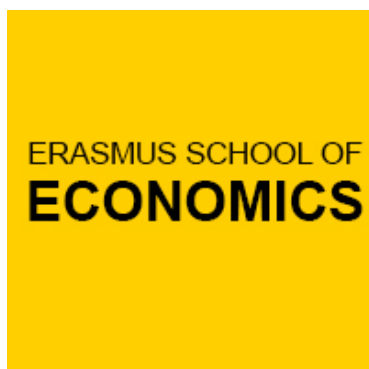


Marketing ventures: How visual presentation and financial reporting techniques influence external investor funding decisions

Master Thesis

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**MARKETING VENTURES: HOW VISUAL
PRESENTATION AND FINANCIAL REPORTING
TECHNIQUES INFLUENCE EXTERNAL INVESTOR
FUNDING DECISIONS**

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Abstract

Adopting an empirical approach, this research paper examines how visual presentation and financial reporting techniques in corporate documentation (i.e. business plans), influence investor funding decisions for entrepreneurial new ventures. Building on an expansive theoretical framework, it is proposed that resource-holding audiences will be more likely to invest in a venture, or further evaluate it as an opportunity, when provided with documentation that is visually organized and contains high quality financial information. Further emphasizing these specific elements therefore results in enhanced legitimacy, influencing investor behavior and their willingness to participate and leverage resources.

The result of the between-subjects experimental survey design partially supports the hypothesized statements. Visual presentation is shown to play a decisive role in influencing investor funding decisions. It is noted that investors are more inclined to place their resources in a venture that is organized in its visual presentation. When examining the effect of financial reporting, findings dictate that improved quality enhances the likelihood to further evaluate the firm. Contrary to what was hypothesized, when observing their combined effects, results shows a significant negative effect on investment behavior. In addition to this, investor experience as well as the ability to cope with ambiguity are shown to be associated with the individual investor response.

Taken together, the results pose interesting new avenues of thought for researchers, investors and entrepreneurs. On an academic level it enhances existing knowledge pertaining to the relationship of these elements on the likelihood to invest in, or further evaluate a venture. On a managerial level the results hopefully provide new knowledge and understanding as to how visual presentation and financial reporting can be better implemented in corporate documentation to ensure new ventures acquire the necessary resources for future growth.

KEYWORDS: Entrepreneurship, New Ventures, Legitimacy, Investor, Marketing, Visual, Design, Presentation, Financial, Reporting, Data.

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1 Introduction

There is increasing acceptance among academic and applied researchers that investors (e.g., venture capital and business angels) play a decisive role in ensuring the success of entrepreneurial enterprises, also known as “new ventures” (Bruton, Filatotchev, Chahine, and Wright, 2010; Florida and Kenney, 1988; Überbacher, 2014). The success of recognized start-ups like Tesla, Facebook and Google are, to some degree, the result of their unrelenting support (Chemmanur, Krishnan, and Nandy, 2011). Naturally, this has led to a growing interest regarding the relationship between investors and new ventures. Prior research has probed a variety of topics ranging from examinations into the role of investors as incubators (Aernoudt, 2004), their impact on entrepreneurial performance (Gompers, Kovner, Lerner and Scharfstein, 2010), and studies into the decision criteria they heed when investing in new ventures (Eckhardt, Shane, and Delmar, 2006; Mason and Stark, 2004).

While various authors have managed to define and plug the importance of investors in new ventures (Ehrlich and Noble, 1994; Gompers and Lerner, 2001; Mason and Stark, 2004), there is still limited knowledge regarding the methods of influence ventures should use to successfully sway investors into committing their resources (Clarke, 2011). Considering the fact that many new ventures “lack [a] proven track record, obvious asset value, and profitability”, it is of interest to get to know better the marketing methods by which they are able to compel investors in order to acquire the necessary resources for future growth (Rasmussen, Mosey and Wright, 2011 in Clarke, 2011: 1365). This paper focuses on marketing methods that have not yet been fully explored by researchers, entrepreneurs and investors alike. Namely the role that visual presentation and financial reporting in corporate documentation play in influencing investor response and their willingness to participate in new ventures.

1.1. Problem Statement

Past research has indicated a variety of different methods that new ventures can apply to persuade investors into financing their organization. This includes, but is not limited to, the study of how preparedness can be used as a proactive marketing technique (Chen, Yao & Kotha, 2009; Morris, Schindehutte and LaForge, 2002), to how a business model is applied as a marketing tool to engage external resource-holding

audiences (Ehret, Kashyap and Wirtz, 2013; Osterwalder and Pigneur, 2005; Wallnöfer and Hacklin, 2013).

The role that visual presentation and financial reporting in corporate documentation plays in influencing investors to participate in new ventures, is however a fundamental component that has yet to be fully utilized (Clarke, 2011; Foroudi, Melewar and Gupta, 2014; van Rompay, de Vries and Van Venrooij, 2010). This gap in knowledge is surprising, considering that investors are handed numerous documents (e.g., business plans, executive summaries, presentations) on a regular basis. This forces them into the process of weeding out the good from the bad, often based on first impressions (Foroudi et al., 2014).

The lack of theoretical and empirical inquiry on this particular subject is a peculiarity, considering the plethora of marketing research that argues in favor of visual presentation and financial reporting on influencing individual response. For example, various authors in consumer-based literature have shown that visual and aesthetic presentation in print and online advertising (e.g. ad sizes, colors and fonts) have a positive effect on product and brand recall (Lutz and Lutz, 1977), brand attitude (Moore, Stammerjohan and Coulter, 2005; Rossiter and Percy, 1980), as well as persuasiveness and credibility (McCarthy and Mothersbaugh, 2002). Investigative efforts have also dealt with the positive impact of visuals on consumer response in physical product design (Bloch, 1995; Cooper and Kleinschmidt, 1987; Sevilla and Kahn, 2014) and packaging (Orth and Crouch, 2014; Sundar and Noseworthy, 2014).

In the corporate context it has been shown that visuals can have a supportive effect on a firm's corporate image and legitimacy (Balmer, 1995), as well as impact the performance of an organization (Gardner and Avolio, 1998). Past studies done on the impact of financial reporting indicate a similar trend. Arguments in this field indicate that it can improve the credibility (Botosan, 1997; Mercer, 2004) and valuation of ventures (Kanodia and Lee, 1998), as well as help mitigate frictions and moral hazard faced by corporations (Biddle, Gilles and Verdie, 2009). Resultantly a large existing knowledgebase exists that confirms the belief that visual presentation, and financial reporting are critical components when it comes to influencing an individuals' decision process (Biddle et al., 2009; Lurie and Mason, 2007).

Consequently, the present document aims to advance upon current theoretical arguments by making several contributions to academic literature. Firstly, this aims to be one of the first to quantitatively examine whether visual presentation of corporate

documentation positively influences the willingness of resource-holding audiences to consider investing in new ventures. Up until now marketing research considered this relatively uncharted terrain and of the research so far, most has been dominated by more consumer-based literature (Balmer, 1998; Hagtvedt, 2011). Secondly, this paper extends upon previous theoretical arguments related to the positive impact of financial reporting on influencing individual investor response, as well as for the very first time, its combined effect with visual presentation. Finally, a more concrete and operational definition will be provided to ensure the formation of a solid framework for future research. The development of a valid and reliable framework is key to increasing our understanding of this facet of marketing research.

Advances are also to be made on a managerial front. Detailing how visual presentation and financial reporting can influence and compel investors to provide necessary resources for future growth, can help facilitate the success of these ventures (Baum and Silverman, 2004). Previous research managed to shed some light on the subject, however this study is one of the first to indicate whether it is advantageous to employ such a methodology. This document therefore contains both a theoretical and practical side.

In what follows, section two will provide a thorough overview of existing literature and develop theoretical arguments that support the hypotheses. Section three details the empirical analysis of the dataset, elaborating on the data collection and sample, the key explanatory and control variables as well as the method that was utilized. Section four outlines the results of the analyses. Section five then concludes by discussing the results in relation to existing literature as well as the most important findings, implications and limitations.

2 Literature Review

The following theoretical framework will relate to five main streams of literature from the marketing and entrepreneurial domain. This includes knowledge on new venture legitimacy, visual presentation as a marketing tool, financial reporting as a persuasive instrument, their combined effects, and finally the role of investor experience.

2.1 New Venture Legitimacy

With the world becoming more and more flat “customers and investors are becoming ever more demanding and critical, [resulting in] a growing need to understand entrepreneurial marketing and what is needed for emerging entrepreneurial firms to survive” (Day and Montgomery, 1999, in Morris et al., 2002: 1). Consequently, ventures need to pay close attention to how they market not only their products, but also themselves in order to ensure long-term profitability, stability and sustainability.

De Clercq and Vornov (2009), Nagy, Pollack, Rutherford and Lohrke (2012) and Überbacher (2014) label this objective as the ability to ensure new venture ‘legitimacy’. Legitimacy in this scope is defined as the overall favorable judgments people have on a firm, including acceptance, appropriateness and desirability (Bitektine, 2011; Suchman, 1995; Zimmerman and Zeitz, 2002). In their empirical research, Nagy et al. (2012) argue that an increase in legitimacy is “thought to facilitate firm viability by providing firms access to resources they otherwise would not have been able to obtain” (p. 943). In effect, it enables new ventures to bypass the ‘liability of newness’ and acquire the “resources – which include capital, personnel and consumer goodwill – needed for evolving into a sustainable organization” (Überbacher, 2014: 667).

Recent years have seen considerable investigation “across the management, entrepreneurship and economic sociology domains” with regards to the role of legitimacy for new organizations (Überbacher, 2014: 667). This includes research into the use of preparedness and persuasiveness (Chen et al., 2009; Wilson and Sherrell, 1993) and the role of the business model (Wallnöfer and Hacklin, 2013) as means to evoke interest from resource-holding audiences. Reports on the former topic indicate that entrepreneurs and business owners are able to circumvent the ‘brick wall’, or inability to convince external stakeholders to invest, by displaying and transferring their passion strategically to investors using enthusiasm, preparedness and commitment (Cardon, Wincent, Singh, and Drnovsek, 2009; Chen et al., 2009). The latter topic notes that more complete business models serve as successful marketing narrative for firms to “market and develop relationships with investors,” subsequently enhancing their legitimacy (Hills, Hultman and Miles, 2008; Wallnöfer and Hacklin, 2013: 756).

Yet, while researchers have emphasized the importance of these methods on new venture legitimacy, they have managed to sidestep a critical aspect that has not yet been fully utilized to its full extent by entrepreneurs and investors alike (Clarke, 2011;

van Rompay et al., 2010). This involves the matter of how visual presentation and financial reporting can influence investor response. Knowing that investors are presented with countless corporate documents on a daily basis, it is highly likely that this forces them to evaluate a firm's legitimacy based on first impressions (Foroudi et al., 2014)

2.2 Visual Presentation

The following section first dives into how visual presentation is employed as a tool in product and consumer-based marketing, which is then followed by what is known about its use in a business as a potential tool to garner new venture legitimacy.

2.2.1 Visual presentation in consumer-based marketing

Authors including the likes of Haskins, (1958), Starch (1966) and Twedt (1952) piloted the academic exploration into the effects of nonverbal and visual characteristics on individual reactions by detailing their effectiveness in print advertising. Majority of these initial empirical studies indicated the presence of correlations between visual elements in print advertising (e.g., ad sizes, colors and drawings) on items including readership scores (Starch, 1966; Twedt, 1952), advertising recall (Assael, Kofron, and Burgi, 1967; Lutz and Lutz, 1977) as well as brand attitude (Diamond, 1968; Rossiter and Percy, 1980). In contrast, Buchanan (1964), Anderson and Jolson (1980) and Hanssens and Weitz (1980) argued that the key to recall and attitude had more to do with the characteristics and technical wording of the product. Yet despite these counterarguments, the general consensus hinted towards the importance of visual characteristics on influencing individual response (Finn, 1988). These articles therefore acted as the foundation for future studies as they verified the importance of visual presentation on the way individuals interpret and consume data (Finn, 1988).

Whereas most of the research up until the early 1990s was focused on the impact of visual presentation, symbols and design on success and recall of advertisements, many did not examine their impact on themes including brand belief, persuasiveness and credibility (MacInnis, Moorman, and Jaworski, 1991; Ohanian, 1990). More recently however, studies have trodden down this path. Childers and Jass (2002) and McCarthy and Mothersbaugh (2002) looked at the impact of subtle nonverbal changes on advertisement persuasiveness. Both studies examined typographic and semantic factors (i.e., fonts and letter size) and found that certain "fonts and spacing mechanisms

had a positive effect on the persuasiveness of advertisements on consumer buying patterns” (Childers and Jass, 2002: 104). Marketers now also know that advertising materials must be legible and visually appealing in order to positively shape consumer response (Silayoi and Speece, 2007). Doing so is beneficial for brand belief and identity (DeRosia, 2008; Phillips, McQuarrie and Griffin, 2014), persuasiveness and credibility (McCarthy and Mothersbaugh, 2002; Wilson and Sherrel, 1993), both online and offline (Cyr, 2008; Van Rompay et al., 2010).

Various analyses have also looked into the impact of physical product design and packaging on consumer response. Analyzing the performance of 203 new products, Cooper and Kleinschmidt (1987) found that physical product design was the key determinant of sales success. They touted the importance of exterior appearance in generating impressions and communicating information to consumers. Sevilla and Kahn (2014) further demonstrated that more complete and well-shaped products increase consumption, and in some cases impacts consumer inferences about a product in a similar fashion to that of price (Bloch, 1995). Further studies on brand package design indicate similar results, with authors including Littel and Orth, 2013, Orth and Crouch (2014) and Sundar and Noseworthy (2014) arguing that the visual appeal and location of packaging must be considered, since the more attractive the package, the more likely it is to guide consumer behavior.

2.2.2 Visual presentation in the corporate environment

The value of nonverbal devices and visual presentation within the field of consumer marketing is well grounded in literature. The corporate context however, specifically the manner in which visual presentation is used in entrepreneurial performance, has received noticeably less attention from the academic and managerial community (Clarke, 2011; Foroudi et al., 2014; Naccarato and Neuendorf, 1998).

In recent years’ several scholars have nevertheless attempted to fill this knowledge gap. Balmer (1995) helped set this precedence by studying how visual graphic design is used to influence a firm’s corporate image and legitimacy. He noted that icons and graphics underpin the organization’s communications efforts and help communicate the firm’s relevancy, cultural values, mission and philosophy. Inspired by these findings, Gardner and Avolio (1998) explored the role of visual symbols on managing corporate impressions. They emphasized that “physical appearances, settings, props and other types of [visual] displays” have an effect on corporate

performance and impression management (p.43). Similarly, Henderson, Giese and Cote (2004) found that typeface design affects corporate impression management. Clarke (2011) advanced on these conclusions, suggesting that stories and content alone are “insufficient to gain legitimacy” and that entrepreneurs must “direct attention to [visual] impressions [in order to] present an appropriate scene to stakeholders” (Clarke, 2011: 1366).

Majority of authors therefore seem to be aligned with the idea that this ‘corporate visual identity,’ as coined Van den Bosch, de Jong and Elving (2005), plays a decisive role in supporting the relevancy, performance, corporate image, and legitimacy of organizations (Foroudi et al., 2014). It therefore appears that the impact of visual presentation extends well beyond merely displaying and communicating a message, but may also play a pivotal role in helping acquire and “gain access to much needed resources” to facilitate firm survival (Clarke, 2011: 1365).

2.3. Financial Reporting

Up until this point this paper has not yet managed to elucidate further on the importance of financial reporting in the pursuit of attaining new venture legitimacy. This portion of the paper aims to rectify this deficiency, considering that financial reporting is in many ways complementary to visual marketing as it enables ventures to “articulate why their proposed means of exploiting identified opportunities are sensible” (Martens, Jennings and Jennings, 2007: 1115).

It has been well established in prior literature that financial reporting is a chief component and source of firm-specific information (Bushman and Indejejkian, 1993; Holmstrom and Tirole, 1993; Kanodia and Lee, 1998). It provides an additional communicative framework that allows outsiders to judge firm performance and legitimacy. Corporate disclosure of this nature is therefore a necessity in terms of communicating vital information between managers and external investors, resulting in an “efficient allocation of resources in a capital market economy” (Healy and Palepu, 2001: 407).

