis.

2.2 Case study

The case study methodology used, based on the six steps according to Yin (2018) is presented in the following subsections.

2.2.1 Plan

The purpose of this case study is to describe a generalized business model of venture studios. Since RQ1 is posed as a *how* question, an exploratory case study according to the methodology of Yin (2018), was conducted as presented in table 2.1 below. The study was conducted on multiple case companies with the aim of presenting each individual venture studio as well as identifying and describing a general business model canvas (BMC) for venture studios. Although the business model canvas framework is commonly used to describe the business model of an individual company, the method of using the BMC as a tool to describe an industry-generalized business model was inspired by *Business models for the Internet of Things* (Dijkman et al., 2015).

Table 2.1 Overview of the case study methodology (Yin, 2018), applied to the case study.

	Plan	***Design***	***Prepare***	***Collect***	***Analyze***	***Share***
Yin's method-ology	Scope and research questions are defined	Cases and data collection techniques are chosen and presented	A data collection procedure is prepared	Data is collected using the previously chosen techniques.	The collected data is analyzed using pre-determined methods.	A report for sharing the results is prepared.
Case study method-ology	RQ1 is defined	Case study consisting of interviews with VS stake-holders	Literature review Interview protocol is set up	Interviews are conducted	Results are analyzed according to a clustering method.	Results are presented as individual company presentat-ions and a combined BMC

2.2.2 Design

Yin (2018) states that one way to define research design is as a blueprint for research and starts with finding study questions. Finding study questions was done by using literature to examine what questions have already been answered, where there are loose ends and what new questions arise to the authors that need to be answered. The research questions proposed for this study are presented in subsection 1.2.2.

Following this, the cases were identified in two steps: by defining and then bounding the case. The cases were defined as venture studio companies and bounding the case includes a delimitation of only researching venture studios operating in Sweden, as presented in section 1.3, as these were deemed most relevant for Backtick. Yin (2018) states the importance of being aware of the choices made and how they can create a solid foundation for the forthcoming data analysis when designing the research (ibid). Hence, after identifying cases, it was ensured that the anticipated case study data was linked to, and reflects, the purpose of the study.

Case studies can be either theory-oriented or practice-oriented where theory-oriented studies aim to contribute to theory development and practice-oriented aims to contribute to the knowledge of a specific practitioner's knowledge (Dul & Hak, 2008). As this case study aims to deliver knowledge on venture studios to Backtick Technologies, it can be identified as practice oriented. The study was further designed as descriptive as described in *Case Study Methodology in Business Research* (ibid).

Descriptive research consists of five steps. These five steps, as presented in figure 2.2 below are; presenting unknown variables, composing a research objective, conducting a comparative case study to define the variables, findings contribute to a practitioner's knowledge. (Dul & Hak, 2008)

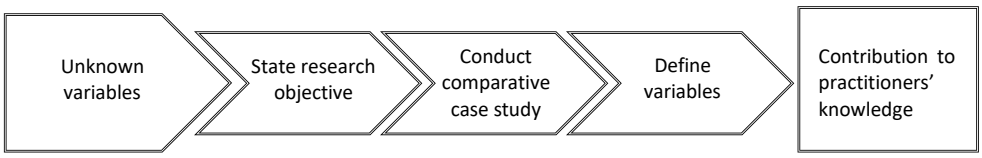

Figure 2.2 Five steps of descriptive research (Dul & Hak, 2008).

Unknown variables were defined as the components in each block of the venture studio business model canvas. The research objective was to clearly define the venture studio business model and hence provide a basis to answer RQ1. A comparative case study was conducted on six Swedish venture studios, by interviewing key stakeholders from each venture studio.

Gathering data through a survey is not sufficient when interviewing subjects who might be unfamiliar with the BMC framework or whose businesses might lack a structured business model. The potential variations in how interview subjects interpret business model components further complicate the use of standardized surveys. Hence, qualitative and semi-structured interviews were used to gain a deep understanding of the individual aspects of the different companies.

In *What is Qualitative Interviewing* (Edwards & Holland, 2013), three core features of qualitative and semi-structured interviews are:

1. A social and interactional dialogue with potential insights for both participants.

2. Approach based on a specific theme or topic, but with a fluid and flexible structure.

3. Contextual and knowledge-based perspective with co-production involving the construction or reconstruction of knowledge.

Semi-structured interviews are a common type of qualitative interview format where the interview is structured around a list of questions but is flexible regarding how and when the questions are asked and how the interviewee can respond (Edwards & Holland, 2013). This also allows the interviewers to pursue different tracks during the interview, which was deemed important in this case study on companies that may differ in various aspects.

2.2.3 Prepare

2.2.3.1 Literature review

A qualitative literature study approach with traditional-narrative orientation based on *Writing the Literature Review: A Practical Guide* by Efron and Ravid (2019) was conducted to gain theoretical knowledge on venture studio business models. A traditional-narrative literature review consists of a critical summary of existing research on a specific topic where the reviewer examines a diverse selection of literature, qualitative as well as quantitative and theoretical knowledge on the topic. The sources were then summarized by extracting main issues, trends, complexities, and controversies. This systematic research method implies an extensive although not exhaustive literature gathering (ibid).

The initial phase of literature review consisted of sourcing materials and was inspired by the process suggested by Efron & Ravid (2019). As the focus of the review was on research outcomes with the goal of answering RQ1 as presented in section 1.2, an exploratory, broad, search on Google Scholar and LUBsearch was conducted using the keywords: “venture builder*” OR “venture studio*” OR “startup studio*” OR “company builder*” OR “startup factory” OR “startup nursery” OR “startup foundry” OR “venture factory” OR “studio incubator” OR “tech studio” OR “builder studio”. Boolean operators were used to create a broad search on article titles, abstracts as well as keywords since the amount of literature on the subject is limited. This process of searching for literature is presented in figure 2.3 below.

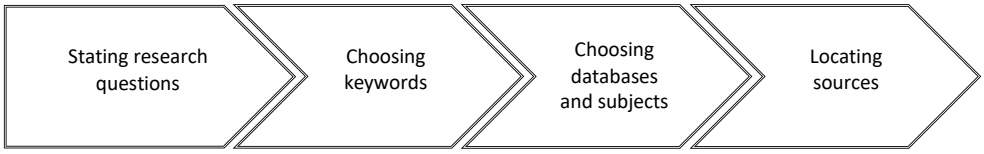

Figure 2.3 Process of searching for and reviewing literature, inspired by Efron and Ravid (2019).

After sourcing literature, a review inspired by the process of systematic literature review, presented by Xiao and Watson (2019), was conducted. First, titles and abstracts were reviewed to screen for inclusion based on relevance to the research question, resulting in a list of 54 sources. After this initial review, the list of sources was scanned in a first reading cycle to assess the quality, credibility and relevance and received a score of 1-5. Quality, credibility, and relevance were in this instance based on the relevance to the research question, comprehensiveness, currency, and authority. The sources that received a score of 3-5 were selected for further analysis while the rest were discarded, resulting in a list of 27 sources consisting of articles, journals, books, thesis papers and dissertations published between 2015-2022. The result of this process can be seen in appendix A.

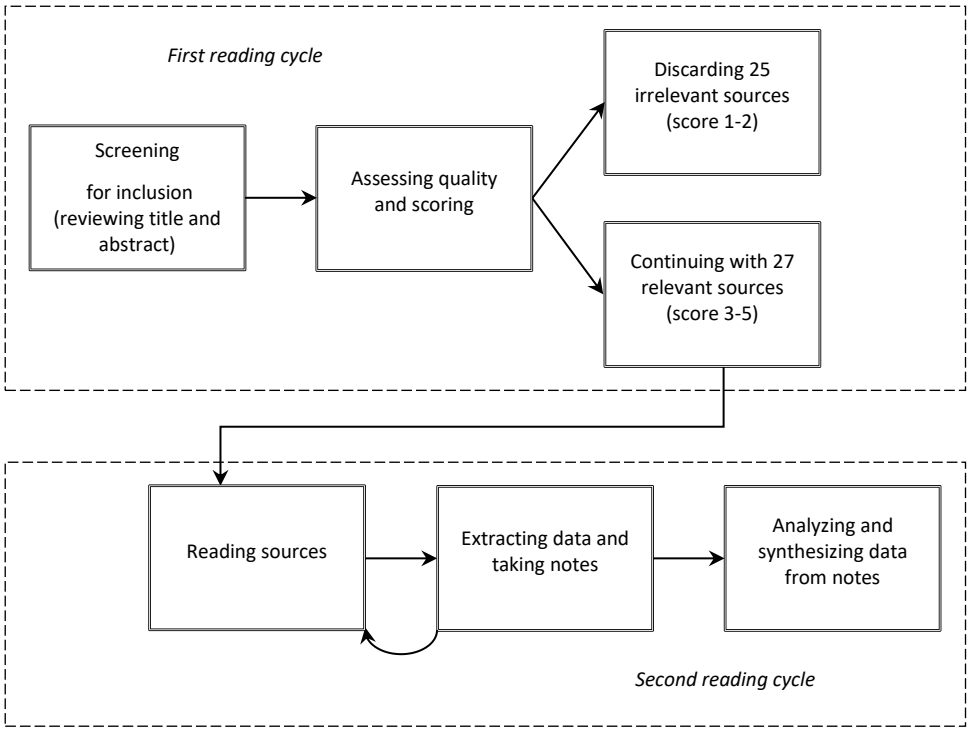

Figure 2.4 Literature review methodology inspired by a combination of Efron and Ravid (2019) and Xiao and Watson (2019).

A second, exhaustive reading cycle on the remaining sources was conducted with the aim of identifying and extracting relevant data. This was done in iterations of reading and re-reading the selected sources while highlighting relevant sections and taking detailed notes of these. Finally, the notes were analyzed, summarized, and synthesized in a structured manner based on the main areas of business as presented in *Business model Generation* by Osterwalder and Pigneur (2010); customers, offer, infrastructure and financial viability. These four areas of business were used to structure the literature synthesis as it creates a structured approach to covering key aspects of a business model. The process of collecting and synthesizing sources is presented in figure 2.4 above.

2.2.3.2 Preparation for interviews

According to Yin (2018), important aspects of case study preparation include having a firm grasp of the issue being studied, writing a protocol and contacting the candidates for the study. Conducting thorough background research as well as a literature review, was done to ensure the interviewer's knowledge on the topic and was followed by constructing an interview protocol. A protocol, presented in appendix B, was set up for each interview and consisted of four main sections: an overview of the case study, data collection procedures, protocol questions and an outline for the case study report.

Once a protocol had been set up, a practice interview was conducted between the two authors to ensure that the protocol questions lead to responses relevant to the purpose of the case study. The aim of the practice interview was also to practice skills such as good listening and flexibility (Yin, 2018). As a final part of the preparation, theory and frameworks were reviewed to ensure that the interviewers hold relevant knowledge on the subject.

A list of all retrievable Swedish venture studios was made by a search on Google, LinkedIn and through Backtick's network. These companies' relevance to the study was ranked on a scale 1-5, based on factors such as company maturity, a clearly marketed VS operation and contact information availability. Relevant candidates for companies ranked 3 and above were contacted via email and LinkedIn. These candidates were selected on the premise of being deemed knowledgeable stakeholders, such as co-founders, chief executive officers (CEOs) and chief operational officers (COOs) within their company. The resulting eight stakeholders are presented in subsection 2.2.4.

2.2.4 Collect

Hour long zoom-interviews were conducted with eight CEOs, COOs, co-founders, and a previous employee of venture studios as summarized in table 2.2 below. Interviews were, when needed, complemented by follow-up questions via email.

Table 2.2 Case study interviewees.

Name	*Company*	*Title*	*Interview*
Kristaps Prusis	VNTRS	CEO & co-founder	Digital interview on February 21, 2023
Joachim Widd	VNTRS	COO & co-founder	Digital interview on March 16, 2023
Anonymous employee	VNTRS	Previously employed	Digital interview on March 14, 2023
Daniel Grahn	Radikal.Studio	Co-founder & Tech-lead	Interview on March 31, 2023
Erik Starck	Malmö Startup Studio	Co-founder & Venture lead	Digital interview on February 24, 2023
Linus Granborg	Levels	CEO & co-founder	Digital interview on February 27, 2023
Alexander Palm	Entire	COO & Partner	Digital interview on February 24, 2023
Fredric Öjebrandt	&Flow	Co-founder & CEO	Digital interview on March 1, 2023

The interviews were conducted digitally with one interviewer and one note-taker. All interviews were audio recorded which allowed for a full transcription following the interview and ensuring a higher validity in the upcoming analysis.

2.2.5 Analyze

After conducting each interview, they were transcribed and the recordings were relistened to. Initially, summaries were produced for each company, resulting in individual company presentations. A cluster analysis was then conducted, drawing inspiration from the Gioia methodology (Gioia, Corley & Hamilton, 2013). This was done by extracting and clustering the data into predetermined aggregate dimensions, as illustrated in figure 2.5. Initially, these aggregate dimensions were determined as the BMC building blocks and first order concepts that were deemed relevant but did not fit within the predefined dimensions were temporarily marked as miscellaneous. Relevant first order concepts were extracted from the interview transcripts. They were then grouped into generalizable second order themes that made logical sense to the authors and ordered into their respective aggregate dimensions. An additional aggregate dimension, namely challenges facing the VSs, was during this stage identified from the concepts marked as miscellaneous. The

resulting second order concepts were presented and lastly, those second order concepts deemed most relevant and general by the authors were extracted and presented in a resulting VS BMC.

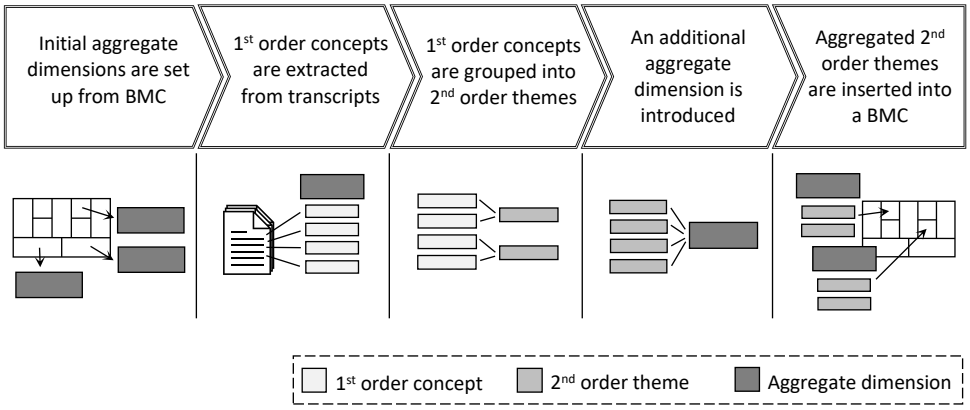

Figure 2.5 Cluster analysis methodology.

2.2.6 Share

For each case company, a descriptive company summary was presented consisting of a short introduction, highlighting how they capture, create, and deliver value, and describing their individual challenges and advantages. This summarizing structure was chosen as it allows for a concise description of a company and its business model. Additionally, the aggregated results from the case study analysis were presented as a generalizable VS BMC. This method of presenting quantifiable takeaways as well as each interview summary maintains a chain of evidence in accordance with Yin (2018).

Results from the case study are presented in this written report as well as in a final oral master's thesis presentation.

2.3 Comparative analysis

Following the case study, a series of workshops were conducted with Backtick employees. The objective was to answer RQ2 through identifying Backtick's current business model and identifying gaps to the venture studio business model.

In preparation for the comparative analysis, a structured workshop scheme was produced. Edwards & Holland (2013) suggest using graphic tools to concretize a discussion. Hence, the workshops were structured around the visual business model canvas framework to create a common and concrete structure to the workshops. The

case study, as presented in 2.2 can be seen as a preparatory task for these workshops, as it ensured sufficient knowledge on the VS business model. Pre-reads presenting the BMC framework as well as the VS BMC were sent out to all participants ahead of the workshops.

Data was collected in an initial business model workshop where five Backtick employees, as presented in table 2.3 below, mapped Backtick's business model on a business model canvas using post-its. The BMC workshop was initiated by a presentation of the BMC framework, as well as a simple BMC practice exercise. The participants were then asked, block-by-block, to identify key components of the business model. Throughout the workshop, the authors of this thesis held the role of facilitators leading the discussions forward.

Table 2.3 Workshop participants from Backtick

Name	***Title***
Fredrik Olsson	Data Scientist
Gustav Handmark	Software Engineer
Johan Henriksson	CTO
Michal Stypa	Co-founder & CEO
Oskar Handmark	Co-founder & Venture Lead

To present the necessary resources and capabilities for a software consulting firm transforming into a venture studio, a following workshop was conducted comparing Backtick's business model canvas and the VS BMC. During the workshop, differences and similarities between the two business models were color coded, resulting in a business model canvas distinguishing those elements unique and similar between the VSs and Backtick. This was followed by a brainstorming session where the participants identified those similarities and differences that are of relevance to Backtick, as well as potential ways to bridge these gaps.

After finalizing the comparative analysis, interviews were conducted with three stakeholders, as presented in table 2.4, deemed relevant to examine and determine the desirability of the Backtick VS business model. These were conducted as unstructured interviews with the aim of identifying some opportunities and challenges of the model. These insights were used to substantiate the discussion in section 7.2, aiming to provide a basis for answering RQ3.

Table 2.4 Stakeholder interviewees.

Name	*Title*
Alexander Fred-Ojala	Co-founder and CEO at Predli & CEO at MasterExchange
Jakob Nielsen	Head Coach at Ideon Open
Sami Niemi	Partner at Spintop Ventures

2.4 Quality of research design

Yin (2018) presents three main areas to judge the quality of exploratory research design, namely construct validity, external validity, and reliability. These are considered when designing the case study and the comparative analysis.

First, Yin explains that for good construct validity, a good case study should rely on as many sources as possible. To increase construct validity, multiple sources of evidence were therefore used when possible. In the case study, data was sourced from interviews with executives of six venture studios and cross-checked with additional stakeholder interviews, the VSs' websites, and annual financial reports when possible. Furthermore, drafts of the case study report for each case were sent to the interviewees for review. To further construct validity when conducting workshops, participants of the workshop were made up of a diverse team of employees in different roles at Backtick.

External validity relates to the generalizability of the study, and as the number of case studies make up a substantial amount of the total number of venture studios in Sweden, a certain degree of generalization is reasonable. However, a limited number of case companies all portraying certain unique characteristics is not automatically generalizable, as further presented when discussing limitations of the study in section 7.4. For transparency, these unique characteristics of venture studios were therefore highlighted with an asterisk in the case study analysis.

To ensure reliability and the ability to repeat this study and arrive at similar findings, a clear process of designing the study was presented. Additionally, all interviews followed a case study protocol and the model for analyzing data was presented. Moreover, as Yin describes maintaining a chain of evidence as a key principle of data collection, the full cluster analysis was presented in appendix B, completed by presenting company summaries. This allows transparency in how the analysis was made and increases the reliability of how conclusions were reached.

2.5 Research Ethics

Research at Lund University should follow the guidelines for research integrity as described by *The European Code of Conduct for Research Integrity* (ALLEA, 2017). These guidelines were followed during the work of this thesis. The paper, published by the European Federation of Academies of Sciences and Humanities, presents four principles of good research practice, namely reliability, honesty, respect, and accountability. Reliability, as presented in section 2.4 was further enhanced by *"reviewing, reporting and communicating research in a transparent, fair, full and unbiased way"* and ensuring respect for interview subjects, such as through anonymization when desired (ibid).

The guideline further presents three research misconducts that are unacceptable for good research. These are fabrication, falsification, or plagiarism (ALLEA, 2017) When conducting the research, fabrication and falsification was avoided especially through safety nets such as sending interview summaries to interviewees for verification which should ensure correct and truthful representation. Results from the Backtick workshops were also cross-checked by employees for the same purpose. When collecting data, alternative explanations were explored, and negative results were regarded as equally valid to the study. Although collected data is presented as it was stated by interviewees, possibly presenting the representatives' biased image of their companies, this was an active decision to present the companies own descriptions - followed by a more critical mindset when discussing the results.

When writing the report, plagiarism was actively avoided, and everything sourced from separate sources was cited. A final thesis examination was also conducted, where other thesis students as well as an examiner reviewed the paper to ensure a high quality.

3 Theoretical Framework

This chapter aims to introduce the theoretical frameworks used throughout the report, namely the business model canvas.

3.1 Business model canvas

The interpretation of what a business model is has been argued among scholars since the concept's emergence in the mid-1990s (Massa, Tucci & Afuah, 2017), presenting three broad categories of interpretations in management literature. According to them, business models could be interpreted as attributes of actual companies, cognitive and linguistic schemas, or formal conceptual representations of how a business operates (ibid). This thesis follows the third interpretation, seeing the business model of venture studios as a formal conceptual representation of how they operate. Much research is devoted to finding clearer definitions of business models and providing frameworks (Åkesson, 2022). An example of a framework that emerged from this research and fits the interpretation of a business model being a formal conceptual representation of how a business operates is the business model canvas, which is the most widely used business model framework by both practitioners and scholars (Åkesson, 2022; Täuscher & Abdelkafi, 2017).

Osterwalder & Pigneur (2010) described a business model as the rationale of how an organization creates, delivers and captures value. They argued that a business model can be described using nine blocks covering the four main areas of business: customers, offer, infrastructure and financial viability. The nine blocks, shown in figure 3.1 below, are: customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships and cost structure. These nine blocks make up the business model canvas (ibid), a framework synthesized from various similar frameworks as part of a meta-analysis of business model framework literature (ibid).

In a critical assessment of the BMC framework, Coes (2014) shared its strengths and limitations. The framework's visual representation and simplicity of communication were highlighted as strengths. However, Coes stated that the external forces on business models, such as competitors, are excluded from the framework and presented this as one of its main limitations along with the

narrowness of the value proposition. They further explained that the business model canvas has a heavy focus on creating value, with revenue in return. This could exclude the value captured in other forms in organizations such as nonprofit- and governmental organizations, where revenue is not the value they aim to capture (ibid). Furthermore, Coes suggested constructing a narrative and presenting the mechanisms between the different building blocks, as they saw the business model canvas limited in this regard.

