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Convincing Investors: A Study of Personal, Adapted Storytelling and Strategic Behavior in Entrepreneurial Fundraising

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Abstract

This inductive study explores the process, through which legitimacy is established for financial resource acquisition, by analyzing the accounts of 15 entrepreneurs on their storytelling and fundraising strategies. The findings show that consistent personal storytelling, venture story adaptation, and strategic behavior increase a venture's chances of receiving financial investments. Taking an entrepreneur-centric perspective in analyzing the practical implementation of cultural entrepreneurship theory, the findings have strong theoretical implications. They suggest extending the model of cultural entrepreneurship to include entrepreneurs' behavior throughout the resource acquisition process. They further contradict the theory that a venture's legitimacy only depends on its existing resources, suggesting that it is also based on the venture's founder's storytelling skills and behavior. As for practical implications, the findings show that investment decisions are not purely fact-based but influenced by investors' emotional involvement and the hype around the venture among investors, which are both a consequence of skillful storytelling and strategic behavior. The study illustrates several effective storytelling and fundraising strategies, providing practical examples for each.

Keywords: Venture legitimacy; Fundraising; Fundraising strategy; Storytelling; Cultural entrepreneurship.

1. Introduction

Storytelling and resource acquisition are two very prominent topics in entrepreneurship literature (Martens, Jennings, & Jennings, 2007). Being skilled in the former is today indisputably considered a precondition for mastering the latter. A key concept explaining the interrelation of storytelling and resource acquisition is cultural entrepreneurship, which refers to "the processes by which actors draw upon cultural resources (e.g., discourse, language, categories, logics, and other symbolic elements) to advance entrepreneurship or to facilitate organizational or institutional innovation" (Lounsbury & Glynn, 2019, p. 3). The concept of cultural entrepreneurship draws together theories on the effect of legitimacy, narrative, and identity in the resource acquisition process and can be used as a framework for further research within the field.

The relevant findings on the connection between resource acquisition and entrepreneurial storytelling can be summarized in a simple chain of reasoning: 1) The acquisition of external resources helps ventures to emerge, survive and become sustainable (Fisher, Kuratko, Bloodgood, & Hornsby, 2017; Lounsbury & Glynn, 2001); 2) A venture must be perceived as legitimate to attract resources (Aldrich & Fiol, 1994; Lounsbury, Gehman, & Glynn, 2019; Lounsbury & Glynn, 2001; Zimmerman & Zeitz, 2002); 3) The entrepreneur can establish perceived legitimacy for a venture with the help of audience- and context-adapted storytelling, also known as cultural entrepreneurship (Fisher et al., 2017; Lounsbury et al., 2019; Lounsbury & Glynn, 2001; Wry, Lounsbury, & Glynn, 2011).

How a story is told and perceived depends on the narratives of the entrepreneur and the audience, which act as individual frameworks for reasoning and understanding (Bartel & Garud, 2009; Garud & Giuliani, 2013; Martens et al., 2007). The information asymmetry, perceived risk, and uncertainty that is caused by differing narratives can be overcome by skillful storytelling, which conveys a comprehensible venture identity and establishes legitimacy in a process of meaning making (Garud, Schildt, & Lant, 2014; Manning & Bejarano, 2017; Martens et al., 2007). Throughout the process of storytelling, not only the venture identity becomes apparent, but also the identity of the entrepreneur is revealed. Being created and developed from the vantage point of the entrepreneur, the identities of the venture and entrepreneur

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have shown to be closely connected and can often be described by the same attributes (Grimes, 2017; Lounsbury & Glynn, 2001).

Telling a story, which conveys a comprehensible venture identity and bridges narrative-based information asymmetries to establish distinctive legitimacy is a difficult, yet central task to master for entrepreneurs (Werven, Bouwmeester, & Cornelissen, 2015). In the existing literature on cultural entrepreneurship, legitimacy is predominantly presented as an outcome of storytelling, but the strategies through which the perception of legitimacy can be influenced remain mostly unexplored. Researchers who contributed to exploring this topic have mostly taken a linguistic perspective. By analyzing the wording of successful fundraising pitches, they discovered that rhetoric can be strategically used to establish legitimacy (Ruebottom, 2013) by integrating arguments (Werven et al., 2015) or analogies (Cornelissen & Clarke, 2010), which contextualize a venture within a familiar discourse (Navis & Glynn, 2011) or market category (King and Whetten, 2008).

In line with Steyaert (2007), I argue that the existing literature pulls the attention away from the entrepreneur, although he is at the center of the audience's attention. Addressing this gap, I analyze the accounts of entrepreneurs on their fundraising strategies instead of their fundraising pitches, thereby focusing on the entrepreneur's role in storytelling and resource acquisition. Moving away from the linguistic perspective, I seek to take a more structural perspective by identifying those parts of the fundraising process, in which legitimacy can be established by the entrepreneur. Overall, this study is one of the first to provide qualitative, entrepreneur-centric insights into the practical implementation of cultural entrepreneurship and the process of establishing legitimacy.

With this study, I set out to answer the following research question: *How do entrepreneurs approach the fundraising process through personal, adapted storytelling and strategic behavior to legitimize themselves and their ventures?* To do so, I conducted semi-structured interviews with 15 German entrepreneurs, who have successfully gone through the process of financial resource acquisition at least once and can offer very recent insights on the topic. The collected qualitative data was then thoroughly analyzed and propositions and a process model developed from the findings. Besides its theoretical contributions, this study intends to provide practical implications for entrepreneurs, who are looking for advice for their own fundraising process. This study focuses on the acquisition of financial resources from private or institutional investors (referred to as 'fundraising'), as this is something especially first-time founders of early-stage ventures often struggle with.

The results of this study show that entrepreneurs use three core strategies to establish legitimacy: consistent personal storytelling, venture story adaptation, and strategic behavior. The personal story makes meaning of the entrepreneur's background and commitment to the venture, establishing distinctive legitimacy and involving the investor emotionally. The personal story remains consistent over time, while the venture story is adapted according to the audience's interests, expectations, and agenda. It changes over time, based on the venture stage or pivots, and legitimizes the venture's vision and valuation. Strategic behavior concerns the mindset the entrepreneur adopts during the fundraising process and how he approaches investor outreach and information sharing. Overall, this study demonstrates that investment decisions are not purely rational or fact-based. Instead, they are affected by investors' emotional involvement and the hype that is created around a venture in the investor community. Both of these factors are based on entrepreneurs' strategic storytelling and behavior and can significantly increase the chances for the successful acquisition of financial resources.

The results of this study advance the literature on cultural entrepreneurship in the following ways. Observing the practical implementation of the process model of cultural entrepreneurship by Lounsbury and Glynn (2019), they first confirm the effect of storytelling to establish legitimacy by bridging information symmetries between entrepreneurs and investors. Second, they offer a temporal perspective on the development of fundraising stories, differentiating between the entrepreneur's personal story and venture story. Third, they propose the extension of the process model of cultural entrepreneurship to include behavior. Although Martens et al. (2007) and Lounsbury and Glynn (2019) acknowledge that entrepreneurial behavior can have a significant impact on the investor's judgment about a venture's potential, "we know little about what specific entrepreneurs' behavior increases the propensity for this type of resource acquisition" (Pollack, Rutherford, & Nagy, 2012). This study confirms this notion, illustrating examples of strategic behavior before, during, and after the fundraising pitch, which can fundamentally affect perceived venture legitimacy. Fourth, this study challenges the idea that legitimacy is merely based on the venture's existing resources (e.g., Lounsbury & Glynn, 2001, 2019). Demonstrating the dependency of perceived legitimacy on the entrepreneur's storytelling skills and fundraising strategy, this study promotes an entrepreneur-centric perspective in cultural entrepreneurship theory.

The remainder of this paper is structured as follows: the next chapters provide an overview of the discourse on resource acquisition in the context of cultural entrepreneurship literature and the methods applied to answer the research question. Then, the final results are presented, including derived propositions and the process model. Finally, the empirical and practical implications are discussed, and conclusions are drawn.

2. Theoretical background

2.1. Cultural entrepreneurship perspective

A key concept, which was developed to explore entrepreneurial storytelling and its effect on resource acquisition is cultural entrepreneurship. Because it provides explanations for connections between several other independent organizational and social theories, it provides a useful framework to review the relevant literature and the theoretical context for this thesis. Cultural entrepreneurship is defined as the "process of storytelling that mediates between extant stocks of entrepreneurial resources and subsequent capital acquisition and wealth creation" (Lounsbury & Glynn, 2001, p. 545). This concept was developed over the last four decades and builds on the idea that all kinds of entrepreneurial efforts are embedded in cultural processes (Lounsbury & Glynn, 2019).

To provide an overview of the sequence of events covered by the concept, Lounsbury and Glynn (2019) developed a "process model of cultural entrepreneurship" (Figure 1). It visualizes the key idea that "stories that are told by or about entrepreneurs define a new venture in ways that can lead to favorable interpretations of the wealth-creating possibilities of the venture; this enables resource flows to the new enterprise" (Lounsbury & Glynn, 2001, p. 546). The model can be applied to both, the individual and collective act of entrepreneurial storytelling (Lounsbury & Glynn, 2019) and specifically highlights the interplay between resources, stories (narratives), legitimacy, and identity, which are complex and well-researched concepts themselves. In essence, storytelling is a tool to communicate a venture's resources and distinctive organizational identity to establish legitimacy, which is the precondition to acquiring resources (Lounsbury & Glynn, 2001, 2019). How a story is perceived and reacted to is determined by cultural mechanisms.

While Lounsbury & Glynn have been primarily driving cultural entrepreneurship theory, other authors have significantly contributed to its development. In the following, the key definitions of and connections between the concepts of legitimacy, narratives, identity, and culture are reviewed more thoroughly.

2.2. Establishing legitimacy for resource acquisition

Legitimacy is a critical factor for the emergence, growth, and success of a venture (Aldrich & Fiol, 1994; Lounsbury et al., 2019; Lounsbury & Glynn, 2001; Zimmerman & Zeitz, 2002) and a central element in cultural entrepreneurship theory. As legitimacy builds up over time, the lack thereof is a challenge faced by all innovating entrepreneurs (Aldrich & Fiol, 1994). Especially the acquisition of resources, including the raising of capital, is constrained by the lack of legitimacy (Aldrich & Fiol, 1994; Garud et al., 2014; Lounsbury et al., 2019; Zimmerman & Zeitz, 2002). Being a precondition to accessing those other resources, legitimacy can be considered a resource itself, which is just as important for new ventures as capital (Zimmerman & Zeitz, 2002, p. 414).

Legitimacy is the "social judgment of acceptance, appropriateness, and desirability" as defined by Zimmerman and Zeitz (2002, p. 414), who interpret the lack of legitimacy as a form of "liability of newness". Aldrich and Fiol (1994) further distinguish between cognitive legitimacy, measured as the "spread of knowledge about a new venture" and sociopolitical legitimacy, measured as the "public acceptance of an industry [...] or the public prestige of its leaders" (p. 648). Judging legitimacy is a highly individual and audience-dependent process (Fisher et al., 2017).

So how can ventures overcome this lack of familiarity and credibility, when they need to acquire new resources? According to the relevant literature, ventures gain legitimacy by building trust through reliability and reputation (Aldrich & Fiol, 1994) and by conforming to rules, regulations, and expectations (Zimmerman & Zeitz, 2002). Further strategies include the location of the venture in a conducive environment and manipulation through lobbying, advertising, etc. to change existing ideas and creating a new social context (Zimmerman & Zeitz, 2002). However, the effect of all of those measures is likely to show in the long term.

To establish legitimacy and acquire resources in the short term, entrepreneurs rely on employing the right symbolic language and behavior when presenting their ideas to potential investors, to increase their confidence in the entrepreneur's credibility and professional skills (Aldrich & Fiol, 1994; Zott & Huy, 2007). As the judgment of the venture's legitimacy depends on the investor, who further helps to legitimize the venture, when committing to support it, the quality of stakeholder relationship can be decisive in this process (Lounsbury et al., 2019; Zott & Huy, 2007). Hence, relying on interpersonal resources and most of all on skillful storytelling is critical to the process of legitimizing and acquiring resources for a young and unknown venture or founder (Aldrich & Fiol, 1994; Lounsbury et al., 2019; Zott & Huy, 2007).

2.3. Entrepreneurial stories and meaning making

Knowing about the importance of storytelling in the process of resource acquisition, many questions about the effect, content, and development of a good story remain. For this purpose, let's highlight the interplay of stories, narratives, and plots.

In the existing literature, stories are often set equal with narratives (Martens et al., 2007). However, while the same story can be told by different people, narratives are unique for each person, depending on their individual vantage points (Garud & Giuliani, 2013). All entrepreneurs will "have their own narratives, depending upon their recollection of past experiences and future aspirations" (Garud & Giuliani, 2013, p. 159). As narratives entail a broad temporal perspective and context, they provide a framework for individual reasoning and understanding (Bartel & Garud, 2009; Garud & Giuliani, 2013; Martens et al., 2007).

As innovative ideas develop from those unique narratives, information asymmetry is another key constraint for resource acquisition besides uncertainty and the lack of legitimacy (Martens et al., 2007). To make their ideas and narratives more comprehensible, entrepreneurs can combine information from past, present, and future in a structured plot with a beginning, middle, and end (Bartel & Garud, 2009; Garud & Giuliani, 2013; Lounsbury & Glynn, 2001; Martens et al., 2007). As the way information is connected is decisive for the actual message, the plot is considered the means through which a story acquires meaning (Garud et al., 2014).

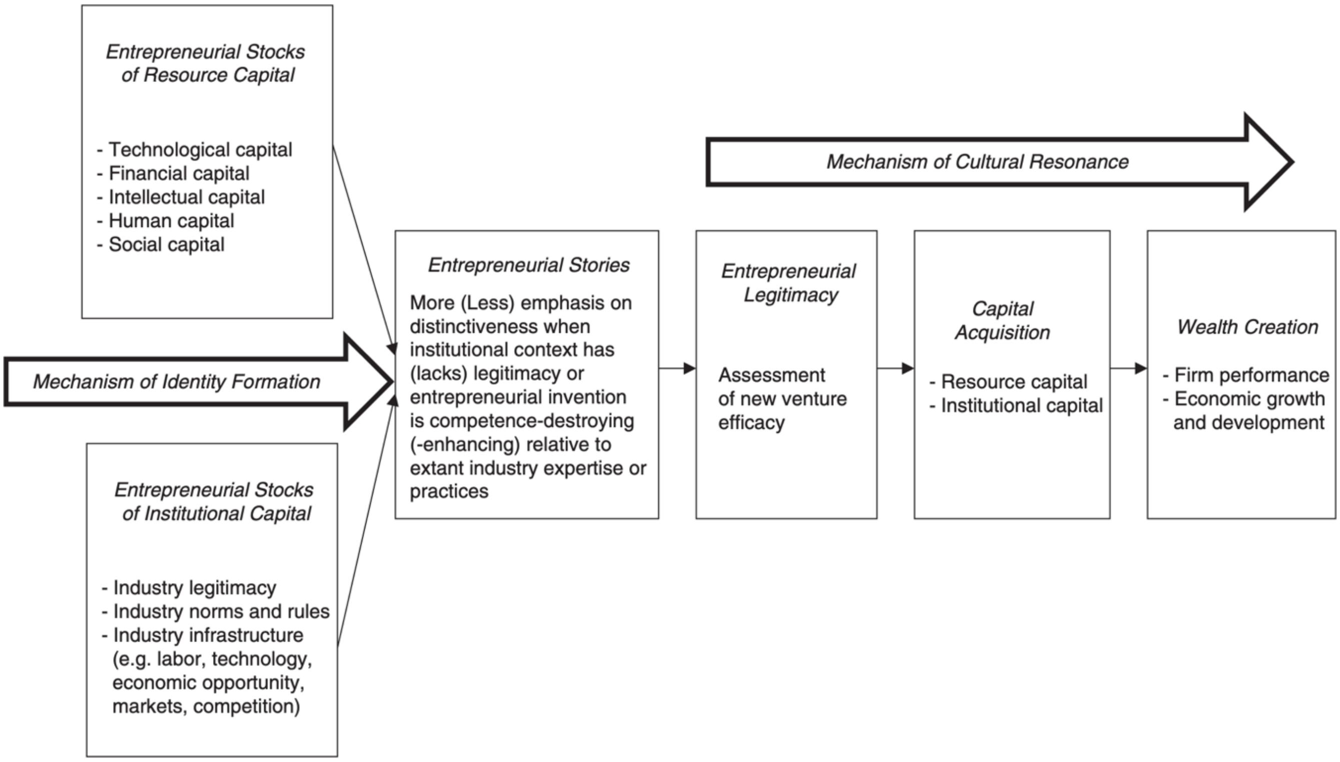

Figure 1: A process model of cultural entrepreneurship.

