Optimizing Venture Capital Deal Origination: A Strategic Framework for Continuous Access and Identification of High-Quality Investment Opportunities

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Abstract

Proactivity in deal origination is critical, as it typically yields better results than reactive approaches. While academia has recognized the superiority of proactive measures over reactive ones and explained the reasons behind this, mere acknowledgment is not sufficient. Understanding the specific internal processes that enable VCs to be proactive in their operations is crucial as it can help VCs optimize their deal origination strategies. The research question guiding this study is: *How can VCs continuously and proactively secure high-quality investment opportunities?* This question is explored through sub-questions aimed at understanding the necessary internal and external behaviours VCs must adopt to proactively access investment opportunities. The research adopts an inductive case study approach, primarily exploratory with some explanatory elements. It is grounded in a systematic examination of existing literature that shaped the data gathering process. The data collection method involved conducting eleven semi-structured interviews with a sample pool of international VCs. This study's most significant theoretical contribution is the development of a theory on proactive deal origination which posits that *continuous access to high-quality investment opportunities is a function of two interconnected and complementary processes: the first aims to secure reliable partnerships that supply investment opportunities, and the second seeks to gather essential information that strategically guides investment choices.*

Keywords: Venture capital, Deal origination, Deal Sourcing, Proactivity, Internal process.

I would like to thank my friends, family and partner for their touching moral support. I also want to extend my gratitude to my supervisors, whose valuable feedback significantly shaped this research. Thank you!

Contents

Terminology

Deal sourcing	Deal sourcing, also referred to as deal origination, refers to the methods by which venture capitalists discover new investment prospects. This process primarily encompasses three sources: unsolicited approaches, recommendations, and proactive outreach. (Tyebjee & Bruno, 1984)
Deal	In the venture capital industry, deal is used as synonym of investment opportunity (Bender, 2011)
LP	A limited partner (LP) refers to an investor in a venture capital firm, usually not actively engaged in the fund's day-to-day management (Sahlman, 1990).
VC	As defined by Tyebjee & Bruno (1984), a VC firm is an organization that engages in venture capital investments.

Chapter 1: Introduction

Venture capital (VC) firms are pivotal in driving economic and technological growth, notably influencing the development and success of globally recognized companies (Sahlman, 1990; Kortum and Lerner 1998; Bottazzi and Da Rin, 2002; Faria and Barbosa, 2014). Their investment choices, largely shaped by network connections and internal competencies, dictate the success of the fund (Bygrave, 1988; Hochberg, Ljungqvist and Lu, 2007; Fund et al., 2008). Hence, the initial phase of their investment process, which involves the identification of investment prospects, is crucial. This phase, referred to as deal origination or deal sourcing, sets the groundwork for all subsequent investment activities (Teten and Farmer, 2010; Gompers et al., 2020).

The existing literature on deal origination extensively focuses on distinguishing two types of deal origination: proactive and reactive (Tyebjee and Bruno Bruno, 1984; Sweeting, 1991; Fingerle, 2005; Böhner, 2007; Teten and Farmer, 2010; Bender, 2011; Lentz, 2012; Fuchs et al., 2021). Reactive deal origination involves waiting for investment opportunities to come to the VC, usually through external referrals or direct pitches by entrepreneurs (Roberts, 1991; Tyebjee and Bruno 1984; Gompers et al., 2016). The main advantage of this strategy is that reactive origination often results in a high volume of pitches and proposals, providing a wide array of options from which the firm can choose (Tyebjee and Bruno 1984, Bender, 2011). However, this can quickly turn into a disadvantage as the volume of deals received doesn't always equate to the quality. Many pitches may not meet the firm's investment criteria, requiring significant effort in filtering and evaluation (Coutarelli, 1977; Böhner, 2007). The second approach to deal origination is through proactive measures. Proactive deal origination is a strategic approach employed by VCs where they actively seek out potential investment opportunities rather than waiting for them to come through traditional channels (Tyebjee and Bruno, 1984; Böhner, 2007; Teten and Farmer, 2010; Weib and Hess, 2019). The main advantage of this method is the strategic alignment it allows the investors. Indeed, VCs can identify and pursue companies that closely align with their strategic goals and values, leading to potentially more successful and synergistic investments (Teten and Farmer, 2010). However, this method carries two important setbacks: it can be resource-intensive and may take longer than reviewing incoming opportunities, potentially leading to longer periods between investments (Böhner, 2007). Venture Capitalists mostly employ both methods, but they tend to lean more towards one than the other (Bender, 2011). Researchers have noticed that proactive deal origination often yields better results as it offers more strategic advantages such as high-potential opportunities in emerging or underserved markets (Böhner, 2007), efficient use of resources (Tyebjee and Bruno, 1984; Roberts, 1991; Fingerle, 2005) and enhanced portfolio diversification and synergies (Knill, 2009; Vereshchagina and Hopenhayn, 2009; Yang, Narayanan, and De Carolis, 2014).

Despite a strong preference for proactive deal origination strategies, within the venture capital literature remains a significant gap in comprehensive research and insights on the necessary internal processes for VCs to act proactively during deal origination. While the existing literature acknowledges the superiority and convenience of proactive strategies over reactive ones, it largely fails to delve into the nuanced mechanisms and internal dynamics that enable such strategies. This superficial treatment leads to limited support for VCs who aim to have a more proactive deal origination.

