



**MASTER IN BUSINESS ADMINISTRATION  
(MBA)**

*Trabajo Fin de Máster*  
**Capstone project**

**Selection Criteria in Government and  
Private Venture Capital  
Strategic Implications for Founders and  
Investors**

Author: Richard Kurt Thomas Leschig  
Supervisor: Raúl González Fabre



Madrid  
May 2026

## **Executive Summary**

This Capstone Project examines the selection criteria applied by government venture capital (GVC) and private venture capital (PVC) investors when evaluating early-stage startups in Europe and translates the identified differences into actionable strategic implications for founders and investors.

The primary research question asks what concrete strategic recommendations for fundraising strategy early-stage founders can derive from the structural differences in selection criteria between government and private venture capital investors in Europe. Drawing on a systematic literature review and empirical data from twelve semi-structured expert interviews with European GVC and PVC investors, conducted in the parallel context of a Master's thesis at RWTH Aachen University on venture capital selection criteria, the study applies a qualitative content analysis framework across 452 coded segments from investors across six European countries.

The central finding is a fundamental duality: both investor types share the same core evaluation logic: founding team quality, market potential, scalability, and business model viability, driven by shared co-investment practices. Divergence persists at the institutional level: GVC investors apply non-negotiable geographic filters, balance returns with policy objectives, and tolerate greater pre-commercial uncertainty, while PVC investors operate under a pure financial return mandate with explicit market-size thresholds and faster internal processes.

These structural differences carry concrete strategic implications. Founders targeting GVC should prioritise establishing a demonstrable regional link before any other engagement, frame their ventures in terms of both commercial viability and regional impact, and can approach investors at pre-traction stages. Founders targeting PVC must lead with a credible total addressable market exceeding one billion euros, demonstrate international scalability, and present a financially focused narrative. A sequential fundraising strategy using GVC as validation and certification to attract subsequent PVC capital emerges as a powerful structural opportunity for early-stage founders. For investors, the study highlights how selection criteria shape founder perceptions and interaction dynamics, and how co-investment functions as a market-based harmonisation mechanism that aligns GVC evaluation standards with private benchmarks.

**Keywords** venture capital, government venture capital, private venture capital, selection criteria, startup fundraising, strategic implications, co-investment, founder strategy, SDGs

## Table of Contents

Executive Summary .....	I
Table of Contents .....	III
Index of Tables .....	VI
List of Abbreviations .....	VII
1 Introduction.....	1
1.1 Background and Relevance of Venture Capital Selection Criteria.....	1
1.2 Problem Statement and Research Objectives .....	2
1.3 Structure of the Project .....	2
2 Literature Review and Conceptual Framework .....	3
2.1 Venture Capital and the Investment Process .....	3
2.2 Deal Screening and Selection Criteria .....	4
2.3 The Role of the Management Team in VC Decision-Making.....	5
2.4 Government Versus Private Venture Capital.....	5
2.5 Research Gap and Conceptual Framework.....	6
3 Methodology.....	7
3.1 Research Design and Qualitative Approach .....	7
3.2 Data Sources and Interview Sample .....	8
3.3 Interview Instrument and Procedure.....	10
3.4 Data Analysis Method.....	10
3.5 Validity, Reliability, and Ethical Considerations .....	11
4 Empirical Findings.....	11
4.1 Selection Criteria in Private Venture Capital.....	11
4.1.1 Founding Team Quality as the Primary Criterion.....	12
4.1.2 Explicit Market Size Thresholds and Traction Requirements .....	13
4.1.3 Pure Financial Return Mandate .....	14
4.1.4 Business Model Robustness, Scalability, and Capital Efficiency.....	14

4.1.5	Rejection Criteria in Private Venture Capital .....	15
4.2	Distinct Selection Criteria in Government Venture Capital .....	16
4.2.1	Geographic Mandate as a Non-Negotiable Hard Filter .....	16
4.2.2	Core Screening Criteria and Convergence with PVC.....	17
4.2.3	Higher Risk Tolerance and Pre-Traction Investment .....	18
4.2.4	Dual Investment Objectives.....	18
4.2.5	Independent External Expert Committees .....	19
4.2.6	Time Horizon and Patient Capital.....	20
4.3	Comparative Analysis of Similarities and Differences.....	20
4.3.1	Patterns of Convergence .....	20
4.3.2	Patterns of Divergence.....	21
4.3.3	The Investor Composition Signal and its Implications.....	22
4.4	Summary of Comparative Findings.....	23
5	Strategic Implications .....	25
5.1	Foundations of a Differentiated Fundraising Strategy.....	26
5.2	Common Strategic Prerequisites.....	26
5.3	Strategic Recommendations Targeting Government Venture Capital.....	26
	Recommendation 1 - Establish Regional Fit as the First Strategic Priority .....	26
	Recommendation 2 - Frame the Venture for Dual Value Creation .....	27
	Recommendation 3 - Leverage Pre-Traction Tolerance Through Strategic Timing .....	27
	Recommendation 4 - Prepare Materials for External Expert Evaluation .....	28
	Recommendation 5 - Align Return Expectations with GVC Patient Capital .....	28
	Recommendation 6 - Use GVC Investment as a Certification Signal.....	29
5.4	Strategic Recommendations Targeting Private Venture Capital .....	29
	Recommendation 7 - Lead with Market Size Credibly and Specifically.....	29
	Recommendation 8 - Demonstrate Credible International Scalability .....	30
	Recommendation 9 - Prioritise Financial Return Framing Exclusively .....	30

Recommendation 10 - Build Traction Before Engaging PVC.....	31
Recommendation 11 - Manage Investor Composition as a Strategic Signal.....	31
5.5 Sequential Fundraising as an Integrated Strategy .....	32
5.6 Understanding Investor Processes: What Founders Need to Know .....	33
5.6.1 Understanding the GVC Process: Practical Guidance for Founders .....	33
5.6.2 Understanding PVC Evaluation Logic: Practical Guidance for Founders.....	34
5.7 Critical Assessment of the Strategic Framework.....	35
5.7.1 Boundary Conditions of the Sequential Fundraising Strategy.....	35
5.7.2 Counterargument to Recommendation 6: The Certification Signal .....	35
5.7.3 Overall Assessment of Framework Validity.....	36
6 Discussion.....	36
6.1 Interpretation of Findings in Light of Existing Literature .....	36
6.2 Social and Environmental Impact Assessment.....	37
6.2.1 SDG 8: Decent Work and Economic Growth.....	37
6.2.2 SDG 9: Industry, Innovation, and Infrastructure .....	38
6.2.3 SDG 10: Reduced Inequalities.....	38
6.2.4 SDG 17: Partnerships for the Goals.....	39
6.2.5 Overall SDG Assessment.....	39
6.3 Synthesis and Theoretical Contribution.....	40
6.4 Limitations of the Study.....	41
7 Conclusion .....	41
7.1 Summary of Key Insights .....	41
7.2 Managerial Implications and Directions for Future Research .....	43
Bibliography .....	VI
Appendix.....	IX
A. Interview Guide Overview.....	IX
B. Coding Framework Main Categories.....	X

**Index of Tables**

Table 1: Conceptual Framework and Strategic Implications.....	7
Table 2: Sample Overview.....	9
Table 3: Extract from the Interview Coding Table.....	10
Table 4: Comparative Summary of GVC and PVC Selection Criteria.....	25
Table 5: Proposed Sequential Fundraising Strategy .....	32
Table 6: Integrated Sequential Fundraising Framework.....	33

**List of Abbreviations**

VC	Venture Capital
PVC	Private Venture Capital
GVC	Governmental Venture Capital
LP	Limited Partner
DACH	Germany, Austria, Switzerland
TRL	Technology Readiness Level
TAM	Total Addressable Market
SDG	Sustainable Development Goal
ESG	Environmental, Social, and Governance

# 1 Introduction

## 1.1 Background and Relevance of Venture Capital Selection Criteria

Venture capital (VC) plays a central role in financing innovative startups and shaping the trajectory of entrepreneurial ecosystems. By providing not only capital but also strategic guidance, network access, and managerial expertise, venture capitalists fulfil an intermediary function that addresses fundamental market failures arising from information asymmetries between entrepreneurs and conventional financing sources (P. Gompers et Lerner, 2001; Kaplan et Strömberg, 2004). The decision of which ventures to fund carries considerable consequence for the startups that receive or are denied investment and for the broader economy. While VC-financed firms represent less than 0.2 percent of all companies created, they account for a disproportionate share of employment creation, IPO activity, and long-run innovation output (Kortum et Lerner, 2000; Puri et Zarutskie, 2012). Gornall and Strebulaev illustrate this vividly by finding that VC-backed companies account for approximately 41 percent of total US market capitalisation (Gornall et Strebulaev, 2015).

Within the venture capital landscape, a growing and institutionally distinct segment is attributable to government venture capital. GVC funds are government-owned or government-sponsored investment vehicles that pursue a dual mandate, combining financial sustainability with policy objectives such as regional economic development, innovation promotion, and job creation (Testa et al., 2024). PVC funds, by contrast, are driven by a singular mandate of financial return maximisation, accountable primarily to their private limited partners. GVC investment accounts for approximately 30.8 percent of total European VC investment in the 2007 to 2021 period (Invest Europe, cited in Testa et al., 2024), making it a quantitatively significant feature of the European startup financing landscape.

Despite operating in the same market, funding similar startup profiles, and frequently co-investing in the same financing rounds, GVC and PVC investors make decisions under fundamentally different incentive structures, accountability frameworks, and institutional constraints. For founders, these differences are not always transparent. Research consistently shows that entrepreneurs frequently approach GVC and PVC investors with undifferentiated fundraising strategies despite the fact that the decision logics of these two investor types diverge in ways that are both meaningful and actionable (P. A. Gompers et

al., 2020). This misalignment is costly. Unsuccessful fundraising attempts consume substantial founder time and resources and may result in targeting the wrong investor type, misaligning the pitch narrative, or developing unrealistic expectations regarding investment rationale, time horizons, and post-investment involvement.

At the same time, the academic literature on venture capital has remained primarily focused on describing selection criteria or analysing investment outcomes rather than translating identified differences into prescriptive strategic guidance for founders. Comparative qualitative insights that connect investor decision criteria with founders' strategic behaviours during fundraising remain limited. This Capstone Project addresses that gap.

## **1.2 Problem Statement and Research Objectives**

This project addresses the practical challenge of how founders should adapt their fundraising strategies when approaching GVC versus PVC investors. It builds on empirically observed differences developed in a parallel Master's thesis at RWTH Aachen University on venture capital selection criteria. This Capstone Project takes those findings a step further, translating them into concrete strategic recommendations for founders and investors. The primary research question therefore asks:

*What concrete strategic recommendations for fundraising strategy can early-stage founders derive from the structural differences in selection criteria between government and private venture capital investors in Europe?*

Three secondary research questions guide the analysis:

*What are the most relevant screening and selection criteria applied by GVCs and PVCs when evaluating startups, and how do their relative priorities differ?*

*How should founders adapt their fundraising strategy, pitch narrative, and investor targeting based on these differences?*

*What strategic implications do differing selection criteria of government and private venture capital have for founders and investors?*

## **1.3 Structure of the Project**

Chapter 2 reviews the academic literature on venture capital decision-making, screening and selection criteria, the role of the founding team, and the structural differences between GVC and PVC, culminating in a conceptual framework. Chapter 3 describes the research

methodology. Chapter 4 presents the empirical findings structured around GVC criteria, PVC criteria, and a comparative analysis. Chapter 5 derives the strategic implications for founders and investors, including a critical assessment of the framework. Chapter 6 discusses the findings in light of existing literature, drawing exclusively on the theoretical frameworks and sources introduced in Chapter 2, presents the sustainable development goal (SDG) impact assessment, a theoretical synthesis, and identifies limitations. Chapter 7 concludes with key insights and directions for future research.