One of the earlier studies into role of financial reporting on new venture legitimacy was by Miller and Rock (1985), who examined its importance in attracting external investor interest. Their assumption rested on the fact that “managers know more than outside investors about the true state of the firm’s current earnings” (p.1031). Consequently, they argued that reducing information asymmetry should result in more

optimal levels of investment. Similarly, Botosan (1997) and Mercer (2004) found that if a firm's annual report contains numerically precise data and forecasts it enhances the credibility towards investors, resulting in a document that is considered more precise and useful. Financial reports, such as earnings statements, therefore play a critical part in allowing "investors to update their assessments of a firm's future cash flows [whilst simultaneously] providing them with an opportunity to value the firm" (Kanodia and Lee, 1998: 34).

Recent years have seen an advance on this particular subject, albeit with a shift in focus towards the effect of quality of financial reporting. Various studies tout that focusing solely on financial reporting is no longer enough to enhance investment efficiency and new venture legitimacy. Instead, attention should be paid towards improving the quality of financial reporting (Bushman and Smith, 2001; Lambert, Leuz and Verrechia, 2007). Evidence provided by Biddle et al., (2009), suggests that higher quality financial reports enhance "investment efficiency by mitigating information asymmetries that cause economic frictions such as moral hazard and adverse selection [and] increases the ability to monitor activities" (p.8). These outcomes therefore dictate the value of financial reporting in enhancing legitimacy and attracting investor funds.

2.4 Visual Presentation *and* Financial Reporting

There is significant support within the academic community regarding the individual effects of visual presentation and financial reporting on ensuring new venture legitimacy. Yet when observing a document such as, for example, a financial press release, investors often have to allude to a "*text* portion that describes [and visualizes] the performance [and the] *accounting* portion that documents the financial performance" (Henry, 2008: 367). A relationship therefore exists between these components and as such, they are not necessarily mutually exclusive from one another (Kaplan and Norton, 1996).

An early study into this complementary relationship is that of Amir and Baruch (1996). They determined that financial reporting by itself has little relevance for the valuation of a fast-changing, technology-based companies. In fact, it has the tendency and tenacity to "fall behind the pace of change" limiting their value to investors (Amir and Baruch, 1996: 3). They noticed that when linked with nonfinancial information however, this limiting factor was removed. In turn, financial reporting became a relevant and contributing factor to improving investment efficiency. Ittner and Larcker

(1998) echo these outcomes, claiming that “nonfinancial indicators [...] may be better predictors of future financial performance than historical financial measures” and are a supplement to assessing firm performance (p.1).

Using a detailed empirical analysis Henry (2008) further explores the ‘firm-investor communication process’. In contrast to the above, this study focuses on how tone and stylistic attributes play a critical role alongside financial information on investors’ reactions in the stock market. She argues that financial information must be detailed and framed positively to cause “investors to think about the results [and the firm] more positively” (p. 365). The findings in terms tone and style dictate that content selected and presented in a positive ‘tone’ positively affects investor reactions, resulting in increased returns for the firm.

Lurie and Mason (2007) examined and placed these cues into one encompassing framework. They indicated that visual presentation can affect the decision processes of individuals analyzing substantial amounts of data and content. This is because individuals find the processing of large amounts of numerical and textual content to be inherently effortful. By improving visual presentation, it can help “enlarge problem-solving capabilities by enabling the processing of more data without overloading the decision maker (Teegarden, 1999 in Lurie and Mason, 2007: 160). Well-thought-out visual presentation in documentation can therefore enhance efficiency and increase satisfaction. Lurie and Mason (2007) do warn that it may bias the decision-making process as it encourages readers to “consider only a portion of the data [...] causing decisions makers to focus on attributes that are easiest to compare rather than those that are most important” (p.173).

Wang and Dowding (2010) go against the grain. They found contradictory results, remarking that semantic and textual priming had a more notable effect on investor understanding when compared to visual priming. Moreover, they also concluded that for both knowledgeable as well as less knowledgeable investors, visual priming does not interact with their understanding of information. Resultantly there was no complementary relationship between visuals and semantic content.

2.5 Investor Experience

Existing literature suggests that investor experience (i.e., knowledge and experience of the resource-holding individual) plays a significant role in influencing investor decisions (Hirshleifer, 2001). This is noted by various authors including Bottazzi, Da

Rin, and Hellmann (2008); Holm and Rikhardsson, (2008) and Nicolosi, Peng and Zhu (2009) whom all argue in one way or another that experience is closely related to the manner in which individuals approach an investment opportunity.

For example, Holm and Rikhardsson (2008) ran an experiment whereby the results suggest that inexperienced “novice” investors rely more on the textual and environmental information with which they are familiar, often more so than the financial investment information, when compared to “experienced” investors. In a similar fashion Nicolosi et al. (2009) demonstrated that the more experienced an individual is with investing, the more accurate they are at forecasting potential financial performance. Experienced investors are thus better able to evaluate investment opportunities compared to less experienced investors. Mason and Stark (2004) also note that general business knowledge and prior industry experience are key elements that appear to play a large part in deciding whether or not an individual has the capacity to actively invest.

This discrepancy between these groups could very well be attributed to earlier findings by Budescu, Weinberg and Wallsten (1988), who proposed that “most people understand words better than numbers,” which inhibits the individuals’ ability to comprehend the information that is provided. (p.281). In contrast, investors with the necessary knowledge and experience behind their belt may not face this constraint and as such are more likely to see textual and financial information as complementary to one another. Consequently, they are aware of the integral value of both elements helping them understand the situation at hand (Foroudi et al., 2014). Recognizing the findings by Holm and Rikhardsson (2008) and Nicolosi et al. (2009), there is good reason to believe that knowledge and experience as an investor may influence the decision process.

2.6. Hypotheses and Conceptual Framework

This paper develops a theory to explain the likelihood that individual investors will use their resources on a new venture based on two broad factors, the visual presentation of their corporate documentation and the manner in which financial reporting is documented. Specifically, this research aims to document the effects that these two elements have on the likelihood to invest in a new venture and the likelihood that investors will further evaluate a venture as a potential investment opportunity. This section develops specific hypotheses for this topic.

2.6.1 Visual Presentation

Prior literature posits that visual presentation in corporate documentation strongly influences a venture's corporate identity, performance and legitimacy (Gardner and Avolio, 1998). This paper contends that individual investors employ and adapt these visual presentation elements in their decision-making process when choosing which new ventures they want to invest in. A repeated conclusion by various authors in marketing literature is that they tout the positive contributions of visuals in an individuals' decision process (Lurie and Mason, 2007). Well-thought out visual and aesthetic presentation results in people attaching a more positive view on product and brand recall (Lutz and Lutz, 1977), brand attitude (Moore et al., 2005) and brand credibility (McCarthy and Mothersbaugh, 2002).

Balmer (1995), Balmer and Greyser (2006) and Foroudi et al. (2014) further argue that better visual presentation leads to stakeholders, including investors, to more efficiently analyze information and gain an impression of an organization. Therefore, it is expected that individual investors will be more likely to invest in, and evaluate a venture for investment, when they put effort into visually organizing their corporate documentation compared to ventures that have disorganized corporate documentation. Accordingly, the following hypotheses are incorporated into this framework:

H1a. An organized visual presentation of corporate documentation will have a positive effect on the likelihood to *invest* in the venture.

H1b. An organized visual presentation of corporate documentation, will have a positive effect on the likelihood to *further evaluate* the venture for possible investment purposes.

2.6.2 Financial Reporting

Financial reporting is referred to as the component of the corporate document that provides the necessary numerically precise financial data to allow others to judge firm performance and legitimacy (Botosan, 1997; Mercer, 2004). Existing literature has established that financial reporting is a chief component of firm-specific information (Bushman and Indejeikian, 1993; Kanodia and Lee, 1998) and communicates vital information between ventures and investors, resulting in an "efficient allocation of resources in a capital market economy" (Healy and Palepu, 2001: 407). Therefore, this

investigation asserts that financial reporting in corporate documentation will have a strong effect on the decision-making process of individual investors when they are in the process of pursuing and considering investing in new ventures.

Prior research on this particular facet has indicated that the quality of financial reporting is directly related to enhanced investment efficiency (Biddle et al., 2009). Improved quality helps mitigate “information asymmetries that cause economic frictions such as moral hazard and adverse selection,” resulting in optimal levels of investment (p.8). In this respect, if the quality of financial reporting is low, the individual investor hence faces the problem of not being able to assess the true state of a venture. Financial reports of reduced quality therefore provide a costly limitation to the individual investor and their decision-making process.

For this reason, it is expected that individual investors will be more likely to invest in, and further evaluate a venture that guarantees high quality financial reporting in their corporate documentation when compared to ventures that have low quality financial reports. Based on these arguments, the following hypotheses are derived:

H2a. High quality financial reporting in corporate documentation will have a positive effect on the likelihood to *invest* in the venture.

H2b. High quality financial reporting in corporate documentation will have a positive effect on the likelihood to *further evaluate* the venture for possible investment purposes.

2.6.3 Interaction of Visual Presentation and Financial Reporting

Hypothesis 1a and 1b propose that an individual investors’ likelihood to invest in, and further evaluate a venture would increase when the corporate document would be organized in terms of its visual presentation. This is because organized visual presentation leads to a greater ability for stakeholders, including investors, to efficiently analyze information and gain an impression of an organization. It is asserted that this effect will be even more pronounced and substantial if the corporate document contains high quality financial reporting. Considering that financial reports that are high in quality reduce uncertainty by resolving information asymmetry, they may be better able to convey the information that fits the requirements of the investor population. Consequently, it is with this in mind that this paper expects that the relationship

between visual presentation in a corporate document and the likelihood of an individual to invest in, and further evaluate a new venture to be more positive for corporate documents that also contain high quality financial reporting. Amir and Baruch (1996) argue that financial information, when linked to nonfinancial information results in improved relevance of the information to investors. In combining these two elements, it provides individual investors with more concrete evidence on which to build their evaluation of a venture. In fact, companies that use the appropriate tone, framing and design for both elements are more likely to cause investors to think about the results [and the venture] more positively (Henry, 2008: 365). Based on this information, it can be hypothesized that:

H3a. The relationship between the visual presentation of a corporate document and the likelihood of an individual investor to *invest* in a new venture, is more positive for corporate documents with high quality financial reporting than for corporate documents with low quality financial reporting.

H3b. The relationship between the visual presentation of a corporate document and the likelihood of an individual investor to *further evaluate* a new venture for possible investment purposes, is more positive for corporate documents with high quality financial reporting than for corporate documents with low quality financial reporting.

2.6.4 *Investor Experience*

Investor experience refers to the level and degree of expertise, experience, knowledge and competence an individual has when it comes to investing (Hoffman and Broekhuizen, 2010). This experience is critical in influencing investor decisions (Hirshleifer, 2001). It is expected that higher investor experience leads to a greater ability to analyze and observe the information in the corporate documentation. Thus, they can more easily choose whether or not to pursue an investment opportunity based on the input, organization and quality of visual presentation and financial reports in corporate documentation when compared to less experienced investors (Foroudi et al., 2014). In contrast, Holm and Rikhardsson (2008) state that less experienced investors rely more on the information with which they are familiar, often more so than financial investment information. Budescu et al. (1988) argue that this could be because “most people understand words better than numbers” (p.281). Overall, less experienced

investors therefore face more difficulty in evaluating corporate documentation and are less inclined to pay attention to the organization of visual presentation and the quality of financial reporting. Therefore, it is predicted that visual presentation as well as financial reporting has more of a positive effect on experienced investors than less experienced investors in the likelihood to invest in, or further evaluate a new venture. As a result, based on the before mentioned discussion it is hypothesized that:

H4a. The relationship between the visual presentation of the corporate document and the likelihood of an individual investor to *invest* in a new venture, is more positive for experienced investors than for less experienced investors.

H4b. The relationship between the visual presentation of the corporate document and the likelihood of an individual investor to *further evaluate* a new venture for investment purposes, is more positive for more experienced investors than for less experienced investors.

H5a. The relationship between the financial reporting of the corporate document and the likelihood of an individual investor to *invest* in a new venture, is more positive for experienced investors than for less experienced investors.

H5b. The relationship between the financial reporting of the corporate document and the likelihood of an individual investor to *further evaluate* a new venture for investment purposes, is more positive for experienced investors than for less experienced investors.

2.6.5 Conceptual Framework

Figure 1 presents the conceptual framework that will be examined in this paper. The main section of the model aims to determine the effects that visual presentation and financial reporting have on altering the likelihood that an individual will either consider investing in, or evaluating a venture for investment. Recognizing that previous research has indicated that the impact of these variables can have both an individual effect as well as a combined effect, Hypothesis 3 looks at the interaction of both on independent variables on the dependent variable. It must also be mentioned that investor experience acts as a moderating variable. This is to help answer the question of whether an individuals' knowledge and experience as an investor influences the manner in which the visual and financial information is understood, thus affecting how likely they are to invest in, or further evaluate a venture.

Figure 1

Conceptual model of variable impact on investment behavior.

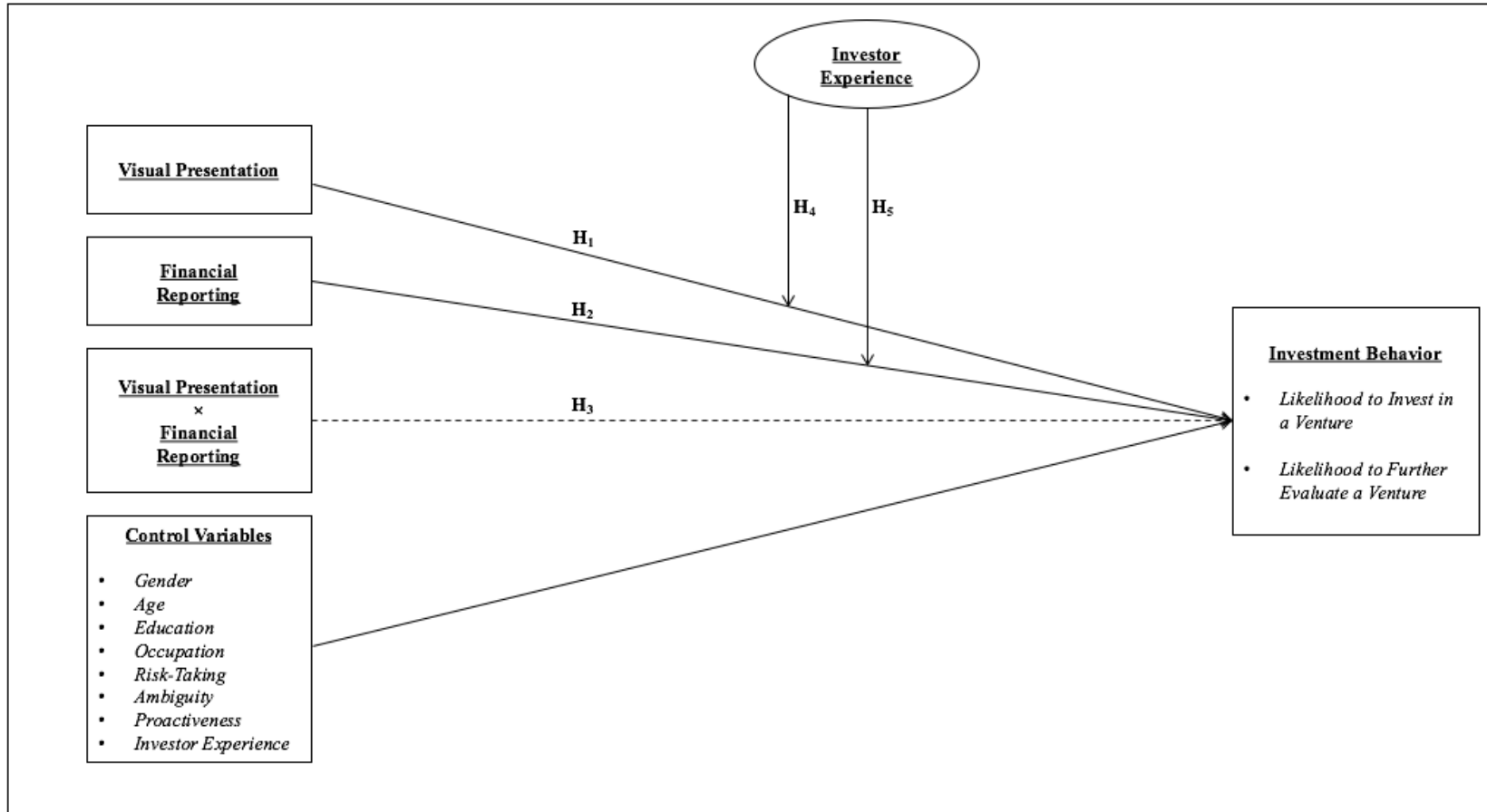


Table 1

Summary of the hypotheses

| Hypothesis | | Hypothesized Effect | Explanation |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1a. | Organized visual documentation positively influences likelihood to invest in venture | + | Research indicates that individuals base impressions on visual aesthetics and presentation in their decision-making process |
| 1b. | Organized visual documentation influences the likelihood to further evaluate the venture for investment | + | |
| 2a. | High quality financial reporting positively influences likelihood to invest in venture | + | Research indicates that quality of financial content is directly related to investment efficiency, resulting in optimal levels of investment |
| 2b. | High quality financial reporting positively influences likelihood to further evaluate the venture for investment | + | |
| 3a. | Relationship of visual presentation in documentation on likelihood to invest in new venture is more positive when document also contains high quality financial reporting | + | Prior studies hint towards a positive relationship between visual presentation and financial information in improving relevance of information to investors. |
| 3b. | Relationship of visual presentation in documentation on likelihood to further evaluate new venture for investment is more positive when document also contains high quality financial reporting | + | |
| 4a. | Relationship of visual presentation in documentation is more positive on likelihood to invest in new venture for experienced investors | + | More experienced investors have shown to have face less difficulty evaluating corporate documentation due to degree of prior expertise, experience and knowledge |
| 4b. | Relationship of visual presentation in documentation is more positive on likelihood to further evaluate new venture for investment for experienced investors | + | |
| 5a. | Relationship of financial reporting in documentation is more positive on likelihood to invest in new venture for experienced investors | + | More experienced investors have shown to have face less difficulty evaluating corporate documentation due to degree of prior expertise, experience and knowledge |
| 5b. | Relationship of financial reporting in documentation is more positive on likelihood to further evaluate new venture for investment for experienced investors | + | |

3 *Empirical Analysis*

The following section demonstrates the methods used to empirically test the hypotheses. Utilizing a web-based experimental survey design, data were collected to test the effects of visual presentation and financial reporting in corporate documentation on investment funding decisions. This was measured in terms of the investors' willingness to invest in, or further evaluate a new venture as an investment opportunity. By means of snowball sampling a diverse group of business professionals was asked to participate in a marketing study for a new and emerging multinational organization.