Source: Lounsbury and Glynn (2019, p. 11)

Meaning making is the act of defining and explaining the potential of an opportunity by relating disconnected pieces of information to each other in a new way (Garud & Giuliani, 2013; Martens et al., 2007). As the entrepreneur has relative freedom to re-present the facts in a new way (Garud & Giuliani, 2013; Martens et al., 2007), Martens et al. (2007) argue that the way the story is plotted has a bigger impact on the audience's judgment than the facts presented in the story. Therefore, the act of telling the story is a strategic moment, "where entrepreneurs can substantially influence the way projects are communicated and perceived among key audiences" (Manning & Bejarano, 2017, p. 211).

The content of a story should enable resource acquisition through the construction of a comprehensible organizational identity, invoking familiarity with the idea through contextualization and raising the interest and commitment of the audience (Martens et al., 2007). The overall goal is to decrease the perceived uncertainty and risk of supporting the venture with resources (Martens et al., 2007). To do so, entrepreneurs must develop a coherent plot, including problem definition and solution, venture resources (e.g., track record, key employees, patents), potential liquidity scenarios (i.e. exits), comparison to other growth stories, and the reasoning, why the venture requires sought resources at this point in time (Bartel & Garud, 2009; Garud et al., 2014; Lounsbury & Glynn, 2001; Manning & Bejarano, 2017; Martens et al., 2007; Wry et al., 2011).

Amongst the many findings of potential plotting strategies (which to list would go beyond the scope of this study), there has been an interesting discourse on the strategic trade-off between competitive differentiation (in terms of resources, capabilities, technology, etc.) and conformity in entrepreneurial storytelling (Lounsbury & Glynn, 2001; Zhao, Fisher, Lounsbury, & Miller, 2017). Zhao et al. (2017) argue that a story can position a venture as optimally distinct: "being different enough from peer firms to be competitive, but similar enough to peers to be recognizable" (p. 93). According to Lounsbury and Glynn (2001), competitive differentiation and conformity are the two main means of entrepreneurial storytelling, by which perceived venture legitimacy is judged. Therefore, "the content of entrepreneurial stories will focus relatively less on establishing a venture's distinctiveness when the industry context within which the entrepreneur is embedded lacks legitimacy" and the other way around (Lounsbury & Glynn, 2001, p. 559).

When establishing venture legitimacy through strategic plotting and positioning, entrepreneurs also set stakeholder expectations regarding future attributes of the venture ("cognitive expectations") and future benefits of the stakeholders ("pragmatic expectations") (Garud et al., 2014, p. 1479). When deviating from their projections, stakeholders will be disappointed, which can lead to a loss of previously established legitimacy, which Garud et al. (2014) call the "Paradox of Legitimacy".

To avoid the loss of or to regain legitimacy, stories have to be revised and replotted over time, according to the source of the deviation in markets, technologies, regulation, competitive landscape, or collective expectation (Garud et al., 2014; Manning & Bejarano, 2017). Story revision can also be triggered by the development of the narrative through increasing experience and the progression of the entrepreneurial journey (Garud & Giuliani, 2013). Trying to bridge this legitimacy gap by "ignoring the past or providing excuses" would not be perceived as credible (Garud et al., 2014, p. 1485). Instead, a new plot must be developed, which is coherent with the old version, explaining the reasons and consequences of development for each part of the story (Garud et al., 2014). Entrepreneurial storytelling can overall be seen as an ongoing process of revision: continuously adapting the strategic venture positioning "to succeed in dynamic environments" and "address the multiplicity of stakeholder expectations" (Zhao et al., 2017, p. 93).

2.4. 'Culture' in cultural entrepreneurship

The narrative is closely bound to a distinct cultural context, in which entrepreneurship and entrepreneurial storytelling always take place (Gehman & Soublière, 2017; Lounsbury & Glynn, 2001, 2019; Scott & Lane, 2000). On the one hand, this affects how an entrepreneur builds and tells his story and on the other hand, it profoundly impacts the way the story is perceived and the way that legitimacy of a venture or entrepreneur is assessed by the audience (Lounsbury & Glynn, 2019). Entrepreneurs must therefore know the importance and impact of the cultural context to increase their chances for successful resource acquisition.

Culture can be defined as an "interpretive framework through which individuals make sense of their own behavior, as well as the behavior of collectivities in their society" (Scott & Lane, 2000, p. 49) and "creates a connective thread among diverse people" (Bartel & Garud, 2009, p. 108). For an audience, culture is the basis for resource allocation decisions and to "take strategic actions based upon what the stories mean to them" (Lounsbury & Glynn, 2001, p. 545). Lounsbury and Glynn (2001) found that new ventures are perceived as more legitimate if the story matches "the expectations, interests, and agendas" of the investors, besides having narrative fidelity (p. 552).

The implication that cultural proximity is favorable for resource acquisition of new ventures relates to the concept of homophily, which is defined as "the tendency of individuals to associate with others based on shared characteristics" (Greenberg & Mollick, 2017, p. 341). Homophily has been studied with regards to class, gender, ethnicity, etc., partly also with regards to its impact on Venture Capital (VC) investment decisions (Greenberg & Mollick, 2017). Hegde and Tumlinson (2014) found that VCs are more likely to invest in ventures with founders of the same ethnicity as themselves. One reason for this may be that the investors expect "superior communication and coordination between coethnic VCs and startup executives after the investment", which may facilitate cooperation and monitoring after forming a partnership (p. 2355). More generally speaking, Greenberg and Mollick (2017) found that "individuals are more likely to support those whom they perceive to be like them" (p. 346) or those who deal with the same structural barriers as them, because of their common social identity. From the perspective of an entrepreneur, cultural proximity may also facilitate investor selection through better access to information and opportunities within the cultural network (Greenberg & Mollick, 2017). Because the judgment process is so deeply culturally embedded, culture can be seen as a resource in itself that appears in social networks, communities, or clusters (Lounsbury et al., 2019; Lounsbury & Glynn, 2019).

Can entrepreneurs exploit the knowledge about the impact of culture on judgment processes? According to Lounsbury and Glynn (2019), entrepreneurs must understand the cultural context of each audience and adapt their communication and behavior accordingly to enable resource acquisition. For this purpose, entrepreneurs can use cultural resources, such as language, logic, or symbolic elements (Lounsbury & Glynn, 2001). With regards to narrative, the challenge is to balance distinctiveness with the contextual pressure to conform (Lounsbury et al., 2019). For this purpose, Fisher et al. (2017) introduced the concept of "emphasis framing". This entails the strategic adjustment of the salient elements within their stories "to emphasize specific legitimacy mechanisms – including identity, associative or organizational ones" that coincide with the conceptions of the audience and "improve their chances for accessing critical financial resources for venture survival and growth" (Fisher et al., 2017, p. 129).

Gehman and Soublière (2017) describe the process of legitimizing a new venture through storytelling as "deploying culture". They argue that storytelling can even create value in itself, by framing and reframing entrepreneurial aspirations over time, which they define as "cultural making" (Gehman & Soublière, 2017). According to Wry et al. (2011), cultural entrepreneurship entails the use of audience-specific vocabulary and rhetoric to deliberately shape attention and perception through storytelling and establish legitimacy. Both theories imply that the story told by entrepreneurs for the purpose of resource acquisition changes, depending on the cultural context, the entrepreneurial resources, and the stage of the venture.

2.5. Identity formation in cultural entrepreneurship: influence and outcome

This literature review has so far presented the arguments of researchers' shared belief that audience-adapted storytelling helps the establishment of legitimacy and thereby the acquisition of resources by new ventures (Fisher et al., 2017; Lounsbury & Glynn, 2001, 2019; Wry et al., 2011; Zhao et al., 2017). The means by which stories establish legitimacy is by constructing a comprehensive and optimally distinct organizational identity (Garud et al., 2014; Lounsbury & Glynn, 2019; Manning & Bejarano, 2017; Martens et al., 2007; Zhao et al., 2017). Adopting the definition of Gioia, Patvardhan, Hamilton, and Corley (2013), organizational identity is the accumulation of those features, which are central to the character, "self-image" and distinctiveness of an organization.

What is organizational identity based on? Lounsbury and Glynn (2001) and Martens et al. (2007) argue that it is at least to some degree linked to the resources that are bound within the venture. Simultaneously, the identity is formed by the story, which is told by an entrepreneur with a unique narrative (Garud & Giuliani, 2013). Because they are so devoted to the success of their ventures, it can be argued, that venture identity is closely linked to the identity of the entrepreneurs (Grimes, 2017; Lounsbury & Glynn, 2001). Hence, not only the organizational identity is revealed through storytelling, but also the personal identity of the entrepreneur. Often, entrepreneurs would describe themselves with the same attributes, with which they would describe their venture (Lounsbury & Glynn, 2001). Martens et al. (2007) even argue that storytelling helps individuals to make sense of their own identity while shaping the perception of others. Identity can hence be seen as an influence on and an outcome of storytelling in cultural entrepreneurship.

Research on identity in entrepreneurship can be categorized in four streams: "*distinctions* – how entrepreneurs and their corresponding identities are distinct from other groups, *variations* – variations or varieties of identity types among entrepreneurs, *constructions* – construction, creation, and evolution of entrepreneurial identities, and *intersections* – intersection of the identities of entrepreneurs and other entities" (Mmbaga, Mathias, Williams, & Cardon, 2020, p. 2). While research on identity intersections again underpins the strong correlation of entrepreneurs' and ventures' identities, the research concerning construction and variation is most relevant to explain how identities emerge and diverge among entrepreneurs.

The immense diversity among entrepreneurial identities can to some degree be explained through the role and the social group each entrepreneur associates himself with (Mmbaga et al., 2020). On the one hand, the way an entrepreneur defines his role and responsibility shapes his decisions and actions, as well as his standing and perception within his team (Stets & Burke, 2000). The entrepreneur's role identity can help predict the dynamic within and development of a venture (Mmbaga et al., 2020). On the other hand, the social identity is determined by the social groups and entrepreneur associated himself with (Stets & Burke, 2000). Although entrepreneurs are usually conceived as autonomous and independent, their social network can greatly impact their behavior and overall venture performance (de la Cruz, Verdú Jover, & Gómez Gras, 2018; Fauchart & Gruber, 2011).

Diverse entrepreneurial identities also show in the way that adversity during the resource acquisition process is perceived and dealt with. Powell and Baker (2014) found that "founders who defined the situation as an opportunity simultaneously embraced the adversity, those who defined it as a challenge sought to counter the adversity and those who defined the situation as a threat attempted to accommodate the adversity" (p. 37). Similar results have been found in entrepreneurs' reactions to feedback and their readiness to advance their idea through pivoting (Grimes, 2017). Because they identify so strongly with their idea, entrepreneurs tend to "balance demands for adaptation with the need to retain a coherent sense of self and purpose" (Grimes, 2017, p. 1693). Those findings suggest that entrepreneurial identity can sometimes act as a constraint to venture advancement (Grimes, 2017; Powell & Baker, 2014).

Just like previously discussed for narratives, social identities can develop over time, as entrepreneurs try to build or maintain legitimacy by adapting to their changing social context (Down & Reveley, 2004; Grimes, Gehman, & Cao, 2018). While the adaptation to a social context is externally triggered, identity work can also be triggered by internal needs (Marlow & McAdam, 2015). Entrepreneurs may for example adapt their identities to advance their venture more effectively (Grimes et al., 2018) or to overcome stereotypes or assumptions related to their gender (Bruni, Gherardi, & Poggio, 2004).

Deliberate identity work or construction is an important process, which helps entrepreneurs to internalize and act on the learnings from their entrepreneurial journeys (Grimes, 2017). At the same time, a carefully constructed identity, which is conveyed through storytelling, will considerably increase the perceived potential of the venture and thereby its chances for successful resource acquisition (Lee, Hiatt, & Lounsbury, 2017; Martens et al., 2007; Phillips, Tracey, & Karra, 2013). Wry et al. (2011) transfer this concept from the individual to a group of people, e.g., a founding team. When multiple members of this group tell a coherent story, indicating an aligned purpose, narrative and collective identity, this increases their distinction from other groups and considerably increases perceived venture legitimacy (Wry et al., 2011).

2.6. Implementing cultural entrepreneurship

The existing relevant literature to a large part presents legitimacy as an outcome or state and barely explains the practical strategies which can be employed by entrepreneurs to establish or influence the assessment of legitimacy (Navis & Glynn, 2011; Werven et al., 2015). Uncovering those strategies and "understanding the fundamentals of successfully pitching new ventures has become an important component of entrepreneurship research" (Pollack et al., 2012, p. 3). In analyzing the wording of pitches, many researchers have taken a linguistic approach to explore pitch strategies (e.g., Cornelissen & Clarke, 2010; Navis & Glynn, 2011; Ruebottom, 2013; Werven et al., 2015). They discovered, that using specific rhetoric can help to increase the perceived legitimacy of entrepreneurs and their ventures and thereby enable resource acquisition (Ruebottom, 2013). Such rhetoric includes arguments or analogies that help the process of meaning making (Cornelissen & Clarke, 2010; Werven et al., 2015) through the means of comparison or contextualization of the venture within familiar categories or discourse (Navis & Glynn, 2011; Werven et al., 2015). Other research has found that signaling theory can be applied in pitches, which is the establishment of legitimacy through referral to resources, roles, partnerships, etc. of the venture, which are in turn perceived as legitimate by the audience (Higgins & Gulati, 2006).

While the linguistic approach offers valuable insights into storytelling strategies, Steyaert (2007) observes a potential danger in focusing too much on the content of the pitch, instead of the behavior of the entrepreneur within the pitch: “The problem I then encounter is that the field of entrepreneurship studies has done everything to draw the attention away from the individual entrepreneur in order to make space for understanding the complexity of the entrepreneurial process but that the cultural reception of the story is not focused on the storytelling but on the entrepreneur telling the story“ (p. 734). Some research has since been conducted on the behavior of entrepreneurs in the process of resource acquisition. One example is the work by Pollack et al. (2012), which is a model showing the positive correlation between an entrepreneur’s preparedness, perceived legitimacy, and the amount of funding received. Likewise, most studies within this stream of research rely on deductive quantitative data analysis or qualitative in-depth single case studies.