## **2 Literature Review and Conceptual Framework**

### **2.1 Venture Capital and the Investment Process**

Venture capital represents a highly specialised form of financial intermediation designed to address the fundamental informational and contractual challenges inherent in financing young, innovative, high-risk companies. Tyebjee and Bruno (1984) provide a foundational characterisation of the VC investment process as comprising five sequential stages: deal origination, deal screening, deal evaluation, deal structuring, and post-investment activities. Each stage involves distinct forms of information processing and risk management. The scarcest resource for a venture capitalist is time rather than capital, meaning that screening and selection are subject to intense prioritisation (Kaplan & Strömberg, 2001).

A defining feature of venture capital financing is the near-impossibility of relying on conventional performance metrics. Because ventures are young and lack track records, investors cannot apply the quantitative tools available in public equity markets. Evaluation therefore rests on qualitative signal assessment of the founding team, the attractiveness of the addressable market, the distinctiveness of the product or technology, and the plausibility of the business model (P. A. Gompers et al., 2020; Tyebjee et Bruno, 1984). Kaplan and Strömberg (2004) confirm that VC investment decisions focus primarily on management team quality, market attractiveness, and technology or product characteristics, with management quality cited most frequently as the critical factor.

Gompers et al. (2020) add that VCs rate deal selection as the most important driver of value creation, surpassing both deal sourcing and post-investment support.

The non-financial dimensions of venture capital are equally significant. Gompers and Lerner (2001) argue that it is precisely the non-monetary aspects encompassing intensive screening, sophisticated contracting, active monitoring, and governance involvement that

constitute the core value proposition of VC as an institution. VC-backed companies demonstrate superior growth, higher IPO rates, more employment creation, and greater innovation output relative to non-VC-backed peers (Puri et Zarutskie, 2012; Testa et al., 2024). Baum and Silverman (2004) find that this outperformance reflects genuine selection quality. VCs are picking winners rather than primarily building them through post-investment support, a finding with direct strategic implications for founders.

Agency problems inherent in the investor-entrepreneur relationship necessitate sophisticated contractual arrangements. Kaplan and Strömberg (2004) document that VC contracts separate cash flow rights, voting rights, board rights, and liquidation rights, with control allocated contingently on firm performance. Sahlman (1990) identifies staged capital infusion as the most powerful control mechanism available to venture investors, enabling periodic re-evaluation and maintaining founders on a tight accountability structure.

## **2.2 Deal Screening and Selection Criteria**

Given the volume of potential investment opportunities relative to available capital and management bandwidth, screening is the most critical activity in the VC investment process. Gompers et al. (2020) find that VCs rate deal selection as the primary driver of value creation among all VC activities. Kaplan and Strömberg (2000, 2003) identify market size, strategy, technology, customer adoption, competition, management team quality, and deal terms as consistently prominent criteria. Gompers et al. (2020) confirm that the founding or management team receives the greatest weight, followed by business model, product, market, industry, company valuation, and fund fit.

Dahooie et al. (2025) find that team and market characteristics dominate all other decision criteria in importance for successful fundraising outcomes. The consistent primacy of team quality across studies reflects the insight articulated by Kaplan and Strömberg (2001) that management risk is present in more than 60 percent of investments studied, making the quality, completeness, and coachability of the founding team the dominant source of evaluative uncertainty.

The question of whether VC value creation derives from selection quality or post-investment support, which Baum and Silverman (2004) frame as the picking winners versus building them debate, has significant strategic implications for founders. If selection is the dominant mechanism, as the evidence suggests, then the quality of a founder's signalling at

the fundraising stage directly determines investment outcomes, independent of post-investment support.

### **2.3 The Role of the Management Team in VC Decision-Making**

The founding and management team occupies a uniquely central position in venture capital evaluation, a finding so robust across methodologies and contexts that it constitutes one of the most replicated results in the literature (Kaplan et Strömberg, 2001; Gompers et al., 2020; Dahooie et al., 2025). This primacy reflects a fundamental epistemic reality. When investment decisions are made at early stages with limited financial history and incomplete product-market validation, the team is often the only truly evaluable asset.

Kaplan and Strömberg (2001) find that in at least half of observed investments, VCs anticipated playing an active role in recruiting management, and that the initial appraisal of team quality predicts subsequent performance outcomes including the probability of a successful IPO. Strong management teams obtain more attractive contracts, while teams with identified weaknesses trigger greater VC control rights and more stringent milestone-contingent financing structures. Gompers et al. (2020) find that coachability, founder-market fit, commitment to the venture, and the ability to adapt plans as circumstances change are as important as prior industry experience.

An important qualification introduced by Baum and Silverman (2004) is that team characteristics do not reliably predict post-investment success because VCs frequently reshape or replace management after investing. VCs focus their pre-investment team assessment on characteristics relevant to the immediate next stage of growth rather than the full commercialisation journey, a nuance with direct implications for what founders should signal.

### **2.4 Government Versus Private Venture Capital**

Government venture capital represents a structurally distinct category within the broader VC ecosystem. Testa et al. (2024) document that GVC investment accounts for approximately 30.8 percent of total European VC activity between 2007 and 2021. GVC funds are government-owned or government-sponsored investment vehicles structured like conventional VC funds but operating under mandates that incorporate non-financial policy objectives (Bertoni et al., 2019).

The theoretical justification for government involvement in VC financing rests on the market failure argument. Lerner (2010) argues that innovation accounts for approximately 85 percent of economic growth, that startups are disproportionately important innovation drivers, and that one dollar of VC generates as much innovation as three dollars of conventional corporate R&D. Entrepreneurship generates positive externalities that private markets systematically under-produce, justifying public intervention. Samila and Sorenson (2011) confirm that VC activity has a highly positive causal impact on business creation, employment, and aggregate income.

GVC funds are heterogeneous in structure, mission, and focus. Testa et al. (2024) document that GVC initiatives differ across investment approach, involvement of the private sector, organisational structure, and investment selection criteria. A fundamental distinction among GVCs is geographic focus. Funds may operate at regional, national, or supranational levels, with regional GVCs subject to stronger political influence and weaker ability to attract skilled investment personnel.

The performance of GVC relative to PVC is a contested empirical question. Cumming et al. (2017) find that pure GVC investing underperforms private VC in terms of exit rates but that mixed GVC and PVC co-investment syndicates perform as well as or better than PVC-only deals, with public capital adding value only when paired with private VC expertise. Bertoni et al. (2019) document that GVC investment functions as a certification signal, with GVC-backed companies significantly more likely to subsequently receive PVC funding and in larger amounts.

## **2.5 Research Gap and Conceptual Framework**

The existing literature has extensively documented the criteria applied by VC investors and analysed structural differences between GVC and PVC. However, a significant gap remains in the translation of these descriptive and analytical findings into prescriptive strategic guidance for founders. Comparative qualitative insights that connect investor decision criteria with founders' strategic behaviour during fundraising remain limited.

This project fills that gap by adopting an explicitly normative, founder-centred analytical lens. The conceptual framework integrates three theoretical perspectives. Signalling theory (Spence, 1978) provides the foundation for understanding how founders can credibly communicate quality to investors facing information asymmetries and how different investors process different signals. Principal-agent theory (Jensen et Meckling, 1976)

illuminates the governance dimensions of the GVC and PVC distinction, specifically how different accountability structures generate different evaluation priorities. Institutional theory (DiMaggio et Powell, 1983) contextualises how the structural mandates of GVC investors systematically shape their decision logics in ways that differ from the purely financial logic of PVC. Table 1 operationalises these three theoretical perspectives by mapping their respective applications to GVC and PVC investment contexts and deriving the strategic implications that form the analytical backbone of this study.

Theoretical Lens	GVC Application	PVC Application	Strategic Implication
Signalling Theory	Geographic link, policy alignment, innovation signals	Market size, scalability, financial return signals	Tailor signal portfolio to investor type
Principal-Agent Theory	Public accountability, external expert committees	Financial accountability to limited partners (LP), internal governance	Adapt materials to committee structure
Institutional Theory	Geographic mandate, dual objectives, patient capital (long-term, low-pressure financing)	Pure financial mandate, efficiency orientation	Understand hard filters before engagement

*Table 1: Conceptual Framework and Strategic Implications  
(Source: Own elaboration)*

### 3 Methodology

#### 3.1 Research Design and Qualitative Approach

This project adopts a qualitative research design combining a systematic literature review with empirical data derived from semi-structured expert interviews. A qualitative approach is appropriate given the exploratory and interpretive nature of the research objective. The goal is not to test pre-specified hypotheses but to develop a rich, contextually grounded understanding of selection criteria and their strategic implications for founders. This methodological orientation aligns with the established tradition in qualitative VC research

(Gompers et al., 2020) and is particularly well-suited to capturing the tacit decision-making rationale that would be inaccessible through quantitative instruments.

The research design follows an abductive logic combining deductive category development anchored in prior literature with inductive refinement based on emerging themes from the interview data.

### **3.2 Data Sources and Interview Sample**

The empirical component draws on semi-structured, anonymised interviews with European VC investors including both GVC and PVC funds. The interviews were conducted in the context of a parallel Master's thesis at RWTH Aachen University on venture capital selection criteria, with full methodological alignment between the two studies. The interview guide and data collection process were designed to be compatible with the objectives of both projects.

The sample comprised twelve investors drawn from six European countries (Germany, Spain, the Netherlands, Italy, Finland, and Iceland). Four investors represented GVC funds (GVC1 through GVC4), seven represented PVC funds (PVC1 through PVC7), and one represented a hybrid investor managing both public and private fund vehicles (PVC/GVC). Fund sizes ranged from approximately 1.5 million euros to over 100 million euros. GVC funds were financed through public sources including regional government budgets, municipal development funds, and EU structural funds such as the European Regional Development Fund. PVC funds drew capital predominantly from private limited partners including banks, institutional investors, and family offices. Both investor types operated primarily at early investment stages, with GVC investors concentrated at pre-seed and seed stage, and PVC investors spanning pre-seed through growth stage with notable heterogeneity.

Geographic focus varied meaningfully across the sample. All four GVC investors operated under strict regional mandates: GVC1 was restricted to the Dutch province of Limburg, GVC2 to Bavaria, GVC3 to Hamburg, and GVC4 to Iceland. PVC investors operated with broader mandates spanning national markets (Spain, Germany, Finland), pan-European or global scopes. The hybrid investor managed one regionally constrained public fund and multiple private funds with broader geographic reach, providing a direct within-investor comparison of how mandate structure affects selection behaviour. Table 2 gives an overview of the participants and their respective geographic positions.