In order to effectively provide empirically substantiated evidence on the subject, a comprehensive methodology was applied to ensure the creation of a valid, replicable and reliable dataset. As a result, this study used a total of three different samples and proceeded through multiple different stages. For the first stage and sample, a pre-test comprising of a total of five selected volunteers was initiated to determine the acceptability of the measurement scales as well as the stimuli and the four manipulations. The pre-tests then led to a pilot study involving a larger representative sample of respondents. These individuals were asked to complete the revised scale and based on their findings facilitated the improvement of the instrument validity. Based on these findings, a final experimental survey was created that improved and refined the stimuli and manipulations to allow for a more consistent measurement and greater survey acceptance of the questionnaire among the potential respondent population.

3.1 Research context

To ensure an optimal contribution to existing academic literature, the focus of this paper is on new ventures. Specific emphasis was placed on the MedQuid organization, a fictional EU-based start-up that specializes in automated health-services translations. The decision to use this start-up as the testing ground for the before mentioned hypotheses is multifold. Firstly, many of the entrepreneurial firms "lack [a] proven track record, obvious asset value, and profitability," whereby they have to rely on first impressions in order to attract and attain external resources (Rasmussen et al., 2011 in Clarke, 2011: 1265). This context creates an optimal breeding ground to test the theory. Secondly, studies within this sector are few and far between. Much of the knowledge that has been gathered fits under the aegis of traditional marketing research, where a majority of the primary focus has been put towards studying "larger, more resource-

abundant corporate organizations, while largely ignoring small and entrepreneurial firms” (Hills et al., 2008 in Wallnöfer and Hacklin, 2013: 755). Thirdly, on a practical front the decision to opt for this sector was also because of its known pull on external investors. From Silicon Valley to Berlin, many new ventures have managed to bridge the “valley of death” as a result of the efforts by business angels and venture capitalists (Roberts, Lassiter and Nanda, 2010). Providing a similar setting in this paper therefore seemed like the most logical option, as it is an area most investors have experience with.

Bottazzi et al., (2008) argue that in venture capital firms, a partners “prior business experience is an important predictor of an active investment style,” (p.511). This conclusion is echoed by Mason and Stark (2004) who also note that general business knowledge and prior industry experience are key elements that help make up an investor. Business acumen and acquired human capital therefore appear to play a large part in deciding whether or not an individual has the capacity to actively invest. It is for this reason that this paper specifically targeted business professionals by means of snowball sampling. This specific target group has the ability to observe and judge potential investment products, which is the result of their business experience (Mason and Stark, 2004).

3.2 Research design

It was decided early on in the research process that this paper would employ an online survey-based experimental research design. This method was chosen over more traditional methodologies due to the relatively lower costs, quicker response times (Ilieva, Baron and Healey, 2002) as well as their practicality for both the surveyor as well as the respondent (Couper, 2000). These facets are crucial when considering that business professionals are known to be short on time and often lack the attention span for extended studies (McFadden, 1986; Nagy et al., 2012). Using a survey experiment therefore reduces the perceived burden of responding making it easier to acquire key information (Clarkberg and Einarson, 2008). Moreover, due to the specific nature of the respondents it was decided to distribute the survey by means of snowball sampling. This would have been considerably more difficult had this been a field experiment or a mail survey.

Engaging this specific design was also preferred since it simplifies the data collection process. It created a hypothetical investment scenario whereby it was possible to separate the key variables of interest from one another. Employing this methodology also allowed for an equal division of the experiment amongst all respondents.

3.2.1. Experimental Design

Hypothesis testing was done using a 2×2 between-subjects factorial design. This involved the manipulation of visual presentation and financial reporting in a corporate document, in this case an executive summary of a business plan. The dependent variable(s) in this study is investor behavior. This includes the decision to either invest in, or further evaluate the venture as a possible investment opportunity. Consequently, the executive summary (see Appendix II for the outline of all four examples) manipulated the visual presentation and the financial reports, which have been highlighted in Table 1 and respondents were presented with one of these scenarios.

Table 1
Experimental Manipulation of Visual Presentation

| Financial Reporting in Executive Summary Corporate Document | | Visual Presentation of Executive Summary Corporate Document | |
|-------------------------------------------------------------|----------------------|-------------------------------------------------------------|----------------------|
| | | Organized | Disorganized |
| | High Quality | Executive Summary #1 | Executive Summary #2 |
| Low Quality | Executive Summary #3 | Executive Summary #4 | |

As indicated in Table 1, in the online survey experiment respondents were randomly presented with one of four manipulations, all containing a version of an executive summary of a business plan. These documents ranged from being both ‘organized’ in their visual presentation as well as high in quality in terms of financial reporting, to ‘disorganized’ and low in quality of financial reporting. ‘Organized’ in this respect means that the manipulations contained proper formatting, alignment, font size, and one specific font. In contrast, the disorganized versions contained improper formatting, various types of alignment and numerous fonts and font sizes. The same train of thought was applied to the financial aspect. Here the high quality financial reports contained information regarding sector growth, sales, direct cost of sales, total

cost of sales, gross margin, gross margin %, total operating expenses, gross profit, net profit, net profit/sales and earnings before interest, taxes, depreciation, and amortization (EBITDA). In contrast the lower quality financial report manipulations only contained sector growth, sales, direct cost of sales, gross margin, total operating expenses and net profit.

The business plan itself promoted the MedQuid organization, a fictional EU-based automated health-services translation provider. The document was held constant in terms of the number of words and the content it provided. The length of 475 words was selected during the pre-test and pilot study phases and was designed in conjunction with potential respondents. Ultimately it was decided to stick with 475 words in order to be short enough to not scare off potential respondents, whilst remaining detailed enough so that readers got a concrete idea regarding the organization and its 'quest' for external funding.

Accordingly, the online experimental survey was sent to four groups of respondents by means of non-random snowball sampling. All participants were informed about the survey by e-mail and provided with a designated link. Details regarding the content of the survey were omitted from the e-mail; respondents were only told that the survey examined marketing techniques on business plans. This was done to counteract any potential response bias. Upon opening the survey link they would then be randomly assigned into one of the four different groups and subsequently presented, at random, with one of the four different manipulations.

Preliminary assessment of the research process did consider using a more statistically powerful within-subjects factorial design. Yet, despite the plethora of prospective advantages including its increased statistical significance (Charness, Gneezy and Kuhn, 2012), ability to reduce error variance (Rao and Monroe, 1989), as well as that it requires fewer numbers of participants (McFadden, 1986), between-subjects was still determined to be the better choice. As was argued by Charness et al. (2012), one must choose a design that is both practical and matches the scope and context of the study. Considering the fact that this paper examines "environments where an individual is likely to face a single decision, a between design might have more external validity", giving credence to this method over the more powerful within-subjects design (Charness et al., 2012:2).

The decision to opt for a between-subjects design is also in part because they are known to be less time consuming and tedious, reducing the chance that respondents

will abandon the study prematurely. Moreover, within-subjects are planned in such a way that respondents have to answer several manipulations sequentially, exposing them to all conditions in the experiment. For investors examining an executive summary, in real-life situations this does not tend to occur sequentially within a 10 to 15-minute timeframe (Nagy et al., 2012). Not only is this unrealistic from an investor's point of view it may also result in 'order of exposure' (Charness et al., 2012). Once participants observe one manipulation it may cause them to sense trends and view previous manipulations as practice. This could result in them guessing the true intent of the researcher, leading to skewed and biased results (Sawyer, 1975). Between-subjects design removes this potential bias altogether because participants are unable to compare manipulations.

3.2.2. Questionnaire Structure

The distribution of the experimental survey design involved the utilization of the online Qualtrics survey tool. The call to participate involved firstly informing respondents of the study's purpose and asking for their consent. Once they had provided their consent to participate, they were asked if they could spend 10 to 15 minutes of their time to time to "evaluate a one-page executive summary of a business plan for a multinational company". Subjects would have to put themselves in the position of an investor who has to "decide whether [they should] take further steps with the business plan, and possibly even invest". Following this they were presented with the executive summary (stimuli) displaying one of four potential manipulations and asked to examine and familiarize themselves with the document, at their own reading pace. A total of 124 participants were randomly placed into each of the four conditions, consisting of 28-33 respondents per condition.

Having read the materials, the respondents were presented with questions using five-point Likert-scale measures. Cox (1980), Garland (1991) and Wildt and Mazis (1978) recommend the use of this traditional measurement scale due to its well-grounded nature in marketing research. Knowing there is still a continuous debate regarding the optimal number of response alternative for a scale, the decision to use five-point scales over 7-point or 4-point (no mid-point) came down to individual research preference (Garland, 1991). Resultantly, the survey questions were divided into several different sections (see Appendix I).

Following the manipulation check document, participants completed four questions that measured their ability to process and assess the documents' tidiness, clarity and credibility. The respondents were asked whether they agreed with several statements related to the visual presentation and financial reporting-related aspects of the document. This was achieved using a five-point Likert-scale measure, ranging from 1 = "Strongly Disagree" to 5 = "Strongly Agree". Based on measurements previously developed by Wilde, Kelly and Scott (2004) and Ohanian (1990), the Likert-scale questions aimed to measure feedback based on multiple aspects. For example, visual aspects were gauged on two different aspects, namely: 'consistency' and 'visual design.' Similarly, in measuring clarity, the participants were asked to rate five different aspects of the document, including whether it was: understandable, clear, concise, complete and useful. For each of these five aspects they were given options ranging from 1 = "Strongly Disagree" to 5 = "Strongly Agree". This methodology was also applied in the evaluation of document expertise. Here subjects were asked to rate both the degree to which the individual feels the document is credible as well as their opinion on the expertise of the entrepreneur who created the document (Ohanian, 1990).

Three follow-up questions were then designed to collect data on the respondents' potential investment decisions. Once again employing a five-point Likert-scale, respondents were queried on the complexity of the product and business in order to understand the level of difficulty people had understanding the business plan. These ranged from 1 = "Very Simple" to 5 = "Very Complex" and were based on measurements by Rogers (1995) and Hoffman and Broekhuizen (2010). Considering that in real-world situations it is highly unlikely that persons who have little to no understanding and comprehension of a complex product will also invest their time and resources into the idea and/or product, it was important to account for such discrepancies (Hoffman and Broekhuizen, 2010).

This was then followed by two questions pertaining to the dependent variables in the study, namely the likelihood to invest as well as the likelihood to further evaluate the new venture, whereby the scale alternated between 1 = "Very Unlikely" to 5 = "Very Likely" (Lafferty & Goldsmith, 1999). The decision to make these into two separate questions came down to the fact that markets consist of "a set of informed rational investors and a set of uninformed investors" (Elton, Gruber and Busse, 2004: 286). These groups differ in their ability to take 'investment action', which subsequently affects the likelihood to take part an investment. This decision process is

only further amplified by the fact that they are confronted with the question to invest their resources into a firm simply based on a one-page executive summary. Resultantly, it was chosen to add a second query on the likelihood to further evaluate the business. This may provide more reliable answers since it puts less strain on the respondents, as investors are much less likely to face potential risks and consequences in performing a due diligence rather than the idea of investing full-fledged resources (Harvey and Lusch, 1995; Citroen, 2011).

To effectively and accurately measure individual entrepreneurial characteristics, several tactics and methods were employed (see Appendix I). These include the use of a reduced 7-point Domain-Specific-Risk-Taking (DOSPERT) scale, ranging from 1 = “Very Unlikely” to 7 = “Very Likely”, for adult populations in order to measure their ability risk and uncertainty in individuals (Weber, Blais and Betz, 2002). Sourcing this data collection technique allowed for the precise assessment of “conventional risk attitudes (e.g. the reported level of risk taking) and perceived risk-attitudes (e.g. the willingness to engage in risky activity) in five common domains” (Blais and Weber, 2006: 34). Due to the ample nature of the original scale, focus in this research was placed specifically on the domain of finance, since it most closely fits within the scope of this study. This scale ‘adapting’ technique is also used in measuring individual pro-activeness, whereby an abbreviated version of Bateman and Crant’s (1993) scale was used, which in this particular case meant converting it into 5-point Likert-scale questions ranging from 1 = “Strongly Disagree” to 5 = “Strongly Agree”.

In a similar fashion, the Attitudinal and Behavioral Openness (ABOS) scale by Patchen (1965) and Caligiuri, Jacobs and Far (2000) was used to measure the personality construct of openness with behavioral and attitudinal indicators. The five-point ambiguity test by Kirton (1981) is also used. This measures the extent to which individuals “perceive ambiguous situations as desirable” and if they are comfortable with novel and unpredictable situations (Budner, 1962: 29). Finally, using the ‘big five locator assessment tool’ the extroversion on an individuals’ willingness to invest was measured, also ranging from 1 = “Strongly Disagree” to 5 = “Strongly Agree” (Howard, Medina and Howard, 1996).

Demographics were then measured to control for age, gender and education. Considering that this paper targets business professionals, and not just full-fledged investors, respondents were also asked about their current level of employment. Finally, the questionnaire asked subjects to indicate whether or not they considered themselves

experienced investors. Via the use of two Likert-scale questions they were asked to point out how others would characterize them with regards to the level of knowledge and experience they have with investing, whereby 1 = “No Knowledge/Experience” and 5 = “Very Much Knowledge/Experience” (Bolton and Lemon, 1999). The entire survey took on average 14 minutes to complete.