3. Research method

To answer the research question: *How do entrepreneurs approach the fundraising process through personal, adapted storytelling and strategic behavior to legitimize themselves and their ventures?* new constructs need to be created, which focus on the role and the insights of the entrepreneurs throughout the entire fundraising process, instead of deducting findings only from the content of the fundraising pitch. Hence, this study uses an inductive, qualitative research method in a multiple case study design, which is especially suited for seeking answers to “how”-questions in unexplored research areas (Eisenhardt, 1989; Gioia, Patvardhan, et al., 2013). Grounding my theorizing in data from the in-depth analysis of multiple individual cases allowed me to generate new generalizable insights, which contribute to the discourse on the topic of cultural entrepreneurship (Lounsbury & Glynn, 2001, 2019).

3.1. Research context

The Venture Capital (VC) market is gaining new momentum. As venture-fund returns continue to exceed public market returns, industrial and private investors enable privately-owned ventures to raise more cash than ever before, as valuations are going through the roof (Figure 2, KPMG, Moore, Smith, & Lavender, 2021). More unicorns were born in the first half of 2021 than in all of 2020, exceeding the previous annual record of 179 from 2018 and the trend is predicted to continue (KPMG et al., 2021). The availability of so much capital means that investors have to work harder to get a seat at the table of high-potential ventures, giving more bargaining power to entrepreneurs, who seek financial resources. Those new developments create an interesting context to revisit and extend the existing literature in the field of entrepreneurial resource acquisition and explore how the dynamics of this process may have changed.

3.2. Sample selection

The cases were selected in accordance with theoretical sampling, based on the likelihood to give useful insights for theory development for storytelling in entrepreneurial fundraising (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Patton, 2014). The basic criteria for the sample selection were a German heritage, age between 20 and 40, an educational background in business studies, and strong involvement in entrepreneurial fundraising. Those criteria serve as a common ground for better analysis and comparison of the findings and enable the reader of this study to identify more easily with the sample. The interviewees were then chosen based on their exceptional skills and reputation for storytelling or entrepreneurial fundraising or because they could offer a unique angle on the topic, thereby contributing to the theory development (Yin, 1994).

The initial interviewees were approached through my personal and professional networks, who then proposed and introduced other founders, who fit the sample criteria and could therefore also offer valuable insights on the topic. This form of snowball sampling gave access to a sample population that would have otherwise been hard to identify and access (Naderifar, Goli, & Ghaljaei, 2017).

This process resulted in a sample of 15 interviewees, who differ in terms of their founding and fundraising experience, industry backgrounds, geographic locations, etc. Many of them have experience from fundraising as a founder and now also assess other founders’ capabilities from an investor’s standpoint themselves, which adds to their angles of reflection concerning the discussed topic. The diversity of the sample was intended to allow for data “replication, extension of theory, contrary replication, and elimination of alternative explanations” (Eisenhardt & Graebner, 2007, p. 27). This way insights from early-stage founders could be contrasted or validated with the learnings of highly experienced founders. Overall, the sample of this multiple-case study offers a very holistic view and rich data on different personal stories and how those come into play during the entrepreneurial fundraising process and therefore a strong basis for theory building (Yin, 1994). Table 1 provides an overview of the 15 cases.

3.3. Data collection

The primary source of data for the analysis was a semi-structured interview with each of the 15 cases. The interviews were conducted remotely via videotaped Zoom calls, due to the Corona pandemic and the different locations of the interviewees. All interviews were conducted and manually transcribed in German, as this was the preferred language of all interviewees. Each interview lasted 30 to 45 minutes, resulting in a total of 101 transcribed pages (Appendix 3). To

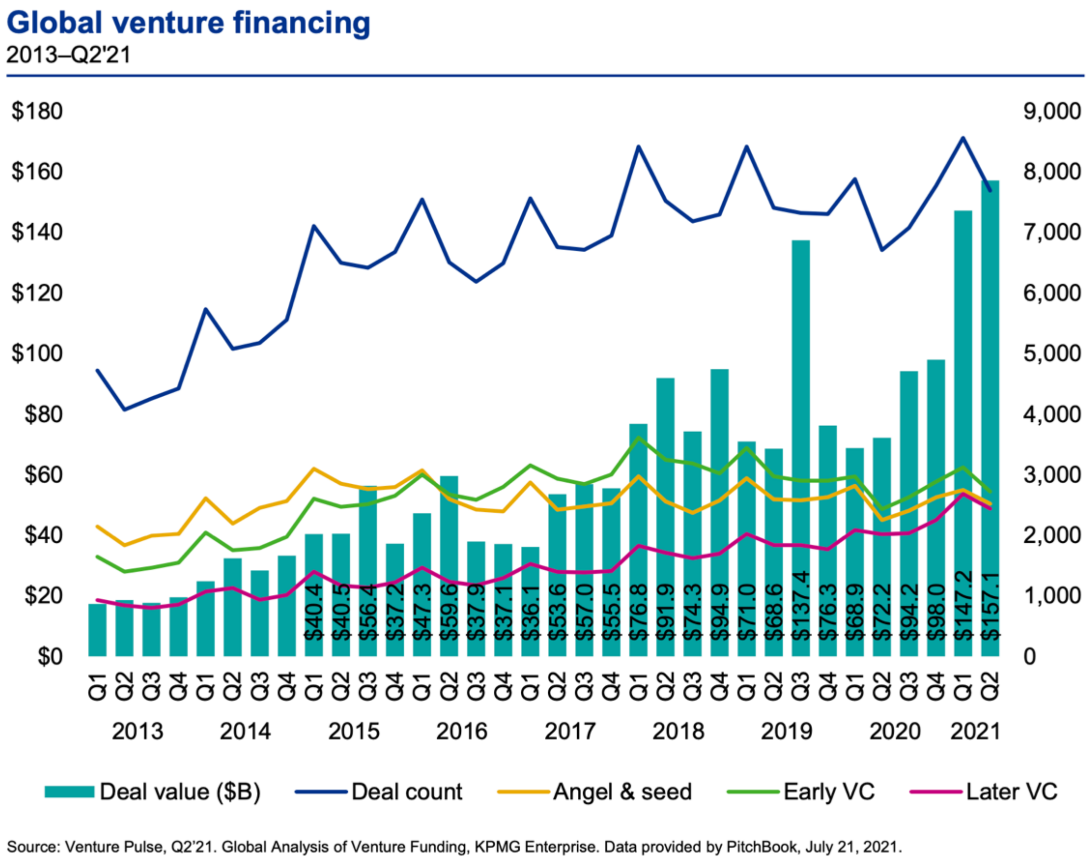

Figure 2: Global venture financing 2013 - Q2'21.

Source: Venture Pulse, Q2'21. Global Analysis of Venture Funding, KPMG et al. (2021).

Table 1: Sample overview.

Interview Partner	Synonym	Role	Location	Industry	# of ventures founded	Current venture stage
1	Ben	Founder & CEO, Angel	Munich	Logistics	4	Seed
2	Willi	Founder & MD	Munich	Mobility	2	Sold post Series B
3	Max	Founder & CEO	Munich	Nutrition	1	Series A
4	Toni	Founder & CEO	Berlin	Mental Health	1	Seed
5	Leon	Angel (Ex-Founder)	Berlin	Family Office	2	-
6	Hannah	Founder & CEO	New York City	Healthcare	1	Pre-Seed
7	Theo	Founder & CEO, Angel	San Francisco	FinTech	1	Seed
8	Jacob	Founder & CEO	Munich	Procurement	1	Pre-Seed
9	Finn	Founder & CEO	Melbourne	Nutrition	2	Sold post Series A
10	Tim	Founder & CEO	Berlin	Recruiting	2	Series A
11	Simon	CCO	Berlin	Nutrition	-	Pre-Series A
12	Julius	Founder & CTO, Angel	New York City	Cyber Security	2	Pre-Series A
13	Michael	Founder & President, Angel	London	BioTech	9	IPO
14	Nick	Partner (Ex-Founder)	Zurich	VC	1	-
15	Fred	Founder & CEO	New York City	Fashion	1	Series A

Source: own illustration.

gain new, truthful insights into this research field, this study relies on the reflection and recollection of the personal past and present experiences of each interviewee. To get open and honest answers, all interviews were conducted individually with guaranteed anonymization and confidentiality (Huber & Power, 1985). Hence, all mentioned names in this study are either fictional or initials. When speaking of 'the entrepreneur' the gender-specific pronouns "he/him/his" are used to ease the text flow, which are meant to include all genders.

To structure the line of thinking and questioning, an interview guide with a list of 30 open-ended questions was used (Appendix 1). Of those questions, only a flexible selection was asked in each interview, based on the experience of the respective interviewee and the flow of conversation. The interview guide is based on the existing literature within the research field and clustered the questions into nine potentially relevant topics (Appendix 1). The interviews generally covered three main topics: 1) the founder's background and fundraising experience, 2) the perception of the fundraising process and the attitude towards investors and 3) key learnings from their fundraising experience and development of fundraising strategies. The interview process followed the general recommendations for exploratory research (Edmondson & Mcmanus, 2007). The questions were framed carefully and the exact research question was not told until after the interview process, to avoid any biased responses (Huber & Power, 1985). At the end of each interview, the participant was asked to bring up additional points that he regards as important.

For the analysis, additional data points were included, such as the cases' LinkedIn profiles, venture websites, press releases, and articles or books, which they mentioned as an interesting source of information. During the interviews field notes were taken to recognize that the level of the interviewee's "emotional involvement with a topic or unit of analysis may either increase or decrease the accuracy of the responses" (Huber & Power, 1985, p. 175).

3.4. Data analysis and coding

The collected data was analyzed following an inductive coding strategy (Corbin & Strauss, 2014). First, all interview transcripts were analyzed on an individual level and coded by topics. To better understand the connection between collected data from different cases, I drew figures illustrating existing relationships and discussed my findings with sparring partners from my private network. I structured the collected data with the help of Condens.io, an online-based data management tool.

By recursively going through the extracted codes from the interviews, they were categorized based on underlying cross-case patterns, and those patterns were then summarized in the coding scheme and according quotation tables (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Suddaby, 2006). After constantly revising the coding scheme, the first-order codes were clustered in 10 second-order themes and three aggregate dimensions (Figure 3). Letting the interpretation unfold bit by bit, 4 propositions were developed from analyzed qualitative data. In a final step, the findings are matched with existing theory, which either supports or is in conflict with the developed propositions (Eisenhardt, 1989).

Keeping an open mind and having no preconceptions regarding the findings, I let the data speak for themselves throughout the entire analysis (Suddaby, 2006). This process aims to ensure consistency of the empirical data from all cases with each proposition and to "provide the logical link between the constructs within a proposition" and those between the propositions and existing theory (Eisenhardt & Graebner, 2007, p. 29).

4. Results

Let me pre-empt a major finding of this study: all interviewed entrepreneurs fully concurred that an investor's decision to invest in a venture depends predominantly on the founding team. Their estimates on how much of the investment decision depends on the team varied from 80%-100%, leaving very little impact to other factors, such as the business model, market, product, etc. This finding directly supports the theory that the audience is most interested in the storyteller, not the venture (Steyaert, 2007) and presents the basic principle for all interpretation of further results of this study. The main argument to understand why this is the case was explained by Ben: "Because there are other players with a similar business model. And in the end, you just think: who do you trust most to build a category winner with this business model?" Although being the key to successful fundraising, all entrepreneurs reported not to talk much about themselves, when pitching in front of investors. Only 5%-10% of the time spent talking to investors revolves around the entrepreneur's background, expertise, and conceptions.

But how do investors assess the qualities and the potential of an entrepreneur? Or rather which strategies are entrepreneurs employing to convince investors of themselves? When diving into the analysis of the collected data to explore answers to those questions multiple patterns emerged, which could be clustered in three themes: 1) entrepreneur-based legitimacy levers, 2) investor-based story adaptation, and 3) understanding and mastering the "VC game" (Figure 3). Each of those dimensions has strong implications for the development of a fundraising strategy, which can fundamentally impact how an entrepreneur's legitimacy is perceived by investors. The identified patterns within each of the three dimensions will be presented in the following, together with a selection of strong statements, which illustrate the findings. Finally, propositions and a process model are developed, summarizing and linking the learnings from all three dimensions (Figure 4).

4.1. Entrepreneur-based legitimacy levers in the investor's judgment process

What do investors assess during a pitch? They "focus on the person, on the founding team, what they're like, and then

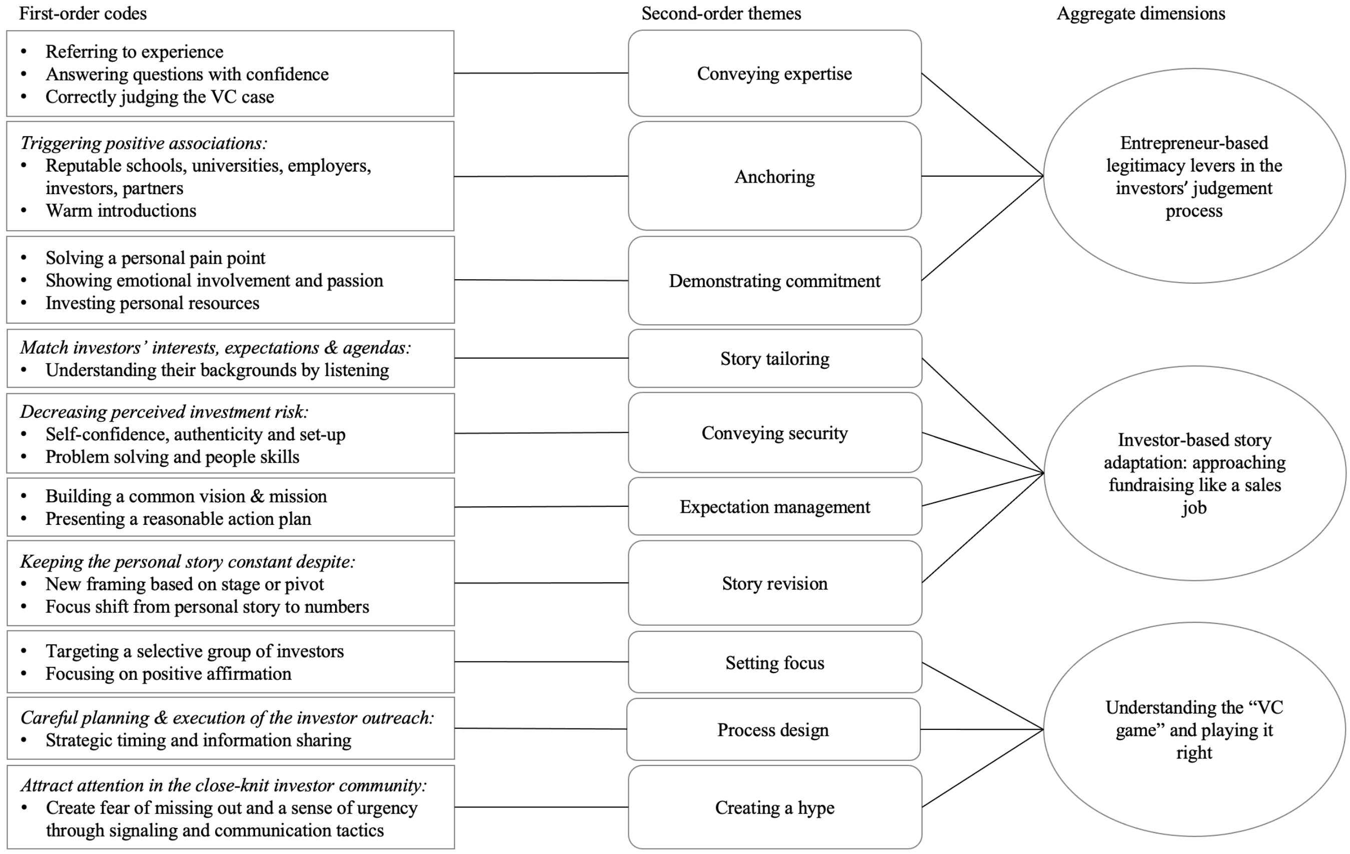

Figure 3: Data structure.

