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TITLE:
What are the factors that affect the investors' decision in startups' evaluation process in term of three sustainable pillars: economic, environmental and social?

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Abstract

The contemporary investment nowadays is showing more and more favours to new business model which focuses on the direction of sustainability by maximizing the balance value among social, environmental and financial dimensions. At the same time, the investment industry also witnesses a shift in increasing deals in startups' early-stage while the role of responsible investment and development receives a surging attention from many nations worldwide, including Norway. Despite that necessity, there is lack of studies with regard to evaluation model encouraging sustainable investment and therefore, in accordance with this context, a research question is formed in this paper: **What are the factors that affect the investors' decision in startups' evaluation process in term of three sustainable pillars: economic, environmental and social?**

The investigation process is conducted by a parallel observation method between the literature' inspection and qualitative research approach of six in-depth interviews with reputable funding organisations in Norwegian startups' investment industry. During the analysing step, the linkage of key findings between primary and secondary data is put into consideration carefully.

The collected insights demonstrates that investment industry in Norway is showing a really positive attitude towards sustainability as the investors are also catching up very well with identifying the potential growing sectors. There are some identical patterns in investment strategy among firms, for instance portfolio's diversification is the common route in risk management, network' assistant is the reliable source externally in doing due diligence and the human factor is trusted as a key indicator in recognizing whether a startup can be successful or not.

Furthermore, based on the Idea Model of Dr. Bruton, I propose an evaluation tool which comprises a list of statements measuring the idea' impact and feasibility by scoring four primary factors, i.e. targeted customer, value proposition, engaged people and offering – core competencies. As the heart of the suggested model lies in sustainability goal, I believe the discovery will contribute as an assisting tool for not only startups to raise awareness concerning the social and ecological value but also for investors to make better decision regarding sustainable objective.

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1. Introduction

The raise of entrepreneur field has caught a considerable amount of attention from academic researchers that the drivers of entrepreneurial behaviour are examined as the opportunity identification (Patzelt and Shepherd, 2010; Hockerts, Mair and Robinson, 2007), personal and behavioural characteristic of entrepreneurs (Sinan Erzurumlu and Erzurumlu, 2015; Padilla, 2002; Alkaraan and Northcott, 2006) and key feature of entrepreneurial ventures to achieve success (Westhead, Ucbasaran and Wright, 2005; Lans, Blok and Wesselink, 2014). There is a considerable amount of literature looking at investment decisions into startups (Csaszar, Nussbaum and Sepulveda, 2006; Gelderen, Thurik and Bosma, 2005; Sommer, Loch and Dong, 2009; Petersen, 2016) which mainly focuses on the economic values. In the modern world, the new business pursuing the long-term sustainability which concentrates on the social as well as environmental value beside the financial return is the fresh path that contemporary entrepreneurs is trying to form into (Bocken, 2015; Alberti and Varon Garrido, 2017; Belz and Binder, 2015; El Ebrashi, 2013; Breuer, Fichter, Lüdeke-Freund and Tiemann, 2018; Koellner et al., 2005; Székely and Knirsch, 2005; Bahadur and Waqqas, 2013; Arslan and Kisacik, 2017). There is, however, lack of studies addressing the sustainability factors as the key startup's characteristics. Hence, this thesis contributes to what economic, social and environmental factors are perceived as the core indicators for guiding investment decisions on the early stage of the startup's process. To put in other words, the paper aims to solve the questions: **What are the factors that affect the investors' decision in startups' evaluation process in term of three sustainable pillars: economic, environmental and social?** In order to reveal the answer, there is a great attempt being put in reviewing the literature stream, conducting the interviews with the investment funding organisations and analysing the questions in both practical and theoretical perspectives.

The research structure is divided into five chapters. The Introduction – first chapter – will bring out the background information leading to the choice of research's topic, question as well as its purpose and application. The second chapter – Literature and Theory Review – will present the academic results which have the highest relevance with the research question. This chapter is considerably important as it demonstrates the theme, the assessment of related results from other papers and my own inference from academic stream, which are fundamental evidences to form a model for investigating in later chapters. Following, the third chapter – Methodology – will

describe the chosen approach together with the explanation of why I decide to choose that method as well as how I analyse and obtain the final finding. After that, an in-depth result in association with detailed process will be displayed in chapter four – Results and Discussion. Here, the analysis about interaction between theoretical and practical findings will be presented as a linkage with second chapter will be shown. In the final chapter – Conclusion – a general summary of my paper’s remarks, its contribution and suggested direction for further development will be displayed.

1.1 The background of the study

1.1.1 The global startup funding

Since 2009, the rise of technological era comes along with the spread of startup and the enlargement of venture capital movement. Within seven years from 2010, the number of deals in investment industry worldwide and the global capital investment surged 75% and 200% respectively, from 8,600 to 14,800 deals and from \$52 billion to \$171 billion (Florida and Hathaway, 2018). From 2015 to the first half of 2017, the global startup created a significant value, up to \$2.3 trillion - an increase of 25.6% comparing to the same a time period of 1.5 years, from 2014 to first half of 2016 (Startup Genome and Global Entrepreneurship Network, 2018).

Even though U.S is still the biggest tycoon for the startup and venture capital movement, there are more and more nations feeling interested in that playground, which leads to less and less share of U.S in global total: from more than 95% in the mid-1990s to more than two-thirds in 2012 to more than half nowadays (Florida and Hathaway, 2018). China comes in the 2nd place now in the rank as it attracts appropriately a quarter of global venture capital investment, followed by India and the United Kingdom coequally. The rest of the global pie is occupied by the group of Germany, France, Israel, Singapore, Sweden, and Japan. In regards to the top 50 most active cities for venture capital deals, 10% is located in U.S as the San Francisco Bay Area U.S remains the dominant metropolitan zone for startup’ activities that captures nearly 20% of global venture capital investment; 40% is located in Asian-Pacific including big cities such as Beijing, Shanghai, Bangalore, Delhi, Mumbai, and Singapore; and 36% is located in Europe including London, Berlin, Paris, and Stockholm.

From 2005 to 2017, there was a slight change in the distribution of venture capital investment and deals by stages (Figure 1). The pre-stage – where the investment is high risk as startup is still developing and testing the idea – surged and acquired more and more deals, from

only 10% of global total deals in 2015 to the peak in 2015 with roughly 50% before slowing down with more than 40% in 2017. On the contrary, the number of deals in later stage declined gradually, from 30% in 2005 to base of more or less 15% in 2015 and to approximately 20% in 2017. The early stage in the first half-decade suffered a drop significantly, from 60% of global deals in 2005 to the base 35% in 2015 and now slightly increased again to 40% in 2017. However, moving on to investment size of the deals, the proportions among stages pretty unchanged. The later stage – where the startup grows bigger and required more capital to expand – still captured more than 50% of the global total venture capital investment, while the pre stage with the highest number of deals only got from 3% to maximum 10% throughout the years. Again, the early stage maintained stably at around 45% of investment size with a minor fluctuation.

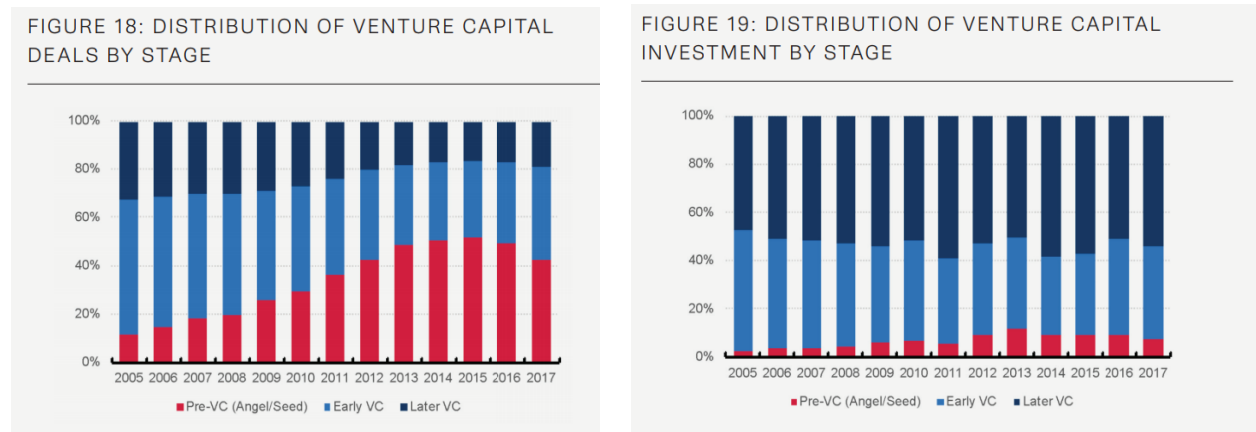


Figure 1: Distribution of venture capital deals and venture capital investment by stages (Source: Florida and Hathaway, 2018)

1.1.2 The startup funding in Norway

In 2017, Norway was ranked at 12th place in the European Commission's annual European Innovation Scoreboard¹ report and was called “strong innovators” among other nations (Innovasjon Norge, 2017). The Innovation Norway – one of the biggest and most important Norwegian Government's organization for domestic innovation and development – had successfully triggered NOK20.8 billion investment in developing Norwegian companies in 2017 – in which startup and entrepreneur received NOK2.315 billion support. There were strong focus on internationalisation with more than 900 Norwegian companies attending 30 Go Global events across the country in 2017.

In comparison with the global deals and venture investment, even though Norway hasn't made the significant impact worldwide, it still captures the trend and reflects the tendency by its percentage change in number of deals and capital investment among big national areas such as Bergen, Oslo and Rogaland. The distribution of venture capital deals and venture capital investment by areas in Norway is spread as the Table 1 below:

Table 1: Distribution of venture capital deals and venture capital investment by regions in Norway (Source: Florida and Hathaway, 2018)

Geography	Deals			Share of Deals			Percent Change		Contribution to Global Change in Deals		Deals per 1M residents
	2005-2007	2010-2012	2015-2017	2005-2007	2010-2012	2015-2017	2005-07 to 2010-12	2010-12 to 2015-17	2005-07 to 2010-12	2010-12 to 2015-17	2015-2017
Global	15,124	32,531	50,704	100%	100%	100%	115%	56%	100%	100%	6.8
Bergen, Norway	5	10	18	0.0%	0.0%	0.0%	100%	80%	0.0%	0.0%	18.2
Oslo, Norway	32	66	97	0.2%	0.2%	0.2%	106%	47%	0.2%	0.2%	77.4
Rogaland, Norway	7	14	17	0.0%	0.0%	0.0%	100%	21%	0.0%	0.0%	36.2
South Trondelag, Norway	14	18	17	0.1%	0.1%	0.0%	29%	-6%	0.0%	0.0%	54.1

Geography	Capital Invested (\$M)			Share of Capital Invested			Percent Change		Contribution to Global Change in Capital Invested		Capital Invested (\$M) per 1M Residents
	2005-2007	2010-2012	2015-2017	2005-2007	2010-2012	2015-2017	2005-07 to 2010-12	2010-12 to 2015-17	2005-07 to 2010-12	2010-12 to 2015-17	2015-2017
Global	\$121,221	\$191,315	\$512,097	100%	100%	100%	58%	168%	100%	100%	\$68.8
Bergen, Norway	\$25	\$40	\$107	0.0%	0.0%	0.0%	60%	170%	0.0%	0.0%	\$108.4
Oslo, Norway	\$318	\$268	\$454	0.3%	0.1%	0.1%	-16%	70%	-0.1%	0.1%	\$362.2
Rogaland, Norway	\$58	\$59	\$87	0.0%	0.0%	0.0%	3%	46%	0.0%	0.0%	\$185.0
South Trondelag, Norway	\$34	\$79	\$49	0.0%	0.0%	0.0%	135%	-38%	0.1%	0.0%	\$156.3

The report from Clark, Moonen and Nunley (2018) report stated that Oslo is now striving to achieve the higher global status in the Innovation Leaders rank with 17% growth in number of innovative technological companies, outpaced the other European innovators such as Dublin (11%) and Amsterdam (8%). Moreover, in the list of top 10,000 innovative firms, Oslo also shows a higher occupied rate by 25% than other ecosystems such as Dublin and Amsterdam with 16% and 11% respectively.

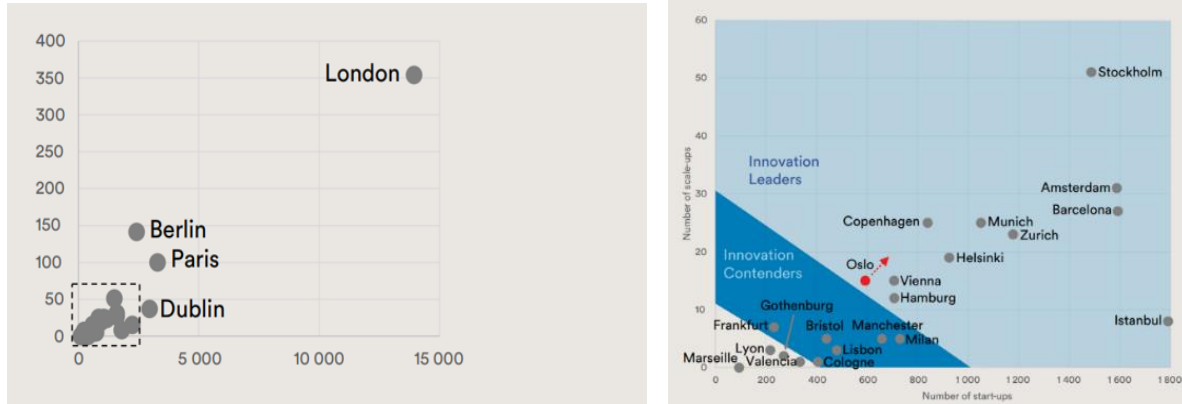


Figure 2: Number of innovative tech firms and number of Top 10,000 global scale-ups in Oslo
 (Source: Clark, G., Moonen, T., and Nunley, J., 2018)

The sustainability is becoming the focal point for Norway gaining the international competitive advantage. The sustainable investment is strongly emphasizes as the red thread which is not only the right thing to do morally but also profitable source commercially. The environmental and social industries are addressed as area of opportunities, including the bio-economy, clean energy, health and welfare, ocean space, smart cities and communities, creative industries and tourism (Innovasjon Norge, 2017). Furthermore, Oslo was also reported receiving the reputation in the domains including banking, fintech, medtech, design and creative industries, smart systems as well as open data. (Clark, Moonen and Nunley, 2018)

1.2 Research question

The expansion of startup in Norway recently as well as the support from the Norwegian government in order to strive for the higher position in the innovator ecosystem is getting more and more notices with sustainability as the focus point. In 2017, 15% of 78 investments in Norwegian tech companies which were worth \$100 billion addressed the environmental and social needs (O'Dell, 2018). This was the highest percentage among the Nordic nations. However, it is also worth to be mentioned that the percentage of failed startup in Norway is as high as the U.S market - approximately 75% (Dyrnes, 2014). The survival rate for startup is not great either. 2009 recorded the opening of more than 40,000 startups and just within next one year, 50% of these had exited and only 27% left were survived five years later. There were around 60,000 startups established and 60,000 startups also closed in the same year 2016 (Illummont, 2018).

When the sustainability is the fundamental strategy for the growing up companies to measure their success, I am questioning in this paper whether there is an existence of any method or insight or criteria that can help investors to recognize the sustainable potential in the startup, especially in the early phase, in their journey of seeking for the unicorns in Norway. Hence, taking the three pillars of corporate sustainability including environmental, social and economic aspects as the starting points, together with the interviews with national funding companies, a desire to study the linkage among the entrepreneur's sustainability, the investor's selection insight and the successful investment in startup had led me to formulate a research question as follow:

What are the factors that affect the investors' decision in startups' evaluation process in term of three sustainable pillars: economic, environmental and social?

1.3 Purpose and application

The key finding hopefully will be able to support the startups and investors by providing the up-to-date insights in the industry. Furthermore, by answering the above mentioned research question, a new tool to evaluate the ideas effectively is also suggested along with the analysis. Hence, the thesis aims to have several theoretical and practical contribution.

Theoretically, due to the newness of sustainability phenomenon, there is lack of studies about the adequate models and approaches regarding maximizing economic, social and environmental value, hence, the paper desires to contribute to that literature gap with its precise discussion about the investment industry and a proposed model as a starting note for further development and validation.

Practically, the paper desires to be favourable for making investment decision in startups and be helpful to both investor and startup' founder:

- For investor: to understand more about the ongoing process, strategy of the current funding organisations and make any adjustment if necessary. Also, the suggested evaluating tool would help investors to develop their assessment method based on economic, social and environmental assessment of startups.
- For startup' founder: to recognize the present concerns in the investors' point of view in order to adjust the business concept if needed. The proposed tool can be used by founders

to self-evaluate the strength and weakness of their ideas and make any development if necessary.

Since the paper is based on the design and investigation customized for Norwegian market, the paper is decently relevant towards the national vision. Accordingly, I hope that to a certain extent, the result from this paper can devote to the strategically future growth of Norway.

2. Literature and Theory Review

Chapter two will present the relevant theory in literature stream, including the definition of important terms and notions regarding sustainability, the presentation of the most connected results from other researches and core assumption for me to conduct the later analysing part of the thesis. There are three themes in this chapters, which are: 2.1) Sustainability and its concepts: Explanation of sustainability terms and its related concepts, 2.2) The sustainable investment: Interpretation of sustainability-oriented investment activities including features and criteria and 2.3) The tool for idea's evaluation process: The Idea Model from Dr. Alex Bruton. In particular, within the second theme, section 2.2.4 presents the results of structured literature review and suggests five key indicators (the team, the value offering, the market, the involved stakeholders and the financial potential) for investment evaluation identified in the academic stream.

2.1 Sustainability and its concepts

2.1.1 The triple bottom lines

The term “triple bottom line” (TBL) was coined for the very first time in 1994 by John Elkington (Elkington, 2018) which indicates an accounting framework that examines not only the economic but also the social and environmental impact of a company. Since then, the late 1990s witnessed the take-off of more and more attention toward sustainability in business which was built based on the TBL, as well as the growth trend of corporate social responsibility and sustainable development (Elkington, 2004).

This movement has created a new type of entrepreneur called the sustainable entrepreneurs (Belz and Binder, 2015), who aim to balance the TBL in their business model rather than to optimize the economic returns only like the traditional entrepreneurs. The sustainable entrepreneurs are defined as the “best of both worlds” (Lans, Blok and Wesselink, 2014) as they are searching and exploring the beneficial business opportunities while devoting to the

development of society and environment at the same time by composing the set of correlative actions and resources through their entrepreneurial behaviours (Bocken, 2015). Accordingly, the goods and services of sustainable entrepreneurs would comply with the mission of sustaining the nature and/or community along with providing development gain for others. (Patzelt and Shepherd, 2010). Summarizing, three pillars of sustainability are depicted in the Figure 3 below:

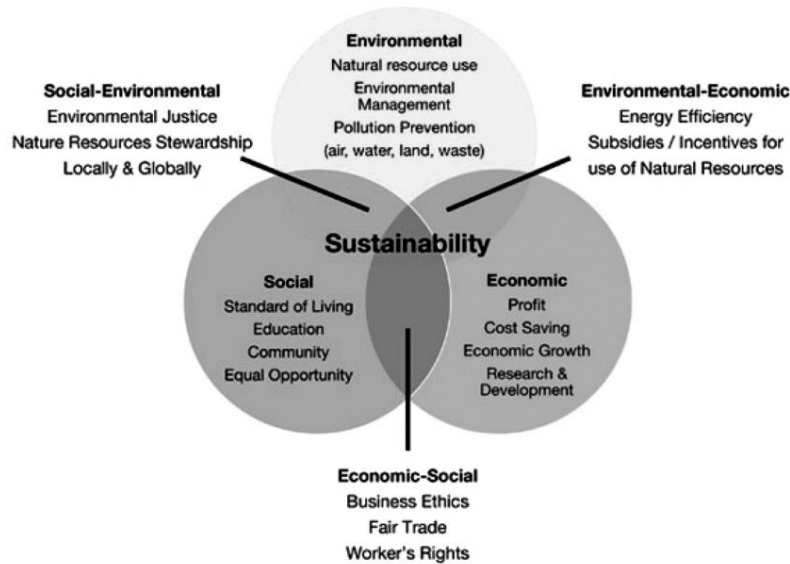


Figure 3: Three spheres of sustainability (Source: Žak, 2015)

In like manner, in 1995, John Elkington had brought out another alternative concept for TBL which shares the same message, calling the 3P: people, planet, and profit (Elkington, 2004). In other words, the term 3P is believed as a reflection of the three types of capital which determine the TBL (Žak, 2015; Onyali, 2014; Bahadur and Waqqas, 2013).

Firstly, the pillar “People”, or “Society”, refers to the rights and benefits of the practical business on the labour, community and region in which the business activities occur (Žak, 2015; Onyali, 2014). The social structure in sustainable companies is where the welfare of corporate, employees and stakeholders are interdependent, which means there is neither risk-benefit trade-off nor endangerment among those groups. Responsibility toward society is the belief based on the principle of reciprocation: the profit from the business will be distributed and devoted back to the original producers. This takes into account of the fair payment toward labour force, compliance with human rights such as preventing the child labour exploitation, maintaining the safety in work environment, enhancing the wok-life balance for workers and ensuring the mutual communication

between employers and employees. TBL also take the indicators of social development – for instance the education, healthcare and living standard in community – into consideration.

Meanwhile, the operations in order to supervise, protect the natural resources and maintain the environmental system are the main concern of second pillar “Planet” or “Environment”. This includes the consideration about prevention of water, soil and air pollution, reducing the ecological footprint and greenhouse gas emissions, controlling the energy consumption, conducting the reducing or/and recycling material, monitoring waste treatment strictly as well as upholding biological variety (Žak, 2015; Onyali, 2014; Bahadur and Waqqas, 2013; Arslan and Kisacik, 2017). In TBL thinking, the environmental framework’s focus is also on product life cycle in order to not only diminish the business risk together with the cost in long run for the firms but also to preserve the availability of natural resources for the next generations (Arslan and Kisacik, 2017; Bahadur and Waqqas, 2013).

Lastly, the notion “Profit” or “Economic” indicates the financial outcome of the sustainable firms. From perspective of TBL, it can be perceived as the tangible monetary impact on the economy and the growth of not only the internal company itself in particular but also the whole external society in general (Onyali, 2014; Bahadur and Waqqas, 2013; Arslan and Kisacik, 2017). Therefore, the third pillar of the TBL cannot be interpreted as simply traditional company accounting plus the social and environmental benefit for community. In fact, the profit should be consistent with other two pillar because the main core of TBL is keeping the balance between tangible and intangible value in the business cycle. When the economic welfare is well distributed, it will come with the social related pros including ethical business, fair trade and employment rights, along with environmental related pros such as energy efficiency and resources preservation.

On the whole, as a consequence of the belief that wealthy ambition is creating the ecological and social downfall, the tension for sustainable evolution is getting stronger and stronger for the corporations and governments (Elkington, 2004). The TBL or 3P agenda’s purpose is to capture the social and natural capital into the calculation of economic wellbeing (Žak, 2015) and as John Elkington – inventor of TBL – emphasizes, the goal of taking three pillars of economic, social and environmental into sustainability consideration is not merely an accounting system, it is supposed to be a call for the system change, a “genetic code, a triple helix of change for

tomorrow's capitalism, with a focus was on breakthrough change, disruption, asymmetric growth, and the scaling of next-generation market solutions.” (Elkington, 2018).

2.1.2 Recognition of sustainability

The progress of pursuing TBL is defined in few studies and to the best of my knowledge, there are only two papers – one from Patzelt and Shepherd in 2010 and one from Belz and Binder in 2015 – in fact being able to sketch a model short while ago.

Model of recognition of sustainable development opportunities

In the same vein with process of recognising and developing the TBL goal, Patzelt and Shepherd (2010) has introduced a model proposing that the possibility for entrepreneurs to gain the sustainability is in close correlation with their prior knowledge of social and ecological issues, their motivation for personal benefit as well as their incentive for surrounding' value. The first proposition of their paper argues that the more entrepreneurs understand the society and nature, the more likelihood they will acknowledge an opportunity to develop sustainability. Different prior knowledge will lead to different direction of care toward the sustainable problems, which results in variance in individual' recognition. Moreover, the prior knowledge here is not only about the technical and characteristics of the issues but also including the related impact markets, the customers problems and the need for a solution because the awareness of market as well as the approach to serve it are the foundations of forming a belief that new sustainable discovery can be accepted by majority and succeed. This lead to the second suggestion that the entrepreneurs with higher knowledge level will have more chance to see the opportunities than the entrepreneurs with lower level. Beside the knowledge, there are two types of motivation representing indicators for realizing the chance for sustainability. Regarding the motivation for self-benefit, the third proposition of the paper claims that entrepreneurs have more tendencies to recognize the opportunity for sustainability as long as they perceive a threat from the externality, including the threat to needs for competence, for relatedness and for autonomy. In other words, the perception about the risk regarding competence, relatedness, and autonomy will create motivation for individuals to ensure their well-being by taking sustainable actions. However, the threat perception is also related to the personal' prior knowledge as the fourth motion says, the more he/she acknowledges the issue, the more he/she can evaluate the weight of the threat and therefore, the more motivation that person feels and more opportunities is foreseen. In contrast, the other type of

motivation – doing good for the others – is rooted in human empathy and sympathy. This means, if the entrepreneurs have more altruism toward others, it often leads to higher percentage for them to see the development opportunity for sustainability (proposition five). As the preceding knowledge also associates with understanding the customers’ desire and the approach to perform in market, therefore, the final hypothesis states, firms with higher level of understanding will feel more sympathetic and empathetic, which results in more abilities to recognize the sustainable opportunity to pursue.

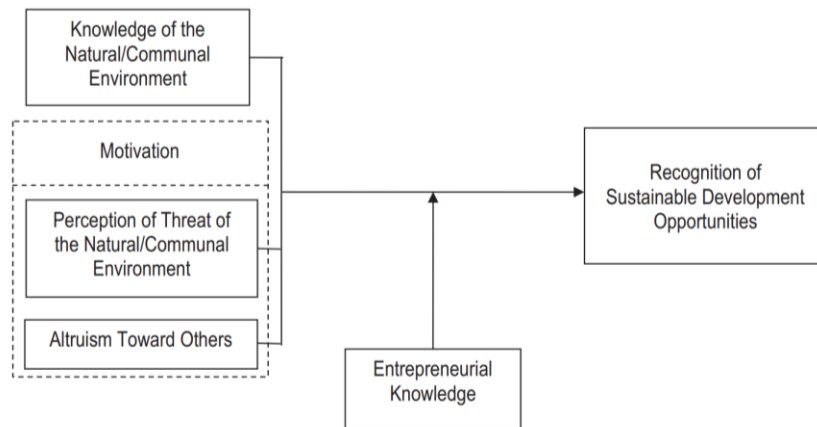


Figure 4: A model of recognition of sustainable development opportunities (Source: Patzelt and Shepherd, 2010)

Convergent process model

One of the concrete contribution recently in the literature stream of investigating the process of the mechanism of identifying, recognising and exploiting the sustainable business is the study of Belz and Binder in 2015. The research was conducted based on the multiple case study design and face-to-face interviews with the (co-)founders of the selective firms who were classified as the sustainable entrepreneur from different industries in Germany and Finland. The empirical results suggest that there are two pathways including six phrases of a sustainable entrepreneurship process, which are: 1) Recognizing a social or ecological problem; 2) recognizing a social or ecological opportunity; 3) developing a double bottom line solution; 4) developing a triple bottom line solution; 5) funding and forming of a sustainable enterprise and 6) creating or entering a sustainable market.

The first phrase – recognizing the problem related to social or environmental aspect – suggest that the inspiration for sustainable entrepreneur springs from the (co-)founders’ private lives as they actually suffer or witness that problem. Therefore, the initial experiments are considered as an essential awakening moment for perceiving the potential starting point. Recognizing a social or ecological opportunity – second phrase of convergent process model – is in line with the previous literature suggesting that the awareness of related drawback in the market is the cause of recognition of social or ecological opportunities. Then, the third phrase claims that there will be a certain economic value for sustainable entrepreneurs offering the solutions for the problems they see previously as long as the products and services can satisfy the need of potential customers. Since the foundation of a sustainable entrepreneur is the TBL, so if the forth phrase is skipped and the company allocates by offering the social-economic or ecological-economic solution, it may be referred as the social entrepreneurship and ecopreneurship, respectively. The evolution from double bottom line to TBL is the crucial finding in this model as the authors conclude that the ties among three dimensions might be not equal and therefore, there are two important insights being pointed out. Firstly, the cause of the development from double bottom line to TBL is from internal motivation rather than from the external pressure. Secondly, the dimensions of TBL are expanded sequentially, not at the same time. The developing dimensions one by one helps to reduce the complexity, creates the integrated solutions and makes the whole system becoming more manageable and achievable. According to authors’ review, literature suggests an assumption that it’s harder for sustainable entrepreneurs to seek for funding from banking and investors as their business is non-traditional, hence they rely heavily on financial support from family and friends. However, the fifth phase of the discovered model demonstrated an opposite tendency: in fact, there are broader methods for TBL companies to obtain enough capital in the early stage, including the bank loans, crowdfunding and government support. There are two reasons behind this phenomenon which could be the swift in society’ attention toward the sustainability and the ability to surely balance the economic benefit beside the social and environmental motivation. The final phrase of convergent process model discusses about the different types of market for sustainable entrepreneur to enter. Since the sustainable companies compete on quality, not on price, they allocate themselves in the upper segments of the market because from this group of consumers, the willingness to pay is higher and therefore it will be able to help covering the cost for the sustainable products or services and balance the TBL.

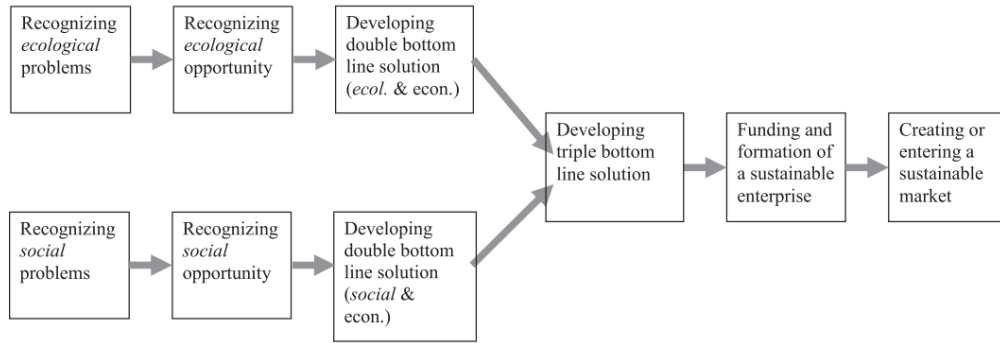


Figure 5: Sustainable entrepreneurship process (Source: Belz and Binder, 2015)

2.1.3 Principles for sustainability pursuit

The approach to pursuit TBL is also jointly placed in correlation with some guidance and standards in flow of literature. On the process of heading to sustainability, Labuschagne et al (2005) reviews about the list of specific components in operating a sustainability framework while the most recent discovery, in 2018, being brought to the table is the guiding principles and process-related criteria from Breuer, Fichter, Lüdeke-Freund and Tiemann.

Operational sustainability framework

As Labuschagne et al discusses, the prerequisite for operating a sustainable business is the commitment of corporate responsibility on a strategic level, which means that the strategy aiming for sustainability has to be unified in every operations from top to bottom internally. In order to guarantee the root, the corporate strategy is divided into two parts: the operational initiatives, which refer to the business activities, and the societal initiatives, which relate to the social responsibility and social investment. With respect to the operational initiatives, the entrepreneur's endeavour is then evaluated under the condition of economic, social and environmental sustainability.

The list of criteria for assessing within the economic dimension includes the investigation on financial health, economic performance, potential monetary value and trading opportunities. The well-being of finance refers to the evaluation of internal fiscal stability of an entrepreneur, for instance the profit, liquidity, and so on. The economic performance is the assessment conducting externally by stakeholders and governments, including the criteria such as the interest for shareholders, market share as well as contribution to national gross domestic product. The other financial incomes beside return and profit, for example subsidies from national or global

organisations, are the sub-criteria of the potential benefit financially. Lastly, trading opportunities concern the risk of being exposed in the network context of numerous rivals.

Within the framework of social sustainability, the first standard to focus on is the prosperity of internal human resource by measuring the employment stability, the compliance with legal as well as ethical requirement in working conditions, the practical health and safety and the opportunities for development of the whole company in general and of each individual in particular. Secondly, external population is the criteria concentrating on the impact of the company's operations on the community level, including the involvement in developing the local infrastructure, educational institutions, job creation, public services as well as the social welfare and cultural enhancement. Following, stakeholder participation is the third aspect to look at. The quantity and quality of sharing information with stakeholders and their engagement in the decision-making process are the indicators to measure.

On the final pillar – environmental zone – the natural resources have been separated into four groups to judge, which are air, water, land and mineral and energy resources. While the air resource includes the evaluation of global warming, toxicity, acidification, etc, water usage and liquid waste disposal are main focal points of water asset's preservation. The protection of land wealth is line with the analysis of land usage, releases of soil pollutants and the transformation of area's biodiversity. At last, criterion related to mineral and energy resource inquires the entrepreneur's contribution to the non-renewable supply's exhaustion.

Guiding principles and process-related criteria

A recent study in 2018 from Breuer, Fichter, Lüdeke-Freund and Tiemann provides a guiding direction and starting point for sustainability-oriented entrepreneurs by addressing a set of principles and criteria as pattern for developing sustainability. While the guiding principles show a spot to begin, the process criteria discusses how to archive sustainability in accordance with relevant tools.

The directive principles include four indicators. The first key requirement is the orientation in the whole mechanism which contains the participation of both internal and interacting parties regarding sustainability. The normative statements, for example vision and mission, and practical activities, e.g. the value proposition, should typically include the goal of balancing manner in three dimensions: economic return, social development and environmental protection. Secondly, since

the nature of sustainable business is dividing attention equally to three pillars of TBL instead of the economic profit only, sustainable entrepreneurs is hypothesized to offer more value creation to the market as the result of extending care for social and ecological value added. The second principle requires that sustainability-oriented firms should guide the business to generate value not only for their customers and stakeholders but also the non-market actors in both fiscal and non-fiscal capacity. Hence, the challenge of identifying priorities among various bottom lines is raised. Thirdly, principle three argues that business model is a combination of interdependent activities and communications, which requires the multiple interactions and reciprocation relations, therefore, the dynamic perspectives of systemic thinking and management is crucial. Product's life cycle thinking, product-service systems and reflecting outcomes are three suggested aspects that entrepreneurs for sustainability shall involve in the process of business model development. The last principle emphasizes on the stakeholder integration because academically, stakeholder theory has been demonstrated as the cause of conflict of interest both inside and outside of firm and taking a big effect in development of sustainability. The sustainability succeed is determined by the linear fit among stakeholders' engagement as they plays important role for accessing and acquiring the needed resources to support the sustainable business model.

In like manner of the four finding principles, the authors discover four process-related criteria which represent the minimum requirements that each sustainability model needs to fulfil. Firstly, reframing the components in the new business framework is the most adopted approach due to the fact that sustainability-oriented entrepreneur is not a redesigned model of simply adding sustainable indicators to the sore profit-oriented goal. To be more detail, the value proposition should serve the second principle of extended value offering, i.e. all components need to be analysed from multiple perspectives in line with the TBL and in correlation to each other to observe not only the impact and potential creations but also the demolishing value if any. The second criteria, called context-sensitive modelling, is about making the interactions and connections explicit and concrete, for instance identifying and analysing the specific context of each stakeholders' case to solve the conflicts and to agree on interests. The recognition about the need to implement a new business model due to the shift in consumers' awareness, stage of entrepreneur's development and the maturity of the journey is also a reflection of contextual sensitivity. Thirdly, collaborative modelling is a mandatory condition for sustainable entrepreneur to deal with the challenges of pursuing TBL as collaboration is the default setting in merging the

systemic thinking and stakeholder's participation. The growth based on networks' value is a part of the new business model's goal that sustainability entrepreneurs should acknowledge. While the second criteria demands the suitable consideration of different contexts, the third measure focuses on defining the key participants and their interactions to each other. Finally, the management skill is the fourth notion to be checked. Even though the potential result and future impact are key applications in sustainability objective, there is a lack of supporting models studying about a proper way to predict those outcomes. Hence, the fourth criteria is considered as an actual exercise, to a certain degree, corresponding with the principle three systemic thinking and management.