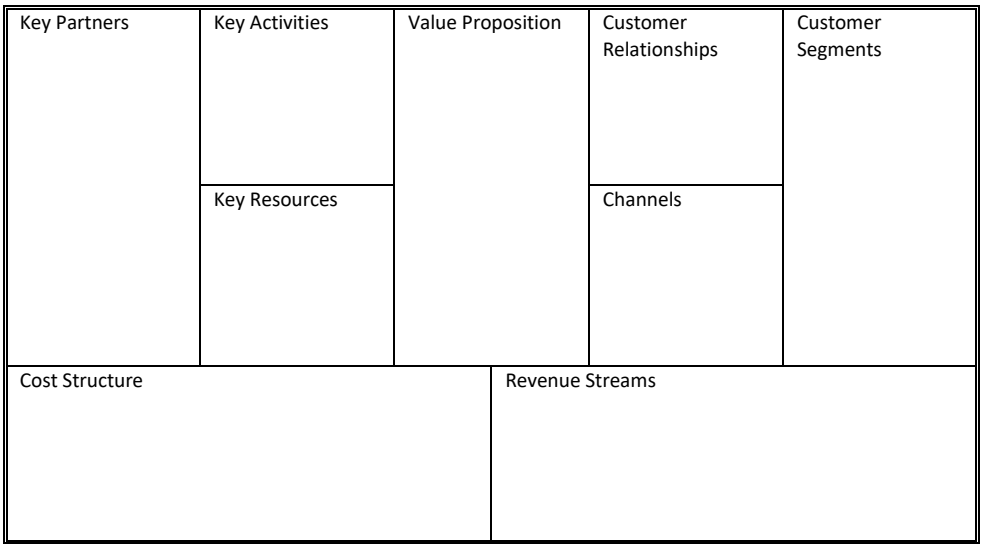

Figure 3.1 Business model canvas framework.

3.1.1 Customer segments

The block of customer segments defines the different groups that the company aims to create and deliver value for (Osterwalder & Pigneur, 2010). These groups are separated into distinct customer segments wherein the customers share common attributes, such as needs or behaviors. According to Osterwalder & Pigneur (ibid), customer groups are regarded as separate segments if:

- Their needs require or and justify a distinct offer
- They are reached through different channels
- They require different types of relationships
- They have substantially different profitability
- They are willing to pay for different aspects of the offer

3.1.2 Value proposition

Osterwalder and Pigneur (2010) described the value proposition building block as the bundle of products and/or services that create value for a specific customer segment. These bundles can differ for each customer segment and contain a distinct mix of elements catering to the specific needs of the customer segment (ibid). The value proposition can create quantitative value in terms of for example price or speed of service, as well as qualitative value such as design or customer experience (ibid).

3.1.3 Channels

The building block of channels describes how the company can deliver their value proposition to the customer segments. Channels are customer touch points, where companies communicate with and reach their customers. Along with these descriptions of channels, Osterwalder and Pigneur (2010) stated that among serving other functions, channels:

- raise awareness among customers about a company's products and services
- help customers evaluate a company's value proposition
- allow customers to purchase specific products and services
- deliver a value proposition to customers
- provide post purchase customer support

Different types of channels exist. Some channels are owned by the company, while others may be accessed through partners. A distinction can also be made between channels that are direct versus indirect (Osterwalder & Pigneur, 2010).

3.1.4 Customer relationships

The customer relationship building block describes what types of relationships the company creates with each customer segment (Osterwalder & Pigneur, 2010). Osterwalder and Pigneur exemplified categories of customer relationships such as personal assistance, dedicated personal assistance, self-service, automated services, communities, and co-creation, while specifying that these are driven by the motivations of: customer acquisition, customer retention and boosting sales. These categories of customer relationships can co-exist in a company's relationship with a particular customer segment (ibid).

3.1.5 Revenue streams

Osterwalder and Pigneur (2010) described revenue streams as a company's arteries, where customers comprise the heart of the business model. This building block represents the revenue a company generates from each customer segment (ibid).

3.1.6 Key resources

The building block of key resources outlines the crucial assets necessary for the successful implementation of a business model. According to Osterwalder and Pigneur (2010), these resources include physical, financial, intellectual, and human assets, where some types may be more important depending on the type of business model. Resources may be owned by the company, leased, or acquired from key partners (ibid).

3.1.7 Key activities

The key activities building block describes the critical tasks a company must undertake to successfully execute its business model according to Osterwalder and Pigneur (2010). They stated that different types of companies have vastly different types of activities and exemplified that supply chain management is a key activity for a computer manufacturer, while consultancy firms may have key activities such as problem solving. Key activities can be categorized into production, problem solving and platform/network (ibid). Production related activities involve creating, manufacturing and distributing a product in large quantities and/or with high quality. Problem solving activities, such as knowledge management and continuous training relate to finding solutions to customer problems. Platform/network activities are key components of business models that utilize a platform as a key resource. These activities include managing and maintaining the platform, providing services through the platform and promoting the platform.

3.1.8 Key partners

Companies might be motivated to create partnerships to optimize and gain benefits of economies of scale, reduce risk and uncertainty, or acquire particular resources and activities (Osterwalder & Pigneur, 2010). The network of partners and suppliers are described in the key partnerships building block. Osterwalder and Pigneur distinguished between the following four types of partnership:

- Strategic alliances between non-competitors
- Cooperation: strategic partnerships between competitors
- Joint ventures to develop new businesses.
- Buyer-supplier relationships to assure reliable supplies

3.1.9 Cost structure

The cost structure building block describes the most important costs related to executing the business model (Osterwalder & Pigneur, 2010).

This building block, as well as the previously described, lays a foundation for the case study and comparative analysis, structured around the business model canvas framework.

4 Literature Review

The following literature review aims to describe the business model of a venture studio using available literature with the methodology presented in chapter 2. This literature review is structured around the four main areas of business as presented by Osterwalder and Pigneur (2010): customers, offer, infrastructure, and financial viability, which are presented below.

4.1 Customers

Pinpointing the customers of a VS can be difficult, as exemplified by Meijer (2019) in the thesis paper *Strategizing the ideation phase of the startup studio model*, presenting an example of a VS' top management having a hard time discerning who their end users were. The end users could, according to them, either be seen as the entrepreneurs receiving support, or the end users of the software their ventures create. In the end, they reached the conclusion that their end users are entrepreneurs (Meijer, 2019). The current literature on VSs further suggests that the value proposition of VS can target multiple different groups. These groups include entrepreneurs, buyers of ventures as well as corporations (Mittermeier, Hund & Beimborn, 2022; Rathgeber, Gutmann & Levasier, 2017; van Andel, 2022; Haffen Lamm & Peters, 2019; Zasowski, 2020; Meijer, 2019; Selig, 2021; Hamida, 2020; Bentvelsen, 2022).

4.1.1 Entrepreneurs

In *Entrepreneurial Support Systems in the Digital Era: A Taxonomy of Digital Company Builders*, Mittermeier, Hund and Beimborn (2022) describe three different types of entrepreneurs that VSs target with their offers. The first type is a visionary, which is described as an independent entrepreneur that comes to the VSs with an idea that they are eager to pursue (Mittermeier, Hund & Beimborn, 2022). Second, the mature entrepreneur is experienced and has founded previous ventures but may now be risk-averse due to family reasons and such (Mittermeier, Hund & Beimborn, 2022). Lastly, the intrapreneur is characterized as a creative and risk-taking employee interested in innovating within established structures (Mittermeier, Hund & Beimborn, 2022). Mittermeier, Hund and Beimborn (2022) highlight that

the targeting of these entrepreneurs is motivated by different reasons. A visionary may be targeted by VSs who need ideas for ventures, while the mature entrepreneur is targeted by VSs who have a validated venture idea that needs scaling or commercialization (Mittermeier, Hund & Beimborn, 2022). The intrapreneur is specifically targeted by a VS that is part of a larger corporation that may want to align the ventures to their core business (Mittermeier, Hund & Beimborn, 2022).

Entrepreneurs are approached in the recruiting phase as mentioned in subsection 4.2.2. Sources describe that VSs recruit a mix of top talent (Tkalich, Moe & Ulfsnes, 2021; Muñoz Abreu, 2021) with a cultural fit (Szigeti, 2019). Tkalich, Moe and Ulfsnes (2021) further suggest that these recruits should have an open mindset, be ready to face uncertainty and commit to entrepreneurship. Rocket Internet mainly recruits ambitious graduates, developers and potential entrepreneurs from consulting firms, investment banking firms as well as business schools (Köhler & Baumann, 2016).

4.1.2 Corporations

In cases where a VS is part of a corporation, the corporation captures value as the senior management becomes more vigilant and the corporation's innovation capability is increased (Selig, 2021). In other cases, with stand-alone venture studios, corporations can present the VSs with specific problems that they want solved. This is exemplified by van Andel (2022), analyzing the deep tech VS HighTechXL and stating that HighTechXL offers corporations help with solving their deep tech, or cutting-edge scientific advancement, challenges.

Corporations being seen as a customer for VSs is also highlighted by Hamida (2020) and Haffen Lamm and Peters (2019). These authors' theses present the business model of Djäkne, a VS in Malmö, Sweden that besides supporting their own ventures, offers software development consulting services to external corporations to obtain revenue, stay close to market trends and build their network (Haffen Lamm & Peters, 2019; Hamida, 2020).

4.1.3 Buyers of ventures

VSs can position their ventures in two ways in terms of exits according to Szigeti (2019). They can plan for the *long run*, creating a venture with high growth potential that can gain market dominance and generate revenue over a long period of time (Szigeti, 2019). Other times, the VSs aim for *quick wins*, positioning their ventures for quick acquisition (Szigeti, 2019). Haffen Lamm and Peters (2019) state that the VS Djäkne utilizes quick wins as a means of securing funding, which was instrumental in allowing the founders to launch their current business model. In the case of positioning the ventures for quick wins, the potential acquirers can be seen

as customers. These potential customers can be categorized as either strategic buyers such as competitors, suppliers, and customers of the venture, or financial investors such as private equity firms and holding companies (Bentvelsen, 2022). The most important channel to reach these acquirers is, according to Bentvelsen (2022), through the studio's network, but they can also be reached through channels such as M&A tools, LinkedIn, direct mail, or telemarketing.

4.2 Offer

Presenting a value proposition, valid for all venture studios, is not possible since all VSs differ in their unique offer to their unique customers, many similar traits can however be found. VSs commonly offer their ventures a structured venture building process as described in subsection 4.3.3, as well as access to a broad network, knowledge sharing, support, financing and infrastructure. These areas are described in the following subsections. The value proposition from VSs to their ventures, can be summarized by Szigeti (2019) as

"The studio provides a stable platform, the financial and human resources, a place where creation can happen. (...) It accelerates the venture building process and so it adds an important time-advantage against competitors" (Szigeti, 2019).

4.2.1 Knowledge sharing

A central resource that is made available to ventures is an extensive internal and external network. The network can consist of various industry experts, seasoned entrepreneurs and investors as well as partners such as research- and academic institutions, alliance partners and corporations (Mulder, 2020; Srbić & Nurkić, 2022; Biert, 2020; Bentvelsen, 2022). These partners share their capital, skills and market expertise with the participating ventures (Srbić & Nurkić, 2022). At eFounder, venture founders get access to this network through a database consisting of recruits as well as other VS founders, experts, investors and pilot users (Szigeti, 2019). While gaining direct access to a network, networking can, according to Tkalich, Moe & Ulfsnes (2021) also be spurred through networking events.

VSs encourage knowledge sharing and generate synergies between portfolio companies (Köhler & Baumann, 2016; Kitsuta & Quadros, 2022; THNG, 2019). This is clarified by Srbić and Nurkić (2022), presenting that *"Physical and non-physical resources must be instantly available and free flowing to create an internal culture of trust, deal flow and attentiveness."* Knowledge sharing can be performed through cross-functional knowledge integration (Phosaard & Yang, 2022) and at the German VS Rocket Internet, tracking and reporting systems allow internal evaluation and benchmarking between ventures (Köhler & Baumann, 2016; Szigeti,

2019). It is finally stated in (Szigeti, 2019) that Rocket Internet offers high knowledge sharing between decentralized units such as through established procedures within ventures.

Finally, Mulder (2020) suggests that the need for mentors to provide knowledge and expertise is especially high for deep tech ventures which can be fulfilled by external- or alliance mentors, consultancy mentors, lecturers, advisory board members and candidate co-founders.

4.2.2 Support

When venture building, ventures receive continuous support through their entire lifecycle (Bastos, 2019). An example early in the venture building process can be seen in team setup through recruiting and/or assembling of internal resources (e.g. Bastos, 2019).

Support includes activities such as training people at making independent decisions and taking initiative, following established procedures, legal support and set up as well as compliance, marketing, public relations, accounting and human resources (HR) routines (e.g. Schmidt, Braun & Sydow, 2017). Much of the support is offered through informal coaching and feedback from executives as coaches and co-founders (Tkalich, Moe & Ulfsnes, 2021) and can even be involved in daily management (Srbić & Nurkić, 2022). At Rocket Internet, each venture even has a dedicated VS CEO involved in operational management (Szigeti, 2019).

The degree of support varies between venture studios (Mittermeier, Hund & Beimborn, 2022) and is dependent on resource allocation. While some ventures receive much focus with VS members even taking on founder-level responsibility, some receive less focus through only tactical support (Köhler & Baumann, 2016; Muñoz Abreu, 2021). This support can, as in the case of the VS called Betaworks, continue in forms after venture spin-off (Szigeti, 2019).

VSs offer entrepreneurs and ventures support in initial funding (e.g. Tkalich, Moe & Ulfsnes, 2021) and help with raising following rounds (e.g. Muñoz Abreu, 2021), as will be further described in section 4.4. Table 4.1 below summarizes all sources presenting the mentioned activities.

Table 4.1 Support activities and the sources in which they are presented.

Support activity	***Source(s)***
Recruiting and/or assembling of internal resources	Bastos, 2019; Tkalich, Moe & Ulfsnes, 2021; Köhler & Baumann, 2016; Muñoz Abreu, 2021; Schmidt, Braun & Sydow, 2017; Szigeti, 2019; Kitsuta & Quadros, 2022
Training people at taking initiatives and making independent decisions	Tkalich, Moe & Ulfsnes, 2021
Establishing procedures	Köhler & Baumann, 2016
Legal support and set up	Schmidt, Braun & Sydow, 2017; Srbić & Nurkić, 2022; Mittermeier, Hund & Beimborn, 2022; THNG, 2019
Compliance	Schmidt, Braun & Sydow, 2017
Marketing and public relations	Köhler & Baumann, 2016; Schmidt, Braun & Sydow, 2017; Szigeti 2019; Kitsuta & Quadros, 2022; Phosaard & Yang, 2022; THNG, 2019; Zasowski, 2020; Meijer, 2019
Accounting	Schmidt, Braun & Sydow, 2017; Mittermeier, Hund & Beimborn, 2022; THNG, 2019; Zasowski, 2020
HR	Schmidt, Braun & Sydow, 2017; Szigeti, 2019; Lawrence, Fulton, Narowski & Hurwitz, 2019
Informal coaching and feedback from executives as coaches and co-founders	Tkalich, Moe & Ulfsnes, 2021
Involvement in daily management	Srbić & Nurkić, 2022
Dedicated VS CEO involved in operational management	Szigeti, 2019
Initial funding	Bastos, 2019; Tkalich, Moe & Ulfsnes, 2021; Köhler & Baumann, 2016; Muñoz Abreu, 2021; Schmidt, Braun & Sydow, 2017; Szigeti, 2019; Srbić & Nurkić, 2022
Raising funds	Bastos, 2019; Muñoz Abreu, 2021

4.2.3 Extended offer

As mentioned, ventures receive support, access to a broad network, financing and knowledge sharing. Additionally, ventures can be provided in-house resources and infrastructure such as office space, IT and back-office services (Muñoz Abreu, 2021; Schmidt, Braun & Sydow, 2017; Szigeti, 2019; Köhler & Baumann, 2016). Rocket Internet further provides its ventures with pre-established legal entities and equips its ventures with existing technical resources, online marketing and CRM tools as well as proprietary evaluation and tracking tools (Köhler & Baumann, 2016).

Additionally, deep tech venture studios can offer deep technology (Mulder, 2020) and patent protection (Biert, 2020). Ventures are also provided a safe and creative environment for entrepreneurs (Szigeti, 2019) that also benefit from the VS's location (Kitsuta & Quadros, 2022), brand and reputation (Muñoz Abreu, 2021; Szigeti, 2019).

4.2.4 Offer to corporations and buyers of ventures

In the case of corporate centric VSs, the corporations that own and operate them are offered innovation services and expertise while also sensitizing the senior management to new trends by confronting them with new tech, business models and markets (Selig, 2021). VSs can also offer external corporations expertise and development through consulting from their team of developers and experts as well as problem solving by collaborating with corporations to tackle their challenges (Hamida, 2020; Haffen Lamm & Peters, 2019; van Andel, 2022).

As presented in 4.1.3, three strategic buyers of ventures are highlighted by Bentvelsen (2022) as suppliers, customers and competitors. These buyers are offered synergy effects when acquiring ventures from VSs (Bentvelsen, 2022). Bentvelsen (2022) also presents financial investors as potential buyers of ventures. In the case of these, the VS offers them ventures as financial assets that generate cash flow and can broaden or restructure their portfolio of investments (Bentvelsen, 2022).

4.3 Infrastructure

4.3.1 Organizational structure

VSs are typically made up of a core team with focus on execution of the venture building process, developing business concepts, and technical support as well as in creating, managing and supporting startups. (Bastos, 2019; Muñoz Abreu, 2021; Szigeti, 2019; Haffen Lamm & Peters, 2019; Meijer, 2019). This core team is supported by additional VS functions and resources and is separate from the venture founding teams that are set up during the venture building process (Bastos, 2019; Meijer, 2019).

In the article *Organizational best practices of company builders – a qualitative study* by Rathgeber, Gutmann & Levasier (2017), nine VSs were studied and it was found that the organizational structure of five of them could be characterized as a functional line organization. This organizational structure implies that departments are grouped by function and employees report to their functional superior

(Rathgeber, Gutmann & Levasier, 2017). The other four VSs showed a matrix organizational structure, combining functional and project organizational structures (Rathgeber, Gutmann & Levasier, 2017). The choice between the two organizational structures is described as unrelated to different organizational strategies, but rather due to organizational size of the VS (Rathgeber, Gutmann & Levasier, 2017). Rathgeber, Gutmann and Levasier state that "*Company builders [VSs] with less than 50 employees do not have the resources to provide a breadth of services, offer depth of specializations and dedicated project team staffing. The larger company builders [VSs] (with more than 50 employees) on the other hand, temporarily allocate dedicated resources with specialist backgrounds to the venture projects*" (Rathgeber, Gutmann & Levasier, 2017).

Köhler and Baumann (2016), suggest that Rocket Internet employs a hierarchical organization structure. However, according to Rathgeber, Gutmann and Levasier (2017), VSs tend not to be hierarchical regardless of company size despite formal hierarchies existing. This is contrasted by Mittermeier, Hund and Beimborn (2022) who emphasize that the governance structure depends on what type of VS it is. They state that in the case of a corporate centric VS, the governance structure is quite hierarchical, while for a more independent founder centric VS the structure is purely market-like (Mittermeier, Hund & Beimborn, 2022).

4.3.2 Resources

The capabilities of the core team are the foundation of the offered support to the VS ventures. These capabilities come from the human resources that the VSs possess. Some of the most central human resources a VS has are its founders. The founders of most successful VSs are successful entrepreneurs who have exited previous ventures (Mittermeier, Hund & Beimborn, 2022; THNG, 2019). These entrepreneurial founders are sometimes complemented by an entrepreneurial team to offer their ventures support and mentorship based on their business acumen (Rathgeber, Gutmann & Levasier, 2017; THNG, 2019; Haffen Lamm & Peters, 2019; Meijer, 2019; Selig, 2021; Hamida, 2020; Schoettle, 2020).

Many VSs operate in the technology industry, creating ventures offering technology-based solutions. Therefore, the core team of the VS often consists of developers, user experience (UX) and user interface (UI) designers, and technology experts (e.g. Mittermeier, Hund & Beimborn, 2022) as well as entrepreneurs, marketers, product owners, data scientists, designers, distribution experts Szigeti (2019), able to develop the ventures. Moreover, VSs may have teams in HR or legal, (e.g. THNG, 2019), design (e.g. Zasowski, 2020), marketing/sales (e.g. Haffen Lamm & Peters, 2019) and finance/accounting (e.g. Narowski & Hurwitz, 2019) to support their ventures in running a business. The specialized founding teams of the ventures need to be recruited, so VSs also often have competence in recruitment

(e.g. Selig, 2021). Table 4.2 below summarizes the sources presenting the above presented resources.

Table 4.2 Resources and the source in which they are presented.