Source: own illustration.

combine that with validation of what they've done before" (Nick). "The main questions are: are they smart, do I think the team will stick together, is the market big and interesting? But above all: is the founding team good enough and are they willing to make the difficult decisions and work fast enough?" (Theo). Although only 5%-10% of the pitch directly revolves around the venture's founders, they have many options to establish legitimacy throughout the entire pitch. The three identified levers are to convey expertise, use the concept of anchoring, and demonstrate commitment.

4.1.1. Conveying expertise

> *"Expertise is very relevant. It doesn't have to be industry expertise, [...] but expertise in the sense of e.g., emotional intelligence, being able to build a team, at the same time being very convinced of yourself and your idea AND being humble. And that together is something that I don't think is very common, but that you need."* – Willi

Entrepreneurs can convey expertise either through experience or confidence. Expertise can not only be shown during the introduction of the entrepreneur and his background but also in the way the venture pitch is prepared and presented and the way the entrepreneur answers the investors' questions. The data reveal differences between first-time founders and serial entrepreneurs in the way that they have to present themselves and their backgrounds and answer questions to prove their expertise to investors. While a certain level of expertise from experience is taken for granted with serial entrepreneurs, first-time founders must often argue where they have acquired relevant skills, such as strategic thinking and a structured approach to problem-solving from previous consulting experience, or previous operational experience from working in another startup.

When answering questions, the perceived expertise of entrepreneurs shows to correlate with confidence. When an entrepreneur is e.g., extremely knowledgeable in his industry, he can respond confidently to investors' questions about the market potential and can give a more well-founded answer. The other way around holds also true: if an entrepreneur responds confidently to a question, he is perceived as more competent within the field. To make up for a lack of knowledge and still convey expertise, entrepreneurs often have to simulate confidence: "The important thing in fundraising is not only what story you tell, but also how you answer questions and how quickly you can answer questions, in a way that it looks professional, without you often having any idea at all, but rather arguing something" (Toni).

Expertise does not have to be owned solely by one person within the venture. Depending on what aspects could be of interest to the investors or how responsibilities are delegated within the team, it could make sense to involve some other team members and their expertise in the fundraising process. It can be beneficial to show "on top of my expertise, I also have a few co-founders here who have already successfully implemented and built things up" (Michael) and thereby acknowledging that the entrepreneur knows his strengths and weaknesses and recruits those people who bring valuable experience. Within certain industries, involving an expert in fundraising pitches to explain the product may add credibility, as it is e.g., "important for a mental health product that the psychologist says something about it" (Toni).

Another way to convey expertise lays in the way an entrepreneur assesses his venture as an investment target. It shows that the entrepreneur understands the interests of the investor and prepares the information accordingly. "VCs invest in the team, but they also want to see a startup that can be sold for a certain multiple of their investment" (Finn). If a founder e.g., holds a minority stake of the venture before raising institutional capital, he should not argue for it to be an interesting VC case. To be perceived as knowledgeable, entrepreneurs should aim to pitch an ambitious, yet realistic growth and return potential to the investors.

This finding implies that personal fundraising stories should be carefully prepared, highlighting how previous experience will help the entrepreneur succeed with his new venture. Preparation at the same time helps to present the venture as an attractive investment target and to appear confident, increasing the perceived expertise and legitimacy of the entrepreneur (Pollack et al., 2012). Table 2 provides examples of statements about how expertise is demonstrated to investors.

4.1.2. Anchoring

> *"Everyone has LinkedIn, everyone can look at your CV. I don't have to stand in front of you and recite that. And I think that's also the thing that we consciously play off because each of us has a polished CV with several good names on it. [. . .] I think it's much better to undersell yourself and to be modest. You just don't have an edge to oversell."* - Jacob

Exploring, how expertise can be conveyed by entrepreneurs, I found that it is often underlined by incorporating information on their academic or professional background. It is safe to assume that investors have researched an entrepreneur's background prior to the actual pitch event. Hence, it does not make a good impression to recite the entire CV but to subliminally include well-known names or logos from partners, universities, or past employers in the pitch can have a strong signaling effect. This form of anchoring triggers positive associations with the entrepreneur within the audience. This concept links back to signaling theory and the study by Higgins and Gulati (2006), who found a positive correlation between reputable management backgrounds and investor decisions. A background in consulting may be associated with a tough interview process and disciplined work ethic, start-up experience may be associated with a hands-on attitude, and a degree from a high-ranking university may be associated with a beneficial network, which may increase the venture's potential to become successful. However, associations can vary depending on the audience's cultural background and personal experiences with each anchor point.

How much investors rely on academic or professional anchor points to assess an entrepreneur's potential varies strongly. Most interviewees stated to mention their background during a pitch and to think that this information is valuable to establish legitimacy. However, those entrepreneurs, who also started to engage in angel investments said that the academic background was barely relevant to assess a target's potential. This discrepancy indicates a bias of how entrepreneurs perceive the way their pitch is assessed versus how it is actually assessed by investors. It could also mean that entrepreneurs are differently assessed by angel and VC investors, indicating that VCs consider more information about an entrepreneur's background to make more substantiate decisions.

Besides the academic and professional background, personal references and introductions are another form of anchoring, which is judged by the interviewed entrepreneurs to have a much greater impact on perceived legitimacy. If a personally valued or reputable angel investor is already part of a venture's capitalization table, then this will trigger a positive association with an investor. The same is the case, if a person who is highly valued (personally or professionally) within a network introduces or recommends the founding team of a venture as highly skilled, then this team will automatically be perceived as more legitimate than other unknown entrepreneurs. "It also helps when other people talk about what a great team we are because that's an external signal that can be very, very, very helpful" (Theo). This finding implies that the signaling effect of a personal introduction can almost replace a formal background check and that it can therefore be highly beneficial to get people to talk about you in a positive way.

By referencing reputable universities, employers, partners, or contacts, the entrepreneur places himself within a context or category that the respective investor knows or has concrete associations with, thereby directly influencing the investor's assessment of legitimacy (Navis & Glynn, 2011; Werven et al., 2015). Similarly, personal introductions to investors through the entrepreneur's network can have a strong signaling effect. This finding supports the theory that entrepreneurs should rely on personal resources to establish legitimacy (Aldrich & Fiol, 1994; Lounsbury et al., 2019; Zott & Huy, 2007). Table 3 gives more examples of how interviewed entrepreneurs engage in anchoring.

Table 2: Conveying Expertise.

	Indicator	Statement
Max	Confidence	The more self-confident you are, the higher investors will rate your competence!
Toni	Confidence	There are a few VCs who say they don't want founders that are too big-headed. But honestly, the more confidence you have, the more they think "Fuck, this can really happen!" and all the examples you look at: WeWork, Gorillas, they all have completely megalomaniac founders!
Fred	Experience	Sure, so I've been dealing with this topic for six years now. So, they can ask me any question about shoes, and I'll have a good answer, probably.
Nick	Experience	If this person is a serial entrepreneur, then you know, this person has hired people, fired people, gone through growing pains, finds things easier than others. and you know okay, this person for example wouldn't get involved in something like this again if he or she didn't really believe in it.
Toni	Experience	At the same time, I stressed my very strategic experience. I have always dealt with strategic issues in consulting: how to approach a market, how to prevail against competitors, what to focus on, but also how to strategically set up a company, functionally and processes, etc. These are all things that make the most sense for me to oversee, because they correspond to my experience.
Michael	Experience	It helps when you have successfully founded a few times – which you can see: Valuations just go up. If I raise a seed round for a company today, the pre-money [valuation] is 20-40 million, depending on the topic. When I used to collect a seed valuation, the pre-money was 500,000, simply because the investors, especially at the beginning, think that he's already done it a few times, so at least the founder's risk is no longer so high, that the founder will somehow screw it up.
Willi	Assessing the VC case	I'll give you a stupid example: if a VC looks at a company and sees the founder still holds 30% and the 70% is held by an angel who invested the first 100k, then it can't become a VC case anymore because the founder doesn't have enough shares – basics, which I didn't know 10 years ago.
Finn	Assessing the VC case	But on the investors' side, there was this tension of my shares and the focus on my person. They were not in balance; they were out of balance. Because someone who puts himself so strongly in the center of a company is expected [. . .] to be the majority shareholder, which I was not. I think that was definitely a problem for VCs [...], because the founder doesn't have enough shares and if it doesn't work, then he leaves.
Tim	Preparation	We try to think about what data points would be important and to have everything ready, because that also makes a lot of impression in the process, when he says can you give me a cohort analysis by segments and you say yes, here it is, 15 minutes later, he just has the feeling that you have a company blatantly under control. Exactly what he's looking at, you're already looking at. That just builds a lot of trust.

Source: own illustration.

4.1.3. Demonstrating commitment

> *"The more personal you can tell the story of why you are the one building the startup now, the better the story."* – Julius

An entrepreneur can be an expert in his field and have a perfectly matching background, still, this does not answer, why he founded the venture and is striving for it to become a success. In addition to the relatively rational assessment criteria of expertise and background, all entrepreneurs described an emotional component to be central to their pitch. "So, the story about yourself has to show that you're on a mission, that you're not just doing this because you want to earn money, but that you have some kind of connection to it, that you're highly motivated, that you're generally an ambitious guy" (Toni). Since I purposefully selected a diverse sample to discover similarities and differences in the way entrepreneurs approach the fundraising process, they all had different ways to express their motivation for founding, managing, and growing their ventures. However, two aspects remained constant throughout all interviews: they deeply understand the pain point that they are solving, and they invest their personal resources to succeed.

Firstly, to be perceived as legitimate, entrepreneurs must be able to explain, where the idea for the venture originated. Often this is the personal experience or direct observance of the pain point by the entrepreneur. "I think it's important to every founder that they can somehow identify with the product and potentially be their own customer, which correlates quite well with the authenticity of the pitch" (Michael). One extremely impressive example for a personal founding story was told by Michael:

> *"I treated my own depression and anxiety disorder with psilocybin, or mushrooms, and that's how I got into it. And my co-founders had a son who was suicidal and suffered from obsessive-compulsive disorder and he was treated at Harvard at the time*

Table 3: Anchoring.

	Association trigger	Statement
Max	Education & Work experience	So sure, you have to convince the investors that you're the [...] right person for the job. But that mostly comes through the storyline itself and not by them asking: "What's your resume?" However, [...] if you've been at McKinsey for 5 years, you'll get a lot of trust and a higher valuation when it comes to the seed round or pre-seed.
Nick	Education & Work experience	So just how does the story fit together, where you went to university, what companies you were at, what you're like, very much thinking, where has already gotten a cachet before? Is that kind of credible?
Finn	Education & Work experience	There was half a slide about me in it. It was just like... What experience do I have? And then I threw all the logos in there that were somehow connected to me.
Theo	Network referral	So, when you already have a couple of stamps and signaling points, as we do, or when you get a good intro, then they already know that the team is pretty good and don't need to hear any more about it. But if you get to know someone completely new, you focus on the team, because they want to build trust in you as a person. Therefore, the better you know someone, the less you focus on team.
Theo	Network referral	We've heard very often that in investor circles people talk about what a small but high-quality team we have, and that other people talk about what a great team we are. Of course, it also helps when other people talk about what a great team we are, because that's an external signal that can be very, very, very helpful.
Simon	Network referral	The second major dimension is networking, exactly. Because I would say that this is almost half the battle in investor acquisition. If you know the right contacts, or if they refer you properly, then you save a lot of cold contact, which is the same as when you do sales.

Source: own illustration.

> *and nothing worked. He then tried to kill himself three times. They then also had him treated underground, first with ketamine and then successfully with psilocybin. We then somehow came together and said we'll start C. together and figure out how to develop that for patients."*

Demonstrating identification with and passion for the cause behind a venture assures the investors that a founder is highly committed and also ready to persevere times in which the venture is not performing so well. Another way to do so is by integrating anecdotes that highlight the entrepreneur's willingness to invest personal resources, such as time, energy, and money. This can include measures taken to overcome hurdles or ones, which demonstrate that an entrepreneur is ready to take tough decisions or go the extra mile. Examples from the interviews are shown in Table 4. Overall, demonstrating commitment through storytelling can quickly become very personal. It is this part of the pitch that can get investors emotionally involved and trigger connection and understanding between investors and entrepreneurs, as it did for Willi: "A very brutal, beautiful statement was made by a US investor, who said: 'One thing we trust about you, is that you're either gonna win or die trying'. And I thought that was wonderful! That really hit home, in a positive way, it made me happy, and for them, that was the decisive argument, because they totally see that I run and run and run."

Explaining the personal reasons for founding and developing the venture creates meaning for the investors (e.g., Garud & Giuliani, 2013; Garud et al., 2014). It gives the investors a deeper understanding of the entrepreneur's personality and hence the organizational identity of the venture (e.g., Gioia, Patvardhan, et al., 2013; Lounsbury & Glynn, 2019). While multiple entrepreneurs may have the same idea or business model, their personal story and commitment are what sets them apart and determines which venture will become most successful. In other words, while expertise and a background with signaling effect are what legitimizes the entrepreneur, his personal story and commitment to the venture are what sets him apart, establishing overall legitimate distinctiveness (e.g., Lounsbury & Glynn, 2001, 2019; Werven et al., 2015) and may eventually trigger emotional involvement and conviction of investors for the venture.

4.2. Investor-specific story adaptation: approaching fundraising like a sales job

After covering what entrepreneurs should be telling investors about themselves as part of their fundraising pitch, let's explore the findings on how entrepreneurs should pitch to investors to establish legitimacy. "Looking at the big picture, I think that founders definitely make the main impact when it comes to fundraising and how they build and set up

Table 4: Demonstrating commitment.