ID	Type	Primary Stage	Geographic Focus	Country
GVC1	Government VC	Pre-seed to Series B	Regional mandate (province level)	Netherlands (Limburg)
GVC2	Government VC	Pre-seed to growth	Regional mandate (state level)	Germany (Bavaria)
GVC3	Government VC	Pre-seed to Series A	Regional mandate (city level)	Germany (Hamburg)
GVC4	Government VC	Pre-seed to seed	National mandate (island economy)	Iceland
PVC1	Private VC	Pre-seed	National (Spain)	Spain
PVC2	Private VC	Seed to Series A	National (Spain, public mandate for catalonia)	Spain
PVC3	Private VC	Pre-seed to early stage	DACH region	Germany
PVC4	Private VC	Pre-seed to seed	Europe	Italy (HQ)
PVC5	Private VC	Pre-seed to Series A	DACH region	Germany
PVC6	Private VC	Pre-seed to seed	Nordics (FI, SE, DK, EE)	Finland
PVC7	Private VC	Growth stage	Europe	Germany
PVC/GVC	Hybrid	Pre-seed to seed	Regional (public) and National (private)	Germany

*Table 2: Sample Overview  
(Source: Own elaboration)*

### 3.3 Interview Instrument and Procedure

A standardised semi-structured interview guide was developed to ensure systematic comparability across investor types while preserving flexibility for emergent themes. The guide comprised five thematic sections covering background and fund context, screening and early evaluation criteria, deep evaluation and due diligence, rejection criteria, and investment objectives with decision-making structure and post-investment involvement. Interviews lasted between 30 and 60 minutes and were conducted in English, German, and Spanish depending on participant preference. All sessions were audio-recorded with informed consent and subsequently transcribed verbatim. A complete overview of the interview guide is provided in Appendix A.

### 3.4 Data Analysis Method

Interview data were analysed using qualitative content analysis following Mayring (2019). The coding process proceeded in five steps: verbatim transcription, initial deductive coding based on the literature-derived category system (see the extract in Table 3), inductive refinement of categories based on emerging themes, cross-case comparison across GVC and PVC investor groups, and pattern extraction focusing on three analytical dimensions. These dimensions were criteria consistently emphasised across both investor groups, differences in prioritisation between investor types, and differences in evaluation rationale, specifically whether criteria were assessed from a financial or a policy-oriented perspective.

ID	Category	Subcategory	Page	Quote (Original)
PVC1	Due Diligence Criteria	Business Model Robustness	15	El business plan como early stage investors no nos importa al principio.
GVC2	Investment Objectives	Financial Return	23	Wir agieren wie jeder andere Investor, weil du ja mit anderen co-investierst.
GVC4	Technology Assessment	Technological Risk	11	If needed, we can look towards talking to certain experts.
PVC7	Due Diligence Criteria	Technological Due Diligence	6	Ich spreche immer von einer multiplikativen Verknüpfung der einzelnen Kriterien.

*Table 3: Extract from the Interview Coding Table  
(Source: Own elaboration)*

A total of 452 coded segments were generated across the twelve interviews, distributed across ten main coding categories: fund characteristics, screening criteria, founding team

assessment, due diligence criteria, rejection criteria, technology assessment, decision-making process, investment objectives, GVC versus PVC differences, and value creation. The coding framework is documented in Appendix 0. Quotes from German and Spanish interviews are presented in English translation throughout the findings chapter, with each translated quote explicitly marked as such.

### **3.5 Validity, Reliability, and Ethical Considerations**

Methodological rigour was assessed against the four trustworthiness criteria proposed by Lincoln and Guba (1985): credibility, transferability, dependability, and confirmability. Credibility was supported by a standardised interview guide, verbatim transcription, and the triangulation of findings across structurally diverse investor types. Transferability is acknowledged as limited to the purposive sample of twelve European investors. Analytical rather than statistical generalisability is claimed. Dependability was maintained through a structured, iterative coding process with progressive refinement and retrospective re-coding of earlier transcripts. Confirmability was supported by deductive category anchoring in established literature. All participants were fully anonymised. Data was used exclusively for academic research purposes.

## **4 Empirical Findings**

This chapter presents the empirical findings from the qualitative content analysis of twelve investor interviews across 452 coded segments. The findings are structured around the selection criteria of PVC investors as the general evaluation framework, the distinct selection criteria of GVC investors, and a comparative analysis of convergence and divergence patterns. All investor references are anonymised using the codes established in Chapter 3. Quotes from German and Spanish interviews are presented in English translation and marked accordingly.

### **4.1 Selection Criteria in Private Venture Capital**

PVC investors in the sample operate under a singular financial return mandate that shapes all evaluation dimensions. The following subsections document the key selection criteria across the seven PVC funds and the hybrid investor.

#### **4.1.1 Founding Team Quality as the Primary Criterion**

Consistent with the academic literature, PVC investors unanimously cited founding team quality as the most frequently and emphatically mentioned selection criterion. The primacy of the team was expressed with striking consistency across all seven PVC investors, differing primarily in the specific team attributes emphasised.

*"First, team. For us, 80 to 90 percent of the reasons we invest in a startup is the team. Are they founders who have experienced the problem? Will they solve it from a position of passion?"* (PVC1, own translation)

*"The first thing I look at is the expertise in the team. They need to be truly exceptionally good at what they do and the expertise they bring."* (PVC3, own translation)

*"It depends on the stage of the company. If you are speaking about early stage, the role of the founding team is essential."* (PVC4)

*"The team is of course always the first thing you look at. They should convey a strong impression through relevant industry expertise or personality."* (PVC5, own translation)

*"They also need to have the right kind of personality as a founder, because a startup is a learning project. To be able to learn, you need to be very humble, analytical, and of course intelligent."* (PVC6)

PVC investors evaluated team quality through multiple methods. Reference calls with prior collaborators and investors, personal interaction over multiple meetings, personality assessments, and workshop observations. PVC3 described particularly intensive team diligence encompassing reference calls, personal meetings, workshops, personality assessments, and online tests.

The hybrid investor introduced a novel dimension absent from the GVC evaluation framework: the quality of the investor composition itself as a proxy for founding team quality.

*"Teams that are only financed by public investors are, for us, second-tier teams. First-class teams seek out private investors because these deliver more network, reach, industry access, and relevant portfolio companies."*  
(PVC/GVC, own translation)

This observation, that investor composition functions as a recursive quality signal, constitutes one of the novel empirical contributions of this study. It creates a compounding dynamic in which early-stage financing choices have persistent consequences for how subsequent investors assess the venture's competitive quality.

#### **4.1.2 *Explicit Market Size Thresholds and Traction Requirements***

PVC investors applied market size as a substantially harder criterion than GVC investors, with several funds articulating explicit minimum requirements as conditions for investment consideration.

*"The market potential should be at least one billion euros; otherwise, it will not make the cut." (PVC4)*

*"Market potential is super important for us. Sometimes we have to decline because we have doubts that it can become large enough to be a typical fund returner in the coming years." (PVC3, own translation)*

*"The third topic is market and customers. Do we have a solution that solves a problem relevant to a sufficiently large, or ideally very large, number of customers, and thus has a high market potential?" (PVC5, own translation)*

*"Well, the meaningful criteria we have are that they need to have a sellable product and first paying customers. Then they need to demonstrate some insightful understanding of the customer need." (PVC6)*

PVC investors linked market assessment tightly to customer identification and problem-solution fit. Market size was treated not as an abstract industry figure but as an indicator of the venture's revenue potential within a defined and accessible customer segment. PVC1 was specific about the internationalisation dimension. All investments were expected to demonstrate international scalability potential, with founders expected to enter foreign markets between year one and three of the investment.

*"All investments we make are internationalisable, meaning at some point between year one and three we expect all our startups to go international. Solutions that are born in Spain and stay in Spain are a dealbreaker." (PVC1, own translation)*

Regarding traction, PVC investors demonstrated notably higher thresholds for commercial evidence before engaging. PVC6 noted that while the fund invests before full product-market fit, it requires at minimum a sellable product and first paying customers. PVC7,

operating in the growth stage, required demonstrated revenue traction and a Technology Readiness Level of at least 6 as non-negotiable entry conditions.

#### **4.1.3 Pure Financial Return Mandate**

PVC investors were unambiguously and consistently oriented toward financial return maximisation as their sole or primary investment objective. This was expressed with notable directness across multiple investors.

*"Our interest is purely financial. Our investment is not limited or conditioned by environmental, social or governance (ESG) topics." (PVC1, own translation)*

*"At the end of the day, we are an institution that manages money for our LPs and has the clear task: returns. That is therefore of course the most important thing." (PVC5, own translation)*

*"Primarily our LPs just expect a nice return. So ultimately everything has to be based on financial results and objectives." (PVC6)*

*"Our investments are purely financial. If we do not see an upside in the valuation in the long run, we cannot justify it to our investment parties and LPs." (PVC4)*

Several PVC investors acknowledged non-financial dimensions but positioned these as secondary constraints rather than primary objectives. PVC3 noted that impact is important but that returns take precedence. PVC5 emphasised technology with positive societal impact as a preference but not a required investment criterion. PVC7, as a dedicated impact fund, represented the strongest integration of non-financial objectives within the PVC sample, though it framed these explicitly as complementary to rather than in tension with financial returns. This finding suggests that the pure financial mandate characterising most PVC investors is not absolute across all PVC subtypes, but remains the dominant orientation in the sample.

#### **4.1.4 Business Model Robustness, Scalability, and Capital Efficiency**

PVC investors placed strong emphasis on the demonstrability of a scalable, defensible, and capital-efficient business model. Key evaluation dimensions included product differentiation, international scalability, competitive positioning, and the absence of prohibitive structural risks.

*"All investments we make are internationalisable. We look at four things: team, market size, technology, and go-to-market strategy." (PVC1, own translation)*

*"We focus on technologies that can be scaled well across different markets, different industries, and internationally. That is independent of whether it is platform or product, software or hardware." (PVC3, own translation)*

*"You must be capital efficient. Your focus must be on the business rather than your product. You must be in the market now." (PVC6)*

*"We are a growth-stage investor, so we want to know whether the company has a Technology Readiness Level of 6. That is a NASA term meaning the technology is demonstrated in a relevant environment." (PVC7, own translation)*

PVC6 explicitly described targeting what the fund calls "camel-type companies", capital-efficient, resilient ventures that build real businesses as their primary objective, as opposed to ventures structured around unicorn-or-bust return profiles. This orientation toward capital efficiency as a screening criterion distinguishes PVC6's approach from the more return-maximisation-focused PVC funds in the sample and reflects the heterogeneity within the PVC investor category.

#### **4.1.5 Rejection Criteria in Private Venture Capital**

PVC rejection criteria were multi-dimensional, with notable consistency across the sample on the most common hard stop conditions.

*"We do not invest when people do not know the market they want to venture into, when they do not have the technical capacity to develop what they say they will. For us that is a red flag." (PVC1, own translation)*

*"If we see the startup has already raised too much funding, there are already too many investors on the cap table, or the founders are already too diluted for their development stage, that is a reason to pass." (PVC5, own translation)*

*"The top reasons we reject early on: the founder is just dreaming of becoming a founder without realistic expectations; pure financial motivation is a dealbreaker; and the business is in a space we find difficult to make capital efficient." (PVC6)*

*"Everything that is not in scope. We do not do energy, pharmaceutical development, or classic software." (PVC7, own translation)*

Across the PVC sample, the most consistent rejection triggers were insufficient market size, lack of scalability, fund-strategy misalignment, weak founding team, and inadequate IP protection. Several PVC investors also cited cap table problems, excessive prior dilution,

and valuation misalignment as common reasons for declining otherwise attractive investments.

## **4.2 Distinct Selection Criteria in Government Venture Capital**

GVC investors build on the general evaluation framework shared with PVC investors (Section 4.1) but differ from it in structurally important ways. The following subsections document the dimensions that are distinct to GVC selection: the institutional mandates, geographic constraints, and structural features that differentiate GVC from PVC selection behaviour. Criteria shared with PVC — team quality, market potential, scalability, and business model viability — are addressed in Section 4.1 and are not repeated here.