2.2 The sustainable investment

2.2.1 Investors in early-stage entrepreneurs

Historically, entrepreneurs' major funding sources are including bootstrapping, borrowing from family and friends, angel investors, and venture capitalists (Radojevich-Kelley and Hoffman, 2012). While the first two sources come within the founders' circles, the last two which are external contain more complexities regarding the benefits of multiple participants. Angels are wealthy individuals who usually provide smaller amounts of finance to startup in the seed and early stage in favour of a modest equity (Radojevich-Kelley and Hoffman, 2012; European Business Angel Network, 2017). The investment size in angel business per deal is quite small with a median of \$200,000 in U.S market (Angel Resource Institute, 2017) and \$1.1 million in global market (KPMG Enterprise, 2018). A recent data from European Business Angel Network, 2017 shows that the total market size of angel investors in Europe and U.S is €7.3 billion – an increase of 9% from 2016 – and \$23.9 billion, respectively. Additionally, there are approximately 337,500 investors making 39,990 deals in 2017 in Europe, turning the business angel to the biggest financial source for European early stage startups.

Venture capitalist (VC) , on the other hand, is the funding business which targets all size of entrepreneurs, from simplest form in seed/early stage to mature organizations in later stage, and actively engages with the invested entrepreneurs by occupying a place in the management board (Tekler, Dilek, et al., 2016). Also, after the funded companies grow to certain value, VC generally will make an exit and restart investing in the following new-born startups generation. Globally, the VC investment takes a significant volume of \$174.6 billion across more than 15,000 deals in

2018 (KPMG Enterprise, 2018) with the median deal size of \$5.5 million and \$11.5 million for early and later stage respectively.

Nowadays, VC however is getting more and more reluctant in investing in seed and early stage (Kim and Wagman, 2014; Radojevich-Kelley and Hoffman, 2012; KPMG Enterprise, 2018). In particular, since the investment size is much bigger, VC is more selective and cautious with how to allocate the funds. The trend to move to late-stage deals with fewer but larger investment is broadening (KPMG Enterprise, 2018). Since the gradual withdrawal of VC in the seed and early stage left a quite burden on limited-budget angel investors in a pool of new startups seeking for investment, many new entrepreneurs are lacking the sufficient capital to launch business. Hence, a new form of investment firms, so-called accelerator, is born (Radojevich-Kelley and Hoffman, 2012; Kim and Wagman, 2014). Accelerator organizers establish a program consisting of a pleasing fund together with experienced business experts who offer guidance, networking, mentorship and know-how technique in order to support the new-born startups to launch and develop in exchange for a desirable equity (Haines, 2014; Tasic, I., Montoro-Sánchez, A. and Cano, M, 2015; Radojevich-Kelley and Hoffman, 2012). After being selected from a pool of potential applicants, chosen entrepreneurs will go through a boot-camp style environment with advanced training/workshops and be connected to multiple partners, including not only angel and VC investors but also universities, government, banking and consulting firms, business-related specialists and from here, the startup founders will receive the detailed and precise feedback which is tailored for their own business directly (Haines, 2014, Radojevich-Kelley and Hoffman, 2012; Florida and Hathaway, 2018). After few months, typically from three to six months, the accelerator firm will set up a “graduation ceremony”, generally called “demo day”, where the entrepreneurs present their business ideas to investors and the investment decision will be announced later on. In the bottom line, the summary of accelerator’ definitions by describing the characteristic and roles from the literature stream can be shown as following:

Table 2: Accelerator’s key features from academic viewpoint

Sources	Key features to define an accelerator
Haines, 2014	<ol style="list-style-type: none"> 1. Fosters and selects startups in competitive process; 2. Stages a limited duration program: a “boot camp” for startups, typically 3 to 6 months; 3. Brings together cohorts of startups to develop teams and products; 4. Coaches, trains, and supports these teams 5. Supplies access to needed resources and initial seed funding 6. Provides guidance, metrics, milestones based on Lean models of innovation 7. Connect networks of mentors and investors with founders culminates with a “Demo Day” to present startups to investors
Tasic, I., Montoro-Sánchez, A. and Cano, M, 2015	<ol style="list-style-type: none"> 1. An application process that is open (to all, “in principle”) yet highly competitive; 2. Provision of pre-seed investment (typically £10k – 50k), usually in exchange for equity (typically 5-10 percent); 3. Focus on small teams, not individual founders; 4. Time-limited support (typically 3 to 6 months) comprising programmed events and intensive mentoring; 5. Startups are supported in cohort batches or “classes” rather than individually; 6. Program finishes with a periodic graduation (demo day / investor day).
Florida and Hathaway, 2018	<ol style="list-style-type: none"> 1. An application process that is open yet highly competitive. 2. Provision of pre-seed investment, usually in exchange for equity. 3. A focus on small teams not individuals. 4. Time-limited support comprising programmed events and intensive mentoring. 5. Startups supported in cohort batches or ‘classes’.

From Haines (2014)’s point of view, accelerators function as a social system, which means they play a supportive role in formulating, nurturing and pointing the right direction for young entrepreneurs to glow while creating many cross-industry connection among multiple partners at the same time and hence, creating the value to diverse participants. For instance, angel and VC investors benefit from accelerators’ activity as it not only reduces the time and effort in finding and evaluating the qualification of entrepreneurs but also enhances the quality of the business’ idea (Florida and Hathaway, 2018). Likewise, the benefits to corporates would be significant that accelerators help the large firms to stay update of the innovation pipeline in their market, adopt the best selected practices, strengthen the branding strategy and innovative culture (Florida and Hathaway, 2018; Gust Global, 2016). From startup founders’ side, accelerator and demo day is a promising opportunity for them to rapidly create a high-quality industrial network, meet not only the early but also the later stage investors for the further development and expansion plan (Miller and Bound, 2011). Also, the supporting service companies, e.g. the law firm, PR agency, etc., can obtain an amount of new customers in the form of accelerators program’s supporting partners (Miller and Bound, 2011).

A critical proof for the favourable performance of accelerator is the growth of accelerator programs in recent years. There were 193 programs running and funding 3,701 startups with the total investment of nearly €47.6 million in Europe in 2016 (Gust Europe, 2016). By the same token, global market saw 579 programs investing \$206.7 million in 11,305 startups in the same year (Gust Global, 2016). What's more, 35.9% of 579 accelerator programs globally described themselves as a multi-functional investment firms: a mix of accelerator, VC fund and angel groups (Gust Global, 2016), thus, the introduction of accelerator system in investment industry might refer to an operating model where the lines among investors' category are blurred.

2.2.2 The demand for sustainable investment

The rights to the future generation is the topic which is discussed multiple times in the literature stream (Bocken, 2015; Padilla, 2002) as many concerns have been raised with regard to the increase in population, the rapid exhaustion of the earth's natural resources and the change in consumption preferences later. There is currently a huge pressure emphasizing on the health and wellbeing for the developing of the rising generation, as right now, seven billions of people is draining the major natural wealth, including but not limited to water, oil, natural gas, phosphorus, coal and rare earth elements (Ruz, 2011), while it is predicted that the global population might reach to 8.5 billion people by 2030 (Chitty, 2017). In 2010, World Business Council For Sustainable Development's report Vision 2050 estimated that in order to cope with the escalation of population, the agricultural supply needs to be doubled while maintaining the same resource, deforestation must be stopped while increasing yields, carbon emission has to be halved while improving the resource usage ten times. In National Intelligence Council report (2013), the resources' prediction is that by 2030, the price for food is forecasted to increase 70-90% compared to 2010 and up to 130-170% if climate changes, the request for steel and copper surges 90% and 80% respectively and by 2035, the energy's need grows by 50% as the oil sector can demand an investment of over \$8 trillion.

The term sustainable development is defined as the development "...that meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987). The report has spread a global call for change in business point of view, from short-term profit to long-term sustainability TBL (Bocken, 2015), as well as encouraging the cooperation to join hands to preserve the mission about

protecting the natural-capital as the current generation has certain commitment towards the future. In the other words, a sustainable development implies “a much more favourable distribution of rights for future generations” (Padilla, 2002) by guaranteeing future generations a decent access to socioeconomical and ecological capacity.

The awareness in investor’s mindset for sustainability has led to the need of seeking beyond the financial benefit to consider the social and ecological criteria in their decision-making process for an investment (Koellner et al., 2005). Sustainable investment, which may be referred to as “impact investment” (Bocken, 2015; Mudaliar and Dithrich, 2019), is defined as the investment focusing on the products or services with TBL benefits that the foundation in the business’ point of view is maximizing the shareholders’ value and the expected rate of return on investment while sustaining the ethical practices, environmental preservation, job creation and building sustainable value for society (Koellner et al., 2005; Székely and Knirsch, 2005). Accordingly, there is an expansion in number of sustainable investments. The assets in compliance with sustainable management reached \$23 trillion at the start of 2016, an increase of 73% in comparison with 2012 (Mittelman, 2018). The newest research from The Global Impact Investing Network (2019) stated that by the end of 2018, there are over 1,340 impact investing groups worldwide who collectively manage \$502 billion in investments. The investors are reported quite diverse, from angel investors to family funds to bank funds, and quite small in investment size: 50% manages less than \$29 million each. Furthermore, the distribution of global groups of investors is also uneven with U.S. together with Canada and Western, Northern together with Southern Europe conquering the most major proportion, 58% and 21% respectively; the rest of the world shares the leftover ratios.

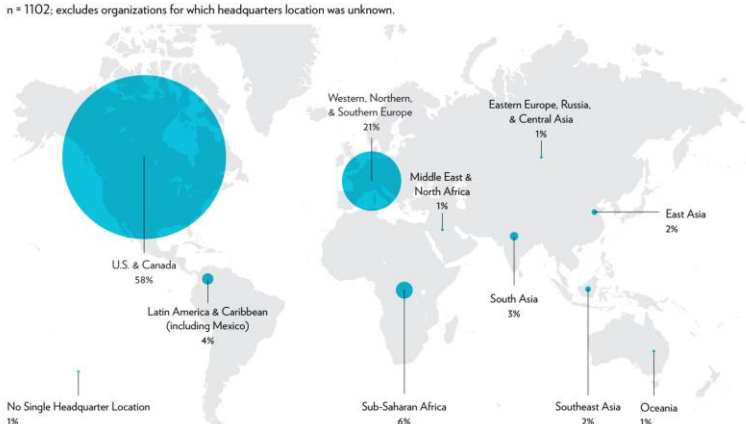


Figure 6: Impact investment organizations’ headquarters location across the world (Source: Global Impact Investing Network, 2019)

2.2.3 Sustainability as a business opportunity and competitive advantage

Establishing business in compliance with TBL is the major challenge for new entrepreneurs in the twenty-first century. The goals for three dimensions sometimes are mutually reinforcing, but often there are trade-offs (Belz and Binder, 2015). For this reason, sustainable entrepreneurs face a lot of ambiguities and complexities in the process as sustainability is a rough routine consisting of demanding knowledge, uncertain problems and multiple goals (Lans, Blok and Wesselink, 2014). Nonetheless, since the demand and awareness of responsibility for society and environment escalate, sustainability means going beyond regulation or a standard compliance, it is now being seen as a major source for long-term profitable opportunities (Lans, Blok and Wesselink, 2014; Bocken, 2015; Székely and Knirsch, 2005) as the market for sustainable products and services is getting more and more potential. Alberti and Varon Garrido (2017) in their paper estimate the value of sustainable market is up to \$290 billion while the market for investments in sustainability is \$3 trillion in U.S. Another report claims that by 2030, the market opportunities for sustainable entrepreneurs can be expected to reach at least \$12 trillion a year and the exact value can be 2-3 times higher in real life (Elkington and Roberts, 2017). A recent report Better Business Better World (2017) from Business and Sustainable Development Commission states that 10 out of 12 business themes which have biggest value of incremental opportunities in 2030 are having focus on the social and ecological problems: New health care solutions account \$1,650 billion, clean energy values \$1,200 billion, food loss/waste and agricultural solution is worth \$655 and \$665 billion respectively, meanwhile forest ecosystem services is evaluated \$365 billion.

In this respect, the entrepreneurs who identify sustainability as the promising business opportunities will determine that the process of establishing new products, services or innovative methods for manufacturing or different management strategies in sustainable ways is the process of generating competitive advantage (Lans, Blok and Wesselink, 2014). In the other words, sustainable entrepreneurs are the pioneers who recognize and capture the increasing need for sustainability from the market and turn it into their uniqueness. Additionally, sustainability's TBL also help the business to reduce the risk while increasing the efficiency in managing resources, avoiding waste generation and boosting the innovation (Székely and Knirsch, 2005). A survey in 2013 among 2600 leaders and managers around the world had said that sustainability rose the companies' profit 37% and approximately 50% of companies had changed their business model

as a result of sustainable market's attraction (Bocken, 2015). The online survey in Sustainability's Deepening Imprint report (2017) from McKinsey & Company which covered 2,422 companies pursuing sustainability programs states that 21% of respondents claim that ensuring ability to grow/strengthening competitive positioning is the reason for them to address sustainability. Furthermore, among companies who develop three growth-related activities, including managing business portfolio to capitalize the sustainable trends, committing R&D to develop sustainable products, services and introducing current sustainable products, services to new markets/customers, 39% report a positive profitable impact from the sustainability policy and nearly 67% expect the potential value from sustainable activities in in the next five years.

2.2.4 Indicators for successful sustainable investment

A numerous of studies was conducted to investigate the business models, frameworks and criteria in order to shed a light on the revealing the sustainable-oriented criteria as the nature of sustainability itself is very complex. This section is significantly important as it is the fundamental to compose the interview questionnaire as well as to create the evaluation tool later, hence, the following will present in details the process together with key result I conclude from literature stream.

Process

To ensure that the articles I found is highly relevant and up-to-date, I have, to the large extent, conducted my searching on trustworthy resources by using the appropriate keywords. The sources of information include search engine Google Scholar; statistic numbers from reliable newspaper, including The Guardian, CNBC, Bloomberg, etc.; the industry reports from high-reputative sources such as KPMG, McKinsey, GIIN, Gust, Harvard and so on. Some examples for keywords being put into searching are: TBL, sustainability criteria, sustainable investment, sustainable entrepreneurs, sustainable business, responsible investment, investment decision-making, investment criteria, global startups, startups investment Norway, startups selection, etc.

There are over 200 official articles and reports being shown as the searching results. Then, by reading briefly the abstract, introduction and summary, there are 43 papers being found appropriate and in close correlation with thesis's theme. After that, I continue to read in depth by focusing on three keywords "model", "criteria" and "evaluation decision", I end up with a list of

17 articles which can represent the whole picture of successful indicators for sustainable investment. Schematically steps can be presented in figure below:

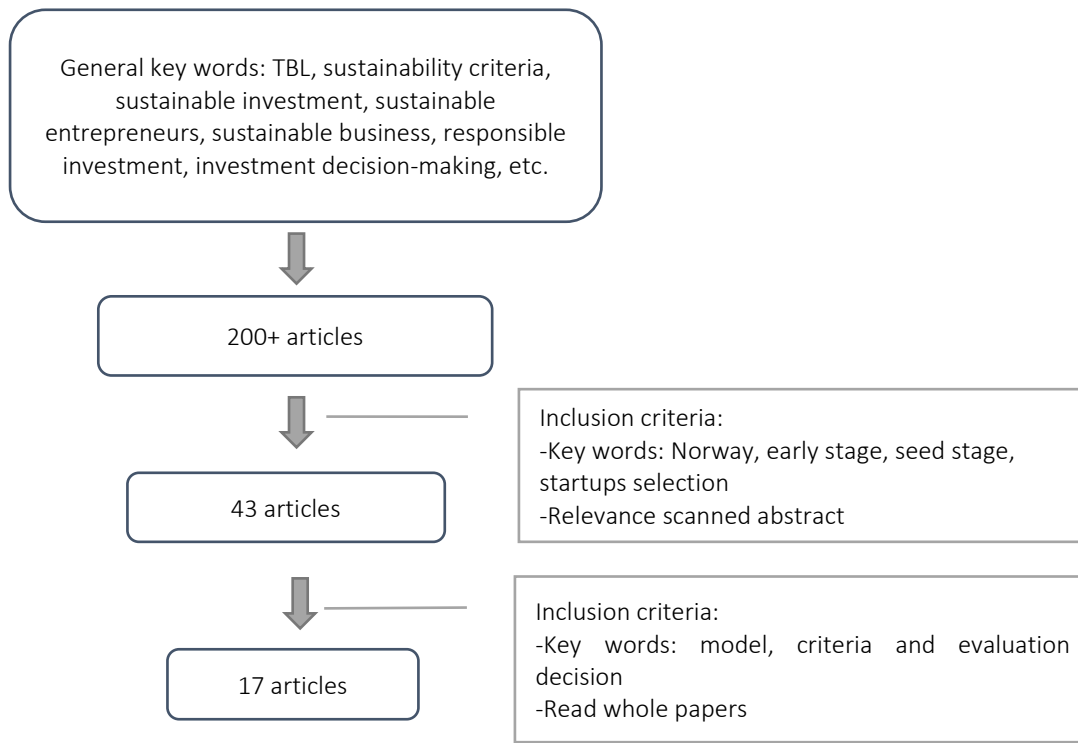


Figure 7: Screening process for literature review

To structure the collected data from those 17 articles into the TBL perspective and to develop the evaluation model later, the process of identifying and formulating key variables is following three steps:

- Firstly, I classify the collected results preliminarily into the groups of main indicators for determining successful startups, and then divide those facts within a group along the three dimensions of sustainability: economic, social and environmental.
- Secondly, since numerous ideas are sharing answers for a same question, I analyse and indicate the principal theme for each indicator under the condition of each TBL aspect.
- Lastly, I convey the theme into the statement which is more accessible for observer to rate regarding evaluation tool which will be presented in section 2.3. The analysis technique can be illustrated as Figure 7. The full analysis is presented in Appendix 1.

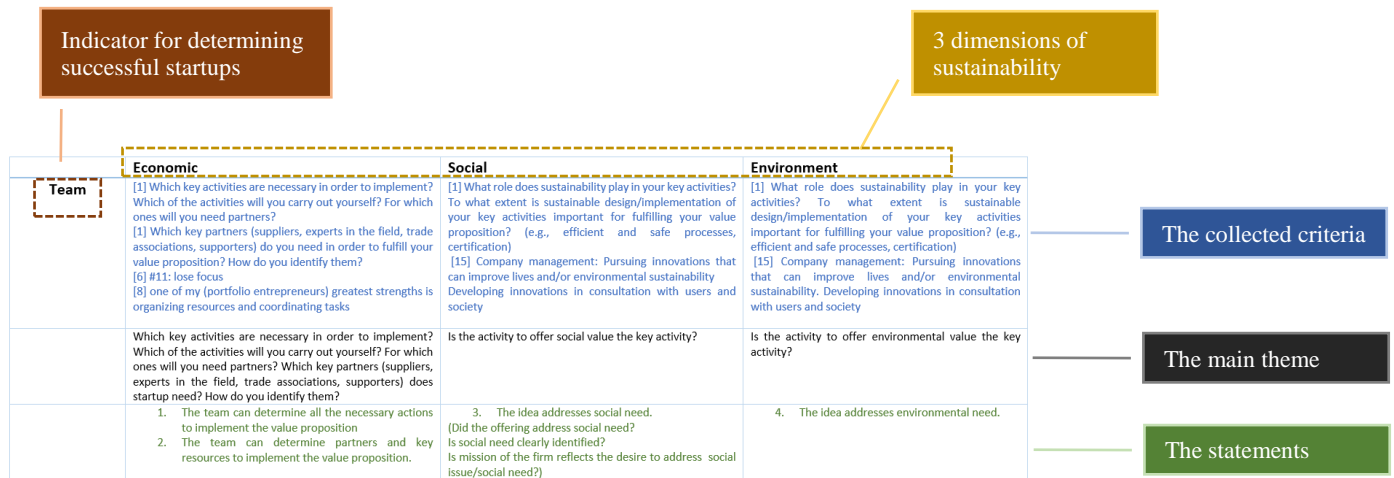


Figure 8: Analysis process of identifying, structuring academic data into TBL and formulating the key statements

This procedure assures some certain advantages. It is easier to get a deep understanding about the role and importance of different angles in each indicator in the TBL’s point of view while providing an overall view on the effective operations of the favourable entrepreneurs. Besides, the overlap among the collected results can be solved by declaring the common roots and hence, the successful variables are identified.

As a result, I end up with the list of 71 statements in Appendix 1, which is arranged briefly in the first column of Table 3. From the very beginning, I divide the social and environmental pillars separately in order to ensure all the detailed results from other studies are collected and put into the right places. However, the outcome of Appendix 1 demonstrates a very similarity in literature sources of those two pillars, and moreover, according to the Convergent Process Model of Belz and Binder (2015), before evolving into TBL model, the sustainable entrepreneur will go through the stage of developing double bottom line which is the combination of either social or environmental offer with economic return first. Based on those recognition, I perceive a possibility to combine the statements of social and ecological column together, and even the economic one. For example: statement number three “The idea addresses social need” and number four “The idea addresses environmental need” can be blended into one acknowledgment “The idea addresses social and/or environmental need”, while the number 16 “The team has the plan for further development in the next 2 years (advanced qualification training/further recruitment/etc.)” can stand for the all three lines at the same time as its context of further development can imply the

improvement in either economic and/or social and/or environmental aspect. This execution will help to shorten the list, make it more solid without losing the precision of the description and the compliance with the hypothesis. Correspondingly, after a second review, the middle range in Table 3 shows the list of 53 statements which is the reduced form of raw Appendix 1.

Go through the listing again, I realize there is a slight degree of resemblance in few lines. The statement number 17 “The idea can offer a practical solution for a specific social and/or environmental problem” can be the merger of number three “The idea addresses social and/or environmental need” and number 29 “The idea offers social and/or environmental value which is matched with key customer’s interest/awareness about society and/or environment.” Likewise, the number 39 “The investors involve in addressing and developing the social and/or environmental values” can be the result of number 41 “There are already investors/partners who show strong commitment to the idea” and 42 “There are already investors/partners who show positive interest in the idea’s social and/or environmental value”, while the number 46 “The idea offers social and/or environmental idea that can help generating additional revenue” can be the outcome of number 31 “The idea offers social and/or environmental value which can help attracting additional customers”. Statement 43 “It is easy for the company to seek and receive helps from other founders and investors” and number six “The team has good connections in the industry” is considered sharing the same meaning as well. Lastly, due to the observation throughout the six interviews, even though all respondents show a significant positive attitude toward the sustainability, the last two statements 52 and 53 concerning the trade-off between economic return and social-ecological benefit receive dynamic perspectives in a large degree from the side of evaluator/investor. Also, the goal of this paper is about proposing a model not only for funding firm to assess the sustainable potential of an idea but also for the young entrepreneur to self-evaluate. Hence, due to those consideration, I decide to eliminate the last two statements from the list of rating measurement. To sum up, the final results of 47 statements after three layers of revision can be shown in the last pole of Table 3.

Table 3: Revision process of statements

First review	Second review	Third review
Team		
<ol style="list-style-type: none"> 1. The team can determine all the necessary actions to implement the value proposition. 2. The team can determine partners and key resources to implement the value proposition. 3. The idea addresses social need. 4. The idea addresses environmental need. 5. The team already have the needed skill, technical know-how, qualification and business expertise. 6. The team has founded or participated in a startup in the past 7. The team has good connections in the industry 8. The team has no irreproachable legal history 9. The team already have resources and skills to provide the social value through product/service. 10. The team already have resources and skills to provide the environmental value through product/service. 11. The team members has known each other for long time 12. The team members has demonstrated ability to work together productively. 13. All the team members are motivated to contribute to firm development 14. At least half of the team members cares about the social issues on the individual level 15. At least half of the team members cares about the environmental issues on the individual level 16. The team has the plan for further development in the next 2 years (advanced qualification training/further recruitment/etc.) 	<ol style="list-style-type: none"> 1. The team can determine all the necessary actions to implement the value proposition 2. The team can determine partners and key resources to implement the value proposition. 3. The idea addresses social and/or environmental need. 4. The team already have the needed skill, technical know-how, qualification and business expertise. 5. The team has founded or participated in a startup in the past 6. The team has good connections in the industry 7. The team has no irreproachable legal history 8. The team already have resources and skills to provide the social and/or environmental value through product/service or know where to get it. 9. The team members has known each other for long time 10. The team members has demonstrated ability to work together productively. 11. All the team members are motivated to contribute to firm development 12. At least half of the team members cares about the social and/or environmental issues on the individual level 13. The team has the plan for further development in the next 2 years (advanced qualification training/further recruitment/etc.) 	<ol style="list-style-type: none"> 1. The team can determine all the necessary actions to implement the value proposition 2. The team can determine partners and key resources to implement the value proposition. 3. The idea addresses social and/or environmental need. 4. The team already had the needed skill, technical know-how, qualification and business expertise. 5. The team has founded or participated in a startup in the past 6. The team has good connections in the industry 7. The team has no irreproachable legal history 8. The team already had resources and skills to provide the social and/or environmental value through product/service or know where to get it. 9. The team members has known each other for long time 10. The team members has demonstrated ability to work together productively. 11. All the team members are motivated to contribute to firm development 12. At least half of the team members cares about the social and/or environmental issues on the individual level 13. The team has the plan for further development in the next 2 years (advanced qualification training/further recruitment/etc.)
Offering/Value proposition		
<ol style="list-style-type: none"> 17. The company has clear vision and mission for the business. 18. The idea can offer a practical solution for a specific problem of customers. 19. The offering is very clearly articulated 20. The idea can offer a practical solution for a specific social problem. 21. The idea can have a positive impacts on the consumer' behaviour/perception about social issue. 22. The idea can offer a practical solution for a specific environmental problem. 23. The idea can have a positive impacts on the consumer' behaviour/perception about environmental issue. 24. The idea has unique competitive advantage as the result of its social value. 25. The idea has unique competitive advantage as the result of its environmental value. 26. The idea has the ability to increase the customer's utility 27. The idea has the possibility to be expanded and developed over time. 28. The idea offers social value which can be expanded and developed over time 29. The idea offers environmental value which can be expanded and developed over time 30. The risk of the idea is properly assessed by the team. 31. The risk of the idea is properly assessed by the external partners. 32. The gap between the envision solution and current prototype is not significant 33. The idea offers social value which can help to reduce the business risks. 34. The idea offers environmental value which can help to reduce the business risks. 	<ol style="list-style-type: none"> 14. The company has clear vision and mission for the business. 15. The idea can offer a practical solution for a specific problem of customers. 16. The offering is very clearly articulated 17. The idea can offer a practical solution for a specific social and/or environmental problem. (number 3 + 29) 18. The idea can have a positive impacts on the consumer' behaviour/perception about social and/or environmental issue. 19. The idea has unique competitive advantage as the result of its social and/or environmental value. 20. The idea has the ability to increase the customer's utility 21. The idea has the possibility to be expanded and developed over time. 22. The idea offers social and/or environmental value which can be expanded and developed over time. 23. The risk of the idea is properly assessed by the team. 24. The risk of the idea is properly assessed by the external partners. 25. The gap between the envision solution and current prototype is not significant 26. The idea offers social and/or environmental value which can help to reduce the business risks. 	<ol style="list-style-type: none"> 14. The company has clear vision and mission for the business. 15. The idea can offer a practical solution for a specific problem of customers. 16. The offering is very clearly articulated 17. The idea can have a positive impacts on the consumer' behaviour/perception about social and/or environmental issue. 18. The idea has unique competitive advantage as the result of its social and/or environmental value. 19. The idea has the ability to increase the customer's utility 20. The idea has the possibility to be expanded and developed over time. 21. The idea offers social and/or environmental value which can be expanded and developed over time. 22. The risk of the idea is properly assessed by the team. 23. The risk of the idea is properly assessed by the external partners. 24. The gap between the envision solution and current prototype is not significant 25. The idea offers social and/or environmental value which can help to reduce the business risks.
Market		
<ol style="list-style-type: none"> 35. The key customers is well defined. 36. The main communication and distribution channels is well defined. 37. The idea offers social value which is matched with key customer's interest/awareness about society. 38. There is the customized communication channels to transfer the social value of the idea 39. The idea offers environmental value which is matched with key customer's interest/awareness about environment. 40. There is the customized communication channels to transfer the environmental value of the idea. 41. The idea offers social value which can help attracting additional customers 42. The idea offers environmental value which can help attracting additional customers. 43. The competitors analysis and positioning are well defined. 	<ol style="list-style-type: none"> 27. The key customers is well defined. 28. The main communication and distribution channels is well defined. 29. The idea offers social and/or environmental value which is matched with key customer's interest/awareness about society and/or environment. 30. There is the customized communication channels to transfer the social/environmental value of the idea 31. The idea offers social and/or environmental value which can help attracting additional customers 32. The competitors analysis and positioning are well defined. 33. The competitor's reaction when the idea enter the market is predicted. 	<ol style="list-style-type: none"> 26. The key customers is well defined. 27. The main communication and distribution channels is well defined. 28. The idea offers social and/or environmental value which is matched with key customer's interest/awareness about society and/or environment. 29. There is the customized communication channels to transfer the social and/or environmental value of the idea 30. The idea offers social and/or environmental value which can help attracting additional customers and therefore, generating additional revenue 31. The competitors analysis and positioning are well defined.

<p>44. The competitor's reaction when the idea enter the market is predicted.</p> <p>45. The idea offers social value which can help differing the company with its competitors.</p> <p>46. The idea offers environmental value which can help differing the company with its competitors.</p> <p>47. It is difficult for competitors to copy the idea's advantage due to the social-environmental value proposition/know-how technique/partnership/resources/human capital/etc.</p> <p>48. The idea does generate a barrier to entry.</p> <p>49. It is necessary to have the incentive to go to the global market right from the beginning</p>	<p>34. The idea offers social and/or environmental value which can help differing the company with its competitors.</p> <p>35. It is difficult for competitors to copy the idea's advantage due to the social-environmental value proposition/know-how technique/partnership/resources/human capital/etc.</p> <p>36. The idea does generate a barrier to entry.</p> <p>37. It is necessary to have the incentive to go to the global market right from the beginning</p>	<p>32. The competitor's reaction when the idea enter the market is predicted.</p> <p>33. The idea offers social and/or environmental value which can help differing the company with its competitors.</p> <p>34. It is difficult for competitors to copy the idea's advantage due to the social-environmental value proposition/know-how technique/partnership/resources/human capital/etc.</p> <p>35. The idea does generate a barrier to entry.</p> <p>36. It is necessary to go to the global market right from the beginning</p>
Stakeholders and Investors		
<p>50. The project can appeal more attractive to more investors in the future</p> <p>51. The investors involve in addressing and developing the social values.</p> <p>52. The investors involve in addressing and developing the environmental values.</p> <p>53. The investors/partners who are already committed to the idea are well recognized in the market.</p> <p>54. There are already investors/partners who show strong commitment to the idea</p> <p>55. There are already investors/partners who show positive interest in the idea's social value.</p> <p>56. There are already investors/partners who show positive interest in the idea's environmental value.</p> <p>57. It is easy for the company to seek and receive helps from other founders and investors</p>	<p>38. The project can appeal more attractive to more investors in the future</p> <p>39. The investors involve in addressing and developing the social and/or environmental values. (number 41 + 42)</p> <p>40. The investors/partners who are already committed to the idea are well recognized in the market</p> <p>41. There are already investors/partners who show strong commitment to the idea.</p> <p>42. There are already investors/partners who show positive interest in the idea's social and/or environmental value.</p> <p>43. It is easy for the company to seek and receive helps from other founders and investors (result of number 6)</p>	<p>37. The project can appeal more attractive to more investors in the future</p> <p>38. The investors/partners who are already committed to the idea are well recognized in the market</p> <p>39. There are already investors/partners who show strong commitment to the idea.</p> <p>40. There are already investors/partners who show positive interest in the idea's social and/or environmental value.</p>
Finance		
<p>58. The price range that key customer's willing to pay for is well analysed.</p> <p>59. The revenue model is well designed.</p> <p>60. The idea offers social idea that can help generating additional revenue.</p> <p>61. The idea offers environmental idea that can help generating additional revenue.</p> <p>62. The idea doesn't require the intensive investment.</p> <p>63. The idea offers social value that doesn't entail the additional cost to implement.</p> <p>64. The idea offers environmental value that doesn't entails the additional cost to implement.</p> <p>65. The project's cost can be reduce in the future.</p> <p>66. Additional costs can arise in the future if activities are not sustainable</p> <p>67. It is possible to reduce the cost for social value in the future.</p> <p>68. It is possible to reduce the cost for environmental value in the future.</p> <p>69. It is acceptable to get lower/slower economic returns in favour of social and environmental returns</p> <p>70. The social effect in the idea will have strong impact in investment decision.</p> <p>71. The environmental effect in the idea will have strong impact in investment decision.</p>	<p>44. The price range that key customer's willing to pay for is well analysed.</p> <p>45. The revenue model is well designed.</p> <p>46. The idea offers social and/or environmental idea that can help generating additional revenue. (result of number 31)</p> <p>47. The idea doesn't require the intensive investment.</p> <p>48. The idea offers social and/or environmental value that doesn't increase the additional cost to implement.</p> <p>49. The project's cost can be reduce in the future.</p> <p>50. Additional costs can arise in the future if activities are not sustainable</p> <p>51. It is possible to reduce the cost for social and/or environmental value in the future.</p> <p>52. It is acceptable to get lower/slower economic returns in favour of social and environmental returns</p> <p>53. The social and/or environmental effect in the idea will have strong impact in investment decision.</p>	<p>41. The price range that key customer's willing to pay for is well analysed.</p> <p>42. The revenue model is well designed.</p> <p>43. The idea doesn't require the intensive investment.</p> <p>44. The idea offers social and/or environmental value that doesn't increase the additional cost to implement.</p> <p>45. The project's cost can be reduce in the future.</p> <p>46. Additional costs can arise in the future if activities are not sustainable</p> <p>47. It is possible to reduce the cost for social and/or environmental value in the future.</p>

Note: The bold represents the statements being adjusted

Results

As Table 3 shows, there are five main indicators being defined as the common grounds that sustainable researches' results in literature stream can be divided into: the team, the value offering, the market, the involved stakeholder and financial potential.

▪ The team

Among five indicators, the team is considered as the critical compass for the early phase entrepreneurs when the idea is still on the way of being developed and the market's uncertainty is hard to be predicted (Bocken, 2015; Radojevich-Kelley and Hoffman, 2012; Kim and Wagman, 2014; Petersen, 2016; CB Insights, 2018; Székely and Knirsch, 2005; Startup Genome and Global

Entrepreneurship Network, 2018). Tiemann and Fichter (2016) and Responsible Innovation Compass (2019) found out that the team's ability to determine the essential activities as well as to which extent the sustainability plays the role in running the idea is the important variation in evaluation, while the losing focus of founders is ranked in 11th place out of top 20 reasons startups fail (CB Insights, 2018). In addition, the founding team also needs to have advanced self-awareness about their human capital, which means the pros and cons in their qualification, knowledge, business know-how, industrial network connection, etc., in order to recognize the risk, organize resources (Csaszar, Nussbaum and Sepulveda, 2006; Labuschagne et al., 2005; Gelderen, Thurik and Bosma, 2005; Westhead et al., 2005; Startup Genome and Global Entrepreneurship Network, 2018; Responsible Innovation Compass, 2019) and comply with the defined sustainability requirements (Tiemann and Fichter, 2016). In fact, beside the self-evaluation, the external recognition, for example the good credentials, references from surroundings and clean legal history, is one of the key points that investor also need to check while doing the due diligence (Csaszar, Nussbaum and Sepulveda, 2006). As Tiemann and Fichter (2016) suggests, the key partners, including suppliers, trade association, industry consultants, investors, etc., shall be acknowledged to coordinate and especially, to seek for support to fulfil the desired sustainability proposition. What's more, the understanding among team members should be taken into account as the disharmony among the team members and choosing wrong team is the cause in 12th and 3rd place respectively in the report of top 20 reasons for startups' failure (CB Insights, 2018). Hence, the questions concern the relationship among members, the motivation for doing the business together, the involvement of each individuals toward the entrepreneur' development (Csaszar, Nussbaum and Sepulveda, 2006; Westhead et al., 2005 and Responsible Innovation Compass, 2019) as well as the attitude toward the society and environmental issue on personal level (Labuschagne et al., 2005) should be raised. Finally, the ambition for growth is a decisive factor for consideration. The report from Székely and Knirsch (2005) about metrics for sustainable performance argues that economic sustainability includes two factors: human capital and financial capital, and that human capital refers to the job creation in community, the benefits, training opportunities, pay equity ratios and career development for employees. In the same token, Westhead and Wright (1998), Westhead et al (2005) and Responsible Innovation Compass (2019) also agree that the hope to expanse employment size and the intention to provide the job related training for internal human resources is one of the successful factors for sustainability.