	Indicator	Statement
Julius	Experiencing the pain point	Then we came back and said, maybe we should build this, we're not the only ones who get so fed up! [...] That was a kind of "personal pain", that is perhaps a very good description, that we ourselves experienced how annoying it was. And that was also enough motivation to build it.
Julius	Experiencing the pain point	Why are we better than our competitors? Because we experienced this problem ourselves, we were our customers, it was our problem, so we understand that.
Nick	Experiencing the pain point	I once heard pitch was about a product against erectile dysfunction and the founder then said yes, I also have this problem. It can quickly get very personal.
Michael	Experiencing the pain point	I think it's important to every founder that they can somehow identify with the product and potentially be their own customer, which correlates quite well with the authenticity of the pitch.
Theo	Overcoming hurdles	My co-founder and I shared a bed for the first nine months when we lived in San Francisco because the rents were incredibly high [...] That just shows that we're really hustling and really putting up with hurdles somehow. And I think that's one of the things that they found coolest about the team.
Max	Overcoming hurdles	They invested, because we could show that we managed to come so far with super little money compared to other participants in the market.
Jacob	Showing passion	After all, we did a couple hundred interviews and built prototypes and so on. [...] I think that the most important and often underestimated thing is just to have 100% focus on the thing and show I'm doing this, there's nothing on the side where I just waste time. And it will move forward with or without you. I think that's what underlines the seriousness.
Willi	Showing passion	And I wasn't aware of that to the extent that I'm aware of it today, that what I could tell about me and us, that's always been what a VC basically likes to hear, I think. Namely, someone is 100% committed. My wife and I, for example, quit our jobs together and said we were going to start a company. As a VC, you can't ask for more commitment than that.
Ben	Skin in the game	I mention it probably deliberately subtle, so as not to say: Hey, look, I've also invested in the company. That means I am more committed than others.

Source: own illustration.

their story. Some are good at it; some are not so good at it. Some have an awesome product, and no one invests because they can't tell their story and just shove their product in everyone's face. Versus someone who can tell a mega story and creates excitement for everyone. And maybe he has a crappy product, but people invest. That's supposed to have happened in the past (*laughs*). So that's simply human psychology, I would say, that's the absolute basis of it" (Finn). Max agreed with Finn: "Even now, you can really badmouth our business case and our numbers so that no one would invest. But you can also use [the numbers] to support your overall story, [. . .] It depends 100% on HOW you tell the story."

Speaking to the entrepreneurs about their storytelling tactics in fundraising, they often drew parallels to sales strategies. Willi argued that "fundraising is above all selling – selling yourself, selling the company, selling the idea, selling the vision, selling the team". Similarly, Ben realized that he changed his story over time because "in the beginning it always sounded much more financially driven to me, and it's basically not really anything other than doing a sales job." Because "in the end, it's nothing other than convincing customers about you. You just have to be investor-centric instead of customer-centric" (Max). When analyzing how the entrepreneurs report to approach fundraising like a sales pitch to convince investors, four core tactics could be identified: story tailoring, conveying security, expectation management, and story revision.

4.2.1. Story tailoring

> *"I would call it active selling to adjust the behavior and story to the recipient. Doing anything else would not be very appropriate, I think*." – Willi

When the interviewed entrepreneurs were asked about their most important learnings from their fundraising experience, most of them reported that they had stopped pitching the same exact story to all investors, because they were not successful that way. Instead, they started tailoring their story to the interests and culture of the investors, increasingly empathizing with their current situation, background, and goals. This finding supports the theory that investors perceive those stories as more legitimate, which match their individual interests, and that the vocabulary and rhetoric of stories should therefore be tailored to the specific audience (Lounsbury & Glynn, 2001; Wry et al., 2011).

Almost half of the entrepreneurs who were interviewed have previously fundraised in both Europe and the US. This allows for interesting insights into how cultural differences required them to adapt their stories. The general notion was that "the Europeans are just rather number-driven with their Excel spreadsheets. And in America, especially in early-stage investing, it's all just story, team, and vision!" (Julius). This also shows in a different investment mentality. While they perceived European VCs as generally more risk-averse, "the good US VCs don't want to understand what can go wrong, they want to know what happens when everything goes right. [. . .] They ask themselves, what is the next 100 billion or maybe even trillion-dollar company that can be built because they have done it so often. And that is also the difference" (Michael). Consequently, entrepreneurs who fundraise in the US should adapt their story to communicate a bigger vision, which does not have to be as rigidly underpinned by data as it should be in Europe.

A second effect of the cultural difference is that US investors prefer more emotion-loaded stories than European VCs, which may be a challenge for European entrepreneurs. This is also what Hannah experienced when pitching her venture in the maternity care space in the US:

> *"About my personal story: many ask me, why do you do that, right? And I really noticed in the US, the best thing is that you yourself almost died at birth, so that you have the right to work in the space, also because it is such a social issue. And I was like, I actually just want to work in the space somehow. And I think there is also a bit of a clash with Europe and the US. Europeans just say some things as they are, without making an extreme story, right? And I thought, hey, I'd almost have to invent something so that they'd believe me, that I'd stick to it, right? Well, that is, the personal story was my problem."*

However, several entrepreneurs reported that there is a mindset shift taking place in Europe, making it more common to invest based on emotional involvement. This would explain, why many of them made bad experiences with leaving out a more emotional introduction, explaining the personal connection and commitment to the cause: "Well, I had two investor pitches, in which I jumped into the facts relatively quickly. Both of them dropped out. I don't know. Maybe I didn't perform in the call somehow, I don't know. But at least I didn't do the emotional part. That's one data point that I have" (Simon). Referring to the concept of "The Golden Circle" (Sinek, 2011), this finding implies that entrepreneurs should always adapt their stories to start with "the 'Why' and not start with the 'What', because the 'Why' convinces in the end" (Simon).

As culture provides an important interpretive framework (Scott & Lane, 2000) and basis for resource allocation decisions (Lounsbury & Glynn, 2001), these findings support the theory that understanding the cultural context of the pitch and adapting it accordingly can influence the perceived legitimacy of a venture (Lounsbury & Glynn, 2019). Changing the communication of the venture's vision with regards to boldness, abstraction, and emotional involvement can increase perceived cultural proximity, based on the recognition of a similar narrative of the investor and entrepreneur (Greenberg & Mollick, 2017) and thereby increase the chances for resource acquisition.

Similar to tailoring the tone of a pitch to the audience's cultural background, it is equally important to address the personal interest of each investor. "It's great when founders [. . .] report on an extremely successful business model and have crazy numbers written on the slides. But I think it's a big mistake to use that as an intro for such a call because you're completely ignoring the interests of many investors" (Simon). Those interests can be uncovered when questioning: "What do they want from you? What do they need in the end so that they look good internally so that they don't get any trouble from their limited partners? What do you have to deliver to them, i.e., what are the key points, so that the investment manager can stand up in a partner meeting and pitch [your venture] in such a way that they say 'Whoa, we have to invest!'" (Max). Entrepreneurs can e.g., make their pitch more relatable and appealing by drawing parallels to previous investments of the investor, again highlighting the significance of analogies in fundraising rhetoric (Cornelissen & Clarke, 2010; Werven et al., 2015).

Sometimes investors may have their own passions, which they like to live out by helping ventures to succeed within the field. Uncovering these and integrating them in the pitch can not only spark conviction in the investor but also turn out highly beneficial for the entrepreneur, as it did for Fred: "what was also an important learning was that every investor invests for different reasons and that you have to tailor the pitch. So, for A.B., he invested because his personal goal was to go a bit back to the roots because he loves Italy as a country and loves the production in Italy, he wanted to work with a company where he can somehow pursue his Italy production dreams a bit further." (Extended in Table 5.)

Adapting the fundraising story based on the background and interest of the investor does not mean telling a completely new story each time. "The base story always stays the same. It always depends on what you emphasize or what you highlight" (Max). While some background research may help to prepare for an investor meeting, a lot of the tailoring takes place during the pitch, in conversation with the investor. It is important to understand that to develop conviction for a venture, investors must have the feeling to understand what is important to them about the venture. To understand the entire setup, especially regarding "the team, the vision, and the market" (Toni), entrepreneurs must make time to listen and thoroughly respond to their questions. "Fundraising is kind of like speed dating. You only have half an hour and if you don't let the investor get rid of his questions, then he doesn't understand [the venture] and can't develop conviction on your case, and then your chances of an investment decrease radically" (Nick). Similarly, entrepreneurs should make time during the pitch to ask questions themselves, which is a good way to find out about the individual investor's interests. A highly instructive example for listening and clever tailoring was given by Tim:

> *"I used to just rigidly pitch my thing. And then I learned that in good sales you actually start with open questions and try to understand what the customer wants, what the customer needs, what his problems are before you pitch anything, so to speak. So really bad sellers, they always pitch immediately, and really good sellers ask a lot of open questions, like a psychologist or a doctor or something and I do that for example now in fundraising very extremely that if they schedule a half-hour call with me, I try to ask them questions for a quarter of an hour. What does your ideal investment look like? What is critical for you guys in a successful Marketplace? And so, to understand what they pay particular attention to, and then in my pitch in the second 15 minutes, to tell them exactly these things. So, if they say: Yes, SaaS and retention metrics are totally important for us. Then I don't tell them: I'm a B2C marketplace, but rather say: yes, we have a really strong B2B business with SaaS-like retention metrics. Whereas if they say yes, we love Marketplace with local network effects, then I'm more likely to say: yes, we have the super liquid micro-market in Berlin call center agents. So, I tailor that a bit more in the meantime."*

Similar to anchoring, tailoring the pitch to the investors' interests and culture is another way of relating the unknown venture to concepts that are familiar to the investors, thereby making meaning of the venture's vision and directly influencing their assessment of legitimacy (Navis & Glynn, 2011; Werven et al., 2015). By laying out the organizational identity in a way that sounds especially promising to the investors, entrepreneurs also legitimize the venture's valuation.

4.2.2. Conveying security

> *"What's important about you personally is what contributes to the story and what gives the investor confidence, simply security. Venture capital is about being able to assess risk or thinking that you can assess risk*." – Nick

What entrepreneurs can say to convey security was already covered with what I called legitimacy levers: expertise, anchoring, and demonstrating commitment. However, the assessment of venture risk and legitimacy is not only based on the things that entrepreneurs say but also on their behavior. The kinds of risks, which investors assess to develop conviction include: "can the founder solve problems? It's about problems from finding an office to problems like managing 100 people" (Leon). Is the founder "able to recruit senior staff" and "get people behind a vision" (Michael); and "do we believe that he can fundraise successfully again in the future?" (Toni).

So how do entrepreneurs perform their pitch to decrease the perceived risk of investing in their venture? All interviewed entrepreneurs stated to rely on self-confidence for this purpose. Showing strong confidence in the venture's business model and "objectively stating why the business model makes extreme sense and why we will win with it" provides the very basis for a convincing pitch (Hannah). Proactively providing relevant data, breaking down complex topics, and presenting them in a way that signals competence, drive, and self-sufficiency is also very well received by investors. When speaking about topics, which are especially important to investors, such as the commercial development of the venture, Ben described how he goes "into detail relatively strongly, to prove prior knowledge and certain stability. On the one hand, it's not made up - but on the other hand, I do this with the goal that they have the feeling: Hey, I don't have to get involved at all."

While some entrepreneurs stated "if you go out of the pitch and don't ask yourself: Have I potentially overdone it? Then you've done something wrong" (Max), others argued that it is key to still be perceived as authentic and do not want to be perceived as arrogant or pretending to be something they are not (Table 6). However, from an investor's perspective, Nick stated: "I have met many founders who came across as almost over-confident, but I still ended up offering them a term sheet. So, arrogance is still the easiest to forgive, I would say." This implies that confidence is positively correlated with perceived security and arrogance is in fact not necessarily correlated with higher perceived risk.

To assess, whether entrepreneurs will be able to win other investors, as well as senior staff for their mission, people skills move into the focus. Being a good communicator, making tough topics comprehensible and sound easy, speaking positively about other co-founders or team members, and acting respectfully towards the investors are all strong signals. (More examples in Table 6.) That is how Hannah explained a turning point during her fundraising experience: "I was very proactive, so I rather led the conversation and also asked a lot of questions. [. . .] If you let the other person talk, then you bond more and it's all about this relationship. You have to like each other. If they don't like you, then no one will invest."

While the personal connection and emotional involvement certainly play a role to convey security and develop conviction in the fundraising process of early-stage ventures, different patterns emerged for later-stage ventures. As early-stage ventures cannot offer a lot of data to assess their performance, the investment decision is naturally much more intuitive and emotionally driven. The investors' decision is therefore much more dependent on the performance of the founding team, as well as the estimated market potential. When investing in a later-stage venture, more data is available based on which the potential or risk of a venture and

Table 5: Story tailoring.

	Focus	Statement
Julius	Culture	The Europeans are just rather number-driven with their Excel spreadsheets. And in America, especially in early stage investing, it's all just story, team and vision!
Michael	Culture	I think US investors know how important capital is, so you just want to fund a startup massively and in Germany everything is always very tightly sewn on the edge. You kind of make your budget, the VCs look at your budget and fund exactly your budget. In the US it's more like, yes, we have a budget, here's about how we want to spend the money and we want to raise another 30 million for some exciting opportunities and everyone thinks that's cool.
Michael	Culture	For them, it's much more important to think, okay, what's the world going to look like in 10 years. And what they are all trying to do now, the Valley VCs, is this exponential thinking. We think linearly and then question ourselves, okay, what happens in a world that doesn't develop linearly, but exponentially, and where can that lead? How do technologies grow together?
Max	Investor interest	Ah yes, if there's one thing I've learned.... I always thought it was super rational and super objective. But investors are just people, they're super emotionally driven. That means I just figure out [...] what they find exciting and what not. And then you just adapt the story to that!
Max	Investor interest	In the end, you have to think: What do they want from you? What do they need in the end so that they look good internally, so that they don't get any trouble from their LPs? What do you have to deliver to them, i.e., what are the key points, so that the investment manager can stand up in a partner meeting and pitch you in such a way that they say "Whoa, we have to invest!"
Fred	Investor interest	Every investor has a little bit of their own story and you want to respond to that. It's in our interest to pick up people where they have a value-add, where they are enthusiastic and want to get involved. Understanding that and responding to it is super important!
Ben	Meaning making	Not every VC thinks the same way, and not every partner within a VC is as analytically or emotionally inclined or as focused on people and the team as the other partner might be. I would describe that as my greatest strength, to find out what the trigger points of my counterpart are.
Ben	Investor interest	But it's also become much more about having fun, making it fun for yourself: "Hey, how do I adapt a pitch to the person sitting in front of me so that there are no questions left?
Nick	Meaning making	[When does self-confidence turn into arrogance?] That's a fine line. I think confidently answering everything, but never letting the other person's questions come across like they're stupid questions, like, that's obvious! Or something like that. But just always listen, be an active listener and try to explain to people. That's super good.

Source: own illustration.

market can be assessed. As the founding team is still very important, but no longer the only driver for the further development of the venture, C-level team members start moving into focus. This finding suggests that successful fundraising stories become less personal and more data-driven, as ventures become more sophisticated.

Whether the assessment of risk and legitimacy are based on perceived authenticity and trust in the founding team or based on the careful assessment of the venture's strategic setup may also depend on the investor. Besides experiencing the fundraising process differently depending on the venture stage, the assessment focus may also vary between VCs, angel investors, and family offices. The data suggest that angel investors and family offices rely more heavily on interpersonal connections to the founders, while VCs persist in a more holistic assessment of potential success factors.

4.2.3. Expectation management

> *"The question is simply, how to build the product, what does the timeline look like, how to do operations, how to hire the right people? That you communicate everything in advance and if the investor doesn't agree, he's probably not the right person."*
> – Leon

For the collaboration of entrepreneurs and investors to become a success, it is important "how the founders handle the entire investor relationship management and expectation management" (Leon) right from the beginning. This is why all entrepreneurs stated to paint a clear picture of their vision and include some kind of action plan on how to reach this vision in their fundraising story (Table 7). Understanding "what is the vision of the person? How does he or she envision the next six or twelve months?" (Ben) legitimizes the presented vision, makes meaning of the process of reaching this vision, and gives investors a deeper understanding of the entrepreneur's mode of work and personal and organiza-

Table 6: Conveying security.