1.1 Research objectives and Questions

Building on the foundational understanding of deal origination strategies in venture capital, this thesis shifts its focus towards a critical, yet underexplored area: the internal processes that venture capitalists employ to effectively implement a proactive approach to deal origination. While the benefits of proactive deal origination are recognized, current literature offers limited insight into the specific mechanisms and internal dynamics that facilitate this approach. As proactive deal origination enables VCs to better deploy resources, access higher-quality deals, increase portfolio diversification, gain early access to emerging technologies, and enhance portfolio synergies (Tyebjee and Bruno, 1984; Roberts, 1991; Fingerle, 2005; Böhner, 2007; Teten & Farmer, 2010; Fuchs et al., 2021; Gerdemann et al., 2022), it is recommended that VCs establish robust and effective proactive deal-sourcing strategies, particularly in their early years.

This thesis aims to bridge the existing research gap by exploring the essential internal capabilities needed by VCs for a proactive approach to deal origination. Addressing a crucial yet underexplored aspect of the venture capital investment process, this research is fundamental. It intends to provide a strategic framework for VCs, aiding them in accessing superior investment opportunities and efficiently utilizing their resources. As the VC landscape evolves, this study offers timely insights into adapting strategies for competitive success in a challenging market.

The research question guiding this study is:

"*How can VCs continuously and proactively secure high-quality investment opportunities"*

To address this problem statement, a series of sub-questions have been formulated:

1. How do VCs predominantly operate?
2. Which proactive internal behaviors influence VCs' early access to high-quality investment opportunities?
3. Which external factors influence VCs' early access to high-quality investment opportunities?
4. How can VCs, such as DeepTechXL, adopt and implement continuous strategies to proactively seek and secure high-quality investment opportunities?

Through a comprehensive literature review and a case study research design, these sub-questions are instrumental in answering our main research question. Each significantly contributes to an overall understanding of the researched topic. Initially, we examine how VCs predominantly operate, laying a critical foundation for contextualizing deal origination settings. Subsequently, we explore the proactive internal behaviors influencing VCs' access to high-quality investment opportunities, delving into the internal capabilities necessary for accessing top-tier prospects. Complementing this, the third sub-question examines external factors shaping VCs' ability to secure such opportunities, thereby highlighting the need for adaptive strategies in response to changing market dynamics. Lastly, we investigate how VCs, exemplified by firms like DeepTechXL, can adopt and implement continuous strategies for proactive deal origination, offering practical guidance for those eager to adopt this approach. Together, these sub-questions create a detailed tapestry of understanding, crucial for VCs aiming to proactively enhance their approach in a continuously evolving market. The first sub-question is explored through a comprehensive literature review, while sub-questions two to four are examined through empirical analysis.

1.2 Research Contribution

The collected empirical data lead us to formulate a theory on proactive deal origination: *continuous access to high-quality investment opportunities is a function of two interconnected and complementary processes. The first process aims to secure reliable partnerships that supply investment opportunities, and the second seeks to gather essential information that strategically guides investment choices*. This dual-process framework is a novel contribution to the literature and offers a detailed understanding of how venture capitalists navigate the complexities of deal origination. In addition to explaining necessary internal behavior to proactively access investment opportunities, this study offers several managerial implications for VCs seeking to enhance their deal origination processes. It emphasizes quantifying and evaluating investment sources, forging strong partnerships, harnessing both internal and external expertise, and adapting investment strategies to market changes.

1.3 Research outline

This thesis is meticulously organized into five distinct chapters, each serving a pivotal role in comprehensively addressing the research subject. The initial chapter serves as the foundation upon which the entire study is built. It introduces the research subject and its relevance, subsequently outlining the research objectives, questions, and contributions. The second chapter delves into the theoretical background, focusing on venture capital activities and the deal origination process. The third chapter describes the research design and methodology employed in this study. In the fourth chapter, the culmination of extensive research and empirical analysis is presented. Finally, the fifth chapter offers the conclusion, discussion, and outlines the theoretical and managerial contributions, limitations, and potential future research directions.

Chapter 2: Literature Review

This chapter lays out the key ideas and concepts that form the basis of this thesis. It starts by exploring the history and growth of Venture Capital. Next, it examines the internal composition and organizational structure of venture capital firms, outlining the groundwork for understanding their operational dynamics. Then, it lays a detailed analysis of the various types of venture capital firms, differentiated by the investment stages they target. After that, it dissects the financing processes that venture capital firms employ, particularly focusing on deal origination. Finally, it sets the stage for this research by pinpointing the gap in the literature that will be addressed by the following thesis.

2.1 The Venture Capital Ecosystem

The concept of Venture Capital in its current form traces its origins back to 1946 when the first venture capital firm was founded in the United States (Gompers, 1994). This pioneering entity, known as American Research and Development, was created with the purpose of providing financial support to post-World War II innovations and technologies developed within the U.S. context. Subsequently, venture capital investments have emerged as a significant funding avenue for startups, especially those displaying rapid growth and innovation. As outlined by Metrick and Yasuda (2011), VC is recognized as a category within Private Equity (PE) funding, thus resulting in VC firms having an equity stake in the enterprises they invest in.

Due to the unique attributes of startup ventures and the volatile commercial landscape they navigate in their initial stages, venture capitalists must embrace considerable risk exposure. Consequently, they anticipate substantial economic gains from their investments (Gompers, 1994). Typically, VC investors target returns that are approximately ten times their initial investment over a five-year period. However, within the entrepreneurial sector, the return on activity and risk premium ratio tends to be relatively modest due to the elevated uncertainty levels in comparison to more established sectors (Zider, 1998; Vereshchagina and Hopenhayn, 2009). To maximize profits and mitigate the inherent risks, VC firms focus on identifying and backing startups that demonstrate exceptional growth potential and are capable of achieving rapid success (Metrick and Yasuda, 2011). Notably, a substantial portion of venture capital supported ventures are nascent enterprises rooted in technology, poised to penetrate substantial and appealing markets while achieving swift scalability (Metrick and Yasuda, 2011).