Resource	***Source***
Developers, UX/UI-designers and technology experts	Mittermeier, Hund & Beimborn, 2022; Muñoz Abreu, 2021; Schmidt, Braun & Sydow, 2017; Szigeti, 2019; Lawrence, Fulton, Narowski & Hurwitz, 2019; Haffen Lamm & Peters, 2019; Meijer, 2019; Mulder, 2020; Kitsuta & Quadros, 2022; Phosaard & Yang, 2022; Selig, 2021; Hamida, 2020; Schoettle, 2020
Human resources and legal teams	Mittermeier, Hund & Beimborn, 2022; THNG, 2019; Lawrence, Fulton, Narowski & Hurwitz, 2019; Haffen Lamm & Peters, 2019
Design teams	Zasowski, 2020; Phosaard & Yang, 2022
Marketing and sales teams	Mittermeier, Hund & Beimborn, 2022; THNG, 2019; Lawrence, Fulton, Narowski & Hurwitz, 2019; Haffen Lamm & Peters, 2019; Meijer, 2019; Phosaard & Yang, 2022
Finance and accounting teams	THNG, 2019; Schmidt, Braun & Sydow, 2017; Lawrence, Fulton, Narowski & Hurwitz, 2019; Haffen Lamm & Peters, 2019; Zasowski, 2020; Meijer, 2019; Phosaard & Yang, 2022; Hamida, 2020
Recruiting teams	Mittermeier, Hund & Beimborn, 2022; Zasowski, 2020; Selig, 2021
Broad network	Rathgeber, Gutmann & Levasier, 2017; Köhler & Baumann, 2016; Spigel, Khalid & Wolfe, 2022; Haffen Lamm & Peters, 2019; Srbić & Nurkić, 2022
Office and co-working space	Mittermeier, Hund & Beimborn, 2022; Rathgeber, Gutmann & Levasier, 2017; Köhler & Baumann, 2016; Haffen Lamm & Peters, 2019; Hamida, 2020
Fundraising resources	Zasowski, 2020; Lawrence, Fulton, Narowski & Hurwitz, 2019

Another VS resource is a broad network (e.g. Rathgeber, Gutmann & Levasier, 2017). The external network of a venture studio can consist of human resources such as field experts and seasoned entrepreneurs, that can be recruited or consulted (Haffen Lamm & Peters, 2019; Srbić & Nurkić, 2022). Internally, the network of ventures is key as this allows VSs to move resources and share knowledge between the different ventures (Köhler & Baumann, 2016; Phosaard & Yang, 2022). Beyond this, their network may include suppliers, intermediaries and customers (Spigel, Khalid & Wolfe, 2022). Furthermore, in the case of the VS called Alacrity, their network is global, allowing them to source ideas globally that can be used locally (Spigel, Khalid & Wolfe, 2022).

To support and manage the many processes and intricacies of a VS business model, systems are used and Rocket Internet uses elaborate tracking and reporting systems to collect performance data on their ventures (Köhler & Baumann, 2016).

A more tangible resource of VS is an office or co-working space, shared with their ventures (e.g. Köhler & Baumann, 2016). These offices provide both the core team and the ventures with a kitchen, Wi-Fi, parking and other necessities a company may need (Hamida, 2020). Moreover, to invest in ventures, VSs have financial resources (Szigeti, 2019) that can come from internal funds, such as the VS's own bank account (e.g. Fulton, Narowski & Hurwitz, 2019).

4.3.3 Value creation process

Following a structured venture building process is a common theme found in all literature. Following a clear and iterative methodology helps the VS stay focused and able to adapt quickly, which is required as unpromising ventures need to be discarded quickly and the team relocated (Bastos, 2019; Lawrence, Fulton, Narowski & Hurwitz, 2019). The clear structure can be combined with stage gates throughout the process as this ensures the quality of the resulting ventures (Muñoz Abreu, 2021; Lawrence, Fulton, Narowski & Hurwitz, 2019).

Although the venture building process varies between venture studios, many similar traits and structures can be found. Rathgeber, Gutmann and Levasier (2017) suggests a structure of 7 steps: focus and frameworks, problem and identification, market exploration, problem validation, optimization and growth. This process encompasses many of the findings presented in literature, such as the process presented by Muñoz Abreu (2021) consisting of ideation, validation, acceleration, growth and spin-off, which is used to structure the following subsections. The process can be structured such as in the example of Innonic, a VS which allocates a set amount of capital and time for each phase; 2-4 weeks in pre validation, 3-6 months and 20.000 EUR in validation and 18 months and 200.000 EUR in formation (Szigeti, 2019). Another example of a process that is atypical in the sense that it is time-limited, is that of HighTechXL, which has a time limited 9-month program (Mulder, 2020). The venture creation process can further be divided into processes such as a compliance routine (Schmidt, Braun & Sydow, 2017) or a process for acquiring technology (Biert, 2020) and Szigeti (2019) presents that the VS eFounders has 166 processes ranging from strategizing, administration, technology focus and product focus to marketing and sales. Figure 4.1 below highlights central activities of the venture building processes as presented in literature.

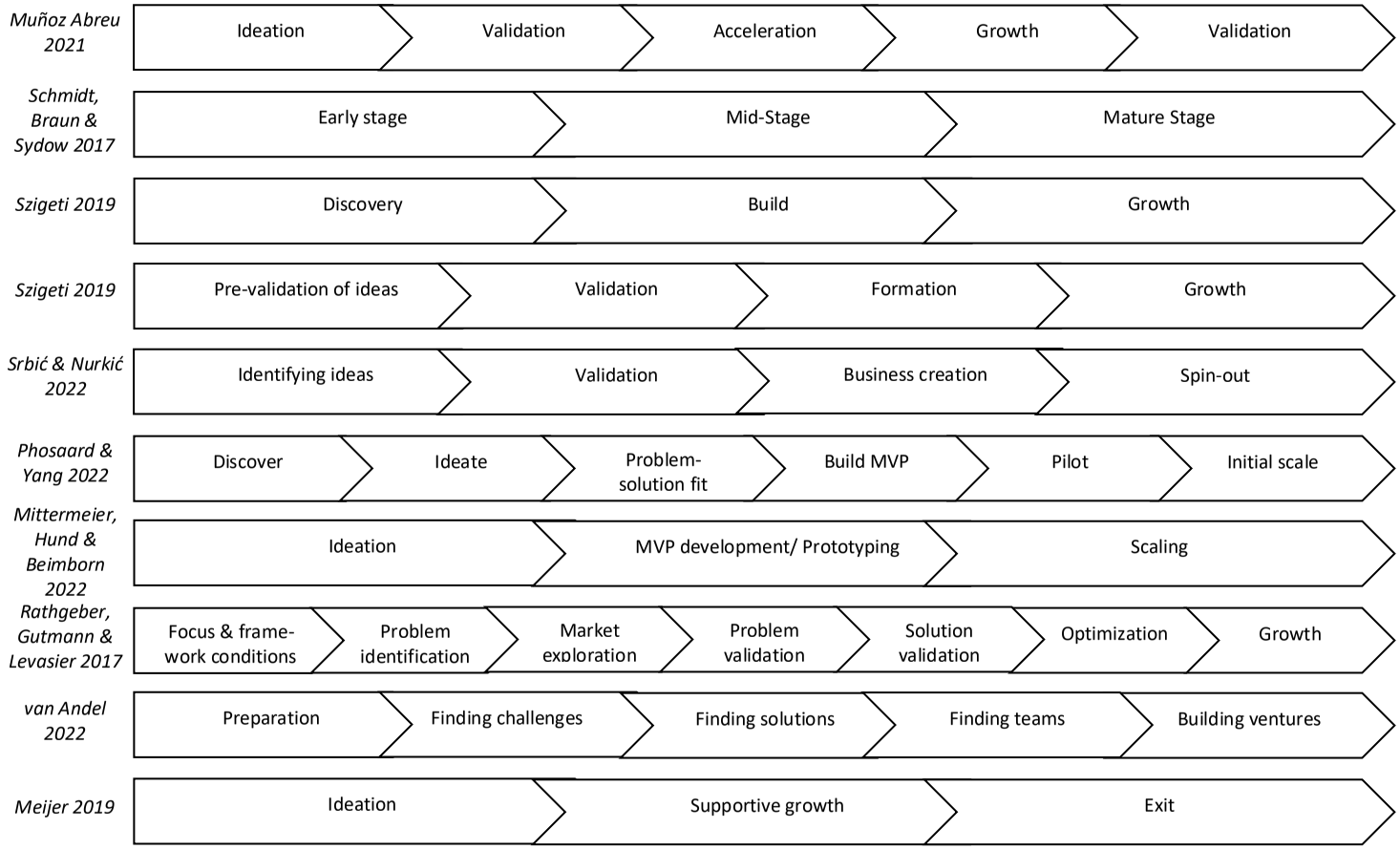

Figure 4.1 Venture building processes presented in the literature.

4.3.3.1 Ideation

Business ideas are often sourced internally based on identified market needs but can also be sourced externally. Although formal methodologies for ideation do not always exist (Bastos, 2019) as many internal ideas emerge spontaneously and are opportunity-driven (Schmidt, Braun & Sydow, 2017), ideas are frequently spurred through activities such as social networking events, corporate ideation programs, brainstorming meetings or arenas for employees to pitch and receive feedback on ideas (Tkalich, Moe & Ulfsnes, 2021; Szigeti, 2019; Srbić & Nurkić, 2022; Kitsuta & Quadros, 2022). One example of a methodology used for ideation is human-centered design (Muñoz Abreu, 2021), used to brainstorm ideas around different topics, market trends, technology trends (Muñoz Abreu, 2021). Hackathons are also conducted and can be either internal, external, or a mix of both (Szigeti, 2019; Biert, 2020).

Midea is an example of a VS that constantly scans mega trends and brainstorms ideas around these (Szigeti, 2019), while Rocket Internet actively scans the global market for emerging business ideas while also retrieving ideas from their network (Köhler & Baumann, 2016). External ideas can be sourced from the VSs' community, corporate partners, customers, from co-investors during the fundraising and recruitment processes, conferences and in brainstorm retreats (Muñoz Abreu, 2021; Köhler & Baumann, 2016; Schmidt, Braun & Sydow, 2017; Szigeti, 2019; Kitsuta & Quadros, 2022). Since many ideas are generated during the ideation phase, Szigeti (2019) suggests that potential ideas can be stored in a spreadsheet or funnel until the following validation phase.

4.3.3.2 Problem and solution validation

A validation phase is initiated to examine potential business ideas. This process involves activities such as customer interviews, MVP-prototyping, technical research, assessing potential investor interest and market analysis (Muñoz Abreu, 2021; Srbić & Nurkić, 2022) and can be performed in a two-month process Szigeti (2019). A venture founding team can be recruited at this point and the aim of validation is to evaluate ideas and select those deemed most promising (Szigeti, 2019). The process of validation is often performed by the VS. However, the venture founding team of the venture can also be involved (Szigeti, 2019). Consisting of continuous learnings and insights, this phase is iterative and ideas are tested and optimized until a validated product concept can be presented (Rathgeber, Gutmann & Levasier, 2017). It is suggested in *Startup Studio Playbook* (Szigeti, 2019), that the VS Midea sees this MVP validation as an integrated part of their implementation and acceleration phase.

4.3.3.3 Implementation and acceleration

The decision of continuation of ideas is, amongst other factors, based on business ideology-fit and segment focus (Bastos, 2019). Once a potential idea has been

validated, a phase of implementation and acceleration is initiated. At this point, investments are increased, the internal project team is formed and a lean-startup methodology of continuous *"build-measure-learn"*-loops is used to build the venture (Muñoz Abreu, 2021; Bastos, 2019; Schmidt, Braun & Sydow, 2017; Srbić & Nurkić, 2022). The VS then works with the founding team on business development, generating sales, building a brand, addressing legal issues and securing funding (Srbić & Nurkić, 2022). The VS eFounders has a clearly defined month-by-month plan for the first 18 months, after which its ventures are expected to be fully and independently operational (Szigeti, 2019).

Schmidt, Braun and Sydow (2017) suggest that the decision to continue with an idea is based on the success of pitching to a co-investor. After a successful pitch, office space and initial funding is set up, legal setup for the new firm is carried out and prototyping, a compliance routine, and recruitment of co-founders is commenced (Schmidt, Braun & Sydow, 2017).

4.3.3.4 Growth and spinoff

The growth phase of VS is characterized by a fast-scaling model (Köhler & Baumann, 2016; Muñoz Abreu, 2021), in which the ventures are scaled up to achieve high growth (Szigeti, 2019). At this point the focus is on sales and marketing while the operational and financial independence of the venture increases, in part achieved by raising VC (Schmidt, Braun & Sydow, 2017; Szigeti, 2019).

At a certain point, VSs detach from their ventures by liquidating their shares and the ventures move out of the shared office space (Schmidt, Braun & Sydow, 2017). VSs often have a well-defined exit strategy with acquisition being the main goal, and (Phosaard & Yang, 2022) further presents four possible exit strategies for a corporate centric VS: spin-off, spin-in, acquisition, and termination. Spin-off and spin-in imply the method of the venture becoming an independent company or an internal business of the parent company, acquisition implies selling the venture in whole or in parts and termination means that the venture is scrapped (Bastos, 2019; Phosaard & Yang, 2022). Internal capital is often secured in earlier phases, as described in section 4.4 and the spin-off phase can be the first time that outside funding is secured (Muñoz Abreu, 2021). Although an exit process is common, some VSs such as Rocket Internet and Djäkne do not typically have predetermined exit strategies or a clear termination date (Köhler & Baumann, 2016; Haffen Lamm & Peters, 2019). Similarly, Russian VS Technospark can sell ventures at any point in the venture-building process (Szigeti, 2019).

4.3.4 Partners

As mentioned in subsection 4.2.1, VSs often have a wide network of partners such as venture capitalists, investors as well as strategic partners that regularly invest (Köhler & Baumann, 2016; Muñoz Abreu, 2021; Schmidt, Braun & Sydow, 2017;

Szigeti, 2019). Since VSs are capital intensive, convincing first-time investors can be difficult and long-term partnerships with investors is beneficial (Szigeti, 2019). For some VSs, especially those located in non-major cities in USA, government agencies are an important partner for funding, as they see the VS as a means to stimulate local growth (Blank, 2022).

VS networks also consist of partners such as experts and seasoned entrepreneurs that further share their skills, and market expertise with ventures (Srbić & Nurkić, 2022). Collaborating with academic and industry partners is further presented as especially important within deep tech VSs (Srbić & Nurkić, 2022; Mulder, 2020), which is confirmed by Biert (2020) claiming that deep tech VSs often have a vast network of research institutes, corporations, and alliance partners. Not only deep tech VSs benefit from partners within academia, but VSs such as Alacrity and High Alpha build linkages to local universities to source technical experts and identify young graduates who may be targeted as potential entrepreneurs (Spigel, Khalid & Wolfe, 2022; Zasowski, 2020). Mulder (2020) further describes the partner community as consisting of entrepreneurs-in-residence, expert or alliance mentors, consultancy mentors, lecturers, advisory board members, and candidate co-founders.

4.4 Financial viability

4.4.1 Venture funding

VSs differ from accelerators or incubators by being early or seed investors and co-creators. For this, VSs are awarded a significant equity stake in the ventures (Bastos, 2019; Tkalich, Moe & Ulfsnes, 2021; Muñoz Abreu, 2021; Schmidt; Braun & Sydow, 2017; Szigeti, 2019). Although funding often takes place in the early stages, VSs may also choose to participate in following investment rounds (Muñoz Abreu, 2021). Bastos (2019) presents that early investments are provided internally from the VSs or partnered investors while later funding comes from external sources such as angel investors, venture capitalists or the VS parent company.

The division of equity between VSs and their ventures varies, often with a 40-100 % stake for the VS and the remaining equity being awarded to the venture founders Bastos (2019). The VS called Betaworks commits to an even 50/50 split between the VS and venture founders (Szigeti, 2019) and Kitsuta and Quadros (2022) presents the strategy of awarding founders with 12% equity in addition to a base salary. Rocket Internet is presented by Köhler and Baumann (2016) as an extreme venture studio as they always assume a controlling equity stake in its ventures, paying the founders of the venture a competitive salary. The founders are also awarded a 5-10% equity after a set amount of time, subject to reaching performance

goals. *Startup Studio Playbook* (Szigeti, 2019) is the only source that presents a predetermined amount of investment in different phases.

To ensure valid funding decisions, Kitsuta and Quadros (2022) present VSs needing investment approval from the parent company's Board of Directors and Bastos (2019) presents an internal investment committee that makes investment decisions independently from the daily operations of the VS. Rocket Internet partners with companies that regularly invests in its ventures and is backed by a prominent VC firm (Köhler & Baumann, 2016). Partnering with VC firms and strategic partners is further supported by THNG (2019) and van Andel (2022).

Tkalich, Moe and Ulfsnes (2021) present the financial strategy of the Norwegian VS Iterate consisting of a percentage-of-time strategy, incremental funding, and shared incentives. Iterate's prime source of income is from consultancy, but consultants can spend 10-20% of their work time on individual projects that receive funding incrementally from the VS while maturing. While this is a slower venture building process, it does not require a large up-front investment from the VS. Iterate additionally creates employee incentives for this by being an employee-owned organization that lets employees invest in ventures (Bastos, 2019). A similar model is seen in the VS Midea which also has a stock option plan in place (Szigeti, 2019). Since team members can come and go freely during the initial phases of ventures, Iterate confides in oral ownership agreements for the first 1-3 years, whereafter official registration and distribution of shares takes place (Tkalich, Moe & Ulfsnes, 2021).

4.4.2 Costs and revenue

Venture studios generate revenue through several different means. One is by positioning their ventures for the long run, with the strategy of growing the venture and making it self-sustaining to generate revenue independently (Bastos, 2019; Szigeti, 2019). Since venture studios own a substantial share of equity in their ventures (Rathgeber, Gutmann & Levasier, 2017), the revenue their sustaining ventures generate provides long term revenue for the VSs. If the VSs instead positions a venture for a quick win, they generate revenue by selling their equity in the venture through an early acquisition by a strategic buyer or financial investor (Szigeti, 2019; Bentvelsen, 2022).

Another source of revenue for some VSs is generated through consulting. In the case of Djäkne, revenue is generated by consulting its ventures at low-margin prices (Haffen Lamm & Peters, 2019; Hamida, 2020). They solely impose consulting fees on their ventures when the originally agreed-upon support hours have been exhausted, and additional consulting is deemed necessary (Haffen Lamm & Peters, 2019). Beyond this, the core team of developers at Djäkne also engage in consulting for external corporations to generate revenue, while also expanding their network

and keeping them sensitive to market trends (Haffen Lamm & Peters, 2019). External consulting is also a major source of revenue for Iterate, a VS that used to be an IT consulting firm (Tkalich, Moe & Ulfsnes, 2021).

Current literature does not explicitly present costs related to running a VS. However, apart from generic overhead costs of running a company, such as salaries and rent, the literature suggests that a significant cost for VSs is investing in their ventures (Haffen Lamm & Peters, 2019; Selig, 2021).

4.5 Summary

Although available literature does not comprehensively describe the business model of a VS, as made clear in the conducted literature review, many similar traits can be found. The findings can hence be condensed into how VSs generally create, deliver, and capture value (Osterwalder & Pigneur, 2010), and is presented in table 4.3 below. These three aspects of a business model will further be used to structure the case company descriptions in chapter 5. Although this summary does not provide a comprehensive description, it broadly pinpoints central aspects.

Table 4.3 Summary of the VS business model based on the conducted literature study.

Value creation and delivery	***Value capture***
VSs target entrepreneurs and startups that they co-found ventures with by performing a wide range of activities in a clear venture building process from ideating to acquisition. With the support of a wide range of shared inhouse resources and infrastructure, ventures are offered continuous holistic company building support such as through a shared network, business support, technical support, shared resources, management, and financing.	VSs hold equity in their ventures either by founding ventures or by investing in early startups. The work can be financed by liquidating shares in ventures, from the ventures' income, or through a complementary consulting operation.

5 The Venture Studio Business Model

This chapter presents the case study of six Swedish venture studios. VNTRS, Levels, Entire, Radikal, &Flow and Startup Studio Malmö. It presents summaries of each company based on the interviews as well as a cluster analysis in which the researched VS are compared, and key insights are extracted and aggregated into a business model canvas.

5.1 Company descriptions

This section presents summaries of each case company, highlighting how value is captured, created and delivered (Osterwalder & Pigneur, 2010) as well as, when applicable, success factors and challenges the company faces. Interviews with representatives of each company were conducted in accordance with the methodology presented in section 2.2 and the results below are solely based on the these interviews.

5.1.1 VNTRS Consulting AB

5.1.1.1 Introduction

VNTRS Consulting AB (VNTRS) is a Stockholm-based venture studio supporting startups as well as enterprises in product and business development. The company was founded by serial entrepreneurs in 2016 and has since made 30 investments and three exits with a workforce of over 40 employees. The investments all have a tech-focus and range from companies such as the online psychology app *Din Psykolog* to the furniture rental company *Beleco.*

To gain an understanding of VNTRS's business model, hour-long interviews were held with CEO Kristaps Prusis, COO Joachim Widd as well as a previous employee, employee A. Employee A previously led the work of establishing a branch in Scania during a period of around nine months before leaving the company.

5.1.1.2 Value capture

VNTRS works with and invests in commercially sound software technology companies that are aligned with the SDGs or a social mission according to Prusis and Widd. Prusis articulates the company's vision as:

"Our vision is to realize ideas, good ideas. Ideas that are good for humanity and the planet but also commercially sound. We invest in technical products and do that by building them hands on for startups and investing in them at the same time and share the risk with them".

VNTRS collaborates with its ventures and is reimbursed either solely monetarily, or through a sweat equity investment model. For candidates aiming for sweat equity investment, the founders get to pitch their ideas to VNTRS's investment committee consisting of permanent members as well as periodically elected employees. Investment decisions are made based on the startup's relevance to VNTRS and if VNTRS identifies a potential to add value to the startup. The company only engages with entrepreneurs with a cultural fit who are willing to cooperate closely. The startups further need to have already raised some capital, as this ensures a driven and dedicated founding team with the ability to pay for VNTRS's services. For accepted startups, VNTRS commits with sweat equity ownership and charges for the support and services they offer in half by an hourly monetary cost, and the other half in equity, resulting in VNTRS owning around 3-10% depending on the amount of support needed. Since VNTRS only supports startups through early phases until market-fit-validation, Prusis suggests that the lower equity stake ensures the businesses remain attractive for upcoming investments. This approach also ensures that the startup founders, rather than VNTRS, retain operational control and responsibility of the companies.

Salary costs make up an overwhelming majority of VNTRS's expenses, which are largely covered by the monetary payments from startups. This method of using monetary payments from startups to cover expenses was also used to finance the Scania expansion by Employee A, concurrently consulting a venture centrally in Stockholm to generate income. Additionally, VNTRS generates continuous revenue from its work with corporations, as well as through the income from venture exits.

5.1.1.3 Value creation and delivery

VNTRS primarily employs consultants and domain experts, such as senior developers, designers, product owners and growth specialists. Prusis explains that the profile of their developers and product experts is rather unique stating that while typical developers may focus on finding the perfect technical solution to a complex problem, their developers have a more holistic and business focused approach. The organization also includes an overhead team with focus on areas such as sourcing

businesses, recruitment, HR, and other administrative functions as well as a separate investment committee.