### ***4.2.1 Geographic Mandate as a Non-Negotiable Hard Filter***

The most operationally consequential feature of GVC selection is the application of a geographic mandate as a hard, pre-evaluative filter. All four GVC investors in the sample required a demonstrable link between the startup and their specific region before any qualitative assessment was initiated. This filter functions upstream of all other screening criteria: ventures without a qualifying regional link are rejected regardless of team quality, market potential, or technological innovation. The mandate is not a soft preference but an institutionally imposed boundary condition reflecting the public accountability structure of each fund.

*"We can do a lot very early stage, all sectors, but there is only one restriction. You must have a link to our region. And that is sometimes hard to establish."*

(GVC1)

*"The biggest difference is that we have a regional focus, which restricts the topics we can invest in. A PVC can invest Europe-wide or even globally, while we can only invest in Bavaria."* (GVC2, own translation)

*"You need to be registered in Hamburg, either as a main office or a branch office can also be arranged somehow."* (GVC3, own translation)

*"We only invest directly into companies in Iceland. That is a criteria."* (GVC4)

The geographic constraint varies in its specific form across the sample. GVC1 required a demonstrable operational link to a specific Dutch province, GVC2 required registration or research roots in Bavaria, GVC3 required formal registration in Hamburg, GVC4 required Icelandic incorporation. In all cases, the constraint is applied before the qualitative

evaluation pipeline begins, and all four investors confirmed that this filter is non-negotiable regardless of the venture's commercial merit. The practical consequence for founders is unambiguous. Any engagement with a GVC investor must begin with verification of this geographic condition. The geographic constraint also creates a structural information constraint on deal flow quality: geographically bounded mandates limit the investable universe, which affects the average quality and diversity of the deal flow each fund receives.

#### **4.2.2 Core Screening Criteria and Convergence with PVC**

Beyond the geographic filter, GVC investors apply substantively identical core screening criteria to those of PVC investors. Team quality, market potential, scalability, and business model viability are evaluated by all investor types, consistent with the investment dimensions documented by Kaplan and Strömberg (2004) and Gompers et al. (2020). Multiple GVC investors confirmed this equivalence explicitly and independently, attributing it directly to the logic of co-investment.

*"In the end, the team, the market size, the scalability, the IP situation, that is all the same between GVCs and PVCs."* (GVC1)

*"Otherwise we are as GVCs identical to PVCs, also with regard to screening and selection criteria, since we ultimately co-invest with other PVCs."*  
(GVC2, own translation)

*"Apart from the geographic criterion Hamburg, our screening and selection criteria are the same as those of PVCs, precisely because we co-invest together."*  
(GVC3, own translation)

*"I would say that they use many of the same core screening criteria. They assess the founding team, market size, scalability, competitive advantage, and the overall risk profile."* (GVC4)

The co-investment mechanism provides the structural explanation for this convergence. GVC investors in the sample invest in virtually every round alongside private investors, and several described ongoing co-investor alignment processes. GVC3 noted that monthly co-investor reporting calls create continuous evaluation standard alignment between GVC and PVC fund managers. This observation supports the interpretation of co-investment as an endogenous harmonisation mechanism: shared deal participation necessitates shared evaluation logic.

*"At the end of the day, we invest in every round together with private investors. That means we also sit every month with the other investors in the reporting call. We get the numbers every month."* (GVC3, own translation)

#### **4.2.3 Higher Risk Tolerance and Pre-Traction Investment**

GVC investors exhibited greater tolerance for pre-commercial uncertainty than their PVC counterparts, framing this explicitly as their market-failure mandate: investing where private capital is absent due to excessive risk.

*"We cannot compete with markets, but we act where the markets do not act, so very early stage when it is too risky for other VCs."* (GVC1)

*"We are in general OK with stepping in earlier when there is no turnover or product-market fit yet."* (GVC1)

*"There is a lack of financing at these very early stages, the pre-seed and seed stages. So we are not in direct competition with capital from elsewhere, but we exist and are investing into companies in a space that most other investors consider too risky."* (GVC4)

This pre-traction tolerance is a direct functional consequence of the geographic constraint. Geographically bounded deal flow necessitates engagement at earlier stages than a nationally competitive deal flow would typically support. GVC investors accepted ventures with limited market validation provided that technology potential, founding team quality, and regional relevance criteria were satisfied. GVC2 additionally highlighted that at very early stages, team assessment carries proportionally more weight precisely because other performance signals are absent.

*"You must first differentiate between early and late stage, because in the late stage you have more information points than in the early stage. That means in the early stage you look even more strongly at the team."* (GVC2, own translation)

#### **4.2.4 Dual Investment Objectives**

GVC investors pursued investment objectives that balance financial sustainability with explicit policy goals including regional economic development, job creation, innovation promotion, and development of the local entrepreneurial ecosystem. Unlike PVC investors, GVCs reported willingness to accept lower financial return multiples where regional policy impact was substantial, and several framed this as a structural feature of their mandate rather than a discretionary choice.

*"More important than the financials is the value creation for our region. How many jobs are created? How is our ecosystem benefiting from this company that is coming to our region and will be established here?" (GVC1)*

*"When the impact for the region is high, the impact on a certain transition is high, then we are willing to be OK with a money multiple of, for example, one or two if necessary. Where other VCs will say, I need at least a multiple of seven or ten." (GVC1)*

*"Our goal is to make the city of Hamburg more attractive to founders from all over the world. We want to improve the ecosystem so that founders have a landscape in which they can connect." (GVC3, own translation)*

*"There may be certain regional topics that one wants to strengthen. But that is not so that you are a funding instrument. That is already independent." (GVC2, own translation)*

GVC4 expressed a nuanced version of this dual mandate, emphasising that financial returns are in fact critical for a sovereign fund investing public money, but that strategic sectoral priorities create additional evaluation dimensions absent from pure PVC mandates. The degree of explicit policy weighting varied across the sample: GVC1 was most explicit about accepting below-market returns for regional impact; GVC4 positioned financial return as the primary objective with policy alignment as a secondary but binding constraint.

*"There are also certain additional criteria that can play a role in our decision. For example, in the case of our health tech or health-related investment initiative, the government funding is specifically targeted at companies in that space." (GVC4)*

#### **4.2.5 Independent External Expert Committees**

A structural feature differentiating GVC decision-making from PVC is the use of independent external expert committees. GVC3 provided the most detailed description of this structure, linking it directly to the public accountability requirements associated with EU-funded capital.

*"We have this investment committee. Those are five independent industry experts from Hamburg who have the investment presented to them. That also has a bit to do with our public character, because we receive EU funds and Hamburg city funds, and therefore we have to be transparent." (GVC3, own translation)*

GVC2 similarly described a formal investment committee and investment memorandum process that follows the term sheet stage, noting that public accountability requirements impose additional reporting and compliance obligations compared to private funds. PVC investment committees, by contrast, were uniformly described across the PVC sample as internal, consisting of partner-level decision-makers accountable to their limited partners, without external expert involvement. This structural difference has direct implications for how founders should prepare their materials: the GVC evaluation process includes domain experts who evaluate technical merit independently of financial analysis.

#### **4.2.6 Time Horizon and Patient Capital**

GVC investors consistently described longer investment time horizons than PVC investors, attributing this explicitly to the absence of fixed-term fund structures and LP exit pressures.

*"We have an Evergreen fund, so we are more patient capital. Sometimes we are in a company for 15 years. We always aim to be on the board and we want to stay as long as possible." (GVC1)*

*"GVCs can stay in companies longer because they have less investment and exit pressure." (GVC2, own translation)*

*"We have no holding period or fixed holding period pressure that we have to exit after seven years for example." (GVC3, own translation)*

This patient capital characteristic has strategic relevance for founders in capital-intensive or long-development-cycle sectors, where GVC's structural tolerance for extended timelines is genuinely compatible with the venture's development logic. PVC investors, by contrast, consistently described time-to-exit as a binding constraint driven by LP fund horizon expectations, with PVC3 noting that private funds typically need to deliver returns within ten years.

### **4.3 Comparative Analysis of Similarities and Differences**

#### **4.3.1 Patterns of Convergence**

The comparative analysis across the twelve-investor sample reveals substantial convergence on core screening criteria. This convergence is not coincidental but structurally produced by the co-investment model that links GVC and PVC investors in shared financing rounds. Multiple investors from both groups confirmed this mechanism independently.

*"In the end, the team, the market size, the scalability, the IP situation, that is all the same between GVCs and PVCs." (GVC1)*

*"I have not seen major differences between GVCs and PVCs." (GVC3, own translation)*

*"But I believe there is already a lot of overlap between PVCs and GVCs, and it makes sense because there are great investments in many areas where both investor types invest together." (PVC3, own translation)*

*"If the screening and selection criteria of GVCs and PVCs were different, it would also lead to different types of companies being financed. Perhaps there are also GVCs that have different criteria. But for the ones that co-invest, which are most, the criteria should be very similar." (PVC7, own translation)*

The value creation dimension shows particularly strong convergence. Investors across both types attributed portfolio success overwhelmingly to selection quality rather than post-investment support, a finding consistent with Baum and Silverman (2004).

*"A sad fact is that over 80 percent of the results for the VC come from picking the right horses." (PVC6)*

*"We investors do between 1 and 2 percent of the work. That is to say, if a startup succeeds it is because the team is good." (PVC1, own translation)*

*"I would clearly say that success lies with the startups themselves, because venture capital is hands-off. It is not like private equity where you go in and do something operationally." (GVC2, own translation)*

#### **4.3.2 Patterns of Divergence**

Despite the convergence at the level of core criteria, meaningful divergence persists across four structural dimensions: geographic constraints, investment objectives, risk tolerance, and time horizons.

On investment objectives, PVC investors confirmed a singular financial mandate in contrast to the dual mandate of GVC investors. Several PVC investors explicitly contrasted their approach with the broader objectives of public funds.

*"Our investments are purely financial. If we do not see an upside in the valuation in the long run, we cannot justify it to our investment parties and LPs." (PVC4)*

*"One key difference is that governmental venture capital is often designed to promote the broader startup ecosystem and support venture development, whereas private venture capital allocates capital more strictly based on return expectations." (PVC4)*

*"GVCs and PVCs systematically finance different startups, because PVCs primarily select highly scalable top cases with maximum return potential, while GVCs more strongly also consider regionally appropriate ventures." (PVC/GVC, own translation)*

*"I believe that GVCs and PVCs sometimes invest in different companies, because they have different mandates and return requirements. Public funds with regional development mandates invest in regionally appropriate ventures that a private fund with a different focus would not consider." (PVC5, own translation)*

On risk tolerance, PVC investors were consistently less willing to invest without commercial evidence than GVC investors, and several confirmed that this difference reflects the structural accountability pressures of their fund model rather than individual risk preferences.

*"They are definitely interconnected, but there is still a different perception of risk and a different investment strategy behind each of them." (PVC4)*

*"At public funds there is a higher willingness to compromise, so that cases are supported that a private fund would more strictly filter out." (PVC/GVC, own translation)*

On time horizons, the divergence was consistent and multi-directional: GVC investors described patient capital with Evergreen or long-horizon fund structures, while PVC investors described LP-driven exit pressure as a defining constraint on portfolio management.