VC companies seek to diminish the associated risks of transactions by collaboratively investing with other VC enterprises. Lintner (1972) points out the increasing prevalence of risk-averse behavior among investors in the market, highlighting the significant importance of diversification. The concept of diversification, initially popularized by Markowitz's portfolio theory, is also relevant to the context of syndicated venture capital fundings (Markowitz, 1952; Lintner, 1972). Venture capital firms, to mitigate risks, prefer to syndicate with investors involved in different funding stages. These syndicate arrangements typically comprise a leading investor and a follower (Zider, 1998).

2.2 VC Investment Team Structure

Within a Venture Capital firm, the investment team organizational structure is commonly hierarchical, with the intention of promoting effective decision-making and investment management (Sahlman, 1990). The Managing Partner or General Partner, positioned at the highest point, assumes leadership of the firm and frequently exercises ultimate authority in investment choices (Cumming et al., 2007). Beneath this individual, there are Partners who typically have senior-level positions and are accountable for identifying investment opportunities, performing thorough investigations, and overseeing the management of enterprises inside the portfolio (Fuchs et al., 2021). Venture Partners, typically including industry experts or experienced entrepreneurs, also known as entrepreneurs in residence, serve as external consultants and operate on a flexible basis to offer valuable insights and establish connections (Schwarzkopf, 2010).

Principal or investment manager positions serve as intermediaries between top management and subordinate workers (Dealroom, 2023). They have a vital function in carrying out deals and managing portfolio companies, frequently taking charge of certain projects or investment sectors. Following that, associates assume the responsibility of conducting startups screening, market research, and preliminary due diligence. They usually serve as the primary contact for entrepreneurs during the initial phases of the funding process. Analysts, typically occupying the initial position within a VC firm, provide assistance to the team by doing market study, creating financial models, and handling administrative duties. Their job is crucial in collecting and integrating data to guide investment decisions (Dealroom, 2023).

In addition, there are frequent positions that specifically handle investor relations, which involve communicating with limited partners and conducting fundraising operations. There are also operational jobs that oversee the firm's daily functions. This framework enables a venture capital firm to effectively oversee investments, from the first evaluation to the final divestment, by utilizing expertise at different levels to make the best decisions.

2.4 Venture Capital Investment Stages

Venture capital investments can be classified into three broad stages: Early Stage, Growth Stage, and Late Stage, each representing a distinct phase in a company's development and investment risk profile (Elango, Fried, Hisrich, and Polonchek, 1995).

The Early Stage encompasses pre-seed, seed, and Series A funding rounds. In this phase, startups are in the process of developing their initial ideas into viable business models. Key activities include market research, product development, and establishing a customer base (Lewis and Churchill, 1983; Galbraith 1982). The risks are high, as these companies are in their formative stages with unproven concepts, but the potential rewards are significant. Investors in this stage often play an active role in shaping the company's direction and are prepared for the possibility of unforeseen losses, while seeking substantial returns from innovative and disruptive business ideas (Fried and Hisrich, 1991).

Moving into the Growth Stage, which typically includes Series B and Series C funding rounds, startups have passed the initial proof-of-concept phase. At this stage, the product-market fit has been established, and the focus shifts to scaling the business. This includes expanding operations, growing the customer base, enhancing the product or service offerings, and adding key team members (Ruhnka and Young 1987). The growth stage is characterized by more significant investment amounts as the companies demonstrate consistent growth, an expanding customer base, and a clearer path to profitability. The risks are lower compared to the early stage as the companies have already established a market presence and shown some level of operational success.

Lastly, the Late Stage is marked by companies that are more mature and often gearing up for major events like an Initial Public Offering (IPO) or a significant acquisition. These companies have moved beyond the startup phase, exhibiting rapidly growing sales, a large and loyal customer base, matured product lines, and robust operational structures (Bygrave and Timmons, 1992). Late-stage investments are considered less risky compared to early-stage investments because these companies are well-established in the marketplace, and their investments can often be converted more quickly into cash (Fried and Hisrich, 1991). This stage is attractive for investors looking for more stable and predictable returns, as the companies have a track record of growth and performance, making them prime candidates for public offerings or attractive acquisitions (Bygrave and Timmons, 1992).

Each of these stages presents unique challenges and opportunities for investors. Early-stage investing requires a keen eye for potential and a tolerance for high risk, whereas growth-stage investing focuses on scaling proven concepts. Late-stage investing, meanwhile, offers more security and is often about positioning a successful business for its next major leap, be it an IPO or acquisition. Investors strategically choose which phase/s to invest in and understanding the distinct characteristics of each stage is essential to accurately identify and access the desired investment opportunities.

2.5 The Venture Capital Investment Process

The process of VC transactions is complex and involves various stakeholders. It's challenging to pinpoint a single motive for each transaction due to the involvement of multiple perspectives in the decision-making process. These motives vary among investors and are specific to their networks of capital providers (Gerdemann et al., 2022). That said, the typical procedure and order of VC investments adhere to a structured approach independent of the type of venture capital (Bender, 2011). A widely accepted model proposed by Tyebjee and Bruno (1984) outlines a five-step sequence that illustrates key investment activities and milestones: deal origination/sourcing, deal screening, deal evaluation, deal structuring, and post-investment activities (reference **figure 1** below).