In a similar way that VNTRS invests in its ventures to have *"skin in the game",* VNTRS expects their employees to invest a portion of their salary in the investment fund, sharing a portion of the risk involved in venture building, as well as the upside. As the investment fund is owned by the employees, a selection of them is democratically elected for seats in the investment committee. Additionally, a bonus program results in employees gaining double yield from venture exits. The model is further meant to attract employees with the right mentality and foster an entrepreneurial culture. Widd describes VNTRS as a flat organization where employees have a high degree of autonomy in choosing what specific work they want to undertake.

VNTRS targets two main customer segments with their offer, startups and scaleups as well as corporations. Corporations typically receive support in product development and internal innovation through a rather typical consulting model while startups and scaleups receive more extensive and hands-on support. VNTRS only invests in teams that are working full time on their startup, however the founders can vary from seasoned entrepreneurs to non-entrepreneurial practitioners such as physicians and lawyers. The offer to startups and scaleups varies as every startup has differing characteristics and needs and the type and degree of support is further evaluated and defined on a case-by-case basis during the workshop leading to an investment decision. While domain expertise is left to the startups, VNTRS supports its investments by committing to holistic product building as hands-on product owners providing support within project leadership, design, development, and growth to build commercially viable technological software products.

The venture building process at VNTRS is customer oriented but varies from case to case, as the specific support needed by each venture differs. Widd describes VNTRS as experts in making startup decisions and knowing what needs to be done to move forward. The process with a startup is initiated in a screening to identify if the startup has available capital and is open for investment. If so, the startup is invited to a free discovery workshop where their identified business opportunity, business model and go-to-market-strategy is presented and analyzed using frameworks such as lean canvas and business model canvas. These discovery workshops are conducted by employees that are knowledgeable in the specific domain of the venture, in collaboration with its founders, and aims to identify what will need to be addressed and worked on in the venture. After this, a due diligence phase is entered where VNTRS analyzes the quality of the venture's current technology structure and that their technology stack matches VNTRS competence. If it is relevant for both parties, the startup is thereafter invited to pitch to the investment committee where investment decisions are made. Next, a scoping phase is entered during which a plan for further action is made. This can include deciding that collecting user research, branding, or scoping a technical solution will be

needed and results in an estimation of the amount of support that will be needed from VNTRS.

VNTRS works closely with its ventures in an iterative manner and performs a variety of workshops led by employees with knowledge in each specific area. Together, they focus on areas such as technology implementation, design, user research, pricing and customer segmentation during early stages and perform customer and competitor analyses. To manage projects and collaborate with their ventures, VNTRS uses the online project management tool *monday.com*. Widd describes VNTRS as a technology and business partner of the venture, stating that they want to be seen as co-founders rather than consultants, however leaving the operational responsibility to the startups. They maintain open communication with ventures by honestly describing challenges and proactively manage expectations by acknowledging VNTRS's limitations. The close relationship involves daily checkups and encouraging its ventures to work from VNTRS's office space. Additionally, VNTRS encourages its ventures to recruit permanent employees when a long-term need is discovered. The goal is to transform the ventures into independently sustainable businesses, rather than trying to cling on as a long-term consulting partner. VNTRS offers support in recruitment through guidance, forwarding their own job applicants, or entirely conducting the recruitment process. When the ventures reach product-market fit, focus shifts to growth, targeting areas such as optimizing infrastructure and pricing, as well as implementing KPIs and data analysis tools.

By partnering with a network of accelerators, incubators, investors, interest organizations, and professional services firms, VNTRS can extend its value chain and provide startups with comprehensive support throughout their journey. Prusis provides an example of the value flow between VNTRS and its partners, explaining that a startup may approach VNTRS with a compelling idea, but an underdeveloped business model that requires further work. In that case, VNTRS can refer the startup to an incubator or accelerator in their network for coaching. On the other hand, incubators and accelerators provide VNTRS with leads and relationships with startups that may have potential to collaborate with VNTRS at a later stage. Additionally, VNTRS can utilize its large network of Swedish investors to support its startups in raising investment capital. Employee A describes having a strong focus on building a network of local accelerators, incubators, investors, and startups when setting up the Scania branch. Employee A further describes VNTRS as a local complement rather than a competitor and although they experienced some minor resistance from a few of these actors, the response from the startup ecosystem was generally very positive. VNTRS primarily supports startups in the early stages of building an MVP and achieving product-market-fit and once this has been accomplished, VNTRS withdraws to let the founders build a team and commercialize the product. Subsequently, VEQ, a subsidiary investment company, may participate in and lead follow-on investment rounds.

5.1.1.4 Challenges and advantages

Prusis identifies IT-consulting firms as VNTRS primary competition, and it can be argued that VNTRS resembles a consulting firm in many ways, but with a significant difference being the equity model resulting in a more invested collaboration. According to Prusis, being led by previous entrepreneurs and having a clear vision is what differentiates VNTRS. Compared to consultancy firms that can be rigid in their approach, VNTRS further has the flexibility and hands-on approach that is needed to co-create businesses in their iterative early stages. This is reflected in VNTRS's strong supportive and entrepreneurial culture, which places a constant focus on the startups they work with and creating the best possible workplace for entrepreneurial developers, presented by Prusis, and supported by Employee A. OKRs (objectives and key results) are further used to align and motivate VNTR's employees to make decisions that work towards achieving the same overarching goals. Employee A states the importance of successful recruiting and suggests that VNTRS's strong employer brand, reflecting their entrepreneurial culture, has made them successful in recruiting like-minded people.

Employee A, the sole person leading the initial expansion into Scania, found early on that certain tasks involved did not suit them well. They suggest that a small, diversified team, including individuals with technological skills as well as business development skills, would have been better suited for the undertaking. Employee A relates this to one of VNTRS' success factors being their founding team's diverse backgrounds and capabilities.

As a new business, VNTRS encountered challenges in its early days of building a novel business model from scratch as there were no established ways of dealing with certain challenges, such as the taxation implications of creating an employee equity fund, leaving VNTRS to navigate uncharted territory. However, through iterations, VNTRS was able to develop a business model that works with regards to central areas such as the division of equity and monetary payments. This sentiment is echoed by Employee A, meaning that the challenge was not only related to finding novel ways of working, but also related to the market being unaware of the venture studio business model and its offer. Employee A explains that as there were limited established outcomes to showcase for the business model, building confidence in potential customers was a challenge. Prusis predicts that the venture studio business model will soon become even more coveted when VC becomes scarcer, and investors have stricter demands on profitability. In this context, startups cannot simply rely on consultant support but will rather require more affordable and holistic support when validating business ideas.

5.1.2 Entire group AB

5.1.2.1 Introduction

In late 2014, the web and app development firm Interactive Solutions AB, later renamed Entire Group AB (Entire) was acquired by current CEO Emil Paulsson. The new owner had the goal of making consulting scalable with the possibility of gaining more than just the traditional margin on consulting hours. This ultimately transformed the business into a venture studio in 2021. Entire still commits to consultancy assignments but has shifted its focus to supporting startups from the idea phase to being ready to take on investments. Uppsala-based Entire employs a team of 28 and has made one exit.

An interview was conducted with Alexander Palm, COO at Entire Group, to create an understanding of Entire, and the business model they have in place.

5.1.2.2 Value capture

Entire invests sweat equity in startups that they deem to make a positive impact. Although the investment strategy does not focus on any certain industries, Palm states that they tend to avoid investing in healthtech (innovation designed to improve users' health), deep tech or other areas that require niche capabilities. Prior to investing in external founders' ideas, a trial period is established with the founders to allow both Entire and the founding team to determine whether they are a good personality match while also allowing Entire to gain a deeper understanding of the concept and business idea. The design and length of the trial period varies depending on the phase of the startup and the experience level of the founding team.

At the point of investment, Entire estimates the number of hours that will be required by them and is compensated for these hours in half by equity and the other half monetarily. In return, Entire becomes an operative and active long-term partner with a co-founder mentality that takes on a seat at the board of directors. Since external business ideas often lack a prior formal evaluation, the estimated time required for the project is weighed against a projected future valuation to determine the division of equity. Entire has a hard limit of a maximum of 20% ownership and strives to reach below 10% at the end of their tenure with the startups when they are ready to take on formal investment.

Currently, their venture studio model is not reaching break-even. Salary costs account for an overwhelming majority of their costs, and compared to traditional consulting businesses, only half of each consulting hour is covered monetarily. Furthermore, Entire does not have predetermined exit strategies of divesting their ventures to generate capital early as they do not want to hasten development. Instead, they also consult in app and web-based product development for established companies, generating revenue to cover the venture studio costs. Without the

funding from consulting, the venture studio would, according to Palm, be too high-risk as they adopt a co-founder mentality in its ventures and therefore also invest much time outside of billable hours. Today, consulting makes up a substantial portion of Entire's work but with time, as the venture building generates more revenue, the plan is to focus more on it.

5.1.2.3 Value creation and delivery

Entire supports startups on their journey going from just an early idea to being ready to take on formal investments, having launched a product on the market, generated some revenue and traction with a plan for scaling. The journey is formalized in a three-part process. In the first stage, an MVP is created and commercial concerns such as determining target segments and strategizing revenue generation are dealt with, resulting in a defined core product. After this, a development phase is entered during which the business model, marketing strategy and product is developed. The phase ends with product launch and is followed by the final phase in which the launch is analyzed and used to guide and optimize their continued work. Throughout the process, Entire provides the startup with a team possessing all the core competence required to build a digital company with a web or app-based product. As the venture building process is iterative, the support offered by Entire must be flexible. If a new direction needs to be taken, the team composition can be changed by swapping people around.

Entire is able to support its startups in developing web and app-based products through their employees with technological competencies in areas such as back-end, front-end, full-stack and mobile application development. Furthermore, employees with competence in business development, growth hacking, marketing, sales, design, and branding provide their ventures with the core competencies typically needed by a tech-startup. Specialist competencies within niche areas such as ML or search engine optimization (SEO) are not employed by Entire but can be accessed through their network of partners. Beyond providing ventures with support through Entire's employees, they also focus on recruiting permanent team members to its ventures when a standing need for a certain role becomes evident. This is central to Entire's goal of developing independent and self-sustaining companies. Furthermore, Entire helps its ventures find funding as necessary in each phase. Some startups are currently offered office space; however, this is not currently part of their standard offer. Instead, they are primarily focused on the core operation of supporting their ventures through consultation but Palm states that an extended standard offer might come later.

Beyond venture building, Entire also consults established companies in app and web-based product development. In this type of external consulting, individual consultants are rarely assigned to long-term projects but rather consult as a team. This allows their consultants to be flexible and work on multiple projects at once. Their consulting services are charged purely monetarily.

5.1.2.4 Challenges and advantages

Alexander Palm believes that Entire does not have many competitors. Compared to other actors that offer support to startups such as accelerators, incubators, and consultants, Entire's offer is distinctly different according to Palm. He exemplifies this by explaining how actors in CEO Emil Paulsson's network can send startups their way if they are deemed too early for traditional consultants. Palm regards other VSs as industry colleagues and believes that they should be able to have a good relationship with them. He bases this on the fact that there are currently many more entrepreneurs in need of support than companies offering support, leading to a low degree of competition.

One of the biggest challenges for Entire is finding the right entrepreneurs as the startup journey is long and consists of constantly facing a variety of challenges. Finding founders that will endure and thrive through these is difficult. Entire's sweat equity model also faces a liquidity problem since their services have full personnel costs that are only covered in half monetarily.

While having a holistic studio team is important, Palm believes that Entire's distinct competitive advantage to other startup support actors comes from their co-founder mentality of sharing both the risk and the upside.

Security and high quality are central to the culture at Entire. According to Palm, the security of being able to come to work and do your job is important as it spurs creativity and innovation. The desired co-founder mentality at Entire can however clash with this feeling of security as it entails sharing risks and potential challenges that come along with it. The leadership style of Entire is very inclusive, which has proved challenging at times as it can lead to situations where it becomes unclear who is in charge.

5.1.3 Lvls Group AB

5.1.3.1 Introduction

Lvls Group AB (Levels) is a tech driven venture studio, founded in 2016 by Linus Granborg, Henrik Nordström and Per Spångberg. Granborg and Nordström have similar technological/IT backgrounds in engineering while Spångberg has experience and competence in investing, and creating value, in companies. The founders desired to build a business model not limited by the typical hourly consulting rate, but rather where know-how and quality of work is rewarded by investing and sharing risk as well as upside with its clients and partners. This led to a venture studio model of supporting and investing in startups, building internally ideated ventures, and consulting and building digital solutions for corporations. Level's first venture, a podcast platform for Africa called Afripods, was recently

acquired by a foreign investment firm and today, Levels employs over 60 people and has the goal of becoming a leading venture studio in the Nordics within three years.

To gain a better understanding of Levels' business model, an interview was conducted with Linus Granborg, COO at Lvls Group and soon-to-be CEO at Lvls Venture AB, after an upcoming organizational restructuring.

5.1.3.2 Value capture

Levels employs a sweat equity investment model where time and money is invested in early startups that build digital products or services and where Levels can support in product and venture building. Although they don't limit their investments to certain industries, their presence has become especially strong within healthtech, femtech (innovation designed to address women's needs), energy, and media. Granborg describes a difficulty in evaluating the potential worth of startups when investing, and he states that the valuation is often more of a technical construct to make all parties satisfied. This typically results in Levels obtaining a 10-20% equity stake in its ventures, leaving the primary operational responsibility to the founding team.

Almost all employees at Levels are partners of the firm, which means that they share the upside as well as risk in the ventures. Granborg states the importance of constantly keeping the employees updated on Levels' stock price to incentivize employees to invest further. To mitigate the high risk of an entirely equity-based revenue model, Levels charges the startups they support in both equity and monetary means. The division between equity and money is based on the level of risk they are willing to assume in the startup, the potential of the startup, the amount of work required, the current in-house capacity and the equity exposure in other ventures. Typically, they aim for a split of 30-50% equity and the remainder in monetary payment, although they may commit to 100% equity at times when they have significant unallocated in-house capacity.

Granborg states that salary costs make up an immense part of their costs, complemented by minor costs such as office rent. In addition to working with venture building, Levels also works with corporations and scaleups on projects such as digital transformations and innovation, which are charged purely monetarily. Without this, Granborg means that the expenses of venture building would not be covered. Levels aims at generating around 80% of income monetarily, 15% in equity from co-created ventures and 5% from internal ventures.

5.1.3.3 Value creation and delivery

Levels' operation can be divided into three parts: internal venture building, venture building with external founders and corporate consulting. During the last

quadrimester, they have allocated 37% of their work to startups, 27% towards scaleups, 30% towards corporations and 6% towards in-house innovation.

Startups can approach Levels at different stages of their lifecycle, sometimes as early as only having an idea without having conducted any real testing. In those cases, Levels can support the startup in its discovery process to develop a value proposition and product vision during the formation phase. This process includes analyzing aspects such as the offering to its customers, the product, competitors, potential costs, and user insights. While working through the discovery process with one of its ventures, the idea of *Jumble*, an internal venture that now offers workshops, used by Levels, aimed at improving team collaboration and accelerating innovation, came about. At the end of this discovery process a startup may choose to continue working with Levels to develop their product and build their venture further. If decided to continue, Levels may make further investments and the ventures enter the validation phase where Levels supports in building an MVP, validating their scope as well as in finding product and market fit. The phase can also include recruiting a chief technology officer (CTO) and building a tech team. Next, a growth phase is entered with focus on areas like marketing, SEO, data collection and analysis. Finally, ventures reach the exit stage in which Levels leverages its network of investors and the competence of its co-founder Per Spångberg to have its ventures successfully acquired. Levels aims to support ventures through the venture building process, from an early idea to validation and gaining some traction within two to three years. At this point the venture is ready to be VC funded or acquired by an industrial partner.

Levels supports its ventures in designing and developing a digital product or service throughout the venture building journey. This development process consists of three iterative phases. First a discovery phase in which user needs, solutions, and business opportunities are identified. Secondly, they enter a design phase to produce design concepts, prototype and perform user testing to refine the design. Lastly the delivery phase is entered, including development, managing, and prioritizing risks as well as testing and refining, leading to a finished product or service. Beyond this, Levels offer their ventures support in business and product strategy, scaling the business, and support in securing funding throughout the process which lets the founding team focus on developing the product.

Support can be offered to ventures through Levels' entrepreneurial employees with capabilities in managing ventures, marketing, software development, business development, design, and project management, as well as Per Spångberg with a strong background in investing. Levels leverages the knowledge and expertise of its staff to bridge any potential skill gaps that the founding team might have. While Levels possesses all the necessary capabilities for venture building in-house, they are also supported by external partners when working above capacity. For each venture, they dedicate at least one team member to provide support, spending between 25-100% of their week's work on the project.

Additionally, Levels helps its ventures in building their own teams as this leads to a higher valuation, allowing Levels to capture more revenue when exiting the venture. For this, they have started the recruiting company STACC (Stockholm Tech Accelerator), sourcing and recruiting talent to Levels and its ventures. STACC had conceptualized a trainee program which was halted due to the COVID-19 pandemic. However, the plan is to resume the program again in the future.

When working towards scaleups and corporations, Levels consult in building digital solutions. Examples can be seen in them serving as the digital partner of *Vogue Scandinavia* as well as building *Sparks, Aller Media*'s influencer platform. As mentioned, some of the ventures at Levels are also ideated and sourced internally. This allows their entrepreneurial employees to found ventures together with Levels. Examples of internally sourced ventures are *NOA*, a community for outdoor enthusiasts, as well as the previously mentioned *Jumble*.

5.1.3.4 Challenges and advantages

Linus Granborg describes the first four years of Levels as somewhat of a trial period with some successful cases besides many failed ones. During this time, they found that one of the most crucial aspects of venture building is finding the right entrepreneurs as founders and Granborg describes their selection process as "data driven gut feeling". Levels will not engage in long term commitments with entrepreneurs showing any red flags in the formation phase. Another challenge has been getting the ventures to see Levels as a venture partner rather than a tech partner. He exemplifies this by stating the frustration of hearing ventures describe them as "the consultants from Levels". Granborg also states that an inherent issue with the venture studio model is its lack of short-term cash flow. However, the issue has been overcome by the diversified income model, and he believes that having flexibility regarding these different means of income, made Levels tenacious facing difficult times such as during the Covid-19 Pandemic. Granborg believes that their resilience and willingness to take risks have been fundamental to the success of Levels. Moreover, the fact that Levels' founding team has gone through the challenges of building a startup themselves instills a sense of trust in the company.

The culture of Levels revolves around *trust*, *entrepreneurship*, *collaboration*, *heart*, and *excellence*. They strive to build trust and collaborate with their ventures to build great things together. This is motivated by their entrepreneurial drive which is what motivated them to establish a venture studio, allowing them to collaborate with fellow entrepreneurs. Granborg explains that *heart* comes from their support of their employees, leading to them staying with them, and resulting in Levels having a very low staff turnover.

After having endured the four initial years of trial, Levels has begun to find its way during the last two years. According to Granborg, they have now found a scalable way to work with clients and build successful ventures. During these years, a

varying degree of workload causing unassigned paid employees at times of low workload has been a challenge. However, with the company now reaching a critical mass, there is always a steady stream of work for employees to engage in. During the next three years, they will attempt to scale their operations to become the leading venture studio in the Nordics.

5.1.4 Startup Studio Malmö

5.1.4.1 Introduction

Startup Studio Malmö AB (SSM) was one of the first venture studios in Sweden. The company was founded in 2014 as a subsidiary of, and 52% owned by, the software consulting firm Cenito AB. Erik Starck, co-founder, and previous CEO, explains that Cenito founded SSM to invest in their own ideas and products, while also reinvesting business profits into exciting and enjoyable projects. By doing so, Cenito aimed to utilize SSM to create a more creative work environment for employees, build innovative branding for the company, and potentially gain economic benefits.

In 2017 the company was discontinued after having worked on two ventures, both of which turned out unsuccessful. Towards the end, SSM had been focusing more and more on consulting projects to cover their expenses, which in turn overshadowed venture building and competed with Cenito's core business.

To gain an understanding of the business model of Startup Studio Malmö, an hour-long interview with Erik Starck was conducted.

5.1.4.2 Value capture

SSM arranged hackathons and other ideating activities which were a starting point for potential ventures as they met entrepreneurs and encountered interesting business ideas. They invested their time in building ventures together with entrepreneurs and in one case helped an established startup with software development. It is worth noting that SSM did not reach the point of dividing equity in any of its ventures.

According to Starck, SSM worked on each startup for extended periods of time, resulting in costs that primarily consist of salaries as well as rent. Further, SSM would only capture the potential revenue from venture exits years into the future, making it a high-risk endeavor requiring substantial starting capital. Since SSM did not have significant starting capital to cover these large costs, the company relied on alternative sources of funding such as conducting sponsored events, hackathons and workshops, government grants and minor consulting assignments.

5.1.4.3 Value creation and delivery

SSM primarily focused on sourcing ideas internally, however they would sometimes also be sourced from external entrepreneurs. Starck argues that in such cases, both entrepreneurs and investors can be considered customers of venture studios and SSM would offer its entrepreneurs technical and business support, such as business and software development, as well as access to office-space. SSM provided support through Erik Starck and his two colleagues, a partner with expertise in hackathons, as well as the developers of Cenito. Additionally, SSM leveraged the network of Cenito and had informal but close collaborations with local incubators and accelerators. To generate income, SSM also attempted to offer innovation support to corporations, but this was ultimately unsuccessful.

Although SSM did not develop a clear venture-building process, they saw the process as a steady stream of challenges, continuously and iteratively moving from phases of many uncertainties to phases of certainty. These challenges, such as finding product fit, market fit, marketing strategy, sales strategy, and pricing model were not solved in a linear fashion and varied between different ventures. The venture-building process could then be considered complete once all uncertainties are solved and an initial idea has resulted in a product with a good problem-solution/product-market fit.

5.1.4.4 Challenges and advantages

According to Erik Starck, two significant challenges confronted Startup Studio Malmö: recruiting the right people and the conflict between long-term and short-term objectives. Although venture studios primarily aim for long-term gains, they also need to generate enough revenue to cover their short-term expenses as mentioned earlier. A conflict arose when SSM engaged in consulting to cover short-term expenses and began to prioritize the instant return of consulting projects over the potential return of its venture-building projects. This resulted in a shift in focus away from venture building, ultimately diluting their venture studio efforts. To mitigate such dilution, Starck suggests a dedicated team, working solely on venture building for an extended period, could have been allocated. This would however be very costly and may be more suitable for VC firms where a long-term objective is already embedded in their business logic.