*"Private funds often need to have delivered the return within ten years in the best case." (PVC3, own translation)*

*"In our business, it is just as important to enter as to exit, because this is not like stock exchange shares that I buy and sell when I want." (PVC1, own translation)*

### **4.3.3 The Investor Composition Signal and its Implications**

One of the most practically significant findings that emerges from the comparative analysis is the recursive quality signal created by investor composition. The hybrid investor, who

manages both public and private funds, provided a direct within-investor observation of how the type of prior investors affects subsequent investor perceptions.

*"Teams that are only financed by public investors are, for us, second-tier teams. First-class teams seek out private investors because these deliver more than just capital: network, reach, industry access, and relevant portfolio companies."*

(PVC/GVC, own translation)

*"Strong founding teams choose their investors very deliberately based on added value, such as network, industry access, international reach, or relevant portfolio companies. Very ambitious top-tier teams also include this investor composition as part of their pitch."*

(PVC/GVC, own translation)

This finding creates a structural dynamic that directly contradicts an uncritical reading of the sequential fundraising logic: GVC investment functions as a positive certification signal when accompanied by private co-investors, but can function as a negative signal when it stands alone over extended periods. The strategic implication is that founders should not treat GVC investment as a substitute for private capital validation, but as a complement to it.

#### **4.4 Summary of Comparative Findings**

The comparative summary presented in Table 4 is grounded in the empirical findings documented in Sections 4.1 and 4.2 and does not introduce new material. Its purpose is to make explicit the analytical conclusions that follow from placing both bodies of evidence side by side.

The high convergence on core criteria reflects the finding, confirmed independently by investors across both groups, that founding team quality, market potential, scalability, and business model viability are evaluated by all twelve investors in structurally equivalent ways. As documented in Section 4.2, this equivalence is not coincidental but endogenously produced by the co-investment model: because GVC and PVC investors share financing rounds and co-investor reporting obligations, their evaluation logic converges toward a common standard. The high convergence on value creation view follows from the same logic, as both investor types attribute portfolio outcomes overwhelmingly to pre-investment selection quality rather than post-investment support.

The dimensions rated low convergence (geographic filter, investment objectives, time horizon, and investor composition) each correspond to a structural feature that is specific to one investor type and has no functional equivalent in the other. The geographic mandate documented in Section 4.2 has no parallel in the PVC framework described in Section 4.1. The dual objective function similarly reflects an institutional accountability structure that PVC funds do not operate under. The investor composition signal identified in Section 4.1 represents a further asymmetry: it is applied recursively by PVC investors to assess prior financing decisions but is not part of the GVC evaluation framework at all, making it a finding with no direct counterpart on the GVC side. Medium-convergence dimensions (investment stage, market size, risk tolerance, and decision structure) reflect areas where both investor types apply the same criterion but weight it differently or set different thresholds, as the quotes in Sections 4.1 and 4.2 illustrate.

Table 4 summarises the key comparative findings across all ten coding dimensions, with evidence sourced from the full twelve-investor sample.

Dimension	GVC Evidence	PVC Evidence	Convergence
Core Criteria	GVC1, GVC2, GVC3, GVC4: team, market, scale, BM identical to PVC	PVC3, PVC7: large overlap confirmed	High
Geographic Filter	GVC1: link to region; GVC2: Bavaria only; GVC3: Hamburg registration; GVC4: Iceland only	PVC1: Spain focus; others national or pan-European; no hard regional filter	Low
Investment Stage	GVC1, GVC4: pre-seed where markets fail; pre-traction accepted	PVC6: first paying customers required; PVC7: Technology Readiness Level (TRL) of 6 minimum	Medium
Market Size	GVC2: market must exist; qualitative orientation	PVC4: minimum 1B EUR total addressable market (TAM); PVC3: fund-returner potential required	Medium

Investment Objectives	GVC1: regional jobs and transitions; GVC3: ecosystem development	PVC1, PVC4, PVC5, PVC6: purely financial	Low
Risk Tolerance	GVC1, GVC4: market failure mandate; higher tolerance	PVC/GVC: GVC more willing to compromise; PVC stricter	Medium
Decision Structure	GVC3: 5 external independent experts; GVC2: formal committee with memo	PVC1: no scoring; PVC6: structured paper mill (internal only)	Medium
Time Horizon	GVC1: Evergreen, up to 15 years; GVC2, GVC3: no exit pressure	PVC1: exit is as important as entry; PVC3: 10-year LP horizon	Low
Value Creation View	GVC2: success lies with startups; hands-off	PVC6: 80% from picking right horses; PVC1: 1-2% VC contribution	High
Investor Composition	Not evaluated by GVCs	PVC/GVC: only-GVC teams perceived as second-tier	Low (novel finding)

*Table 4: Comparative Summary of GVC and PVC Selection Criteria  
(Source: Own elaboration)*

## 5 Strategic Implications

This chapter constitutes the core contribution of the Capstone Project. Drawing on the empirical findings in Chapter 4 and the conceptual framework in Chapter 2, it derives concrete, actionable strategic recommendations. The implications are structured around three audiences: founders targeting GVC, founders targeting PVC, and investors seeking to understand how their criteria shape interaction dynamics with startups.

## 5.1 Foundations of a Differentiated Fundraising Strategy

The foundational strategic insight of this study is that a differentiated fundraising approach tailored to the structural mandates, evaluation logics, and institutional constraints of the target investor type is not merely advisable but necessary for fundraising efficiency. Founders who apply undifferentiated strategies across GVC and PVC investors misallocate time, dilute pitch relevance, and systematically underperform their potential.

The differences identified between GVC and PVC are not matters of emphasis or tone but of architecture. They affect which signals are essential, which are evaluated leniently, which are irrelevant, and which actively undermine credibility. A pitch optimised for PVC that leads with a billion-euro TAM and a pure financial return narrative fails to activate the dual-objective evaluation logic of a GVC investor, and vice versa. The strategic recommendations below derive from the convergence-divergence map in Table 4, filtered through the three theoretical lenses of the conceptual framework introduced in chapter 2.5.

## 5.2 Common Strategic Prerequisites

Certain strategic prerequisites apply universally to founders targeting either GVC or PVC investors, reflecting the convergence at the level of core evaluation criteria documented in Chapter 4. Regardless of investor type, founders must demonstrate founding team quality, articulate a credible market opportunity, and present a viable business model with scalable characteristics. These prerequisites represent the shared evaluation baseline confirmed by all twelve investors in the sample.

On founding team quality in particular, all investors unanimously cited this as a primary evaluation criterion. Founders should invest in demonstrating founder-market fit, coachability, relevant domain expertise, and team complementarity regardless of which investor type they are approaching. The investor-type-specific recommendations in the sections below build on these common foundations and address the dimensions on which GVC and PVC investors diverge structurally.

## 5.3 Strategic Recommendations Targeting Government Venture Capital

### *Recommendation 1 - Establish Regional Fit as the First Strategic Priority*

The single most operationally consequential finding for founders approaching GVC is that the geographic mandate functions as a hard, pre-evaluative filter applied before any qualitative assessment. Multiple GVC investors confirmed independently that ventures

without a qualifying regional link are rejected without further evaluation, regardless of team quality or commercial potential. Founders must therefore treat the establishment of a credible, demonstrable regional link as the first strategic task, and must verify this link is firmly in place before investing effort in pitch preparation.

Regional fit can be established through multiple channels including the physical location of the founding team or primary business operations, local employment and talent hiring, research or technology partnerships with regional universities or institutions, established customer relationships within the target region, or a clear commercialisation path that generates economic activity in the region. Founders should document this regional dimension explicitly in their pitch materials and proactively address it at the outset of any investor conversation. GVC2 explicitly noted that the geographic constraint is the most significant structural difference between GVC and PVC mandates, and its absence triggers immediate rejection before any qualitative dialogue.

***Recommendation 2 - Frame the Venture for Dual Value Creation***

GVC investors operate under a dual accountability structure, responsible both for financial sustainability and for policy objectives including job creation, regional economic development, and innovation promotion. GVC1 explicitly stated that regional impact, measured through job creation and ecosystem contribution, matters more than the financial multiple in marginal investment decisions. Founders who present exclusively commercial return-maximisation narratives fail to activate this dimension of the GVC evaluation logic.

A pitch calibrated for GVC should clearly articulate both the commercial value proposition and the policy-relevant impact dimensions. These include quantified employment projections for the region, specific plans for local economic activity, articulated pathways to regional technology spillovers, and alignment with the specific policy priorities of the target GVC fund. GVC3 emphasised ecosystem development and Hamburg's attractiveness to international founders as a primary investment motivation. GVC4 referenced specific sectoral priorities aligned with governmental health technology initiatives. Founders should research the specific policy mandate of each target GVC investor and tailor this dimension of their pitch accordingly.

***Recommendation 3 - Leverage Pre-Traction Tolerance Through Strategic Timing***

GVC investors' explicit tolerance for pre-commercial ventures represents a structural opportunity for founders at the earliest stages of their entrepreneurial journey. GVC1

confirmed investing where PVC capital is unavailable due to excessive risk, GVC4 described the fund's existence as specifically designed to fill the financing gap at pre-seed and seed stage. Founders who have not yet achieved product-market fit, generated initial revenue, or secured early customers should consider GVC as the primary viable institutional capital source during this development phase.

The strategic implication is temporal. GVC is not merely an alternative to PVC but a chronologically earlier stage in a sequenced fundraising strategy. Founders should proactively build relationships with relevant GVC investors during the product development phase, before commercial evidence is available, and structure their go-to-market timeline to align with GVC investment cycles. GVC2 noted that at very early stages, team assessment carries proportionally more weight precisely because other performance signals are absent, suggesting that founders at pre-commercial stage should invest heavily in demonstrating team quality, coachability, and founder-market fit.

***Recommendation 4 - Prepare Materials for External Expert Evaluation***

The structural use of independent external committees in GVC decision-making has direct implications for how founders should prepare their materials. GVC3 described a committee of five independent industry experts who evaluate each investment and linked this requirement explicitly to the fund's public accountability obligations. Unlike PVC investment committees, which consist of financially oriented partner-level decision-makers, GVC committees include domain experts in the relevant technology or industry sector.

Founders should therefore prepare materials that are comprehensible and compelling to technically sophisticated domain experts, not only to financial analysts. Practical implications include ensuring technical documentation, IP status, and technology validation materials are complete and accessible, and anticipating domain-expert questions about technological feasibility, the competitive technical landscape, and the genuineness of the innovation claim. Founders with academic or research backgrounds may find this evaluation environment particularly congenial; those from purely commercial backgrounds should invest in preparing technically rigorous supplementary materials.

***Recommendation 5 - Align Return Expectations with GVC Patient Capital***

GVC investors described significantly longer investment time horizons than PVC investors, with GVC1 reporting Evergreen fund structures that allow portfolio company

relationships lasting up to 15 years, and GVC3 explicitly confirming the absence of fixed holding period pressures. This patient capital characteristic creates a structural advantage for founders in capital-intensive or long-development-cycle sectors, where the extended timeline tolerance of GVC is genuinely compatible with venture development logic.

Founders should treat GVC's patient capital and flexible return expectations as features of structural value. The longer time horizon, lower return pressure, and tolerance for extended development cycles are particularly valuable for founders building in deep technology, hardware, biotechnology, or climate technology sectors. Founders should also understand that GVC term sheets are likely to reflect less aggressive financial return expectations, which has implications for dilution, milestone requirements, and exit horizon structures.