Deal origination is the initial stage where venture capitalists pinpoint potential investments that align with their areas of interest, aiming to compile a list of prospective targets. The next phase involves *screening*, where VC funds apply specific criteria that align with their investment strategy, with the objective of filtering out unsuitable companies to efficiently allocate resources (Fried and Hisrich, 1994). This is followed by target *evaluation*, where startups are valued based on set criteria, taking into account the risk premium associated with their sector. The *deal structuring* phase comes next, involving the drafting of the investment contract with details like the amount of investment and equity stake. *Post-investment*, the investor's role shifts to that of a collaborator, often involving board membership in the portfolio company. This position enables the investor to oversee the company's activities and engage in exit strategies such as IPOs or mergers and acquisitions (Bender, 2011; Tyebjee and Bruno, 1984; Fried and Hisrich, 1994).

As previously noted, the scope of this paper will be confined exclusively to the exploration of the deal origination phase, also referred to as deal sourcing. This specific phase holds a unique position within the broader framework of the venture capital process, as it remains an area that has not yet received thorough and comprehensive examination in the existing literature. Consequently, there exist substantial gaps in our understanding of this critical phase, justifying further investigation and in-depth analysis.

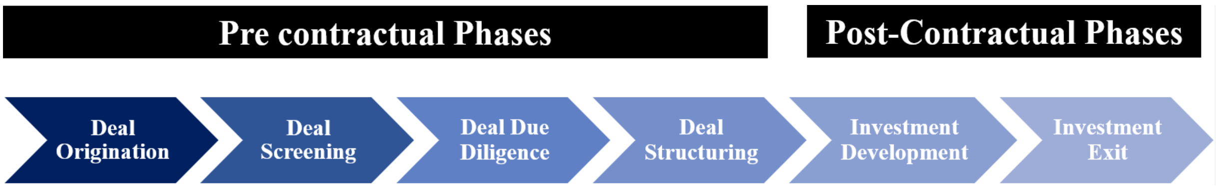

Figure 1. Venture capital investment process. Adopted from Bender (2011)

2.5.1 The Deal Origination Process

The deal origination process, as depicted earlier, marks the initial stage of the comprehensive venture capital investment journey, serving as the bedrock upon which all subsequent operations are built.

Recognizing the importance of deal origination from a strategic standpoint for the comprehensive investment process isn't just confined to VC firms' awareness; it's also a theme emphasized within VC-related literature. This was underscored by Teten and Farmer (2010) through empirical evidence, revealing that funds can notably enhance their investment performance by identifying and implementing industry best practices in their investment sourcing process. Yet, given the fast-changing environment in which VCs operate, the best practices are constantly changing, and venture capitalists must remain adaptable to recognize and implement them (Sweeting, 1991).

The evolution of investment origination has been marked by significant changes over the years. Initially, Tyebjee and Bruno (1984) found that most venture capitalists were not proactive in their deal-seeking strategies, with a mere 10% of deals arising from active searches and the majority stemming from entrepreneurs reaching out (25%) and referrals (65%). This highlighted a predominantly passive approach in the VC industry during that era. Progressing in time, Silva (2004) and Bender (2011) highlighted the importance of having a sufficient and continuous flow of investment opportunities, which allowed investors to be more selective during screening and due diligence, thereby enhancing deal quality.

The narrative of deal origination took a notable turn towards more proactive strategies, as observed by Pappas, Allen, and Shalock (2009), who reported that many private equity funds were planning to modify their origination processes, signaling a shift to a more deliberate and strategic approach. This change was further supported by Teten and Farmer (2010), who demonstrated that funds employing proactive origination strategies experienced higher returns, emphasizing the role of personal and professional networks, and the reputation of the fund's principals, in deal origination.

Lentz (2012) added to this evolving perspective by suggesting that proactive deal sourcing offers high investment quality because an investor reaches out to an entrepreneur exclusively when there is a substantial alignment between the entrepreneurial firm's business activities and the investor's investment profile. Fuchs et al. (2021) contribute to this discussion reporting that in a competitive deal-sourcing environment, the presence of educational connections between fund managers and CEOs of target companies positively influences the acquisition of deals and the success in competitive transactions. This validates previous ideas in the literature that emphasize the significance of personal and professional networks as a crucial avenue for investors to discover potential target firms. However, the authors find no evidence that the deals involving educational ties perform any better or worse than others.

Most recently, Gerdeman, Robin, and Carlos Heredia Alcaraz (2022) brought a data-driven dimension to the discussion, showing that tracking various dimensions in specific locations or industry sectors enables VCs to more accurately identify and qualify potential new deals.

The contemporary literature on deal origination within the venture capital sector is increasingly favoring proactive practices over traditional, passive approaches. This shift is underscored by numerous studies and analyses, which collectively highlight the effectiveness of these proactive methods in enhancing both the returns and quality of deals. By integrating data-driven techniques and leveraging strong personal and professional networks, venture capitalists are now better positioned to identify and pursue high-quality, strategic investment opportunities. This evolving approach not only aligns more closely with investor interests and entrepreneurial activities but also offers a competitive edge in the fast-paced VC environment. The consensus in recent literature is clear: proactive deal origination is pivotal for achieving superior outcomes in venture capital investments.

2.6 Conclusion

This chapter has provided an overall overview of the venture capital landscape, delving into the history, structure, investment stages, and the intricacies of the venture capital investment process. It has highlighted the evolving nature of deal origination in the venture capital industry, emphasizing the shift towards proactive practices that have proven to enhance returns and deal quality. Despite this growing endorsement, a significant gap remains: the literature provides limited guidance on the internal processes venture capitalists need to effectively adopt and implement to have a proactive deal origination. This gap is crucial because simply recognizing the value of proactivity is not enough; VCs also require a clear roadmap for integrating these strategies into their daily operations. This thesis directly addresses this gap. It aims to offer comprehensive insights and practical guidelines that empower VCs to develop and sustain proactive strategies within their deal origination processes. By doing so, this work seeks to equip VCs with the necessary tools and knowledge to adeptly navigate a dynamic and competitive market, ensuring they can effectively identify and seize high-quality investment opportunities.