Starck suggests that finding the balance between short-term income and venture building is crucial for a non-VC-funded venture studio to achieve success, though he believes it to be very difficult. SSM attempted a model of spending two days on consulting and three days on venture building weekly but were unable to find a good balance between the two.

5.1.5 &Flow venture studio

5.1.5.1 Introduction

&Flow Venture Studio AB (&Flow) was established in Örebro, Sweden in 2019 by the entrepreneurs Fredric Öjebrandt and Niclas Molinder. Prior to founding &Flow, they had started companies separately as well as starting the business community *Creative House* together, in Örebro. While attending a pitch competition at Creative House, they were intrigued by the presentation of a golfing app and decided to create &Flow to support and invest in the app. Since then, Öjebrandt and Molinder have invested in seven early-stage technology companies through &Flow while simultaneously being engaged in other business initiatives.

To understand &Flow's business model, an interview was conducted with Fredric Öjebrandt who explained that they are still a relatively new company. The business was established with the objective of delivering effective business support to startups to increase the success rate of &Flow's investments.

5.1.5.2 Value capture

&Flow's investment strategy is to solely invest at the seed-level of startups, and the company does not aim to invest in the following rounds of the startups. They aim to invest between 0.5-1.5 MSEK in their ventures, with the goal of initially gaining 10-15% equity, an amount that provides a margin for future stock dilution. The company's investment activities are funded by its separate investment firm, &Flow Equity One AB, which is currently backed by the two founders, a local business, and angel investors. They plan on starting additional holding companies in the future.

Income is generated by providing consultancy services to ventures. Further down the line, venture exits will also generate revenue, although a clear exit strategy does not currently exist. The main expenses of &Flow are investment costs as well as minor costs such as compensation to the founder and fees for external experts like legal advisors.

5.1.5.3 Value creation and delivery

Öjebrandt describes &Flow as an investment firm that supports its ventures by providing not only funding but also business expertise and access to their network, an offer heavily dependent on the acumen and connections of the founders. Their services are mainly tailored towards seed startups, typically consisting of a sole founder or a small team. While they are not limited to a specific type or location of companies, their current portfolio consists of technological SaaS businesses in Örebro. According to Öjebrandt, they usually come across these startups through their networks.

Before making investments, Öjebrandt explains that &Flow goes through a screening process where potential startups in their pipeline are evaluated based on specific parameters. As &Flow is a passion-driven business, Öjebrandt states that startups are chosen based on what the founders find interesting and fun to work with and whether they can add value to the business in some way. Once such an interesting startup is identified, they categorize it as being either in the innovation phase, ready for launch, or ready for growth. &Flow aims to work with startups primarily in the innovation phase.

The type of support given to the startups is then determined on a case-by-case basis with predefined focus areas for each phase. &Flow's ventures are mainly supported through guidance from Öjebrandt and Molinder and their networks, such as when recruiting team-members, building a tech-team, and finding investments. This network consists of investors, marketing, and development actors as well as over 100 companies incubated at Creative House, where know-how and competence can be shared. Support is additionally offered to the ventures through consultancy services by the founders with business expertise. Previously, &Flow employed a developer that consulted their ventures in software development, however the developer was later recruited to one of the ventures. Öjebrandt and Molinder aim to actively support only three ventures at a time during their initial phases whereafter the investments are more self-sufficient, only gaining some minor support when needed.

5.1.5.4 Challenges and advantages

According to Öjebrandt, there is currently low to no competition for &Flow in Örebro and when asked about the distinction between &Flow and business angels, he notes that &Flow aims to provide more hands-on startup support than business angels who are portrayed by him as taking a more passive investment role.

Öjebrandt identifies the main challenge facing &Flow as working with early-stage companies that often have incomplete and inexperienced founding teams. These teams may lack experience in procuring consultancy services and have limited purchasing power due to their low capital, impeding the ability of &Flow to sell them their services effectively.

Öjebrandt states a goal of gradually expanding their portfolio over time by investing in around three to four startups per year. However, he clarifies that they have no ambition of significantly increasing their in-house workforce to build a consulting operation. Öjebrandt believes that growing into more consulting operations could result in a focus on selling consultancy hours rather than genuinely supporting startups. Öjebrandt rather sees potential in establishing a routine of recruiting talent through their network to serve as consultants that can later be recruited to the startups, as previously done with its software developer. This approach could help

address one of the primary challenges facing startups, namely having incomplete teams and inexperience in recruiting skilled talent.

5.1.6 Radikal.Studio AB

5.1.6.1 Introduction

Radikal.Studio AB (Radikal) was founded in 2019 with the goal of supporting early non-technical startup founders with product building. The company has since made three investments of which one has ceased their operations and two are still active. Initially, Radikal engaged in external venture building through a sweat equity model but has in the last year initiated a business model transformation, shifting focus to internal venture building supported by corporate consulting.

Radikal consists of two co-founders and another employee, all with product building experience and competence. An interview was conducted with Daniel Grahn co-founder and technical lead, to gain a deeper understanding of the company. Although Radikal has shifted focus to internal venture building and consulting, they will still commit to some external venture building, and this summary hence takes both aspects into account.

5.1.6.2 Value capture

Radikal's external venture building consists of a sweat equity model where Radikal supports external ventures hands on during a period of around 6-12 months. This support is charged through a split between monetary payments and equity through convertibles. Grahn describes that since Radikal only supports ventures for a small part of their journey, they only acquire around 2-3% equity, with the goal of making early exits in their ventures. Grahn further describes that in contrast with other venture studios, Radikal does not have an investment fund for investing monetarily into its ventures. As startup founders are somewhat unaware of the VS business model in comparison with investment capital or consultants, Grahn describes that a low convertible equity can lower the barrier of working together for startups that already have limited liquidity.

Recently, Radikal has pivoted to internal venture building by allocating around 20% of their workload on internal venture building and around 70-80% on consulting to established companies for monetary income. Initially, this is done by focusing on a current startup idea that will be launched in the weeks to come at the time of writing.

Radikal mainly faces generic costs such as salaries, rent and equipment. Previously, these costs were just barely covered from income from monetary payments from ventures as well as some minor consulting projects. In the new business model, income will instead mainly be generated from consulting, to cover the costs of

internal venture building. Grahn states that the strategy for their first ventures is making early exits, to generate revenue for the venture studio.

5.1.6.3 Value creation and delivery

Daniel Grahn explains that venture building is "all about finding good investments". Radikal previously only worked with external founders and actively searched for startups to invest in. Before initiating work with an external startup, Radikal evaluates them in an informal screening which includes finding what their goals are, where the product is today and what their needs are, to see how Radikal can potentially support them. Initially, Radikal focused on startups within healthtech as the founders have backgrounds in the field. They have however since expanded their focus to investing in pre-seed impact startups, as the local pool of pre-seed healthtech startups was not big enough. While investments are made in startups at the pre-seed level, a requirement is that these startups have some sort of available capital, as Radikal charges in both equity and monetary means. An investment decision is made based on these factors and the gut feeling of the founders, requiring all three employees' approval.

For ventures approved for investment, Radikal becomes an active tech partner primarily focused on developing an MVP within 6-12 months. In the early stages, Radikal conducts workshops with its ventures to generate ideas for what to develop. Radikal's three employees, specialized in product strategy and design as well as development and implementation, then drive the product building process through developing a product strategy, design, and implementation of the MVP, focusing on UX/UI, web services, apps, and branding. For niche competence in areas such as graphic design, Radikal leverages external consultants. Beyond offering product development, Radikal provides their ventures with support in securing investments by developing pitches and pitch decks. While Radikal develops the MVP during their 6-12 months active tenure, the ventures are encouraged to recruit permanent members to consequently take over. After their 6–12-month period of product development in collaboration with the startup founders, ventures are expected to be self-sustaining as Radikal takes on more of a passive advisory investor role. At that point, Radikal utilizes its network partners in product development to bring in consultants to work on further implementation in the startups. According to Grahn, the employees of Radikal are all passionate about "taking ideas from zero to one", and working at the pre-seed level, hence choosing to take on the more passive advisory role after their tenure.

Apart from venture building, Radikal also commits to consulting where corporations are supported with product development. In Radikal's new business model, they have switched their venture building focus from externally sourced ideas to internal ideas. While allocating 70-80 percent of their workload on traditional consulting, 20-30 percent is allocated on internal venture building. When venture building, early user testing is carried out and if an internal venture is deemed unpromising, Radikal

scraps it and moves on to other ventures. Once an internally ideated venture garners traction, Radikal will detach itself and transfer one of its employees to a leading position in the venture, while also recruiting an additional co-founder and building a self-sustaining team as needs become prevalent. The point at which a venture is detached is not clearly defined and Grahn states that it could be when an investor shows interest or when market pull and traction is apparent.

5.1.6.4 Challenges and advantages

Daniel Grahn believes that Radikal's distinct advantage over its competition is an immense product expertise and primary focus being on product building. However, Grahn also highlights a significant challenge facing them as a venture studio, being a lack of awareness about the business model. This creates a challenge in attracting potential ventures and investors, due to the difficulty of explaining the model. Additionally, Radikal experienced challenges when finishing their 6–12-month period of product building with ventures not having been able to recruit employees to take over operational responsibility. Recruiting developers and product building talent proved especially difficult for the ventures and Grahn explains that although they have been transparent that their service is a short and intensive MVP-building tenure, they may need to be clearer about what is expected of the ventures in terms of being ready to become self-sustaining.

5.2 Case study analysis

Following the case study interviews, the interview recordings were transcribed and analyzed according to the method presented in subsection 2.2.5. This cluster analysis, consisting of extracting first order concepts, grouping them into second order concepts and placing these within one of the aggregate dimensions is presented in the section below. These aggregate dimensions, being the nine BMC building blocks, was complemented by the additional, "challenges facing VSs". In the following section, second order themes are presented in tables completed by a short descriptive text. The actual clustering of first-order concepts into second order concepts is provided in appendix C.

5.2.1 Key partners

VSs operate within the startup ecosystem together with accelerators, incubators, and investors. As an integral part of this system, VSs add unique value to startups that other actors cannot, enabling accelerators and incubators to refer startups to them after their tenure and collaborating with investors to capture funding for their ventures during and after their tenure with the VS.

While most of the expertise needed to support ventures is retrieved from inhouse resources, VSs also source it from their network of partners, often closely connected to the founder's networks. These networks bring external expertise which can include software developers for the smaller VSs and niche expertise such as in ML or SEO for large firms. By leveraging these networks, VSs can provide startups with a broader and more specialized range of support. A summary of the identified key partners is presented in table 5.1 below.

Table 5.1 Key partners for researched VSs.

Accelerators and Incubators
Investors
Actors with supplementary expertise (within areas such as marketing, accounting, law, development, specialist competence, ideation)
Founders' networks
Interest organizations (*)
(*) indicates a feature unique to a single VS

5.2.2 Key activities

In addition to activities focused directly on offering support to its customers, VSs engage in several internal activities that are crucial to executing their business model. After sourcing external startup leads, all researched VSs perform evaluating activities before the decision of whether to invest in the ventures or not. The actual evaluation activities differ for each VS, but includes analyzing aspects such as the business model, technology, current startup phase, and the venture founders. If an investment is deemed relevant, the potential venture value is estimated to determine what equity stake to acquire. The researched VSs typically obtain an equity stake under 20%, with VNTRS and Entire aiming below 10%, gaining a substantial stake while leaving the primary control and responsibility of the startup to the founders. Once an investment decision has been made, action plans are created by evaluating the degree and type of support needed by the individual startup. As VSs often collaborate with multiple ventures and corporations simultaneously, resource and workload allocation are key activities to enable efficient collaboration with all parties. Further, VNTRS and Levels incentivize its employees by encouraging them to become partners of the firm by investing parts of their salaries and thereby sharing risk and upside with the ventures. A summary of the identified key activities is presented in table 5.2 below.

Table 5.2 Key activities for researched VSs.

Internal activities
Evaluating venture investment relevance to VSs
Venture valuation
Action planning
Acquiring equity
Networking
Resource and workload allocation
Sourcing external startup leads
Employee incentivizing
Scrapping unsuccessful and unpromising ventures (*)
Exiting ventures
Autonomizing Internal ventures (*)
External activities (for internal and external venture building as well as corporate consulting)
Recruiting to VSs and ventures
Recruitment support
Investment support
Investing capital
MVP building and validation
Software development
Corporate digital transformation and innovation support
Ideation
Collecting user research and customer analysis
Competitor analysis
Marketing support
Revenue strategizing
Growth hacking
Project management
(*) indicates a feature unique to a single VS

Many key activities performed by VSs relate to the support offered to their customers. The researched VSs mainly provide support within venture building (all researched companies), corporate consulting (VNTRS, Levels and Entire) and internal venture building (Levels and SSM). As the focus of the researched VSs is on digital technology companies, supporting them in software development and building their product or service is key. This is achieved through a customer-oriented process where the VS can assist a startup in building and validating an MVP early on. Since these supported startups are in their early stages, the VS

supports them in ideating products and business models while also gathering user insights. Once a venture reaches product launch, the support shifts to focus on growth through several activities such as marketing and price optimization. As a central offering to ventures is acquiring capital, VSs can support by directly investing capital, or by offering support in securing external investments. Further, as ventures often consist of incomplete teams, lacking startup competence, the VSs use their employees to fill the gaps present in the ventures, creating a more competent team. However, as all researched VSs aim to create self-sustaining companies, creating standalone teams in the ventures is crucial. This is done by encouraging startups to recruit permanent team members when appropriate. The VSs can then help either by direct recruitment to the ventures or by providing support such as performing code tests for developers, forwarding job applicants, and providing guidance.

5.2.3 Key Resources

To support ventures in building products and services, VSs employ professionals with product development skills, particularly in areas such as software development, design, ideation, and product management. While Entire, Levels and VTNRS have much of this competence in house, Startup Studio Malmö leveraged its partners to acquire software development. In addition, VSs also employ experts in business development, marketing, growth, sales, branding and business development to support ventures beyond product building. Additionally, employing project and venture management capabilities enable VSs to work with multiple ventures simultaneously. In addition to employees directly offering support in product and business development to ventures, VSs also house recruiting and administrative functions. An example of this is Levels' subsidiary recruiting company STACC which enables Levels to recruit talent for both them and their ventures. The strong corporate brand and entrepreneurial employer brand of VNTRS is key in attracting ventures as well as in recruiting top talent with an entrepreneurial mindset. Entire, VNTRS, and Levels all strive for a non-hierarchical, trusting and supporting culture in their work environment.

Internal investment funds enable VSs to acquire equity in its ventures. In the case of VNTRS and Levels, these funds are partly employee owned, whereas &Flow's investment fund is owned by the founders as well as external investors such as angel investors and a partnered insurance company. As &Flow focuses on investing monetarily in its ventures, capital is a central resource. It is important to note that not all investment funds are used to invest capital in ventures but rather invest through sweat equity, such as in the case of the VNTRS' investment fund which is employee owned and is governed by VNTRS' investment committee. All founding teams of the researched VSs have consisted of entrepreneurial members with business and technological experience and expertise which they leverage to support

their ventures. One of Levels founders additionally has an investment background which is used to support Levels' ventures in securing investments. A summary of the identified key resources is presented in table 5.3 below.

Table 5.3 Key resources for researched VSs.

Employees with expertise in product development (design, software development, ideation, product management)
Employees with expertise in business development and management (such as marketing, growth, sales, business development, branding, project, and venture management)
Office space
Entrepreneurial founding team with business and technology expertise
Non-hierarchical, entrepreneurial, trusting, and supportive culture with a high-quality focus
Investment fund
Capital (*)
Recruitment and administration functions
Investment committee (*)
Employer brand (*)
Corporate Brand (*)
(*) indicates a feature unique to a single VS

5.2.4 Value proposition

Through the activities and resources mentioned above, venture studios provide extensive value to its customers by combining product development and business support with access to office space, capital, competence, and a large network. This enables ventures to focus on their core business areas, with continuous guidance and support. In addition to receiving software development support, corporate customers can also access VSs' innovation competence and expertise to improve their innovation efforts. The actual value proposition from these offerings lies in offering flexibility, competence, direction, and the ability for founders to work on their business's most critical areas throughout the product and business development journey, offering a holistic solution for startups and corporations seeking to accelerate their growth and success. A summary of the identified value proposition is presented in table 5.4 below.

Table 5.4 Value proposition for researched VSs.

Product development support
Office Space
Innovation support
Business support
Competent teams
Capital
Access to network (*)
Agile and flexible work methods (*)
Competence
Ability to focus on important areas (*)
Knowledge on what to do next in the startup journey
(*) indicates a feature unique to a single VS

5.2.5 Customer relationship

Although VSs offer plenty of support within technology and business to their ventures, a consultant-buyer relationship is avoided. The relationship is rather characterized by constant, open communication, and a co-founder mentality. VSs are active and operative partners of ventures, aiming for long term partnerships although the primary operational control and responsibility is left to the venture founders, aiming to foster ventures that become increasingly self-sufficient. The VSs support their ventures actively until self-sufficiency, whereafter a more passive investor relationship is initiated. This can take a few years, and VSs often lack a predetermined exit horizon.

When engaging in corporate consulting, Levels characterizes their relationship as long term digital partners, complementing the corporation's inhouse tech-teams and building their digital solutions. A summary of the identified customer relationships is presented in table 5.5 below.

Table 5.5 Customer relationships for researched VSs.

Technology and business partner with co-founder mentality
Open communication
Aims for long term partnerships with ventures
Fostering venture self sufficiency
Digital partnerships with corporations (*)
Venture founders hold primary operational control and responsibility

(*) indicates a feature unique to a single VS

5.2.6 Channels

The researched venture studios tend to be in contact with a large number of early startups and entrepreneurs, sourcing leads and building relationships with entrepreneurs through their network as well as through conducting events such as hackathons. Once a collaboration is initiated with a startup, value is mainly delivered to ventures through workshops, as presented by Levels and VNTRS, and the work can be facilitated through digital project management tools. Furthermore, Levels, VNTRS, and Entire can house ventures in their office space, making this a channel for close support. A summary of the identified channels is presented in table 5.6 below.

Table 5.6 Channels for researched VSs.

Network
Hackathons (*)
Digital project management tools (*)
Workshops
Shared office space

(*) indicates a feature unique to a single VS

5.2.7 Customer segments

VSs aim their supportive venture building offer primarily to startups in their early phases and focus on collaborating with startup founders who have a good cultural fit with the VS. These startups can consist of experienced entrepreneurs as well as non-entrepreneurs. Although these startups can be as early as simply an idea, VNTRS is an example of a company that only invests in teams working full time on their startup. Although it is evident that many of the VSs are not limited to specific domains, all researched VSs target digital technology companies. Entire and VNTRS aim their offer to startups deemed to make a positive impact, avoiding areas

such as gambling, and Entire further avoids domains that require specialty competence such as deep tech and healthtech.

Additionally, VSs target corporations and scaleups with their consulting services. These are established companies needing support in areas such as innovation, software development or product building. Lastly, when approaching investors with investment offers throughout the venture building journey, these can be seen as customers of the VSs. A summary of the identified customer segments is presented in table 5.7 below.

Table 5.7 Customer segments for researched VSs.

Startups
Entrepreneurs
Non-entrepreneurs
Focus on technology companies, not limited to specific domains
Avoids domains requiring specialty capabilities (*)
Focus on startups working towards making a positive impact
Scaleups
Corporations
Investors (*)
(*) indicates a feature unique to a single VS

5.2.8 Cost structure

Salaries make up an overwhelming part of VS costs, followed by rent, as presented by many of the researched VSs. This cost accounts for employees such as software and business developers as presented in subsection 5.2.3. &Flow further presents minor expenses such as compensation to its founders and fees to external partnered experts. For VSs investing monetarily in their ventures, monetary investments are a key cost. A summary of the identified cost structure is presented in table 5.8 below.

Table 5.8 Cost structure for researched VSs.

Salary costs
Monetary investments in ventures
Compensation to VS founders (*)
Rent
Fees for external experts (*)
Costs for equipment and services (*)

(*) indicates a feature unique to a single VS

5.2.9 Revenue streams

The researched venture studios are characterized by being paid in equity as well as in monetary means from their ventures. The distribution between equity and monetary compensation can vary, sometimes being solely monetary and other times solely in equity. It, however, tends to be at 50% equity and 50% monetary payment. When consulting for larger companies and corporations, venture studios charge purely monetarily which covers the costs of their venture building operations. In contrast with companies such as VNTRS, Levels and Entire that consults corporations for income, SSM only generated revenue through grants and by conducting events. While few of the researched venture studios had generated significant revenue from venture exits at the point of the interviews, this is an important future revenue stream. A summary of the identified revenue streams is presented in table 5.9 below.

Table 5.9 Revenue streams for researched VSs.

Equity and monetary payment from ventures (around 50/50 split)
Monetary income from consulting to startups (*)
Monetary income from consulting to corporations
Income from venture exits
External investments (*)
Income from conducted events (*)
Grants (*)

(*) indicates a feature unique to a single VS

5.2.10 Challenges

Some challenges, such as the lack of established best practices for the novel VS business model as well as an uneven degree of workload, mainly faced the studied VSs in the early years. Over time, both VNTRS and Levels, which have been

operating for multiple years, developed a functioning business model with a more consistent influx of projects, and workload. However, finding the right entrepreneurs remains a central challenge. As the VSs work closely with their ventures during their startup journey, finding entrepreneurs with a cultural fit that will endure the challenging journey is crucial. Hence, if for example any red flags are noticed early on with the entrepreneur, the VSs refrain from continuing to work with them.

Two inherent challenges of the VS business model relate to valuing early startups as well as low liquidity. As presented by one VS, the activity of valuing early startups should simply be viewed as a technical construct to satisfy all parties. Lastly, as all VSs are compensated for their services only partly monetarily, a liquidity challenge of covering their costs arises. This is the reason why most VSs engage in additional activities such as consulting for compensation fully in monetary means. A summary of the identified challenges is presented in table 5.10 below.