Table 2

Descriptive Statistics

| Variable | Mean | SD | N | Description of Variable |
|--------------------------|------|------|-----|-----------------------------------------------------------------------------------------------------------------------------------|
| Visual Presentation [VP] | 0.51 | .502 | 124 | 0 if the document is not organized; 1 if the document is organized. |
| Financial Reporting [FR] | 0.47 | .501 | 124 | 0 if document does not contain high quality financial reporting; 1 if the document does contain high quality financial reporting. |
| Age | 41.1 | 11.9 | 124 | Age measured as a continuous variable, ranging from 22 to 68 years of age. |
| Gender | 0.76 | .430 | 124 | 0 if the person is female; 1 if the person is male. |
| Education [Edu] | 0.76 | .430 | 124 | Value is 0 if person is not higher educated; 1 if the person is. |
| Occupation [Occ] | 0.60 | .493 | 124 | Value is 0 if person is a non-executive; 1 if the person is. |
| Risk-Taking [Risk] | 3.38 | 1.07 | 124 | Interval variable. Ability to take risks in business. (1) Very unlikely to (7) very likely. |
| Ambiguity [Ambig] | 2.92 | .847 | 124 | Interval variable. Ability to deal with ambiguous situations. (1) Strongly disagree to (5) strongly agree. |
| Proactive [ProAc] | 4.25 | .563 | 124 | Interval variable. Ability to be proactive in business. (1) Strongly disagree to (5) strongly agree. |
| Investor Experience [IE] | 2.93 | .881 | 124 | Interval variable. Previous knowledge and experience in investing. (1) No knowledge to (5) very much knowledge. |

N is the total sample size for the individual variables.

3.3. Pre-testing and piloting

3.3.1. Pre-testing

Pretesting is critical as “no amount of intellectual exercise can substitute for testing an instrument designed to communicate with ordinary people” (Backstrom and Hursch, 1963 in Hunt, Sparkman and Wilcox, 1982: 269). It ensures greater reliability and validity and reduces the “potential conflict between the information the researcher wishes to obtain and the respondents’ willingness to supply this information.” (Baker, 2003: 368). To achieve this a total of five volunteers were invited to participate in a pre-test. This small subset of participants consisted of individuals with prior investment knowledge. Four out of five participants were male (80%), with an average age of 45. They were asked to complete the online trial survey while keeping in mind any points of concern. Their involvement in the pre-test meant that they were automatically excluded from the final experiment as it could result in potential response bias.

Respondents advised for a reduction in the length of the survey, the amending and simplification of response categories and the refinement of certain measurement scales. Several questions were therefore shortened, simplified or removed all together in accordance to the guidelines set by Lietz (2010). She noted that these amendments would increase the desirability of the research design and allow for potentially higher response rates. The pre-test also gave an indication for the need for clearer instructions and the removal of grammatical complexities at the start of the questionnaire. Arguments were also provided on the topic of participation interest. The individuals involved stated that respondents would be more likely to take part in the project if they were told that their participation would contribute to real-life solutions.

Academic theory appears to back up these claims with authors such as Göritz (2004) claiming that in situations where “panelists have the opportunity to do good for the population as a whole, to satisfy their curiosity, to help research or [simply because they] identify with the panel [it tends to] tip the balance towards participation” (p.342). Similarly, Ding (2007) also highlighted that individuals have a tendency to lose interest once they realize they are participating in a hypothetical situation, thus encouraging the use of real-life situations. These additions were consequently added to the final experiment survey.

3.3.2. Piloting

The pilot study tests the design and applicability of the stimuli, manipulations and survey amongst a larger selected group and sample of individuals in a real-life setting (Perry, 1998). The idea is to see whether respondents are able to grasp the concepts enveloped within the stimuli. If they are unable to understand or garner interest with regards to what is in the executive summary document, then this is detrimental to the results. Moreover, the pilot study also facilitates the testing of all four manipulations and whether or not the differences in design and numerical data of each manipulation are suitable enough for inclusion in the final experimental study.

Having integrated the advice and feedback from the pre-test, a close-to-finished version of the final questionnaire was sent by e-mail to a selected non-random sample of individuals. Out of the 40 responses, 22 were completed and therefore these respondents were drawn from the population of interest. Nearly all of the participants were male (86%), with an average age of 37 years. 77% had earned a college (HBO) degree, and over half had also earned a bachelor’s degree (50.0%). In terms of

investment experience, 10% had little to no experience in investing, 60% had moderate experience and 30% had quite a lot, to a lot of experience.

All individuals were asked to complete an online survey for a new multinational company. Once finished, respondents were then informed and debriefed about their participation in the pilot study, whereby they were free to give any further feedback regarding the questionnaire. In similar fashion to the pre-test, all those who took part in the pilot study were automatically excluded from the final experiment.

The conclusions recovered in the pilot study mainly concerned the effectiveness of the stimuli design and the four manipulations (See Appendix II). Whereas most of problems were resolved in the pre-test, there was still some hesitation regarding the visual presentation and financial reporting in the stimuli. Initial pre-test results were not conclusive enough with regards to how investors would respond. Various respondents argued that there was a significant lack of information, with the document being too short for anyone to truthfully indicate anything about it. They suggested removing certain buzzwords and vague value propositions with more detailed financial information. Others suggested changing the business sector, as it was ‘not captivating enough’. Consequently, using the feedback from the pilot a more comprehensive, effective and in-depth executive summary document was created.

Respondents also agreed that the financial reporting tables for all four manipulations had to be improved as they were perceived as lacking in detail. Details were therefore made more thorough across all four manipulations, whilst maintaining the differences between high quality financial reporting and lower quality financial reporting. In all, the findings from the pilot study were more than beneficial and provided a valuable insight into what needed to be improved. Resultantly, the initial stimuli design was modified according to the values and opinions of the general respondent population allowing for the creation of more precise questions and stimuli in the final survey.

3.4. Data collection

By means of snowball-sampling the survey was sent by e-mail to 156 business professionals asking them for their participation in an online experiment. The aim was to attract a mixed sample of business professionals with various backgrounds who have had experience in buying investment products.

To ensure that all those in the final sample had not participated in the pre-test or pilot studies, a technique previously applied by Hoffman and Broekhuizen (2010) was harnessed. This involved inspecting the IP addresses of the final sample with the previous two studies for duplicates. When a duplicate appeared, answers of the respondent(s) were compared and manually checked for similarities. Although taxing and laborious, this helped to ensure that only legitimate duplicates of individuals who had previously participated were removed from the sample. Reason being that the technology behind IP addresses only allows the tracing of computers and not individuals. It is often the case that a single IP address is shared with multiple computers by means of a proxy server, which tends to be the case in larger organizations. Acknowledging that this paper targets business professionals where such a situation could very well present itself, it was vital to use this methodology in order to prevent potential alienation of respondents based on their possible corresponding IP addresses.

Resultantly, of the original 156 individuals contacted, a final sample of 124 respondents engaged in the survey experiment over the course of a 2 ½-month period, whereby no incentives were offered (79% response rate). It was opted to not use incentives as it has been shown that they do not necessarily “influence response quantity, response quality, sample composition, and study outcome [for] both self and non-self-selected panelists” in surveys (Görizt, 2004: 341). Moreover, on a more practical front the added complexity of offering incentives in terms of costs and logistics also played a central role in this decision.

While the decision to eschew the use of incentives was based on knowledge grounded in preexisting theory, it was not without its risks. Prior research has shown that high realism and incentive structure in an experiment results in stronger response rates compared to hypothetical studies (Ding, 2007). Adding to this, it has been shown that research in international settings (Harzing, 1997) and research involving top professionals often results in lower response rates (Stremersch, Weiss, Dellaert and Frambach, 2003; Gatignon and Robertson, 1989). Considering that an extensive 2 ½-month period was required in order to amass a utilizable sample size from this particular population, one can argue in retrospect that incentives could have been used. Snowball-sampling without incentives therefore did not prove to be the easiest nor the most time efficient method to reach business professionals.

The use of snowball-sampling did however provide a relatively high response rate. This supports the belief that snowball-sampling methods tend to yield higher

response rates than other sampling methods, especially with respondents that are hard to reach (Jugenhimer, Kelley, Hudson & Bradley, 2014; Kalton and Anderson, 1986). In addition, snowball-sampling was considered as the best method to attract a mixed sample of business professionals with experience in investing in order to mirror investor behavior in the field (Kalton and Anderson, 1986). The use of this non-probability sampling technique allows for a more efficient, timely and financially viable procedure when it comes to finding people with a specific skillset, which are otherwise difficult to gain access to (Heckathorn, 2011).

Authors including Biernacki and Waldorf (1981) and Morgan (2008) do argue that the method is highly contested and subject to various biases, including potential inaccurate results and readings of the target population due to the lack of random sampling. Despite these pitfalls, the method still has particular methodological value due to its network-based methods and as such is still applied across various research disciplines (Morgan, 2008; Heckathorn, 2011). Thus, participants in the near vicinity of the author were initially contacted and were then asked to pass the survey on to other individuals they knew and felt “shared characteristics that made them eligible for inclusion in the study” (Morgan, 2008: 816). Much of this data was then collected via online distribution channels including e-mail and social networking sites.

The net sample used in the analysis therefore consists of 124 professionals located across the world. While 156 individuals did start the online survey, 32 from all four experimental conditions were dropped from the final analysis due to incomplete data. Of the 124 individuals that responded to the survey, 94 were male (75.81%) and 30 were female (24.19%). The average age of the respondents was 41 years (SD = 12), and over 75.80% of the population reported having an education level of a Bachelor’s degree or higher. Those questioned also noted that they had considerable investment knowledge and experience, with 74.2% of the sample declaring they had moderate to quite a lot of investment knowledge. Moreover, 61.29% of the sample also indicated they had moderate to quite a lot of investment experience. Taking these numbers into account, one could argue that the respondent sample contains a respectable number of knowledgeable and experienced investors. Additionally, the sample also holds a wide variety of individuals with a plethora of different professions. The majority of these individuals have a career in marketing (20.1%), as CEO/Owner (18.5%), as a professional (consultant, legal) (17.7%) or as a partner/senior executive or sales professional (12.1%).

Since this non-probability sampling technique is known to be subject to various biases, this document evaluated nonresponse bias using a methodology developed by Armstrong and Overton (1977). We defined the first 75% of returned questionnaires as “early” and the remaining 25% as “late”. We found no significant differences on descriptive variables such as revenues, profits, number of employees, or investment in telecommunications systems. Classification of the first 50% of returned questionnaires as “early” and the other 50% as “late” gave the same result. Accordingly, we assumed that nonresponse bias was not a significant problem.

4 Data Analysis and Results

4.1 Randomization of Subjects

A One-Way Between Subjects Analysis of Variance (ANOVA) was performed in order to examine for possible differences across the four experimental groups in terms of their *Age*, *Gender*, *Occupation [Occ]*, *Education [Edu]* and *Investor Experience [IE]*. Using an ANOVA provides the ability to test if there is a statistically significant difference of a variable (i.e. *Age*) across the four different experimental groups. These groups consist of individuals who were presented with an executive summary that was either:

- 1) Visually organized and contained high quality financial reporting;
- 2) Visually organized and contained low quality financial reporting;
- 3) Visually disorganized and contained high quality financial reporting or;
- 4) Visually disorganized and contained low quality financial reporting.

The results, as indicated in Table 3, show p-values exceeding the 0.05 (5%) significance level for all extraneous control variables. These non-significant effects indicate that the four different experimental groups do not significantly differ between one another in terms of the control variables. Based on these findings, it can be said that there has been a successful randomization of the subjects to the four different experimental groups.

Table 3

ANOVA model summary for extraneous control variables

| Model | | Sum of Squares | Degrees of Freedom | Mean Square | F | Sig. |
|--------------------------|----------------|----------------|--------------------|-------------|-------|------|
| Age | Between Groups | 183.431 | 3 | 61.144 | .428 | .733 |
| | Within Groups | 17134.053 | 120 | 142.784 | | |
| | Total | 17317.484 | 123 | | | |
| Gender | Between Groups | .550 | 3 | .183 | .990 | .400 |
| | Within Groups | 22.192 | 120 | .185 | | |
| | Total | 22.742 | 123 | | | |
| Occupation [Occ] | Between Groups | .928 | 3 | .309 | 1.284 | .283 |
| | Within Groups | 28.910 | 120 | .241 | | |
| | Total | 29.839 | 123 | | | |
| Education [Edu] | Between Groups | .577 | 3 | .192 | 1.042 | .377 |
| | Within Groups | 22.165 | 120 | .185 | | |
| | Total | 22.742 | 123 | | | |
| Investor Experience [IE] | Between Groups | 2.250 | 3 | .750 | .963 | .413 |
| | Within Groups | 93.418 | 120 | .778 | | |
| | Total | 95.667 | 123 | | | |

4.2 Manipulation Checks

Several ‘manipulation checks’ were included in the questionnaire in order to assess whether the research successfully manipulated visual presentation and financial reporting, and if this was perceived by the subjects in the various experimental conditions.

For example, respondents were asked to answer questions using a five-point Likert-scale in terms of tidiness, which measured whether respondents felt the document was both consistent in its message and visually appealing. Respondents were also asked about clarity, including if they felt the document was understandable, clear and complete. This methodology was also applied in the evaluation of document expertise. In this case, respondents were asked to rate both the degree to which the individual feels the document is credible as well as their opinion on the expertise of the entrepreneur who created the document (Ohanian, 1990).

As indicated by an independent samples t-test and the one-way ANOVA, the means from both the visually organized and visually disorganized groups indicated a significant difference from each other, providing evidence for a successful manipulation of this key aspect. Similarly, a separate independent samples t-test and one-way ANOVA comparing the high quality financial reports against the lower quality financially report conditions also presented a statistically significant result, once again showing that the manipulations on this front were also successful.

4.3 Control Variables

Regarding the control variables for the individual entrepreneurial characteristics, it was key to assess their Cronbach's alpha to ensure internal consistency and suitability. For the majority of these variables, the Cronbach's alpha was deemed acceptable to be included in the regression model. This includes the variables *Risk-Taking* ($\alpha = .77$), *Proactiveness* ($\alpha = .79$), and *Ambiguity* ($\alpha = .61$). For the latter variable, this implies a moderate to low correlation, however it is still above the threshold of .60 (Hair, Black, Babin & Anderson, 2009). Consequently, it was decided to include it in the study. The same cannot be said for the variables for *Openness* and *Extroversion*, which noted a Cronbach's alpha of .45 and .10 respectively.

Including the control variables did not result in a significant improvement to the model fit. The R-Square change as shown in Table 6 and Table 7 (based on MLR Model 3) associated with the addition of control variables increased by 0.063 in Table 6 and 0.051 in Table 7. This means that as a result of controlling for additional variables, the error in predicting the dependent variable therefore falls by 6.3% and 5.2% respectively. Nevertheless, the Significant F change values (Table 6 = .392, Table 7 = .430) are higher than the 0.05 (5%) level. This means that adding control variables from a reduced to a full model does not result in significant improvements to the model (Hair et al., 2009).