- **The value offering**

The value proposition of the idea itself is the second ground to look at in term of entrepreneur's sustainable achievement. The core benefit that the products or services offer is discussed multiple time in many studies, for instance: which customers' problem can be solved (Tiemann and Fichter, 2016; Csaszar, Nussbaum and Sepulveda, 2006; Westhead et al., 2005; Responsible Innovation Compass, 2019), which market's need is matched (CB Insights, 2018), what reason for customers to purchase or whether customer utility increases (Tiemann and Fichter, 2016), which uniqueness the idea carries and how consistent the business model is (Tiemann and Fichter, 2016; CB Insights, 2018). Furthermore, the sustainable criteria, for example the nationally and/or globally environmental and/or social subsidy (Labuschagne et al., 2005), the positive impact on consumer' behaviour/perception about environmental and/or social issue (Responsible Innovation Compass, 2019), also comes along with the potential financial gain. The offering social and ecological favour can also accompany with competitive advantage over competitors and potential entrants (Csaszar, Nussbaum and Sepulveda, 2006) or boost the consumers' utility (Tiemann and Fichter, 2016), which finally leads to the TBL fulfilment. In accordance with the team's desire for growth, the possibility for the whole value of an idea in general (Westhead et al., 2005; Responsible Innovation Compass, 2019) and the sustainable value in particular (Tiemann and Fichter, 2016; Labuschagne et al., 2005) to be enlarged and developed is also reviewed as "the consideration of one opportunity often leads to other opportunities" (Westhead, Ucbasaran and Wright, 2005). To be more precise, the socio-environmental performance which considers the contribution of organisational strategy to the environmental preservation within society is a macro-social success level (Labuschagne et al., 2005). The risk related to the value proposition should be taken under advisement as either the legal complexity and restraint on patterns or the negative reaction from consumers side can shut down the entrepreneur's business (Csaszar, Nussbaum and Sepulveda, 2006; CB Insights, 2018; Responsible Innovation Compass, 2019). Meanwhile, the sustainable offers is also believed as a non-financial strategy (Alkaraan and Northcott, 2006) in order to potentially diminish the risk such as changes in legal requirements, threat of reputation and so on (Tiemann and Fichter, 2016).

- **The market**

For both traditional or sustainable entrepreneurs, analysing carefully the business market including the key customer and the competitive environment is essential. The understanding customer consists of not only targeting and capturing the right demand of buyers but also about having the knowledge of purchasers' characteristics and consuming habits with the purpose of capturing the key features in customer relationship management. CB Insights (2018) states that the 8th and 9th reason for startups' failure represents the "Poor marketing" and "Ignore customers", which means the deficiency in getting market's attention and overlooking their feedbacks. In the same manner, Tiemann and Fichter (2016) also discusses that due to the relativeness between social-ecological value and consumer's awareness, the focus on the establishing suitable communication and distribution channels might capture additional customers for sustainable entrepreneurs as well as optimize their interest in ethical and responsible business (Székely and Knirsch, 2005). The understanding competitors, on the other hand, represents the entrepreneur's positioning in comparison with the current rivals and the forecast of their' reaction when the idea is exposed in the market (Tiemann and Fichter, 2016; Csaszar, Nussbaum and Sepulveda, 2006; Labuschagne et al., 2005). The vulnerability of the company also should be calculated as when the product or service is put into the public, there is a very high threat that it can be copied, therefore, the sustainability in all likelihood is believed being established if the business' long-term advantage can exist and generate the barriers to entry the market (Tiemann and Fichter, 2016; Csaszar, Nussbaum and Sepulveda, 2006; CB Insights, 2018). Lastly, the market size also reflects the same insight with the team's ambition for growth as being mentioned above: the larger the market is, the higher the founder's mindset is, and results in the higher likelihood of being successful startups (Startup Genome and Global Entrepreneurship Network, 2018).

- **The involved stakeholder**

The participation of stakeholders such as the business partners, suppliers and especially investors is the fourth component determining the success of TBL mechanism. As Williams (2007) claims, investor attitudes and behaviours are one of the potential determinants for socially responsible investing choices. The association between the entrepreneur and stakeholders in order to pursue sustainability is quite complex as it doesn't only stop at the financial support and coordination among parties but also goes deep inside the engagement of addressing the social and

ecological needs, providing consultancy, feedback and developing the responsible value simultaneously together (Sinan Erzurumlu and Erzurumlu, 2015; Responsible Innovation Compass, 2019). Therefore, the level of stakeholder's commitment is illustrated by a transparent information flow among partners (Labuschagne et al., 2005) and the positive attitude toward the sustainable product/service being offers (Sinan Erzurumlu and Erzurumlu, 2015). Furthermore, since running out of cash is the popular explanation for entrepreneur' crash (CB Insights, 2018), the matching between the idea and current investors' interest as well as the potential to catch the new investors' attention in the future are two factors worthy to be investigated (Csaszar, Nussbaum and Sepulveda, 2006; Blanding, 2015). By the same token, Startup Genome and Global Entrepreneurship Network (2018) and CB Insights (2018) share the same argument about the ability to benefit from stakeholders and the local connectedness. The term called "sense of community" (Startup Genome and Global Entrepreneurship Network, 2018) suggests that the relationship with other external investors and other local founders in the area is also an advantage for successful startups to seek for help and introductions easily.

- **Financial potential**

There are various researches investigating the successful criteria in financial aspect of the sustainable entrepreneurs. The cash flow with detailed variables, including the expected revenue and return on investment, the range that customer is willing to pay, pricing model and cost structure are some main proposed elements should be analysed (Csaszar, Nussbaum and Sepulveda, 2006; Sinan Erzurumlu and Erzurumlu, 2015; Labuschagne et al., 2005; CB Insights, 2018) besides the additional profit that social and environmental value is estimated to bring up (Tiemann and Fichter, 2016). To be more precise on the cost structure, some papers investigate about the possibility of not only the cost escalation with regard to offer and maintain the social and environmental value but also the potential of cost reduction for sustainability, the arising expenditure in the future if the activities are not sustainable (Tiemann and Fichter, 2016) as well as the intensive investment required for funding TBL idea (Csaszar, Nussbaum and Sepulveda, 2006). Moreover, it is worth mentioning that financial condition is also inspected under the stakeholder's point of view. As Bocken (2015) points out, in TBL's reality, the investors' positive attitude toward the trade-off between the economic returns and the social/environmental benefits can be one of several ways to support sustainable entrepreneurs: the willingness to accept slower capital or potentially lower economic returns in favour of social and environmental returns. In the other word, the sustainable

startups have more chance to receive the capital and investment support if the social and ecological value inside the business idea has strong influence on the investor's funding distribution decision (Williams, 2007).

2.3 The tool for idea's evaluation process

As section 2.2 demonstrates the characteristics of sustainable investment together with five main indicators and a list of evaluation statements, in section 2.3, I would like to present a model which is the main inspiration for this paper to shape and form its measurement tool.

A concept named Idea Model, or the Really Big Idea Pads is introduced in 2011 by Dr. Bruton – a Canadian key-note speaker in the entrepreneurship and innovation industry – through Innographer – a practical open education and innovation design firm. It presents a tool that fulfils the gaps in the early stages of opportunity prototyping which are ideation and concept formation (Bruton, 2016). The model includes two pads: a sketch pad for determining the parameters in creating or refining a project or venture idea, and a critique pad for assessing the sketched idea. Generally, tool has been reported being reached by more than 2000 people per month, applied in over 200 universities globally, for example, the University of Florida, the Alberta Association of Colleges and Technical Institutes, Illinois State University, San Diego State University, etc.; and used in initiatives of various organisations, for instance, Futurpreneur Canada, Momentum - Community Economic Development Society, Federal Economic Development Agency for Southern Ontario, Social Venture Partners and so on.

2.3.1 The sketch pad for ideas

As being mentioned above, The Innographer's core belief is to create an educational opportunity for everyone to access and with the Idea Model, to enable everyone to self-assess the potential value of their own business concepts. Originated from the assessment-related tool to give feedback to students (Bruton, 2010), the Idea Model is designed to evaluate and map the relative positions of venture concept to each other based on two dimensions: "innovativeness" and "feasibility". In the beginning, the innovativeness' importance is decided by four factors: the offering and value proposition; customer including buyers and users; supplier situation and strategic position. On the other hand, the feasibility's strength is formulated by the team's fit; the three characteristics of key strategic resources: valuable, rare, and costly to imitate; competitive situation, the breakeven numbers and plan for development.

Later in Dr. Bruton's updated report in 2016, there are few changes in the naming and allocating factors. On one side, the dimension "innovativeness", which being renamed into "the impact", is a dimension assessed in terms of two factors: the customer (C) and the value proposition (VP). Firstly, the customer (C) suggests the questions related to user/buyer concerns, for example who they are, how they use the product/service and how many they are in the market. Secondly, the value proposition (VP) focuses on the reasons for user/buyer purchase the product/service. Within the VP, there is a sub-factor called substitutes and alternatives being discussed, which mainly concerns about current substitutes and/or alternatives from competitors in the industry.

On the other side, the components of "feasibility" dimension consist of the human capital of the team (P), offering (O) and distinctive or core competency (DC or CC). In the first place, the people (P) captures the picture of who the team's members are and what type of experience and knowledge they possesses. The functions and speciality of the offered products/services is the core matter that offering (O) covers. In addition, the distinctive or core competency (DC or CC) describes the unique level of the business idea as it could be superior if it's valuable, rare, costly for imitation and surpassed the competitors.

2.3.2 The critique pad for ideas

After specifying the factors of impact and feasibility, the second pad – critique pad – spotlights the calculation and allocation the ideas on the positioning map. In this trail, the five factors from previous pad will be assessed and given a numeral value by rating in the scale from 1 to 10 how good each of them is in ascending order. For example: after gathering all of the information with regard to the customer C element, including data about consuming habit of key users and buyers, their price thinking, the size of the market at the moment as well as in the future, the problem they are dealing with, etc., reviewer is asked to give a general score for the C factor by answering the question "I believe the venture's choice of customer (C) would lead to significant value creation". By doing that, digit value for C section is made. The same grading process then will be applied to other factors. It is worth pointing out that the offering (O) and core competency (CC) now is merged and therefore, the offering and core competencies (OCC)'s score will be interpreted by answering to which degree the OCC is believed to formulate the significant value creation. After receiving all score for each factor, the strength of impact dimension is measured by

multiplying C by VP while the feasibility's performance is measured by multiplying OCC by P. With the calculated result, evaluator now is able to allocate the idea in the graph which vertical line represents the impact and horizontal line refers the feasibility as below:

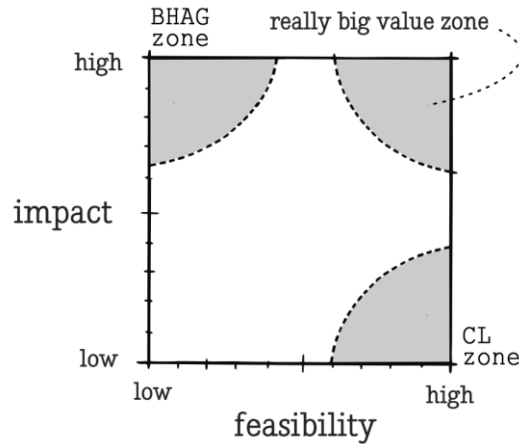


Figure 9: Impact-feasibility graph and three key opportunity design goals

(Source: Bruton, 2016)

In the graph, there are three zones illustrating three key opportunity design goals for the positioned venture idea to fall in (Bruton, 2016). The top left corner, named the big hairy audacious goal (BHAG), refers the ambition of founders on the idea's impact without much consideration about the possibility for it to occur. On the opposite corner, bottom right zone represents the customer learning (CL) mission where the firm wants to focus on investigating and understanding as much and efficient as possible the key context or the customer. Last but not least, the really big value (RBV) zone locates on the top right corner is the most advanced target for entrepreneur aiming to due to its highest potential impact and feasibility.

Because the assessed ideas are allocated under the same criteria, the critique pad shows the opportunity for evaluators to not only make the relative comparison among ideas but also offer a self-assessment and self-development chance. The freedom to classify encourages the attempt to inspect, to recognize the limitation and hence, make the needed correction to come up with more optimizing ideas. According to Dr. Bruton's paper in 2016, based on the concept of Idea Model, there are three phases in critique and self-assess process for opportunity design. The very first period of the process is when the rough idea is born as it is genuinely primitive, followed by the second phase that the raw idea is put into sketch pad for identifying the factors, then being rated

for scores and calculated according to the critique pad before finally being allocated in the opportunity zone it belongs to at the moment. The steps in the second phase can be repeated by multiple times until the concept reaches to the desired RBV corner. Thereafter, the third as well as the final phase is when the optimal idea being put into practice.

Overall, it has to be acknowledged that the Idea Model is a great innovation as it promotes the early stage idea evaluation and creates a visual approach to not only compare but also self-develop the concepts. However, the model is putting heavily weight on the economic indicators and lacking attention toward the social and ecological factors. Therefore, due to the recognition of sustainable phenomenon, I will apply the Idea Model from Dr. Bruton as the core technique while adapting the three pillars of sustainability from academic works at the same time in order to identify and measure relevant indicators for sustainable investment decisions.

3. Methodology

In this chapter, I will present and explain the core manner guiding this thesis, including the clarification about research design, research process, data collection, verification of paper's quality as well as its limitation.

3.1 Research design

Qualitative and quantitative are the most popular tools in academic stream that are commonly used to distinguish the types of researches. Researchers call them in various ways: such as the two polar distinctions (Ercikan and Roth, 2006) or two paradigms of research' method (Sale, Lohfeld and Brazil, 2002; Paley, 2000). There are multiple aspects being analysed in order to separate those two methods, in which the most popular way is based on the cornerstone philosophical paradigms: positivism and interpretivism (Sale, Lohfeld and Brazil, 2002; Slevitch, 2011; Lievens, Lindelow and Serneels, 2009).

On one side, the quantitative method is assumed to be based on the positivism which refers all phenomenon can be explained by the realistic indicators representing the truth. The positivism paradigm's ontological mindset is that there is an existence of the one and only truth which is not under human perception's control. Hence, this leads to the objectivist feature that there is no any type of influence and connection among investigator and the investigated. As a result, the quantitative method including the investigating actions grounded in statistical data, hypothesis

testing, mathematical explanations, and well-structured set of information in a large sample size is the popular tool for research regarding positivism perception.

On the other side, the qualitative paradigm’s foundation is interpretivism, which refers the idealist outlook: reality is not an absolute but a constructed truth. The ontological mindset of interpretivism viewpoint is that perception of human being who involve in reality are dependent factor to create the definition of truth and hence, reality is social creation and is repeatedly changing. Due to this point of view, it is assumed that investigator and investigated topic share an interacted link and the results are mutually found. Hence, the qualitative research which is the typical approach for interpretivism will focus on the process of the exploration, consisting of detailed techniques such as deep interview, opinions gathering, broad discussion and small sample size. The differences between two research method can be summed up as following Table 4:

Table 4: Comparison between Qualitative and Quantitative approaches (Source: Lievens, Lindelow and Serneels, 2009)

Qualitative	Quantitative
Words	Numbers
Point of views of participants	Point of view of researcher
Researcher close	Researcher distant
Theory emergent	Theory testing
Unstructured	Structured
Contextual understanding	Generalization
Rich, deep data	Hard, reliable data
Meaning	Behaviour
Tends to follow an inductive approach	Tends to follow a deductive approach

Due to the definition of research method as above, this thesis aligns with philosophical paradigm interpretivism and identifies qualitative as the key approach to collect data and resolve the research question. Because the core premise in qualitative research is verbal data which provides rich understanding about investigated topic, it is completely consistent with this paper’s data collecting and analysing procedure, in that, interviews with participants from inside investment industry are conducted to collect in-depth insights from their personal viewpoints. Gathered information will be put into assessment in correlation with theory multiple times and discovered finding is believed to strongly represent the big tendency of whole industry, which totally matches with interpretivist research philosophy that the truth is socially constructed by each

of its involved actors. The general description of research process will be presented in next subsection, followed by detailed procedure in executing the interviews.

3.2 Research process

In order to complete this paper, the process for planning and executing included five main steps. The very first step was identifying the theme and establishing a clear purpose of the research. Second step contained a structured literature review by circling the key resources and keywords to seek for the most related articles. There is a deep analysis of theory being executed and resulting in a discovery of five popular themes. Thirdly, I collected the practical data by selecting the appropriate investment companies to contact and arrange interview appointments. The interview guide was created based on the collected academic insights from second step and there were six meetings with industry actors occurring. During the collection process, multiple interactions between the theory and findings from qualitative interviews were performed. After each interview, the new insights being brought up will be checked in the literature stream and be added up into the list of questions for the following interview for discussions, and for this reason, the first interview was the only one executed based on the literature point of view alone. The fourth step is where interviews' results were put into analysed in line with theoretical model and hence, extract from it the recommended tool and its validation testing. Finally, the key finding, the contribution and limitation of this paper is discussed in the conclusion part together with further development.

3.3 Data collection

There are two types of data in research paper, i.e. primary and secondary data. As Hox and Boeije (2005) discussed, academically, primary data is the new information being collected in corresponding to the research theme and is the essential evidence to answer the research questions. Even though this data is costly and time-consuming, it can be tailored dedicatedly to a specific topic and hence, increasing the trustworthiness of the findings. Secondary data, on the contrary, is the information being created by other researchers for references or being reuse in research community. The upside of secondary one is its low cost and speedy access while the drawback is un-optimal relevance between the data and research's context.

Accordingly, this thesis traces out the discoveries on both primary and secondary data. First, a structured literature review of articles dealing with the topic of success factors and investment decisions into startups was conducted to uncover the main factors that are perceived to

be crucial for the investors according to literature. This part of the thesis thus implies deductive thinking and derives insights from the prior research which are secondary data.

Secondly, a qualitative approach was used to obtain primary data, to verify and enrich the findings from literature and to put them into the Norwegian context. Six interviews with the experts in the investment industry in Norway were conducted in Spring 2019, representing a small but in-depth knowledge from relevant participants. Each meeting contains a high level of flexibility, the questions are customized on a case-by-case basis as well as the conversation flows are impossible to be standardized. Moreover, the collected insights are rich and meaningful, illustrating the dynamic points of view of respondents as well as validating the gaps between theoretical and practical activities.

3.3.1 Literature review - secondary data

Literature review is examined throughout this paper, serving different purposes in each step of the thesis. It is a very first decisive factor to assure that my topic remains timely, useful and original. To my very best attempt, a significant effort has been put on investigating the academic stream, from looking for highly associated articles and reports to my personal analysis and interpretation in order to understand the previous knowledge and uncover my own research's question. It should be notable that every move in this thesis has been put under close investigation regarding literature resources back and forth multiple times. More details of the collecting and analysing process of academic inspection can be found specifically in the section 2.2.4.

3.3.2 Interview – the primary data

To contextualize and verify findings from literature review, this paper is relied on the qualitative method so as to collect the primary data and insights in the market through six interviews individually. This is the essential direction to establish the fundamental background for building the practical model to match the theoretical history. Moreover, the qualitative methodology also allows me to reflect on earlier findings from literature review and empowered a reciprocal process of analysis.

Sample

As a narrow but speeding growth industry, the startups investment firms in the Norwegian economy is established spreading throughout the country, but still allocated mostly in the big cities

such as Oslo, Bergen, Stavanger, Trondheim, etc. Since this is an advanced financial investment field, the funding organizations are born with the likelihood of owing superior human capital, industry network and support from government policy. Therefore, the knowledge, qualification and experience background of the individual interviewees can be guaranteed. I use two main relevant keywords: sustainability and startups investment to filter the potential funding companies to reach out, which results in the list of 17 companies. The names of those 17 firms are shown multiple times in many online newspaper sources regarding funding for startups in Norway, therefore, to a certain degree, a general sample of 17 companies also represents the population of well-known investment organizations in the industry and is not classified according to the investment stages. Due to the national distribution of the firms, there is no geographical favour within the nation for selection approach. By doing this, the paper's goal is to get hold of the big picture of Norwegian market and clarify the acquaintance among the stages if any, for instance the traits between the successful startups in not only the early phase but also in the expansion stages. In the end, I received the six acceptance for support from the pool of 17 emails being sent out, which means the data is collected representing the opinions of 35% the whole industry.

Conducting

After sorting out the potential candidates, first email was sent, including the the introduction of myself, the purpose of the topic that was conducting and the desire of their collaboration. Next, for those who show positive answer to the email, we arrange the suitable date and time for both parties, the venue if that's face-to-face meeting or the necessary platform if that is online form, including Skype and Appear.in. Following, the supportive documents were sent, for instance the questions list from my side and the company's track record or policy from opponent's side, so the well preparation can be ensured beforehand. As being mentioned earlier, the questionnaire is updated continuously through the six interviews and due to the the differences among interviewees and their companies, some questions is adjusted case by case during the talk. Restricted in the arranged duration, the order of questions is elastic in order to secure that the most basic and essential questions were covered throughfully while the leftover or arising inquiries can be communicated through emails later. Overall, among six talks, two of them which is the first and the third were conducted face-to-face as interviewees are based in Stavanger, which is very beneficial owing to the detailed observation of emotional and body language as well as the

elimination of internet corruption. The rest four interview is managed online, that the second interviewees stayed in Trondheim and the fourth to sixth stayed in Oslo.

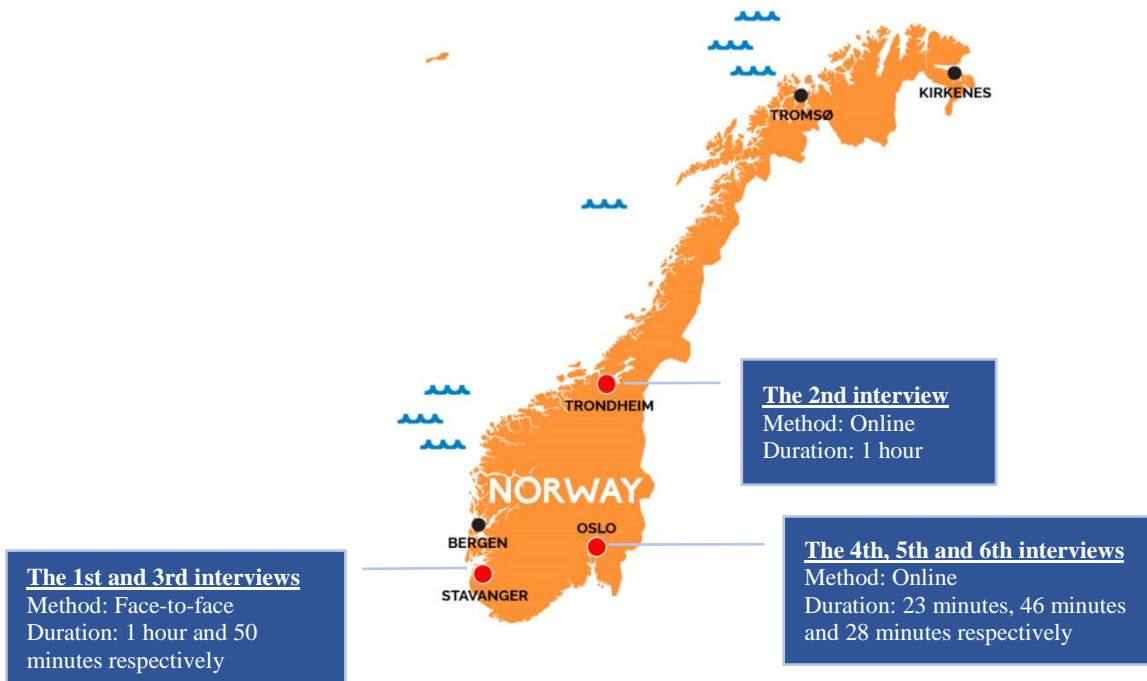


Figure 10: Interactive interview map

In general, each interview lasts approximately 45 minutes and all are permitted to be audio recorded and be transferred into transcript later in Appendix 4. The documentation step is critical as it helps to provide an evidence and ensures all information is accurate.

Confidential commitment

The interviews are established under a strict confidential agreement. At the beginning of the meeting, as being mentioned earlier, I asked for permission to record our conversations. Eventhough the thesis itself will be put into public, still, in the questionnaire being sent beforehand, there is a question in the Company Overview section in Appendix 2 asking interviewee's wish to keep his/her organization's name staying anonymous or public. Among six companies, only one stated that he would like to keep the firm's name incognito. Furthermore, all of the respondents want to review the paper as soon as possible, before it is submitted for adjustment or corrections if any. Based on the modest size of the industry, the threat of exposal know-how and the fairness in confidentiality, I decided to keep all of the six companies' names undisclosed. Also, this consideration is informed later to the other five companies who agreed on being public in order to ensure their approval on my choice.

3.4 Quality of the research

The credibility in any type of research, qualitative or quantitative, is demonstrated by two concepts: reliability and validity (Golafshani, 2003; Morse et al., 2002; Yin, 2014). There are, however, different standards to check reliability and validity in qualitative and in quantitative. Due to the discussion in Research Design, as qualitative is the representative method for this paper, I will concentrate on reviewing measurements for quality of qualitative research and thereupon, testing the reliability and validity of this thesis.

3.4.1 Reliability and validity

The term “validity” is described by a wide range of definition in qualitative studies. According to suggestion from Creswell and Miller (2000), researchers’ viewpoint of validity in their studies together with their choices of paradigm assumption will lead to their own concepts of validity checking. For example, Johannesen et al. (2004) explains that construct validity is a linkage between study’s purpose and actual investigated subject, Yin (2014) claims that the process of identifying validity is the process defining correct measures for the research’s topic.

The concept of “reliability” in qualitative research is also different with the one in quantitative paper. The idea of testing remains as a powerful evidence to check the accuracy and application of results, but in quantitative study, reliability evaluates “purpose of explaining” while in qualitative, it evaluates the purpose of “generating deeper understanding” (Golafshani, 2003). A common understanding about reliability concept in qualitative research is the consistency in its whole process and outcome (Morse et al., 2002; Golafshani, 2003; Yin, 2014), including the consistency of data in each different phase of the research: preparation, conducting, analyzing and the maintenance of focal points.

Generally, even though reliability and validity are separated clearly in quantitative studies, these concepts are not treated separately in qualitative research. In fact, the verification’s criteria of reliability and validity in qualitative research cannot be applied the same in all papers (Creswell and Miller, 2000; Morse et al., 2002; Golafshani, 2003). To ensure the trustworthiness, there are many suggestions about different standards and methods, such as triangulation, examination of internal and external validity, engagement and persistent observation, evaluation researcher’s ability and effort as the core instrument, etc., being discussed (Guba and Lincoln, 1981; Patton, 2002; Morse et al., 2002; Golafshani, 2003; Yin, 2014).

3.4.2 Research's verification

Among many discussions about appropriate criteria, to the best of my knowledge, paper from Morse et al. (2002) is the one which in fact being able to inform a list of standardized strategies regarding checking reliability and validity of qualitative research, and thus, this thesis' quality will be verified based on this discovery.

There are five strategies being suggested: 1) methodological coherence, 2) sample's appropriation, 3) dynamic relationship between sampling, 4) theoretical thinking and 5) theory development.

Firstly, methodological coherence refers the match among research's question, its method and analytic procedures. As the process might not be linear with different treatment in each interview, the fit of data and analytic goal must be consistent. Hence, this thesis is believed being conducted in the most logical way, from reviewing literature to examine the gap in theory, collecting academic insights to form the questionnaire for interviews, re-checking the linkage between academic suggestion and informant's insight and testing the small inspection with the related participants within the investigated industry.

Secondly, the selected sample must be appropriate to ensure that their answers can be able to represent for the research topic. As being discussed in section 3.3.2, the list of 17 samples being found are the most reputable companies after searching attempt, which results in six acceptance for interviews and thereby, the representative of sample can be clarified.

Thirdly, the iterative interaction among discussed insights, data collection and analysis needs to be assured. During the whole process of writing this paper being mentioned in section 3.2, the investigation between theoretical and practical relation has been made back and forth continuously due to the freshness and origin of the topic, and so, the third notion is verified.

Fourthly, researcher's thinking theoretically is put into consideration. In analysing step, even though I has put a considerable effort trying to reconfirm the gathered insights from practical interviewed in line with discovered data from previous studies, still, the data interpretation can be affected by my own personal knowledge and mindset, and therefore, the confirmation about this fourth standard cannot be answered surely.

Lastly, the theory development is about the result' contribution towards literature stream. Ideally, the finding of qualitative research should be its own result of investigating effort, rather than an adopted framework to put into discussion and should be able to contribute to further development of theory. In this thesis, even though the inspirational model was taken from Dr. Bruton's paper, however, to a very large degree, there was a significant effort being put into customizing the mother model into the topic's specific context, expanding its characteristic in correlation with research's sustainability theme and fulfilling the gap in current studies about TBL and accordingly, the fifth notion is believed acquiring.

In bottom line, those above verifications are concrete proofs to support that this thesis's trustworthiness is qualified in terms of qualitative research's standard. However, as the research also includes a certain limitation itself (section 3.5) and the result's inspection might not be conducted in the large enough scale to affirm its' effect in macro level (section 4.2.3), further inspection and verification is still expected as being mentioned in Conclusion chapter.

3.5 Limitations of research methodology

This thesis is based on both secondary data analysis from structured literature review and primary data collected through interviews. While such approach provide both insights from literature as well as verification and additional contextual information, it is steel not without limitations.

Primary data collected in this thesis allowed to get deeper to the Norwegian context and realize what values investors rank as the most important factors. At the same time, qualitative data of that kind bear external and internal limitations. The external factor including the characteristic of data and the internal factor as my personal perceptions in decoding.

From the external side, the primary data, or the interview results, is consist of the participation of six interviewees whom are different in the level of education, experience, position in organizations and personalities. This was reflected to the high variation in interview length: for a same question, some respondents provide a short and concrete answer, while the others give the long explanation as well as further related issues. Although the knowledge, ambition and professional attitude of all interviewees are at advanced level, the age difference among them is also an issue as it affects directly to the years' experience which is a significant condition in defining their qualifications for evaluating startups' idea. Also, their internal roles within the

organization also give them distinctive consciousness, providing answers in different depth. In addition, the firms' characteristics – for instance the focus markets or the year of running business – have certain influences on the results as well. A same question can be answered by a mature investment firm while cannot by a young funding group.

Each interview is conducted with maximum effort of communication, hence, it is greatly elastic due to the conversation's flow. The questions has to be asked in different orders in some cases and the attention is paid unequally among the issues as well. Last but not least, because of the extreme heterogeneity of the industry, all interviewees inform that their response doesn't set any rules or boundaries in the business, which means there is no exact answer for the any question. As the startups' idea and environment is complex, investment decision will always have to be adjustable depending on case-by-case basis.

From the internal side, my knowledge and mindset has been used in interpreting the collected information. This tendency can be exposed strongly on the process of the selection approach for choosing the companies to contact; the separating and classifying the secondary data as well as the matching statements and Dr. Bruton's model which will be presented in the following section. In the other words, my own decoding path can be different with the others' if we are put under the same track.

To put in the bottom line, still, the combination of the structured literature review with qualitative approach is believed to be the optimal choice to conduct this paper. The final version of the thesis is also sent to interviewees to confirm the data's preciseness and interpretation's accuracy; therefore, the above errors can be reduced to the maximum extent.

4. Results and Discussion

4.1 Insights in the startups' investment industry

4.1.1. Interviewees' background

As being mentioned in Confidential Commitment section, the six funding firms that I have had interviews with will stay anonymous, called A, B, C, D, E and F chronologically, which means A is the first company having meeting with and F is the last one. There are five companies claims that they focus on the seed and early-stage, while only one company B says the firm emphasizes on both early and later stage but with more attention toward the later stage. Also, while the other

five companies follow a certain type of organizational structures, company C is constructed in a less formal form that it can be considered as a group of five private angel investors who share the same interest in startup investment industry and hence, they agree to establish and run a funding company together as the co-founders. Four out of six interviews (A, D, E, F) represent the accelerator program in their organizations. Additionally, being asked about the investment resources, 50% respondents say they receive both government and private capital support (A, B and D) and 50% answer claim that private investors and corporations are their main financial sources (C, E and F). Among six companies, B is the company who has the highest investment size as they can invest up to more than NOK10 million. Company C comes the 2nd as they can invest max NOK2 mil and D comes 3rd place with around NOK1 to NOK2 million. The other three companies spend around from NOK350,000 to NOK800,000. The first four interviews also show a favour toward the Norwegian market, meanwhile the 5th firm E shows a slight diffusion through Scandinavia area and the 6th team F enlarges its comfort zone to the global level.

4.1.2 The trend in invested sectors

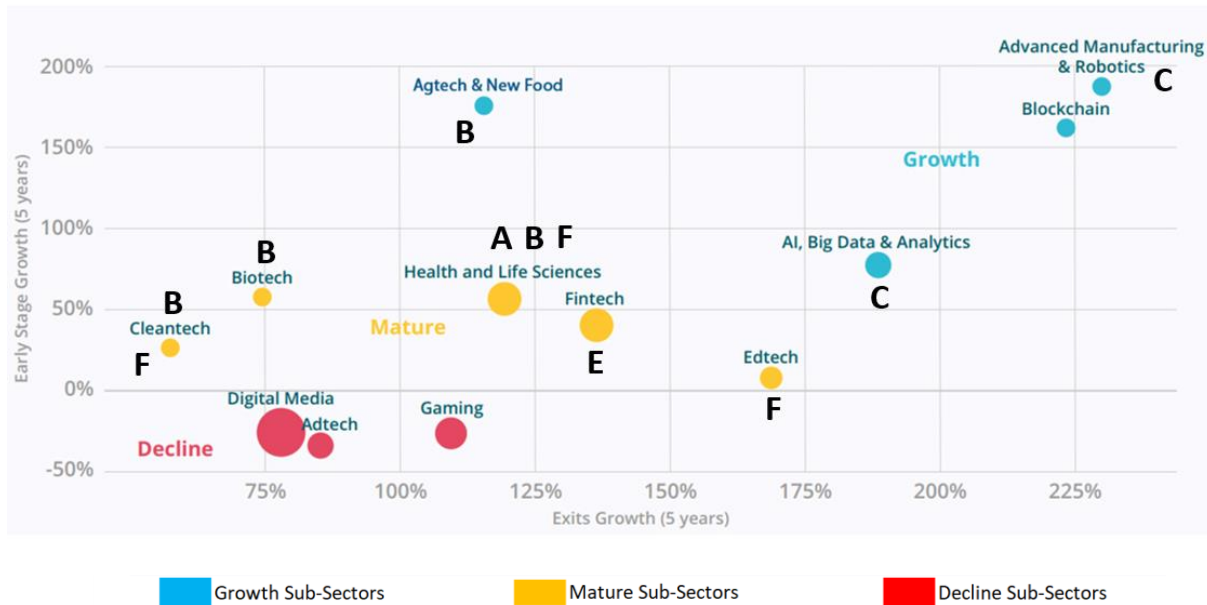
Before going into details about the groups' targeting sectors, I would like to confirm that all the participants are sector agnostic, which means there is no one and only list of sectors for any of them to follow. In the other words, the responses just illustrate their opinions to a certain extent about the sectors that seems to be highly potential and suitable with the industry movement at the moment. The willingness to tolerate to the different sectors is great and the decision will be made based on individual situation.

Company A shows a support toward the energy, health and smart technology. The information and communication technology, the life-science, agriculture, energy including oil and gas, biotech, clean tech and forex industry are the few names B respondent lists out. C shows an interest in AI, robotic and data analytics in their investment portfolio. So far, D is the company having the widest range of tech selection as they favour the Norwegian tech startups in any domain, vertically and horizontally. Meanwhile, E circles the financial and property tech, aka the fintech and proptech respectively. Lastly, F's accelerator program informs that their favourite entrepreneur are impact ones which offer social and environmental value from their ideas.

In the recent report in 2018, named Global Startup Ecosystem report from Startup Genome and Global Entrepreneurship Network, a survey covering a significant sample size with one

million entrepreneurs, approximately 100 ecosystems and 300 partners is conducted to study about the lifecycle of 12 key startups sub-sectors. One of the importance of the study is by combining evidences of existing stability and underlying strength both in the past and present, the identity of the most potential industries to form the new economy is being acknowledged. To be more precise, the result shows that currently there are three zones that startups' sectors can be divided into: the growth, the mature and the decline. The growth group expresses the industries witnessing a rapid prosperity which are: the advanced manufacturing and robotics, the agtech (agriculture tech) and new food, the blockchain and the artificial intelligence, big data and analytics. Following, the mature zone refers the large industries which are currently the biggest value creator worldwide and still observe the steady expansion. Six nominated names are: the cleantech, the fintech, the biotech, the edtech, the cybersecurity and lastly the health and life sciences. Finally, the industries with negative development rate is put together in the decline sector, including the adtech, the gaming and the digital media. It is also worthy to be mentioned that at any time, the involvement and upgrade in technologies can always turn the table and re-allocate the sectors among zones. The sector distribution follows two dimensions: the early stage deals 5-year growth and the exits 5-year growth. On one side, the vertically early stage growth consists of the count of all deals and growth in the early stage funding from 2012-2013 to 2016-2017. On the other side, the horizontally exit growth represents all exits and growth in the same period.