Table 5.10 Challenges for researched VSs.

Building a novel business model with no prior ways of working
Public unawareness of the business model
Finding the right entrepreneurs
Liquidity problem
Uneven degree of workload (*)
Inherent cultural clash between entrepreneurial spirit and security (*)
Working with inexperienced founding teams
Evaluating the potential worth of startups
(*) indicates a feature unique to a single VS

5.3 Resulting BMC

Those second order concepts presented in table 5.1-5.9, deemed most general and relevant as key business model aspects by the authors, are synthesized into a generalized business model canvas, presented in figure 5.1 below. The presented business model canvas only highlights key elements in each building block and should hence not be seen as an exhaustive representation of every researched VS.

<table>
<tr>
<td rowspan="2">Key Partners
Accelerators and Incubators
Investors
Actors with supplementary expertise
Founders’ networks</td>
<td>Key Activities
See figure 5.2</td>
<td rowspan="2">Value Proposition
Knowledge on what to do next in the startup journey
Business and product development competence
Agile and flexible work methods
Ability to focus on important areas</td>
<td>Customer Relationships
Long-term technology and business partner with co-founder mentality
Fostering venture self sufficiency</td>
<td rowspan="2">Customer segments
Aspiring startup founders
Digital impact startups
Scaleups
Corporations
Investors</td>
</tr>
<tr>
<td>Key Resources
Product development employees
Business development and management employees
Recruitment and administration functions
Entrepreneurial founding team</td>
<td>Channels
Workshops
Network
Shared office space</td>
</tr>
<tr>
<td colspan="2">Cost structure
Salary costs
Rent
Venture investments</td>
<td colspan="3">Revenue Streams
Equity and monetary payment from ventures
Monetary income from consulting
Income from venture exits</td>
</tr>
</table>

Figure 5.1 Aggregated business model canvas for the researched VSs.

Figure 5.2 Key activities excerpt from the aggregated business model canvas for the researched VSs.

6 Comparative analysis

This chapter presents the comparative analysis conducted as workshops with Backtick employees. This includes a mapping of Backtick's current business model, a gap analysis between Backtick and VSs and a brainstorm on potential future scenarios. All insights presented in this chapter are gathered from Backtick employees and although Backtick is currently restructuring into a holding and subsidiary companies, this analysis treats Backtick as one entity.

6.1 Business model presentation

As presented in subsection 1.1.4, Backtick Technologies AB is a Lund-based consultancy firm, employing twelve engineers specialized in ML, software engineering, data engineering, data science, AI, and related fields. Backtick's offerings include advisory sessions, workshops, projects, and a studio option. The company recently split into a holding company, a consulting company as well as a newly created product company and Backtick's founders envision evolving into a venture studio by investing in internal projects and engaging in joint ventures while also maintaining their consulting operations.

Through conducting workshops with Backtick employees, the resulting Backtick business model is presented in figures 6.1 and 6.2 below.

Key Partners	Key Activities	Value Proposition	Customer Relationships	Customer Segments
Investors Open-source community Consultant brokers Advisors Personal network Current and previous customers Consultants with complementary expertise	*See figure 6.2* **Key Resources** Strong brand and reputation Website Open source Equipment Data engineering and data science competence Competent and committed employees Office	Niche competence Data Science Data Engineering Innovation Human resources Advice Business intelligence Flexibility Quality Experience Security	Local Project based Long-term Honesty Personal relationship **Channels** Website Word of mouth Events Workshops Advisory	Enterprises (with or without tech competence) Startups (with or without tech competence) Companies that want to innovate Companies that need extra human resources Companies that need tech-expertise

Cost structure		Revenue Streams
Salaries	Codecation	Hourly consulting fees
Rent	Software fees	Codecation fees
Consulting fees for complementary consultants	Representation expenses	Markup for cloud services

Figure 6.1 Backtick's business model canvas.

Figure 6.2 Key activities excerpt from Backtick's business model canvas.

6.1.1 Value creation and delivery

Backtick is primarily an IT-consulting firm, aiming its consulting offer to local clients ranging from large enterprises to startups. A commonality amongst Backtick's customer segments is that they strive to innovate and need competence mainly within areas such as ML, software engineering, data engineering, data science and AI. In the case of non-technology companies, Backtick is consulted for expertise, while companies possessing technology competence in-house might require additional resources. In both cases, Backtick's team of employees with competence in data science and data engineering is leveraged to satisfy these needs and help the customers innovate. During the workshops, it became clear that Backtick offers quality, experience, and flexibility through advisory, with the end value proposition of increased business intelligence to its clients. The clients are primarily local and Backtick aims to build personal and honest relationships with them. Backtick relies heavily on its reputation as well as word-of-mouth for marketing and reaching new customers, and beyond this, Backtick representatives also attend events, holding talks, and networking to spread the word further.

Backtick's value proposition is supported by key activities centered around problem solving through software development and design as well as tasks such as administration, recruiting, sales and customer maintenance. Additionally, Backtick focuses on activities for employees such as conducting yearly *Codecations* which are weeklong hackathons in offsite settings, as well as through *Mandatory Fun Fridays* each month allocated for employees spending a workday on individual

interest driven projects. Employees are further offered competence development through mentorship, courses, and conferences.

Backtick supports its clients with consulting through advisory, workshops and projects as well as through a studio concept, becoming a technology partner of clients. In addition to supporting startups in the studio concept, Backtick has recently started allocating more time on developing internal business ideas and the data platform company *Cinter* is currently being developed. In the long run, the founders see a potential of investing more time into building businesses and products based on internal and external ideas.

Backtick regards itself as somewhat independent from a network of partners although investors, consultant brokers, advisors, subconsultants and current as well as previous customers make up a network. Subconsultants are engaged when projects demand expertise that Backtick does not possess internally. Governmental entities, particularly those involved in public grants, can also be considered as potential partners. Additionally, the personal networks of Backtick's founders as well as consultant brokers play a crucial role in acquiring new customers.

6.1.2 Value capture

Backtick's revenue is in large part made up of the fee paid for its consulting services. This fee can be packaged as project-based or as an hourly rate. Additional revenue comes from the markup that Backtick can place on integrated cloud-services. Backtick's yearly *Codecations* in which external guests are invited, further brings in revenue to cover its related costs. Employees can choose to take part in an options program, trading parts of their salary for equity in Backtick's holding company, making them co-owners of the firm and future ventures that the company invests in.

As a consulting firm, Backtick faces high salary costs as well as significant rent costs. Additional minor costs such as fees to subconsultants, software costs, equipment, consumables, and representation expenses exist. Currently, Backtick's revenue results in excess liquidity which the company could potentially allocate to various areas such as future startup investments.

6.1.3 Challenges and advantages

Backticks homogenized group of employees was highlighted as both a strength and weakness during the workshop. All employees, except one, are male engineers focused on software and data science within a similar age span. While this makes collaboration efficient, the lack of diversity entails a lack of competences required for product building and commercialization. Moreover, the relatively small size of their team allows them to be agile and pivot easily yet inhibits them from pursuing

certain projects requiring substantial resources. Beyond this, Backtick delivers a high-quality product and has a good reputation and brand that communicates high quality and trust. However, as the company primarily relies on word-of-mouth marketing, their reach is limited, and they are not very visible to new clients and employees.

6.2 Gap analysis

After the initial workshop of mapping Backticks business model, a gap analysis was performed in collaboration with Backtick employees. The discussions during this workshop are summarized in the section below. As many of the similarities and differences resulted in long discussions, the results of this section should not be seen as an exhaustive description of all gaps. When interpreting the results from this study, it is also important to note that this is a comparison between Backtick and the combined business model of six Swedish venture studios. It became apparent during the workshop discussion that many aspects, such as autonomizing internal ventures and scrapping unsuccessful ventures can be seen as a similarity although VSs do it on a regular basis and in a structured manner while Backtick rather has performed the activity in small scale on a few occasions.

The results shown in table 6.1 below show that many similarities as well as distinctions exist between VSs and Backtick. VSs as well as Backtick target similar customer segments, working with customers ranging from established corporations to startups, offering support in creating digital solutions. While the relationship towards startups is similar in being characterized by adopting a co-founder mentality, Backtick does not currently invest to gain equity and become a business partner, but rather remains a tech-partner. This is due to one of the main differences between Backtick and the researched VSs being that Backtick does not currently conduct external venture building. Hence, Backtick does not offer business development support such as marketing, revenue strategizing and growth hacking support. Consequently, they do not employ business development competence. Furthermore, other activities related to external venture building are not present at Backtick. This includes screening and evaluating potential ventures as well as recruitment support towards invested ventures and support in securing investments. At Backtick, focus lies on product building and development, which is also a significant aspect of VSs, however business development activities are currently not present.

Table 6.1 Gap analysis between Backtick and researched VSs.

	VS elements present at Backtick	VS elements absent at Backtick
Key Partners	Advisors Personal Network Consultants with complementary expertise Open-source community Investors Current and previous customers Consultancy brokers Interest organizations	Accelerators and incubators Actors with supplementary expertise
Key Activities	Coding Problem solving Software design. Recruitment Administration HR Competence development for employees Employee mentorship Fun activities for employees Codecation CEO conducting talks at events Customer relationship management Autonomizing internal ventures Scrapping unsuccessful and unpromising ventures Employee incentivizing Resource allocation Networking Ideation Corporate transformation and innovation MVP building Project management	Evaluating investment relevance Venture evaluation Action planning Acquiring equity. Sourcing startup leads Exiting ventures Recruitment support Recruiting to ventures Investment support Investing capital User research and customer analysis Competitor analysis Marketing support Revenue strategizing Growth Hacking
Key Resources	Competent and committed employees Strong brand and reputation Open source Equipment Website Data science and data engineering competence Product development expertise Non-hierarchical entrepreneurial culture	Employees with expertise in business development and management Investment fund Investment competence Recruitment and administration functions

	Entrepreneurial founding team Office space Investment committee Capital	
Value Proposition	Flexibility Security Human resources Niche competence in data science and data engineering Innovation Quality Experience Advice Business intelligence Product development support Competent teams Freedom to focus on important areas	Office space Business development support Capital Access to network Direction
Customer relationships	Local Long-term Personal relationship Project-based Honesty Tech partner with co-founder mentality Open communication Founders have operational responsibility	Fostering venture-self-sufficiency Digital partner to corporations
Channels	Word of mouth Events Advisory Workshops Website Hackathon Project management tools such as *Slack*, *Jira* and *Trello* Network	Shared office space
Customer Segments	Companies that need tech-competence Companies that need extra resources Companies with a need to innovate Startups (with or without tech competence) Enterprises (with or without tech competence Scaleups	Non-entrepreneurs Avoids domains requiring special capabilities Investors

	Startups making a positive impact Not limited to specific domains	
Cost structure	Salaries Rent Consulting fees for complementary consultants Codecation related costs Software fees Representation expenses	Venture investments Compensation to VS founders
Revenue Streams	Consulting fees Markup for cloud services Codecation fees	Equity and cash payment from ventures. Income from venture exits. External investments. Grants.

The above presented gap analysis was followed by a future scenario workshop where Backtick employees discussed which elements of a VS business model could be relevant to Backtick.

The discussion centered around which customer segments should be targeted and what resources these new segments would require. Different potential scenarios were drawn up where Backtick can either focus on internal or external venture building, or a combination of both. Internal venture building is seen as a reason for adopting a VS model, however, ideas require largely the same building process whether internal or external. Therefore, since the competences needed for internal and external venture building largely overlaps, a combination of both is seen as an interesting opportunity. External venture building however faces several challenges, and as Backtick's main competence lies in technology, targeting the offer to non-entrepreneurs would require building business competence in-house or through partners.

When discussing if Backtick should invest in business competence or not, it became apparent that Backtick, rather than offering business support, wants to act as the bridge between technology and business. The company would then focus on tech and project management while leaving business competence to startup founders and partners, requiring that Backtick builds a network with expertise in business areas such as, marketing, growth, innovation, investment, and design. As Backtick is a small business, hiring full-time employees such as business developers or product owners may not be financially viable due to the limited amount of work currently available for them. An alternative to employing in-house business competence could be to source ideas from startup founders, and then recruit a person with business competence directly to run the startup. A final alternative could be to become a tech-partner, simply supporting startups with development and building MVPs.

Another area that was highlighted during the workshop as a central challenge that would face Backtick working with early startups, is attracting investors. The suggested split between equity and monetary payment means that the startups need to have enough capital to be able to pay the monetary portion. It has further become apparent for Backtick that investors are hesitant when investing in startups that have outsourced their tech-competence. Backtick has been in this situation with previous potential customers, where investors have neglected investing due to Backtick holding all tech-competence rather than the startup. A solution to this could be to either start an investment fund, or to partner up with investors that would be able to invest in ventures. In this case, Backtick would act as an assurance of a good technological foundation. However, at some point, Backtick would need to exit the startups which is problematic in regard to transferring the technology competence to the startup.

Backtick has previously experimented with a model resembling that of the early stages of internal venture building. Two validation functions were put in place to initially validate or scrap business ideas sprung internally and to later make further investment decisions on these ideas. This resulted in the creation of an informal investment committee function consisting of Backtick's founders and an employee. These efforts were not continued and only few ideas reached beyond validation to the investment committee. This investment function was, however, also later used to examine a few external proposals. If implementing a VS business model, this committee would likely need consist of more investment expertise and implement key activities such as those related to business valuation and equity acquisition.

A fundamental problem with compensation being split between monetary and equity, described during the workshop, is that mature startups are not believed to want to give away substantial equity shares while early startups entail an inherently high risk. This fundamentally challenges the financial viability of the external venture building concept.

If deciding to work with early startups, Backtick will have to support these with recruitment. It was mentioned that Backtick can support the founders with activities such as conducting interviews but should not lead the recruitment process. A conflict between recruiting Backtick's venture studio and consulting operation was also mentioned, as Backtick would want to recruit top talent to itself, and not to its ventures.

In summary, many similarities between Backtick and venture studios appear to exist. Understanding these similarities, as well as differences, is central in proposing a way forward for Backtick, as done in the following chapter.

7 Discussion

This chapter presents a discussion on the results from the case study and comparative analysis as well as limitations of this study and suggestions for further work.

7.1 Venture studio business model

Three of the researched VSs (VNTRS, Levels, and Entire) each have over 25 employees and are in this section referred to as the major VSs. The other three (Radikal, &Flow, and Startup Studio Malmö) are and were smaller, each with less than four employees. The following subsections discuss and compare the researched VS between themselves and with what is found in the academic literature.

7.1.1 Creating and capturing value

When looking at the three major Swedish venture studios, VNTRS, Entire and Levels, many similarities can be seen. VNTRS, Entire and Levels have all during their early years experimented with their business models which are now characterized by a combination of venture building to startups and consulting to corporations and scale ups. These consultancy services are compensated purely monetarily which addresses the inherent liquidity challenge to the sweat equity model. As early startups often have low purchasing power, being unable to afford the full fee of traditional consultancy, these VSs charge for their services in part in equity. This however means that the VSs only receive part of their revenue monetarily, making venture building a short-term costly operation. Linus Granborg of Levels believes that a diversified revenue model makes Levels resilient during a crisis such as the Covid-19 pandemic. Although this might be true, and dependency on solely venture building for future income might entail high-risk, engaging in internal venture building, external venture building, and consulting to corporations and scaleups might ultimately dilute the overall effort of venture building. An example of this can be seen in Startup Studio Malmö's capital scarcity leading to a shift in focus away from venture building, likely having a part in what inevitably led to them ceasing their operation. Levels spends a majority of their working time on consulting, spending less than 40% of their working time on external venture

building and only around 5% on internal venture building. On the other hand, this mix of efforts likely also results in synergies such as the competence in holistic product building competence that likely distinguishes VSs' consulting offer to that from traditional consulting firms. Simultaneously, external venture building and consulting is likely a key driver for internal business ideas. This model of workload division between venture building and corporate consulting is also found in academic literature covering Djäkne and Iterate (Hamida, 2020; Haffen Lamm & Peters, 2019; Tkalich, Moe & Ulfsnes, 2021). Similar to the researched VSs, these are also located in the Nordic region. The phenomenon of corporate consulting to finance venture building does not seem widely adopted according to the literature, where some VSs are rather backed by investors. This raises the question of if a consensus of how to operate a VS is starting to form in the Nordics.

The balance between equity and monetary income seems to have evolved into an even split at the three major researched VSs. As the distribution greatly impacts both the available capital and subsequently the ability of the ventures as well as the risk exposure for the VS, the precise number should be further scrutinized. A higher equity percentage would increase the risk and the need for short term capital for the VS, but likely also increase the maneuverability of the venture. Decreasing the equity percentage would lower risk but would also require working with more established startups with more available capital. Furthermore, other means of income, such as loans and profit participation could be investigated and the example of &Flow Equity One suggests a model of an investment fund consisting of multiple investors sharing risk while enabling more investment capital. The split between equity and monetary income for external venture building does not seem to be widely adopted in the VSs presented in the literature. Beyond this, the researched VSs and some of those in the literature differ regarding the equity percentage that VS own in their ventures. The literature suggests that many venture studios hold a significant portion of equity, even as majority owners, while the researched VSs tend to acquire a smaller share (Bastos, 2019; Szigeti, 2019; Kitsuta & Quadros, 2022; Köhler & Baumann, 2016). This could be attributed to the literature covering VSs focusing on internal venture building, while the researched VSs primarily perform external venture building, with external venture founders being primary stakeholders.

Compared to the other researched VSs, &Flow differs in terms of their focus on hands-on support versus financial support. The company, solely consisting of two seasoned entrepreneurs, primarily invests capital, with limited business and technical support compared to the other VSs. While the other venture studios employ developers that support ventures in areas such as product building, &Flow rather leverages its network to make this type of support available to its ventures. Hence, they exhibit traits that are typically associated with angel investors but differ as they aim to provide more hands-on business support, in addition to capital.

7.1.2 Competitive landscape

Rather than viewing VSs as competitors to other startup support organizations, VSs should be considered a central component of the startup support value chain, providing value to startups in ways that complements that of incubators, accelerators and investors. However, as the VS model is relatively unknown and unproven compared to that of other support organizations, activities such as recruiting talent and securing investments are likely more challenging. As there are plenty of startups emerging every year and each VS supports only a limited number of digital startups each year, the market for venture studio support seems underserved with an abundance of potential customers but a low number of actors satisfying their needs. Hence, market entry for new actors seems feasible related to competition.

A common trait among the researched VSs is their ability to work with a broad range of digital companies, without restricting their focus to specific domains as they offer support in the ubiquitous challenges facing every digital startup. However, Entire avoids working with companies requiring niche expertise such as deep tech and healthtech, as this would require niche competence, not possessed by Entire. In the same vein, VNTRS leaves the responsibility of possessing niche expertise to their ventures. A commonality in Entire, Levels and VNTRS is that they primarily work with companies making a positive impact in accordance with the SDGs. Both VNTRS and Entire state explicitly that they only invest in companies that have a positive impact. Linus Granborg at Levels did not explicitly state there being sustainability criteria for their investment decisions while interviewed, yet they have a strong presence within healthtech, femtech and energy. This focus can presumably be derived from the inherent drive of their employees to affect positive change and an organizational structure giving them a high autonomy of choosing what to work with.

7.1.3 Navigating a novel business model

A central challenge for the researched startups has been to build a novel business model from scratch. Today however, more established VSs exist and can be leveraged as a basis for building a new VS, eliminating the need for extensive years of business model experimentation that the preceding companies had to undergo. It should be acknowledged, however, that due to the novelty of the business model, there likely remains considerable room for refinement and business model innovation.

7.1.4 Recruitment and employees

The three major researched VSs all state the importance, as well as difficulty of recruiting top talent both for the VS and its ventures. At Levels, this need is satisfied by its subsidiary recruiting firm, *STACC*, which employs several recruiters working to source talent for Levels and its ventures. Entire and VNTRS on the other hand only employ one or a few HR and talent acquisition employees with less ability to fully support its ventures with recruitment. Despite this, all VSs state a goal of building self-sustaining ventures and encourages its ventures to build self-sustaining teams by recruiting employees when permanent needs arise. It could hence be worth investigating the potential benefits of solidifying a more rigorous recruitment operation and offering for these VSs further. An example of furthering recruitment efforts can be seen in Levels, aiming to implement a trainee program through STACC.

Although software development competence was not explicitly stated as significantly important in any of the conducted interviews, developers constitute the largest portion of the researched VS's workforce, which indicates a high importance. As a key offer of VSs is supporting ventures in developing digital products and services, their development capabilities are a foundation to their business model. It is possible that the importance of this was not highlighted by VSs during the interviews as it may have been perceived as an asset of obvious importance to them as well as potentially not having encountered any significant challenges related to software competence, in contrast to areas such as recruiting, finding the right entrepreneurs and covering short term costs.

Employee incentivization, through employees investing in the company's investment fund, is a key activity for the researched Venture Studios. As the VS model faces high salary costs and low short-term income, encouraging employees to invest parts of their salaries in the VS can be seen as a measure to mitigate the discrepancy between the two. Incentivization through company partnership and bonus programs also builds the entrepreneurial mindset and culture of the companies, allowing employees to share risk as well as upside with its ventures. Although many measures to incentivize employees are not highlighted in current academic literature, similarities can be drawn between the researched VSs and Iterate. Iterate, as presented in the literature, is also employee-owned and allows employees to invest in its ventures (Tkalich, Moe & Ulfsnes, 2021). This focus on employees is further presented in both the researched and literature VSs, aiming for flat, non-hierarchical organizational structures (Rathgeber, Gutmann & Levasier, 2017). Furthermore, aiming their offer to startups that are focused on making a positive impact, can be seen as a strategy for higher employee motivation and satisfaction.

7.1.5 Comparing the researched VS to those found in literature

The researched VSs show many similarities to those presented in the literature. Both are based on an entrepreneurial founding team and target similar customer segments. A structured venture building process is also followed, supported by employees with a broad range of competencies. While those presented in the literature generally offer a broader range of support including areas such as accounting, legal support and even daily management, the researched VSs focus mainly on software development, leaving operational responsibility and management to the startup founders. This difference is likely due to the size of the VS, with larger companies having more comprehensive in-house functions. The researched VSs however tend to have many of these resources available through their network. Both the researched VSs and those found in the literature support their ventures with initial funding as well as with help in raising funds.