***Recommendation 6 - Use GVC Investment as a Certification Signal***

Bertoni et al. (2019) document that GVC-backed companies are significantly more likely to receive subsequent PVC funding and in larger amounts. The interview data provide a qualitative explanation for this mechanism. GVC co-investment signals to PVC investors that the venture has passed a structured, externally validated evaluation process including independent expert committee review. GVC4 explicitly noted that the fund invests into companies that it believes have the potential and capability to scale and attract capital from private investors, framing GVC investment explicitly as a stepping stone toward private market validation.

Founders should consider a deliberate two-stage fundraising strategy that uses early GVC investment not only for its capital and regional support value but explicitly as a quality certification signal that de-risks the venture for subsequent PVC investors. To maximise this certification effect, founders should target GVC funds with established co-investment relationships with PVC investors in the relevant sector, document the rigour of the GVC evaluation process including external committee review in subsequent PVC pitch materials, and ensure that GVC investment terms allow for PVC co-investment in subsequent rounds without creating structural impediments to private capital participation.

## **5.4 Strategic Recommendations Targeting Private Venture Capital**

***Recommendation 7 - Lead with Market Size Credibly and Specifically***

The most common early-stage rejection trigger for PVC investors in the sample is insufficient market size. PVC4 articulated a minimum total addressable market threshold of one billion euros. PVC3 confirmed that market potential drives rejection decisions when

doubts arise about the venture's capacity to become a fund returner. PVC5 framed market and customer analysis as a core screening dimension alongside team quality. Founders must open their pitch with a credible, well-researched, bottoms-up market size argument that demonstrates the potential to build a venture of meaningful scale.

The strategic implication extends beyond stating a large market figure. PVC investors are sophisticated market analysts who distinguish between large but inaccessible markets and genuinely accessible opportunities. Market size arguments must be accompanied by a clear definition of the serviceable addressable market and the served obtainable market, a customer segmentation grounding the market claim in identifiable buyers, and a competitive analysis addressing how the opportunity can be captured. Founders who cite large industry reports without a bottoms-up grounding will be dismissed quickly; those who demonstrate market depth through specific customer evidence earn substantially more credibility.

***Recommendation 8 - Demonstrate Credible International Scalability***

PVC investors require clear international scalability potential. PVC1 was explicit that all investments must be internationally scalable, with international market entry expected between year one and three of the investment relationship. PVC3 confirmed that scalability across different markets, industries, and geographies is a core evaluation criterion. Founders should present an explicit internationalisation roadmap identifying geographic markets to be addressed in sequential order and articulating the product or business model characteristics that enable cross-border scaling without linear cost increases.

The absence of a credible international scalability story is a structural rejection trigger for PVC investors. Founders whose ventures are inherently local or regional should either address these constraints explicitly and present a credible path to overcoming them, or consider GVC as the more appropriate capital source for their current development stage.

***Recommendation 9 - Prioritise Financial Return Framing Exclusively***

PVC investors are driven by a singular return maximisation mandate confirmed independently by PVC1, PVC4, PVC5, and PVC6. Founders must ensure that their primary pitch narrative is articulated in the language of financial returns encompassing revenue growth trajectories, path to profitability, exit optionality, comparable transaction multiples, and investor return scenarios. Policy impact, social value, and regional development

considerations are not primary decision criteria for most PVC investors and should not occupy primary narrative space in a PVC pitch.

Impact dimensions, where genuinely relevant to the venture's commercial proposition, should be incorporated as commercially material arguments rather than as standalone value claims. PVC7, as a dedicated impact fund, represents the exception that proves the rule: even in this case, impact is framed as complementary to rather than a substitute for financial returns.

### ***Recommendation 10 - Build Traction Before Engaging PVC***

PVC investors are considerably less tolerant of pre-traction ventures than GVC investors. PVC6 confirmed that first paying customers constitute a meaningful screening criterion at the earliest investment stage. PVC7 required a Technology Readiness Level of at least 6 as a non-negotiable condition. Founders should delay substantive PVC fundraising until at least some form of commercial evidence is available: initial customer conversations, letters of intent, pilot agreements, beta users, or early revenue.

For founders who are not yet at commercial validation stage, the sequential strategy described in Recommendation 6 provides a clear and operationally validated path: use GVC capital to reach the commercial validation milestone, then approach PVC with a certified, de-risked, commercially validated proposition. This sequencing not only improves the probability of PVC investment but typically results in more favourable valuation terms.

### ***Recommendation 11 - Manage Investor Composition as a Strategic Signal***

The hybrid investor's observation that teams financed exclusively by public investors are perceived as second-tier by PVC investors is an important strategic warning with no prior documentation in the academic literature. Founders should be aware that exclusive reliance on GVC capital, particularly over extended periods, may inadvertently signal to PVC investors that the venture has been unable to attract private capital validation.

The recommended mitigation is proactive. Founders should seek private co-investors alongside GVC capital from the earliest financing stages, even at modest scale. The hybrid investor confirmed that strong founding teams actively use their investor composition as part of their pitch narrative, selecting investors deliberately based on network, industry access, and international reach. Founders should actively use GVC co-investment networks as a channel for identifying willing private angels or early-stage fund managers for initial round participation.

## 5.5 Sequential Fundraising as an Integrated Strategy

The most strategically sophisticated implication of this study is the potential for a deliberately sequenced fundraising strategy that leverages the structural complementarity of GVC and PVC capital. The optimal sequence based on the empirical findings unfolds in three stages as shown in Table 5.

Stage 1, the pre-commercial phase	Approach GVC investors for whom regional fit exists. Leverage patient capital, pre-traction tolerance, and the market-failure mandate of GVC to fund product development and initial market validation. Document the GVC evaluation process as a future certification signal. Simultaneously seek modest private co-investor participation to manage investor composition signals.
Stage 2, the early commercial phase	Use GVC capital to achieve the commercial validation milestones required for PVC engagement, including initial customers, first revenue, and demonstrated market demand. Begin building PVC relationships proactively through GVC investor co-investment networks and introduction channels.
Stage 3, the growth phase	Approach PVC investors with a GVC-certified, commercially validated, and de-risked proposition. Lead with market size and international scalability. Leverage the GVC investment explicitly as evidence of external validation quality and independent evaluation rigour.

*Table 5: Proposed Sequential Fundraising Strategy  
(Source: Own elaboration)*

This sequential strategy does not apply universally. Founders in sectors or regions with limited GVC coverage, or those who have already achieved commercial validation, should pursue PVC directly following Recommendations 7 to 11. Founders in deep technology, long-development-cycle, or capital-intensive sectors will benefit most from the sequential approach given GVC's patient capital and policy alignment. Table 4 summarises the integrated strategic framework.

Phase	Recommended Investor	Key Signals to Emphasise	Strategic Purpose
Pre-commercial	GVC	Regional fit, team quality, technology potential, policy impact, private co-investor presence	Obtain patient capital; build certification signal; manage composition signal
Early commercial	GVC and business angels	Commercial validation, first customers, regional impact	De-risk venture; demonstrate private market eligibility
Growth and scale	PVC	1 billion euro TAM, scalability, financial returns, GVC certification	Convert certified proposition to scale capital

*Table 6: Integrated Sequential Fundraising Framework  
(Source: Own elaboration)*

## 5.6 Understanding Investor Processes: What Founders Need to Know

### 5.6.1 Understanding the GVC Process: Practical Guidance for Founders

The geographic constraint that defines GVC selection criteria creates a structural information constraint on deal flow quality, with implications founders should understand. Founders benefit from knowing that GVC investors are institutionally required to communicate the geographic constraint as a hard requirement rather than a soft preference. Proactively confirming regional eligibility before investing significant preparation effort avoids a common source of misaligned expectations. Founders who flag their regional credentials at the first point of contact accelerate the evaluation process and demonstrate awareness of the fund's mandate structure.

The external expert committee structure creates higher process fidelity and public accountability but also introduces timeline length and complexity that founders may find challenging. GVC2 described a two-stage process involving pre-Due-Diligence followed by formal committee approval and a legal notarisation step, confirming that GVC processes are structurally longer than the internally governed PVC processes described by PVC1 and PVC6. Founders should therefore explicitly ask for the expected timeline, committee composition, and evaluation milestones at the first meeting, rather than assuming a process structure analogous to PVC. GVC funds that communicate these parameters clearly signal

institutional transparency — and it is entirely reasonable for founders to prompt this conversation.

Founders should also recognise that the co-investment network of their GVC investor represents a concrete and often underutilised pathway to subsequent PVC introductions. GVC3's description of monthly co-investor reporting calls confirms that GVC and PVC investors in shared syndicates are already in regular contact. Founders who explicitly request introductions through these co-investment relationships — rather than approaching PVC investors cold — are activating an existing channel whose credibility is already established by the shared investment relationship. Asking the GVC fund manager directly which co-investors would be relevant for the next funding round is a straightforward step with potentially significant impact on the subsequent fundraising process.

### ***5.6.2 Understanding PVC Evaluation Logic: Practical Guidance for Founders***

For founders, the key practical insight from PVC investor behaviour is that the explicitly financial mandate, high market-size thresholds, and traction requirements are not arbitrary gatekeeping but structural necessities driven by LP accountability. Understanding this structure helps founders avoid misreading PVC rejections as personal judgements and instead interpret them as signals about stage readiness or market size credibility. Founders should also recognise that PVC investors who communicate their criteria transparently are easier to approach productively; building relationships with such investors before reaching the required commercial stage is a well-validated preparation strategy.

Founders should also understand that the investor composition signal documented in this study operates differently depending on context. The hybrid investor's characterisation of exclusively GVC-backed teams as second-tier is a contextual heuristic, not a universal rule: it applies most strongly to ventures that have relied on public capital alone for extended periods without attracting private validation. Founders can actively manage this perception by documenting the rigour of the GVC evaluation process, including external committee review, in subsequent PVC pitch materials, and by proactively seeking even modest private co-investor participation alongside GVC capital from the earliest financing stage. When approaching PVC investors, founders should be prepared to articulate the quality of their GVC backer, the commercial progress achieved with public capital, and the presence of any private co-investors. These are the specific signals PVC investors weigh when assessing GVC-backed ventures.

## 5.7 Critical Assessment of the Strategic Framework

The eleven recommendations presented in this chapter constitute a practical framework derived from a specific empirical context. A rigorous evaluation demands that their conditions of validity, potential failure modes, and inherent trade-offs be made explicit. Critical engagement with the framework's boundaries is essential for responsible application.

### 5.7.1 *Boundary Conditions of the Sequential Fundraising Strategy*

The sequential GVC-first strategy rests on two assumptions that do not hold universally. First, it assumes that a qualifying GVC fund exists within the founder's region and is active in the relevant sector. In practice, GVC coverage across European regions is highly uneven: economically peripheral regions may lack active GVC investors entirely, and sector-specific GVC mandates may exclude technology areas outside defined priority domains (Testa et al., 2024). Founders in such contexts face a structural impossibility of the GVC-first pathway and should not artificially delay PVC engagement to comply with a strategy the local ecosystem does not support.

Second, the sequential strategy assumes that the time invested in the GVC process does not foreclose a subsequent PVC window. In fast-moving markets, a founder who spends twelve to eighteen months obtaining GVC certification may emerge into a changed competitive environment in which the original PVC opportunity has dissipated. The sequential strategy is most appropriate in sectors with long development cycles where GVC's patient capital is genuinely valuable, and least appropriate in markets where speed to private market validation is itself a competitive signal.