Chapter 3: Methodology

This section explores the methods and strategies employed in the research, providing a comprehensive overview and reasoned justification for the chosen approaches. Key areas such as the research settings and strategy, sampling strategy, data collection methods, and data analysis are thoroughly discussed.

3.1 Research Setting

This thesis was initiated and completed during the researcher's internship at DeepTechXL, with the objective of enhancing the company's deal origination practices. DeepTechXL, established in 2022 and headquartered in Eindhoven, operates as a venture capital entity. Its primary mission revolves around investing in early-stage Dutch startups and scale-ups situated within the domain of deep technology. This sector holds considerable promise for global expansion and capitalizes on unique, well-protected intellectual property assets, encompassing patents and licenses. The startups and scale-ups embraced by DeepTechXL are predominantly situated in the hardware and manufacturing sector. They share a collective goal of making meaningful contributions to four key societal themes: Energy Transition & Sustainability, Security, Health & Care, and Agriculture.

Despite its status as a relatively young company, DeepTechXL boasts an expansive network due to the expertise of its partners and employees within the venture capital industry. Over the preceding year, DeepTechXL has encountered over 300 investment inquiries from startups. However, its actual investments have been limited to less than 10 of these inquiries. The process of meticulously assessing these inbound investment prospects consumes substantial resources. Consequently, DeepTechXL is intent on shifting away from its current reactive approach to deal sourcing, wherein it relies on entrepreneurs, syndicates, or intermediaries to present investment opportunities. Instead, DeepTechXL is endeavoring to adopt a proactive deal origination approach.

By adopting a proactive stance, DeepTechXL aims to take the lead in actively identifying potential investments within its strategic network. Embracing this strategic shift in deal origination is expected to yield several advantages. This encompasses not only access to revolutionary technologies and high-quality investment prospects but also an elevation of its profile and standing as a reputable venture capital entity.

3.2 Research Method

During collaboration with venture capitalists, the critical role of deal origination in their operations became increasingly clear. Many VCs emphasized the need to be proactive in identifying investment opportunities and appeared to heavily depend on specific practices in this regard. However, VCs had different approaches, and they appeared to exhibit a keen interest in understanding how other venture capitalists are proactively approaching their deal origination. Academically, this phenomenon has not been extensively explored as most studies primarily differentiate between proactive and reactive methods, typically preferring the former for its ability to yield higher returns. Consequently, a broader understanding of which internal practices constitute proactive deal origination, remains absent. As the aim of this study is to gain a more comprehensive understanding of the deal origination phenomenon in the venture capital context, a qualitative research approach was selected. According to Flick (2009), qualitative research is better suited for uncovering the mechanics of a phenomenon and constructing a theory based on those discoveries.

In alignment with the exploratory nature of this research, the research design selected was a case study approach. This method is well-suited for exploring the 'how' and 'why' aspects of the system under investigation. Therefore, it is instrumental in delving into complex real-life scenarios where the distinction between the phenomenon under study and its context is often subtle and intertwined, requiring a multifaceted exploration of evidence (Yin, 2014). The case study methodology is often structured methodically: starting from identifying the research subject, selecting appropriate cases, formulating initial theories through literature review, to the systematic collection and organization of data, followed by a detailed analysis leading to meaningful conclusions (Yin, 2014).

In case studies, prior academic results often form the basis for data collection and analysis. However, due to the discussed research gap in proactive deal origination, an inductive approach was adopted to gain a deeper understanding of the phenomenon. An inductive methodology is especially well-suited for investigating novel subjects (Eisenhardt, 1989) and formulating new concepts (Flick, 2009). With this methodology, gathered data serve the purpose of constructing theories rather than assessing pre-existing hypotheses within a novel context. According to Welch et al. (2011), the objective of such a methodology is to develop propositions suitable for quantitative testing.

As there’s no existing theory on proactive deal origination, to gain a deeper comprehension of this phenomenon, employing a qualitative case study with an inductive approach for theory development is both an appropriate and well-justified methodological selection. This research approach and design will help uncover proactive practices employed by VCs in identifying investment opportunities, thereby significantly enriching the current body of literature on deal origination.

3.3 Data Collection and Sampling Strategy

Given the complexity and unique characteristics of the venture capital industry, understanding a specific phenomenon, building upon previous academic literature and developing a theory requires a thorough comprehension of both the topic and its theoretical context. While the internal process necessary for proactive deal origination has not been explored academically, deal origination as a broader concept has been examined at a general level. To better understand the subject, there was a need for a comprehensive literature review covering general aspects of venture capital, the investment process, and prevailing perspectives on deal origination. This information served as a foundation for a more in-depth exploration of the specific aspects of deal origination.

A systematic literature search was performed across various recognized databases such as Google Scholar, EBSCOhost, and ProQuest. A variety of keywords, all relevant to the context, were employed during the search. Selection of the most pertinent articles for in-depth review was based on factors like the title, citation frequency, and abstract. Furthermore, to new research papers, references within the identified articles were also reviewed. This iterative process continued until a point of saturation was reached, where new articles did not significantly contribute additional insights to the subject matter being studied.