The researched VSs are younger companies than most found in literature and seem to have less established exit strategies. Following this, buyers of ventures were not highlighted as a targeted customer segment for many of the researched VSs. Using the literature covering how to find an acquirer can hence be useful to the researched VSs as they mature and need to establish exit strategies (Bentvelsen, 2022). Lastly, amongst other similarities and differences, the venture studios presented in the literature appear to focus more on synergies and systematic knowledge sharing between the ventures and VSs through features such as networking events and a networking database.

7.2 Potential scenarios for Backtick

Based on the conducted literature study, case study and comparative analysis, five potential scenarios can be drawn up for Backtick, apart from simply continuing with consulting. These are: internal venture building, external venture building, complete venture studio, engaging as a tech studio as well as pure startup investments.

Hour-long digital interviews were conducted with Sami Niemi, partner at Spintop Ventures, Jakob Nielsen, Head of Ventures at Ideon Open and Alexander Fred-Ojala, co-founder at Predli. During these interviews, the venture studio concept was discussed freely to critically evaluate it.

7.2.1 Internal venture building

Backtick has the potential to leverage an internal venture building model, working on internally ideated business ideas, in addition to its current consulting operations. Internal venture building would provide Backtick full ownership of its ventures but

would also require the internal resources to build these companies. Backtick has previously come up with high potential ideas such as *Cinter*, but as internal venture building is centered around continuously generating high potential internal ideas, a systematic approach to ideation will be needed and can be built on the current structure including activities such as mandatory fun Fridays and Codecations. Backtick's consulting operation can also be used as a source of ideas and keeps the company close to key markets. As stated by Fred-Ojala, ideas that emerge from consulting can increase the success rate of its ventures, as the ideas are based on actual market needs.

Although a structured approach is a key element to venture studios, Nielsen believes that the success of startups is dependent on a founder's unique mix of skills and experiences, rather than on a systematic building process. Nielsen means that a venture studio does not entail successful ideas but rather enables the startup founders to focus on its business' most critical elements throughout their journey. Based on this perspective, Backtick's homogenous group of employees might be a disadvantage when ideating.

To ensure the success of its ventures, competence within fields such as business development, marketing and growth will be needed. Additionally, building independent companies requires Backtick to increase its recruitment competences to be able to recruit founding teams to run the ventures. Alternatively, Backtick could transfer employees to run its ventures, as exemplified with *Cinter*, being currently internally run by Backtick's CTO. This method of transferring internal employees also took place at Predli, where Fred-Ojala and his co-founder now focus entirely on a venture initiative deemed to have significant potential to scale globally. This strategy, however, entails a high risk of losing key personnel from Backticks core business to the ventures and a lacking long-term sustainability.

Furthermore, internal venture building is heavily reliant on securing investments. Since Backtick currently lacks investment experience and competencies, employees or close partners with such competence will likely need to be secured to ensure systematically successful investments and exits. Backtick will further need to secure external investments or rely on its own funds from consulting to support years of developing its ventures.

An important aspect of venture building is the mindset of the employees. Venture building requires employees with entrepreneurial capabilities that approach problems from a holistic perspective. Ensuring that this mentality and these capabilities are present at Backtick is crucial before transitioning towards internal venture building. Backtick's previous experimentation with a model close to internal venture building showed that lack of time, effort and ideas could be one reason for the limited success. Before implementing an internal venture building model, Backtick should assess this previous attempt and assess its employees' intrinsic motivation.

7.2.2 External venture building and complete venture studio

Closely resembling internal venture building, Backtick could also choose to commit to external venture building. This process is rather based on external business ideas and requires external idea sourcing and performing activities such as valuation and due diligence instead of ideation activities. Further, Backtick could also implement a complete venture studio model, like that of Levels involving both internal and external venture building supported by consulting.

The support that Backtick decides to provide to its ventures will determine the resources needed at Backtick. Backtick may for example choose to focus on early venture building until an MVP is developed or commit to long-term support for the ventures. Regardless of the approach, Backtick must establish structures that ensure the ventures can sustain themselves after Backtick's involvement ends. This can be achieved through activities that facilitate knowledge sharing and recruitment. Backtick's location in Lund gives it an advantage in sourcing talent from Lund University. The importance of recruiting functioning self-sustaining teams was highlighted in an interview with Sami Niemi, when discussing the potential risks associated with investing in ventures from a VS. Niemi states that it is important that digital ventures have recruited a well-functioning team with full control of their tech-stack before securing investments. However, a conflict of interest could also occur when VSs recruit permanent members to its ventures, as these candidates could be equally relevant employees to Backtick’s core team.

If choosing to support ventures beyond the MVP stage, in a model such as that of Entire, Levels and VNTRS, working with the ventures from ideation to being ready for formal investment, more business development expertise would be required at Backtick. This competence could be acquired either through recruiting employees or through a network of consultants. Employing product owners with business development expertise internally would enable Backtick to support ventures in an agile fashion. However, employing such full-time employees may not be feasible unless Backtick plans to scale its venture building operations. Without such expansion, there may not be enough work to justify a full-time employee. This notion is supported by Fred-Ojala stating that Predli recruits business expertise directly to its ventures when needs exist. Another alternative could be to hire consultants. This would however increase the cost per hour and decrease agility. Moreover, consultants cannot be incentivized through skin in the game like employees, potentially leading to a lower quality product. Both alternatives impede a key advantage of venture building, namely the potential synergies and knowledge sharing from employees working with multiple ventures simultaneously.

If deciding to engage in internal and external venture building, Backtick should establish a structured venture building process. This process must incorporate elements that are not presently a part of Backtick’s business model, such as being

able to screen and evaluate external venture leads as well as making investment proposals.

External venture building, involving charging ventures in part with equity and in part monetarily, is a high-risk and capital-intensive endeavor as the speculative gains come from future exits. To finance this, a complementary consulting operation is common among the researched venture studios and is also a viable model for Backtick, currently being a consultancy firm. This revenue model creates skin in the game for both Backtick employees and the external startup founders. However, to be able to pay for Backtick's services, only startups with initial funding should be targeted.

7.2.3 Tech Studio

Another option that Backtick could implement is a tech studio model. This model involves providing startups with technology expertise and product development services in exchange for a small equity stake while leaving other business functions to the startup founders. In comparison with Radikal which previously only focused on building MVPs for its clients, Backtick could also expand the offer to become long-term technology partners, committing to a holistic tech approach with a co-founding mentality. However, according to Niemi, investors like Spintop Ventures may be hesitant to invest in startups with outsourced technology due to concerns about reduced agility. As a result, the desirability of this model from an investor perspective may be limited. Nonetheless, the tech studio model has a lower barrier for attracting new clients compared to venture building or consulting due to the less comprehensive and less costly offer.

One of the key advantages of the tech studio model is that it primarily requires the technology expertise that Backtick already possesses, making it the currently most feasible scenario. However, the model also entails a significant risk due to the limited control of the studio's ventures, being highly dependent on the competence of the startup founders. For instance, Radikal faced challenges working with startups that struggled to recruit team members, which ultimately depreciated the value of Radikal's investment and led to the company transitioning towards internal venture building. Furthermore, while this model is primarily based on the competencies that Backtick currently has, it may require project leaders for structure and resource allocation when working on multiple ventures simultaneously.

7.2.4 Startup investing

During the workshops conducted with Backtick employees, it became evident that one reason for exploring the VS business model is as a means of utilizing the company's excess liquidity and is partly driven by entrepreneurial ambition and employee incentivization. Backtick could consider continuing its consulting while also launching an investment operation that focuses solely on investing in companies and providing basic advisory services, without committing to company building. This approach would enable Backtick to invest in companies that have previously bought its consulting services, simplifying the technology due diligence process as Backtick already has good knowledge of the underlying technology. Additionally, this model could serve as a means of attracting new consulting clients, as the barrier to selecting Backtick as a consultant would likely be lower when an investment relationship already exists with the client.

This investment model shares similarities with the &Flow model, in which the founders invest in technology companies while offering limited business advice and easier access to consultants and other network partners. However, investing in startups would require Backtick to build up investment competences and establish procedures for conducting activities such as startup scouting and performing due diligence. While this model may not create the same level of creative workplace as a venture studio, it could involve employees in activities such as evaluating pitches, performing due diligence and making investment decisions, thus increasing engagement. Compared to other options, this model would allow Backtick to invest in a broader range of startups than only those in need of venture building support. It can be assumed that Backtick will be able to make strong investment decisions due to its extensive competence in areas such as ML, AI, and data science. It is however also important to note that investing in startups carries risks and uncertainties that Backtick would need to carefully consider.

7.3 Final recommendation

Backtick has several options to consider in addition to their current consulting operation and has several potential scenarios to explore as presented in section 7.2 above, all with its unique advantages and disadvantages. Based on the conducted research and analysis, the complete venture building model, combining both internal and external venture building, appears to be the option with the highest potential to Backtick. This model would allow Backtick to leverage its current consulting operations and expertise while also enabling the company to develop new ventures and support external startups, although the long-term success rate is still relatively uncertain.

To succeed with complete venture building, recruitment functions will need to be expanded to support the gradual development of self-sustaining ventures. Investment competencies will also be needed for activities such as startup screening and valuations, internal funding, investment sourcing and share liquidations. Additionally, business expertise dedicated to supporting ventures in areas such as conducting user research, customer and competitor analyses, marketing, sales, growth and project management will likely be needed. As stated by a Backtick employee, the company is now largely independent from a network of partners. However, to effectively pursue venture building, the company will need to build a strong network to acquire specialized expertise that may not be practical to employ in-house, such as legal experts.

Lastly, Backtick should decide on the customer group to target, as this affects the type of support to offer. For example, Backtick may choose to target early startups to gain a larger equity share. This would require more funding and business support from Backtick and whereas more mature customers may already have secured a funding team and capital, Backtick would rather support with technology expertise. As the researched VSs exhibit a clear strategy of working with impact ventures, Backtick will likely need to have a similar focus. Not only is this a means for employee branding and employee satisfaction, but is also key in attracting investments, as a significant portion of Swedish VC is aimed at impact startups, as previously presented. This impact focus can for example be implemented through sustainability and diversity criteria when evaluating potential ventures to work towards the SDGs and to mitigate the current gender discrepancy in VC investments.

Rather than a full venture studio implementation, Backtick can adopt an opportunistic approach. When interesting opportunities emerge, Backtick employees can dedicate part of their work towards the opportunity. This approach would foster the growth of expertise in venture building and facilitate a gradual expansion. However, this is a slow approach, and only focusing on a limited number of opportunities could limit the scalability advantages of venture building.

7.4 Limitations of the study

Six out of the seventeen VSs contacted for this study were interviewed and analyzed. Although this represents a substantial amount of the targeted population, the results from the study are not universal as all VSs have unique business models. This study is further limited by the unsuccessful efforts of contacting stakeholders such as investors, partners and incubated ventures connected to the case companies. As these interviews would provide results from multiple perspectives, they would act to increase the validity of the study.

The results of this thesis provide a strong holistic explanation of the VS business model, but lack in-depth descriptions of each individual feature, which would be needed for Backtick to fully learn from the case companies. Finally, this thesis was conducted during the spring of 2023, a time affected by global economic turmoil and entering a global recession, likely leading to reduced VC funding. When interpreting the results from this study, the potential effect of this on the startup ecosystem and the venture studio business model should be taken into consideration.

7.5 Further work

To mitigate the described limitations of the study, further research can be aimed at studying one of the major venture studios in depth to gain more understanding of individual features of their business models. An in-depth study should also aim to interview a range of stakeholders connected to the company, such as venture founders, partners and investors. Further, entrepreneurs' and startup founders' desirability of the VS model should be specifically studied, and the perceived opportunities and challenges of the VS model should be compared that of other support organizations such as incubators, accelerators, and VC. This would provide key insights into how a company such as Backtick should design its value proposition when implementing a VS business model.

As highlighted in section 7.1, the researched VSs and those found in the literature that operate in the Nordics share similarities, such as a combination of consulting and venture building, not found in VSs highlighted in literature. Future research could be conducted to investigate if a consensus on how to operate a VS is forming amongst VSs in the Nordics, different to that of the rest of the world.

Lastly, as VSs' employees are perhaps their most important asset and the need to keep them motivated and invested in their work is crucial when venture building, researching strategies to incentivize VS employees would provide valuable insights to practitioners such as Backtick. This thesis has pinpointed measures such as employee co-ownership and employees investing in VS ventures, but the literature on VSs is lacking in providing robust ways of incentivizing their employees.

8 Conclusions

In this final chapter, the paper's results, discussion, and final recommendation are summarized.

The overall aim of this thesis is to (1) provide a structured description of the how venture studios typically operate, (2) present what is needed for a software consulting firm, such as Backtick Technologies AB, to implement a venture studio model as well as to (3) recommend if Backtick should consider implementing the business model. For this, six venture studios were initially investigated through a case study and business model canvas mapping, highlighting key business model features. Although the results from this study are not fully generalizable, many interesting similarities can be seen, including features such a revenue split between capital and equity, a broad range of business and technology competence as well as a structured process to building companies. A workload split between venture building and consulting to corporations and scaleups as well as the combination of both internal and external venture building are also common traits.

Following the case study, a comparative analysis was conducted, highlighting many similarities as well as differences between Backtick and VSs, with key differences being Backtick's lack of a strong network and business development, recruitment, and investment competence. Based on this, five potential future scenarios for Backtick, besides simply continuing with consulting, are presented. These are: internal venture building, external venture building, complete venture building, a tech studio model and startup investments. Based on these scenarios, it is recommended that Backtick implements a complete venture studio model which has a high potential gain for the company but will also require significant effort to cover current gaps. Regardless of Backtick's strong technology competences, challenges might arise when seeking investments for ventures, as investors might be hesitant to working with companies having outsourced their technology competence. The long-term viability of the business model is hence uncertain and should be researched further before committing.

It is apparent that the studied Swedish VSs differ in certain aspects to more established firms. This thesis provides a better understanding of how these Swedish venture studios operate to any actor interested in the phenomenon. By furthering current academic literature through providing a structured description of the venture studio business model while also exploring how a company such as Backtick can become a venture studio, the barrier to venture building is lowered.

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Appendix A Literature Review source classification

Table A.1

Author	*Title*	*Ranking (0-5)*	*Type*
Bastos 2019	Emerging Startup Studios in Portugal	5	Dissertation
Mittermeier, Hund & Beimborn 2022	Entrepreneurial Support Systems in the Digital Era: A Taxonomy of Digital Company Builders	5	Conference
Blank 2022	Entrepreneurs, Is a Venture Studio Right for You?	5	periodical
Tkalich, Moe & Ulfsnes 2021	Making Internal Software Startups Work: How to Innovate Like a Venture Builder?	5	Conference
Rathgeber, Gutmann & Levasier 2017	Organizational best practices of company builders – a qualitative study	5	Journal
Köhler & Baumann 2016	Organizing a Venture Factory: Company Builder Incubators and the Case of Rocket Internet	5	Report
Baumann, Bergenholtz, Fredriksen, et al. 2018	Rocket Internet Organizing a Startup factory	5	Journal
THNG 2019	Successful venture building: What matters! An empirical examination of effective incubation practices	5	Dissertation
Muñoz Abreu 2021	Venture Studios: Analyzing a New Asset in the Venture Ecosystem	5	Thesis
Spigel, Khalid & Wolfe 2022	Alacrity: a new model for venture acceleration	4	Journal
van Andel 2022	Challenge-Based Deep-Tech Venture Building Design of an evidence-based framework for venture building aimed at solving deep-tech innovation challenges	4	Thesis
Schmidt, Braun & Sydow 2017	Routine-creating Routines for Serial Entrepreneurship: The Case of a Company Builder	4	Conference
Szigeti 2019	Startup Studio Playbook	4	Book
Lawrence, Fulton, Narowski & Hurwitz 2019	The rise of startup studios	4	White paper

Haffen Lamm & Peters 2019	The Startup Studio: New Phenomenon or Rebranding of Existing Support?	4	Thesis
Zasowski 2020	Why the Startup Studio Model is Where Investors Find Capital Efficiency	4	White paper
Meijer 2019	Strategizing the ideation phase of the startup studio model	4	Thesis
Biert 2020	Assessing Technology for a Deep Tech Venture Builder	3	Thesis
Srbić & Nurkić 2022	Crossing the Innovation Valley of Death through the Venture Builder Model	3	Article
Mulder 2020	MANAGING KNOWLEDGE AND EXPERTISE SUPPORT IN DEEP-TECH VENTURE BUILDING	3	Thesis
Jansens 2022	MEASUREMENT AND STIMULATION OF PSYCHOLOGICAL SAFETY IN HIGH-PERFORMING TEAMS WITHIN A VENTURE BUILDER	3	Thesis
Kitsuta & Quadros 2022	The Anatomy of a Corporate Venture Builder: Factors influencing Failure	3	Conference
Phosaard & Yang 2022	The Establishment of Internal Corporate Venturing for a Virtual Economy in Web 3.0 setting	3	Thesis
Selig 2021	Understanding the heterogeneity of corporate entrepreneurship programs	3	Doctoral Thesis
Hamida 2020	Understanding The Startup Studio Incubation Model	3	Thesis
Schoettle 2020	High Alpha launching new firms at torrid rate.	3	periodical
Bentvelsen 2022	The process of finding an acquirer for ventures from venture builders: a networking game	3	Thesis
Breen 2000	COMPANY BUILDER.	2	Periodical
Scheuplein & Kahl 2017	Do Company Builders Create Jobs? Examining the Rise of Incubation Finance in Germany	2	Report
Dowd 2022	From The Ground Up.	2	Interview, Periodical
Gutmann 2019	Harmonizing corporate venturing modes: an integrative review and research agenda	2	Journal
Kronenberger 2021	How the Startup Studio Business Model is Changing the Startup Economy as We Know It	2	Medium
Pollack, Barr, Hanson 2016	New venture creation as establishing stakeholder relationships: A trust-based perspective	2	Journal
Gardner 2021	California Tool Works: Assessing the Impact of Life Science Incubators and Accelerators.	1	Journal
Kullik, Hölzle, Halecker & Hartmann 2018	Company Building – A New Phenomenon of Corporate Venturing?	1	Conference

Cohen 2019	How to accelerate learning: entrepreneurial ventures participating in accelerator programs	1	Dissertation
Wincott 2021	Identifying the evolution of external support needs during the lifecycle of young, high-growth Walloon businesses (illustrated by the digital sector)	1	Thesis
Todd 2022	Meet Forbes' 30 Under 30 Europe Class Of 2022, Mark Zuckerberg's Harvard Classmate Is Trying to Build a Global Startup Factory and More for Small Business Owners	1	Forbes article
Schoettle 2018	More than money: Venture studio High Alpha offers its firms mentoring, marketing and more-in addition to significant investments.	1	Journal
Köhler & Baumann 2016	Organizing for Factory-like Venture Creation: The Case of Company Builder Incubators	1	Journal
Ketchen Jr. & Sandler 2015	SUBSTITUTES FOR SILICON VALLEY THE CASE OF THE ROUND HOUSE STARTUP FACTORY	1	Journal
Surge Ventures 2022	SURGE VENTURES LAUNCHES AN INNOVATIVE VENTURE STUDIO STARTING WITH A FOCUS IN THE FINANCIAL SERVICES AND WEALTH MANAGEMENT INDUSTRY	1	News
Johnston 2022	Sustainable Venture Capital	1	Thesis
Ehrhardt 2021	The Origin and Evolution of the Startup Studio	1	Medium
Ugnich 2013	The Perfection of the Mechanism of Venture Capital Financing: Organizational and Economic Mode	1	Journal
Strahler 2015	The unlikely startup foundry.	1	Periodical
PR Newswire 2023	These "Nobodies" Are Shaking Up the Startup World: Nobody Studios Launches Unique Crowd-Infused™ Venture Studio, Offering Venture Wealth Creation, and Global Impact to Masses	1	News
Kemp 2021	VENTURE STUDIOS.	1	Periodical
Nguyen 2013	A case study: International Strategy of Rocket Internet in Vietnam	0	Thesis
Alvarenga, Canciglieri Junior & Zeny 2019	Venture Building & Startup Studios versus Acceleration Programs - Conceptual & Performance Differences	0	Conference

Appendix B Case study protocol

B.1 Case study overview

The case study is conducted as a qualitative interview with the goal of answering RQ1: *How does a venture studio business model typically operate?* and providing a basis for the analysis pertaining to RQ2 and RQ3. The interview protocol will hence be used as a guide to follow freely during the interview.

Company cases are chosen as venture studios operating in the Swedish market and the study is conducted by mapping and explaining the business model of each case company, as well as finding best practices and distinctive features within these. Relevant readings on the subject can be found in the literature review of this thesis. The structure of the case study is based on the business model canvas framework consisting of; Customer segments, Value proposition, Channels, Customer relations, Revenue streams, Key resources, Key activities, Key partners, and Cost structure although some areas are given more focus than others. Furthermore, the areas from McKinsey 7S framework that are not covered in the business model canvas (style, shared values, strategy, and structure), are also included.

B.2 Data collection procedures

The interviews are held with key executives of each case company with insights into their strategy and operations. Permission to publish the interviewees' names, titles, and company names will be requested, however, these will be anonymized if needed to protect human subjects.

Semi-structured online interviews of around 60 minutes are conducted between February 20th and March third. The interviews are held by two interviewers, during which one interviewer is leading the interview while the other takes notes and assists with follow-up questions. In addition to note-taking the interviews are recorded by two separate devices, if permissible by the interviewee, to ensure validity for the upcoming analysis.

A few days before each interview, a reminder is sent out to interviewees including a short introduction to the case study topic as well as a short description of the BMC,

and background research is conducted on the interviewee and affiliated venture studio.

Each interview is summarized directly after the interview. Following this, they are transcribed, and a final analysis is conducted. Lastly, refinements are made after a draft has been validated, by the interviewee.