By merging the primary and secondary data in this context, the prevailing map of startups' sectors which are targeted by Norwegian funding organizations is proposed in Figure 10.



Note: The original map is from Global Startup Ecosystem report (2018) from Startup Genome and Global Entrepreneurship Network

Figure 11: Sub-sectors map in investment of six interviewed companies

General speaking, all six companies allocate their attention on mature and growth sectors, referring their deep understanding about the industry's trend and up-to-date mindset in business strategy. It is worth noted that the map from Startup Genome and Global Entrepreneurship Network (2018) doesn't consist all the sectors being mentioned during the interviews, for example the energy sector and the proptech sector. It can be explained that those missing categories have a high chance to represent very own national characteristic of Norwegian economy, e.g. since Norway is famous as an oil country, it is reasonable if the domestic funding firms as well as startups care more about the ideas related to the energy sector that might increase the effectiveness in production and management, enforce the labour's safety, innovate the new technology for exploitation and so on. Furthermore, the firms' allocation on the map is a representation to a certain extent as it doesn't show completely the spotlight in their investment strategy. Organization D is not put on the map as they are open to almost all aspect of technological startups, meanwhile the company F can almost appear more in other sectors as long as the idea itself contains the impact benefit towards society and environment which depends on precise cases. Similarly, other firms can also show up in any other sectors forasmuch as they find interest in that venture. The mature zone currently attracts a significant consideration from all funding communities with a crowded presence. It is noteworthy that among five sectors in mature zone, four of them have the signs of

a sustainable business: cleantech is about the environmental issues while the biotech, edtech, health and life sciences show the focus on society. This recognition, I believe, can demonstrate a decent level of responsibility in making investment decision among the funding organisations in Norway. The company C seems like the one targeting mainly especially in the growth zone as the current entrepreneurs' profiles in their investment portfolio are big data, analytics and robotic ideas. In comparison to the other three relative growing friends, the agtech and new food is left behind a bit as its exit growth rate is lower than others, which might indicate either the sector itself requires a longer timeline to be successful or the investors consider it as a long-term invested field. This interpretation can be a rational explanation for interviewee B's positioning strategy in the agricultural field: as the agtech and new food itself has a long life cycle, the focus on later or expansion stage – when the entrepreneur has reached a certain record of business performance – also leads to correspondingly smaller exit rate for investors as the result of the phase's lower risk comparing to the early stage ones.

4.1.3 The risk management strategy

Because many unpredictable factors exist in the startups investment industry, there are, hence, numerous follow-up risk-managed methods being in relation with each company' goal and business strategy. For company A, thanks to the accelerator program, investment is only made for the entrepreneurs that evaluators of firm A are used to work with. Acknowledging the idea and the team member's qualifications and characteristics beforehand helps informant to recognize the possible challenges might appear. The investment is also conducted by phases as well. In the beginning, a little amount of funding will be provided and it will be increased if startup has reached a particular milestone. For the big investment, there is a specific investor-presentation template to follow and there are professionals who their only job is to go through the presentation and have dialogue with the entrepreneur together with the advisors for the company. After the assessment from professionals, the board of directors of company A will examine and make decision for the case.

The company B shares three main indicators for them to control risk, including the analysis upfront by the team' internal experts about the entrepreneurs before investing, the close follow-up and the power to involve in recruitment and selection process of the invested team during the investment lifetime. Through the active supervision, the action needs to be taken immediately

when the problem arises and, in some cases, it is necessary for investors to cut the losses early and not follow up with good money after the bad in order to minimize the loss. Interestingly, firm B's concern about technological risk is tolerant depending on the investment phases. For the later stage, as the internal members of company B held the expertise for market risk, not technical risk, so, if the technology is not yet approving, *"then we often say it is too early for us we would normally say that they have to come back when it is approved"*. For the seed stage, the willingness to take the risk related to technology is higher, but since the seed phase is not the company's key domain, the investment size is quite small as only small ticket is required in return. Also, firm B's desired duration for an investment is around from five to seven years, but as they observe, it is not unusual for companies to last more than that, up to 10 or 12 years. *"We are the evergreen fund, so we have the ability to be fairly long-term if we see that's the right place."* – B's informant said.

Alongside, the interviewee C discloses their principle in picking the startups for investments. Due to the deep knowledge, industrial expertise and years of experience, the investors themselves have created a principle which is believed a suitable direction with their financial capital named "the 2 – 10". The number two represents NOK2 million – the maximum amount of investment per startups – and the number ten refers NOK10 million – the maximum of the pre-market evaluation of that startup. In the other words, the ideal case for firm C is the startup with its company valuation prior to an investment is under NOK10 million and the fitting funding amount for each startup is NOK2 million. There are underlying purposes in setting principle "the 2 – 10". Firstly, the team's philosophy is that *"it's about the very high risk in the startups investinga lot of failure and in order to manage that, it's the number of cases"* and so, their goal is capturing a small ticket in more entrepreneurs by spreading the fund out more diverse. Secondly, in order to target the right investment size, team C seeks for the quite early stage idea as it is expected to not have been developed and not have optimal value before the investment comes in. In the consistence with the investment breadth, minority position in the invested entrepreneurs is what the C's informant aims as interviewee claims, they all keep a board position in those startups, they have to be active, have to involve if they want to manage successfully but at the same time, the risk portfolio, the diverse qualifications and "the 2 – 10" demonstrate a belief that they cannot be that active either. It also should be noted that principle "the 2 – 10" is the most simplified form to follow as they deviate from that quite often, for instance the invested amount can be around NOK1.5 million or the startup's pre-market evaluation can be up to NOK15 million. In order to

roll the fund, for the firm C, the most ideal balance for each investment timeline is from three to five years, followed by an exit.

In the meantime, according to the D's respondent, the very first step for their risk management is the screening and assessing the companies through multiple back and forth portfolio approaches to invest. Being a super-early-in investor as well as being well prepared for couple of failed investment are also parts of their model. In addition, D's informant expresses a new perspective that instead of thinking of a risk management strategy, the company tends to settle a model to take care of the risk simultaneously: by being side by side with those invested entrepreneurs, they "*sort of decrease the risk constantly by being helpful with the companiesand make many decisions if needed*". As there is not any precise type of tech sectors to be focused on, that "*..we try not to experience the sector, because we think there is opportunity in many different markets, where our job is just to see potential opportunity*", the firm D prefer to operate the small market rather than to build a big startup that is against the scheme, which means they want to diversify their investment portfolio with the target of 15 companies per years. Lastly, eight years is the maximum expected length for an investment in company D's opinion, but any extension might be made as well if there is a right reason to do so.

For the same queries, the interviewee E shares their three insights for controlling the risk in investing early-stage startups. Firstly, in the same flow with the two previous funding firm C and D, it is very important to be the first investor stepping in the game. "*If we are in this from the beginning, we can keep them on the right track from the beginning*" – E's informant said. Secondly, during the investment, the close supervision is also implied by dynamic activities, for instance the mentors' workshop, the one-to-one meeting with the company all the time, etc. Finally, since team E is the one having the clear border in the favourable sectors, aka fintech and proptech, the fit between their corporate partners and the selected startups is another insight to keep the risk under control. The external support in doing the due diligence, the legal check before making investment decision and industrial advice during the funding are the keys to not only secure the investment but also to provide the most accurate guidance to the startups' ideas. As a young funding organisation, currently the firm E still stays with all the invested startups they pick, hence there is no exit timeline being made yet so far.

Finally, the talk with firm F reveals the same notion with the C and D team's opinion that the diversity is believed to be one of the most powerful strategy in relation with risk management. By spreading the investment to various ideas, the anticipation of firm F's informant is that the alive startups will be able to cover the loss of the bankrupt ones. Generally, it should be reminded that the F is the only organisation who owns the largest exploring zone as all ideas from all around the world are put into consideration as long as those are impact startups. Interestingly, despite the fact of being a young but adventurous funding firm, just like team E, all their investments are still running at present and therefore, there is no declaration about the exit timeline yet.

4.1.4 Search strategies of investment companies

To investigate this aspect, the main question has been raised is that how do investment companies approach the startups: On one active side, which sources do funding firms use to search for startups? And on the other inactive side, which sources do startups use to search for funding firms? In general, there is a mix strategy for all six firms in order to establish a connection with the startups market: by network for funding organisations to find the entrepreneurs and by application portal for the entrepreneurs to find the funding organisations. A slightly different degree, however, in each informant's opinion about the ratio presence of each source has been pointed out.

To be more precise, in the B's informant observation, there is a solid likelihood that the most interesting investment is the process that they approach the entrepreneurs first. This scenario is highly reasonable for the firm B's proposition as their attention is toward the later stage where information is more available in the market, the startup also gains a certain records and the founder's network is already steady. The company B's members keep the close connection with their network, co-investor and a large number of sources of deal flow and create a tangible asset called geographical set investment universe. This is a tool for firm B to map out not only all of the interesting co-investors in Norway but also abroad that are willing to invest in Norway, all the scientific, the university, the technology transfer office, etc., for the purpose of regularly following and actively searching for good cases. Subsequently, following the recognition of potential deal, there will be a reversed pitch to pitch firm B as the potential investor for the company, that *"we have to sell ourselves, and explain why we are a good match for them and what we see they can do to be most successful"* - claimed by B's informant. Thanks to the good reputation, big portfolio

and the sources of capital for most of the tech companies in Norway, the company B remain their appealing advantage in comparison with other investment firms in the competition to gain the access to the best and hottest deals.

On the contrast, the C and E interviewees share the same agreement that it is more often for startups to contact them and through various form, including the company' website, email, application, etc. The firm's reputation plays a significant role here as a reliable factor to attract startups as it's hard for the company C and E to find a real good deal in the pool of early-stage ideas. The network recommendation, hence, provides an extra help here. The verbal instruction in conversations among industrial partners, mentors and investors usually sheds light on recognizing the interesting deals. Meanwhile, in A and D's respondent' belief, they receive support approximately 50:50 from two sources. In order to maintain the number and the quality of received applications and recommendations, building the reputation in the industry is being mentioned again, that the firm do the multiple marketing activities, try to attend the events and enforce the network as *"the more known and the better reputation we get, the easier it is to attract new ideas"*, said informant A and *"...so that people will remember when they search for the companies"*, said informant D. Lastly, beside the application portal and network's recommendations, the search engine is an additional tool for company F to spread their name globally. Those digital platforms can include but not limited to Facebook, LinkedIn, Crunchbase, various investment pages, google, etc.

4.1.5 Evaluation process and selection criteria at the investment companies

One of the most dynamic debate about the startup industry is about finding the key successful factors as well as avoiding the fatal mistakes from the industrial lessons. Expectedly, the questions consisting of evaluation criteria and major reason for startups' failure receive multiplex answers from the interviewees.

In the beginning of the accelerator program, after the deadline for application has passed, the company A will start to assess and arrange a very first meeting which consists of two evaluators from the A's side with the potential startups. Then, the invitation will be sent to some certain startups who pass the overall assessment to have a pitch to win the chance to enter the theme 3-months program. After collecting the acceptable information, the company A will conduct a group assessment and discussion including all internal experts to have the complete and sufficient

judgement before picking the entrepreneurs into their accelerator program. Once the entrepreneurs enter the 3-months curriculum, there is often once per week meeting which can be adjusted flexibly, depending on what type of business that idea concerns.

The firm A discloses four focal points that they are looking at in evaluating startups process, which are: the idea' uniqueness, the economic potential or possibility for the idea, the team's qualifications and the ambition. The way they work with startups will differ as each idea is different, and therefore, during the investigating time, the company A's members are trying to understand and clarify which company is the good company, which team is the good team by addressing various factors in that startup throughout many questions, such as how is the team made, who is in the team, which business are they doing, which market they are going to, which type of technology are they working with, for instance some technologies take 10 years to verify, some technologies take 2 months instead.; which brand are they aiming for, which problem are they solving, which goal is set, which sell and marketing channel are defined, and so on. Interestingly, there is a term named "*the process of actual work and actual gathering experience*" being pointed out during the talk. As the realistic outcome of startup's idea is highly ambiguous, the idea' potentiality needs to be validated and tangible by the startup' founders first, which means those members need to really go out there to check the users' demand and the product/service's market fit. In the other words, this is the process being formed by continuously testing activities so as to turn an idea into a real business value. The idea's owner, as the informant said, has to: "*...to start with your own products, you have to test if this product is able to sell in the market or not. It's not like you can sit and write the business plan, you have to go out there to test and do the market analysis. You start with an idea and you go and test it and you go back to do some adjustment and you go out again and search for more.... It is important to test your own product, if this one is the thing. Not only testing with the customers but also the partners*". So, in the same manner with this perspective, the business plan is discussed as an always-changing objective and a lifetime procedure. The idea itself after being tested will gather new information and contain additional development which will fill in the planned strategy, leading to the further modification from time to time. As the seed phase is the firm A's main focus, there are many unclear hazards existing, hence, the respondents believe that the human being is the most upfront evidence for the business success. Among four aspects to look at the potential of a startup, in fact, there are two – the team's qualifications and the ambition – are paying attention toward the human capital. The

former is about the individual knowledge, industrial experience, network, education level, technical know-how, the purpose for running the business, as well as the diversity of the team, the connection among team members, how smooth the internal team can work together, how long they know each other, etc. The latter refers to the questions inspecting the team's vision; how big the goal they want to reach: including either the market size regionally, nationally or internationally or the expansion in team recruitment; the time management on personal level: they want to do the startup business full-time or part-time, how much time they can dedicate for this, and so on. The idea itself is also very important, said informant, however, the spotlight should be the human factor because without the people to execute and to be willing to go with, *"there's never going to be any more than new technology and new business model"*. In some cases, the evaluator can prefer to choose to work with the company with the very good team, even if they are not quite sure about their business plan, rather than the bad team with innovative technology because as being mentioned earlier, the business plan is changeable and is a whole journey, therefore, as long as the team is able to adapt and learn from the tough environment, the plan will change as they go to make things happen. As much weight has been put on human factor, indeed, it is a difficult job to understand the people of the startup's team correctly and speedily. Hence, following throughout the program is the high assistance when the problem arises, the introduction to get in touch with the necessary people, and even the psychological support to keep motivating the founders in harsh time.

The evaluation process to get fund in organisation B is a bit different than the rest due to the difference in focus stage. After talking to the entrepreneur generally about the idea, the investigators will do the initial analysis and after that, if the idea still appears attractive to the firm, the more detail inspection will be conducted, followed by the negotiation about the agreement on terms with the entrepreneurs as well as calls for investment in place simultaneously. At the same time with the negotiation step, there will be an internal presentation of evaluators to the investment committees – a group of all investment directors – about the deal for the first approval and then to the board director for the second – final approval in terms of cases analysis, share-holder benefit and investment agreement, before any signing contract occurs. Also, due to the organisational mandate, the analysis can be executed by internal experts up to 49%, meanwhile the rest is needed to be outsourced to external partners. The in-house team will take responsibility for the commercial diligence by using the Environmental, Social, and Governance (ESG) Criteria – a set of standards

for investor to screen the sustainability and impact of an investment under the conditions of three factors. For the time being, financial, legal and HR diligence are parts that external companion will take care of. The internal investment assessment team is often from two up to four people: one investment director and one analyst as a core, an additional analyst and/or a co-lead director will be added in a deal with high complexity. Furthermore, the advice from industrial experts is also put into consideration for making investment decision. The pool of around eight specialists who come from different backgrounds and strengths will be kept in touch and maintained relationship closely and while doing the commercial diligence, the suitable professionals will be determined for conducting the interviews with to gather their opinions about that investigated deal. The chosen is picked based on the relevance between expert's specific field and the considered deal, but the ideal scene is when the expert can play the role as a potential customer or a competitor of that business idea. Hence, the assessment can be multidimensional. Beside the consultation and deep knowledge that the company B's internal evaluator want to get, usually the discussions with the experts aim at strengthening or proving a hypothesis which evaluator already forms before the talk. It can come with the recommendations to invest or not invest in some cases, and depending on how strong the supporting evidences are, the investors can choose to whether listen or not.

According to informant from company B, there are five main points to focus on in the evaluation process: the product together with business model and value proposition, the market's potential and scale, the unique competitive advantage of the business, the team and the full compliance with ESG's regulation. *"Obviously we evaluate the product and the business model, each company we look at has to have powerful and clear value proposition....and the business model has to be scalable, not so capital-intensive business model."* – said interviewee. The market size is required to be global and highly potential as the result of accepting big risk and demanding return. The competition is taken into account in order to check the entrepreneur' survival opportunity in the market, and as a result, the company has to have an unique competitive advantage, either by their technology advance or market positioning. Additionally, the human being of the team is considered as a critical capital in maximizing the probability for success as the respondent shares: *"We can almost say that the team is so important that a great team can make average idea success and the bad team can make a great idea failure, so the team is very important."* Getting into more details, it is a pros that the entrepreneur's team has the experience in either any other investment or managing similar company before, but age is, in fact, not much

decisive factor. Young entrepreneurs can't always have a chance to prove their leadership qualification, but through the meeting and communication back and forth, to a certain extent, the evaluator can see the growth potential in the youth. The linkage among the management team members is also considered in HR due diligence, for instance: How good and healthy is the culture in the firm?, How seen and heard and valued is the people in the team?, Do people feel like they can talk to the management board?, etc. Since one of the risk management strategy of company B is the involvement in human recruitment, so, even when the flaw is aware, there is a possibility that the investment decision will still be made if the funding B recognizes it as an issue they can fix by hiring the new personnel. As an illustration, in compliance with the gender equality in leadership, if there is still no female in the management team after three years of investing, the investor in the B's side has the right to step in and start recruiting the feminine. Along the line of evaluation criteria, the informant also shares some opinions on the possible causes for the business' failure. The incompatibility in technology between the idea and the market driver is the fatal mistake, for example prototype is not good enough, or too good and then too expensive for consumers to purchase, or it takes too much time and expense to develop that type of technology, or the inability in capitalize on the unique technology makes the companies lose the edge over the competition, and so on. An uncommon but viable situation – where the hard lesson is learned – is the investment in regulatory market. The market direction can be adjusted and create the new demand, but the process for that is very time-consuming and sometimes the idea is drowned before the interest appears.

As a group of private investors, company C more likely has a non-hierarchical structure, hence, the evaluation process is usually conducted as a group assessment. A platform named Slack is used as a main communication channel for five members sharing, updating and discussing the deal flow. Very often that if there is an idea catching one of five investors' attention, that triggered individual will become a sort of lead-investor who drives the progress in the investment phase, e.g. do the due diligence, take lead on the negotiation and contract, etc. Notably, even though they are co-founders, in fact, no one obliges to invest. So, if there are some people who couldn't find the deal attractive, they don't get involved. The investment, hence, will be divided into two types: the individual investment if there is only one investor feeling interest and the group investment if there are from two or more investors interested in. There will be a follow-up meeting internally to discuss about the attractive case, followed by the meeting with that startup to get more details and

ask the question from investors' angles. Since the team in the company C is very diverse in the background and network, each individual will pay attention to different aspect of the case and take roles in the evaluation process. For example, the informant comes from financial background, hence, the questions related to economic, revenue, profit and cost will be raised. Meanwhile, other two investors in the group are founders who are really forward-leaning, so they will focus more on the team, the founders' ambition, the solution, etc., and that's the balance which makes the process of understanding a deal works. The idea of the measurement is, because five investors held diverse perspective, there is a lot of frictions and discussion will be created, the case will be looked at from numerous points of view, therefore, once everyone agrees, that is most likely a good investment to take part in. Furthermore, even though the due diligence is done in-house by the lead-investor, various external reference checks are handled through the large connection the investors have themselves.

Regarding the criteria to potentially identify and recognize a successful idea, the informant from company C reveals some insights on personal level. Due to many years of experience in the investment and startup industry, the big picture of startups' theme is captured, including the product-market fit, the customer validation sometimes, a highly motivated competence team and a big enough market size to make the home-run. The product-market fit needs to be exposed from personal level, that the idea has to catch the interest of investors first, the problem product/service is aiming to solve has to be important to at least one of five co-investors right at the beginning. In term of common contributors for failure, the un-match between the startup's offering and the consumers' demand can be the biggest issue and highest failure. Also, about the human resource, it should be that the idea's management team is the domain expert and shows a strong commitment toward the business, for instance it is impossible mission if the startup' founders implement the idea as a side job beside their full-time career. The ability to scale and control the cash flow is also critical as running out of funding is a common reason for startup' shutting down. In addition, it should be taken into account that the relevance between the entrepreneurs' need and the funding organisation's expertise is a tie for successful investment as well, for instance: which issues that idea is dealing, what need to be done vs which issues the investors can fix or give a hand, which other common links they can help the startups beside the technical know-how. This can be looked as an evidence for demonstrating investors' commitment level which is inspected as a principle for sustainable investment in previous theory chapter. Last but not least, as a part of the risk

management strategy, “the 2 – 10” principle is a simple strategy that is customized by own company C to search for suitable deals. The limitation of startup’ pre-money valuation, NOK10 million, is a numeric standard to look at, even though it can be very elastic and depend on case by case basis.

For the funding firm D, the selection pool can be gathered not only from the accelerator program. Another program, named incubator – where equipped office space is put for rent together with consultant services (Business Incubator) – appears and attracts a lot of entrepreneur to sit there, hence, there is a better chance for the D’s evaluation team to get to know those startups for a period of time, for instance from one month to half a year or more, before deciding to make any investment into them when the time comes. In the evaluation process, there are seven people who partners in investment fund being in charge of making investment decision and the approval will be made based on the agreement voting of majority. In general, the idea investigation follows the same path of the classical pre-investment assessment in typical accelerator program, including the internal team discussion about the idea’s potential, pre-meeting with the startup to get more information, the due diligence and selection for the pitch to enter the program, the training and workshops through the tailored three-month pathway and the final pitch in front of investor to concur the fund. In the same manner with the previous interviews, to a very big degree, the evaluators in company D also try their best to involve their investors, partners, network, the relevant existing portfolio of companies, depending on the cases, to help them with the reference checks on particular startup.

For the D’s informant, there are three major points to look at in inspecting the idea’ potential, including the partners, the market and the team, which major emphasis is put on the team and their abilities. The market might refer to the questions such as how many competitors existing currently, what can be the core competency between the startup and its rivals, what the specific problem that is trying to be solves now, how can the finishing product/service leads to the success down the road, how easy it is to be replicated, what the distribution channel is, and so on. In terms of the human, the team’ commitment and founder-market fit are two main themes to focus. To clarify the former factor, evaluator from firm D can ask about the reason for startup’ founders to pursuit the venture, their motivation and purpose for doing this, whether they have any strong argument or evidence to demonstrate that the idea’s addressing problem is urgent or not, what they have done before and what they have done for this company, how deep their understanding toward

the issues is and how they prove their qualifications, etc. The latter, founder-market fit, is about the compatibility between the founder's qualifications and the targeted market. If the idea' owner has deep knowledge and many years of experience in many layers of the industry, then there is high probability that the proposed solution for inside problem will be successful. Or else, the risk can be high. Furthermore, there is more favour if the founder can narrow the targeted market as much as possible. It is also a significant plus if the startup can downsize and aim for a specific group of consumers while having connection to that market as well. Notwithstanding the investors' favour, it is not a compulsory category to distribute investment into at all. In fact, the exceptional skills of the founder is the most decisive factor so as to come with the partnership decision, that, *"if they have exceptional skill and they choose to spend their time and energy to solve the problem, we would like to join them in that journey"*, said informant. Finally, discussing about the possible reasons that cause the startup's failure, in the informant' point of view, those could be the financial depletion and the team's forsaking. On one side, the inability to complete the product or sell it, or the struggle in calling for other investment can be the reasons for running out of money. On the other side, the lack of enthusiasm, the unwillingness to move forward within the team is the self-destructive factor that leads to the shutting down sooner or later. In fact, there is an intertrade link between those factors, that if the financial availability is gone, people don't want to do it anymore, and if the entrepreneur doesn't have the energy to do it anymore, they can't find neither the customer nor the way to figure out, hence the money will be drained gradually.

According to informant E's disclosure, after the application deadline is passed, there are 10 cases will be selected into their three-months accelerator program. The pitch night will be established at the end of the program with the participations of all partners and investors and from there, five startups will be picked to receive the investment. The respondent is in charge of screening and first meeting with the startups, after that, best cases are identified and transferred to the other three colleagues, followed by a group meeting to get the agreement from everyone to conduct further multiple meetings with the startup' team to get to know them on the personal level while making the background check simultaneously. In the pitch night, there will be around 15 investors involving and discussing the deals. Because the funding firm E downsizes the favourite sectors into fintech and proptech only, the internal personnel, hence, are already equipped with the compatible knowledge and experience and as the result, the degree of asking for external partners' advice in evaluation process is relatively small.

To reveal the insights about evaluation criteria, the interviewee E shares: *“we are more interest in the team to be honest, of course the idea, but team is very important when you go in that early.”* As a part of the risk management strategy, the firm E would prefer to be the very first investors in the new-born idea to keep things on the right track from the beginning. Therefore, it is the human factor which plays the critical role in startup’ survival ability in the industry. Usually the team should work with the idea in approximately one year, make the concept in shape, have a certain degree of foundation evidence and traction in order to convince the investors’ belief. The ambition of the startup’ members, again, is mentioned as well. If the entrepreneur business doesn’t get 100% attention and stays as a work on the side, it is impossible to be succeed. Any experience in running the startup in the past is a plus as well because this will reduce the risk for the investment. Interestingly, the team of two or three founders is also recognized to have more likelihood to get the investment in comparison with solo founder. In regard to the idea itself, of course the potential is what the investors look at. Besides, the match between the idea’s offering and the partner’s field is not only a risk control strategy but also a fast way to enter the market. Financial entrepreneur without technical background might need to partner with an external outsource which often is a very time-consuming process and therefore, the risk would be higher relatively in the informant’s perspective. In the disclosure of popular causes for entrepreneur’s failure, the low performance and inability to show traction during the whole accelerator program is considered as a reason for entrepreneur failing in getting the investment. After getting to know the people behind the pitch and the idea’s concept to a certain degree, the clear result of how far the startup can reach comparing to the others is a decisive factor in investor’ mindset.

In the similar path with company A, D and E, as an accelerator organizing company, firm F shares the same classical trait of a program: receiving the application, screening and selecting potential ideas based on the multiple meetings and group assessment, inviting the promising candidates to enter the program, assisting and partnering during the whole campaign and followed by the pitch night in front of investors for winning the capital support. There are up to eight members in the investment team for evaluating step and approximately six investors in the investment decision process. The due diligence is conducted in terms of subject matter aspect as the opinions of industrial experts and specialists externally is collected for reference but not the decisive factors alone by themselves. During the program, the startups will receive a dynamic

support in every aspect, from funding strategy to the sales and development strategy, distribution channel, enter the market technique, marketing and introduction to relevant network.

Sharing the some common grounds for evaluation criteria with previous interviews, the evaluators in firm F also pay much attention in the team, any traction from before like testing customers or raising funding experience, the revenue or return record in the past and potential in the future, such as the market size and of course the business model among other factors. To be more precise, in the matter of the human capital, the startup management team should consist the right and relevant labour force in correlation with the market they are aiming to, for instance the CEO with the sales technique to that particular group of customers, the technician with the consistent know-how technique of the product/service, but on top of that, it has to be a complementary team to ensure the accomplishment. Additionally, regarding the type of product, the informant shows a favour toward the software. It is not a deal-breaker for any type of idea as long as it can demonstrate a certain potential revenue, but it is believed that on the high level, software is the optimal option to be chosen. In the same stream with usual reason for startup to be failed in the early stage, the respondent also thinks the team's incapacity is the fundamental issue that leads to the entrepreneur's bankrupt. *"It's probably because they don't have proper vision for their start, they don't know where they're going to take it or they don't have the plan how to sale it"*, said the interviewee.

4.1.6 Challenges in startups' evaluation experienced by investment companies

Understanding the complication in the evaluator's point of view in doing their job is also provide the wide wisdom related to the obstacles in the industry itself. Any assessment has its own limitation and therefore, I believe that the recognition of difficulty from the inside of funding team will provide a multidimensional perspective and complete the knowledge about the investigated theme.

For respondent A, the obstacle lays in understanding the human behind the team in the limited time frame of the program. The human factor experience is the skill that interviewee improves on regular basis in order to identify if that person is lying or hiding, if the whole truth is exposed, if they have any confusion, if they have the soft skills to do the business, for example the willingness to listen and to learn, etc. Following, for interviewee B, as being a sector agnostic fund and having no really special sector to rule out, having the deep knowledge in each driver for niche

market is the difficulty in doing this job. Due to the expertise's limitation for all different kind of sectors internally, the external partner is, therefore, believed as a decent solution to fill in the gap. According to informant C, since there are still many unpredictable and uncoverable risks, the mitigation only works to a certain extent and as a result, building trust and confidence with the team is a complicated yet important matter. *"If you get that (the trust and confidence), then it can be certain at least it is going to be managed right."* – said the interviewee. Moreover, the contribution in addition to the capital is a responsible perspective as well for the investors in company C in making decision. There should be more than the financial support, that the common link exists between the investors' expertise and the startup' weakness to help the idea achieving its goal. At the same time, the interviewee D expresses a concern related to the lack of information and time for really knowing a core value of an idea. In compliance with the funding program's timeline and targeted young entrepreneurs, sometimes evaluator doesn't really have enough time and sufficiently information to have concrete investigation. Also, there should be a balance between the evaluation effort and the brought-out result because due to the size of investment and the phase of the startup, it is believed not logical to spend so much time in inspecting a changeable concept either. So, it would be a better direction to focus on the people to figure out if this is the team who can make something both sustainable and impactable. Sharing the same flow with company C, the respondent E wants to emphasize the intangible value that firm E's funding program can provide beside the capital support. Ensuring that the startups coming to the company understand the under-surface layers of the partnership is an approach to build positioning strategy of the firm in the industry as well. Lastly, the time and knowledge barriers are what the interviewee F discloses. Especially when the company F aims for the global applicants, it's even harder for the investment team to go into every single case on time and to gain the sufficient knowledge for each idea' sector. As the result, going back and forth with the diverse network and maintaining the good relationship at the same time are solutions which requires a decent effort and energy to invest in.

4.1.7 The attitude toward the sustainable investment

This section will focus on revealing the impact of sustainability tendency toward the current investment selection and decision among funding companies in general as well as the attitude of evaluators and investors toward the social and environmental ideas in term of TBL on

the personal level. Depending on each context of the interviews, the questions will be customized and put into different orders.

The interview with company A confirms that the investment team recognizes the growing tendency in the sustainable ideas for quite some years recently. However, the business model for those sustainable entrepreneurs is also commented that it is very different comparing to the private industrial company. Meanwhile, there will be more and more coming in the startup community from this time forth for sure, and therefore, the funding firm A would like to help startups to come up with their own business model for those sustainability-oriented ideas while company A itself is still waiting for a golden business model from rest of the world to optimize the value from sustainability. The informant shows a very positive attitude toward the trend by welcoming and giving support to this movement, and even a consideration to establish an event for the young people to explore their thoughts around the startups and responsible ideas, to see how the youth look at the sustainable development, if the insight is different with the old generation, if the social and environmental concern changes their behaviours and actions from now on, and so on.

For the funding firm B, since the attention is mostly paid to the developing and expanding stage, it is easier to measure the social and environmental impact in comparison to the seed and early phase. Hence, the commitment to responsible investment is shown firmly through the engagement with ESG standards throughout the evaluation process. Besides that, the invested entrepreneur is demanded to either have its own ethical guideline beforehand or create one shortly after receiving the investment. An internal tool is created inside the firm B's evaluation team where different ESG factors are graded as a part of the detail analysis before the investment to check how serious the risk is as well as what percentage for the risk to occur. Obviously, the profitable business is a fundamental factor to secure the return on investment for investor, but the ESG is as important as other criteria, for example, a company with very positive technology effect on the nature will receive a plus, but the return it brings back for investor is also a big concern at the same time. If there is any red flag on either of five main criteria, the evaluator will need to re-consider the deal. *“And it's not automatically disqualified thing, but it is important for us to understand the risk upfront and be able to see if there are some actions that we can take to minimize the risk”*, said the informant. In the case where the social and ecological damage is sufficient and undeniable, it is definitely a no-go investment.

The informant C shows a profound concern in term of the linkage among three dimensions of TBL. The respondent said: *“The fundamental economy needs to be right to be the driver and the combination is the good fit, because it links both, doing something good for the society and environment and having the fundamental market for the long run.”* There is a drive due to the climate change, energy consumption and the increasing number of elderly people, which are the underline factors that will create the upcoming market trends, so it’s important for the investors to foresee and take a position in those beforehand. Otherwise, the neutral impact ideas are also welcomed to apply. As being discussed earlier, the invested case in company C usually is the case catching interest of at least one of five investors, providing solution to a problem that investors care on personal level first, therefore, often if that solution is about the big sustainable issue, it would have more likelihood to trigger the interest in investors. In the other words, the idea related to the sustainability usually will recognized as a positive sign that make the investors want to go into more details about it and follow up. Additionally, it is completely a deal-breaker if the idea contributes a negative impact toward the society and environment, and it is a decisive factor, no matter how good it is in economic return.

In the same topic, the respondent D discloses, on the organisational level, the firm is now trying to make a framework for sustainability, whether by using the ESG framework or the United Nations’ sustainability development code, in order to make a better decision, but the best model is yet not completed at the moment, unfortunately. The compliance with ethical standard and no damage toward environment is compulsory, otherwise, the neutral and positive sustainable impact is all accepted with slight flavour toward the positiveness. Furthermore, in the early stage, it is notable that it might be overwhelming as well for the young entrepreneur to care not only about the financial return but also the cost for sustainability and benefit for society and nature. On personal level, the informant D is a strong believer in the social power and share value concept, that, *“the opportunity where you have the best return is probably in the companies offering the sustainable value, because that’s the long-term invest companies”*. Hence, to a certain degree, the sustainability is believed as a powerful progression that demonstrates its movement in the startups investment industry, gradually but firmly.

Despite of not talking on behalf of investors or partners, the informant E still believes that sustainable development is the type of investment that all investors and partners of the company E will desire for. The social and environmental impact, in fact, matters for the interviewee on

personal level. Meanwhile, the current invested startups in the firm E's portfolio are also believed as the mix of green technology and two focus sectors: fintech and proptech. Because the fintech sector itself can be very broad and not only tie down to financial transaction and banking activities, hence, the term "finpact" is created and referred to the fintech entrepreneurs which bring out the positive impact for society and environment at the same time. Additionally, the woman leadership receives a decent attention in the investment strategy of firm E too as 33% of the invested entrepreneurs at the moment have the female leadership in the management team.

Lastly, as an impact funding organisation, the respondent F shows a strong point of view that there is actually no trade-off between the economic and social-environmental benefit in term of sustainability like literature suggests, that, it is the traditional investment mindset to say. In truth, it is the impact investment which brings out more money in comparison with the relative one. *"Of course, if it solves the fundamental problem, the people and the initial need, it should perform better"*, said the informant F. The firm also examines an own research internally to identify that in those five years recently, there are more and more investments in impact ideas being made than the traditional one. Throughout the evaluation process, the job creation and the size of influence are measured under the questions such as how many lives that idea will impact, how it effects to the employment, etc. It also should be kept in mind that the sustainable investment needs a longer timeline to optimize the performance, some cases are around five to eight years, but some can reach up to 10 years as well unsurprisingly.

4.1.8 Summary

To put in summary, the Table 5 as below presents an overall picture of all informants' opinions towards each issues throughout the interviews. In general comparison, six companies are fairly diverse in their investment size, target sectors, risk management strategy and investment timeline. But also, they do share some common grounds among their business' strategies, for instance, the focus market, search strategies, emphasis on human's factor and finally, the attitude towards sustainability development.