4.4 Model Estimation

To estimate the conceptual model with regards to how visual presentation and financial reporting affect investment behavior, the following equations were modelled:

| Equation 1 | |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1a) | $Y (\text{Invest}) = \beta_0 + \beta_1VP + \beta_2Gender + \beta_3 Age + \beta_4Edu + \beta_5Occ + \beta_6Risk + \beta_7 Ambig + \beta_8ProAc + \beta_9IE + \epsilon$ |
| 1b) | $Y (\text{Evaluate}) = \beta_0 + \beta_1VP + \beta_2Gender + \beta_3 Age + \beta_4Edu + \beta_5Occ + \beta_6Risk + \beta_7 Ambig + \beta_8ProAc + \beta_9IE + \epsilon$ |
| Equation 2 | |
| (2a) | $Y (\text{Invest}) = \beta_0 + \beta_1FR + \beta_2Gender + \beta_3 Age + \beta_4Edu + \beta_5Occ + \beta_6Risk + \beta_7 Ambig + \beta_8ProAc + \beta_9IE + \epsilon$ |
| (2b) | $Y (\text{Evaluate}) = \beta_0 + \beta_1FR + \beta_2Gender + \beta_3 Age + \beta_4Edu + \beta_5Occ + \beta_6Risk + \beta_7 Ambig + \beta_8ProAc + \beta_9IE + \epsilon$ |
| Equation 3 | |
| (3a) | $Y (\text{Invest}) = \beta_0 + \beta_1VP + \beta_2FR + \beta_3 Gender + \beta_4Age + \beta_5Edu + \beta_6Occ + \beta_7 Risk + \beta_8Ambig + \beta_9ProAc + \beta_{10}IE + \beta_{11}VP \times FR + \epsilon$ |
| (3b) | $Y (\text{Evaluate}) = \beta_0 + \beta_1VP + \beta_2FR + \beta_3 Gender + \beta_4Age + \beta_5Edu + \beta_6Occ + \beta_7 Risk + \beta_8Ambig + \beta_9ProAc + \beta_{10}IE + \beta_{11}VP \times FR + \epsilon$ |

| Equation 4 | |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (4a) | $Y (\text{Invest}) = \beta_0 + \beta_1VP + \beta_2FR + \beta_3 \text{Gender} + \beta_4\text{Age} + \beta_5\text{Edu} + \beta_6\text{Occ} + \beta_7 \text{Risk} + \beta_8\text{Ambig} + \beta_9\text{ProAc} + \beta_{10}\text{IE} + \beta_{11}\text{IE} \times VP + \beta_{12}\text{IE} \times FR + \beta_{13}VP \times FR + \varepsilon$ |
| (4b) | $Y (\text{Evaluate}) = \beta_0 + \beta_1VP + \beta_2FR + \beta_3 \text{Gender} + \beta_4\text{Age} + \beta_5\text{Edu} + \beta_6\text{Occ} + \beta_7 \text{Risk} + \beta_8\text{Ambig} + \beta_9\text{ProAc} + \beta_{10}\text{IE} + \beta_{11}\text{IE} \times VP + \beta_{12}\text{IE} \times FR + \beta_{13}VP \times FR + \varepsilon$ |

Equation 1a/b estimates the effect of visual presentation [*VP*] on the dependent variables likelihood of an individual investor to *invest* in a new venture and the likelihood of an individual investor to *further evaluate* a new venture for investment purposes. Equation 2a/b assesses a similar model, albeit with financial reporting [*FR*] as the independent main effect. The additional variables in Equations 3a/b and 4a/b include the centered main effects of both *VP* and *FR* and interaction terms which are computed and included simultaneously into the model (Aiken and West, 1991). The interaction terms are constructed using *VP* and *FR* [*VP* × *FR*] and investment experience [*IE*] on *VP* [*IE* × *VP*] as well as *FR* [*IE* × *FR*]. All linear models were extended by including for control variables including *Gender*, *Age*, *Education* [*Edu*], *Occupation* [*Occ*], *Risk-taking* [*Risk*], *Ambiguity* [*Ambig*], *Proactiveness* [*ProAc*], and *Investment Experience* [*IE*]. To test the hypothesized effects, a standardized multiple regression analysis was applied.

Table 5

ANOVA model summary for Models 1 to 4 for the multiple linear regression with *Likelihood to Invest* and *Likelihood to Evaluate* as the dependent variable(s).

| Model | Likelihood to Invest (DV ₁) | | | | Likelihood to Evaluate (DV ₂) | | | |
|---------------------|-----------------------------------------|-------|--------|--------|-------------------------------------------|--------|--------|--------|
| | 1a | 2a | 3a | 4a | 1b | 2b | 3b | 4b |
| Sum of Squares | 15.780 | 8.674 | 19.674 | 24.492 | 40.657 | 18.175 | 51.658 | 51.683 |
| df | 9 | 9 | 11 | 13 | 9 | 9 | 11 | 13 |
| Mean Square | 1.753 | .964 | 1.789 | 1.884 | 4.517 | 2.019 | 4.696 | 3.976 |
| F | 2.111 | 1.079 | 2.206 | 2.410 | 3.756 | 1.442 | 4.171 | 3.468 |
| Sig. | 0.03 | .384 | .019 | .007 | .000 | .178 | .000 | .000 |
| R | .378 | .280 | .422 | .471 | .478 | .320 | .539 | .539 |
| R ² | .143 | .079 | .178 | .222 | .229 | .102 | .291 | .291 |
| Adj. R ² | .075 | .006 | .097 | .130 | .168 | .031 | .221 | .207 |

Table 6

ANOVA model summary for *Model 3* with *Likelihood to Invest* as the dependent variables, containing interaction effect Tidiness \times Complete. Type A contains manipulated variables and moderating/interaction effects without control variable. Type B accounts for the extraneous control variables.

| Likelihood to Invest | | | | | | | | | | | |
|----------------------|----------------|----|-------------|-------|------|------|----------------|---------------------|------------------|-----------------------|---------------|
| Model | Sum of Squares | df | Mean Square | F | Sig. | R | R ² | Adj. R ² | S.E. of Estimate | R ² Change | Sig. F Change |
| Type A | 12.579 | 3 | 4.253 | 5.222 | .002 | .340 | .115 | .093 | .902 | .115 | .002 |
| Type B | 19.674 | 11 | 1.789 | 2.206 | .019 | .422 | .178 | .097 | .900 | .063 | .392 |

Table 7

ANOVA model summary for *Model 3* with *Likelihood to Evaluate* as the dependent variables, containing interaction effect Tidiness \times Complete. Type A contains manipulated variables and moderating/interaction effects without control variable. Type B accounts for the extraneous control variables.

| Likelihood to Evaluate | | | | | | | | | | | |
|------------------------|----------------|----|-------------|--------|------|------|----------------|---------------------|------------------|-----------------------|---------------|
| Model | Sum of Squares | df | Mean Square | F | Sig. | R | R ² | Adj. R ² | S.E. of Estimate | R ² Change | Sig. F Change |
| Type A | 42.531 | 3 | 14.177 | 12.579 | .000 | .489 | .239 | .220 | 1.062 | .239 | .000 |
| Type B | 51.658 | 11 | 4.696 | 4.171 | .000 | .539 | .291 | .221 | 1.061 | .051 | .430 |

Table 8

Standard multiple linear regression with *Likelihood to Invest* and *Likelihood to Evaluate* as the dependent variables, containing unstandardized and standardized coefficients for manipulated and control variables for Model 1 and Model 2.

| Variables | Model 1 | | | | Model 2 | | | |
|--------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | Invest (1a) | | Evaluate (1b) | | Invest (2a) | | Evaluate (2b) | |
| | Unstandardized Coefficients | Standardized Coefficients | Unstandardized Coefficients | Standardized Coefficients | Unstandardized Coefficients | Standardized Coefficients | Unstandardized Coefficients | Standardized Coefficients |
| <i>Constant</i> | | | | | | | | |
| (Constant) | 2.829 (.851)** | | 3.089 (1.024)** | | 3.033 (.891)** | | 3.285 (1.116)** | |
| <i>Manipulated</i> | | | | | | | | |
| Visual Presentation [VP] | 0.51 (.167)** | 0.27 (.167)** | 1.00 (.201)*** | 0.42 (.201)*** | - | | - | |
| Financial Reporting [FR] | - | - | - | | 0.15 (.174) | 0.08 (.174) | 0.50 (.218)** | 0.21 (.218)** |
| <i>Control</i> | | | | | | | | |
| Gender | -0.12 (.213) | -0.05 (.213) | 0.05 (.256) | 0.02 (.256) | -0.16 (.221) | -0.07 (.221) | -0.01 (.276) | -0.00 (.276) |
| Age | 0.01 (.009) | 0.10 (.009) | 0.00 (.011) | 0.01 (.011) | 0.01 (.009) | 0.11 (.009) | 0.00 (.012) | 0.04 (.012) |
| Education [Edu] | -0.12 (.217) | -0.05 (.217) | -0.08 (.261) | -0.03 (.261) | -0.05 (.229) | -0.03 (.229) | 0.09 (.287) | 0.03 (.287) |
| Occupation [Occ] | 0.10 (.205) | 0.05 (.205) | 0.03 (.246) | 0.01 (.246) | 0.02 (.213) | 0.01 (.213) | -0.16 (.266) | -0.06 (.266) |
| Risk-Taking [Risk] | 0.04 (.064) | 0.06 (.064) | 0.09 (.077) | 0.11 (.077) | 0.06 (.066) | 0.10 (.066) | 0.15 (.083)* | 0.18 (.083)* |
| Ambiguity [Ambig] | 0.16 (.101) | 0.14 (.101) | 0.25 (.121)** | 0.18 (.121)** | 0.13 (.104) | 0.12 (.104) | 0.19 (.130) | 0.14 (.130) |
| Proactiveness [ProAc] | -0.24 (.159) | -0.14 (.159) | -0.26 (.192) | -0.12 (.192) | -0.23 (.165) | -0.14 (.165) | -0.25 (.207) | -0.12 (.207) |
| Investor Experience [IE] | -0.18 (.127) | -0.17 (.127) | -0.12 (.153) | -0.10 (.153) | -0.20 (.132) | -0.18 (.132) | -0.16 (.165) | -0.12 (.165) |

* Asterisks indicate the significance level, where *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Standard errors are reported in parentheses. N = 124, the total sample size. For the variable *Gender*, female = 0 and male = 1

Table 9

Standard multiple linear regression with *Likelihood to Invest* and *Likelihood to Evaluate* as the dependent variables, containing unstandardized and standardized coefficients for manipulated, control and interaction variables for Model 3 and Model 4.

| Variables | Model 3 | | | | Model 4 | | | |
|--------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | Invest (3a) | | Evaluate (3b) | | Invest (4a) | | Evaluate (4b) | |
| | Unstandardized Coefficients | Standardized Coefficients | Unstandardized Coefficients | Standardized Coefficients | Unstandardized Coefficients | Standardized Coefficients | Unstandardized Coefficients | Standardized Coefficients |
| <i>Constant</i> | | | | | | | | |
| (Constant) | 2.992 (.838)** | | 3.323 (.987)** | | 2.599 (.450)*** | | 3.459 (.544)*** | |
| <i>Manipulated</i> | | | | | | | | |
| Visual Presentation [VP] | 0.52 (.165)** | 0.27 (.165)** | 1.00 (.195)*** | 0.42 (.195)*** | 0.46 (.164)** | 0.24 (.164)** | 1.00 (.199)*** | 0.42 (.199)*** |
| Financial Reporting [FR] | 0.13 (.166) | 0.07 (.166) | 0.45 (.196)** | 0.19 (.196)** | 0.13 (.165) | 0.07 (.165) | 0.46 (.199)** | 0.19 (.199)** |
| <i>Control</i> | | | | | | | | |
| Gender | -0.09 (.211) | -0.04 (.211) | 0.11 (.249) | 0.04 (.249) | -0.05 (.209) | -0.02 (.209) | 0.11 (.253) | 0.04 (.253) |
| Age | 0.01 (.009) | 0.11 (.009) | 0.00 (.010) | 0.03 (.010) | 0.01 (.009) | 0.16 (.009) | 0.00 (.011) | 0.03 (.011) |
| Education [Edu] | -0.10 (.219) | -0.05 (.219) | 0.02 (.258) | 0.01 (.258) | -0.08 (.215) | -0.04 (.215) | 0.02 (.261) | 0.01 (.261) |
| Occupation [Occ] | 0.10 (.204) | 0.05 (.204) | -0.01 (.240) | -0.00 (.240) | 0.07 (.201) | 0.04 (.201) | -0.01 (.244) | -0.00 (.244) |
| Risk-Taking [Risk] | 0.03 (.064) | 0.05 (.064) | 0.09 (.075) | 0.11 (.075) | 0.03 (.063) | 0.05 (.063) | 0.09 (.076) | 0.11 (.076) |
| Ambiguity [Ambig] | 0.16 (.100) | 0.14 (.100) | 0.25 (.117)** | 0.18 (.117)** | 0.12 (.099) | 0.11 (.099) | 0.25 (.120)** | 0.18 (.120)** |
| Proactiveness [ProAc] | -0.23 (.158) | -0.13 (.158) | -0.24 (.186) | -0.11 (.186) | -0.23 (.155) | -0.14 (.155) | -0.24 (.187) | -0.11 (.187) |
| Investor Experience [IE] | -0.16 (.126) | -0.15 (.126) | -0.11 (.149) | -0.08 (.149) | -0.22 (.126)* | -0.21 (.126)* | -0.11 (.153) | -0.08 (.153) |
| <i>Interaction</i> | | | | | | | | |
| Visual × Financial [VP×FR] | -0.68 (.330)** | -0.18 (.330)** | -0.80 (.389)** | -0.17 (.389)** | -0.62 (.325)* | -0.16 (.325)* | -0.80 (.394)** | -0.17 (.394)** |
| Experience × Visual [IE×VP] | - | - | - | - | -0.02 (.189) | -0.01 (.189) | -0.03 (.229) | -0.01 (.229) |
| Experience × Financial [IE×FR] | - | - | - | - | 0.47 (.191)** | 0.22 (.191)** | 0.00 (.231) | -0.00 (.231) |

* Asterisks indicate the significance level, where *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Standard errors are reported in parentheses. N = 124, the total sample size. For the variable *Gender*, female = 0 and male = 1

4.5 Multiple Regression Analysis Results

4.5.1. Hypothesis 1a

Hypothesis 1a posits that organized visual presentation [*VP*] of corporate documentation will have a positive effect on the likelihood of an individual *investing* in a new venture. Table 5 presents the ANOVA output, which in this particular case indicates that the linear combination of *VP* was significantly related to the likelihood for an individual to *invest* in the venture, whereby [$F(9,114) = 2.111, p < 0.05$], with an R^2 of .143. With a significance value below the 0.05 (5%) level, the null hypothesis for this model can be rejected, meaning that there is a significant relationship between the independent variables and the dependent variable. Moreover, the R^2 of .143 shows that approximately 14% of the variance of the likelihood to *invest* can be accounted for by the linear combination of the independent variables.

When analyzing the coefficients in Table 8 (*Model 1a*), none of the control variables significantly contribute to dependent variable as they all exceed the 0.05 (5%) significance level. When examining the Beta coefficients however, results indicate that the main effect of *VP* is significant and makes the strongest unique contribution to explaining the dependent variable likelihood to *invest*, *ceteris paribus* ($\beta_{VP} = 0.51, p < 0.05$).

This means that when analyzing a corporate document that is organized in terms of its visual presentation, it increases the likelihood of an individual investor to *invest* in the organization by 0.51 points, compared to when they are presented with a document that is not organized in its visual presentation, *ceteris paribus*. The above results therefore suggest that resource-holding audiences are more inclined to place their resources in an organization that pays close attention to its visual presentation when compared to one that does not. The results therefore support Hypothesis 1a.

4.5.2. Hypothesis 1b

Findings show that the linear combination of *VP* is significantly related to the likelihood for an individual to further *evaluate* a venture for investment, whereby [$F(9,114) = 3.756, p < 0.01$], with an R^2 of .229 (see ANOVA output Table 5). The significance below the 0.01 (1%) level, indicates that there is a significant relationship between the independent variables and the dependent variable. The R^2 value of .229, further shows that approximately 23% of the variance of the dependent variable can be accounted for by the independent variables.

The analysis of the coefficients in the model summary of (*Model 1b*) in Table 8, show that for the control variables, one significantly contributes to the dependent variable. This is

the variable for *Ambig*, which is shown to be positive and significant at a 0.05 (5%) level, ceteris paribus ($\beta_{Ambig} = 0.25, p < 0.05$). All other control variables are not significant ($p > 0.05$). The main effect of *VP* is also shown to be positive and significant, making the strongest unique contribution to explaining the dependent variable likelihood to further *evaluate*, ceteris paribus ($\beta_{VP} = 1.00, p < 0.05$).

The findings show that when individual investors analyze a corporate document that is organized in its visual presentation, it increases the likelihood to further *evaluate* a venture as a possible investment opportunity by 1.00 point, compared to when they are presented with a document that is not organized in its visual presentation, ceteris paribus. In addition, the results also show that individuals who are able to cope with ambiguity [*Ambig*] and uncertain situations are more likely to further *evaluate* the venture compared to individuals who are not able to cope with ambiguity by 0.25 points, ceteris paribus. Resource-holding audiences are therefore more inclined to further *evaluate* a venture for investment, when the firm pays close attention to visual presentation compared to when the venture does not. The results are therefore in support of Hypothesis 1b.

4.5.3 Hypothesis 2a

Hypothesis 2a propositions that higher quality financial reporting [*FR*] in corporate documentation positively influences the likelihood that an individual will *invest* in the venture. Based on the output from both the ANOVA in Table 5, as well as the Beta coefficients for the standardized and unstandardized models in Table 8 (*Model 2a*), it becomes apparent that the linear combination of *FR* is not significantly related to the likelihood to *invest* in a venture [$F(9,114) = 1.079, p = .384$], with an R^2 of 0.79. The regression equation for *FR* is therefore not significant, meaning that the null hypothesis cannot be rejected. As such, there is not a significant relationship between the independent variables and the dependent variable. Adding to this, none of the main effects and control variables are significant at the 0.05 (5%) significance level. The independent variable for *FR*, while containing a positive coefficient, is as a result not significant ($\beta_{FR} = 0.15, p > 0.05$). The conclusion can therefore be pulled that the quality of financial reporting [*FR*], by itself, has no effect on the likelihood to *invest* in a new venture. For this reason, it can be said that the findings do not support Hypothesis 2a.