B.3 Protocol questions

Date and time:
Place:
Company name:
Interview subject name and title:

Introduction

- Presentation of the interviewers and the scope of the thesis.
- Do we have your permission to record the interview? (yes/no)
- Description of the purpose of the interview and how it will be used and published.
    - The interview will be used to present the business model of the case company in the thesis.
    - The thesis will be made available to the public.
    - The interview recording and transcription will only be available to the authors.
    - Sensitive information can be anonymized if requested (follow-up after the interview).
- Presentation of an agenda for the interview.
    - Please speak openly, we will guide the conversation to get the data we are looking for.

Initial questions

- Can we publish your name (yes/no), title (yes/no), and company name (yes/no)?
- Could you introduce yourself shortly?
- What is your role at [] and what does the role entail?
    - For how long have you been working at [company]?

- Could you give us a short introduction and background to [company]?
    - What are some ventures that you have started?
    - Do you have a specific type of venture that you invest in? why?
- Do you have good **insights into the strategy and daily operations** of [company]? (filter)
- Do you have a good understanding of the **business model concept**?
    - Present the concepts; value creation, delivery, and capture.
    - In a sentence or two, could you **describe your business model(s) in short**?
- A short description of the BMC concept is provided (template is shown)

General questions

- What is the **mission** and the **goals** of [company]?
- How do you plan to achieve these?
- How do you **define a venture studio**?
- What is/was your main reason for adopting a VS business model?
    - Why now/then?
- Are you solely a venture studio or do you have other business models in parallel?
- What makes you *you*?

Customers

- Who do you see as your **customer segments**?
    - Why are these your customers and which are most important?
- What do your **relationships** with your customers look like?
    - What type of relationships do your customers expect of you?

Value generation

- What challenges/**needs** do your customers have?
- What is your **offer** to your customers?
    - (Services/Support/Brand/Product/Infrastructure/etc.)
    - How does it **differ** for **different customers?**
    - How does it **differ** from **other venture studios**?

Key activities

- What does your **venture building process** look like?
    - What does the venture selection process look like?
    - Where does it start, where does it end?
    - What are **significant parts** of the process?
        - Do you use any specific theoretical frameworks (BMC, SWOT, 5Forces, PESTEL, VRIO)?
    - Does the process **vary**?
- What are some **critical activities/tasks** your company undertakes?
    - How do these activities support value creation?
    - How does [company] work day to day?

Key resources

- What does your **organizational structure** look like?
- What **key resources** do you have?
    - (e.g. **human resources**, financial, tangible assets, intellectual property etc.)
    - Are all your resources in-house or are some outsourced?
- What skills/**competencies**/capabilities does [company] (employees) have?
- How do you **allocate resources** and prioritize investments among ventures?

Key partners

- Define/describe your **network**, what is your role in the network?
- Who are your **main partners**?
    - Which key resources and activities do they provide?
    - What do you provide?
    - How do you manage your partnerships?

Revenue streams and cost structure

- What are your **revenue streams**?
    - How/why are these chosen?
- What is the breakdown between these?

Cost

- Could you describe your **cost structure**?
    - What is the breakdown like?
    - How do you cover your costs?
- What is your **equity strategy**?
    - How much equity do you typically obtain?
    - What do you offer in return? (Sweat, capital, resources etc.)

Competitive advantage

- Who do you see as your **competitors**?
    - What makes you stand out from them (and other venture studios)?
- Do you work with **sustainability/CSR**? (VS- and/or venture-level)
- What **culture and values** are central to [company name]?
- What is your **leadership style** like at [company]?
    - How does top management interact with employees?

Summary

- How has the business model changed over time? Why?
- What are some general **challenges** that you face?
- Would you consider your business model **successful**?
    - Why/why not?
- In summary, how would you label your business model in only a few words?

Conclusion

- Have we missed anything that you think could be relevant?
- Was any **sensitive information** revealed during the interview and how should it be handled?
- Do you have any questions for us?
- Can we contact you if we have any follow-up questions?
- Can we have the contact information to a venture founded by you?

Thank you for taking the time to talk with us.

- Reiterate how the information will be used and how the interviewee can find the final report.
- We will send you a copy of our analysis of this interview after a few days, for you to verify.
- Do you want to receive a copy of the final report?

B.4 Tentative outline for the case study report

The aim of the case study report is two-fold. Partly providing informational ground for case study 2 while also presenting the data to an audience of engineering and business students as well as parties specifically interested in the business model of the case companies.

Results are synthesized as short summarizing sections for each case. These include a short contextualizing company background and the core aspects of each business model.

Finally, the case study reports are analyzed and presented in a business model canvas.

Appendix C Cluster analysis

Table C.1 Key Partners

1st order concepts	***2nd order themes***
Partnering with Accelerators & incubators	Accelerators and incubators
Local Incubators and accelerators	
Partnering with External Investors	Investors
subsidiary investment company, VEQ	
Network of Investors	
Angel investors investing in &Flow One	
Investors	
Local business investing in &Flow One	
Development actors	Actors with supplementary expertise (within areas such as marketing, accounting, law, development, specialist competence, ideation)
Parent company Cenito	
Partnering with Professional services firms	
Hackathon experienced partner	
Jumble, an internal venture offering workshops	
Specialists within niche areas such as ML and SEO	
While Levels possesses all the necessary capabilities for venture building in-house, they are also supported by external partners when working above capacity.	
Marketing actors	
Senior product developers that can offer support in product implementation	
Partners with niche competence, such as graphic designers	
Utilizing CEO Emil Paulsson's local network	Founder's networks
Founders' networks	
Partnering with Interest Organizations	Interest Organizations (*)

Table C.2 Key activities

	1st order concepts	*2nd order themes*
Internal Activities	Technology due diligence	Evaluating venture investment relevance to VS
	Venture screening	
	Screening process where potential startups in &Flow's pipeline are evaluated based on specific parameters	
	categorizing startups as being either in the innovation phase, ready for launch, or ready for growth.	
	Analyzing a venture's relevance to VNTRS and if they have potential to add value to the venture	
	Evaluate level of risk to take, potential of startup, workload required	
	Trial Period with startups for testing business model and personality match	
	Selecting ventures to collaborate with through data driven gut feeling	
	Free discovery workshops for analyzing venture business models	
	Evaluate inhouse capacity, and equity exposure in other ventures	
	Informal venture screening, includes looking at needs, what their goals are, what is necessary for seed-round, where the product is today - to see “how we can apply our competence”	
	Gut feeling decision on what to invest in, needing a green light from all three employees	
	Valuing ventures before investment	Venture valuation
	Estimating potential business value of ventures	
	Evaluate type and degree of support needed during initial workshop	Action planning
	Initial workload estimation	
	Plan for work needed	
	Scoping phase where a plan of action is made	
	Decide division between equity and money in payment	Acquiring equity
	Reinvesting in ventures when signing a follow-up deal (from discovery to validation)	
	3-10% stake in ventures	
	Typically obtaining 10-20% equity in ventures	
	Maximum 20% equity, strives for below 10% at the end of tenure	
	goal of initially gaining 10-15% equity	
	Acquire 2-3% equity	
	Referring "premature" startups to incubators and accelerators	Networking
	Building a local network	

	Swapping internal team compositions when needed	Resource and workload allocation
	For each venture, they dedicate at least one team member to provide support, spending between 25-100% of their week's work on the project	
	Allocating workload between external venture building, internal venture building, and consulting for scaleups and corporations	
	Balancing the focus of consulting and venture building	
	Allocating 80% workload to consulting and 20% to internal venture building	
	Sourcing startup leads and relationships from partnered incubators and accelerators	Sourcing external startup leads
	Being sent startups that are deemed too early for consulting by founder Emil Paulsson's network	
	Sourcing entrepreneurs with business ideas	
	Active search for startups to invest in	
	Electing employees for seats at the investment committee	Employee incentivizing
	Bonus distribution to employees	
	Incentivizing employees to invest and become partners of LEVELS. Updating on stock prices	
	Employees share risk and upside by investing in ventures	
	Employees share risk and upside by investing in ventures	
	Scrapping unsuccessful and unpromising ventures	Scrapping unsuccessful and unpromising ventures (*)
	Venture exits further down the line	Exiting ventures
	First venture (AfriPods) has been acquired by foreign investor	
	Goal of making early exits	
	Venture exits, we have done three exits	
	Last step of the process is a road to exit	
	Detaching from internal ventures at point of traction and market pull, transferring one of Radikal's employees as founder	Autonomizing internal ventures (*)
Over-arching	Internal venture building	Internal venture building
	Ideate and found internal ventures	
	Internal idea sourcing	

	Around 20% work allocation on Internal venture building	
	Building digital solutions for corporations	Corporate consulting
	corporate consulting	
	Digital transformation and innovation for scaleups and corporations	
	consulting in product development and internal innovation to corporations	
	consult in app and web-based product development for established companies	
	Around 70-80% work allocation on consulting to established companies	
	venture building with external founders	External venture building
	building ventures together with entrepreneurs	
	Business development	
	Support with Developing business model (stage 2)	
	extensive, flexible, and hands-on product building and business development support to startups from early phases until market-fit-validation	
	Co-creating businesses with startup founders	
	support ventures through the venture building process, from an early idea to validation and gaining some traction within two to three years.	
	External venture building	
External support activities	Recruiting entrepreneurial employees with a holistic and business focused mindset	Recruiting to VS and ventures
	sourcing and recruiting talent to Levels and its ventures	
	Previously transferred employee from &flow to a venture	
	Recruiting CTO (validation phase)	
	Recruiting and building a tech team (validation phase)	
	sourcing and recruiting talent to Levels and its ventures	
	Recruiting permanent team members	
	Recruiting a co-founder and team when detaching an internal venture.	
	Guidance in recruiting team members	Recruitment support
	Guidance in building a tech team	
	Support in recruiting permanent team members to ventures (such as conducting code tests)	
	Additional support outside of billable hours, such as recruiting	
	Forwarding VNTRS's job applicants to ventures	
	Encouraging ventures to recruit permanent team members	

	Support in screening candidates	
	Support in find funding	Investment support
	Support in raising investment capital	
	Guidance in finding investments	
	Support in capturing investments or being acquired	
	Support in securing investments through developing pitches, pitch decks, and such.	
	Investing in startups	Investing capital
	Funding (0.5-1.5 MSEK)	
	Building MVP (validation phase)	MVP Building and validation
	Support with MVP building (Stage 1)	
	Early-stage support in MVP building and achieving product-market-fit.	
	Validating the scope (validation phase)	
	MVP Building	
	Developing a product strategy	
	software development support, previously	Software development
	Software development	
	Holistic product building as hands on product owners	
	Product development (stage 2)	
	designing and developing a digital product or service	
	technology implementation (early phase)	
	design (early phase)	
	consulting in product development and internal innovation to corporations	
	extensive, flexible, and hands-on product building and business development support to startups	
	consult in app and web-based product development for established companies	
	Building digital solutions, for corporations	
	Product Implementation	
	Product design	
	Focus on product development, UX/UI, web services, apps etc.	
	Digital transformation and innovation for scaleups and corporations	Corporate digital transformation and innovation support
	Internal innovation to corporations	

	Scoping a technical solution (early phase)	Ideation
	Discovery workshop to analyze business opportunity, business model and go-to-market strategy	
	Conducting ideating activities such as hackathons	
	supports startups in their discovery process to develop a value proposition and product vision	
	Analyzing the offering (discovery phase)	
	Analyzing the product (discovery phase)	
	Workshops with customers to figure out what product to build	
	Customer analysis (early phase)	Collecting user research and customer analysis
	Collecting user research (early phase)	
	Analyzing user insights (discovery phase)	
	Activities to understand users, such as user testing	
	Competitor analysis (early phase)	Competitor analysis
	Analyzing competitors (discovery phase)	
	Branding (early phase)	Marketing support
	Marketing (Growth phase)	
	Support with developing a marketing strategy (stage 2)	
	Developing marketing strategy	
	customer segmentation (early phase)	
	Finding sales strategies	
	Support with Target segment determination (stage 1)	
	Branding	
	Support with Revenue generation strategizing (stage 1)	Revenue strategizing
	optimize pricing (growth phase)	
	pricing (early phase)	
	Finding pricing models	
	Analyzing potential costs (discovery phase)	
	Optimizing infrastructure and pricing (growth phase)	Growth hacking
	Implementing KPIs (growth phase)	
	Implementing data analysis tools (growth phase)	
	SEO (Growth phase)	
	Data Collection and Analysis (Growth phase)	
	Analyzing product launch and optimizing continued work (stage 3)	

	Support within project leadership, design, development, and growth.	Project management
	Using OKRs for employee alignment and motivation	
	Project management through monday.com	
	Daily checkups	
	Expectation management with ventures	
	Holding board seat in ventures	

Table C.3 Key Resources

1st order concepts	***2nd order themes***
A workforce of consultants and domain experts, such as senior developers, designers, product owners and growth specialists	Employees with expertise in product development (design, software development, ideation, product management) Employees with expertise in business development and management (such as marketing, growth, sales, business development, branding, project, and venture management)
Employees with competence in business development, growth hacking/marketing, marketing, sales, design, and branding	
Employees with technological competencies in areas such as back-end, front-end, full-stack and mobile application development.	
Entrepreneurial employees with capabilities in managing ventures, marketing, software development, business development, design, and project management	
Parent company Cenito's developers	
Hackathon expertise from experienced partner	
Previously employed a software developer	
Technical expertise	
Three experienced employees. One product strategy and design specialist and two developers with focus on implementation and development	
Office	Office space
Office	
Office space	
Office	
A founding team that is resilient and willing to take risks, having gone through the challenges of building a startup themselves	Entrepreneurial founding team with business and technology expertise
Entrepreneurial executive leaders	
Founding team with diverse backgrounds and capabilities (technological and business development)	
Founding team with tech and business expertise	
Expertise of founders	

Founding team members who are passionate about working at the pre-seed level	
Culture of trust, entrepreneurship, collaboration, heart, and excellence	Non-hierarchical, entrepreneurial, trusting, and supportive culture with a high-quality focus
Culture of security and high quality	
Inclusive leadership	
Supportive working environment	
Strong supportive and entrepreneurial culture	
Culture of focus on startups	
Flat organization with high employee autonomy	
Employee-owned Investment fund	Investment fund
Investment fund (&Flow Equity One AB)	
Capital	Capital (*)
Recruiting company STACC	Recruitment and administration functions
Overhead team with focus on areas such as sourcing businesses, recruitment, HR, and other administrative functions	
Investment committee	Investment committee (*)
Investment competence of co-founder Per Spångberg	Investment competence (*)
A strong (entrepreneurial) employer brand	Employer brand (*)
Strong brand in Sweden	Corporate brand (*)

Table C.4 Value Proposition

1st order concepts	***2nd order themes***
Software development support previously	Product development support
Software development	
Holistic product building as hands on product owners	
Product development (stage 2)	
Designing and developing a digital product or service	
Technology implementation (early phase)	

Consulting in app and web-based product development for established companies	
Early-stage product building	
Consulting in app and web-based product development for established companies	
Building digital solutions, for corporations	
Product development to corporations	
Shared office space	Office space
Office space occasionally offered to ventures	
Office space	
Digital transformation and innovation for scaleups and corporations	Innovation support
Internal Innovation support to corporations	
Business development	Business support
Support with Developing business model (stage 2)	
Extensive, flexible, and hands-on product building and business development support to startups from early phases until market-fit-validation	
Support ventures through the venture building process, from an early idea to validation and gaining some traction within two to three years.	
Access to business expertise	
Swapping internal team compositions when needed	Competent teams
For each venture, they dedicate at least one team member to provide support, spending between 25-100% of their week's work on the project	
Guidance in recruiting team members	
Guidance in building a tech team	
Forwarding VNTRS job applicants	
Recruiting permanent team members	
Support in recruiting permanent team members to ventures	
Previously transferred employee from &flow to a venture	
Recruiting CTO (validation phase)	
Recruiting and building a tech team (validation phase)	
Additional support outside of billable hours, such as recruiting	
Investing in startups	Capital
Funding (0.5-1.5 MSEK)	

Access to the founder's network	Access to Network (*)
We provide flexibility	Agile and flexible work methods (*)
We have the breadth of competence that a startup rarely has themselves.	Competence
Providing startups with the competence they don't have	
Enabling venture founders to focus on the product, not finding money, suppliers, and such.	Ability to focus on important areas (*)
Knowledge on what must be done in next phases	Knowledge on what to do next in the startup journey
Helps ventures define the road forward	
Well informed opinion on what needs to be done first in product development	

Table C.5 Customer relationships

1st order concepts	***2nd order themes***
Strive to be seen as a venture partner, rather than simply a tech partner with its ventures	Technology and business partner with co-founder mentality
Co-founder	
Technology and business partner	
Close, daily contact through checkups	
Co-founder mentality	
Active hands-on tech-partner for 6-12 months, responsible for product building	
Open communication	Open communication
Clearly stating to customers that they only perform a short intensive tenure	
Operative and active long-term partnership	Aims for long term partnerships with ventures
Working with each startup for extended periods of time	
Support ventures from an early idea to validation and gaining some traction within two to three years.	
No predetermined exit horizon	

Active support until ventures are self-sufficient, after which only minor support is given	Fostering venture self-sufficiency
Don't try to cling on as a long-term consulting partner	
Withdrawal to let the venture founders build a team and commercialize the product	
After 6–12-month active role, Radikal adopts a more passive advisor relationship	
Digital partner to corporations	Digital partnership with corporations (*)
Leaving founders in the driver seat, leading the way forward	Venture founders hold primary operational control and responsibility
leaving the primary operational responsibility to the founding team	
Startup founders retain operational control and responsibility of the companies.	

Table C.6 Channels

1st order concepts	***2nd order themes***
Meeting startups through a network of accelerators and incubators	Network
Usually come across startups through their networks	
Meeting entrepreneurs and encountering business ideas at Hackathons	Hackathons (*)
Monday.com	Digital project management tools (*)
Support through workshops	Workshops
Workshops	
Ideation workshops with customers	
Shared office space	Shared office space
Entrepreneurs hanging around in the office	
Some entrepreneurs offered to work from Entire's office	

Table C.7 Customers

1st order concepts	*2nd order themes*
Startups	Startups
Primarily Startups	
Seed-level startups, typically consisting of a sole founder or a small team	
Startups	
Established startups	
Works with startups primarily in the innovation phase.	
Only invest in teams working full time	
Invests in pre-seed startups that have available capital	
Entrepreneurs	Entrepreneurs
Teams of seasoned entrepreneurs	
Teams of non-entrepreneurial practitioners	Non-entrepreneurs
Scaleups	Scaleups
Scaleups	
Corporations	Corporations
Established companies	
Corporations	
Corporations	
Investors	Investors (*)
focus on software technology companies	Focus on technology companies, not limited to specific domains
Does not focus on certain industries	
Does not focus on certain industries but has become strong within healthtech, femtech, energy, and media	
Not limited to a specific type or location of companies, current portfolio consists of technological SaaS businesses in Örebro	
Building apps, backend systems, admin systems in multiple verticals	
Working with companies within edtech, gamming, supply chain, optimization	
In essence generalists	
Avoid niche areas requiring specialty capabilities	Avoids domains requiring

	specialty capabilities (*)
Investing in startups deemed to make a positive impact	Focus on startups working towards making a positive impact
focus on companies that are aligned with a social mission	
Avoids gambling companies	
Limits investments to, for example, not working with gambling companies	
Focus on impact startups	

Table C.8 Cost Structure

1st order concepts	***2nd order themes***
Overwhelmingly salary costs	Salary costs
Overwhelmingly Salary costs	
Salary costs make up an immense part of their cost	
Salaries	
Mainly salary costs	
Investments in ventures	Monetary Investments in ventures
Investments in ventures	
compensation to the founders	Compensation to VS founders (*)
Rent	Rent
Minor costs such as office rent	
Rent as the second largest cost	
Fees for external experts like tax- and legal advisors.	Fees for external experts (*)
Extra costs related to services and equipment	Costs for Equipment and services (*)

Table C.9 Revenue Streams

1st order concepts	***2nd order themes***
50% cash, 50% equity compensation for "consulting" services	Equity and monetary payment from
50% equity, 50% monetary compensation from ventures	

Charge startups in Equity and Monetary means, aim for 30-50% paid in equity, but can do 100% equity if unallocated capacity exists	ventures (around 50/50 split)
Charge both cash and equity convertibles	
Monetary income from startups paying purely monetarily	Monetary income from consulting to startups (*)
Monetary income from consulting work to corporations	Monetary income from consulting to corporations
Pure monetary charge from corporations	
Minor consulting assignments	
Payment for consultancy services	
Monetary income from consulting to corporations	
Income from venture exits	Income from venture exits
Goal of making early exits	
Venture exits further down the line	
Income from venture exits	
External investments to Levels	External Investments (*)
Sponsored events	Income from conducted events (*)
Hackathons and workshops	
Government grants	Grants (*)

Table C.10 Challenges

1st order concepts	***2nd order themes***
Building a novel business model from scratch	Building a novel business model with no prior ways of working
Initially no established ways of working	
Having an unknown business model created challenges in attracting investors. It is an unusual model and hard to explain to convince investors.	Unawareness of the business model
Market was initially unaware of business model and offer	

Difficulty in attracting startups as startup founders are generally unaware of the VS business model	
Finding the right entrepreneurs	Finding the right entrepreneurs
Finding the right entrepreneurs, don't invest if any red flags are apparent	
Recruiting the right people	
Sweat equity model introduces liquidity challenges, as only half of the hour is paid monetarily	Liquidity problem
Lack of short-term cash flow	
Generating enough revenue to cover their short-term expenses conflicting with their long-term objective of building ventures	
Varying degree of workload causing unassigned paid employees at times of low workload	Uneven degree of workload (*)
Co-founder mentality clashing with culture of security	Inherent cultural clash between entrepreneurial spirit and security (*)
Working with companies with inexperienced and incomplete founding teams with limited experience and purchasing power for procuring &Flow's consultancy services	Working with inexperienced founding teams
Working with founding teams inexperienced in the product building process, not able to recruit their own developers in time	
Difficulty in evaluating the potential worth of startups when investing	Evaluating the potential worth of startups
Impossible to find an accurate valuation for early startups, so the valuation is based on projected future worth and what would make both founders and ventures happy	