	Assurance	Statement
Julius	Authenticity	It is important to be authentic. If I now also go by the example of L. Every interaction I had with her was super sympathetic [...] and came across as very, very authentic and honest and likeable.
Simon	Authenticity	I think on a business angel level, it's probably a lot more personal touch and let's go for a drink together and the business plan, we'll put that to the side. It will develop if we believe in you.
Jacob	Authenticity	For us, it's more about professional competence and sobriety and a willingness to learn, and I think it's more like Hey, we're up for it. We don't know it all, nor do we pretend to do so.
Hannah	Confidence	Well, then of course there are those who somehow tell you they believe in the market and so on. But at the end of the day, I think the reason why this worked out was confidence. The more security you radiate, the more the investor also thinks, if I put my money in there, then it will multiply.
Hannah	Confidence	On the other hand, I was very proactive, so I rather led the conversation and also asked a lot of questions. Which I think was very key to making it more successful.
Nick	Confidence	I have met many founders who came across as almost over-confident, but I still ended up offering them a term sheet. So, arrogance is still the easiest to forgive, I would say.
Willi	Confidence	From what I have learned and experienced, an investor always wants a strong founder personality who leads the way, with all the advantages and disadvantages that this entails.
Tim	Confidence	So I love to invest in very strong founders. I think it's also good if they are in a very large or interesting market. I think where you should pay less attention is: what exactly is their idea?
Michael	People skills	That means the risk they don't have is that I'm not able to get people behind a vision. And that's already a problem that startups fail at, if they're not able to recruit senior staff.
Michael	People skills	Exactly the same with the fundraising risk, especially with the early-stage VCs who are then not able to do the follow-on rounds, there is always the question, are you able to go out and collect the capital at the end from the funds that are doing the late-stage rounds?
Julius	People skills	That's why it's still an advantage when I speak in the fundraising rounds, because I'm relatively extroverted and I can break down and explain very complex architectures or very technical things to investors relatively well. That definitely helps a lot!
Theo	Resilience	I am very good at breaking down complex problems and, above all, I have a very strong resilience. It doesn't bother me so much to run into walls all the time. I just see if I have to jump over them or dig under them.

Source: own illustration.

tional identity (e.g., Garud et al., 2014; Lounsbury & Glynn, 2019; Martens et al., 2007).

When presenting an action plan, the challenge for the entrepreneurs is to strike a balance of showing drive yet being realistic, as described by Ben:

> *"I have always seen a very great danger in over-promising and have therefore been very defensive in everything we say about deadlines or sales indications, and fortunately have not yet really been in a position to say: 'We are significantly below.' Instead, we tend to always be on the verge of over-performing. But that's a matter of framing. You simply have to set yourself a goal that you know is achievable for you. Conversely, you must not fall into the trap of someone saying, 'your goals are not ambitious at all.' I think that's a bit of a tightrope walk that you have to do."*

By closely managing expectations like that, investors also get information about the kind of collaboration that the entrepreneur is looking for. They can for example assess whether the entrepreneur is more driven by numbers or by emotions, how far he plans ahead, how much he wants investors to get involved, and how he communicates his vision. As for the investors in front of which Tim pitched his ventures, he believes "that many investors really appreciate working with a founder who really has his business and his numbers under control. I often get feedback that our board meetings, for example, are very, very good. That they are very well prepared, that they are very goal-oriented and very deep discussions." If an investor does not sympathize with the founder's vision or way of thinking, it is not likely that he will invest in the venture. This can be seen as a process of natural selection that is beneficial for both the investors and the entrepreneur, as it would be difficult to align their vision for the venture (see section 4.3.1.). However, if their vision and expectations are well aligned, this sets a great basis for a conducive collaboration and takes away the pressure that entrepreneurs may feel that they could disappoint their investors.

This finding implies that investors, who have a similar narrative to the entrepreneur perceive the presented action plan and vision as more realistic and legitimate, supporting the theory that cultural proximity between the investor and entrepreneur correlates with a higher probability for investment (Greenberg & Mollick, 2017; Lounsbury & Glynn, 2001, 2019). It also suggests that the transparent and honest management of investors' cognitive and pragmatic expectations helps to contain the risk of losing previously established legitimacy (see "Paradox of Legitimacy", (Garud et al., 2014) and may be key to an expedient fundraising process, independent of venture stage or type of investor. The finding overall confirms that careful stakeholder management is the basis for a successful fundraising process (Lounsbury et al., 2019; Zott & Huy, 2007).

4.2.4. Story revision

> *"You don't tell the same story that you told a year ago. So sure, parts, components remain the same. But overall, it develops over time. You understand the company better, you understand the market better, you have different numbers to show. So yes, the story changes."* – Theo

Interviewing many entrepreneurs who covered the fundraising process for their ventures over a longer time allowed me to assess their reflection on the development of their fundraising stories. Those insights do not refer to investor-based story adaptation, which was covered in section 4.2.1., but to the revision of the content and focus of the fundraising story. First, story revision in terms of wording can be based on investor feedback and learning-by-doing: "If you pitch all the time and have your 10 investor meetings per day, then you immediately learn which sentence is good and realize from the reaction which sentence is not so good. And then the story just changed that way" (Hannah). Second, "fundraising changes a lot with the stage, so pre-seed is different from seed, is different from series A, is different from collecting 100 million in debt. In other words, fundraising must always be very individually tailored to the respective round" (Theo). The findings show that what changes are the venture story, as well as the story focus, which shifts from founding team to numbers. The venture story changes over time because markets change, the team grows and learns, and the business model changes and manifests with traction. The founders can revise their story to say "look, we are able to generate learnings from the first traction and we are able to derive clear to-dos from these generated learnings, which we also implement and realize" (Ben).

Generated learnings can cause a venture to pivot, which of course triggers the need for story revision. While inexperienced entrepreneurs may hold on to their original idea in order not to disappoint investors, the findings show that pivots are mostly anticipated by the investors. As Leon learned: "If a person sends me a pitch deck in an early-stage, the idea will never end up being the idea or business model that the founders will still be interested in 2-3 years from now. The founder has to realize quickly enough when to pivot." To legitimize the revised vision and new valuation of a venture in each fundraising round, new meaning has to be created, explaining the development of the venture and the reasons for the pivot (Garud et al., 2014; Martens et al., 2007). The fact that pivoting is very common offers another explanation for why the founding team is the absolute fundament of investment decisions in early-stage ventures.

Interestingly, while the venture story changes with each stage, all interviewed entrepreneurs agreed that their personal stories remain the same to maintain their established personal legitimacy. They may only convey more expertise in later rounds, as the entrepreneurs become more confident and knowledgeable with growing experience. They also described that over time the focus of the fundraising story shifts away from the personal story of the founding team. While in early-stage rounds the team is the biggest concern of the investors, "at some point, the team has already been checked, people know that it is legit, and especially if other externals have talked about it a few times in a positive way, then the team is not the concern of the investors anymore" (Theo). This finding is also valid for serial entrepreneurs founding a new startup, regardless of the fundraising stage, as they have been legitimized several times before.

Aside from the legitimization of the founding team, a more established venture depends on more success factors than just the founders, such as "team, traction, execution" (Ben), which therefore move into focus. Simultaneously, numbers regarding the venture's traction become more important as its vision is slowly becoming more tangible (extended in Table 8). As fundraising decisions rely less on the emotional involvement and personal connection of the investor to the entrepreneur in later-stage funding rounds, the founder may have to use storytelling to ensure investors of still being the right person to manage and lead a bigger company, as highlighted by Toni:

> *"What I see with people who are later [stage], like [Series] C, you no longer have to explain why you are motivated and so on. [. . .] It's more about being able to show that you've got what it takes to be the right man at the top of the company, even in the later phase. Because it's a completely different job to lead a seed company as CEO and founder than it is to lead a Series C company."*

All those findings imply that fundraising stories are dynamic. They can be revised, to mirror learnings, market developments, and subsequent shifts in the product, business model, and vision of the venture. The fundament of the story to be perceived as legitimate remains the personal story of the founding team, which stays the same with regards to motivation, background, and personality, but must reflect personal growth with regards to management skills and expertise.

Table 7: Expectation management.

	Approach	Statement
Max	Common vision	And I have to say quite honestly that I don't really care very much whether I disappoint them or not. To be honest, we have a common goal, and in our stage, there are not really any discrepancies yet.
Tim	Common vision	I'm honestly not that guy who scores so much with personality, I think. I try to be very clear about the business so that the investors have the feeling: 'oh, this is the next big thing! And the founding team or management has a blatant handle on that. And that's why I want to join in!' I think there are other founders who are much more about themselves. I try to get them to say okay, that's a good guy, because he's got his numbers under control, rather than saying that's a good guy because he's selling himself so well.
Willi	Common vision	It is important to communicate the goal and to describe your goal in a picture. To say I want to build a company that makes 100 million in sales is relatively banal, I think. That's a relatively simple story that anyone can tell. But to paint a picture and say the future of mobility looks like this: XYZ. And to get there I have already hired 10 strong people [...] and the picture where we want to go is: we want to become a listed company, because this market has a huge potential, and we believe that we can win 2% of this market by doing ABCDE. You must get very specific to paint that kind of picture.
Max	Realistic action plan	It's not that we say that we want to somehow talk ourselves up as a team. It comes across automatically when you ultimately draw up the storyline of the equity story and so on, because the investors already see that they have a strategy behind it. They have a vision. They have a clear plan of how they want to get there and can tell me exactly what they need to do it and what they can't do.
Tim	Realistic action plan	What I wouldn't pitch is: we stay 150 people and next year, by magic, so to speak, sales triple or something, because then I would feel like that falls back on me, as bullshit.
Ben	Realistic action plan	Being the lubricant, setting structures, defining focus, pulling out more and more from day-to-day business and actually trying to somehow continuously think about: Okay, where do we want to be in two quarters and what has to happen today to get there.
Nick	Realistic action plan	The biggest and strongest driver, where I say these are top top top founders and I'm excited, these are the people who bring across that they know exactly what they're doing. You just know, they know the space so much better than you do, and they just say we need the money now and then we're going to do this, this, this and this to make this happen. If you ask questions there, they can answer that so well that you just develop complete trust. Trust building is very important there.

Source: own illustration.

4.3. Understanding the 'VC game' and playing it right

After covering what entrepreneurs are pitching to investors about themselves and how they tell the fundraising story, I will next explore which mindset and process structure entrepreneurs adopt during fundraising. The entrepreneur's mindset with which he approaches fundraising determines his behavior throughout the process and fundamentally impacts how successful he will be in acquiring financial resources. At the same time, the way he structures the fundraising process determines, how his story is perceived by investors.

Understanding the dynamics between different investors, who are all on the lookout for the next big, promising deal, has strong implications for the way entrepreneurs interact with them and the signals that they want to send. "The VC scene is a very close-knit community, and everyone talks to one another" (Nick). A well-structured fundraising process can thereby increase the dynamic and trigger "fear of missing out" (hereinafter FOMO) among investors, which can be highly beneficial to the success and speed of the fundraising process. "It's a bit of a psychology game to be honest" (Julius). To win this game, the interviewed entrepreneurs have developed strategies, which will be presented in the following, by looking at the way they focus themselves before and throughout fundraising, structure the process and create hype among investors.

4.3.1. Adopting the right mindset for the fundraising process

> *"The good thing about fundraising is that, as I keep telling myself, you don't have to convince everyone. In the end, you only have to convince one or two, and I think it's almost better if there's a bit of nat-*

Table 8: Story revision.

	Development	Statement
Michael	Constant	We are still working with my personal story and have now raised almost half a billion in capital and the story is still working quite well.
Theo	Constant	The core components remain extremely constant. I think I know very well why I am where I am, or what is important to me. [. . .] So, everything up to the startup I tell almost the same.
Ben	Constant	The story behind the founding idea has remained the same. Of course, when I talk a bit more about day-to-day business or the frequently asked question "What keeps you up at night?", that has changed.
Theo	Focus shift	In the beginning we still had [our personal story] very, very much as an integral part of what we do because it's also a little bit related to why we started the company.
Fred	Focus shift	In the beginning, people just looked at your resumé [. . .] and numbers were relatively unimportant. And now, if the sales and the gross margin are not right, then even the best story in our case doesn't help.
Fred	Focus shift	I think if you look at it a little bit analytically, then the success factors were quite few at the beginning and two of them were C. and me. And now the success factors have multiplied, and we are still only two of them. So, in terms of share, we actually make up less of the entire company than before.
Willi	Focus shift	But if you've built two startups, raised capital and sold them, then people assume you're not a total talker. So that [personal] part can be smaller, and it can be more about the business you're building.
Willi	Focus shift	It depends on the stage of the company. If you're looking for angel or seed funding, or maybe Series A, then there's a very very very strong focus on the founders, on the team. Logically, because otherwise there isn't much there yet. What revenues are you looking at in the seed phase? Maybe there are already sales, but they are not very meaningful yet. [. . .] And the further you get, i.e., in a Series B / Series C or in the exit process, it's very little about you as a person anymore.
Leon	Pivot	If a person sends me a pitch at the early stage, the idea will never end up being the idea or business model that the founders will still be interested in 2-3 years from now. The founder has to realize quickly enough when to pivot.
Tim	Pivot	We also completely pivoted H., the product and the target group and so on. I think experienced founders simply do that, while some of the younger founders, who are a bit naïve, stick very rigidly to their ideas. And that's not always healthy, so to speak.

Source: own illustration.

ural selection." – Tim

All interviewed entrepreneurs described fundraising as a very intense and consuming process. Especially first-time founders who raise capital for their early-stage ventures face a lot of rejection and have to try not to get discouraged. According to Theo, "you're just used to catching all the No's at some point. It still really hurts. It hurts your ego, and it also hurts you personally. Maybe you've heard this before, the startup is just such an extension of [the founder] so to say, so you're very intertwined with it, which means that every no you get is almost a personal attack, or at least it feels that way." Keeping in mind that only very few investors must be convinced of the venture to secure funding may help the entrepreneurs to save time and emotions. "Don't waste time on the No's!" (Tim) is one learning that many of the entrepreneurs share. Focusing to convince those investors who were already excited about the founders and their venture, instead of trying to turn around those who were not, helped them to stay focused and optimistic.

One way to avoid facing too much rejection is by strategically targeting investors, who could generally be interested in the venture: "My key learning is that you have to talk to the right investors and that you can't expect to convince someone who has no idea about your product. Getting into the room with the right people, that's the most important thing" (Fred). Product-related knowledge is one way to select target investors, another is the focus on a bold vision or the size of the funding round, which requires speaking to investors with a certain mindset or cultural background (see section 4.2.1.). For this reason, Michael for example mainly spoke to investors in the US and targeted angel investors, who are "always involved in exciting topics that somehow seem to be on the edge of feasibility."

Again, targeting investors with a similar educational, professional or cultural background to the entrepreneur can help to foster a personal connection and thereby perceived legitimacy of the venture (Greenberg & Mollick, 2017). Knowing that the decision to invest in early-stage ventures is predominantly based on personal connection can put a lot of pressure on the entrepreneur throughout and after the fundraising process. Analyzing the interviews showed that how well entrepreneurs cope with this pressure is again related to their mindset (see Table 9). Some see the responsibility to live up to the investors' expectations to generate good returns for their investment very much on themselves and feel like "kind of disappointing them if I don't make it now" (Hannah). This mindset links to the Paradox of Legitimacy, which describes that during fundraising expectations are created, which may be hard to meet and could lead to a subsequent loss of legitimacy (Garud et al., 2014).