4.5.4 Hypothesis 2b

The results in Tables 5 and 8 (*Model 2b*) show comparable results to Hypothesis 2a. According to the findings the linear combination of *FR* is not significantly related to the likelihood to further *evaluate* in a venture [$F(9,114) = 2.019, p = .178$], with an R^2 of 0.102. The null hypothesis must again be rejected as this result shows a non-significant relationship between the independent variables and the dependent variable. The results do indicate that there is a positive and significant relationship between the main effect of *FR* on the dependent variable, likelihood to *evaluate* ($\beta_{FR} = 0.50, p < 0.05$), all things remaining equal. Considering that model is not significant however, prevents this paper from making any valid inferences about the data at hand. As a result, this paper cannot provide support for Hypothesis 2b.

4.5.5 Hypothesis 3a

Hypothesis 3a theorizes that the effect of *VP* on the likelihood that an individual investor will *invest* in a new venture, will be more positive for corporate documents that have high quality *FR* compared to documents with lower quality *FR*. To investigate this effect, an interaction term [$VP \times FR$] was computed and included simultaneously into the model (Aiken and West, 1991). *Model 3a* in Table 5 shows that the linear combination of *VP* and *FR*, as well as the interaction term $VP \times FR$, are significantly related to the likelihood to further *invest* in the venture [$F(11,112) = 2.206, p < 0.05$], with an R^2 of .178. The significance level below 0.05 (5%) indicates a meaningful relationship between the independent variables and the dependent variable. The R^2 value of .178 also indicates that approximately 18% of the variance in the dependent variable is accounted for by the independent variables.

Analysis of the coefficients in the model summary of *Model 3a* in Table 9 illustrates that none of the control variables significantly contribute to the dependent variable ($p > 0.05$). The main effect for *VP* is significant and positive and makes the strongest contribution the likelihood to *invest* according to the unstandardized and standardized coefficients, *ceteris paribus* ($\beta_{VP} = 0.52, p < 0.05$). In contrast, the main effect of *FR* is not significant ($\beta_{FR} = 0.13, p > 0.05$), *ceteris paribus*. For the interaction term results indicate a significant negative interaction effect between *VP* and *FR* ($\beta_{VP \times FR} = -0.68, p < 0.05$), all else remaining equal.

The coefficient for *VP* has a larger effect than *FR* ($\beta_{VP} = 0.52 > \beta_{FR} = 0.13$). Given the size of Beta, *VP* appears to have a greater impact on the likelihood to *invest* in a venture than *FR* in corporate documentation. This means, that when resource-holding audiences observe a corporate document that is organized in its *VP*, it increases the likelihood of these individuals

to *invest* in that organization by 0.52 points, *ceteris paribus*. The coefficient for *FR* on the other hand is positive, but not statistically significant. It therefore cannot be said that high quality financial reports are more likely to result in investment when compared to lower quality financial reports. When observing the interaction term [$VP \times FR$], it is noted to be negative and statistically significant. This suggests that visual presentation on likelihood to *invest* in a venture, depends on the quality of financial reporting. Accordingly, the relationship between the visual presentation and the likelihood that an individual investor will invest in a venture, is negatively affected by 0.68 points if the corporate document also contains high quality rather than low quality financial reporting, *ceteris paribus*. This stands in contrast to what was hypothesized, thus this report cannot provide support for Hypothesis 3a.

4.5.6 Hypothesis 3b

To test Hypothesis 3b, a similar model was used to Hypothesis 3a albeit this time with the likelihood to further *evaluate* the venture for investment as the dependent variable. Findings note that *VP* and *FR*, as well as the interaction term $VP \times FR$ are significantly related to the likelihood to further *evaluate* the venture [$F(11,112) = 4.171, p < 0.01$], with an R^2 of .291. The model has a notable relationship between the set of all independent variables and the dependent variable considering it has a significance level below the 0.01 (1%) level. The R^2 value of .291, further signposts that approximately 29% of the variance in the dependent variable can be accounted for due to the linear combination of the independent variables.

In the analysis of the coefficients in Table 9 (*Model 3b*), only one control variable significantly contributes to the likelihood to further *evaluate* the venture. This is the variable *Ambig*. This value is positive and significantly contributes to the dependent variable, *ceteris paribus* ($\beta_{Ambig} = 0.25, p < 0.05$). All other control variables are not significant ($p > 0.05$). Main effects for both *VP* and *FR* are significant and positive. Based on the coefficients, *VP* makes the strongest contribution the likelihood to *evaluate*, *ceteris paribus* ($\beta_{VP} = 1.00, p < 0.05$). The main effect for *FR* is also positive and significant ($\beta_{FR} = 0.45, p < 0.05$), *ceteris paribus*. It is further denoted that $VP \times FR$ shows a significant negative interaction ($\beta_{VP \times FR} = -0.80, p < 0.05$), *ceteris paribus*.

VP once again shows to have a larger effect than *FR* ($\beta_{VP} = 1.00 > \beta_{FR} = 0.45$). Given the size of Beta, *VP* has a greater impact on the likelihood to further *evaluate* a venture for investment purposes than *FR* in corporate documentation. Therefore, when investors observe a document that is organized in its visual presentation, it increases their likelihood to further

evaluate a venture by 1.00 point, *ceteris paribus*. Resource-holding audiences who are provided with high quality financial reporting will have an increased likelihood that they will further *evaluate* the venture by 0.45 points, when compared to lower quality financial reports, all else remaining equal. Those who signified they were able to cope with ambiguity and uncertain situations also appear to have more of an inclination and likelihood to further *evaluate* the venture compared to individuals who do not have this ability by 0.25 points, *ceteris paribus*. Parallel to Hypothesis 3a, the coefficient of the interaction term is negative and statistically significant. Accordingly, the relationship between the visual presentation of a corporate document and the likelihood that an individual investor will further *evaluate* the venture, is negatively affected if the corporate document also contains high quality rather than low quality financial reporting, *ceteris paribus*. The findings consequently do not support Hypothesis 3b.

4.5.7 Hypothesis 4a

To examine Hypotheses 4a and 4b additional interaction terms were included in the model alongside $VP \times FR$, for *IE* and VP [$IE \times VP$] and *IE* and FR [$IE \times FR$], as shown in Table 9 (*Model 4a / 4b*). The ANOVA for *Model 4a* revealed that the independent variables are significantly related to the likelihood to further *invest* in the venture [$F(13,110) = 2.410, p < 0.05$] with an R^2 of .222. The R^2 value of .222, further indicates that approximately 22% of the variance in the dependent variable can be accounted for due to the independent variables.

Investigating the coefficients shows no significant contributions of the control variables to the dependent variable ($p > 0.05$). The main effect VP is significant and positive and contributes the most to the likelihood to *invest* according to the unstandardized and standardized coefficients, *ceteris paribus* ($\beta_{VP} = 0.46, p < 0.05$). FR is not significant ($\beta_{FR} = 0.13, p > 0.05$), *ceteris paribus*. For the interactions, a negative but not significant interaction was reported between $VP \times FR$ ($\beta_{VP \times FR} = -0.62, p > 0.05$), *ceteris paribus*. Similarly, for $IE \times VP$, a negative and not significant interaction was also illustrated ($\beta_{IE \times VP} = -0.02, p > 0.05$), all other things remaining equal.

When observing the interaction effects for $VP \times FR$ as well as $IE \times VP$, the effects are not significant at the 0.05 (5%) level. Hence, no matter if the investor has had previous experience in investing, the likelihood that he/she will invest in the organization will not change. It can therefore be argued that Hypothesis 4a cannot be supported since there is no change in the impact of visual presentation on the likelihood to invest in a venture when also taking into account the previous experience of the investor.

4.5.8 Hypothesis 4b

Findings as presented in Table 5 provide strong evidence that the null hypothesis for this model can be rejected and that there is a significant relationship between the set of all independent variables and the dependent variable [$F(13,110) = 3.468, p < 0.01$], with an R^2 of .291. The R^2 value is set at 0.291, meaning that the model shows that 29% of the variance in the likelihood to *evaluate* the venture can be accounted for thanks to the linear combination of the independent variables.

Observing the coefficients in Table 9 (*Model 4b*) shows that the control variable *Ambig* significantly contributes to the likelihood to further *evaluate* the venture ($\beta_{Ambig} = 0.25, p < 0.05$), *ceteris paribus*. All other control variables are not significant ($p > 0.05$). Results for both main effects show *VP* ($\beta_{VP} = 0.42, p < 0.01$) and *FR* ($\beta_{FR} = 0.46, p < 0.05$) are significant and positive. *IE* \times *VP* shows a negative interaction, although it is not significant ($\beta_{IE \times VP} = -0.03, p > 0.05$). There is a significant negative interaction for *VP* \times *FR* on the corporate document ($\beta_{VP \times FR} = -0.80, p < 0.05$).

With the results accounted for in Table 7 (*Model 4b*), *VP* is shown to have a larger effect than *FR* on the likelihood to further *evaluate* a venture ($\beta_{VP} = 1.00 > \beta_{FR} = 0.46$). *VP* of a corporate document therefore appears to have a greater impact on the likelihood that an individual will further *evaluate* a venture than *FR*. Therefore, when resource-holding audiences observe a document that is organized in its visual presentation, it increases their likelihood to further evaluate a venture by 1.00 point, *ceteris paribus*. Similarly, when investors are provided with a corporate document that contains high quality financial reporting, it increases the likelihood that they will further evaluate the venture by 0.45 points, compared to lower quality financial reports. Furthermore, those individuals who signified they were able to cope with ambiguous and uncertain situations also seem to have more of an inclination and likelihood to further *evaluate* the venture compared to individuals who do not have this ability by 0.25 points, *ceteris paribus*. Regarding the interaction terms, the coefficient of the interaction term for investment experience on visual presentation is negative and not significant. Consequently, no matter if the resource-holder has had previous experience or knowledge in investing, the likelihood that they will further evaluate the venture for investment will not change. Hypothesis 4b can hence not be supported. There is no change in the impact of visual presentation on the likelihood to evaluate a venture when also taking into account the previous experience of the investor.

4.5.9 Hypothesis 5a

To test Hypothesis 5a, it is of interest to look at the interaction term $IE \times FR$ in *Model 4a*. Considering that this hypothesis uses the same standard multiple linear regression model as in Hypothesis 4a, this section will dive directly into the analysis of the coefficients.

As mentioned previously, in *Model 4a*, there are no significant contributing control variables to the dependent variable, considering they are all above the (0.05) 5% significance level. VP is significant and positive, and makes the strongest contribution to the likelihood to invest according to the standardized coefficient, ceteris paribus ($\beta_{VP} = 0.24$, $p < 0.05$). FR is not significant ($\beta_{FR} = 0.13$, $p > 0.05$), ceteris paribus. Results also indicate a negative and not significant interaction for $VP \times FR$ on the corporate document ($\beta_{VP \times FR} = -0.62$, $p > 0.05$). Similarly, there is a negative and not significant interaction for $IE \times VP$ ($\beta_{IE \times VP} = -0.02$, $p > 0.05$). However, there is a significant and positive interaction between $IE \times FR$ ($\beta_{IE \times FR} = 0.47$, $p < 0.05$), ceteris paribus.

The coefficient for FR is not significant, meaning that this paper cannot make any valid inferences about the impact of this independent variable on the dependent variable. When observing the interaction effects for investor experience on financial reporting [$IE \times FR$] however, results show a positive and significant interaction effect. This suggests that the effect of investor experience on likelihood to *invest* depends on the level and quality of financial reporting, ceteris paribus. Accordingly, the relationship between an investors experience and the likelihood that they will *invest* in an organization, is positively affected if the corporate document also contains high quality rather than low quality financial reporting. Hypothesis 5a is hence supported.

4.5.10 Hypothesis 5b

Hypothesis 5b tests the same effects as Hypothesis 5a, albeit on the dependent variable likelihood of an individual investor to further *evaluate* a new venture for investment purposes. The findings denote that $IE \times FR$ does not show a significant negative interaction ($\beta_{IE \times FR} = 0.00$, $p > 0.05$). Resultantly, this paper cannot make any valid inferences about the impact of this interaction term on the dependent variable. No matter if the investor has had previous experience or knowledge in investing, the likelihood that they will further *evaluate* the venture for investment will not change. Hypothesis 5b can hence not be supported.

5 *Conclusion*

5.1 General Discussion

Findings from this paper provide tentative answers as to what can be done to better market new ventures. In particular, how to increase legitimacy and “facilitate firm viability [to gain] access to resources they otherwise would not have been able to obtain” (Nagy et al., 2012: 943).

The results provide empirical evidence that there is an influence on how visual presentation affects the manner in which individuals interpret and consume information. Specifically, the findings dictate that individual investors are more inclined to place their resources in a venture that is organized in its visual presentation, compared to one that is not. In fact, visual presentation has a stronger and larger effect than the quality of financial reporting on both the likelihood that an individual will invest in a venture as well as the likelihood that they will further evaluate and consider investing in a new venture. Ultimately, the findings show an alignment with the likes of Balmer (1995), Clarke (2011) and Gardner and Avolio (1998). Corporate visual identity therefore plays a decisive role in supporting the reputation, judgment, and legitimacy of these new ventures helping them “gain access to much needed resources to help facilitate [their] survival” (Clarke, 2011: 1365).

Conclusions also indicate that the quality of financial reporting has an effect on the likelihood that individual investors will further evaluate a venture as a possible option for investment, albeit this effect is not as strong as visual presentation. Despite this relationship, it has no significant effect on the likelihood that individuals will actually invest in a venture. These results further endorse the findings by Botosan (1997), Martens et al. (2007), and Mercer (2004). Financial reporting appears to enhance credibility towards investors, but this does not automatically result in an allocation of resources. It does stand in contrast with Healy and Palepu (2001) and Miller and Rock (1985), who argued that an improvement in financial reporting would result in optimal levels of investment.

Perhaps one of the explanations of this discrepancy between investing and evaluating is that financial reports have the tendency and tenacity to “fall behind the pace of change”, limiting their value to investors (Amir and Baruch, 1996: 3). This reduced relevance for the valuation process could explain why quality of financial reporting has no significant effect on the likelihood to invest. In contrast, it does affect the likelihood to evaluate the venture since it provides the individual with a general idea of the current state of the organization. Especially so, considering that this is a stage at which investors are not yet ready to do not have to fully commit their resources to the venture. They are much less likely to face potential risks and

consequences in evaluating and performing a due diligence, rather than already committing their resources in a venture (Citroen, 2011).

It was hypothesized that the relationship between visual presentation and the likelihood to invest in, or further evaluate the venture, would be more positive for corporate documents that contain high quality financial reports. Results show this is not the case and that the value of visual presentation in corporate documentation on both the likelihood to invest and evaluate, is negatively affected if the document also contains high quality financial reporting. This is a juxtaposition to what was proposed by earlier research, which argued for a positive complementary relationship.

This negative effect could be attributed to the fact that the combined contribution of these components discourages individual investors from taking any further steps. It may be that investors expect a certain level of amateurism and inaptitude from new ventures. Especially when one considers that new ventures “lack [a] proven track record, obvious asset value, and profitability” and suffer from a liability of newness (Clarke, 2011: 1365). Presenting a corporate document that is too professional may therefore insinuate to individual investors that the venture has already passed this newness threshold. Unintentionally, this might suggest that these new ventures do not necessarily require funding when compared to ventures that are less polished in how they present themselves. Prior research also warned that this combination could lead to bias in the decision-making process (Lurie and Mason, 2007). A further reason for this negative synergy could be due to the manipulations. Respondents were effectively shown a condensed executive summary of a business plan. This resulted in increased artificiality and hypothetical conditions that are not present in real life. This may have had an indirect effect on the decision-making process. Investors are known to follow a rational approach and have “a need to ascertain a more fully developed picture” of the information and situation at hand (Harvey and Lusch, 1995: 5).

This paper also considers the interaction effect between investor experience and financial reporting. In line with the hypothesis, a significant and positive interaction was found on the relationship between investor experience and the likelihood to invest, if the corporate document also contains high quality financial reporting. This interaction is not present on the likelihood to further evaluate the venture. This result directly complements the conclusions drawn by Holm and Rikhardsson (2008), who detailed that experienced investors are the ones who rely more on financial information when approaching an investment opportunity compared to less experienced investors. Remarkably, this relationship was not present when observing the interaction between investor experience and visual presentation, which showed

no significant relationship with regards to experienced investors having to rely more visual presentation to invest, compared to less experienced investors.