After the literature review, primary data was collected through semi-structured interviews, which are instrumental in gaining a comprehensive understanding of complex relationships and phenomena (Fontana & Frey, 1994). The use of semi-structured interviews in this research was instrumental in guiding conversations towards specific topics while also allowing for open-ended dialogue, spontaneous questions, and the emergence of fresh insights. This format offers the flexibility to delve deeper into responses, enabling interviewees to elaborate or expand upon their initial answers, thereby enriching the data with greater detail and context (Saunders et al., 2009). Additionally, the interviewee are also able to steer the conversation towards aspects that were not initially explored by the interviewer. These unanticipated insights are invaluable for achieving a comprehensive grasp of the subject matter and making a substantial contribution to addressing the research inquiries (Rowley, 2012)

The formation of the interview questions was guided by insights from the literature review. These questions, designed to address the research question, were compiled into an interview guide included in appendix A. As the study progressed, some questions were modified or added to capture newly emergent insights about the phenomenon being studied. Given the semi-structured nature of the interviews, the exact phrasing and sequencing of questions varied between interviews, although the core themes discussed remained consistent. Interviews were primarily conducted using Microsoft Teams, but when possible, they were held in person. Each interview was scheduled individually, and English was the language used throughout. The interviews typically ranged from 40 to 60 minutes in duration. With the consent of the interviewees, each interview was recorded and subsequently transcribed. In order to foster trust and encourage the depth of the responses, the identities of the interviewees is kept confidential. Therefore, the interviewees are identified using a coding system that reflects the sequence in which they were interviewed (for example, case 1, case 2, etc.). Additionally, the transcripts of the interviews were shared with the respective interviewees for verification and validation.

Since this study's objective is to comprehensively understand a specific phenomenon and subsequently formulate a theory, purposeful sampling was deemed the optimal approach for data collection. The primary intent of this sampling method is to select individuals who have substantial understanding and knowledge about the phenomenon being investigated, are available and willing to participate, and possess the capability to effectively communicate their insights (Palinkas et al., 2015).

The sample's characteristics were predetermined to ensure interviews with VCs operating in different investment stages. The goal was to include VCs focusing on early, growth, and later stages, thereby providing a comprehensive understanding of the various proactive deal origination practices used by VCs operating in different environments. To add a global dimension to this research, a sample with participants from different countries was preferred. The intention was to broaden the research's international scope and enhance its theoretical contributions. Following these clear objectives, DeepTechXL network was used to facilitate access to the interviewee. The reliance on DeepTechXL's network, threatens the quality of the collected data as it might have introduced some a degree of selection bias, potentially leading to homogeneity in the collected data. However, the initial goal of having a heterogeneous sample helps to mitigate this potential bias.

The empirical data sources of this thesis were nine VC firms, selected to represent a diverse range of VCs, and two seasoned entrepreneurs closely working with VCs, whose selection aimed to offer different perspectives. The interview process was deemed complete once the responses began to show repetition, indicating that a sufficient breadth of data had been collected. The sample size, restricted by the time frame imposed on this research, could affect the depth and comprehensiveness of the data collected. This might raise concerns about this paper’s generalizability. To limit the negative effect of a small sample size, a broader geographical coverage was introduced, and the selected participants had significant experience. The interviewees, based in Europe, America, and the Middle East (see **Table 1** and **Table 2**), were predominantly in senior management positions, such as CEO, Partner, or Managing Partner. This composition ensured that the insights gathered were both relevant and reliable, as their experience and positions enabled them to provide detailed and nuanced perspectives on the practices of deal origination. The majority of the venture capitalists contacted expressed their willingness to take part in the research, and they all expressed interest in reading the results of this paper, indicating the relevance of the chosen topic.

Geographical Location	*NL*	*NL + BE*	*NL+US*	*NL+GER +US*	*GER*	*FR + US+ ISRL*	**Total**
VCs	3	1	2	1	1	1	9 (82%)
Seasoned entrepreneurs	2	0	0	0	0	0	2 (18%)
Total	5 (46%)	1 (9%)	2 (18%)	1 (9%)	1 (9%)	1 (9%)	11 (100%)

Table 1: Sample Distribution

Investment Focus	*Early stage*	*Early + Growth stage*	*Growth + Late stage*	*Early + Growth + Late stage*	**Total**
VCs	2 (22%)	5 (56%)	1 (11%)	1 (11%)	9 (100%)

Table 2: VCs Investment Stage Focus

3.4 Data Analysis

The methodology for data analysis in this study was influenced by the approach outlined by Gioia, Corley, & Hamilton (2013), which is known for introducing qualitative rigor into the analysis process. The analysis was iterative and partially concurrent with the data collection phase, a characteristic feature of inductive research. Throughout the analysis, insights were continually refined and developed through a series of distinct steps.

Prior to beginning the analysis, transcriptions of the interviews were created and meticulously reviewed to gain a solid understanding of the data. The initial stage of analysis involved open coding, a process aimed at identifying all pertinent information within the interview transcripts (Strauss & Corbin, 1998). In this initial phase, also known as 1st-order analysis, the focus was on reading through the transcripts to develop codes and categories that accurately represented the content without an emphasis on the quantity of these codes. For coding, specific themes were chosen as the unit of analysis rather than linguistic elements like words or sentences. The development of both coding schemes and categories was based on an inductive approach drawn from the data, aligning with methods recommended by Zhang & Wildemuth (2009) for inductive research.