Other entrepreneurs try to manage the pressure by rationally reminding themselves that those who decide to invest act in their own interest and also have to carry the consequences themselves: "at the end of the day, they want to make more money out of a lot of money. And that's a relatively cold investment business" (Toni). Again, others remind themselves that both parties follow the same interest: "In the very beginning it was really like 'Crazy there's somebody with a lot of money and me with my little stupid idea and I want something from that person.' And that actually changed completely into 'Hey, they actually want something from you'" (Ben).

One last targeting strategy, which can be highly beneficial for the development of venture is focusing on investors with a good network, e.g., angels who are also LPs at other investment funds and can help to secure follow-on rounds as described by Michael:

> *"I think it's super important [. . .] to consider which are the angels who have a real network. In the meantime, I myself, but in the past my friend C.A., who sometimes got into companies at brutal discounts, but then made billion-dollar companies out of them with very high reliability, because he was able to get the right investors in. In that case, you can easily afford to give up a few percentage points for that."*

Of course, this kind of selective investor targeting is easiest for serial entrepreneurs, in follow-on rounds, or for those founders who are generally in a very strong fundraising position. However, this finding implies that strategically targeting investors may increase the efficiency of the fundraising process for all entrepreneurs, while a more focused mindset also helps entrepreneurs not to get discouraged.

4.3.2. Process design

> *"To structure the process well is so, so, so important. A structured process makes everything easier because then you can just focus completely on the fundraise."* – Theo

One reason why fundraising was described as such an intense and consuming process throughout all interviews is that most conversations and negotiations with investors take place in the course of a very few weeks. If entrepreneurs have full control over shaping the process, why would they make it so stressful for themselves? This is because the process design impacts the perception of the fundraising story and hence the decision of investors. As investors speak to each other a lot about current investment opportunities, being contacted by an entrepreneur months after first hearing about the venture from other investors implies that the entrepreneur was not able to secure funding fast enough and makes the deal appear less attractive.

"Doing a process", as it was described by many interviewees means putting full focus on fundraising and contacting all target investors at the same time. "A structured process helps brutally because then you have everyone on the same timeline and can create urgency" (Tim). "You send all the emails in one day with a scheduling link. Then you have 2-3 weeks of pure meetings. You can't really do anything at the same time anyway; after every pitch, you're so excited, it's like when you just come off stage" (Hannah). The same urgency should be maintained throughout the negotiations: "From term sheet to closing, somehow try to get it through in four weeks. Push the lawyers every day and ask how far the draft is now or what is causing the hold-up to speed up the process" (Tim, extended in Table 10). That way investors do not have the time to question or back out of the deal.

Michael, who has lived through the fundraising process many times summarizes the work that has to be done in this short amount of time and highlights the importance of warm introductions and in-person meetings:

> *"In the end, it's just hard work. Building Excel lists and scrubbing through them, finding out via LinkedIn who knows whom to get warm intros - always trying to get warm intros! Everything that comes in via the info@ address is kind of dead. And just don't give up, keep calling people and ideally meeting them! That's also something that you think about, okay which are the relevant cities? For a European, it's kind of Berlin, Zurich, London, Stockholm and say hey, I'm renting an Airbnb for two weeks, I'm on the ground I'm meeting the VCs live, they want to see you, they want to shake your hand and they want to see that you're a proactive, happy person. That's it, it's all not witchcraft."*

Two aspects of the process were repeatedly mentioned to require careful planning: strategic timing and distribution of information. To determine the right timing to raise capital, entrepreneurs can first look at the burn rate of their venture. To build a power position in negotiations with investors, they should fundraise rather earlier than later. "If you are in urgent need of money, then you are in such a bad position that every investor can take advantage of you" (Jacob). Second, entrepreneurs can look at business performance. When are the numbers best to paint a convincing picture of the venture's traction and potential? "If it's a seasonal business, then

Table 9: Setting focus.

	Approach / Mindset	Statement
Fred	Choosing target investors	You have to talk to the right people. In our case, we just needed people who were into brand, who were into direct-to-consumer and who understood a little bit about this space.
Fred	Choosing target investors	We're better at picking and choosing our conversations. So now we only talk to people where we know okay, they're probably interested, [. . .] and go into this meeting with more authority.
Leon	Choosing target investors	If you have certain investors on your CapTable, most of whom are also LPs at certain funds, it gets easier.
Finn	Choosing target investors	It may very well be that I go fundraising again. But then much more selectively and with an all or nothing approach. So I only take those I want to work with and not everyone who gets in front of me.
Max	Dealing with rejection	You need a thick skin. No matter what you do, investors think they know everything better anyway. [. . .] But no one knows the company as well as you do as a founder. If someone has a different opinion, then it doesn't fit. I think we could have saved ourselves a lot of time and emotions in the seed round.
Tim	Dealing with rejection	I think many inexperienced founders try to somehow turn someone around [...] but I'm not even doing that.... So if the VC is not in the first call already half in love with what I'm doing, then there is no point for me to invest any more time on him, but I would then invest all the time with the 4, 5, 6, who have somehow fallen in love with it and try to convince them.
Ben	Handling pressure	Funnily enough, just at the beginning, I was told: "The reason why I invest is you". Which of course builds up a bit of pressure.
Toni	Handling pressure	I'm a very, very, very rational person and think to myself, if I screw up, then they've lost a bit of money. But they haven't invested as much blood, sweat and tears in it as I have. For myself it is a bigger fail. With Angels I would be sorrier, because maybe they are not all multi-billionaires.

Source: own illustration.

you should raise just before the peak, so that positive numbers pour in during the process" (Nick). Third, entrepreneurs must keep in mind that "VC is very trend-driven. When something is hyped, it's relatively easy to raise money" (Michael), so depending on the product or business model of the venture, the trend development plays a role in timing. Fourth and last, the availability of cash in VC can play a role in good timing. The current situation (Section 3.1.) can present "an opportunity to do the next fundraise even earlier" (Toni) at potentially higher valuations.

Regarding the distribution of information to investors, the interviewed entrepreneurs follow different strategies. "There are two different philosophies on the market among the founders. There are those, who do five coffee chats with investors every week. [...] Or there's me, who says be raising or not be raising. I don't talk to any investor for two years and then go out and try to talk to 50 in a week" (Tim, extended in Table 10). The advantage of Tim's strategy may be that the process is easier to structure and all investors have the same information. However, reaching out to or keeping in touch with investors without actually fundraising can create momentum and accelerate the upcoming funding round, while sharing less information. Whichever strategy they are following, all entrepreneurs stressed the importance of being careful who to share sensitive information about the venture with. One reason for this is that information travels very fast among investors and the other is that investors may have other portfolio companies this information could be interesting for.

Those findings suggest that the way an entrepreneur designs the fundraising process directly influences the perceived legitimacy of the venture. Sharing the right information at the right time increases the perceived potential of the venture, legitimizing its vision and valuation. Simultaneously, a strategic fundraising process draws a lot of attention to the venture and creates a sense of urgency among the investor community, which increases the dynamic and hype around the deal.

4.3.3. Creating hype

> *"It's always a bit of an issue that you want something from someone else. It means you're in a weaker position, to begin with. [. . .] What you have to do as a founder is turning the tables and say, hey, here is this opportunity and actually we don't need any money, but if you say please, we*

Table 10: Process structuring.

	Strategy	Statement
Tim	Outreach	There are two different philosophies on the market among the founders. There are those, who do five coffee chats with investors every week. [...] Or there's me, who says be raising or not be raising. I don't talk to any investor for two years and then go out and try to talk to 50 in a week and do a hell of a structured process. Hopefully 10 will find it exciting, 4 do a term sheet and I'll take one. And then - I don't want to say lock myself back in for 2 years, but then I'm working on the company again.
Nick	Outreach	My biggest tip for founders is, start talking to VCs before you go fundraising. Then you already have the contacts, had a touchpoint and you can be very, very selective and strategic about what data you want to give out. And then when you really go into fundraising, you just call XYZ and say hey, here we go. We've developed so and so well, let's do it. That way you can squeeze many calls and momentum into a very, very small period of time and that already creates a momentum.
Simon	Information sharing	Think very strategically about what information you want to share at what point in the journey. We also had a VC, who took all our documentation from the data room and we never heard from him again. [. . .] We have now seen, oops, they invested in a venture 3-4 months ago, they do something similar to what we do. They have now sucked our information and passed it on to their portfolio company. You have to be prepared for something like that, we were a bit too gullible sometimes.
Michael	Information sharing	There are a few tricks you can do. If you're a first-time founder, or you're just starting out with your seed company, you can put together a nice deck where you don't give away too much information, distribute it through your network and say hey, I'm not raising any money right now, I'm self-funded, but wanted to get some feedback. That way you don't get a No from VCs, but some possibly approach you proactively and say, hey I really want to get into the deal, how about we do a pre-round.
Nick	Timing	As a VC you often think, oh, why does he have to go fundraising now? In 2 months, we would have certainty on the topics XY, and could make a decision with a much better conscience.
Tim	Timing	We would have raised money last year if it hadn't been for Corona, which cost us a bit of growth. We've gotten through it really well, but it wasn't the best time to do a huge round for a recruiting company. Let's rather wait until Covid is over and growth is really explosive again and then raise.
Tim	Timing	From term sheet to closing, somehow try to get it through in four weeks. Push the lawyers every day and ask how far the draft is now or what is causing the hold-up to speed up the process. Sometimes it's good if it's not done by the founder himself, but by his right-hand man. [. . .] I've seen with many junior founders that they somehow leave it open for too long and then it's all lingering. [. . .] I'm someone who asks, do you want to invest now or not? Both are fine for me. But let's get to a decision.

Source: own illustration.

> *will take you with us. That's something you have to practice over time, to somehow build up this fear of missing out."* – Michael

According to all interviewed entrepreneurs, investment decisions are often made under the pressure to be part of a deal that is highly popular among investors. In this case, investors start competing for high potential deals and develop FOMO, which can lead to a real power shift, as entrepreneurs suddenly get to pick and choose between investors. "Until you get the first yes, [fundraising is] a real pain, but as soon as you do, you're already kind of overwhelmed with offers. It's really just about getting that first good term sheet" (Theo). The creation of hype relies on the fact that investors are part of a very close-knit community, in which information travels fast. Hence, when hearing about a high-potential venture, investors may proactively reach out to the entrepreneur to communicate their interest, which further increases the hype. All investors who are then trying to get in on the deal, start competing and outbidding each other with regards to their offered terms, transaction speed, valuation, etc. This implies that hype legitimizes and correlates with higher venture valuations.

This kind of hype can be created through a lead investor with a strong signaling effect (see section 4.1.2.): "there are certain characters, if you have them as angels, then there are VCs who get FOMO" (Toni). Similarly, reputable investors who speak positively about a venture or its founding team can create FOMO. However, the dynamic among investors can also turn negative. "The problem is that if one of the good funds with a signaling effect drops out, word gets around very, very, very quickly and then a deal loses momentum" (Nick). Entrepreneurs can partly avoid losing dynamic by designing a structured process (see section 4.3.2.): "Doing a proper process is extremely important because these investors all talk to each other and create so much FOMO. And that's the best thing that can happen to you as a founder because then people start going, 'Hey, by the way, you don't know us yet, but we wanted to talk to you too!' And there you have it. It's so powerful and you don't really have to do much, except schedule meetings correctly" (Hannah).

Hype can also be artificially created through playing investors off against each other through communication techniques: "We've gone from the point of 'we want money now and we're happy if we can get some' to saying 'this is what we want, and these are the terms. Are you up for it? If so, you get a data room. Period.' [. . .] Many are impressed and think 'Fuck, if they act like this, there must be others who already have the data room'" (Max). Table 11 contains more examples of how entrepreneurs gamble with investors' attention to create hype around their ventures.

Overall, those findings imply that the hype around a venture within the investor community increases its perceived legitimacy. As hype is closely connected to the design of the fundraising process, the strategic behavior of the entrepreneurs foreseeing the dynamic within the investor community and creating a sense of urgency around the deal directly influences the investor's decision-making process.

4.4. Summary: Propositions and process model development

The results were presented in three dimensions: 1) entrepreneur-based legitimacy levers, 2) investor-based story adaptation, and 3) understanding and mastering the 'VC game'. In essence, they give insights into the interviewees' accumulated learnings on 1) how they effectively pitch themselves, 2) how they effectively pitch their ventures, and 3) which mindset and process structure they adopt to establish legitimacy and increase their chances for positive investment decisions. From the presented results, four propositions can be derived.

Entrepreneurs' personal story, although only covered in a small part of the pitch, plays a highly important role in establishing legitimacy. Especially first-time founders of early-stage ventures can increase their chances to get funding by constructing a meaningful, consistent and emotional story around their background and commitment, conveying expertise and emotional conviction for driving the development of their venture. It is also their chance to distinguish themselves from other entrepreneurs, who may be working on a similar project. Even when the venture story is adapted or revised, the personal story must remain predominantly constant to maintain previously established legitimacy. The findings on personal storytelling induct that

P1: *Telling investors a consistent personal story to make meaning of the entrepreneur's background and commitment establishes perceived legitimate distinctiveness.*

For investors to perceive the vision and valuation of a venture as legitimate, the venture story must be adapted within each pitch. Approaching fundraising like a sales job, finding out about the interests of investors, and tailoring the story to match those interests can decrease the perceived risk of the investment. When progressing to the next venture stage or pivoting the venture's business model or product, the venture story must be revised accordingly to closely manage the investor's expectations and aligning the entrepreneur's and investor's vision of further venture development. The findings on adapted storytelling induct that

P2: *Adapting the venture story to match the investor's interests and the venture stage is necessary to establish or maintain the perceived legitimacy of the venture's vision and valuation.*

Besides the pitch, the entrepreneur's behavior throughout the fundraising process impacts the venture's perceived legitimacy. This includes the mindset and endurance the entrepreneur approaches the process with and specifically shows in the way the entrepreneur structures the investor outreach and information sharing. By strategically using the exchange between investors and keeping them on the same timeline, the dynamic and perceived urgency of the process and thereby perceived legitimacy of the venture can be influenced. The findings on strategic behavior induct that

P3: *The entrepreneur can impact the dynamic of the fundraising process and thereby the venture's perceived legitimacy through strategic investor outreach and information sharing.*

Overall, the findings of this study show that investment decisions are not purely rational or fact-based. Instead, they can be influenced by the entrepreneur through strategic storytelling and behavior. Two factors can be highlighted as having a considerable impact on perceived legitimacy and hence the investment decision and can be considered "irrational". The first one is emotional involvement by the investor, triggered by compelling storytelling, perceived cultural proximity, and a personal connection to the entrepreneur. The second factor is perceived urgency that is based on the dynamic of the venture's fundraising process in the investor community, which is caused by the strategic behavior of the entrepreneur. Those findings induct the final proposition

P4: *The investor's decision-making process is influenced by his emotional involvement in the fundraising story and the perceived urgency of the investment decision.*

The four developed propositions can be combined in the process model of strategic storytelling and behavior in entrepreneurial fundraising, shown in Figure 4. The model does not include a temporal perspective, as the entrepreneur's strategic behavior would then cover the entire fundraising process, while the personal and venture story only concerns the pitch event. For simplicity, the model focuses on describing the impact of storytelling (including the personal and venture story) and strategic behavior on the venture's perceived legitimacy, which then builds the basis for the investment decision. It implies, that emotional involvement and perceived urgency not only impact perceived legitimacy but can have a direct effect on the final investment

Table 11: Creating hype.