Table 5: Summary of gathered insights from interviews

	A	B	C	D	E	F
Focus stage	Early stage	Later stage	Early stage	Early stage	Early stage	Early stage
Investment resources	Both government and private	Both government and private	Private	Both government and private	Private	Private
Investment size	from 350,000 NOK to 800,000 NOK	up to more than 10 million NOK	max 2 mil NOK	1 to 2 million NOK	from 350,000 NOK to 800,000 NOK	from 350,000 NOK to 800,000 NOK
Focus market to invest	Norwegian	Norwegian	Norwegian	Norwegian	Scandinavia	Global
Target sectors	The energy, health and smart technology	The information and communication technology, the life-science, agriculture, energy including oil and gas, biotech, clean tech and forex industry	AI, robotic and data analytics	All type of tech	Fintech and proptech	Impact
Risk management strategy	-Work with before investing -Invest by phase	-The analysis upfront by the team' internal experts -The close follow-up -The power to involve in recruitment process of the invested team	-The investment principal 2 – 10 -Diversify the portfolio -Be the first investor	-Detailed screening and assessing back and forth -Take care of the risk simultaneously -Diversify the portfolio -Be the first investor	-Be the first investor - Close supervision - The fit between their corporate partners and the selected startups	-Diversify the portfolio
Investment timeline	Not available	5 to 7 years, can be extended up to 12 years	from 3 to 5	8 years is the maximum	Not available	Not available
Search strategies of investment companies	Network and application	Network and application	Network and application	Network and application	Network and application	Network, application, search engine
Selection criteria	-Idea' uniqueness -Economic potential or the possibility for the idea -The team's qualifications -Ambition.	-Product together with business model and value proposition -Market's potential and scale -Unique competitive advantage of the business -The team -The ESG's regulation	-The product-market fit -The customer validation -The team's competence -The market size	-The partners -The market -The team's commitment and founder-market fit	-The uniqueness of the idea -The team	-The team should be complementary -The market size -The business model
Common reasons for startup's failure	-Lack of ambition -Run out of money	- The incompatibility in technology between the idea and the market - Regulatory market: the idea dies before the market appears.	-Unmatched product-market fit -Not the right team -Running out of funding	-Lack of ambition -Running out of funding	-The low performance	-The team's incapacity
Challenges in startups' evaluation experienced by	-Understanding the human behind the team	-Having the deep knowledge in each driver for niche market	-Building trust and confidence with startup' team	-Lack of information and time -Finding the balance between	-Emphasizing the intangible value that the program can provide beside	-Lack of information and time

investment companies			-Finding the common link between investor and invested company	the evaluation effort and the expected result	the capital support	
The attitude toward the sustainable investment	Positive attitude and support	Compulsory and corresponding with ESG for responsible investment	Positive attitude and support	Positive attitude and support	Developing from Fintech to Finpact	Sustainable investment is the modern strategy

4.2 The proposal model

In this section, I will combine and discuss findings from literature review as well as results from empirical data. First, I will re-allocate items identified in structured literature review in accordance with the assessment tool of Dr. Bruton. Secondly, I will verify and refine it with empirical outcomes from interviews.

Previously, in theory section, I have examined the literature on TBL (section 2.1), suggested a theory-driven list of statements for evaluation based on three sustainable dimensions (section 2.2) and reviewed a graphing tool for idea assessment (section 2.3). The results from earlier researches demonstrate five themes that criteria can be separated into (internal team, offering/value proposition, market, stakeholders – investors, finance), meanwhile the Idea Model of Dr. Bruton only suggests four subjects to measure (customer, value proposition, people, offering-core competencies). Yet, I recognize an intersection between previous papers’ findings and Dr. Bruton’s model, for example the People factor of Idea Model includes the qualification of founding team and the partnership with stakeholders/suppliers/investors, the Customer factor considers the financial potential and market identification. Also, as the five theoretical themes don’t introduce any specific mathematic approach for measurement, the four aspects of Idea Model in fact do affect its following calculation method, therefore, a change in statements allocation from literature perspective into the Dr. Bruton’s evaluation model will be conducted and explained precisely in the following analysis section.

4.2.1 The analysis

The Impact dimension – Customer (C)

According to the innovator, the C factor’s spotlight is about identifying the decision makers of the product/service including user and buyer, their purchasing habit and the expense budget, the size of market for the company to survive and the plan to turn those reachable potentials into the

real customers. Some example questions to figure out can include but not limited to: Who is the user or beneficiary? How does the user use your offering? Can customers afford to buy the offering? Are they reachable in sufficient numbers? Is there a plan to reach customers in time in sufficient numbers to make the venture sustainable?

Based on this suggestive path, there are four statements being allocated as the sub-query for measuring how strong the factor C is in the business plan as the Table 6 demonstrates. The first saying is used to rate how well the key customers are understood, including their characteristic, shopping routine, frequency, and so on. In theory, Csaszar, Nussbaum and Sepulveda (2006) makes an investigation in literature stream and agrees that many studies shows the market research deeply in acknowledge customer is the model for business plan of every startups. This also receives a solid agreement from whole six interviews as all respondents point out the most successful startups is who knowing their customer most. The second statement is used to declare whether the entrepreneur already figured out the appropriate method to get close to the identified customers. As Tiemann and Fichter (2016) argues about the feature of customer relationship and distribution management, Csaszar, Nussbaum and Sepulveda (2006) also raises the question about how many consumers can be obtained in view of the marketing strategy while CB Insights (2018) affirms that the poor listening and promoting ability are two fatal reasons for young entrepreneur. Again, this acknowledgement is also being mentioned by all six interviewees. The third affirmation is to ensure that the startup well acknowledges the sufficient financial return of the targeted group of customers can bring back. In the price model discussion from Tiemann and Fichter (2016), not only the acceptable value for customer but also the top price of buyer's willingness to pay is asked. However, none of six representatives mentions about this aspect, even though the price model, the group norm of the willingness to pay and other components to form the selling price in the market, is pointed out during the all of the talks. Lastly, as any classical business model, the revenue and all of its component shall be explained evidently. The critical role of the revenue model is reviewed frequently, for instance Tiemann and Fichter,(2016) asks what kinds of revenue entrepreneur would like to generate, Csaszar, Nussbaum and Sepulveda (2006) questions whether the cash flow projection include all key variables, Sinan Erzurumlu and Erzurumlu (2015) examines the revenues regarding rate of return, profitability index and net present value, Labuschagne et al. (2005) views profitability is an indicator of the internal financial stability of a company. As being

presented earlier, the financial potential and return on investment captures all attention of the interview' partners predictably.

Table 6: Statements to evaluate C factor

Impact = C x VP	The literature article that the statement is mentioned	The firm who mentioned about the statement during the interviews
Customer (C) – 4 statements		
1. The key customers are well defined	Csaszar, Nussbaum and Sepulveda (2006)	All
2. The main communication and distribution channels are well defined	Tiemann and Fichter (2016) Csaszar, Nussbaum and Sepulveda (2006) CB Insights (2018)	All
3. The price range that key customer's willing to pay for is well analysed	Tiemann and Fichter (2016)	Not available
4. The revenue model is well designed	Tiemann and Fichter (2016) Csaszar, Nussbaum and Sepulveda (2006) Sinan Erzurumlu and Erzurumlu (2015) Labuschagne et al. (2005)	All

The Impact dimension – Value Proposition (VP)

The clearness of the scenario for the customers as well as the stakeholders is the core message so as to measure how capable the value proposition is. Dr. Bruton has proposed some standard questions to come to term with classifying and characterizing the VP, such as, is the value proposition clear, compelling to customers and stakeholders, i.e. it addresses a significant need, want, and/or should do? Why is it important to user? Is there any substitutes and/or alternatives for the idea in the current market? Can the idea improve or have the potential to improve the well-being of consumers? Does it create any significant opportunity for user? Is it clear for consumers and stakeholders how the offering is used and developed?

Hence, the following Table 7 measuring the VP factor is concluded with 13 sayings, including seven of them focusing on the social and/or environmental measurement. The first six are applied firmly to describe the idea's value as a whole. Theoretically, the practical meaning of an idea has to be a solution connecting tightly to a particular problem that consumer is dealing with. Tiemann and Fichter (2016) claims that value proposition is described by answering the question which customer problem will be solved with it while Csaszar, Nussbaum and Sepulveda (2006) argues whether the product or service produce a substantial and appropriable benefit to the consumers, CB Insights (2018) states that creation of a product/services without market need is

the top mistake startups face, “New business opportunities often arise in connection with a solution to a specific problem” (Westhead et al., 2005). In the project under European Union's Horizon 2020 research and innovation programme's funding, named Responsible Innovation Compass (2019), serving user needs is one of many criteria being pointed out in the measurement of how good the an organisation's Idea Generation and Research is as well. Following, the second variable of VP is the ability to be expanded over time of the idea as “It is very important that the idea represents a concept which can be developed over time.” and “The consideration of one opportunity often leads to other opportunities” (Westhead, Ucbasaran and Wright, 2005). Westhead et al (2005) also emphasizes that portfolio entrepreneurs – an advanced form of normal entrepreneurs who currently have minority or majority ownership stakes in two or more independent businesses – were more likely to seek for the business' need to grow. The continuous improvement of products or services is one of the criteria that Responsible Innovation Compass (2019) use to grade the category Market and Impact's performance of a company. As a popular and classical acknowledge, in fact, all of interviewees shares the same agreement on those first two statements as well. The ability to increase the customer's utility as one of the patterns for sustainable business (Tiemann and Fichter, 2016) is also received the notion from the respondents from company C, E and F. Informant E said: *“We think our startup is a mix of green technology and fintech and proptech.... And we also have a startup, they make value of picking up plastic, people can go pick up trash on beach, they can go to the point where they weight the wasted plastic that they gather, and they get pay for that....So, we do believe the sustainability will make the difference.”* Furthermore, the business' mission and vision also plays an important role in identifying the idea's VP and commitment in the market. As Tiemann and Fichter (2016) argues, a sustainable entrepreneur should be able to answer the question which long-term goal determines the course of business model, what the mission of your business model is and which values determine the business model. The products without business model, clear mission and vision is also the reason in seventh place for startups to be failed (CB Insights, 2018), which is acknowledged widely by all interviewees as well. Even though it's good that the founder can aim to a particular user and narrow down the target market, the incentive to go to the worldwide scale for that specific type of consumers right from the start is also an indication to measure how good the founder know-how (Startup Genome and Global Entrepreneurship Network, 2018). As the founder's mindset is related highly to the startup succeed proportionally, the founder who targets

the national market usually has lower mindset result in comparison with the founder who aims for the global market in their plan. In correspondence with this argument, the six informants claim that the desire to go global is important factor to evaluate indeed, even though some funding organisations doesn't take it as the compulsory while some others really care. In the series studies about portfolio entrepreneurs (Westhead et al., 2005; Westhead and Wright,1998), the heavily investment in providing job-related trainings, the improvement in labour efficiency and operation as well as the expansion in recruitment in the particular period – two years – is considered as an index for an entrepreneur's succeed potential. Likewise, Székely and Knirsch (2005) discusses that the economic sustainability should take into account both human and financial capital examinations, for example, indicators for measuring the impact on employees can include the benefits, training opportunities, career development, pay equity ratios, and so on. Responsible Innovation Compass (2019) also emphasize the relevant training for internal member on a regular basis is a clue for weighing company management. *“We can also see the ambition in the process, how much passion do you have. If they stay the same, 1 or 2 members in the future, we don't want to work with. We want to work with company having at least from 5 to 10, or the company who have hope to go international.”* – shared informant A. From the seventh to the thirteen statement, the spotlight is for the social and/or environmental focus in the idea. The need to address the social and/or environmental issue in the business, as well as to which degree the sustainable and innovation design fulfils the VP is reviewed in both Tiemann and Fichter (2016) and the Responsible Innovation Compass (2019). As a funding support for impact entrepreneur, only firm F among all of the interview participants shows a compulsory engagement about this concern in their business motto. In addition, the matching between the sustainable offering in the idea itself and the consumer's interest/awareness is considered as an external factor in market aspect to identify the sustainability (Székely and Knirsch, 2005). Beside the firm F who is the impact funding organization, informant C also notes: *“It links both to doing something good and the market fundamental in the long term.... there is a drive due to the climate change, to reduce the energy consumption, and that's the underline factor, and it's something we care about as well”*. Additionally, to ensure the idea's sustainable quality, the effect of the sustainable idea on the consumer behaviour/perception in terms of social and/or ecological problem should be investigated clearly. How positive the impact is (Tiemann and Fichter, 2016), the effectiveness of current action and further plan on the percentage of recycle material, the energy saving, total

volume of water saved and maintenance of biodiversity (Sinan Erzurumlu and Erzurumlu, 2015) or the potential for contribution in solving societal or environmental challenges (Responsible Innovation Compass, 2019) are some illustrations for this matter. *“We actually invented which the idea is where the focus is on financial impact, so it’s finpact, instead of fintech.....That’s what we have done a lot of time and in the events we focus on the both sides of that aspect.”* – said informant E. In correlation with that thinking, the role of the effective communication strategy to deliver the sustainable offering is the core strategy for firm to stand out in the market (Tiemann and Fichter, 2016). Additionally, the ability to enlarge through time of the sustainable characteristic is also a consideration for investors to examine, for instance, the contribution idea can make to reach the sustainability goal in the timeline from five to ten years (Tiemann and Fichter, 2016), the extension of the social adjustment toward ecological issue as well as the enhancement of legislation and the enforcement (Labuschagne et al., 2005). Even in the scenario that the current offering doesn’t bring out any sustainable benefit in the large extent, the possibility about additional customers being attracted by the more evolvement in term of sustainability is another concern (Tiemann and Fichter, 2016). Lastly, if the idea is sustainable, the capability to reduce risk is the last notion being discussed in the VP section. Tiemann and Fichter (2016) raised the question about what type of risk can be reduce or avoided thanks to the sustainable strategy while the Responsible Innovation Compass (2019) considers which positive and negative effect of the offering on social impact can be anticipated. At the same time, an investment decision for sustainable value is also inspected under the non-financial strategy by investors (Alkaraan and Northcott, 2006). From the statement in terms of customized communication channels until the end of the VP discussion, unfortunately the interviews don’t record any insights from participants due to the flexible context and limited time.

Table 7: Statements to evaluate VP factor

Impact = C x VP	The literature article that the statement is mentioned	The firm who mentioned about the statement during the interviews
Value Proposition (VP) – 13 statements		
1. The idea can offer a practical solution for a specific problem of customers	Tiemann and Fichter (2016) Csaszar, Nussbaum and Sepulveda (2006) CB Insights (2018) Westhead et al (2005) Responsible Innovation Compass (2019)	All

2. The idea has the possibility to be expanded and developed over time	Westhead, Ucbasaran and Wright, 2005 Westhead et al (2005) Responsible Innovation Compass (2019)	All
3. The idea has the ability to increase the customer's utility	Tiemann and Fichter (2016)	C,E,F
4. The company has clear vision and mission for the business	Tiemann and Fichter (2016) CB Insights (2018)	all
5. It is necessary to have the incentive to go to the global market right from the beginning	Startup Genome and Global Entrepreneurship Network (2018)	all
6. The team has the plan for further development in the next 2 years (advanced qualification training/further recruitment/etc.)	Westhead et al (2005) Westhead and Wright (1998) Székely and Knirsch (2005)	A, B
7. The idea addresses social and/or environmental need	Tiemann and Fichter (2016) Responsible Innovation Compass (2019)	F
8. The idea offers social and/or environmental value which is matched with key customer's interest/awareness about society and/or environment	Székely and Knirsch (2005)	C, F
9. The idea can have a positive impacts on the consumer's behaviour/perception about social and/or environmental issue	Tiemann and Fichter (2016) Sinan Erzurumlu and Erzurumlu (2015)	E
10. There is the customized communication channels to transfer the social and/or environmental value of the idea	Tiemann and Fichter (2016)	Not available
11. The idea offers social and/or environmental value which can be expanded and developed over time	Tiemann and Fichter (2016) Labuschagne et al. (2005)	Not available
12. The idea offers social and/or environmental value which can help attracting additional customers and therefore, generating additional revenue	Tiemann and Fichter (2016)	Not available
13. The idea offers social and/or environmental value which can help to reduce the business risks	Tiemann and Fichter (2016) Responsible Innovation Compass (2019) Alkaraan and Northcott, 2006	Not available

The Feasibility dimension – People (P)

Regarding the Idea Model, Dr. Bruton recommends that human factor's adequation can be inspected by answering the questions related to identify who are the people involved in the venture, which specific skills and relevant experience, knowledge of each individual is, whether they are the right on the team and each member feels inspired and dedicated toward the company meaning,

mission and mission enough so as to add value or not. It is also assumed that if the idea is attractive enough to pull additional partners to contribute or to make the current participants feel more committed, there will be more chance for the business to be successful and vice versa.

Therefore, there are 15 statements believed are adequate to be the measurement metric for the P factor as being shown in the Table 8. 11 of them are focusing on the management team's ability and ambition, which is highly logical with the interview results as all respondents emphasize the importance of the human factor in turning something good on the paper into reality. The last four sayings take the stakeholders' partnership into account as the participation and commitment level of current and potential investors and partners is also a reflection of the idea's attractiveness. Firstly, the ability to determine which activities are the key to implement as well as their priority during the whole process is the discussion in Tiemann and Fichter (2016) for the sustainable business. In relation with acting correctly, the identification of needed partners, including the suppliers, industrial expert, related investors and so on, the know of which one is available, which one needs to be added as well as where to find, is also pointed out simultaneously. CB Insights (2018) also supports this argument by stating that getting distracted by another project or losing focus in the venture is the contributor to failure of many startups. Also, The understanding to organize resources and coordinate task is argued as one of the greatest pros for successful portfolio entrepreneurs (Westhead et al, 2005). Hence, unsurprisingly, all respondents show the same agreement on this matter, like informant A replied: *"It is important that the company, the people in the company understand what they need to do....does the team understand what they need to do, what the actual work to do to build a business."*

Following, the individual's skill, knowledge, qualification, business expertise, experience in running startup, the network connection and legalization is brought to the table (Csaszar, Nussbaum and Sepulveda, 2006). The human capital of sustainable performance is defined as the ability to work effectively and productively of a member within on organization, including personal health, the well-being, educational, training level as well as the specific skill and experience (Labuschagne et al., 2005). Another the study about success and risk factor in the pre-startup phase demonstrates that ambition to dedicate the startup venture as a full-time job as well as industrial experience and the advice for agencies is the three variables with positive impact for the succeed. (Gelderen, Thurik and Bosma, 2005). The report from Startup Genome and Global Entrepreneurship Network (2018) explains the founder's mindset, which is named "fingerprint for

success”, is in the deep correlation with the serial entrepreneurs and so, the insight for young entrepreneur founders suggests that before going deeply into the startup venture, knowing themselves is critical, for example to understand the strength and weakness honestly on personal level, what advantage and disadvantage they have to solve the matrix together with the attitude and ambition for pursuing the goal. The local connectedness – especially with the other founders in industry – is another point to be found that significantly associates with startup performance as well. Additionally, Responsible Innovation Compass (2019) puts the connection with external communities as an indicator for the sustainable investment as the network makes it easier for entrepreneur to ask for help and develop the solutions if needed. The experience in running startup is a popular concern as well. *“It is quite difficult thing to make the company. Searching and working at the company is one thing. Making something out of nothing is quite a difficult job. We say that 1 out of 100 is able to make the company. 99 other people have to work in the company. Because it is such a hard job to do it.”* – said respondent A. Therefore, if the founder gains any type of experience in establishing and running the young business, it will be definitely a plus, but it’s not decisive point either, as age is not a matter, even though young team leaders cannot gain this type of advantage, there is a potential in them to develop it in later phase while evolving with the project as well. Needless to say, the legitimacy of the idea in general and each components of the business in particular has to be ensured, that from the legal history of the team member to the coordinated partners, the legality of single step as a whole must be within the boundaries of the law. By doing this, the elimination of technological conflict, pattern litigation, environmental and ethical violation will be rid of (Tiemann and Fichter, 2016). The background check in the due diligence of all six funding companies also take this point into account unquestionably.

Besides, after the team quality’s check, the inspection about connection among members within a team is suggested from three angles: how long they have known each other, how fit they can work as a team and how engaging each person is toward the firm’s contribution and development. Csaszar, Nussbaum and Sepulveda (2006) raises the question about the team’s self-evaluation internally about their relationship, meanwhile CB Insights (2018) argues that lack of passion and disharmony among team are flaws for collapse. Motivation within the team is fundamental for entrepreneur, especially in the early stage when the risk and pressure is high, and is demonstrated as a metric to measure the firm’s energy to achieve the final goal (Westhead et al, 2005). Responsible Innovation Compass (2019) puts the involvement of employees into the grade

for company management section while the capacity to feel encouraged to express concerns is another component for examining the quality in the idea generation and research. Even though the investigation about the team's member closeness and the effective level in work among them is mentioned in all six interviews, the value of being seen and being recognized is emphasized in the meeting with the company B particularly.

There is two statements is assigned specifically for sustainability assessment in the P factor. Labuschagne et al. (2005) exposes a discovery that the perception of human about their surrounding and the way of life can affect directly to the participation initiatives, which means the attention and responsibility a person have on individual level will form their ambition and commitment toward the sustainable mission in the business to a certain degree. Hence, as a result, the statement about how many percentage of the team members care about the social and/or environmental issues is added. Furthermore, it is a positive signal as well for the startup if the member has, or know where to get, the necessary skill and resources in association with the offering sustainable value (Tiemann and Fichter, 2016). In fact, all the interviewees show a supportive attitude toward the social and ecological idea, however, there is no direct discussions in the meetings disclosing any particular examples about those sayings unfortunately.

As being mentioned above, four out of 15 statements in order to assess the power of the P factor in feasibility dimension targets the quality of involved partnerships. As the founder's team shares a close relationship and communication with investors and partners, the existence and commitment of the stakeholders is a very first evidence of the idea's attractiveness and has directly impact to the possibility of being successful of the young entrepreneur. In the same manner with the team qualification, the more adequate investors/partners are for the offering product/service, for instance the match between their interest, expertise, knowledge, experience, network and the offering characteristics, the more engagement and participation they show toward the idea, the higher chance for the invested startup to be lucrative. (Sinan Erzurumlu and Erzurumlu, 2015; Labuschagne et al., 2005; Csaszar, Nussbaum and Sepulveda, 2006). As a matter of fact, the contribution and responsibility besides financial support is what evaluators and investors seek for as well. Respondent E shares: *“(The difficulty on my side doing the job is)... to make them understand that we don't invest money, we offer them the program that is worthy more than that money. So if you come to us just because you want to get the funding from us, then you got the wrong place. That's what we want them to understand. So when we do the evaluation, we always*

ask the questions like, how do you think we can help you or do they have anticipate for that?”, or from the interviewee C’s opinion: “We also don’t do the investment in the company where we don’t have anything to contribute in addition to the capital.... We need some kind of expertise that we committed with....we can find some common link where we thought we are able to help them to going.” Moreover, the association between stakeholders and the idea’ value in term of sustainability is a significant contribution for the business’s accomplishment, especially when the sustainable idea requires a longer timeline to bloom, e.g., the informant E expresses: “For me, it (social and/or environmental benefit) matters. That’s why we went into the power, minor solutions that is based on green technology. And yes, the investors care about that.” Lastly, the running out of capital is put into consideration. On one side, the empty funding is the most threatful financial problem for the early-phase startups to kick in or to continue developing. On the other side, the inability to call for further investment demonstrates a limitation in the idea itself and also blur the interest of the very first investors gradually (Tiemann and Fichter, 2016; CB Insights, 2018). “They are not able to complete the product, or they are not able to sell it, mostly because they haven’t sold the product to the customers, and then they aren’t able to accept more investment outside of our investor, and then they run out of money”, explained by informant D. Since the interviews are conducted from the evaluators/investors’ side, there is a deep recognition about the impact of their participation toward the entrepreneur’ development beside the monetary support, and so, all interviewees demonstrate a dynamic obligation with the invested idea to a large degree.

Table 8: Statements to evaluate P factor

Feasibility = P x OCC	The literature article that the statement is mentioned	The firm who mentioned about the statement during the interviews
People (P) – 15 statements		
1. The team can determine all the necessary actions to implement the value proposition	Tiemann and Fichter (2016) CB Insights (2018) Westhead et al (2005)	All
2. The team can determine partners and key resources to implement the value proposition	Tiemann and Fichter (2016) CB Insights (2018) Westhead et al (2005)	All
3. The team already have the needed skill, technical know-how, qualification and business expertise.	Csaszar, Nussbaum and Sepulveda (2006) Labuschagne et al. (2005) Gelderen, Thurik and Bosma (2005) Startup Genome and Global Entrepreneurship Network (2018) Responsible Innovation Compass (2019)	All

4. The team has founded or participated in a startup in the past	Csaszar, Nussbaum and Sepulveda (2006) Labuschagne et al. (2005) Gelderen, Thurik and Bosma (2005) Startup Genome and Global Entrepreneurship Network (2018) Responsible Innovation Compass (2019)	All
5. The team has good connections in the industry	Csaszar, Nussbaum and Sepulveda (2006) Labuschagne et al. (2005) Gelderen, Thurik and Bosma (2005) Startup Genome and Global Entrepreneurship Network (2018) Responsible Innovation Compass (2019)	All
6. The team has no irreproachable legal history	Tiemann and Fichter (2016)	All
7. The team members has known each other for long time	Csaszar, Nussbaum and Sepulveda (2006) CB Insights (2018)	All
8. The team members has demonstrated ability to work together productively	Csaszar, Nussbaum and Sepulveda (2006) CB Insights (2018)	All
9. All the team members are motivated to contribute to firm development	Westhead et al (2005) Responsible Innovation Compass (2019)	B
10. At least half of the team members cares about the social and/or environmental issues on the individual level	Labuschagne et al. (2005)	Not available
11. The team already had resources and skills to provide the social and/or environmental value through product/service or know where to get it	Tiemann and Fichter (2016)	B
12. The investors/partners who are already committed to the idea are well recognized in the market	Sinan Erzurumlu and Erzurumlu (2015) Labuschagne et al. (2005) Csaszar, Nussbaum and Sepulveda (2006)	All
13. There are already investors/partners who show strong commitment to the idea	Sinan Erzurumlu and Erzurumlu (2015) Labuschagne et al. (2005) Csaszar, Nussbaum and Sepulveda (2006)	All
14. There are already investors/partners who show positive interest in the idea's social and/or environmental value	Sinan Erzurumlu and Erzurumlu (2015) Labuschagne et al. (2005) Csaszar, Nussbaum and Sepulveda (2006)	All
15. The project can appeal more attractive to more investors in the future	Tiemann and Fichter (2016) CB Insights (2018)	All

The Feasibility dimension – Offering and Core Competencies (OCC)

As being mentioned earlier, the OCC factor is the average combination of Offering (O) and the Core Competences (CC). On one hand, the grading system for O is explained to be rated by answering how clear the startup can describe the idea, how possible for it to come true, how

compelling the prototype is and how large the gap between the technology and the product/service is. On the other hand, CC demonstrates how unique and competitive advantage the idea is in order to survive against the rivals. To measure the CC, there are four sides to look at: the rareness in the market, high cost to imitate, the excellence to competitors and the visibility to consumers. If the CC is highly distinctive among substitutes and alternatives, the idea then reach to the most superior level, named distinctive competencies.

From the above direction, hence, the OCC consists of 15 statements with nine comments are for the O factor as being illustrated in Table 9. As Dr. Bruton's suggestion, the more unique the new born idea is, the more understandable it should be. The ability is in correlation with the key customer's analysis as the offering itself should be easy and accessible enough through the suitable marketing, communication and distribution channel for the buyer and user to adapt to. Following, the possibility for a startup to call for funding successfully can be higher if the size of required investment is modest. In other words, the cost structure of the offering should be analyzed closely in all aspects, from the fixed and variable cost to the payment circle, operating expenses, the past due indebtedness, interest rate and so on (Tiemann and Fichter, 2016; Csaszar, Nussbaum and Sepulveda, 2006, Sinan Erzurumlu and Erzurumlu, 2015). Due to the high uncertainty and lack of information in seed and early stage, the investors often are reluctant to pour heavy financial support as well, for instance, there are four out of six respondent (B,C, D, F) claiming verbally that dividing investment in different startups, taking small tickets, and diversifying the portfolio are part of the their risk controlling strategy. Furthermore, the prospect of the offering is also more clear if the gap between the idea and the current prototype is narrow (Csaszar, Nussbaum and Sepulveda, 2006). If the prototype is totally fresh, there should be a consideration related to the required time to develop the technology, the patent and legitimacy. In point of fact, all respondents share the same caution toward this notion, as informant B says: *"Often that maybe the technology is not as good as we thought, and sometimes the technology is too good and too expensive so the consumers will actually prefer a solution which is cheaper, and not the Roll-Royce version which is very expensive. And of course sometimes things take a bit longer to develop and the cost is bit more and the companies may lose the edge over the competition if they are not able to capitalize on the unique technology, so that also maybe a reason to fail."* In term of sustainability, the next four grading statements, from number four to number seven, focus on the harmony between financial demand and the social and/or environmental benefit. Tiemann and Fichter (2016) is the

main contributor in the stream as the paper investigates the realistic issue in expense for chasing the TBL through the questions which are: is it possible to reduce the cost overall in the future? If the business is sustainable, is there any extra cost to implement that sustainability or is there a possibility to reduce the cost for sustainability in the future? If the business is not sustainable, will additional cost appear? Even though the interviews disclose the positive attitude from the funding organization's side toward the sustainability, there is no further discovery in relation to the above four statement in practice regrettably. Lastly, in concerns of calculating the possibility of the offering, risk assessment is brought to the discussion. Generally, the risk forecast is suggested to be reviewed by two direction, internally and externally, through the three dimensions – market's movement, social and environmental reception and the government legal system (Csaszar, Nussbaum and Sepulveda, 2006; CB Insights, 2018; Responsible Innovation Compass, 2019). Sometimes a simple idea can face the legal complexities not from the beginning but from the developing or expansion stage which is the core reason of shutting down, or a decent innovation can face the both positive and negative consequences from the market's reaction. In practical terms, the funding organizations, to different degree, often call for support from the expert industry, investor and partners while doing the evaluation and due diligence as being referred in section 4.1, as informant C says: *"There is always someone who knows someone that you can ask."* In other words, it is more likely that the idea is always being exposed for external assessment during the process seeking for capital support.

Table 9: Statements to evaluate O factor

Feasibility = P x OCC	The literature article that the statement is mentioned	The firm who mentioned about the statement during the interviews
Offering (O) – 9 statements		
1. The offering is very clearly articulated	'Idea Model'. Straight Up Business Institute.	All
2. The idea doesn't require the intensive investment	Tiemann and Fichter (2016) Csaszar, Nussbaum and Sepulveda (2006) Sinan Erzurumlu and Erzurumlu (2015)	B, C, D, F
3. The gap between the envision solution and current prototype is not significant	Csaszar, Nussbaum and Sepulveda (2006)	All
4. The project's cost can be reduce in the future	Tiemann and Fichter (2016)	Not available
5. *Additional costs can arise in the future if activities are not sustainable	Tiemann and Fichter (2016)	Not available
6. The idea offers social and/or environmental value that	Tiemann and Fichter (2016)	Not available

doesn't increase the additional cost to implement		
7. It is possible to reduce the cost for social and/or environmental value in the future.	Tiemann and Fichter (2016)	Not available
8. The risk of the idea is properly assessed by the team	Csaszar, Nussbaum and Sepulveda (2006) CB Insights (2018) Responsible Innovation Compass (2019)	All
9. The risk of the idea is properly assessed by the external partners	Csaszar, Nussbaum and Sepulveda (2006) CB Insights (2018) Responsible Innovation Compass (2019)	All

* Reserved question

Next, six statements in Table 10 are categorized as the indicators to grade the CC factors, which the first four comments measure the uniqueness of the idea and the last two are in the sustainability's perspective. So as to ensure and secure the advantage exist in long-term, the more solid the uniqueness of the idea is, the more reliable the investment will be for investors. There could be various reasons for a product/service gaining the core competencies, for example because of the technique/innovation/partnership/resources/human capita/etc. or the combination of all of those causes. It is notable that the positioning of idea itself is always in the correlation with the competitors' analysis, which means the idea's strength and weakness is always identified if and only if there is at least one objective competitor exist and is well investigated in order to make the comparison (Tiemann and Fichter, 2016). The introduction of a new product/service to the market also means the public knowledge diffusion, and as a consequence, there may be a new competition being created with new entrants. That is to say, the idea becomes more vulnerable in the trade network (Labuschagne et al., 2005). Therefore, ignoring this movement is also a recipe for failure (CB Insights, 2018). In the superior level, it is even more favourable if the CC can create the barriers to entry as well as the competitor's reaction is predicted in advanced (Csaszar, Nussbaum and Sepulveda, 2006). In practice, the uniqueness of the idea and the competitor's identification in the market are the common questions in all six funding team's evaluation process. However, only the company A shows a concern related to the rivals' reaction when the idea is put into the public and none of the talks records a revelation about the offering's ability to create obstacle if any. Following, further attention toward sustainability is reviewed. To pursue the TBL, in the dynamic context, the social and ecological value should be concrete enough to secure the financial return. For this reason, Tiemann and Fichter (2016), Csaszar, Nussbaum and Sepulveda (2006) actually raises the question that by applying the sustainability into business, to which degree the

startup can gained the CC subsequently: to create the differentiation or to form a competitive advantage over not only the current rivals but also the potential entrants. It is unfortune that there is no additional exposure being brought out from the interviews in regards to this matter.

Table 10: Statements to evaluate CC factor

Feasibility = P x OCC	The literature article that the statement is mentioned	The firm who mentioned about the statement during the interviews
Core Competencies (CC) – 6 statements		
1. It is difficult for competitors to copy the idea’s advantage due to the know-how technique/partnership/resources/costs of implementation	Tiemann and Fichter (2016) Csaszar, Nussbaum and Sepulveda (2006) CB Insights (2018)	All
2. The idea does generate a barrier to entry	Tiemann and Fichter (2016) Csaszar, Nussbaum and Sepulveda (2006) CB Insights (2018) Labuschagne et al. (2005)	Not available
3. The competitors analysis and positioning are well defined	Tiemann and Fichter (2016) Csaszar, Nussbaum and Sepulveda (2006)	All
4. The competitor’s reaction when the idea enter the market is predicted	Tiemann and Fichter (2016) Csaszar, Nussbaum and Sepulveda (2006) Labuschagne et al. (2005) CB Insights (2018)	A
5. The idea offers social and/or environmental value which can help differing the company with its competitors	Tiemann and Fichter (2016) Csaszar, Nussbaum and Sepulveda (2006)	Not available
6. The idea has unique competitive advantage as the result of its social and/or environmental value	Tiemann and Fichter (2016) Csaszar, Nussbaum and Sepulveda (2006)	Not available

4.2.2 The model’s instruction

In compliance with the original creation, the model I propose in this paper is considered as the sub-model of the Idea Model of Dr. Bruton, and hence, it would follow the same mathematic approach with a slight adjustment. According to the critique pad for ideas in section 2.1.2, Dr. Bruton suggests that user can score four factor (C, VP, P and OCC) by giving grade to only one representative statement for each in the scale from 0 to 10, with 10 is the best performance and 0 is the lowest. This method, in my opinion, will lead to the big-picture assessment overall. After that, the impact result is calculated by multiplying C an VP together while the feasibility is brought out by multiplying P and OCC together. For instance, for scoring 8/10 in both C and VP, the impact would be 0.8 multiplied by 0.8 and be equals 0.64, which mean 64% in the vertical line. In my variation, there is a slight change as instead of rating one general statement for each factor,

evaluator will give score to all of the statements under the same factor and the average result will be the final evaluation for that factor. For instance, there is an investor who evaluates the idea from startup A and rate four statements under the C factor in Table 6 the score of 7/10, 8/10, 6/10 and 7/10 respectively, then the average score for C factor of startup A is 7/10. By repeating the same process, I get the average score for VP is 8/10, P is 8/10, O is 6/10 and CC is 7/10. In this case, the impact result is $C \times VP = 0.7 \times 0.8 = 0.56 = 56\%$ and the feasibility is $P \times \left(\frac{O+CC}{2}\right) = 0.8 \times \left(\frac{0.6+0.7}{2}\right) = 0.52 = 52\%$. Therefore, the positioning of A in the model is illustrated as the following Figure 11.