### 5.7.2 *Counterargument to Recommendation 6: The Certification Signal*

The certification function of GVC investment documented by Bertoni et al. (2019) is a population-level statistical finding. GVC-backed companies are on average more likely to receive PVC funding. This does not imply that GVC investment functions as a reliable quality signal in every individual case. The hybrid investor's testimony that exclusively GVC-backed teams are perceived as second-tier by PVC investors reveals the opposite dynamic. GVC investment can function as a negative signal when not accompanied by private capital validation. This apparent contradiction resolves only under a more precise condition. GVC investment positively signals quality when accompanied by private co-investors within the same round, and negatively signals quality when it stands alone over

extended periods. Founders should therefore treat Recommendation 6 as one component of a broader investor composition management strategy consistent with Recommendation 11, rather than as a standalone certification approach.

### **5.7.3 Overall Assessment of Framework Validity**

The strategic framework presented in this chapter is most valid for founders operating in well-developed European GVC ecosystems, in sectors with long commercialisation cycles, at pre-seed or seed stage, and with genuine regional economic impact to offer. It is least valid for founders in GVC-sparse regions, in fast-moving consumer or software markets, or at post-seed stages where the opportunity cost of the GVC process outweighs the certification benefit. Practitioners should apply the framework with explicit attention to these boundary conditions rather than as a universal prescription.

## **6 Discussion**

### **6.1 Interpretation of Findings in Light of Existing Literature**

The empirical findings confirm and extend several core propositions from the venture capital literature. The convergence of GVC and PVC evaluation criteria on team quality, market potential, scalability, and business model viability is consistent with Kaplan and Strömberg (2004) and Gompers et al. (2020), who identify these dimensions as the primary axes of VC investment analysis regardless of investor type. The universal primacy of founding team quality, confirmed independently by all twelve investors in the sample, replicates one of the most robust findings in the venture capital literature.

The most significant and novel finding relative to the existing literature is the identification of co-investment as an endogenous harmonisation mechanism that actively explains, rather than merely accompanies, the convergence between GVC and PVC criteria. The literature had previously documented the performance benefits of GVC and PVC co-investment syndicates (Cumming et al., 2017) and the certification function of GVC investment (Bertoni et al., 2019), but the mechanism by which co-investment pulls GVC evaluation standards toward private-market benchmarks through ongoing co-investor meetings, shared deal participation, and alignment incentives had not been explicitly theorised. GVC3's description of monthly co-investor reporting calls that create ongoing evaluation standard alignment provides a new and concrete mechanistic account of this documented phenomenon.

The finding that divergence is concentrated at the level of structural filters and institutional mandates rather than at the level of core evaluation criteria has important implications for the literature's treatment of GVC as a fundamentally different entity from PVC. The data suggest that GVC and PVC investors share the same evaluation logic but operate under different pre-conditions and accountability structures. For founders, this structural equivalence has a concrete implication: the differences that matter when approaching GVC are not differences in what is being evaluated, but differences in the pre-conditions and institutional constraints that govern the evaluation. Adapting fundraising strategy to GVC therefore means addressing those pre-conditions — regional eligibility, policy alignment, process timelines — rather than rethinking the fundamental quality signals that both investor types share.

The identification of investor composition as a recursive team quality signal constitutes a finding not previously documented in the academic literature. It connects to signalling theory (Spence, 1978) but introduces a novel recursive dimension: the type of investor a founder has previously secured signals the quality of both the founding team and the venture to subsequent investors. This creates a compounding dynamic in which early-stage financing choices have persistent consequences for the venture's competitive position in later fundraising rounds.

## **6.2 Social and Environmental Impact Assessment**

This section addresses the social and environmental impact dimensions of the study from a founder-centred perspective. The focus is on how the structural features of GVC selection criteria require founders to engage with Sustainable Development Goal (SDG) considerations as a practical dimension of their fundraising strategy when targeting GVC investors. Government venture capital, by its structural mandate, embeds policy and social objectives directly into its investment evaluation process, making the SDG framework relevant to founders preparing applications for GVC funding.

### ***6.2.1 SDG 8: Decent Work and Economic Growth***

The most directly applicable SDG is Goal 8, which targets sustained, inclusive, and sustainable economic growth and productive employment. The empirical findings demonstrate that GVC selection criteria are structurally designed to serve SDG 8 objectives. GVC1 explicitly cited job creation and regional economic development as primary investment objectives alongside financial sustainability, and reported willingness

to accept lower financial return multiples where regional employment impact is substantial. GVC3 similarly identified job creation within Hamburg as a key investment motivation. For founders, this means that Recommendation 2 (framing the venture for dual value creation) is not merely a pitch tactic but a substantive alignment with the SDG 8 metrics against which GVC investors are institutionally evaluated. Founders who can credibly quantify expected employment and regional economic contributions are engaging directly with the formal accountability structure of GVC funds. The finding that GVC performs best when paired with PVC in co-investment syndicates (Cumming et al., 2017) further suggests that SDG 8 objectives are most effectively served through the public-private partnership model rather than pure public investment.

### ***6.2.2 SDG 9: Industry, Innovation, and Infrastructure***

SDG 9 targets the building of resilient infrastructure and the fostering of innovation. The study's findings are directly relevant to this goal through two mechanisms. First, founders in technology-intensive sectors should understand that GVC investors consistently evaluate technology quality, IP status, and innovative potential as core criteria even before commercial traction exists. GVC4 confirmed explicitly investing in companies in technology sectors identified as strategic national priorities. For founders at the pre-commercial stage, this means that a credible demonstration of technological merit and IP position is sufficient to initiate a GVC dialogue, at a stage where private markets would typically decline engagement. Second, the independent expert committee structure of GVC decision-making creates a quality assurance mechanism specifically oriented toward evaluating technological merit, relevant to SDG 9's innovation promotion objective.

### ***6.2.3 SDG 10: Reduced Inequalities***

SDG 10 targets the reduction of inequality within and among countries. From the founder's perspective, the geographic mandate of GVC investors reflects a redistributive economic logic: GVC funds channel institutional capital to regions where private market capital would not otherwise flow. Founders operating in economically peripheral or structurally disadvantaged regions may find GVC their only realistic institutional capital source at early stages, making a precise understanding of GVC selection criteria particularly consequential for their fundraising prospects. Founders who are aware of this redistributive logic can use it strategically: GVC2 and GVC3 both confirmed that making their respective regions more competitive and attractive for entrepreneurs is a primary fund objective, meaning that a founder who credibly contributes to that goal is not merely eligible but actively aligned

with the fund's mandate. However, a structural tension exists within this SDG alignment. Regional GVC mandates limit the pool of investable ventures, potentially concentrating investment in the strongest startups within a region while excluding those with strong commercial potential but insufficient regional linkage. The SDG 10 contribution of GVC is therefore contingent on the quality of GVC selection within the regionally bounded portfolio.

#### ***6.2.4 SDG 17: Partnerships for the Goals***

SDG 17 targets the strengthening of multi-stakeholder partnerships for sustainable development. The co-investment model documented throughout this study is itself a direct expression of SDG 17's public-private partnership logic and founders are at the operational centre of it. When a founder structures a round with both GVC and PVC participation, they are not merely optimising their capital stack: they are activating the precise partnership mechanism SDG 17 is designed to encourage, in which public risk capital and private market expertise are combined at the level of an individual venture. The strategic implication drawn from this study, that founders should actively seek GVC-PVC co-investment arrangements rather than sequential pure-investor strategies, is simultaneously a recommendation that maximises the SDG 17 partnership value of the GVC instrument.

#### ***6.2.5 Overall SDG Assessment***

The overall SDG assessment of this study is grounded in its micro-level, founder-centred findings rather than in a macro-level evaluation of GVC programme impact. The practical relevance of SDGs 8, 9, 10, and 17 to this study lies in the fact that founders applying for GVC financing are structurally required to engage with these goal dimensions as part of the evaluation process. A founder targeting GVC cannot avoid articulating regional employment impact (SDG 8), demonstrating innovation quality (SDG 9), or operating within a regionally defined mandate that reflects redistributive capital allocation logic (SDG 10). The co-investment model that connects GVC and PVC capital (SDG 17) is similarly a structural feature that founders must understand and actively navigate. In this sense, SDG alignment is not an abstract aspiration for the founders in scope of this study but a concrete operational requirement embedded in the selection criteria of the investor type they are approaching.

### 6.3 Synthesis and Theoretical Contribution

Having presented the empirical findings and derived strategic implications, this section synthesises the study's contributions at three levels: theoretical, methodological, and practical.

At the theoretical level, the study together with the Master's thesis at RWTH Aachen University makes two distinct contributions. The first is the identification of co-investment as an endogenous harmonisation mechanism that explains, rather than merely describes, the convergence of GVC and PVC evaluation criteria. This finding provides a qualitative, mechanism-level account of the documented convergence, grounding it in the co-investor alignment logic expressed directly by multiple GVC investors. This has implications for how the literature theorises GVC behaviour. GVC investors should not be modelled as structurally isolated from private market standards but as agents embedded in a co-investment ecosystem that progressively disciplines their evaluation logic.

The second theoretical contribution is the identification of investor composition as a recursive quality signal. Signalling theory (Spence, 1978) has been applied extensively to understand how founders signal quality to investors, but the recursive dimension in which the type of investor a founder has previously secured itself signals quality to subsequent investors has not been explicitly theorised. This study introduces this concept and demonstrates its practical consequences, suggesting that quality signals in VC markets are temporally nested in ways the original Spence framework did not anticipate.

At the methodological level, the study demonstrates the value of redeploying empirical data from a descriptive research project into a normative, prescriptive analytical framework. The same 452 coded segments analysed for convergence and divergence patterns in the parallel Master's thesis are here interpreted through the lens of strategic implications for founders, generating a qualitatively different output from the same empirical foundation. This methodological approach of normative reinterpretation of existing qualitative data represents an efficient and academically legitimate form of knowledge extension particularly appropriate in applied management research contexts.

At the practical level, the study bridges a gap the academic literature has left largely unaddressed: the translation of VC investor behaviour research into actionable guidance for the founders who interact with these investors daily. The eleven recommendations and the sequential fundraising framework constitute a practitioner-oriented contribution absent

from the existing literature, which remains predominantly focused on investor-side analysis.

## **6.4 Limitations of the Study**

Several limitations of this study should be acknowledged. First, the sample is limited to twelve European investors, preventing statistical generalisability. The analytical generalisability claimed is appropriate for the qualitative design but should be tested in future research with larger and more diverse samples. Second, while this study draws exclusively on investor interviews, this is methodologically appropriate given the research objective. A founder seeking to optimise their fundraising strategy needs to understand what investors look for, making investor perspectives the most directly actionable source of knowledge — analogous to how a salesperson benefits most from understanding buyer preferences rather than surveying other salespeople. Complementary founder-side data would nonetheless enrich the analysis by revealing how accurately founders perceive the criteria identified here and how adapted strategies translate into concrete outcomes in practice. Future research incorporating matched investor-founder samples would address this gap.

Third, investment stage functions as a potential confound that could not be fully disentangled from investor type in the current sample, as GVC investors are concentrated at earlier stages than most PVC investors. Some observed differences may reflect stage effects rather than investor-type effects. Fourth, all coding was conducted by a single researcher, precluding inter-rater reliability assessment, though deductive category anchoring in established literature reduces the risk of unstructured interpretation. Fifth, the geographic scope, while covering six European countries, is not fully representative of the diversity of GVC ecosystems across Europe, and the generalisability of findings to markets with less developed GVC infrastructure remains uncertain.