	Trigger	Statement
Jacob	FOMO	You have to consistently try to create an artificial or non-artificial dynamic in fundraising and this dynamic is best when you don't need money in that moment.
Jacob	FOMO	They have a herd mentality. I mean, they all get FOMO when you've already gotten a commitment, and then the other one gets scared that they don't get in on the deal.
Toni	FOMO	Then there are real investors, who want to invest in your venture just because you have him as an angel. [...] If he just stands in the cap table and says nothing, it's different than if he somehow also says in reference calls, yes, the guys are the raddest and the hottest. Then they get FOMO again, just because they want to be in the cap table with H.K.
Michael	FOMO	This then very quickly takes on the character of a self-fulfilling prophecy, because you have P.T. with you, he's always had a golden touch, here's my chance to make a deal with P.T., which then suddenly gets you a completely different interest for your venture.
Julius	Gamble	You can game so much, it's all about psychology. You build a list with all investors who were interested at some point, then send them emails, then don't answer them, then the first ones become interested because you don't answer. And all the investors talk. They are like chatty high school girls. It's always quite funny when you say something to one of them, to see whether it gets through to the others.
Julius	Gamble	This week, we have scheduled again when we send which emails to which investors. Our strategy right now is, we have an investor who is the Rabbit who will give the first term sheet with a high probability. And once you have the first term sheet, it becomes much easier with all the other investors because then you can always say, I already have a term sheet, I like the investor, you then bring them to the decision more or less. It's fun!
Toni	Gamble	To be really tough in negotiations, to be blatantly ready to take the risk to play them off against each other, to create FOMO, to tell in doubt: we already have 300 term sheets, even though you don't - that can make the difference between a valuation of 10 or 20 million for the same company.
Nick	Gamble	Play the Game right. The VC scene is a very close-knit community, and everyone talks to one another. The problem is that if one of the good funds with a signal effect drops out, word gets around very, very, very quickly and then a deal loses momentum.

Source: own illustration.

decision. The theoretical and practical implications of the propositions and model are discussed in the following.

5. Discussion

This inductive study of 15 entrepreneurs and investors and the analysis of their fundraising experiences and strategies have opened up new perspectives on the establishment of legitimacy. The findings have theoretical implications for further research in cultural entrepreneurship and important practical implications for entrepreneurs who seek to acquire financial resources.

5.1. Theoretical implications

This study offers one of the first assessments of personal accounts of experiences and strategies in entrepreneurial fundraising. Although the establishment of distinctive legitimacy is a difficult and important task for entrepreneurs, cultural entrepreneurship literature mainly depicts the establishment of legitimacy as an outcome and not as a strategic process (Werven et al., 2015). Those researchers who so far contributed to unraveling the underlying process, have mainly taken a linguistic perspective, analyzing the rhetoric of fundraising pitches (Cornelissen & Clarke, 2010; Ruebottom, 2013; Werven et al., 2015). In this study I have taken a more structural perspective, identifying three ways in which legitimacy can be established throughout the fundraising process: personal storytelling, venture storytelling, and strategic behavior. Interviewing entrepreneurs and investors who can offer different perspectives on the topic or have gone through the fundraising process multiple times allows assessing their learnings and the development of their approach to fundraising over a longer time. This study, therefore, enables the identification of underlying fundraising strategies which could not be discovered using the linguistic perspective and therefore offers a more holistic assessment of the practical establishment of distinctive legitimacy (Gioia, Corley, & Hamilton, 2013; Lounsbury & Glynn, 2001, 2019).

By assessing the process of establishing legitimacy through the lenses of entrepreneurs and investors, this study also tests whether the theoretical process model of cultural entrepreneurship (Figure 1, Lounsbury & Glynn, 2019) can be

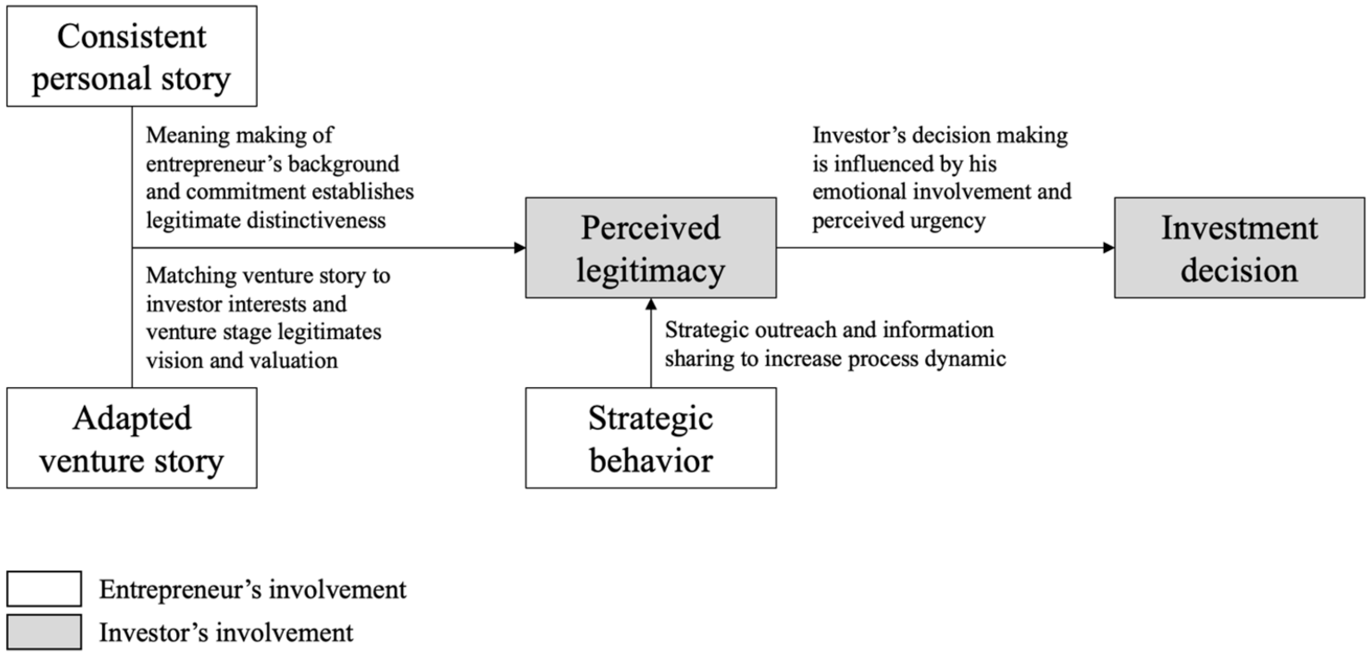

Figure 4: A process model of strategic storytelling and behavior in entrepreneurial fundraising.

Source: own illustration.

transferred into practice. The core concept of cultural entrepreneurship, which is for entrepreneurs to use storytelling to establish legitimacy in the process of resource acquisition holds true (Lounsbury & Glynn, 2001, 2019). The findings of this study confirm that entrepreneurs adapt the venture story based on the audience to bridge information asymmetries stemming from differing cultural backgrounds and narratives of the entrepreneur and the investor (Garud et al., 2014; Manning & Bejarano, 2017; Martens et al., 2007). Using audience-specific rhetoric (Wry et al., 2011) and referring to familiar concepts, categories, or discourses to make meaning of the venture's organizational identity and vision (Garud et al., 2014; Lounsbury & Glynn, 2019; Martens et al., 2007) is common practice among the interviewed entrepreneurs.

This study also confirms that fundraising stories emphasize distinctiveness more, the more established the venture is (Lounsbury & Glynn, 2019). The findings show a shift of the story focus away from explaining the venture idea and background, towards numbers and performance metrics that distinguish the venture as it progresses to later stages. However, this study shows that story development also depends on the cultural context (Zhao et al., 2017), as e.g., US VCs may assess distinctive legitimacy differently than European investors. Another interesting finding concerns the Paradox of Legitimacy (Garud et al., 2014), showing that the loss of legitimacy is not caused by disappointing investors' expectations (Zimmerman & Zeitz, 2002) by pivoting the venture's product, business model, or vision. Instead, pivots are mostly anticipated by investors but require their constant expectation management and the revision of the venture story to explain the changes and consequences. While revising the venture story, entrepreneurs must keep their personal story constant to maintain previously established legitimacy after a pivot.

Two key findings of this study contradict the current design of the process model of cultural entrepreneurship (Figure 1, Lounsbury & Glynn, 2019). First, this study suggests that besides storytelling, entrepreneurs' strategic behavior plays an important role in establishing legitimacy (Figure 4). Although Martens et al. (2007) and Lounsbury and Glynn (2019) acknowledge that entrepreneurial behavior can have a significant impact on the investor's judgment about a venture's potential, "we know little about what specific entrepreneurs' behavior increases the propensity for this type of resource acquisition" (Pollack et al., 2012). This study contributes to filling this gap in the existing literature by showing how entrepreneurs can directly influence investors' perceived legitimacy and decision-making processes concerning the venture through strategic investor outreach and information sharing. Hence, this study recommends the extension of the cultural entrepreneurship process model by Lounsbury and Glynn (2019) to include the dimension of behavior.

Finally, this study contradicts the theory that the legitimacy of a venture is based on its' existing resources (Lounsbury & Glynn, 2001, 2019), which is deeply anchored in the process model of cultural entrepreneurship and overall in the existing literature on cultural entrepreneurship. The findings demonstrate, how the establishment of legitimacy directly depends on the entrepreneur's personal story, his ability to adapt the venture story according to the audience, and his strategic behavior. Hence, it can be argued that especially in early-stage ventures, the entrepreneur is at the core of the fundraising process, instead of the venture's resources, as not many resources exist at that point of the venture's development. Although the theory that ventures' legitimacy is established through the narrative of the entrepreneur and that the venture's organizational identity builds on the entrepreneur's identity (which was also confirmed by this study's findings) already suggests that fundraising success does not depend on the venture's resources, but on the entrepreneur, this notion is still underrepresented in the existing literature on cultural entrepreneurship. In line with Steyaert (2007), this study argues that the existing literature pulls the attention away from the entrepreneur, although he is at the center of the audience's attention and hence the decisive factor for successful resource acquisition.

5.2. Practical implications

The main practical implication of this study is that investment decisions are not purely rational. Although investors may study hard facts, such as the entrepreneur's educational background or the venture's traction metrics to assess the potential or risk of an investment, the story that is built around those facts strongly influences the investor's decision. Entrepreneurs who seek to acquire financial resources for their venture need to be aware that telling a consistent personal story, adapting the venture story based on the audience and venture stage, and behaving strategically fundamentally affect the perceived legitimacy of the venture and can significantly increase chances for successful fundraising.

Consistent personal storytelling helps investors to understand the entrepreneur's distinctive background and commitment to the success of the venture. Involving the investor emotionally by sharing the personal story behind the venture helps to build trust and foster a personal connection between investors and entrepreneurs. Tailoring the venture story according to the interests, expectations, and agenda of the audience and revising it based on the venture stage helps to convince investors by legitimizing the venture's vision and valuation. Lastly, strategic behavior in terms of strategic investor outreach and information sharing helps to draw attention to the venture and create competition and a sense of urgency among investors to become part of the deal. Understanding the way, the investor community exchanges information about high-potential deals helps entrepreneurs to strategically plan and implement their own participation in the 'VC game'.

Three factors need to be kept in mind to impact the fundraising story and perceived venture legitimacy: the venture stage, the founder's entrepreneurial experience, and the targeted type of investor. First, as ventures progress to later stages and the founding team's legitimacy has already been established in earlier fundraising rounds, the focus of the story shifts from emotional personal storytelling, towards presenting numbers and facts, which show the venture's progression and realization of its goals and vision. Still the entrepreneur's personal story concerning his background, commitment, and personal connection to the investors needs to be kept consistent, to maintain previously established legitimacy. Second, first-time founder fundraising stories may differ from those of serial entrepreneurs. A serial entrepreneur, who has successfully founded and exited ventures in the past, benefits from previously established legitimacy when raising early-stage funding for a new venture. Accordingly, his personal story may still have to explain his commitment to the new venture but does not need to focus on proving his expertise, as his background is already legitimate and distinctive. Third, establishing legitimacy with an angel investor, family office or VC may work differently. Each investor has an individual way of assessing a venture's potential and values legitimacy levers differently. The results of this study suggest that especially VCs often conduct a more thorough and holistic assessment, while angel investors' and family offices' investment decisions rely more heavily on emotional involvement and personal connection to the entrepreneur. This may be connected to the respective venture stage, as e.g., angels who invest in early-stage ventures have fewer data to assess and base their decision on than VCs who invest in later-stage ventures with a more extensive track record. Although the impact of the venture stage, founding experience, and investor type on the fundraising story and process are very case-dependent, all three factors need to be considered by entrepreneurs when preparing a new fundraising round.

5.3. Limitations and suggestions for future research

Due to the nature of case studies, the developed propositions are based on the accounts of a relatively small sample of interviewees and are limited in their generalizability (Eisenhardt, 1989). Additionally, the sample is relatively heterogeneous, including first-time founders and serial entrepreneurs in different venture stages, industries, and locations, as well as investors, thereby giving a high-level overview of different fundraising strategies. Future research should validate the proposed effect of consistent personal storytelling, adapted venture stories, and strategic behavior on perceived legitimacy on a larger sample. Each of the three categories should be researched individually, exploring the respective fundraising strategies in more depth, and jointly for a more homogenous sample e.g., first-time founders targeting angel investors. As this study gives a predominantly entrepreneurial perspective on the topic, future research may also test the propositions from an investor perspective e.g., interviewing only VCs.

As this study relies on the subjective accounts of interviewees, another limitation regards the potential misjudgment of effects of certain fundraising strategies and biased recollection of past fundraising experiences. Future research should therefore use other methods to test and triangulate the developed propositions, e.g., conducting longitudinal case studies to explore the development of fundraising stories over time (Eisenhardt, 1989; Yin, 1994).

This study focuses only on the acquisition of financial resources, while the process model of cultural entrepreneurship concerns all forms of entrepreneurial resource acquisition (Lounsbury & Glynn, 2019). Although this limitation does not imply that the findings of this study cannot be transferred to other forms of resource acquisition, future research needs to further explore the role of the entrepreneur's personal story, adaptation skills, and behavior in the acquisition of all types of resources (Martens et al., 2007). That way, future research can contribute to introduce and manifest an entrepreneur-based narrative within the cultural entrepreneurship literature (Steyaert, 2007).

5.4. Conclusion

This inductive study suggests a strong positive impact of consistent personal storytelling, venture story adaptation, and strategic behavior on perceived venture legitimacy in the process of entrepreneurial fundraising. The findings show that besides the factual assessment of venture potential and risk, emotional involvement and the dynamic around a venture within the investor community influence investment decisions. Entrepreneurs can therefore significantly increase their chances for financial resource acquisition by strategically approaching the fundraising process. The findings of the learnings and strategies of experienced entrepreneurs offer strong practical insights for entrepreneurs, who seek to improve or validate their fundraising preparation. By exploring the establishment of legitimacy as a process, not as an outcome, this study proposes an entrepreneur-centric perspective on the process of resource acquisition through cultural entrepreneurship.

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