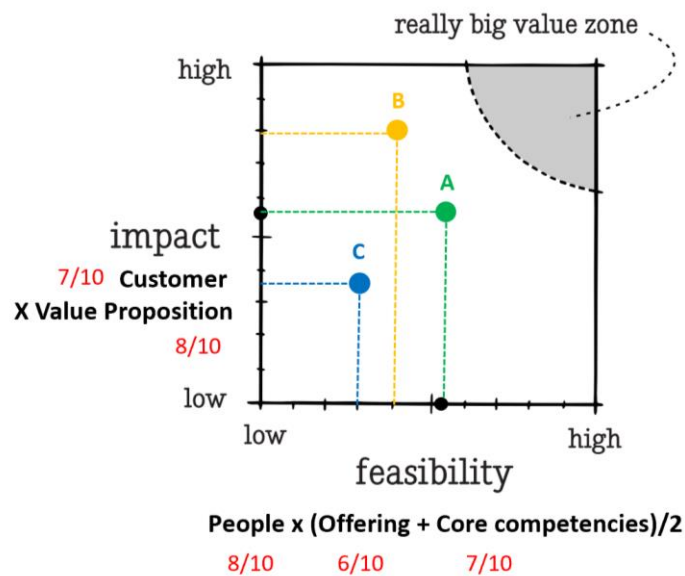


Figure 12: Illustration for applying proposed tool

By doing the same with other idea B and C, the investor therefore can have a visualisation of the startups' comparison to consider in the assessment process.

Additionally, in term of the self-evaluation, my proposed model can help the startup to have a standard sample to identify which are important points to look at while developing the business plan and making any improvement from that if necessary. Along with the Idea Model's motto, after each adjustment and re-calculate the impact and feasibility, the movement gradually toward the really big value zone is the greatest goal for the assessment.

4.2.3 The model's inspection

In the interest of testing the accuracy and inspecting the fit of the model in real life, I conduct two rounds of surveys in a small scale. The first round is tested with my surroundings and a class of business students to ensure that it is easy for everyone to understand and be able to use it. The second round is conducted with three startups to see if the evaluation model is helpful for self-assessment and matched with the practical startups at the moment.

Firstly, I survey a group of friends and approximately 20 students of a business class in University of Stavanger simultaneously to read the list of evaluation statements beforehand and note down any unclear information or queries regarding the statements' structure and wording. After that, I choose a startup's pitch video from Youtube to show them and ask them to evaluate that startup by rating scores regarding the statements. Technically, the purpose of this testing is to ensure the transparent formulation, readability and understanding of the tool as the righteous and fitting of the model is not the main focus at this point. After receiving the feedbacks, the evaluation statements' phrasing are adjusted correspondingly.

Secondly, the modified assessment tool are sent to three startups which are from my network. The startups then do their self-assessment by giving grade and calculate their impact and feasibility score. Results for those participants in pair of (feasibility, impact) are (50%, 23%), (30%, 48%) and (49%, 60%). Along the trail, there are some feedback about the tool's readability as some words are subtle to understand together with the length of the survey which makes it time-consuming to do. Additionally, the model is commented as interesting method and do point out some perspective that are bypassed. Hence, the format adjustment is conducted based on those collected response and final list of statements for evaluation is summarized in Appendix 3.

It is unfortunate that the model is only tested in the small scale from entrepreneurs' standpoint and not from the investment organisation yet. Suggestion for further development, therefore, will be put forward in the final chapter.

5. Conclusion

Due to the significant amount of investigation, the thesis eventually brings to light two key findings: the insights within the Norwegian startup industry's investment from the funding organisation's point of view and an evaluation model in term of new business movement toward

sustainability. In the final chapter, I would present the study's essence in short, the answer for the research question, the paper's contribution in association with the suggested application for practical context and further development.

5.1 Answer for research question

As earlier presented, the growth in attention towards the TBL business as well as the recognition of the sustainable investment's role in new-born idea and young entrepreneurs' developing chance are the inspiration for me to choose this topic. The pursuit of process and vast amount of effort was put to seek for the answer about:

What are the factors that affect the investors' decision in startups' evaluation process in term of 3 sustainable pillars: economic, environmental and social?

Based on the discussion of literature and interviews' data, the big picture from investment organisation's perspective has been sketched in Table 5. Generally, sustainability receives all the firms' favourable attitude and the focused sectors demonstrate a up-to-date direction of investors regarding the potential zones. A set of risk management strategy can include the common grounds such as by diversifying the portfolio, building a close coordination and providing some values beside the financial support. The network within the industry plays an enormous function, that it is not only the reliable source for funding firms to find promising startups but also the great assistance in doing due diligence and expertise's check-up in niche market. In addition, a huge weight is put on the human factors as a critical point in evaluation criteria. Many beliefs are formed around the concept that team's capability and ambition are recipes for success as well as it's more opportune to choose the good team with average idea than bad team with good idea.

The blend between previous outcome from literature and practical information from interviews is the fundamental approach for me to develop and propose an evaluation tool which is inspired by the Ideal Model of Dr. Alex Bruton. As the result of identifying key indicators for successful investment in startups in connection with the triple dimensions economic, social and environmental value, the proposed tool consists of a list of 47 statements which are distributed into four factor groups: Customer (C), Value Proposition (VP), People (P) and Offering and Core Competences (OCC). The evaluator will give a score in the scale from 1 to 10, which 1 refers the strongly disagreement and 10 means strongly agreement, for each statements to assess the idea's potential. Lastly, the strength of idea will be measured by putting into two scales: vertically impact

which is calculated by multiplying C with VP and horizontally feasibility which is calculated by multiplying P with OCC.

On one hand, the C factor is a group of all statements reflecting how well the entrepreneurs understand their key customers in reference to the consuming habit, willingness to pay, the market's size and business activities to approach those targeted consumers. Meanwhile, the inspection of VP factor is about how harmonious it is between the providing value of idea and the demand from customers as well as how clear the strategy is to transmit the idea's value to the market. On the other hand, the qualification of the teams and the engagement of stakeholders are the central point of assessing the P factor. Teams' ability reflects the possibility of the idea to become successful while the commitment from stakeholders addresses the attractiveness of the proposed business. Finally, the OCC factor concerns the criteria relevant to the risks, the required conditions to execute the business in long run as well as the idea's uniqueness and competitive advantage to compete against competitors.

5.2 Results' contribution

In the condition of worldwide population's expansion and natural resources' exhaustion, the responsible investment is more and more demanding for the purpose of the well-being of future generation. Hence, this paper hopefully contributes to both theoretical and practical aspect regarding sustainable investment in startups.

On theoretical viewpoint, the thesis performs a firmly study about sustainability and fill in the gap of absent knowledge about this new business model. It has analysed and demonstrated the common features in various earlier researches, which results in the five frequent-mentioned themes to observe regarding TBL. Also, the proposed tool and its list of evaluating statements is a non-abstract discovery which is verified by both theoretical perspective and realistic investment companies' viewpoint, therefore, it is able to provide a sketching point to close the distance between academic effort and realistic business attempt.

On practical perspective, unlike the traditional models which takes only monetary return into consideration, the evaluation model is firmly believed as an integration among social and ecological value beside the financial benefit. So, this paper's finding is beneficial for not only the entrepreneurs to self-assess for improvement but also the investors to make better investment decision in terms of sustainability development. Furthermore, political contribution can be

expected if the assessment criteria is applied widely by government in order to guide and motivate young entrepreneurs in creating and developing more sustainability-oriented ideas.

5.3 Further development

In relation to the further research advice, suggestion for development is the final note I would like to put in. The paper was developed based on literature review and interview inputs, although the validity of instrument was tested, the reliability of the tool yet to be continued. Also, as the thesis contains some limitations itself and the lack of practical experiments from investors' side, therefore, additional survey in the large scale of investment funding organisations is very prominent to verify to which extent the model can contribute to the success opportunity in choosing startups for investing. In depth examination, it is also very interesting to check which statements/factors in particular will have the strongest impact to the successful ratio in general. Moreover, because sustainability is still a new concept, some discussed statements receive less supporting evidences in theory and even non-available confirmation from real-life interview, therefore, it would be highly beneficial to determine more proofs in both sides in additional research.

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Appendix

Appendix 1: Analysing the literature

	Economic	Social	Environment
Team	<p>[1] Which key activities are necessary in order to implement? Which of the activities will you carry out yourself? For which ones will you need partners?</p> <p>[1] Which key partners (suppliers, experts in the field, trade associations, supporters) do you need in order to fulfill your value proposition? How do you identify them?</p> <p>[6] #11: lose focus</p> <p>[8] one of my (portfolio entrepreneurs) greatest strengths is organizing resources and coordinating tasks</p>	<p>[1] What role does sustainability play in your key activities? To what extent is sustainable design/implementation of your key activities important for fulfilling your value proposition? (e.g., efficient and safe processes, certification)</p> <p>[15] Company management: Pursuing innovations that can improve lives and/or environmental sustainability</p> <p>Developing innovations in consultation with users and society</p>	<p>[1] What role does sustainability play in your key activities? To what extent is sustainable design/implementation of your key activities important for fulfilling your value proposition? (e.g., efficient and safe processes, certification)</p> <p>[15] Company management: Pursuing innovations that can improve lives and/or environmental sustainability. Developing innovations in consultation with users and society</p>
	<p>Which key activities are necessary in order to implement? Which of the activities will you carry out yourself? For which ones will you need partners? Which key partners (suppliers, experts in the field, trade associations, supporters) does startup need? How do you identify them?</p>	<p>Is the activity to offer social value the key activity?</p>	<p>Is the activity to offer environmental value the key activity?</p>
	<ol style="list-style-type: none"> The team can determine all the necessary actions to implement the value proposition The team can determine partners and key resources to implement the value proposition. 	<ol style="list-style-type: none"> The idea addresses social need. (Did the offering address social need? Is social need clearly identified? Is mission of the firm reflects the desire to address social issue/social need?) 	<ol style="list-style-type: none"> The idea addresses environmental need.
	<p>[1] Which key resources and skills are necessary in order to implement your value proposition? Which ones are already available, which ones must be obtained, or for which ones must partners be found?</p> <p>[2] Are there any patents, prototypes, older product versions or cash in hand? Do they have the technical know-how necessary to implement with quality? Do they have the necessary business expertise? Have they founded or participated in a startup in the past? Are they recognized participants in the industry? Do they have good connections? Do they have good credentials? Do they have an irrefutable legal history?</p> <p>[4] Human capital: Human capital refers to an individual's ability to work in order to generate an income and encompasses aspects such as health, psychological well-being, education, training and skill levels.</p> <p>[5] People who perceive less risk will start earlier, whether their risk perception is accurate or not. The same reasoning applies to time investment: the decision to switch from part-time to full-time may be grounded on clear indications that the entrepreneur can indeed start the business. Two additional variables taking on a significant positive impact are industry experience and exposure to guidance and advice agencies.</p> <p>[14] Founder's mindset and Local connectedness</p>	<p>[1] Does the start-up team already have resources and skills for complying with the defined sustainability requirements, or does it require external support for this?</p>	<p>[1] Does the start-up team already have resources and skills for complying with the defined sustainability requirements, or does it require external support for this?</p>
	<p>[15] Development and testing: We seek to find solutions with relevant external communities (e.g. industry associations, other industry sectors, civil society organizations, communities of practice, regulators)</p>		
	<p>Which key resources and skills are necessary to run the business? Does the team already have the needed skill and qualification? Is there any external partnership needed? Do they have the necessary business expertise? Have they founded or participated in a startup in the past? Are they recognized participants in the industry? Do they have good connections? Do they expose to guidance and advice agencies? Do they have good credentials? Do they have an irrefutable legal history?</p>	<p>Does the start-up team already have resources and skills to provide the social value through product/service, or does it require external support for this?</p>	<p>Does the start-up team already have resources and skills to provide the environmental value through product/service, or does it require external support for this?</p>
	<ol style="list-style-type: none"> The team already have the needed skill, technical know-how, qualification and business expertise. The team has founded or participated in a startup in the past The team has good connections in the industry The team has no irrefutable legal history 	<ol style="list-style-type: none"> The team already have resources and skills to provide the social value through product/service or know where to get it. 	<ol style="list-style-type: none"> The team already have resources and skills to provide the environmental value through product/service or know where to get it
	<p>[2] What do the people who know the team think about them?</p> <p>[6] #14: lack of passion: There are many good ideas out there in the world, but 9% of startup post-mortem founders found that a lack of passion for a domain and a lack of knowledge of a domain were key reasons for failure no matter how good an idea is.</p> <p>#12: disharmony among team/investor: Discord with a cofounder was a fatal issue for startup post-mortem companies</p> <p>#3: not the right team</p> <p>[8] one of the greatest strengths of portfolio entrepreneurs is 'achieving results by organizing and motivating people'</p> <p>[15] Company management: Employees have been involved in the development of the document.</p> <p>Idea Generation & Research: Employees are encouraged to develop alternative solutions to identified problems. Employees are encouraged to express concerns</p>	<p>[4] Community capital: "how people feel about their surroundings and their way of life". These perceptions can directly influence stakeholder participation initiatives.</p>	<p>[4] Community capital: "how people feel about their surroundings and their way of life". These perceptions can directly influence stakeholder participation initiatives.</p>
	<p>What do the people who know the team think about them? How long have the team members known each other/worked together?</p>	<p>Does the team member care about the social issues on the individual level?</p>	<p>Does the team member care about the environmental issues on the individual level?</p>
	<ol style="list-style-type: none"> The team members has known each other for long time The team members has demonstrated ability to work together productively. All the team members are motivated to contribute to firm development 	<ol style="list-style-type: none"> At least half of the team members cares about the social issues on the individual level 	<ol style="list-style-type: none"> At least half of the team members cares about the environmental issues on the individual level

	<p>[8] Portfolio entrepreneurs invest heavily in providing formal job related training for employees Portfolio entrepreneurs emphasize improvement in employee productivity and operations efficiency/ Portfolio entrepreneurs actively recruit the most talented people [9] Does the founder want to increase the total employment size of the business in the next two years? [13] Economic sustainability indicators include both human and financial capital considerations: Impacts on employees: remuneration, benefits, training opportunities and budgets, pay equity ratios, redundancy provisions, personal and/or career development [15] company management: Its members receive relevant training on a regular basis.</p>	<p>[8] Portfolio entrepreneurs invest heavily in providing formal job related training for employees Portfolio entrepreneurs emphasize improvement in employee productivity and operations efficiency/ [13] Economic sustainability indicators include both human and financial capital considerations: Impacts on employees: remuneration, benefits, training opportunities and budgets, pay equity ratios, redundancy provisions, personal and/or career development</p>	<p>[8] Portfolio entrepreneurs invest heavily in providing formal job related training for employees Portfolio entrepreneurs emphasize improvement in employee productivity and operations efficiency/ [13] Economic sustainability indicators include both human and financial capital considerations: Impacts on employees: remuneration, benefits, training opportunities and budgets, pay equity ratios, redundancy provisions, personal and/or career development</p>
	<p>Do you have any plan for improving the team knowledge/qualifications? Do you have plan to increase the total employee of the team in the future?</p>	<p>Do you have any plan for improving the team knowledge/qualifications to add on social value for the company?</p>	<p>Do you have any plan for improving the team knowledge/qualifications to add on environmental value for the company?</p>
	<p>16. The team has the plan for further development in the next 2 years (advanced qualification training/further recruitment/etc.)</p>		
Offering/Value proposition	<p>[1] Describe your vision briefly and comprehensibly: Which long-term goal determines the course of your business model? What is the mission of your business model? Which values determine your business model? Describe your value proposition. Which customer problem will be solved with it? [2] Will the product or service produce a substantial benefit to the consumers? Is the benefit appropriate? [6] #7: products without business model #1: no market need [8] New business opportunities often arise in connection with a solution to a specific problem [15] Idea Generation & Research: Serving user needs [16] The offering is very clearly articulated</p>	<p>[1] Which sustainability principles play a role for your business idea? Explain your answer briefly. Describe the positive impacts of your products and services on the environment and society. [4] Potential financial benefits: The criterion assesses financial benefits other than profits, e.g. national and/or international subsidies based on the environmental, social, and/or technological improvements due to business initiatives. [8] New business opportunities often arise in connection with a solution to a specific problem [15] Idea Generation & Research: Have the potential to contribute to simultaneously solving a number of societal or environmental challenges Market & Impact: How do you monitor the impact of your company's innovations to societal well-being once they are on the market?</p>	<p>[1] Which sustainability principles play a role for your business idea? Explain your answer briefly. Describe the positive impacts of your products and services on the environment and society. [3] Percentage of materials used that are recycled input materials. Energy saved due to conservation and efficiency improvements. Reductions achieved as a result of initiatives to reduce indirect energy consumption. Percentage and total volume of water recycled and reused Effectiveness of strategies, current actions, and future plans for managing impacts on biodiversity [4] Potential financial benefits: The criterion assesses financial benefits other than profits, e.g. national and/or international subsidies based on the environmental, social, and/or technological improvements due to business initiatives. [8] New business opportunities often arise in connection with a solution to a specific problem [15] Idea Generation & Research: Have the potential to contribute to simultaneously solving a number of societal or environmental challenges Market & Impact: Which of the following aspects of environmental sustainability do your company's innovations support?</p>
	<p>What is the vision and mission of your business model? Which values will the idea offer? Which customer problem will be solved with it? Why should customers purchase your product/your service?</p>	<p>Does the startup's idea offer any value for the society? (change the consumer's behavior,...), or, describe the positive impacts of startups products and services on the society.</p>	<p>Does the startup' idea offer any value for the environment? (reduction of the amount of environmental resources per unit of output, using renewable resources, avoiding highly invasive technologies with uncertain consequences,...) Describe the positive impacts of startups products and services on the environment</p>
	<p>17. The company has clear vision and mission for the business. 18. The idea can offer a practical solution for a specific problem of customers. 19. The offering is very clearly articulated</p>	<p>20. The idea can offer a practical solution for a specific social problem. 21. The idea can have a positive impacts on the consumer' behavior/perception about social issue.</p>	<p>22. The idea can offer a practical solution for a specific environmental problem. 23. The idea can have a positive impacts on the consumer' behavior/perception about environmental issue.</p>
		<p>[1] How does your business model/your start-up benefit if you intensify the integration of sustainability principles? How does sustainability contribute to your business idea's economic success? [2] Does it enjoy a competitive advantage over competitors and potential new entrants?</p>	<p>[1] How does your business model/your start-up benefit if you intensify the integration of sustainability principles? How does sustainability contribute to your business idea's economic success? [2] Does it enjoy a competitive advantage over competitors and potential new entrants?</p>
		<p>Is there any value in the idea related to social needs bring the competitive advantage to the startup?</p>	<p>Is there any value in the idea related to environmental needs bring the competitive advantage to the startup?</p>
		<p>24. The idea has unique competitive advantage as the result of its social value.</p>	<p>25. The idea has unique competitive advantage as the result of its environmental value.</p>
	<p>[1] How can customer utility be increased through sustainability? How can customer utility be increased by this idea?</p>	<p>[1] How can customer utility be increased through sustainability? How can customer utility be increased by this idea?</p>	<p>[1] How can customer utility be increased through sustainability? How can customer utility be increased by this idea?</p>
	<p>26. The idea has the ability to increase the customer's utility</p>		
	<p>[7] It is very important that the idea represents a concept which can be developed over time. The consideration of one opportunity often leads to other opportunities [8] Portfolio entrepreneurs were more likely than other entrepreneurs to report 'the need to grow the business' [15] Market & Impact: How does your company ensure continuous improvement of products or services?</p>	<p>[1] Which concrete contribution will your start-up have made in 5 or 10 years to reach sustainability goals? [4] Socio-environmental performance: This criterion considers the contributions of an operational initiative to the improvement of the environment, for the society on a community, regional, and national level. The extension of the environmental monitoring abilities of the society, as well as the enhancement of legislation and the enforcement thereof, are included in this criterion. [8] Portfolio entrepreneurs were more likely than other entrepreneurs to report 'the need to grow the business'</p>	<p>[1] Which concrete contribution will your start-up have made in 5 or 10 years to reach sustainability goals? [4] Socio-environmental performance: This criterion considers the contributions of an operational initiative to the improvement of the environment, for the society on a community, regional, and national level. The extension of the environmental monitoring abilities of the society, as well as the enhancement of legislation and the enforcement thereof, are included in this criterion. [8] Portfolio entrepreneurs were more likely than other entrepreneurs to report 'the need to grow the business'</p>
	<p>Is the idea able to be developed over time? What value can the startup' idea offer in the next 5 years? How to measure that value?</p>	<p>Is the social value able to be developed over time? What social value can the startup' idea offer in the next 5 years? How to measure that value?</p>	<p>Is the environmental value able to be developed over time? What environmental value can the startup' idea offer in the next 5 years? How to measure that value?</p>
	<p>27. The idea has the possibility to be expanded and developed over time</p>	<p>28. The idea offers social value which can be expanded and developed over time</p>	<p>29. The idea offers social value which can be expanded and developed over time</p>

	<p>[2] Are there any legal issues that could halt the project? Is there any contractual restraint that could harm the project?</p> <p>[6] #17: legal challenge: Sometimes a startup can evolve from a simple idea to a world of legal complexities that can prove to be a core cause of shutting down.</p> <p>[15] Idea Generation & Research: company have practices in place to anticipate potential positive and negative consequences of an innovation</p> <p>[16] how compelling the prototype is and how large the gap between the technology and the product/service is</p>	<p>[1] What risks (e.g., changes in legal requirements, loss of reputation, etc.) can be avoided through more sustainable key activities?</p> <p>[15] Idea Generation & Research: social impacts are considered when anticipating the (positive and negative) impacts of your company's products/services</p> <p>[12] Non-financial/strategic criteria are of particular significance in strategic investment decision-making. Respondents are commenting on investment decisions they consider to be strategic in nature.</p>	<p>[1] What risks (e.g., changes in legal requirements, loss of reputation, etc.) can be avoided through more sustainable key activities?</p> <p>[15] Idea Generation & Research: environmental issues are considered when anticipating the (positive and negative) impacts of your company's products/services</p> <p>[12] Non-financial/strategic criteria are of particular significance in strategic investment decision-making. Respondents are commenting on investment decisions they consider to be strategic in nature.</p>
	<p>What is the risk for the business? What is the technological gap?</p>	<p>Does the social value help to reduce business risk?</p>	<p>Does the environmental value help to reduce business risk?</p>
	<p>30. The risk of the idea is properly assessed by the team.</p> <p>31. The risk of the idea is analyzed/assessed by the external partners.</p> <p>32. The gap between the envision solution and current prototype is not significant</p>	<p>33. The idea offers social value which can help to reduce the business risks.</p>	<p>34. The idea offers environmental value which can help to reduce the business risks.</p>
Market	<p>[1] What are the features of the customer relationship? Which communication and distribution channels are suitable?</p> <p>[2] How many customers can be obtained in view of the product's characteristics, the marketing strategy?</p> <p>[6] #9: Ignore customer: Ignoring users is a tried and true way to fail. Tunnel vision and not gathering user feedback are fatal flaws for most startups.</p> <p>#8: poor marketing: Knowing your target audience and knowing how to get their attention and convert them to leads and ultimately customers is one of the most important skills of a successful business. But an inability to market was a common failure especially among founders who liked to code or build product but who didn't relish the idea of promoting the product.</p>	<p>[1] How can sustainable aspects of the business model be communicated advantageously?</p> <p>[13] External Factors that Determine Sustainability within a Company: Market factors: Increased consumer interest in ethical and socially responsible business conduct</p>	<p>[1] How can sustainable aspects of the business model be communicated advantageously?</p> <p>[13] External Factors that Determine Sustainability within a Company: Market factors: Increased consumer interest in ethical and socially responsible business conduct</p>
	<p>Who is the startup' key customer? How to define key customer? How do startup reach and communicate to the target customer?</p>	<p>How do startups communicate with customer about the social value that the product/service offer?</p>	<p>How do startups communicate with customer about the environmental value that the product/service offer?</p>
	<p>35. The key customers is well defined.</p> <p>36. The main communication and distribution channels is well defined.</p>	<p>37. The idea offers social value which is matched with key customer's interest/awareness about society.</p> <p>38. There is the customized communication channels to transfer the social value of the idea.</p>	<p>39. The idea offers environmental value which is matched with key customer's interest/awareness about environment.</p> <p>40. There is the customized communication channels to transfer the environmental value of the idea.</p>
		<p>[1] If sustainability has had little relevance for your business model so far: Can additional customers be reached by bringing your business idea in line with sustainability?</p>	<p>[1] If sustainability has had little relevance for your business model so far: Can additional customers be reached by bringing your business idea in line with sustainability?</p>
		<p>Can the social value attract more customers?</p>	<p>Can the environmental value attract more customers?</p>
		<p>41. The idea offers social value which can help attracting additional customers</p>	<p>42. The idea offers environmental value which can help attracting additional customers</p>
	<p>[1] Who are relevant competitors? How strong is competition in the market?</p> <p>[2] How about the reaction of the competitors?</p> <p>[4] Trading opportunities: The criterion assesses the vulnerability of the company's trade network as well as the risks it is exposed to by the network it is embedded in by considering the number of national and/or international companies in the trade network</p>	<p>[1] Which competitive advantage could be attained by taking additional sustainability principles into account?</p>	<p>[1] Which competitive advantage could be attained by taking additional sustainability principles into account?</p>
	<p>Who are the competitors? What are their position on the market? How will they react?</p>	<p>Does the social value differ the startups with the competitor?</p>	<p>Does the environmental value differ the startups with the competitor?</p>
	<p>43. The competitors analysis and positioning are well defined.</p> <p>44. The competitor's reaction when the idea enter the market is predicted.</p>	<p>45. The idea offers social value which can help differing the company with its competitors.</p>	<p>46. The idea offers environmental value which can help differing the company with its competitors.</p>
	<p>[1] Would this advantage exist long-term?</p> <p>[2] Does it generate barriers to entry?</p> <p>[6] #4: Get outcompeted: the reality is that once an idea gets hot or gets market validation, there may be many entrants in a space. And while obsessing over the competition is not healthy, ignoring them was also a recipe for failure in 19% of the startup failures.</p>	<p>[1] Would this advantage exist long-term?</p>	<p>[1] Would this advantage exist long-term?</p>
	<p>Is it easy for the competitor to copy the startups' idea?</p>	<p>Is it easy for the competitor to copy the startups' idea?</p>	<p>Is it easy for the competitor to copy the startups' idea?</p>
	<p>47. It is difficult for competitors to copy the idea's advantage due to the social-environmental value proposition/know-how technique/partnership/resources/human capital/etc.</p> <p>48. The idea does generate a barrier to entry.</p>		
	<p>[14] This is an indication of Founder Know-How in terms of Going Global and Customer Development strategy.</p> <p>Founders targeting smaller markets (national market) have lower overall Mindset results for Startup Success, while founders with larger markets (global market) in their sights have a higher likelihood of being in the range for Startup Success.</p>		
	<p>49. It is necessary to have the incentive to go to the global market right from the beginning</p>		
Stakeholder and Investor	<p>[2] Will there be more investors interested in the project?</p> <p>[6] #16: No financing/investor interest: Tying to the more common reason of running out of cash, a number of startup founders explicitly cited a lack of investor interest either at the seed follow-on stage (the Series A Crunch) or at all.</p>	<p>[3] Stakeholder involvement in addressing complex sustainability problems</p> <p>[15] Company management: Consultation of a diverse set of stakeholders at various stages of an innovation process. Idea Generation & Research: They provide information, they provide feedback on the research process or the envisioned innovation.</p>	<p>[3] Stakeholder involvement in restoration/mitigation planning</p> <p>[15] Company management: Consultation of a diverse set of stakeholders at various stages of an innovation process. Idea Generation & Research: They provide information, they provide feedback on the research process or the envisioned innovation.</p>

	Will there be more investors interested in the project?	Do stakeholder involve in addressing the social needs?	Do stakeholder involve in addressing the environmental needs?
	50. The project can appeal more attractive to more investors in the future	51. The investors involve in addressing and developing the social value.	52. The investors involve in addressing and developing the environmental value.
	[2] Are the current investors committed to the project? Are the current investors recognized by the market? [4] Stakeholder participation: Information is shared clearly with stakeholder and stakeholders' opinion is known throughout the company.	[3] Stakeholder participation in the development of community projects?	[3] Stakeholder participation in the development of community projects?
	Are the current investors committed to the project? Are the current investors recognized by the market?	Do the investors have positive interest in the social value that the product/service offers?	Do the investors have positive interest in the environmental value that the product/service offers?
	53. The investors/partners who are already committed to the idea are well recognized in the market. 54. There are already investors/partners who show strong commitment to the idea	55. There are already investors/partners who show positive interest in the idea's social value	56. There are already investors/partners who show positive interest in the idea's environmental value
	[14] To measure the local connectedness, there are 2 metrics: Sense of Community—"people helping people". We asked startup founders and executives about the ease of seeking and receiving help and introductions from other founders and investors. Local Relationships—how many local founders, investors, and experts do startup founders and executives have a relationship with? (Investors here does not include investors in their own startup.) [6] #18: Didn't use the network: Get your investors involved Does the startup have good local connectedness?		
	57. It is easy for the company to seek and receive helps from other founders and investors		
Finance	[1] What kinds of revenue would you like to generate? How should the price model be designed? For which value are your customers really willing to pay for? How high is your customers' willingness to pay? [2] Does the cash flow projection include all key variables? [3] Revenues (rate of return, net present value & profitability index) [4] Financial health: The criterion entails those aspects assessing the internal financial stability of a company and includes traditional financial sub-criteria such as profitability, liquidity, and solvency [6] #5: Pricing and cost issue: Pricing is a dark art when it comes to startup success, and startup post-mortems highlight the difficulty in pricing a product high enough to eventually cover costs but low enough to bring in customers. How much revenue can the idea generate?	[1] Does orientation of the business model toward sustainability enable better access to revenue sources?	[1] Does orientation of the business model toward sustainability enable better access to revenue sources?
		Can the social value bring up any additional revenue? How to measure that additional value?	Can the environmental value bring up any additional revenue? How to measure that additional value?
	58. The price range that key customer's willing to pay for is well analyzed. 59. The revenue model is well designed.	60. The idea offers social value that can help generating additional revenue.	61. The idea offers environmental idea that can help generating additional revenue.
	[1] Describe your cost structure. Discuss the fixed and variable costs. Which main investments will you have to make? [2] Are issues such as the payment cycle, past due indebtedness, and refunds taken into account? Are costs in line with the market? [3] Operating costs (including employee compensation) What is the cost structure for the idea?	[1] Does taking sustainability aspects into account entail additional costs?	[1] Does taking sustainability aspects into account entail additional costs?
	62. The idea doesn't require the intensive investment.	63. The idea offers social value that doesn't increase the additional cost to implement.	64. The idea offers environmental value that doesn't entail the additional cost to implement.
		[1] Can additional costs arise in the future if activities are not sustainable?	[1] Can additional costs arise in the future if activities are not sustainable?
	Is it possible to maintain/reduce the cost in the future?	Is it costly to maintain that social value? Is it possible to maintain/reduce the cost for social value in the future?	Is it costly to maintain that environmental value? Is it possible to maintain/reduce the cost for environmental value in the future?
	65. The project's cost can be reduce in the future.	66. Additional costs can arise in the future if activities are not sustainable 67. It is possible to reduce the cost for achieving social value in the future.	68. It is possible to reduce the cost for environmental value in the future.
	[10] Venture capitalists can support sustainable entrepreneurs in several ways, e.g. the need for triple bottom line business advice: the willingness to accept slower capital and potentially lower economic returns in favor of social and environmental returns Is there any trade-off between the economic returns and the social and/or environmental benefits?	[11] Has a company's demonstrated social responsibility ever had an influence on your investment decisions?	[11] Has a company's demonstrated social responsibility ever had an influence on your investment decisions?
	69. It is acceptable to get lower/slower economic returns in favor of social and environmental returns	70. The social effect in the idea will have strong impact in investment decision.	71. The environmental effect in the idea will have strong impact in investment decision.

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Appendix 2: Interview questionnaire

INTERVIEW QUESTIONS

Overview about the company

1. Which stage of startups that the company invests in? (Seed stage/early stage/series A B C/late stage?)
.....
2. Is company funded by government or private or both? If private – who are major partners, on what conditions do they participate? What is the business model for investments – does company invest on behalf of investors, or in combination with different pool of investors? Who are decision makers when it comes to new investment? Does the company participate in the management of the invested companies? How?
.....
3. What is the main market (domestic, EU, US,...)? What are main sectors does company focus on?
.....
4. Do you allow this information be publically available, or do you want to stay anonymous in the master thesis? The paper will be sent for your review before being submitted as well.
.....

The evaluation process

5. Can you describe the funding process at the company? (stages? Timeline?) How many years can an investment often last?
.....
6. How many people participate there in the evaluation process? What are their roles? Are they in the same industry or not? Are they all the firm's internal employee? How many people are there in the investing decision-making? What are their roles?
.....
7. What are criteria in evaluating the startups? Which questions will company ask the startups? Do you have any list of criteria/questionnaire? Can you send it to me?
.....
Do you evaluate social impact? (for example whether the business idea satisfy/address social need, have a social return on investment, have community support, have ethical guide about using of labor force,). If yes – how do you measure and evaluate it?
.....
Do you evaluate environmental impact? (for example whether the business idea satisfy/address the environmental need: CO2footprints, usage of recycled materials, value chain of suppliers that also focus on the same, ecological materials, green labels etc.) If yes – how do you measure and evaluate it?
.....
8. What are the major risks in investing in startups? How do you manage the risk in choosing startups? (wrong investment/not profitable as expectation/...) Do you use the external partner to help you in evaluate the risk and manage the risk as well?
.....
9. What are difficulties for you in evaluating startups? (not enough knowledge about that industry/not enough time to assess/...)
.....
10. What is success rate on your investments? (N of success/N if investment)
.....
11. What are the main reasons for startups to be failed?
.....

The potential sustainability

12. What kind of businesses has more potential to succeed and expand? (For example: /Manufacturing startups can be started easier than service startups/ Research-and-development (R&D)-intensive sectors (hardware, energy, and life sciences and medical devices) vs (applied) non-R&D-intensive sectors (consumer web/mobile, enterprise software, and consumer products) or for example startups in some particular sectors (for example: technological healthcare often has more potential to be developed rather than the other ideas)
.....
13. Is it for startup to address environmental needs ? Addressing social needs? If yes, why should an idea offer the social/environmental value in its business? (to consist with investor' strategy, to meet the requirement of customers, to reduce risk,....)
.....
14. what do you think about the trade-off between the economic returns and the social/environmental benefits? Does social/environmental responsibility ever have an influence on your investment decisions? If yes, why?
.....
15. Looking on team in particular, what is important factors for you (founder' age, gender, experience from industry, experience for setting up startups, how many year have they worked/known each other, female ratio in the team,....)
.....

Note:

This is the latest upgraded version of interview questionnaire as the list of questions is adjusted and updated by the end of each interview. In the other word, this is the edition using in the talk with the company F – the last meeting.

Appendix 3: The evaluation tool

Please rate each of the following statement on a rating scale of 1-10, where 1 is ‘strongly disagree’, 5 is ‘neutral’ and 10 is ‘strongly agree.’

1- Customer

Strongly disagree

Strongly agree

	1	2	3	4	5	6	7	8	9	10
1. The key customers are well defined	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comment:.....</i>										
2. The main communication and distribution channels are well defined	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>.....</i>										
3. The price range that key customer’s willing to pay for is well analysed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>.....</i>										
4. The price model is well designed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>.....</i>										

2- Value Proposition

Strongly disagree

Strongly agree

	1	2	3	4	5	6	7	8	9	10
1. The idea can offer a practical solution for a specific problem of customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>.....</i>										
2. The idea has the possibility to be expanded and developed over time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>.....</i>										
3. The idea has the ability to increase the customer’s benefit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>.....</i>										
4. The company has clear vision and mission for the business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>.....</i>										
5. It is necessary to having the incentive to go to the global market right from the beginning	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>.....</i>										
6. The team has the plan for further development in the next 2 years (advanced qualification training/further recruitment/etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>.....</i>										
7. The idea addresses social and/or environmental need	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>.....</i>										
8. The idea offers social and/or environmental value which is matched with key customer’s interest/awareness about society and/or environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>.....</i>										

9. The idea can have a positive impacts on the consumer' behaviour/perception about social and/or environmental issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
10. There is the customized communication channels to transfer the social and/or environmental value of the idea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
11. The idea offers social and/or environmental value which can be expanded and developed over time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
12. The idea offers social and/or environmental value which can help attracting additional customers and therefore, generating additional revenue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
13. Company's focus on social/environmental value helps to reduce business risks for this offering	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										

3- People

Strongly disagree

Strongly agree

	1	2	3	4	5	6	7	8	9	10
1. The team can determine all the necessary actions to implement the value proposition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
2. The team can determine partners and key resources to implement the value proposition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
3. The team already have the needed skill, technical know-how, qualification and business expertise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
4. The team has founded or participated in a startup in the past	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
5. The team has good connections in the industry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
6. The team has no irreproachable legal history	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
7. The team members has known each other for long time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
8. The team members has demonstrated ability to work together productively	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										

9. All the team members are motivated to contribute to firm development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
10. At least half of the team members cares about the social and/or environmental issues on the individual level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
11. The team already had resources and skills to provide the social and/or environmental value through product/service or know where to get it	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
12. The investors/partners who are already committed to the idea are well recognized in the market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
13. There are already investors/partners who show strong commitment to the idea.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
14. There are already investors/partners who show positive interest in the idea's social and/or environmental value	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
15. The project can appeal more attractive to more investors in the future	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										

4- Offering

Strongly disagree

Strongly agree

	1	2	3	4	5	6	7	8	9	10
1. The offering is very clearly expressed and described	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
2. The idea doesn't require the intensive investment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
3. The technological gap between the offering solution and current prototype is not significant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
4. The project's cost can be reduce in the future	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
5. *Additional costs can arise in the future if activities are not sustainable	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
*: reserved question										
6. The idea offers social and/or environmental value that doesn't increase the additional cost to implement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
7. It is possible to reduce the cost for social and/or environmental value in the future	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

.....										
8. The risk of the idea is properly assessed by the team	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
9. The risk of the idea is properly assessed by the external partners (consultant, agency, advisor, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										

5- Core competencies

Strongly disagree

Strongly agree

	1	2	3	4	5	6	7	8	9	10
1. It is difficult for competitors to copy the idea's advantage due to the know-how technique/partnership/resources/costs of implementation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
2. The idea does generate a barrier to entry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
3. The competitors analysis and positioning are well defined	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
4. The competitor's reaction when the idea enter the market is predicted	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
5. The idea offers social and/or environmental value which can help differing the company with its competitors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										
6. The idea has unique competitive advantage as the result of its social and/or environmental value	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
.....										