An unanticipated finding was the role of ambiguity. Results across numerous models including 1b, 3b, 4b and 5b found that individuals who are able to cope with ambiguous and uncertain situations are more likely to further evaluate a venture, compared to those who do not have this ability. While it may come across as common sense that individuals who have the ability to confront changing and uncertain situations are better suited to dealing with investment decisions, it is surprising to find that this is only the case in terms of their likelihood to evaluate a venture, and not their likelihood to invest in one.

5.2. Managerial and Academic Contribution

Assessing how to better manage legitimacy is key to ensuring the survival and future growth of a new venture. This study proposes several practical and managerial implications that should help assist new ventures in how they market themselves to investors in order to acquire external financing. Focus in particular is on the advantages associated with improving the visual presentation and financial reporting in corporate documentation when it comes to compelling investors to provide resources for future growth. The following findings offer specific guidance to entrepreneurs and all those involved in managing a new venture.

First, new ventures that lack the legitimacy and qualities of larger more well-established corporations, should aim to create a more compelling case by improving the visual presentation in their corporate documentation. Enacting these measures and ensuring that documents (e.g., executive summaries, business plans and presentations) are organized and visually appealing, improves the likelihood that investors will provide access to the resources that help facilitate firm survival. Consistent with what was conceptualized, investors are more inclined to both invest in, and further evaluate a venture for investment when they put effort into visually organizing their documentation compared to those that do not. In this respect, visual presentation conveys a particular form of cognitive legitimacy of the venture that translates to external investors.

Second, it is found that the extent to which investors are willing to further evaluate a new venture as a possible investment opportunity, depends on the quality of financial reporting. Investors are found to be more open to the idea of further exploring the possibility of investment (e.g., performing a due diligence) when presented with a comprehensive and high quality financial report. Entrepreneurs and managers of new ventures are therefore encouraged to improve this facet to enhance their credibility and legitimacy towards investors. A key

takeaway however, is that this does not automatically result in an allocation of resources for a venture; rather it is a stepping stone towards receiving financial support.

Emphasis also has to be placed on a third component. This involves the further managerial importance regarding the conflicting implications between the findings in Hypothesis 1 and 2, versus those in Hypothesis 3. The former two argue that individually improving the visual presentation and quality of financial reporting in corporate documentation, has a generally positive effect on the investor decision process. Surprisingly, the findings in Hypothesis 3 imply that there is a negative synergy between organized visual presentation and high quality financial reporting on the likelihood that an individual investor will invest in, or further evaluate a venture.

Entrepreneurs should therefore be wary of placing too much emphasis on these two components, as it can discourage individual investors from taking any further steps. Investors expect a certain level of amateurism and inaptitude from new ventures. By presenting a corporate document that is too professional, new ventures may insinuate to individual investors that they are already in a different stage of venture growth. Inadvertently, this suggests that these new ventures either do not require, or are already in the process of acquiring funding when compared to those that are less polished. It is therefore advised to entrepreneurs to focus on improving either visual presentation or financial reporting, rather than both. In fact, acknowledging the stronger main effect for visual presentation throughout the model, entrepreneurs are advised to focus primarily on enhancing this component.

A fourth argument that was established in the results raises an important point in terms of how entrepreneurs and management of new ventures should approach investors. In particular, improvements and advancements should be made to the quality of financial reporting when dealing with experienced and knowledgeable investors. This is because the more experienced the investor is, the more likely they are to invest in a new venture if the corporate documentation contains high quality financial information. It is therefore advised that new ventures reconsider their policies when it comes to providing financial information to investors, based on their experience. These findings also carry further implications for investors themselves. According to the conclusions drawn in this paper, experienced investors place a lot of value on high quality financial reports when making their investment decisions. Less experienced investors may therefore also want to spend more time considering the quality of financial reporting when drawing their conclusions.

Lastly, the results also present an important implication regarding the impact of personal characteristics. The study showed strong support for the manner in which ambiguity

affects investment behavior. Individual investors who are better able to manage ambiguous and uncertain situations are shown to be more likely to further evaluate a venture compared to those who do not have this ability. It is recommended that resource-holding audiences pay close attention to how they cope with ambiguity as this characteristic has an important role in advancing the future success of new ventures.

Primary contributions on prior academic literature are made by providing novel theoretical and empirical insights into the relationship between investors and new ventures. In particular, new academic features are presented with regards to how ventures are able to better manage their legitimacy to ensure survival and future growth. This includes quantitatively verifying, for the first time, the influence of visual presentation, financial reporting and their combined effects on investor decision-making. Up until now this has been a relatively understudied topic. Preceding research examined mostly the influence of visual presentation on individual consumer behavior or the role of both visuals and financial reporting on corporate image and venture legitimacy. This article subsequently moves one step further in marketing literature. It does so by enhancing knowledge pertaining specifically to the relationship of these elements on the likelihood to invest in, or further evaluate a venture.

The results presented in this study therefore pose an interesting new avenue of thought for researchers, investors, entrepreneurs and those involved in the day-to-day management of new ventures. It provides new knowledge and understanding as to how visual presentation and financial reporting can be better implemented in corporate documentation. Hopefully it can aid new ventures in improving how they convey meaning so they can reap the benefits and acquire the necessary resources required for future growth.

5.3 Limitations

Although there is a lot to learn from this study and what has been presented, it is not without its limitations. The findings of this article must therefore be treated with some caution for those wishing to use this for further consideration and research.

A key limitation is the hypothetical nature of the study. In utilizing a web-based experimental survey design this research was required to concoct a one-page executive summary of a business plan. This may have had an indirect effect on the investors decision-making process. In providing a somewhat limited and artificial setting with an absence of real-life triggers and interactions, respondents may have been less perceptive and more distant in their decision-making. Moreover, investors tend to follow a rational approach and wish to develop a full picture of the situation at hand, which was not possible using this particular

methodology. It is advised that future research apply an alternative method when expanding on this subject (e.g., increased focus on the individual elements of a corporate document or employ a non-web based experimental survey design).

This study also assumes that the selection criteria of the resource-holding audience remains constant. The experimental survey presented a case that was in isolation from the regular investment process. Results therefore only provide a snapshot understanding of the respondents' investment behavior. Future research would benefit from further validating the concepts and relationships within this paper by exploring the various stages of the investment process, using for example a longitudinal (i.e. panel) study. This may provide additional insight as to whether the variables that affect investment behavior are weighted differently across the various stages of the investment process.

Improvements can also be made with regards to sampling. Snowball sampling was not the most optimal method to target the population and proved to be relatively time consuming. This non-random sampling technique also resulted in a sample of mostly highly educated middle-aged males (75.81%). It is probable that due to their background they have followed and had different career paths and experiences relative to other demographic groups. It would be of interest for future research to compare these findings with a more diverse sample of individuals (e.g., in terms of their gender, age and education) who also have investment experience.

A further limitation of the proposed model is that it does not attempt to identify which specific individual elements and constructs in terms of visual presentation and financial reporting affect the investment decision process. The changes that were made in terms of design and typographic effects, as well as what was included and excluded in the financial reporting, are not individually examined in relation to the dependent variables. This leaves considerable opportunity for future research to expand on the effects of the range of visual presentation elements (i.e. spacing, layout, typography and design) and the role of specific financial data (i.e. Sales, Net Profit, EBITDA) on the behavior of resource-holding individuals.

Overall, the role that visual presentation and financial reporting in corporate documentation play in affecting and influencing investor response in terms of their willingness to participate in new ventures, remains an interesting, yet understudied topic. This research paper has aimed to provide a novel perspective on this phenomenon and hopefully it provides interesting avenues for future research.

6 References

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Appendix I: Construct & Measurements for Survey

Table A1

Constructs and measures.

| $(\alpha = \text{Chronbach's Alpha})$ | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Neatness ($\alpha = 0.89$) | |
| Tidiness of document ($\alpha_1 = 0.66$) [Wilde, Kelly & Scott, 2004]: I find this business plan... | |
| 1. | ... Consistent in its message. |
| 2. | ... Visually appealing. |
| Response scale for tidiness: 1 = "strongly disagree," 2 = "disagree," 3 = "neither agree nor disagree," 4 = "agree," 5 = "strongly agree" | |
| Clarity of document ($\alpha_1 = 0.87$) [Wilde, Kelly & Scott, 2004]: I find this business plan... | |
| 1. | ... Understandable. |
| 2. | ... Clear. |
| 3. | ... Concise. |
| 4. | ... Complete. |
| 5. | ... Useful. |
| Response scale for clarity: 1 = "strongly disagree," 2 = "disagree," 3 = "neither agree nor disagree," 4 = "agree," 5 = "strongly agree" | |
| Expertise ($\alpha = 0.92$) | |
| Reputability of document ($\alpha_1 = 0.89$) [Ohanian, 1990]: I find this business plan... | |
| 1. | ... Dependable. |
| 2. | ... Honest. |
| 3. | ... Reliable. |
| 4. | ... Sincere. |
| 5. | ... Trustworthy. |
| Expertise of individuals ($\alpha_1 = 0.88$) [Ohanian, 1990]: The content in this business plan is produced by individuals who are... | |
| 1. | ... Experts. |
| 2. | ... Experienced. |
| 3. | ... Knowledgeable. |
| 4. | ... Sincere. |
| 5. | ... Trustworthy. |
| Response scale for credibility: 1 = "strongly disagree," 2 = "disagree," 3 = "neither agree nor disagree," 4 = "agree," 5 = "strongly agree" | |
| Investment Decision | |
| Complexity of the product [Rogers, 1995; Hoffman & Broekhuizen, 2010]: Please indicate how easy you find it to understand this business plan. | |
| Response scale for complexity: 1 = "very simple" 2 = "simple," 3 = "neutral," 4 = "complex," 5 = "very complex" | |
| Likelihood to further evaluate the business [Lafferty & Goldsmith, 1999]: How likely would you consider seeking further information on the firm based on this business plan? (e.g., contacting the entrepreneur(s), doing further research on the potential investment, due diligence etc...). | |
| Likelihood to further invest in the business [Lafferty & Goldsmith, 1999]: How likely would you consider investing in the firm based on this business plan? | |
| Response scale for likelihood: 1 = "very unlikely" 2 = "unlikely," 3 = "undecided," 4 = "likely," 5 = "very likely" | |

Entrepreneurial Characteristics

Ability to deal with risk and uncertainty ($\alpha = 0.77$) [Similar to Weber, Blais & Betz, 2002; Blais & Weber, 2006]: For each of the following statements, please indicate the likelihood that you would engage in the described activity or behavior if you were to find yourself in that situation.

Risk & Gambling ($\alpha = 0.69$):

1. Betting a day's income at a high-stake poker game.
2. Betting a day's income at the horse races.
3. Betting a day's income on the outcome of a sporting event.

Risk & Finance ($\alpha = 0.79$):

4. Investing 5% of your annual income a very speculative stock.
5. Investing 10% of your annual income in a new business venture.
6. Investing 10% of your annual income in a moderate growth mutual fund.

Response scale for risk and uncertainty:

1 = "very unlikely" 2 = "unlikely," 3 = "somewhat unlikely," 4 = "undecided," 5 = "somewhat likely," 6 = "likely," 7 = "very likely"

Ability to behave proactively ($\alpha = 0.79$) [Bateman & Crant, 1993]: The following section describes some characteristics. Please indicate whether these statements accurately describe you.

1. I am constantly on the lookout for new ways to improve my life.
2. Wherever I have been, I have been a powerful force for constructive change.
3. I enjoy facing and overcoming new obstacles to my ideas.
4. If I believe in an idea, no obstacle will prevent me from making it happen.

Degree of openness to change and innovation ($\alpha = 0.45$) [Patchen, 1965; Caligiuri, Jacobs & Far, 2000]: Please indicate whether these statements accurately describe you.

1. If I try to change the usual way of doing things, it usually turns out worse.
2. I usually prefer doing things pretty much the same way.
3. I often try out, on my own, a better or faster way of doing something on the job*.
4. I often get chances to try out my own ideas on my job*.

Ability to cope with ambiguity ($\alpha = 0.61$) [Kirton, 1981; Hoffman et al., 2010]: Please indicate whether these statements accurately describe you.

1. What we are used to is always preferable to what is unfamiliar.
2. A person who leads an even, regular life, in which few surprises or unexpected happenings arise, has a lot to be grateful for.

Level of extroversion ($\alpha = 0.10$) [Howard, Medina & Howard, 1996]: Please indicate whether these statements accurately describe you.

1. I feel comfortable around people.
2. I think a lot before I speak*.

Response scale for entrepreneurial characteristics:

1 = "strongly disagree," 2 = "disagree," 3 = "neither agree nor disagree," 4 = "agree," 5 = "strongly agree"

Investment Experience ($\alpha = 0.91$)

Investment knowledge [Bolton & Lemon, 1999; Hoffman et al., 2010]: How would others characterize you with regard to the level of knowledge you have about investing?

Response scale for investment knowledge:

1 = "no knowledge," 2 = "little knowledge," 3 = "moderate knowledge," 4 = "quite a lot of knowledge," 5 = "very much knowledge"

Investment experience [Hoffman et al., 2010]: How would others characterize you with regard to the level of experience you have with investing?

Response scale for investment knowledge:

1 = "no experience," 2 = "little experience," 3 = "moderate experience," 4 = "quite a lot of experience," 5 = "very much experience"

Demographics

Age: The standardized score of age was used.

Gender: 0 = "female," 1 = "male"

Education [Oppenheim, 1992]: 1 = "no schooling completed," 2 = "some high school, no diploma," 3 = "High school graduate, diploma or the equivalent," 4 = "Trade/technical/vocational training (MBO)," 5 = "University of applied sciences," 6 = "University Bachelor's degree (WO)," 7 = "University Master's degree (WO)," 8 = "Doctorate degree or higher".

Employment status [Reynolds, Hay, Bygrave, Camp & Autio, 2000]: 1 = "CEO/Owner," 2 = "Partner/Senior Executive," 3 = "Professional (Consultant, Legal, Medical, Architect)," 4 = "Finance/Accounting/Purchasing," 5 = "Marketing," 6 = "Office Manager," 7 = "Administrative Assistant," 8 = "Technical/IT Professional," 9 = "Sales Professional," 10 = "Other".

*Indicates a reverse coded item.

Appendix II: Manipulations

Final manipulations used in four experimental survey groups

Figure X: Well-Designed & Complete Executive Summary (WDCS)



| | | | | |
|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------|
| Company Details: URL: www.medquid.com Industry: Language Employees: 5 Founded: 2012 | Contact: Horace Bane info@medquid.com w: 140-395-8181 f: 140-395-8182 | Investment: Seeking €250,000 investment for acquisition of additional assets to gain market share of 1% by 2017 (€13 million) | Management: CEO: Horace Bane CFO: Jim Walsh | Investors: Friends Family |
|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------|

Business Summary: Medquid is the only EU-based automated translation services provider with 100% focus on the Medical and Life Sciences sector. Medical content needs to be understood without error by users and patients worldwide. This makes us an invaluable resource for medical device, pharmaceutical and biotechnology companies operating on a global scale. Via a €250,000 investment we can optimize our patented translation software allowing us to expand our language network, improve quality and ensure even faster turnaround.

Customer Problem: There is a growing need for a qualified translation service in the life sciences industry. The global pharmaceutical market is expected to grow 10% annually between 2010 and 2015 (€65 billion to an estimated €104 billion), while the medical device and biotechnology sectors are expected to grow at a 24% and 52% rate through 2014, respectively. Consequently increasing numbers of foreign clients and patients need to be able to understand the complex materials and terminology. Still, many firms lack enough in-house resources to translate documents, resulting in poor translations that delay release dates with possible negative impact on sales.

Services: Our accredited translators and patented translation software Langquid™ allow us to translate medical documents into over 14 languages at competitive prices. We ensure quality translations and fast turnaround with our tested software and pre-selected professionals who have specific medical subject-matter-expertise. Translations are provided for goods including user's manuals, packaging/labels, patent applications and scientific journals. We are the only EU-Based translation service with ISO 9001:2008 certification, ISO 13485:2003 certification, EN 15038:2006 certification and J2450 compliance.