## **7 Conclusion**

### **7.1 Summary of Key Insights**

This Capstone Project set out to answer the following research question: what concrete strategic recommendations for fundraising strategy can early-stage founders derive from the structural differences in selection criteria between government and private venture capital investors in Europe? The study combined a systematic literature review with

empirical data from twelve expert interviews across 452 coded segments, generating a comparative analysis of GVC and PVC selection behaviour and translating its findings into eleven concrete strategic recommendations.

The central finding is a fundamental duality in the GVC and PVC relationship: Shared evaluation logic alongside divergent structural conditions. GVC and PVC investors apply the same core screening criteria centred on the founding team, market potential, scalability, and business model viability, but operate under structurally different pre-conditions that create meaningfully different fundraising environments. The geographic mandate of GVC functions as a non-negotiable hard filter applied before any qualitative evaluation begins, confirmed independently by all four GVC investors in the sample. The dual objective function of GVC creates an additional axis of value that founders can and should explicitly activate in their pitch narratives. The pre-traction tolerance of GVC opens the earliest stage of the startup development cycle to institutional capital. The exclusive financial mandate of PVC demands a specific signal portfolio encompassing market scale, international scalability, and commercial evidence.

The study's core strategic contribution is the elaboration of an investor-type-specific fundraising framework built around the eleven recommendations in Chapter 5. The most strategically significant recommendation is the sequential fundraising strategy. Using GVC as patient, certified, early-stage capital to reach the commercial validation milestone required for PVC engagement, and leveraging the GVC certification signal to de-risk the venture for private investors. This strategy converts the structural complementarity of GVC and PVC from a descriptive observation into a concrete, operationally validated founder strategy, grounded in the investment logic expressed directly by twelve active European investors.

The feasibility of this framework is supported by its grounding in real investor behaviour rather than theoretical prescription. The eleven recommendations are derived from 452 coded interview segments with active European investors across six countries, ensuring that the guidance reflects actual decision-making practice. Stakeholder acceptance among early-stage founders is likely to be high for recommendations that reduce fundraising uncertainty and provide actionable decision rules, and moderate for recommendations that require proactive behaviour change, such as the management of investor composition from the earliest financing stage.

## 7.2 Managerial Implications and Directions for Future Research

The primary managerial implication of this study is directed at founders. The core requirement is investor-type literacy: a detailed, operationally grounded understanding of how GVC and PVC investors differ in their criteria, mandates, and decision processes. The eleven recommendations in Chapter 5 translate this understanding into actionable guidance. Founders who apply investor-type-specific pitch narratives, verify regional eligibility before engaging GVC investors, build commercial traction before approaching PVC, and manage investor composition proactively as a quality signal are meaningfully better positioned to navigate the early-stage financing landscape. Secondary implications exist for GVC investors and policymakers, who benefit from transparent communication of selection standards and active co-investment network management, and for PVC investors, who should apply a more nuanced evaluation of GVC-backed ventures rather than relying on simplistic public-capital heuristics.

Several directions for future research emerge from this study. Most importantly, the founder's perspective requires direct empirical investigation to understand how founders experience the GVC and PVC difference, how accurately they perceive investor criteria, and how adapted strategies translate into fundraising outcomes. A matched investor-founder study design would address this critical gap. The co-investment harmonisation mechanism identified in this study merits explicit theoretical development and quantitative testing to assess whether the intensity of co-investment relationships predicts greater convergence in evaluation criteria. Finally, the geographic scope should be extended to encompass a broader range of national contexts, including emerging European VC ecosystems, to assess whether the convergence and divergence pattern documented here generalises across institutional environments.

In sum, the GVC and PVC distinction is not a categorical difference in what investors look for, but a structural difference in the conditions under which they look. Founders who understand this distinction and adapt their strategies accordingly are meaningfully better positioned to navigate the complex, competitive, and consequential landscape of early-stage venture capital financing in Europe. At the same time, the critical assessment in Section 5.7 cautions against mechanical application of the framework. The sequential fundraising strategy, the certification signal logic, and the dual value creation framing are conditional on ecosystem maturity, sector dynamics, and founder context in ways that require judgement rather than formulaic compliance. The contribution of this project lies

not in providing a universal playbook, but in equipping founders, investors, and policymakers with a more precise and empirically grounded understanding of the structural forces that shape early-stage financing outcomes in European venture capital markets.

## Bibliography

- Baum, J. A. C., & Silverman, B. S. (2004). Picking winners or building them? Alliance, intellectual, and human capital as selection criteria in venture financing and performance of biotechnology startups. *Journal of Business Venturing, Evolutionary Approaches to Entrepreneurship: Honoring Howard Aldrich*, 19(3), 411–436. [https://doi.org/10.1016/S0883-9026\(03\)00038-7](https://doi.org/10.1016/S0883-9026(03)00038-7)
- Bertoni, F., Colombo, M. G., & Quas, A. (2019). The Role of Governmental Venture Capital in the Venture Capital Ecosystem: An Organizational Ecology Perspective. *Entrepreneurship Theory and Practice*, 43(3), 611–628. <https://doi.org/10.1177/1042258717735303>
- Cumming, D. J., Grilli, L., & Murtinu, S. (2017). Governmental and independent venture capital investments in Europe: A firm-level performance analysis. *Journal of Corporate Finance*, 42, 439–459. <https://doi.org/10.1016/j.jcorpfin.2014.10.016>
- Dahooie, J. H., Mohammadi, N., Sharma, M., & Daim, T. (2025). Venture capital dilemma: Which start-up to invest in? *Review of Managerial Science*, 20(1), 169–219. <https://doi.org/10.1007/s11846-025-00888-9>
- DiMaggio, P., & Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields (translated by G. Yudin). *Journal of Economic Sociology*, 11(1), 34–56. <https://doi.org/10.17323/1726-3247-2010-1-34-56>
- Gompers, P. A., Gornall, W., Kaplan, S. N., & Strebulaev, I. A. (2020). How do venture capitalists make decisions? *Journal of Financial Economics*, 135(1), 169–190. <https://doi.org/10.1016/j.jfineco.2019.06.011>

- Gompers, P., & Lerner, J. (2001). The Venture Capital Revolution. *Journal of Economic Perspectives*, 15(2), 145–168. <https://doi.org/10.1257/jep.15.2.145>
- Gornall, W., & Strebulaev, I. A. (2015). The Economic Impact of Venture Capital: Evidence from Public Companies. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2681841>
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, 305–360.
- Kaplan, S. N., & Strömberg, P. (2000). How Do Venture Capitalists Choose Investments? *Graduate School of Business, University of Chicago*.
- Kaplan, S. N., & Strömberg, P. (2001). Venture Capitals As Principals: Contracting, Screening, and Monitoring. *American Economic Review*, 91(2), 426–430. <https://doi.org/10.1257/aer.91.2.426>
- Kaplan, S. N., & Strömberg, P. (2003). Financial Contracting Theory Meets the Real World: An Empirical Analysis of Venture Capital Contracts. *Review of Economic Studies*, 70(2), 281–315. <https://doi.org/10.1111/1467-937X.00245>
- Kaplan, S. N., & Strömberg, P. (2004). Characteristics, Contracts, and Actions: Evidence from Venture Capitalist Analyses. *The Journal of Finance*, 59(5), 2177–2210. <https://doi.org/10.1111/j.1540-6261.2004.00696.x>
- Kortum, S., & Lerner, J. (2000). Assessing the Contribution of Venture Capital to Innovation. *RAND Journal of Economics*, 31, 674–692. <https://doi.org/10.2307/2696354>
- Lerner, J. (2010). The future of public efforts to boost entrepreneurship and venture capital. *Small Business Economics*, 35(3), 255–264. <https://doi.org/10.1007/s11187-010-9298-z>

- Lincoln, Y. S., & Guba, E. G. (1985). *Naturalistic Inquiry*. SAGE.
- Mayring, P. (2019). *Qualitative Content Analysis: Demarcation, Varieties, Developments*.  
<https://doi.org/10.17169/fqs-20.3.3343>
- Puri, M., & Zarutskie, R. (2012). On the Life Cycle Dynamics of Venture-Capital- and Non-Venture-Capital-Financed Firms. *The Journal of Finance*, 67(6), 2247–2293.  
<https://doi.org/10.1111/j.1540-6261.2012.01786.x>
- Sahlman, W. A. (1990). The structure and governance of venture-capital organizations. *Journal of Financial Economics*, 27(2), 473–521. [https://doi.org/10.1016/0304-405X\(90\)90065-8](https://doi.org/10.1016/0304-405X(90)90065-8)
- Samila, S., & Sorenson, O. (2011). Venture Capital, Entrepreneurship, and Economic Growth. *Review of Economics and Statistics*.  
[https://doi.org/10.1162/REST\\_a\\_00066](https://doi.org/10.1162/REST_a_00066)
- Spence, M. (1978). Job Market Signaling. In *Uncertainty in Economics* (pp. 281–306). Elsevier. <https://doi.org/10.1016/B978-0-12-214850-7.50025-5>
- Testa, G., Quas, A., & Compañó, R. (2024). Governmental venture capital policies are not all alike: Design features in 11 European Countries. *Venture Capital*, 0(0), 1–40.  
<https://doi.org/10.1080/13691066.2024.2391373>
- Tyebjee, T. T., & Bruno, A. V. (1984). A Model of Venture Capitalist Investment Activity. *Management Science*. <https://doi.org/10.1287/mnsc.30.9.1051>

## Appendix

### A. Interview Guide Overview

The semi-structured interview guide comprised five thematic sections designed to systematically capture selection criteria, decision processes, and GVC and PVC differences across investor types.

Section	Theme	Representative Questions	Duration
A	Background and Context	Fund role, investment stage, ticket size, geographic and sector focus	5 min
B	Screening and Early Evaluation	Main screening criteria, criteria ranking, initial red flags, deal sourcing	10 min
C	Deep Evaluation and Due Diligence	Management team assessment, market validation, technology evaluation, financial projection review	15 min
D	Rejection Criteria	Most common rejection reasons, hard vs. soft criteria, fund-strategy misalignment	10 min
E	Objectives and Decision Process	Decision-making structure, committee composition, post-investment involvement, GVC and PVC differences	10 min

## B. Coding Framework Main Categories

Main Category	Key Subcategories	Segments (n)
Fund Characteristics	Investment stage, geographic focus, sector focus, ticket size, fund size, fund structure	72
Screening Criteria	Founding team, market size, traction, product and solution, business model, strategic fit, technology, IP	106
Founding Team Assessment	Experience, founder-market fit, coachability, commitment, team complementarity, investor composition signal	28
Due Diligence Criteria	Technology due diligence, financial projections, business model robustness, scalability, competitive landscape	38
Technology Assessment	Scalability, technological risk, platform vs. product, software vs. hardware, capital intensity	40
Rejection Criteria	Weak founding team, limited market potential, lack of scalability, technology risk, fund-strategy misalignment, geographic link absence (GVC-specific)	30
Decision Making Process	Structuring, investment committees, scoring models, experience-based judgement	22
Investment Objectives	Financial return, policy goals, economic development, innovation promotion, strategic technologies	36
GVC vs. PVC Differences	Screening criteria convergence, risk tolerance, time horizon, responsibilities, investment motivation	59

Value Creation	Selection vs. post-investment support, portfolio management, co-investment practices	21
Total		452