As the analysis advanced, a thorough examination of the various categories was conducted to identify both differences and similarities, effectively streamlining the number of categories to a more manageable count, as guided by Gioia et al. (2013). The constant comparative method played a crucial role in this phase, involving two key steps: firstly, each code within a category was methodically compared against others in the same category to gain a complete understanding of that category's characteristics; secondly, categories with overlapping features were merged, following the approach recommended by Zhang & Wildemuth (2009). The labeling of these refined categories was done using terms provided by the interviewees where feasible. Subsequently, the data underwent a multi-level examination, involving both 1st-order codes and emerging 2nd-order themes. This in-depth analysis not only enhanced the comprehension of the studied topic but also informed the direction of subsequent interviews, focusing more on the themes and interconnections that surfaced from the early interviews, as outlined by Gioia et al. (2013).

Subsequently, more abstract 2nd-order themes were developed from the revised 1st-order codes to offer a more comprehensive explanation of the phenomenon under investigation. Following the establishment of these 2nd-order themes and 1st-order codes, an exploration was undertaken to determine if the 2nd-order themes could be integrated into broader aggregate dimensions. The final step involved amalgamating the 1st-order codes, 2nd-order themes, and aggregate dimensions into a coherent data structure. This structure not only served as a visual representation but also illustrated the transformation from initial raw data to developed themes and aggregate dimensions, thereby embodying the study's qualitative depth as recommended by Gioia et al. (2013). The finalized data structure, which visually depicts this progression, is presented in **Figure 2**.

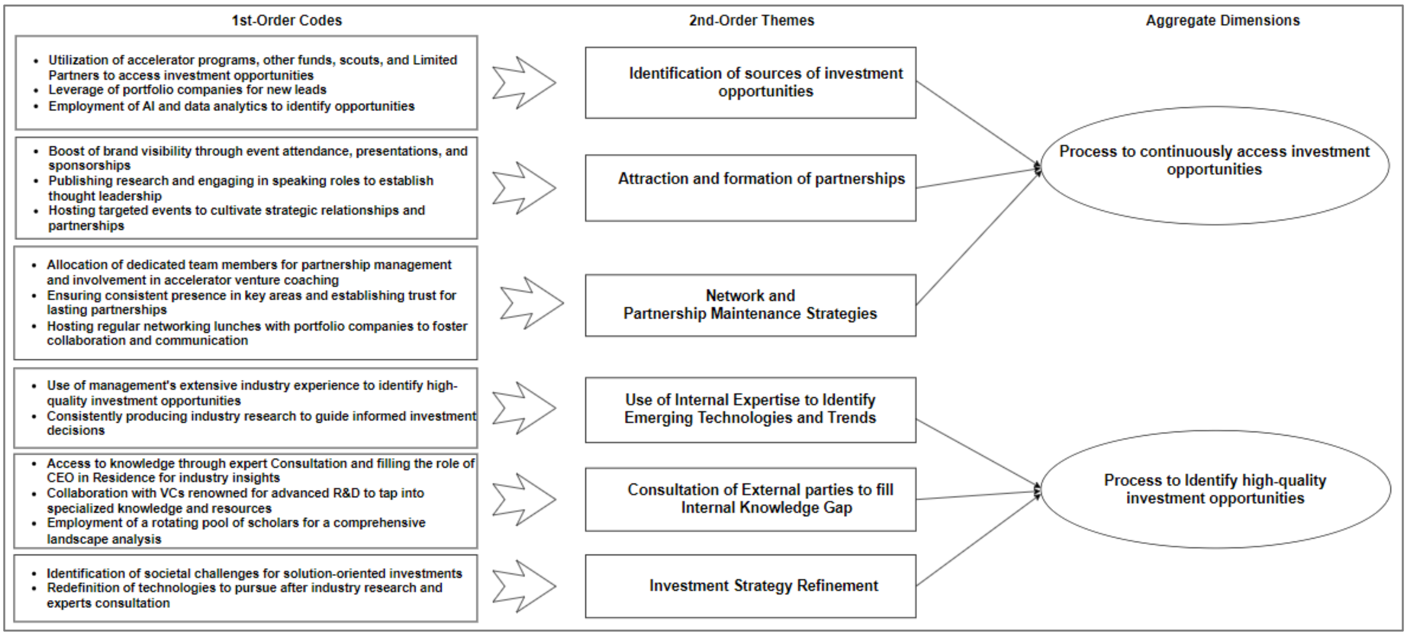

Figure 2: data structure

3.5 Reliability and Validity of Research Results

Yin (2003) outlines four critical criteria for assessing the validity and reliability of case studies: construct validity, internal validity, external validity, and reliability.

Construct validity involves ensuring appropriate measures for the concepts being studied, essentially evaluating the accuracy of the test in measuring what it's intended to measure (Yin, 2003). Achieving construct validity in case studies can be challenging. Yin (2003) suggests two key steps: (1) choosing specific types of changes to study and relating them to the study's objectives and (2) confirming that these selected measures indeed reflect the chosen types of change. To attain construct validity in case studies, Yin (2003) recommends employing multiple sources of evidence, establishing a clear evidence chain, and getting feedback on draft results from informants. This study utilized all three tactics: multiple sources of data were gathered from 11 separate interviews and supplementary documents, the Gioia method (Gioia et al., 2013) was used to maintain a clear evidence chain, and feedback on the 2nd-order themes was sought from two interviewees, aiding in refining the data structure.

Construct validity involves the appropriate selection of measures for the concepts being studied. Essentially, it assesses the extent to which a test accurately measures the intended concept (Yin, 2003). In case studies, establishing construct validity can be challenging. Yin (2003) suggests a two-step approach for this: firstly, identifying the specific types of changes to be examined, and secondly, ensuring that the measures chosen accurately reflect these specified types of change. To strengthen construct validity in case studies, Yin (2003) recommends three specific strategies: utilizing multiple sources of evidence, creating a clear chain of evidence, and getting feedback on drafts of the study's results. In this research, these strategies were effectively employed. Firstly, a diverse set of data was collected from 11 individual interviews and supplemented with additional documents from some interviewees, providing a consistent and varied evidence base. Secondly, the Gioia method (Gioia et al., 2013) was applied to establish a clear and robust chain of evidence, ensuring qualitative rigor. Lastly, feedback on the 2nd-order themes was retrieved from two interview participants, which played a crucial role in refining and adjusting the developed data structure.