Target Market: Emphasis is on both SMEs and multinationals in the high growth Medical and Life Sciences sector in Europe. Current customers include Novartis, Omega Pharma, and Novo Nordisk.

Market: The language services market size is €31.3 billion. 21% of this market consists of the Medical and Life Sciences sector, equaling a market size of €6.57 billion. Of this, the EU market is worth €1.3 billion. Forecasted market growth for this sector is 12% in 2015. Total industry growth from 2010 to 2020 is 42% year over year. The goal is to obtain 1% of the EU market share by 2017 (€13 million).

| | 2015 | 2016 | 2017 | 2018 | 2019 | CAGR | |
|-------------------------------|------------|------------|-------------|-------------|-------------|-------------|------------|
| Potential Customers | | | | | | | |
| Language Sector Growth | | | | | | | |
| Medical Device Companies | 12% | 540 | 605 | 693 | 776 | 869 | 10% |
| Biotechnology | 16% | 325 | 377 | 437 | 507 | 588 | 10% |
| Pharmaceutical | 8% | 130 | 140 | 151 | 163 | 176 | 10% |
| Total | 12% | 995 | 1122 | 1281 | 1446 | 1633 | 10% |

Competitors: Freelancers and SMEs occupy 75% of the market. Large providers (e.g. Lionbridge) comprise of 25% of total market revenue. As of 2012 there were 26,104 suppliers of language services worldwide, with 784 focused on healthcare. Free-web based translation programs will not dent the market for translation services.

Exit Strategy: It is the owner's intention to run this venture until it has developed a strong market position with high brand value. The owners may then seek to sell the firm to a larger conglomerate with a strong fit to its long-term strategy. In the event the plan is not successful the company will either accept a merger/acquisition or buyout from the investors, allowing continuation with our own private capital.

| Financials | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Sales | €273,000 | €342,000 | €1,258,000 | €5,830,000 | €13,000,000 |
| Direct Cost of Sales | €105,000 | €128,000 | €195,000 | €310,000 | €450,000 |
| Total Cost of Sales | €105,000 | €128,000 | €195,000 | €310,000 | €450,000 |
| Gross Margin | €168,000 | €214,000 | €1,063,000 | €5,520,000 | €12,550,000 |
| Gross Margin % | 61.54% | 62.57% | 84.50% | 94.68% | 96.54% |
| Total Operating Expenses | €226,808 | €243,540 | €510,740 | €668,469 | €744,426 |
| Profit Before Interest and Tax | (€58,808) | €(29,540) | €552,260 | €4,851,531 | €11,805,574 |
| EBITDA | (€58,808) | €(29,540) | €580,510 | €5,010,050 | €12,060,670 |
| Net Profit* | (€66,991) | €(38,940) | €552,260 | €4,851,531 | €11,805,574 |
| Net Profit/Sales* | -24.54% | -11.39% | 43.90% | 83.22% | 90.81% |

*Taxes and interest excluded from survey document for simplicity reasons

Figure X: Well-Designed & Incomplete Executive Summary (WDIS)



| | | | | |
|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------|
| Company Details: URL: www.medquid.com Industry: Language Employees: 5 Founded: 2012 | Contact: Horace Bane info@medquid.com w: 140-395-8181 f: 140-395-8182 | Investment: Seeking €250,000 investment for acquisition of additional assets to gain market share of 1% by 2017 (€13 million) | Management: CEO: Horace Bane CFO: Jim Walsh | Investors: Friends Family |
|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------|

Business Summary: Medquid is the only EU-based automated translation services provider with 100% focus on the Medical and Life Sciences sector. Medical content needs to be understood without error by users and patients worldwide. This makes us an invaluable resource for medical device, pharmaceutical and biotechnology companies operating on a global scale. Via a €250,000 investment we can optimize our patented translation software allowing us to expand our language network, improve quality and ensure even faster turnaround.

Customer Problem: There is a growing need for a qualified translation service in the life sciences industry. The global pharmaceutical market is expected to grow 10% annually between 2010 and 2015 (€65 billion to an estimated €104 billion), while the medical device and biotechnology sectors are expected to grow at a 24% and 52% rate through 2014, respectively. Consequently increasing numbers of foreign clients and patients need to be able to understand the complex materials and terminology. Still, many firms lack enough in-house resources to translate documents, resulting in poor translations that delay release dates with possible negative impact on sales.

Services: Our accredited translators and patented translation software Langquid™ allow us to translate medical documents into over 14 languages at competitive prices. We ensure quality translations and fast turnaround with our tested software and pre-selected professionals who have specific medical subject-matter-expertise. Translations are provided for goods including user's manuals, packaging/labels, patent applications and scientific journals. We are the only EU-Based translation service with ISO 9001:2008 certification, ISO 13485:2003 certification, EN 15038:2006 certification and J2450 compliance.

Target Market: Emphasis is on both SMEs and multinationals in the high growth Medical and Life Sciences sector in Europe. Current customers include Novartis, Omega Pharma, and Novo Nordisk.

Market: The language services market size is €31.3 billion. 21% of this market consists of the Medical and Life Sciences sector, equaling a market size of €6.57 billion. Of this, the EU market is worth €1.3 billion. Forecasted market growth for this sector is 12% in 2015. Total industry growth from 2010 to 2020 is 42% year over year. The goal is to obtain 1% of the EU market share by 2017 (€13 million).

| | 2015 | 2016 | 2017 | 2018 | 2019 | CAGR | |
|-------------------------------|------------|------------|-------------|-------------|-------------|-------------|------------|
| Potential Customers | | | | | | | |
| Language Sector Growth | | | | | | | |
| Medical Device Companies | 12% | 540 | 605 | 693 | 776 | 869 | 10% |
| Biotechnology | 16% | 325 | 377 | 437 | 507 | 588 | 10% |
| Pharmaceutical | 8% | 130 | 140 | 151 | 163 | 176 | 10% |
| Total | 12% | 995 | 1122 | 1281 | 1446 | 1633 | 10% |

Competitors: Freelancers and SMEs occupy 75% of the market. Large providers (e.g. Lionbridge) comprise of 25% of total market revenue. As of 2012 there were 26,104 suppliers of language services worldwide, with 784 focused on healthcare. Free-web based translation programs will not dent the market for translation services.

Exit Strategy: It is the owner's intention to run this venture until it has developed a strong market position with high brand value. The owners may then seek to sell the firm to a larger conglomerate with a strong fit to its long-term strategy. In the event the plan is not successful the company will either accept a merger/acquisition or buyout from the investors, allowing continuation with our own private capital.

| Financials | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------|-----------|-----------|------------|------------|-------------|
| Sales | €273,000 | €342,000 | €1,258,000 | €5,830,000 | €13,000,000 |
| Direct Cost of Sales | €105,000 | €128,000 | €195,000 | €310,000 | €450,000 |
| Gross Margin | €168,000 | €214,000 | €1,063,000 | €5,520,000 | €12,550,000 |
| Total Operating Expenses | €226,808 | €243,540 | €510,740 | €668,469 | €744,426 |
| Net Profit* | (€66,991) | €(38,940) | €552,260 | €4,851,531 | €11,805,574 |

*Taxes and interest excluded from survey document for simplicity reasons

Figure X: Poorly-Designed & Complete Executive Summary (PDCS)



| | | | | |
|-------------------------|------------------|-------------------------------------|--------------------|-------------------|
| Company Details: | Contact: | Investment: | Management: | Investors: |
| URL: www.medquid.com | Horace Bane | Seeking €250,000 investment for | CEO: Horace | Friends |
| Industry: Language | info@medquid.com | acquisition of additional assets to | Bane | Family |
| Employees: 5 | w: 140-395-8181 | gain market share of 1% by 2017 | CFO: Jim | |
| Founded: 2012 | f: 140-395-8182 | (€13 million) | Walsh | |

Business Summary: Medquid is the only EU-based automated translation services provider with 100% focus on the Medical and Life Sciences sector. Medical content needs to be understood without error by users and patients worldwide. This makes us an invaluable resource for medical device, pharmaceutical and biotechnology companies operating on a global scale. Via a €250,000 investment we can optimize our patented translation software allowing us to expand our language network, improve quality and ensure even faster turnaround.

Customer Problem: There is a growing need for a qualified translation service in the life sciences industry. The global pharmaceutical market is expected to grow 10% annually between 2010 and 2015 (€65 billion to an estimated €104 billion), while the medical device and biotechnology sectors are expected to grow at a 24% and 52% rate through 2014, respectively. Consequently increasing numbers of foreign clients and patients need to be able to understand the complex materials and terminology. Still, many firms lack enough in-house resources to translate documents, resulting in poor translations that delay release dates with possible negative impact on sales.

Services: Our accredited translators and patented translation software Langquid™ allow us to translate medical documents into over 14 languages at competitive prices. We ensure quality translations and fast turnaround with our tested software and pre-selected professionals who have specific medical subject-matter-expertise. Translations are provided for goods including user's manuals, packaging/labels, patent applications and scientific journals. We are the only EU-Based translation service with ISO 9001:2008 certification, ISO 13485:2003 certification, EN 15038:2006 certification and J2450 compliance.

Target Market: Emphasis is on both SMEs and multinationals in the high growth Medical and Life Sciences sector in Europe. Current customers include Novartis, Omega Pharma, and Novo Nordisk.

Market: The language services market size is €31.3 billion. 21% of this market consists of the Medical and Life Sciences sector, equaling a market size of €6.57 billion. Of this, the EU market is worth €1.3 billion. Forecasted market growth for this sector is 12% in 2015. Total industry growth from 2010 to 2020 is 42% year over year. The goal is to obtain 1% of the EU market share by 2017 (€13 million).

| | | 2015 | 2016 | 2017 | 2018 | 2019 | CAGR |
|--------------------------|------------------------|------|------|------|------|------|------|
| Potential Customers | Language Sector Growth | | | | | | |
| Medical Device Companies | 12% | 540 | 605 | 693 | 776 | 869 | 10% |
| Biotechnology | 16% | 325 | 377 | 437 | 507 | 588 | 10% |
| Pharmaceutical | 8% | 130 | 140 | 151 | 163 | 176 | 10% |
| Total | 12% | 995 | 1122 | 1281 | 1446 | 1633 | 10% |

Competitors: Freelancers and SMEs occupy 75% of the market. Large providers (e.g. Lionbridge) comprise of 25% of total market revenue. As of 2012 there were 26,104 suppliers of language services worldwide, with 784 focused on healthcare. Free-web based translation programs will not dent the market for translation services.

Exit Strategy: It is the owner's intention to run this venture until it has developed a strong market position with high brand value. The owners may then seek to sell the firm to a larger conglomerate with a strong fit to its long-term strategy. In the event the plan is not successful the company will either accept a merger/acquisition or buyout from the investors, allowing continuation with our own private capital.

| Financials | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------------|-----------|-----------|------------|------------|-------------|
| Sales | €273,000 | €342,000 | €1,258,000 | €5,830,000 | €13,000,000 |
| Direct Cost of Sales | €105,000 | €128,000 | €195,000 | €310,000 | €450,000 |
| Total Cost of Sales | €105,000 | €128,000 | €195,000 | €310,000 | €450,000 |
| Gross Margin | €168,000 | €214,000 | €1,063,000 | €5,520,000 | €12,550,000 |
| Gross Margin % | 61.54% | 62.57% | 84.50% | 94.68% | 96.54% |
| Total Operating Expenses | €226,808 | €243,540 | €510,740 | €668,469 | €744,426 |
| Profit Before Interest and Tax | (€58,808) | €(29,540) | €552,260 | €4,851,531 | €11,805,574 |
| EBITDA | (€58,808) | €(29,540) | €580,510 | €5,010,050 | €12,060,670 |
| Net Profit* | (€66,991) | €(38,940) | €552,260 | €4,851,531 | €11,805,574 |
| Net Profit/Sales* | -24.54% | -11.39% | 43.90% | 83.22% | 90.81% |

*Taxes and interest excluded from survey document for simplicity reasons

Figure X: Poorly-Designed and Incomplete Executive Summary (PDIS)



| | | | | |
|-------------------------|------------------|-------------------------------------|--------------------|-------------------|
| Company Details: | Contact: | Investment: | Management: | Investors: |
| URL: www.medquid.com | Horace Bane | Seeking €250,000 investment for | CEO: Horace | Friends |
| Industry: Language | info@medquid.com | acquisition of additional assets to | Bane | Family |
| Employees: 5 | w: 140-395-8181 | gain market share of 1% by 2017 | CFO: Jim | |
| Founded: 2012 | f: 140-395-8182 | (€13 million) | Walsh | |

Business Summary: Medquid is the only EU-based automated translation services provider with 100% focus on the Medical and Life Sciences sector. Medical content needs to be understood without error by users and patients worldwide. This makes us an invaluable resource for medical device, pharmaceutical and biotechnology companies operating on a global scale. Via a €250,000 investment we can optimize our patented translation software allowing us to expand our language network, improve quality and ensure even faster turnaround.

Customer Problem: There is a growing need for a qualified translation service in the life sciences industry. The global pharmaceutical market is expected to grow 10% annually between 2010 and 2015 (€65 billion to an estimated €104 billion), while the medical device and biotechnology sectors are expected to grow at a 24% and 52% rate through 2014, respectively. Consequently increasing numbers of foreign clients and patients need to be able to understand the complex materials and terminology. Still, many firms lack enough in-house resources to translate documents, resulting in poor translations that delay release dates with possible negative impact on sales.

Services: Our accredited translators and patented translation software Langquid™ allow us to translate medical documents into over 14 languages at competitive prices. We ensure quality translations and fast turnaround with our tested software and pre-selected professionals who have specific medical subject-matter-expertise. Translations are provided for goods including user’s manuals, packaging/labels, patent applications and scientific journals. We are the only EU-Based translation service with ISO 9001:2008 certification, ISO 13485:2003 certification, EN 15038:2006 certification and J2450 compliance.

Target Market: Emphasis is on both SMEs and multinationals in the high growth Medical and Life Sciences sector in Europe. Current customers include Novartis, Omega Pharma, and Novo Nordisk.

Market: The language services market size is €31.3 billion. 21% of this market consists of the Medical and Life Sciences sector, equaling a market size of €6.57 billion. Of this, the EU market is worth €1.3 billion. Forecasted market growth for this sector is 12% in 2015. Total industry growth from 2010 to 2020 is 42% year over year. The goal is to obtain 1% of the EU market share by 2017 (€13 million).

| | | 2015 | 2016 | 2017 | 2018 | 2019 | CAGR |
|--------------------------|------------------------|------|------|------|------|------|------|
| Potential Customers | Language Sector Growth | | | | | | |
| Medical Device Companies | 12% | 540 | 605 | 693 | 776 | 869 | 10% |
| Biotechnology | 16% | 325 | 377 | 437 | 507 | 588 | 10% |
| Pharmaceutical | 8% | 130 | 140 | 151 | 163 | 176 | 10% |
| Total | 12% | 995 | 1122 | 1281 | 1446 | 1633 | 10% |

Competitors: Freelancers and SMEs occupy 75% of the market. Large providers (e.g. Lionbridge) comprise of 25% of total market revenue. As of 2012 there were 26,104 suppliers of language services worldwide, with 784 focused on healthcare. Free-web based translation programs will not dent the market for translation services.

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| Financials | 2013 | 2014 | 2015 | 2016 | 2017 |
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| Total Operating Expenses | €226,808 | €243,540 | €510,740 | €668,469 | €744,426 |
| Net Profit* | (€66,991) | €(38,940) | €552,260 | €4,851,531 | €11,805,574 |

*Taxes and interest excluded from survey document for simplicity reasons

Appendix III: Survey Invitation and Instructions

Dear participant,

This survey is a collaborative project between the Erasmus School of Economics, Erasmus University Rotterdam and an emerging multinational organization based in the Netherlands. The goal of this study is to measure marketing effectiveness techniques. It will take approximately 10 minutes to answer all the questions; we ask, however that you read each item carefully before responding. There are no right or wrong answers. All information that you provide is highly confidential and will be kept anonymous. Final results can be made available to you on request.

Thank you very much for your time and support. Please click **next** to begin.

Yanick Kuper

0% 100%

Next



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Imagine you are an external investor or business angel. You are handed a one-page executive summary of a business plan for a multinational company. You are asked to evaluate the following document. It is up to you to decide whether you would like to take further steps with this business plan, and possibly even invest.

Based on the information given in this document only, please answer the following questions.

Previous

0% 100%

Next



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