Appendix 4: Interviews transcript

4.1 Interview with company A

Upon the special request from the company A, the transcript will be kept confidential.

4.2 Interview with company B

Transcript 2nd interview

Date: 20th February 2018

Interviewee: Anonymous

Company: B

Venue: Skype

[1:48] Informant: do the 1st question here, we invest in early stage, we call it seed stage, and in the venture stage which is also popular called the series A, B and C, and we also invest in later stage

Thao: oh, do you also invest in the early stage as well?

Informant: yes, seed investment, and also the venture stage. So our main focuses are the series A, B and C, the venture stage, that's our main focus, but we also have fund to invest in early phase.

Thao: How early is it? just an idea?

Informant: no, we usually try to invest in the last seed round, before the A, but sometimes we can do 2 or 3 seed investment before the company reaches series A.

Thao: alright, but it is not the popular investment as the company want to focus on the A, B and C

Informant: we do quite a lot investment in the early stage but we don't allocate that much capital to that stage, so our main focus there is to generate deep flow to our main portfolio which is series A, B and C.

Thao: I got it

Informant: and also, we are 100% government funded fund

Thao: there is no private investor at all?

[4:17] Informant: actually we have 1 up fund in our main fund that we have invited the private investor to invest in SPV – Single Purpose Vehicle which is some funds that we manage. In that particular fund, we have about 40-45% of the capital, and the rest is from private investors. And that fund focuses on early stage investment.

[4:52] Thao: what is the business model for investment? For private investor, they just put the money but do they participate in the evaluating process of startups?

[5:18] Informant: We have invited some of the investors to participate in the board of the director in the fund, so you can say that they have a seat in the investment committee which approve each investment. B is a management of the fund which connect all the network of investment and make the analysis with the companies and do all the negotiation and we present the investment cases to the investment committee which also is the consist member from B and also the private investor.

Thao: I got it

[6:25] Informant: the main market that B look at is that Norwegian companies, only Norwegian company, but all the companies also must have the potential global market. So if I can go down to the sector we

look at, we look at the ICT sector, the tech sector, life-science, agriculture, energy which is both oil and gas but also clean tech. and we also have the special focus on forex industry.

[7:12] Thao: according to those sector you just mention, I can see all of them require the long-term investment, right? For example: the oil and gas project can last from 5 up to 10 years?

[7:22] Informant: yes, that's not unusual that investment in private company usually lasts from 5 to 10 years, but we try to make the capital rolls, so we have, we try to have 5 to 7 years, but it's not unusual for companies to last more than that, up to 10 or 12 years. We are the evergreen fund, so we have the ability to be fairly long-term if we see that's the right place. [8:42] and the question 4, you can feel free to mention our name in your paper and I would appreciate also if I can do the quotation check before you publish.

Thao: yes, of course. When I finish, I will just send the copy to all of the participant to ask for your approval and your correction as well if any before I put it in public.

[9:24] Informant: Excellent. About the evaluation process, question 5, when we do the investment, we do, after talking to the company, it's a mix between we approaching the companies, and the companies approaching us, it's a mix. But sometimes we can see the best, the most interesting investment is the process that we approach the companies. That is not all of the cases, but often. Then we do the initial analysis of the company, and after that if we still like the business we take it to the next step internally which is detail analysis and then we also start the negotiation with the companies, maybe give them the term sheet where we do align the version of how we see the term going, and we also simultaneously work to get the call investment in place. [10:51] B, our mandate prohibits us from doing 100% of each round, we can only do up to 49%, which is regulation that prevents us from doing 100% of each round. So we are very keen on having relationship with our co-investors, and after that, we do often the external deal: we do the financial diligence, do the legal diligence and also HR diligence. The commercial diligence, we sometimes outsource as well, but most of the time we do it by ourselves. And when all the analysis is done, we take the deal and presented to our internal investment committee, which consist of all investment directors in B, and also the CTO and the CFO and if we get approval there, we can take it to our board of director and they are the final decision bodies at B. And if we get approval from the board, we are able to close the deal and sign all of the necessary documents for investment. And also while doing this, the negotiation also include the share-holder, agreement, investment agreement.

[13:28] Thao: You said that most of the cases, the most interesting one is from the B approach to the companies first. How do you find them? Ho do you define those companies?

[13:48] Informant: How do we find them? Well, often we saw network, we talk to co-investor and we talk to a large amount of sources of deal flow as I mention, we almost always talk to invested Norwegian companies, so we have a geographical set investment universe, so that's make it tangible. So we map out all of the interesting co-investors in Norway and also abroad that are also willing to invest in Norway, and all the scientific, the university, the TTO, all the different sources of deal flow we have mapped them out and we have divided to key account system manager internally, so we follow them up regularly and try to actively deal. So that's one way we can hear or have the contact with the good investment cases.

[15:40] Thao: it means when you have about the good deal, then you contact the company to discuss about B funding.

[15:55] Informant: yes, we do the reversed pitch to pitch ourselves as the potential owner for the company. Usually it is pretty easy itself, we are the effective owner and the sources of capital for most of the tech companies in Norway, so we appeal to have the good chance when it comes to the table and we want it. but the best and hottest cases, there is obvious competition among investors to come to the table and have the ability to invest in the company.

Thao: is there a pitch between investors?

Informant: you can call it a reversed pitch, but it's not a pitching contest where the companies lining up to pitch and present in front of investors. When we approach to the companies which don't come directly to us, of course we have to sell ourselves, and explain why B is a good match for them and what we see they can do to be most successful.

Thao: interesting.

[17:42] Informant: So, question 6 about evaluation criteria, well, obviously we evaluate the product and the business model, each companies we look at has to have powerful and clear value proposition, and we look at the potential market for the companies which has to be very big, global market, and the business model has to be scalable. So we often look for capital, not so capital intensive business model, and we look at the competition, the company has to have the unique position, either by technology or unique market position. And also we evaluate the management team, we see that the team is very important to maximize the probability for success. We can almost say that the team is so important that a great team [19:25] can make average idea success and the bad team can make a great idea failure, so the team is very important.

Thao: is it the most important?

[19:44] Informant: I would not to grade them, but you have to have the good team, and you have to have a product as well, so they are equally important. The market is also very big, if the market is not big, there is no point in investing because we demand the high return because we have to accept the high risk.

[20:30] Thao: do you evaluate the social impact or environmental impact?

Informant: yeah, the ESG is also a part of our evaluation of the company. We also demand they have ethical guideline, and if they don't, they have to make ethical guideline shortly after we invest, but also we do evaluation ESG before we invest. We have made the tool for this that we use internally where we grade the different ESG factor, how serious the risk and the high probability the risk occurring, and this is a part of the detail analysis that we do before the investment.

Thao: can you share with me later about the document you just said, the geographical set of investor and the tool which is used internally to evaluate and maybe the list of the question you use to analyze the companies?

[22:15] Informant: Obviously I can share the topic we look at, I'm not sure if I can share the tool itself. But I can ask with my management to hear if that is an option or I can share the topic that we look at.

Thao: ok. Thank you very much. It will be very helpful for me if you can share it, but I also totally understand if you want to keep it confidential as well.

[23:08] Informant: Yes, we also have the ESG report that we publish on the website each year, which is the EGS status of Bs. So that's report we publish each year which is open on the website for everyone to download. We also have our policy for ESG on the website. I can you the link to that.

Thao: alright, thank you very much.

[24:20] Informant: the question 7, how do we manage the risk. We make it through several things done. I think the best things we can do is the best internal analysis upfront, and the 2nd thing is close follow-up in investment lifetime. And with that I mean, the deviations you have to deal with the them appropriately right away, and also if it comes to that, it is important for us as an investor to cut our losses early and not follow up with good money after bad to minimize the loss. [25:20] Also, one thing we think about before we invest, is there any technical risk left, then we often say it is too early for us, because we actually have expertise for market risk, not technical risk, so that's one thing we are looking at.

Thao: what do you mean 'technical risk'? the development of technology or risk..?

Informant: yes, if the technology is not yet approving, we would normally say that they have to come back when it is approved, but as I said early one, we make seed stage investment, then we are more open to technology risk, but in the seed stage, we do quite small investment, we are not very active owner, we just take small ticket to participate when that date comes.

Thao: do you evaluate the social or environmental risk as well? For example there is a company introducing new product, there is potential that the natural resources may run out in the future..

[27:32] Informant: absolutely. That's a part of ESG evaluation that we do. And it's not automatically disqualified thing, but it is important for us to understand the risk upfront and be able to see if there is some actions that we can take to minimize the risk. And sometimes if there is a product which is very polluting and obviously very bad for the environment, that is also a disqualified risk that we don't want to invest in that type of company. [28:33] so when we look at the ESG, we also give the company that have the very positive technology effect on the environment a plus point, but when the return is the main criteria we look at, but our opinion there are plenty good investment cases to go around that we don't have to invest in case that has bad environmental effect.

[29:20] Thao: do you use the external partner to help you in evaluate the risk and mange the risk as well?

[29:37] Informant: we have external partners do the diligence for us, as I mentioned, the legal risk and the financial, and sometimes also commercial, and the HR diligence, but we don't have, we often do the commercial diligence ourselves, and in that diligence, we have ESG chapter that we do ourselves. So we can do if we see we need to understand things deeper, we can do external or hire external partner to do the ESG round but I'm not sure if we have any example of that.

Thao: what are difficulties for you in evaluating the companies?

[31:04] Informant: well, B is an sector agnostic fund, we don't have special sector that we rule out, and we don't have large enough diploma in Norway to be very sector specific. So, maybe the difficulty we have is to have the deep knowledge in each market driver, niche market that we invested. We have several investment director in B have background from leading companies in several sector that we invest in, but we can't have expert internally for all different markets, so that's one thing we often use the external partner helping us understand the drivers in all different market.

[32:24] Thao: so is there any case that the internal directors don't make the same decision?

[32:42] Informant: we have a board of industry expert that we often use when we need to have an expert to look at our business model. So they are also posted on our website, not the board of director, but industrial expert that we fill in. But they can come with recommendation to not invest in some cases that we can or cannot listen to if we can choose, but if they come with a clear recommendation not to invest, probably, it is very likely that we listen to them, but, we try to be aligned internally but it's not always the case that our directors internally agree 100%.

Thao: How many industrial expert are there to make the recommendation? 1, or 2 or 10?

[34:28] Informant: We have 7 or 8 experts and that the total list. So those experts, we work quite closely and have the good relationship that we can call them whenever. But each of them have different strengths, and the backgrounds, so we don't consult several in each cases, but for commercial diligence, we often do interview with companies that can be customer to our investment cases, and other competitors we can do the interview with them, and they are also kind of expert but we aggregate the knowledge we gather from the interview to strengthen or to prove the hypothesis that we're already forming before we do the interview.

Thao: how many people are there in the interview? Like usually, often

[36:07] Informant: in one typical, we can talk to 20 people maybe. Sometimes more, sometimes less.

Thao: how many people are there on your side to talk to them?

[36:45] Informant: The investment team are often from 2 up to 4 people. The investment team usually consist one investment director, one associate who is kind of analyst, and maybe 2 senior analysts, so maybe 2 or 3. Sometimes four if we can also have investment team with 2 directors, one with the lead position, and one as a colleague, not so active as the lead, but sharing his knowledge and important background information.

Thao: cold lead? Colleague?

Informant: co-lead. The investment director is the lead, investor in the team is the leader of the team, and the investment director no. 2 is often called the co-lead.

Thao: very detailed! What are the often reason for the companies to be failed?

[38:15] Informant: Often that maybe the technology is not as good as we thought, and sometimes the technology is too good and too expensive so the consumers will actually prefer a solution which is cheaper, and not the Roll-Royce version which is very expensive, so it is all a part of understanding the market's driver. And of course sometimes things take a bit longer to develop and the cost is bit more and the companies may lose the edge over the competition if they are not able to capitalize on the unique technology, so that also maybe a reason to fail. [39:42] And one other reason is that if we do investment on the regulatory market, we try to not to do this, but we may have bad investment in that way, then we are, it is very important that directory change that create the market rectified and completed. This thing can often take a very long time, and sometimes the company die before the market appears. So that's the hard lesson we have learned.

Thao: what are the success rate on your investment?

[41:00] Informant: I don't have the fact figure for you, but since it takes a lot of time for investment in private companies before we can conclude it success or not, and as I also mentioned, we are very keen on making cutting off losses early and not investing more in bad cases, so that's dynamic make that. Early one we started B in 2009, so we have 10 years of history. And the 1st year, we took a lot of losses early, to be able to lose any money further down the line, so the success rate until now is quite low. And then some of the companies we do make successful with make up for lot of smaller losses, so I think from 2004 and up to now, we have done return on approximately 20% per annum. But all of these is not realized upfront, some of them is realized, some of them, we have done the follow-up investment and high evaluation and then we can capitalize on our own investment trust. [43:45] I could give you some figures that I think the end resource will be but it wouldn't be actual realistic figure. I think one out of ten will be a real success home-run, and maybe 4, 5 will be decent, and maybe other 5 will be either we lose all the investment or some of the investment. But that's just the gut feeling and not the historical number.

Thao: How do you see the sustainability in the companies to invest? At the beginning you said you will look for the companies with the international expansion, so how do you see that 'expansion' potential?

[45:37] Informant: we sort it out investing with a very specific sector focus, and the reasoning behind that is that we would like to invest in companies where we in Norway would have special good reason to succeed in, and agriculture is one of these, because we have many, a very long coast line, high mountain and deep fjord, we have a very good reason to succeed with salmon, because that is the type of salmon need to grow, and with that industry, agriculture for salmon to grow up, feeding that industry with new technology, so we focus on investing in technology that makes the agriculture business more effective and profitable. And that's technology that we believe we can take to other spices and all other geographical places from the world. So this is one of the thinking why we should invest in agriculture. [47:40] And also the other sector now we don't have specific sector anymore, we are sector agnostic, we don't care about which type of sector it is, but we do see that we have in the IT business, the tech business, it is easier to expand to international, because we don't have the hardware, we have to ship all over the world or set up production all over the world, making the hardware. Software companies can expand very easy, it's just the matter of understanding market, so that is one of our main focus sector if we have to say we could focus on the sectors.

Thao: so if there is a company about the sector which is out of sector B focusing on , is there a likelihood that you will drop that case?

[49:30] Informant: yeah, we could say that, if it is the sector we don't have any knowledge about, we would want to contribute more than just capital in our companies, so if we don't have any idea about that sector we will probably say no. There are some types of sectors we wouldn't invest in because that business model is very capital intensive and also you have the ESG issue. Mining is probably one of these type of sector. We would probably invest in technology that makes the mining industry more effective and have smaller environmental footprint, but not in the new mining venture directly. We don't want that type of investment.

Thao: so the method to see the potential is based on the B's knowledge and expertise?

[51:12] Informant: we have to have knowledge in both the sector and on making investment and negotiating good terms and also having a good network of co-investors. And also, one thing is important,

we participate in making the company strategy, and also we take board decision in all our investment and that means that we also have important assignment recruiting management in the companies.

Thao: what do you think about the environmental and social issue in the companies to invest? How important is it for B that companies can solve the environmental or social issue in their products or services?

[52:34] Informant: It is very important criteria that we look at, but of course, we measure on the return we create for our owner, so that's the base we invest from, a profitable business, but as I mentioned, the value proposition is very important, the market size has to be global and big, you have to have unique position and you have to have management team, and you also have to meet our minimum requirements on the ethical guideline and the ESG criteria. If there is any red flag on either of these five main criteria, we are going to have to say no. the ESG is as important as the other one.

Thao: can you say again about the 5 main criteria? What are they?

[53:58] Informant: it is the product/business model/value proposition is no.1. The no.2 is the market, it has to be a big global market. No.3 is you have to have the unique competitive edge over the competition. And you have to have the good management team. And you have to not have any red flags in ESG range.

Thao: can I ask you one last question?

Informant: sure

Thao: when looking at the founder's profile in particular, what is important for you? The age, gender, the experience in the industry, their network, experience in setting up the company?

[56:04] Informant: it is very important that the team has experience from other, like they have done other investment, or that they have managed similar company before, and if they have managed company that successful before, that's important. It is not a deal-breaker if they don't because young people can't also have the chance to prove that they are good leader, so that is something we can go outside and hire external company to do the HR DD. But we also have the gut feeling when we meet people that we believe that they can do job leading our portfolio companies, so we do have the gut feeling on that. [57:29] And also when we invest in the companies, we have our spoken gold that we would like that boat, the management team of the company and the board of director must have a minimum female ratio. Both males and females. And after, I can say, after 3 years of our investment, if there is no female in the board of director or the management team, we have to take action to recruit female.

Thao: the age doesn't matter, it is about experience?

[58:26] Informant: the age is not that important though. But of course if we invest in a company maybe have 5 or 10 year run before we see good exit and the management is 70 years old, we would probably like to see that they are planned running rough or they start to talk to take over. But age is not actually very important factor, no.

Thao: I agree. Is it necessary for the team member to know each other for a while or work together? I suppose that it is.

[58:28] Informant: When we do the HR DD, that is one of the question, or topic that we would ask: how good is the culture in the firm, do people feel like they are heard or feel like they can talk to the

management, if they are obviously red flag, then that is the issue. And if the people who actually create the value don't feel they are heard or seen or valued, then there is probably something wrong with the management and that's either something we say 'ok, we don't want to invest' or we would like to invest but we also like start the process to recruit new management.

-end-

4.3 Interview with company C

Transcript 3rd interview

Date: 8th March 2019

Interviewee: Anonymous

Company: C

Venue: Face-to-face meeting

Thao: Is the company established in 2016?

Informant: 2016, yes. So we met, we are 5 guys who met at the competition called Angel Challenge. That competition I think was run by Startup Norway, and it was cooperation with DNB locally and some other partners. And I think we were around 20 investors, it's like investor training almost, but then they had the competition with the, well I think start with 20 companies, then quickly went down to 10, and then worked with the last 5 for a period of time then the winner got kind of a check, a pre-committed to invest in the company. So that's how we met.

Thao: competition among investors?

Informant: no, it was more about the competition between the startups, so the program is un in order to get more people involve to the startup investment. So it's like a training program, you commit 50,000NOK then you go through this program, you work with the startups, and then you make the investment in the end. So they have more tools for you to learn more about the due diligence, do the pitching, etc. It is a very interesting and useful experience. And during that period there were some people stood out, who impressed me quite a lot, they have the questions that I though "ok, why do I not think about that question?" and after the program finish, I contacted them, and ask if we should do something together, to work as a team investment. And it took some times, you know, to build the trust, the relationship, and after a while we decided, "ok, let's do it", we all have one objective is that making one investment in 2017 and that's the idea, and we agreed internally through al of the parties 5 million NOK each so 15 million NOK is the port that we want to do the investment with, so we have objective to do one investment with because we thought it could be quite difficult, in 2017, the first year, and we end up with 8, so it was a lot more than what we have plan and a lot quicker, and now we have totally 15 companies, so in the documentary I sent you, there were around 150 people in the job creation so that's good effect I think. [3:27] so we work together, we have separate investment companies, ASS, but we share all the deep flow and we cooperate in doing the investment together.

Thao: do you only invest in the early stage?

[3:43] Informant: the main focus is the seed stage, so we have kind of a principle which is 2 – 10: we would invest up to 2 mil NOK on investment and the valuation should be 10 mil NOK or less. That's kind of ideal case, and we deviate from that quite often, but that's kind of strategy you could say where we would like to be.

Thao: so you invest 2 mil and you expect the value will grow up to 10 mil?

[4:20] Informant: No, it's pre-money valuation, it should not be higher than 10 mil. It means, the companies should be quite in the early stage, it shouldn't have developed, shouldn't have optimal value before we come in, and we don't want to have the majority position, we want to have the minority, so it's up to 20% maybe as a stake. So our philosophy is that it's about the very high risk in the startups investing and we think like, we have to have the portfolio thinking, you gonna have a lot of failure and in order to manage that, it's the number of cases. You need to have many tickets, and some will make it, some will

not, and that's why we take smaller ticket in more companies, compare to the other that may takes a larger share in a company and use a lot more time in 1 investment, we spread it out more diversify.

Thao: and only minority power on each investment

Informant: yes, but we often, almost always, we asked for a board position, so either we work as a board position or we work as advisory to the company.

[5:45] Thao: where do you get that principle? The 2-10

[5:55] Informant: the 2-10? It is from.. well, we are 5 people that are very diverse. So 1 thing that can spread through all of us is the portfolio thinking, you need to agree on the strategy and that we agree at, that is a good strategy to invest in startups.

[6:26] Thao: so is the company funded by government? Is the capital investment totally private?

[6:40] Informant: it is all private. We have 2 people who has been founders before, so they developed the company and they sold it out, and they make the asset, so they have the their fund from there. The other 2 has the family's offices, which kind of wealth generation, and they would like to allocate a part of their fund for startup investing, so it is all private.

[7:20] Thao: are those investors involved into the evaluating startups? Do they invest and also participate in that process?

[7:29] Informant: yes, exactly. So, because we have not incorporated any investment company and such, it's just a small cooperation, a group, a team you can say, which separate investment companies. We share deal flow, use Slack a lot, you know a platform, and we share deal slow, the common branding toward the startups and toward the community, and so we get a lot of deal flow coming in and then we look at the investment together, very often that one of us being triggered by the one coming in, "this is a good idea, we should look at that", and that person naturally become a leader investor, driving the progress in the investment phase, he takes lead on the contract and negotiation, due diligence, etc. But we also have a big network of people that we know and that is because we are so diverse in the background and network, so we add it all together, there is always someone who knows someone that you can ask, so even though we do the due diligence in house, we also use the reference check through the network that we have ourselves.

[9:30] Thao: what is your main market?

[9:38] Informant: the idea is that we want to invest locally, but the deal from Stavanger is not big enough, so we very quickly start to look at somewhere else as well, I think in our portfolio it is about 50:50, so 50% is local and 50%, I would say, is national. We have a company which has the office in Denmark, but it mainly is around the Oslo area, Trondheim and Stavanger. I would say, leaning toward regional here, but national.

[10:19] Thao: do you have any specific sectors/industries that you want to invest in only?

[10:25] Informant: We focus mainly on the robotic and AI, that's common theme that we want to look at, but it's very a lot, we've done a lot more than what we thought we would do at the beginning. One thing we said we will not do is the capital intensive stuff but there are so many elements to the startups, you never know where will it fit, so there is reason make it very interesting, underline trend, they have very good product, the market fits, the team is excellent, then it can be the industry where we are not expert, like we invest in a company name Architect (???) providing a system for the stair, for the older people to be able to live longer at home. So we know that there is going to be more and more older people, they are going to live longer and longer, so the underline trend is positive, the team is excellent, we never see

so good documentation prepared by them, they have the information memorandum which you probably can see in the bigger investment team, not in a small startups, everything is streamline, they have the pre-check in our network, they people knew them said they are excellent, so even though none of us has the domain expertise, we decide, ok, they tick so many boxes that we want to make the investment.

Thao: So how much can you invest in a startup usually?

[12:12] Informant: So in total we have a soft commitment 25 mil NOK, that's what we want to invest in startups

Thao: this is kind of like a total budget, right?

[12:30] Informant: Yes, and we said each investment is around totally 2 million, as the principle. I don't think we come much more than that in any cases.

Thao: how about the case you just said, the case with the excellent team?

Informant: It is still the small ticket that we make, it's the minority position, how much was that, I think it is around 1.5 mil in total.

[13:12] Thao: so how much is the expected equity in return?

[13:13] Informant: the return on the investment? the thing about the startups is that we know a lot of them will fail. We honestly don't focus too much on the downsize protection, some people do that, if you have the big investment in the startup, they will probably focus on making sure that they will get the money back at least. We have different strategy that we spread a lot more and we need 1 or 2 or 3 or 4 companies that succeed, and then they covers for all of the losses. I would say every investment need to be able to give 40% of internal rate of return.

Thao: 40% is high I think

[14:12] Informant: but remember they need to compensate for the losses, so they need to have potential to deliver that. I wouldn't say that we dissatisfy with the lower return, but it has to have potential to deliver that.

Thao: Do you allow those information to be public in may thesis or do you prefer to stay anonymous?

Informant: We can be public. But I want to read through it all.

[15:01] Thao: yes, definitely. Can you describe the funding process at the company, like stages, timelines?

[15:22] Informant: so, there is a lot of companies, as I mention we focus on the early stage, so usually not much external investors before we come in, sometimes someone involved before, we try to cover at least the funding so we reach some kind of milestone going forward, we want to have high return, so we don't want to sit too long with the investment, but of course it takes time to develop and create value as well, so the balance I would say, our aim of seat is from 3 to 5 years within one investment, and then we exit. Sometimes we have the case about robotic that we actually assist the company in doing the series A, so that's quite significant investment that they got with the help from 2 of our guys. We very involve in this, we have 2 board seats in that company and the major of that funding, so we use our contact, we get the series A funding for that company.

[16:35] Thao: what are the criteria in evaluating the startups? Do you use any check list to check the potential of each startup that you can share with me?

[16:52] Informant: Yes we did that in the beginning, but I think for us, we have 5 different perspectives on each cases, and I think we are fairly good at allocating where the issue is we could say. We know the theme startups: this is how it should be, we should have highly motivated competence team in place, you

need to have the product market fit, and sometimes the customer validation, we want to have the home-run, the big potential so it needs to have big market to get the return that we need. [17:40] There are lots of aspects, talking to the companies you can very quickly see, comparing the idea startups where is the company having issue, what need to be done, is that something we can fix, or if we can't fix it as we don't have any domain expertise for example, then we can't have it, so we have our own list, but we don't have the check list that we go through. [18:19] it is based on our experience, what we are looking for. Like, one of the guy I am talking to early today, for me the focus which always is: are they solving the problem that is important to me. If they aren't solving any problem important to me, then it is not interesting. So, you know it is very individual but it actually what we are looking at. Of course if you go through the due diligence, then you would have the standard list, but you can find that in any template.

[19:00] Thao: is there usually 5 investors participating in the evaluating process?

[19:06] Informant: exactly. So there is some people who couldn't be triggered by the cases, and then they don't get involved, so we can have from 5 down to 1 person being involved. Usually the companies come through contacts, through sending emails from our website, we go through it in Slack, we discuss, ok this could be interesting, this is not interesting to me, then we see the interest if one of us trigger on the idea or more, then we usually have the follow-up meeting and then the pitch, and ask the questions that we have from our angles. I am finance guy, I would focus on the economic, some other guys are more founders, they focus on more the team, the products, etc. we have kind of extensive list of questions but we don't have the common list where we just sit and tick the boxes. It's more about the process. [20:24] and I think it makes sense because in startups there are so much risks, the risks from all angels, so you can't go through a list and see that it will works, it might work in a very mature company but for startups, there is way too much risk.

Thao: it is flexible so you have to be flexible.

Informant: exactly.

[21:00] Thao: how you solve the conflict in decision making among 5 members within your team?

[21:10] Informant: oh that's the good thing because no one obliges to invest, so anyone can pull out if they want. And we call it aspect of the investment if there are 2 or more invest in the company.

Thao: you call it what?

[21:30] Informant: Aspect, you know it's the name of the group, so we call it a group of investment, if it is less than 2, then it is individual investment, if it's more than 2, then it's group investment. But quite often there are going to be 2 people, like the founders, and they think like, they often find company, "this guy is the founder, good forward leading guy, ambitious, this can work", while some of the others, like myself, is a lot more, capital focus, this will tick more boxes to me, like the products and stuffs, so that's idea of the group, if you have diverse perspectives, once everyone agree, it's most likely a good investment.

Thao: so if there is 2 investors agree, its it individual or group?

[22:51] Informant: we call it a group. They invest from their own holding companies, so every person, every individual has own companies, which does the investment. If we invest in the company, it will have 5 owners having their shares. And there are also lots of complex as you said, but it takes time as well to build up the trust of sharing, and you also need to make sure that in a group, everyone contribute equally, they don't do the same, but they contribute the value equally, doing contributing to the group, so it makes sense do it that forward.

Thao: what is the major risk in investing? How do you manage the risk?

[23:37] Informant: There is so many risk, but one is, of course, the team. So if the team can reduce the risk by talking to our network, verify people's qualification, good track record, etc as they said they have. And other thing could be the product-market fit, which could be a big risk, that we need to make sure that they are the 1st to approach client, that they already have that in place.

Thao: How do you manage the risk? Is taking minority power and spreading the investment one of the method?

Informant: yes, it is.

Thao: and the 2-10?

[24:47] Informant: Yes. When you look at the private equity, they usually take the majority, because they want to control it. Because we have so many companies, like we have 15 now, to be deeply involved to them would be impossible. You will need to have a big management team. Like me, I have a day job, all of them actually have a day job, so this is side business for us, so we can't get that involve. But of course I have the involvement, like in the architect company I mentioned earlier, I have a board, I have more hands on that company than I have some in the others. And we have board seats in all of them. So we are active but we cannot be that active. And maybe go back to the risk portfolio, the diverse qualifications, the principle how you can actually make startup investing make sense. Because it's very high risk, and that's what we say, to get the return that we want, we need to be involved, we need to be active, but we don't have the capacity to be really active in each company. So it makes sense to have minority seat.

Thao: is 2 mil is the max you can invest in the startups?

Informant: that's the maximum combine investment, yes.

Thao: and the 10 is....

[26:40] Informant: 10 is the valuation of the company. If we said, we prefer that the startup doesn't have the valuation.. let's say, we have many cases of that, people come to us and say, "you can be investor of my company", I say, "ok, great", product-market fit, huge market, potential, team is excellent, but they value the company at 100 mil, then it's not the company for us, then they have gone too far, we don't think it is possible to get the return that we want, then even though they tick all of the boxes, the valuation is just not right, and then we leave it.

Thao: but the valuation of that startup is the valuation in next 2 years or next 5 years?

[27:30] Informant: no, no, that's now when you make investment. It basically said that, ok for 2 mil, we will expect 20% of the companies, that's what we say. And often you have the discussion with them and sometimes we deviate, like, many companies we have done, it is not exactly 10, it maybe 15, 25, but it's a good simple strategy.

Thao: what is the successful rate of your investment so far?

[28:25] Informant: we start not too long ago so we don't have that much asset. But one asset is the Future Home, and that company stands out. But of course, I will be honest to say, it cannot cover for all these others. The company is more like, mid-field exit and really home-run. But there is some others as well.

Thao: what are the main reasons for startups to be fail?

[28:50] Informant: I think the product-market fit is the biggest issue. They make something which is not really for the market. That's probably the highest failure. Other than that, the team is an issue, that's not the right team. Maybe they don't have the right capability to scale. It could be funding, running out of funding.

Thao: in your POV, what is difficulties in evaluating?

[29:30] Informant: There are so many risks, you cant uncover and mitigate all of them, so you need to take out the most important and then you have to trust. And of the biggest thing is, and of course that's what we use most of the time, is the team actually. Because you need to have confidence in that person running that team, and if you get that, then it can be certain that at least it is going to be managed right. We use the long time to verify the person heading up the company is the right one and is the good relationship. We also don't do the investment in the company where we don't have anything to contribute in addition to the capital. It needs to be, as I said, the problem that we are interested in. We need some kind of expertise that we committed with. I mentioned that architect company is not within our main domain expertise, they have the same issues which we have the some experience with, which is internationalization. They have the good product, and they can go international, and that's something we have done before, so we can find some common link where we thought we are able to help them to going.

Thao: is it necessary for the idea to address the social or environmental needs?

[31:20] Informant: that also depends on who you talk to in the group. But I would say that... I like to use example...and that investment in architect of course we believe in the financial and product and the market development. But it is also something which is good for the society, helping people to stay at home longer, it's better for the economy, for the resident living at home, elderly who don't want to move, if they want to stay at home, they can stay at home and that's definitely positive. I would argue that if the fundamental is not correct, it doesn't help if you cannot... you cannot save the world if you advice friendly or things like that, you need to have the fundamental economy to be right to be driver and the combination is the good fit. Often I would say if it's the problem which is solving the big thing like sustainability or other things, it would create interest, meaning that you would go into more details to learn more and get triggered, so that's the positive sign.

[32:55] Thao: how do you measure the potential benefit for society and environment? Like economy, we can use the money as the main criteria, but for the society and environment, how do you measure it?

[33:20] Informant: I wouldn't say we measure it. Our ambition is also to help change and going forward, when you have companies coming in that are thoroughly altering the industry... I'm trying to think of an example... we have a company called Smart Plant, it's one of our investment, they are doing by installing the internet of things in managing building, using the censor and etc, what they do is, you probably experience this at the university, when the weather shifts a lot, usually it's either too hot or too cold in the building, and we have the same here, because the oven is now turn down when the weather changes. So what they do, they do it automatically, for example, today is 17th May, no one will be in the office, ok, let's turn off the heat, saving the electricity, having the environmental positive contribution. Maybe I'm aggressive now toward your question, but it's important to those elements as well, because it links both to doing something good and the market fundamental in the long term. There is a drive due to the climate change, to reduce the energy consumption, and that's the underline factor, the same with increasing the number of elderly people, those are market trend coming in, so it's good to be in the position in those. And it's something we care about as well. As I say, sometimes people comes with the problem they are solving, we can say, ok it's interesting problem, I want to know more, and then we follow up.

[36:05] Thao: what do you think about the trade-off between the economic returns and the social/environmental benefits?

[36:24] Informant: and that's what I said, if you don't have the economic benefit, it will not work I think. So it need to have the underline potential, otherwise it is not interesting for an investment. And we are private investor, maybe it is something for public funding.

Thao: is it acceptable for you to have a trade-off, for example, the economic return is going to be slower or lower a little bit in order to gain some benefit for society and environment? It is not no economic benefit at all, it's just slower or lower

[37:12] Informant: I think there is another way: if it is the negative contribution, it would be a no go, no matter how good it is in economic potential. If it damages the environment and society, it is not interesting. So that's kind of tip I know, but as soon as you are on the positive side, neutral or positive...[36:44] it is a difficult question.....maybe subconsciously, maybe some calculation is needed, but overall I could say if it is neutral or positive, it's very good. If it is the deciding factor, I don't think so, unless it has the negative impact, then it could be the deciding factor.

Thao: this is your own opinion right? Because there are 4 guys left in the team

Informant: yeah, yeah, and I am the oil man, so probably I am the least focusing on this.

[38:29] Thao: looking at the team profile in particular, what is the important factor for you? I mean, the management team of the startup

[38:44] Informant: you need to be a domain expertise, you need to have the drive, the ambition to be able to deliver it, you need to be committed when we are here, for example, there is a team and they still have the day job, they just do it as the side business, and you need to have the fully committed, you need to tie to the mask, as we say in Norwegian, to make sure they are a part of the festival, so that's the commitment as well, yeah, the drive, the ambition to do it, the enthusiasm, that is very important.

[39:34] Thao: how do you find the startups to invest? They come to you or you search somewhere for them?

[39:37] Informant: Usually they come to us actually, because we have the good network, we have the message function on the website, so we get contact quite frequently through there, or through contacts that just contact us and say, we know those guys and they are looking for funding now so have a look at that. and sometimes we know that we try to participate the competition as well to try to pick up the company quite early on before they are fully operational. And sometimes we have done it in the past, we also start our company, like we see here is the big problem which need to be solved, we have some expertise, I met some of those companies, it was founded by (Norwegian) which is one of the partner of C, so he puts together the team, develops it from there. And we join him in the 1st investment round but he did for the company.

Thao: I can see in the portfolio of the companies that you invest in, most of them, because I haven't checked all 15 companies, focus on the robot, the AI and software I believe. Are those industries what you believe have more tendencies to be success?

[41:19] Informant: I think yes. There is a big change in that field right now, and I think it is good timing now. There is a lot of changes happening in regards to robotic, to AI, and there is a lot of startups coming up now, some corporate is good at put technology into effect, but many are not doing that, are not good at this major changes you know, because it is kind of canalizing yourself in that way, that's not easy for the corporate, so then it makes sense that these new things to be developed by the startups. And we have AI, and we have Enin which is doing software to predicting the fault using the big mass of data in order to do that, we have robot, we have Halodi which is like a home robot that can be used in the future, the long vision is that we will have some robots at home helping you with the daily chores. [42:44] The things is that when you have the long-term vision to develop often new technology, which will have the potential outside of your initial thought it would be. So, Halodi, for example, is getting approach by many big US companies because they have solved some motor issues with the robotic which they haven't been able to do in the past, so kind of like, suddenly you have the business apart, you are not in your long-term

vision already but you have already developed something which has the value. So this is part of the product on the way to the final goal, actually sometimes you can have a business to divest and have the separate side business as well. You can continue to solve the problem which is good.

[43:57] Thao: is there any case that you decide to withdraw the investment?

Informant: after having invested?

Thao: yes, but you decide to stop

[44:02] Informant: to stop... no, not yet, but there will be, definitely. You know, when we see this is not materializing according to the plan, and that could be an outcome, or it has to be an outcome. We know that most likely the majority of the cases will fail, so at one point you have to say stop, you can't continue to fund it into return. There is no one so far yet.

Thao: I think that is the good signal that you do the good investment and right evaluation as you stay with the companies you invest for 2 years already, almost 3 years

[45:10] Informant: yes, maybe it is the good decision, hopefully it is the good decision. We would see, but it is quite the early stage still, I can guarantee you that some of them will fail, statistic will tell you that some will, we just don't know which one yet. And hopefully it will give some good revenue that can compensates for that.

Thao: are 5 investors in Stavanger?

Informant: yeah, they are from Stavanger, all of them. Or no, not all of them are from here, but live here now.

Thao: and all of you have the similar role in the company?

[46:08] Informant: you can probably look at it as the normal company, different roles, but we don't have the formalized roles. We tend to take roles in the evaluation process, I am probably one of the most skeptical, I am from financial background, so I ask those questions with those dots on, and the founders, they like to, they are really forward-leaning, they think of solution, they don't think of the problem, and that's the balance which makes it work. And we are very diverse so it means you create a lot of frictions and discussion, you need to have that to look at the case from different angles and that's what we do.

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4.4 Interview with company D

Transcript 4th interview

Date: 12th March 2019

Interviewee: Anonymous

Company: D

Venue: Online

Thao: Can you talk a little bit about the company? Which stage that you invest in?

[0:53] Informant: so we invest in the pre-seed stage, early stage.

Thao: and only the early stage?

Informant: Yes

Thao: is the company funded by government or private?

Informant: both.

Thao: What is the investment model? Does the investor relate to the evaluating process or does they just invest the money?

Informant: it's sort of a mix. So we made the decision but the investor will be very involved in the company that we invested.

Thao: what is the main market?

Informant: we only invest in Norway, but the company we invest will go global. [2:10] We are very agnostic, we invest in any sectors we are able to get strategy, and we sort it out the training road, and we could invest 1 to 2 mil NOK and we expect the equity will be 10 to 15%.

Thao: do you allow this information to be public? Or do you want to stay anonymous in my thesis?

Informant: yes, it can be public, no worries.

Thao: I will send you my thesis before submitting as well to ask for your approval, so no worries about it.

Informant: ok, perfect

Thao: can you describe the funding process at the company?

[3:02] Informant: first of all, we have workspace in incubator appears as the offices that lots of the company sits, so most of the investment that we do are the companies working at our offices, we get to know them for couple of time, for the period of time means it could be a month, it could be half a year, if we think we can invest, then we invest. Also we did the accelerator programs to open for entrepreneur from everywhere, from Norway to Dubai, and they can get public.

Thao: how many years can an investment often last?

[3:47] Informant: so, 8 years is our maximum, but we can extend it if we want to. That's what we're aiming for.

Thao: how many people participating in evaluation process and what are their roles?

[4:16] Informant: so in certain different degree everyone in the team involved, they get the companies, we get to know them, but in the formal decision, team of 7 people, everyone partners in investment fund will make decision.

Thao: everyone who involved in investment fund will have the right to make the decision?

[4:41] Informant: we have them involved in decision.

Thao: and what are criteria in evaluating the startups? Which questions will you ask them? Do you have any list? Can you share it to me?

[4:57] Informant: We don't have kind of criteria to go through, we try to assess the team, we try to assess the partners, and we try to assess the market, but we strongly emphasis team and their ability.

Thao: can you give me some examples about which questions will you ask the company about the team, the market and the product?

[5:25] Informant: about the team, why are they doing this, what is their motivation, do they have example that can be sort of strong argument that they are waiting for this specific problem that they are solving, what they have done before, what did they do to this company, how can you prove that when you tell me that you are a great understand to strengthen that argument. With the market, how many competitors they have, the technique vs the competitors, what the specific problem that they are progressing right now, what can they solve down the road give it success with finishing product, how is it easy to be replicated, how do they distribute the product to the market.

Thao: do you evaluate the social impact or environmental impact of the startups' idea?

[6:36] Informant: no, not yet, unfortunately. So we are exploring this and looking at how we potentially do this, whether we use the ESG framework, whether we just make sure that every company we pick to solve some UN sustainability development code, but we really haven't found the best model to this yet. To keep in mind that the company we invest is super super young, sometimes it is a bit overwhelming if we don't only ask them to solve their own problem, but also remind them of the bigger, bigger cost, but we also do it by, there are some sectors that we exclude, like weapon and gambling, so we try to not be negative, but we are not as strong as you would like us to be in term of where we have the sustainable impact on the rest of the community or environment as well.

Thao: what are the majors risks in investing in startups? How do you manage the risks in choosing startups?

[7:57] Informant: Major risk is what most of the companies did, I guess and we lost a lot of money. I manage the risk by, first, through the screening and assessing the companies, and also through multiple back and forth the portfolio approach to invest. [8:25] To manage the risk, we are super early in, and it's part of the model, we expect couple of companies to not make it. we settle a model where we don't manage the risk, like the model to take care of the risk, we try to be very helpful with the company we actually invested, we sort of decrease the risk constantly by being helpful with the companies we work with and we make many decisions maybe.

Thao: do you use any external partnership to help you to evaluate the startups?

[9:08] Informant: yes, to the very big degree we try that work, being our profit partner, or existing portfolio of companies, the founders' post companies, our investors, everything, it depends on which companies we are talking to, we try to investigate as best as possible to figure out who can help us with the companies or not.

Thao: and what are difficulties for you in evaluating process?

[9:45] Informant: I guess that could be, not enough knowledge, not enough time, both, so we invest in Norwegian tech companies, so as long as the companies in Norway, we invest, and we don't have enough time, but we have to make decision with, or not sufficiently information, because we invest in the very young franchise etc., so it is difficult in both regards. We want to have more time, but we also want more information, but the ticket, investment amount, we're going with in the company, it doesn't make sense to think about it too much also, because when we invest, we invest in team and they might have 1 idea, 2 months later they might change the idea, it doesn't make too much sense for us to spend 3 months considering whether the market is interesting because we are not sure, we are not part-time market regardless, so it is about hanging out with team good enough, do we support them, do we think they have ambition to go something which is both sustainable but also impactable.

Thao: what is the successful rate on your investment?

[11:59] Informant: That is a tricky questions to answer because it depends on how you measure success, the number of companies still alive, I think 4 out of 23 companies had shut down, but how many have we exited, we exit 4, so does it means the 4 companies we exited are not successful, no, does it means anyone except the 4 that shut down is successful, maybe not, some is just barely making it, some is really growing super-fast, so it's difficult to give the specific answer, because there are so many different measurement of success.

Thao: I see. What is the reason for you to withdraw the investment?

[12:02] Informant: we don't withdraw the investment, but sometimes we stop when the companies shut down, there are 2 reasons for companies shutting down, because they run out of money, or they don't want go forward anymore, the founding team, they don't want to move forward. We compose why they run out of money, they are not able to complete the product, or they are not able to sell it, mostly because they haven't sold the product to the customers, and then they aren't able to accept more investment outside of our investor, and then they run out of money, or the thing is, if the founder's just inside that we thought we want to do this, we consider this is not what we want, we would shut down the company which is completely fair. So that are 2 reasons, they are kind of inter-trade to some extent, if you run out of money, you don't want to do it, if you don't want to do it, you typically don't have energy to find the customer, to figure out a way to make it further.

Thao: where do you find the startups? Do they approach to you or do you search somewhere to get to them?

[13:17] Informant: both, so we do the marketing and we try to attend the events, we try to enforce our network so that people will remember when they search for the companies, so we do the marketing and we also do some specific degree hear about the companies that we're interesting.

Thao: so it's both sides?

Informant: yes

[13:37] Thao: so the D focus on tech industry, do you have any specific tech that you want to focus and you think it will be more potential to be successful?

[14:19] Informant: ah, no, as a company so we don't have any strong belief that there is certain area where you can, or the only certain area where you can build the companies, unless you can build the impact for company which allow it in different domain. Also, there are lots of people doing the machine now, or doing the blockchain, or the sustainability stuff, but you know there is a lot more people crawling to that market as well, so if we try something which is against the scheme, usually we need to build the big company, so we decide not to do.. we try not to experience the sector, because we think there is opportunity in many different markets, where our job is just to see potential opportunity, it's not our job to identify which market is the most excited, even though we primarily do the analysis to know this market is particularly interesting, but that's too early, we operate the small market then. If we work like this in Norway, then we maybe only work with couple per years, maybe 3, and we aim to work with 15 companies per years.

[15:31] Thao: does the social/environmental responsibility influence your decision?

[15:46] Informant: it's a tough questions, so yes, it has, we need to check if the company do stuff that we think 100% is not ethical, but I have to admit we don't particular focus on this topic as the VF, so we're making framework for that to make the better decision, but not yet. We try not to invest in the companies that we want to exit even if we were not investors, that's sort of framework, but we not really focus on positive sustainable impact on the world, we can do the neutral stuff as well, but it probably is gravitating towards it if you ask me, some of my colleagues might disagree, but if you ask me, it might to be gravitating towards doing the sustainability positive stuffs.

[16:48] Thao: what is your opinion about the trade off between the economic return and the social/environmental benefit? Is it acceptable for you to scarify a little bit of economic return, get it the lower or slower speed, in order to gain some extra benefit for the society and environment?

[17:20] Informant: so if you ask me personally, I probably say that is ok, but if you ask the fund or the investors that we get the investment from, it will not be ok, because it is our mandate to optimize the returns on the money we have the risk, as it's not mandate to sacrifice return for sustainability, so we can't do that, no, but I am a strong believer in the social market power concept job, share value, and that's, the opportunity where you have the best return is probably in the companies offering the sustainable value, because that's the long-term invest companies, so I think it's sort of, it's of course important, if you asked me, that's what we are really grateful for that we can actually do both, but for our investors, no, we are not able to scarify return for sustainable stuff, unless we think it's long-term return will be better, that's how we think.

Thao: and looking on the team in particular, what is the important factors for you?

[19:04] Informant: we try to focus on, we can call it the founder's market fit.

Thao: the founder market fit?

Informant: yes, so they have the problem they are solving, right. So if the founder has 10 years of background in many layers in the industry then if they try to solve the inside problem, it's probably good, but if they try to solve the problem outside of that, we don't have strong incentives and opportunities because we think there is risk might go wrong, maybe not so much. We also tend to prefer if the founder

to narrow the market to invest as much as possible, so the gender and stuff, if you want to sell to consumers of both sexes, so it makes sense to have both genders in the team, or if you want to go for a specific market, you have connection to the market then it's good, [20:00] but the caviar theory is that, a lot of really really big companies are sold by outside of this, right, so it's a must that they didn't really have any former core manufacture initiate, but it still work them tests, right, so even though we have the tendency to prefer the founder market fit, it's not a category that we only invest in that type of companies. We try to invest in companies where the founders have exceptional skills and if they have exceptional skill and they choose to spend their time and energy to solve the problem, we would like to join them in that journey.

[20:40] Thao: I think we have 4 minutes left as you said you have around 25 minutes for the interview. I want to ask again how many people are there in the evaluation process?

[21:00] Informant: so we have 7 people

Thao: so what are their roles again? For example, one of them will be leader, one of them will be industry experts, etc. ?

[21:31] Informant: so you can think all of them are co-owners of the companies that managed to have investment. And it's the form of partnership that everyone has their say, so it's like 10 discussions, we try to be consent but none have the full to go the group investment

Thao: that 7 people doesn't have full authority to do the investment?

Informant: that 7 people does have full authority to do the investment, but let's say 5 people want to do the investment and 2 don't want to do the investment, then we do it.

Thao: if you want to do the investment, do you need to have the approval of 7 people? Or do you only need 5?

Informant: no, we don't need to have the approval of all 7 people. We need the majority.

Thao: ah, the majority voting.

Informant: yes.

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4.5 Interview with company E

Transcript 5th interview

Date: 14th March 2019

Interviewee: Anonymous

Company: E

Venue: Online

[0:21] Thao: which stage of the startup that the company invest in?

[0:26] Informant: E is the early stage accelerator. And we invest from 800,000NOK to 8 million NOK. Then you have the ideas coming here, and someone might have customers, but we like to be investor of the company, that is the goal to be 1st investor, so usually, I don't think we have company that actually happening, before the entrepreneur program, so I think we are the only 1 in Oslo, or in Norway actually, taking that risk to be the 1st come. To the accelerator they are doing in stage, usually having traction before enter, but we are more interest in the team to be honest, of course the idea, but team is very important when you go in that early.

[1:35] Thao: why do you want to be the 1st investor in the company?

[1:45] Informant: why do you do that? So, it is important to, I mean, if we go early in, we take the bigger stake. If we are in this from the beginning, we can keep them on the right track from the beginning, so we collect our mentors, we have one-to-one meeting with the company all the time, just follow them, so they are in the right track from the beginning, that's very important. And that they are ready for the investment round, and we think it is more fun to work with the early stage startups than, I mean, we have invested in 23 companies so far, and all of them are in fintech or proptech, so that means bank, finance, property and insurance, and in E we have a lot of partners, Nordea, KPMG, Dla Piper, so during the program, we connect our startups to the partner so they help to do the due diligence, the laws, and Nordea is really good at funding, and we have lots of workshops, so, yeah, that's how we work with the early stage and help them from there.

[3:40] Thao: is the company funded by the government, or private or both? I mean, E.

[3:50] Informant: we are private. So what we do for each accelerator round is, we raise 1 million NOK, we take 10 cases, we screen a lot of startups, and we invite 10 companies in accelerator program, and after week 4, we invite all the partner and investor for pitch and selection night, so after the pitch night, we select 50% that we want to go and invest, so before the program, we negotiate with all the startups and we agree on terms of investment, so usually we invest from 100,000 to 350,000NOK for 5% to 12% equity that we're on the term, so after the selection night, we E agree on who we invest in. So we do it, we get capital funding from around 15 investors each round, and together with them we figure out who we are going to invest in. So, out of the 10 companies, we invest in 5 and the companies we don't invest, basically they are not in program anymore. For the rest, you can be attended 8 more weeks. So the first 4 weeks we use to get to know them, then we have the good view whom we're going to invest, so it's not like we just sit there and have few meetings with them and agree on term, we really get to know them before we invest in them later. So when we raise 1,5 million NOK, E take 22% of them, because we do all of the screening, we do all the work, so we take 22% of the investment. For now, we also invest

with the around money, because we have some seed funding from Innovation Norway so we can use it on few startups.

[6:15] Thao: excuse me, you just said E takes 22%, right?

[6:20] Informant: yes, so if we raise 1.5 million NOK from the investor, 22% of that amount is for E, and that's what investor paid for us for doing that job. So, together we decide who we are going to invest later on. And as we said, we only take 5 companies to focus on, to invest in.

[6:46] Thao: with the business model for investment, does investor evolve into the evaluation process as well?

[7:06] Informant: for the program, I can say we agree on term with the startups, and E doing that job, the investors decide in the pitching and selection night. That night is after 4th week of the program. So no, we are in term with the startups upfront, and after that we agree with the investors on selection night.

[7:33] Thao: what is the main market that E focus on? Do you focus on the national company or the international company?

[7:43] Informant: the Nordic. We invest in the Germany companies, the Swedish, the Finnish, but since we go into that early stage, all the companies move to here to attend the accelerator program, they set up the startups here, but they come from other countries, so they have the offices in Norway. We still have the Germany, Mexico, so yeah, we focus on Nordic but sometimes we still have companies in other countries.

[8:30] Thao: and do you allow those information to be public on my thesis? I will send the paper for your approval before I submit it to the university as well.

Informant: Yeah, it can be public.

[9:15] Thao: Ok, next question, how many years can an investment often last?

[9:22] Informant: that's a good question, we start in 2016, and so far we are in all of them, we haven't thought about going out yet, because that's something we have to agree with the startups. We don't want to be the 1st in and 1st out, that's long-term investment, but I can't tell you the strategy on that, that's too early to say. One of our company from 2017 got acquired to (company's name) so they have a huge interest in company in Norway, so they acquire it 1 and half year ago, so I actually don't have comment on the strategy for that, we don't have any really so far. We have incubators, a lot sits there, and we open up for the events, so it's not only accelerator program, we try to help them after works too.

[10:42] Thao: how many people are there to participate in evaluation process? And what is their positions?

[10:51] Informant: so, I do all the screening, I do the 1st meeting, and then I send the best cases to my colleagues, (3 names), and that's process. And if we agree, have shortcut meeting, they really want to know the people behind the concept, so, it's couple of meetings before we agree on terms, because we all want to know them on the personal level before we go in, but it depends, if we are in love with the cases and the people from the beginning, it can be a shorter process, and sometimes it takes more time.

So yeah, 4 people, but then, again, we have the investors, and the partners, on pitch and selection night, so they also discuss the cases, so they do the evaluation too to find out who really be invested among the 10 companies. So then, it's suddenly 15 investors involved and the other people who don't invest, but they have meeting about the companies, so that's the process.

[12:30] Thao: so what are criteria that you use for screening and selecting the startups? Which questions do you ask them? Do you have any list of questionnaire?

[12:45] Informant: yes, we have due diligence list, so it's very standard.

[13:08] Thao: what are the questions in that list? Can I ask for the list?

[13:15] Informant: yeah, I will ask if I can send it to you. But it's not that we just follow that list, it's not like we sit there in the meeting and just follow that list. It's more like we get the feeling about the team and we ask them the questions and stuff. We use it as a guidance. Do you still want it, or?

Thao: yes, I still want that. I think it's helpful for me to know the general questions, and I also know that there is different things with different startups, I just hope that by reading it, I can figure out a point for my thesis.

[14:28] Informant: yes, I will ask the others if I can, yeah, I will ask and let you know.

Thao: So, you said when you're screening the ideas, you focus on the team? And what else?

[14:53] Informant: yeah, it's in early stage, I think it's very important to focus on the potential of the cases and the entrepreneur. Usually they come along with the idea, they work with the idea for 1 year, the concept and make it in shape, doing this is very important for it. and yeah, the potential, for investor that's what they come for in investment, but we can hear in the case in accelerator, if its business model is something we can help you with the program so it's the big fire if we don't follow what they want, if you know what I mean. So we really look at the potential all the cases and the team.

[16:10] Thao: what is the major risk in investing in startups? How do you manage the risk in choosing startups? Because if E want to be the 1st investor in that startups, it will come along with the very high risk as the 1st investor to step in the idea, so how do you manage the risk?

[16:49] Informant: it's the team and if I believe that guy can do it, or that person. And it's very important that the entrepreneur is 100% into the idea, you can't have the entrepreneur working on the side, being a student, so it's very important. And also like I said, the potential, it has to be the good return on investment for us, and it has to be a fit in term of the partners. So usually we look at the case and we think, oh, this could be interesting for our partner, that can be a fast way to the market. So it's a lot of factors. We also think about the knowledge, oh this guy can be very interesting for you, so you can talk with, have discussion with, because I don't know about it. It's important for us to realize the financial entrepreneur with the tech background. In Norway, I think it's almost too many people with business background, so fins entrepreneur with both, that's what we really like. We know about sourcing a lot of companies as well, so we look at that, it's challenge to outsourced and it takes a lot of time, but if you have some technical background yourself then it would be easier to be the kind of the architect. Yeah, so we look at that as well, the tech background, if we don't have that, we take it as more risk, that's for sure. And the experience from the startups, if you don't have any experience from the startups, that's more risk for us because we know how hard it is to be entrepreneur, so that's a plus, too. What's else? Yeah, I think that's.

[19:43] Thao: what are difficulties for you in the evaluating process?

[19:55] Informant: ah, to make them understand that we don't invest money, we offer them the program that is worthy more than that money. So if you come to E just because you want to get the funding from us, then you got the wrong place. That's what we want them to understand. So when we do the evaluation with them and they say they want this, this has to keep in mind that don't look at E like a normal angel investor, that's very important for us. So, we always ask the questions like, how do you think E can help you? If they have anticipate for that?

[20:55] Thao: what is the successful rate on E's investment? Have you ever decide to withdraw your investment in a startup?

[21:09] Informant: so far, no. we invest in 23 companies and they are still running. I don't say it as the board investor, I do the screening myself, I'm not on behalf of the CEO and board and stuff, but we don't have the plan to stop any companies, so can't tell you more than that.

[21:48] Thao: how to you approach to the startups? Do they come to E first? Or do you have to search somewhere to find them?

[21:57] Informant: how do we find them? Sometimes they come to us, sometimes we have to look for that early stage startup. It is more difficult to find them. Because we don't look for general startups compared to other accelerator program. And it is easier to find the startups in later stage than entrepreneur with the ideas or just set up web page. So for us, we try to find them everywhere, LinkedIn, facebook, hear from our partners, mentors, so we really use network to find cases. But of course now we have our accelerator for 3 years, we get better reputation every year, and more applications every round.

[23:05] Thao: is the percentage like 50:50?

[23:26] Informant: yes, it can be 50:50. I don't have the exact number.

[23:45] Thao: and in your opinion, what is the main reasons for startups to be failed? Do you have any cases that the companies quit the accelerator program?

[24:14] Informant: no, that never happens.

[24:24] Thao: so, there are 10 companies in the final round, and after their pitch, there are 5 out of 10 companies being selected, right?

Informant: yeah

Thao: so, what do you think is the reason for the other 5 startups to be failed?

[24:55] Informant: the failed? The one that doesn't get the investment? [25:26] I think the main reason is they can't show the traction after being in the program for 4 weeks. You met all the partners, you met the investors, so they know the people behind the pitch as the person, and they know the concept maybe. I think we have 6 minutes on the stages, you have to be very clear, you have to show the best of your results, the concept, and if it isn't clear enough, that can be the reason why they don't get the investment. Of course there is a lot of factors. The market. They are looking for the long investment, so when they have discussion about the cases, they don't see the potential. I think it could be the combination of all I said, the team, the pitch, if you really get the very content out there. [26:41] the

investors, they look at risk. So usually maybe the team, because it usually is safer case in the team with 2 to 3 team members, a lot of startups don't get investment is solo founder.

Thao: it's very difficult to be solo

Informant: yes, it's very difficult. So, that could be the combination of everything I said, like, team, personality and concept.

[27:42] Thao: on the E website, it said you focus on the fintech, proptech and AI. so why do you choose those specific industries?

[28:10] Informant: we start it in 2015, and it was obvious for us to go into the fintech, and how good it was, you know, it is so big and over there, we just saw the gap and go into it. So, we decide to go into fintech. And now, after doing the few programs, I feel like the real estate industry is where the bank industry was 5 years ago, so we just think and try to go into there. At first, it is very nice to just focus on 1 thing, because we have the partners for fintech, the partners like KPMG and S'Banken, they are really interested in innovation. We understand that they can do it alone, they need partners to open up or actually move other resources. So that's why we dig into that. And with the real estate, we saw the same with the finance 5 years ago. And the AI, it's not like they just come and show us the idea about AI, it needs to be related with the bank, finance and property, you know.

[29:45] Thao: are you going to change your focus on the other industries in the future? Do you think is there any potential industries that E wants to focus?

[30:10] Informant: so we have one 5 programs about fintech, and I think we will open for proptech too and the seed round starts in April, only focus on proptech. So now we have 12 partners, that's going to work with us during the whole program, so we have 12 real estate partners to work with our startups this round. And then we can do fintech and proptech after summer again. But if about going into other sectors, that's possible, but right now we don't know when and which yet.

[31:17] Thao: do you evaluate the environmental and social benefit in the startup' idea?

[31:22] Informant: are you talking about the sustainability and stuff like that?

Thao: yes

[31:39] Informant: so, like I said, the fintech, it's not only bank and finance, it can be more. We invest in Diwala where you see them at other accelerator program as well, so they went for our program first. And they attended to us because they are doing the digital ideas for refugees, so they can analyze the skills, and also they can bring the return so they can use and stuff like that, so fintech can be very broad. And we also have Empower, they make value of picking up plastic, so they are doing a lot of beach cleanup by plastic in other countries, and they have application, so people can go pick up trash on beach, they can go to the point where they weight the wasted plastic that they gather, and they get pay for that. So if you gather 1 kg of plastic, you get paid in token, and a lot of these people, they don't have bank account, and suddenly they get paid, they get token, they can transfer it into money, the local currency. So suddenly you have people using token, kind of a bank. So, we do believe the sustainability will make the difference. It doesn't really have to be the bank and finance. It can be very broad. We focus on that. And it's about the leadership in woman, we have 33% of entrepreneur are women.

[34:25] Thao: moving to the next question, what do you think about the trade-off between the economic return and social/environmental benefit? Is it acceptable for you to trade some economic return in order to gain some benefit for society and environment? To get slower or lower return to exchange for the sustainability?

[35:45] Informant: I can't talk on behalf of the investor, but I know they will care about that, our partners would too, so yes, they will. I think we will be interested first to do, it's nothing we have considered. I don't doing the process the last pitch, the last process of investment to tell what they are thinking, but for me, yes, that sounds interesting to do.

Thao: alright, it's good to hear.

[38:14] Informant: I don't know about the other, but for me, it matters. That's why we went into the power, so minor solutions that is based on green technology. And yes, the investors care about that.

Thao: does E also focus on the Greentech as well?

[39:12] Informant: no, we focus on the fintech and proptech, but if you ask is it the case, yes, we would also love to focus on that. [39:38] We think our startup is a mix of green technology and fintech and proptech. We have a word at the E called finpact. That's what we call a fintech solution

Thao: the finpact?

Informant: yes, finpact. (laugh) we actually invented which the idea is where the focus is on financial impact, so it's finpact, instead of fintech. Empower, we call that finpact, Diwala, we called it finpact, and couple of startups they make the phases about the technology, the finpact.

Thao: is it the mix between the finance and green impact?

Informant: yes, and I thought that what we have done a lot of time and in the events we focus on the both sides of that aspect.

[41:10] Thao: do you need the external partners in your evaluation process?

[41:23] Informant: no, just the partner in the very end when we are about to agree on terms with the startups, like how much we invest and the equity in the pitching night.

[42:45] Thao: do you evaluate the network of the startup' team?

[43:13] Informant: yeah, we're going to the network and what have they done before, and usually we ask around if you know this guy or this guy, and we will check for preference stuff, yes. [43:46] it is also important for us to choose and checkup the person so we don't have any criminal in here you know (laugh). So we do the background check before the program, yeah we do.

[44:17] Thao: is it better for you that the startups aim to go global? E focus on the Nordic, but what do you think if the startups want to go global immediately than going to the national level?

[44:36] Informant: of course we want them to go global, that's why we have some partners in Stockholm, Helsinki for the fintech program. We are the only member in Norway having the global accelerator network. For the network of accelerator worldwide, we pay a lot to be a part of that, and being a part of the network, we have access to a lot of international entrepreneurs, or startups, they got global access and venture on, so they lead the startups in the accelerators programs, they do a lot of

introduction and for us, it is important to go global. And we also have (name), it's our bank partner in Denmark, they also have office all over the world, and we have Mexico company and they also help them down there, so yeah, it's global approach for the whole program.

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4.6 Interview with company F

Transcript 6th interview

Date: 21st March 2019

Interviewee: Anonymous

Company: F

Venue: Online

[0:59] Thao: which stage does the company invest in startups?

Informant: pre-seed and seed stage

Thao: do you go further to the venture stage like series A?

Informant: We can follow the investment, but we never lead around, so we can join in, but we never lead it.

Thao: is the company funded by the government, private or both?

[1:45] Informant: private only.

Thao: does investor involve into evaluation process?

[2:06] Informant: No, they invest in our fund, and then they trust that we invest well on behalf of them.

Thao: what is the main market? National or international?

Informant: all around the world.

Thao: what are the main sectors does the company focus on?

[2:50] Informant: we are actually quite broad, we don't focus on specific sector, but we focus on all sector as long as it's an impact company.

Thao: and when did the company establish?

Informant: it was 2017.

Thao: how much can you invest in a startup?

Informant: It's up to \$150,000 USD (1.28 mil NOK).

Thao: and how much is the expected equity return?

[3:44] Informant: we take 8% equity in the company. On the companies we pick out, we take 8%.

Thao: do you involve into the management team of the startup company?

[3:58] Informant: no, we don't.

Thao: and also, do you allow this information to be public?

Informant: If it's can be private, we would be appreciate that.

Thao: My thesis will be public but if you want, you can stay anonymous.

Informant: yes, please, that will be better.

Thao: alright. I understand. And I will send the paper to you before I submit it to the university so you can check it beforehand.

Informant: yes, that sounds good.

[4:45] Thao: can you describe the funding process at the company? I know the accelerator program will last 3 months, can you describe the process and activities during that 3 months?

[5:00] Informant: During that program, we help the company from funding strategy to development, to sales strategy, to distribution strategy, go to market strategy, marketing and much more. That's all we do during 3 months, because to get the pitch takes a lot of time as we focus on that during the program.

Thao: and then you will organize the pitching day for the startups, right?

Informant: yes, the demo day. That's when they pitch for investors, yes.

Thao: so then the investors will pick which startups they want to invest in?

Informant: correct, correct.

Thao: so, is it external investors or internal investor in demo day or both?

Informant: both.

Thao: Do the internal investors make the investment decision on the demo day as well or do they already made it beforehand?

[6:44] Informant: that's hard to say. Sometimes in demo day, sometimes before.

Thao: in which situation do they make the investment decision beforehand, before the demo day?

[7:33] Informant: that's something I don't know. I don't know how they make the decision to be honest.

Thao: alright. No worries. How many year can an investment often last?

[8:15] Informant: that's also hard for me to say. It's up to them. And the individual investors, it's impossible to say about their strategy.

Thao: how many people participate in the evaluation process?

Informant: 8 people, or 7 to 8 people.

Thao: is it the whole team?

Informant: yes

Thao: do you know how many people are there in the investment decision making process?

Informant: ah, that's 6 people.

Thao: and what are criteria that you use to evaluate the startups? Which questions will you ask the startups?

[9:30] Informant: there is a lot of questions, we ask about the team, about the how much have they raised from before, of course we will ask them about the traction, how much is the revenue, the return from before, and of course about the business model among other things.

Thao: do you use any kind of general list about those questions for evaluation? Can you send it to me for my reference?

Informant: of course I can. I will send it to you right now, just keep it anonymous.

[10:34] Thao: sure, I will remember. And do you evaluate the social and environmental impact? And how do you measure it? Do you use the external partner or internal employee to do that?

[11:00] Informant: Yes, we do. We have the internal people to measure that. We also have the pool of partner from the network in the team, they help to measure the impact. And we do that by measuring how many life that it will impact, how did they do for the employment and etc.

Thao: is it compulsory or just optional?

Informant: no, we do that to everything because we invest in impact startups so we do it in everything.

Thao: nice, so how do you manage the risk in investing in startups?

Informant: [11:55] we invest in lots of startups, we want to diversify our portfolio. [12:20] so if there are some startups go down or go bankrupt, there are still other startups alive and do better so we reduce the risk by diversifying our portfolio.

Thao: I see. Do you use any external partner in the evaluation process or your team only?

Informant: we use the subject matter aspect, we ask for their opinions, but they don't make any decision, they just contribute their opinion.

[13:20] Thao: for you, what are difficulties in doing the evaluation?

[13:30] Informant: the difficulty is that, we have many candidates, of course, we need to go into every single one probably, so of course, time matters, also, we don't have expertise in the team, and then we need to find the experts to help us back and forth.

Thao: how many applicant will you receive for 1 years?

Informant: usually it's around 1000 or 900.

Thao: It's huge, but because you accept the applicants from all around the world

Informant: Yes, but it's also, we need to go out and get some. We are still young so we need to get our name out. And of course we have done for couple of years, so our pool is even bigger compared to when we started.

Thao: Is it compulsory that the team have to have a Norwegian in the team?

Informant: Of course they need to have a regioner.

Thao: what is the successful rate on your investment?

Informant: we haven't had any exit yet. We are young company, so we haven't had any exit yet.

Thao: ok. How do you approach to the startups? Do they come to you or you search for them?

Informant: We also have to go out to look for them, so 900 comes to us and 1000 looks for us. So 1900 companies we have in our page to look around.

Thao: but how do you search for them? Through network or some channels?

Informant: Yes, just use our database, crunchbase, a lot of investment page, and of course, google, etc.

Thao: what is the main reason for startup to be failed?

[16:50] Informant: main reason? I think it's probably because they don't have proper vision for their start, they don't know where they're going to take it.

Thao: which means they don't have any experience about running startups from before?

[17:04] Informant: no no, it doesn't mean like that. I mean, they don't have the plan how to sale it.

Thao: does the social and environmental responsibility influence your selecting decision?

Informant: yes, of course, because we are impact company, or impact funding, so it has to be impact startups, so yes.

Thao: and what do you think about the trade-off between the economic return and the social/environmental benefit?

[18:12] Informant: We don't think there is any trade-off actually. We think it's going to have more money on the impact investment compared to the relative, traditional investment.

Thao: why do you think so?

[18:40] Informant: Of course if you solve the fundamental problem, the people and the initial need, it should perform better, and of course we have also done our research on our strategy and it shows that more and more investment in those ideas in 5 years than the traditional investment. But of course you need a long timeline and we have the long timeline.

Thao: How long is that timeline? 10 years?

Informant: 5 to 8 years, but there are also cases up to 10 years you can say.

Thao: looking at the team profile particular, what is important to you?

[19:28] Informant: it has to be the complementary team actually that they have the CEO who has some sale technique about the market that they try to enter, that they have a technical people within AI if they do something in AI, it's just the right people, depends on what the company is, the sector they try to enter, but automatically they need to have the complementary team that can sale the business.

Thao: how about the product and service, what is important factor to you?

Informant: It's important that the product is the possible product.

Thao: The technology, the software?

Informant: yes

Thao: so how about the startups offering the new production method?

[20:50] Informant: yes, it's also important. But as team is what I mentioned already, after that, the important is that of course it's the company having revenue on the hardware, we won't look away from it, we would invest in it, but on a high level, it's the software.

Thao: which mean, you prefer to have the software?

Informant: yes. because it is easy to sale.

Thao: How about the market? Do you expect that startup to go global immediately or to have the national development?

Informant: yes, we expect them to go global.

Thao: so far do all of the startups under your company go global?

Informant: yes, every single one

Thao: do you expect the startups to already raise some funding before?

[24:28] Informant: no we don't expect them to raise, but we need to ask what do they have.

Thao: so do you actually expect them to be fresh?

[24:45] Informant: no, Thao, we don't look at that. We have the big range to look at the company, even though we don't expect company to raise, we don't expect them to be really new, so yes, sometimes they have funding, sometimes they don't, but we expect them to have some traction, like testing users/ revenue, funding, but they can't be really new.

Thao: and in number 12 in your question list, you ask them to describe the revenue in the last 18 months, is it mean the company has to be established for at least 18 months?

Informant: some of them, but not all.

Thao: so, I guess it is general question, they don't have to have 18-months old, right?

Informant: yes

[26:35] Thao: because you accept all of the applicant from around the world to Norway for the accelerator program, after the program, will you work with them remotely or do you expect them to have office in Norway?

Informant: we can work with them remotely absolutely, we don't expect them to stay in Norway, they can do whatever they want.

-end-