Internal validity refers to the establishment of cause-and-effect relationships, essentially examining how certain conditions may lead to others. This aspect is particularly relevant in studies focusing on causal or explanatory inquiries rather than exploratory ones. Given that this study primarily adopts an exploratory approach with some explanatory elements, internal validity is addressed but not extensively focused on. Key elements contributing to internal validity in this context include direct statements from interviewees that either identify or confirm causal links, alongside a data structure developed with a high degree of qualitative rigor (Yin, 2003). Gioia et al. (2013) highlight that creating a grounded model that depicts dynamic interrelations emerging from static data necessitates a significant "conceptual leap". Moreover, the integration of this study's developed theory with existing academic literature, as done in the discussion chapter, further reinforces this research’s internal validity (Eisenhardt, 1989).

External validity, also referred to as generalizability, pertains to the degree to which the conclusions drawn from a study can be extended to settings outside the study's specific focus (Yin, 2003). While this research was methodically and rigorously executed, it is important to note that it was limited to VC firms in six countries, which may not fully represent the global venture capital industry. Consequently, the broader applicability of the study's findings might be somewhat constrained. This research's sample size is also relatively small, which could further limit the generalizability of the findings. However, the diversity within the sample boosts the external validity of the findings, encompassing a broader range of approaches compared to a single-case study. The data's quality is also noteworthy due to the extensive experience of the interviewee. Some findings, particularly those pertaining to main attributes of a proactive deal origination process, have the potential for broader applicability. However, the specific importance or influence of each attribute appears to be unique to each VC firm and should be generalized with caution. This study also ventures into the relatively unexplored academic territory of VCs proactive deal origination processes, potentially contributing new insights to this area of research.

Reliability in a case study is determined by the ability to replicate the study under the same conditions and yield consistent results (Yin, 2003). To ensure reliability, various potential threats need to be addressed, such as participant error, participant bias, observer error, and observer bias (Saunders et al., 2009). To minimize participant error, interviews were strategically scheduled during times most convenient for the interviewees, typically in the middle of the day and in their preferred setting. To reduce participant bias, anonymity was assured at the beginning of each interview, fostering an environment conducive to open and relaxed conversation. The utilization of semi-structured interview questions was instrumental in reducing observer error. These questions were flexibly adapted throughout the interview process, a common practice with semi-structured interviews. To diminish observer bias, the study adhered to qualitative rigor in the transparent development of a data structure from the 1st-order codes. Further, the iterative process of validating and refining 2nd-order themes with input from several interviewees played a crucial role in ensuring the reliability of the findings.

Chapter 4: Findings

This chapter delves into the complexities of the emerged data structure (see Figure 2). It conducts an in-depth examination of the various second-order themes that have surfaced and sees how they are related to deal origination.

4.1 Process to continuously access investment opportunities

4.1.1 Identification of sources of investment opportunities

The identification of investment opportunity sources is an essential and foundational step for venture capital firms, pivotal in ensuring a steady stream of viable investment prospects. As merged from the empirical data, VCs rely on a multifaceted approach to discover potential investments, that involves leveraging a variety of sources, each offering unique contributions to the investment pipeline.

One of the primary sources of investment opportunities for VCs are accelerator programs, which include both traditional and university-based accelerators. These platforms are crucial for early-stage venture identification, providing access to innovative startups, emerging technologies, and research advancements. University accelerators, in particular, are a goldmine for VCs due to their direct connections with academic innovators and technology transfer offices. As mentioned by one of the interviewees, in Case 1, "*If you liaise with universities then you have early access to potential deal flow*". This advantage is further underscored in Case 5, where the interviewee emphasized the distinctiveness of their firm's relationship with universities: "*I believe our close connections with universities make us unique. Many funds aim to establish these relationships but often struggle to maintain them*". By forming symbiotic relationships with these institutions, VCs tap into cutting-edge research and development, often leading to lucrative and pioneering investments. However, as Case 8 suggests, not all VCs are interested in receiving deals from accelerators, "*companies that spin out directly from universities are usually too early for us. We typically invest in spin-offs that have already raised a few rounds and matured a bit*". This perspective is further expanded in Case 10, which illustrates varied engagement strategies: *"Depending on the stage, we engage with various parties. For seed-stage, we collaborate with tech transfer offices at universities and often directly with professors (..) for Series A, we focus on building connections with other major venture capital firms."* This illustrates that the degree of interest in accelerators as a source of investment opportunities is highly correlated with the investment stage a VC invests in.

Another strategic approach for VCs is co-investing with other venture funds. As illustrated by Case 4, "*Networking with other venture capital firms has also become crucial (..) Building these relationships has led to a stream of opportunities*". This collaborative approach is further emphasized in Case 8, where a VC explains their method of staying connected with other investors: *"We often call VCs who invest earlier than* *us, such as once a quarter to review their portfolio companies and to identify the most relevant companies that would be fundraising and that are performing well and where we could eventually lead in the next round. It's a very qualified deal flow*". Similarly, the value of these connections is captured in Case 9: *"The best leads come from other VCs*". And Case 5: "*I would say that the most high-quality deals primarily come from investor networks. Building strong relationships with reputable investors often leads to them sharing excellent deals with us, deals they themselves intend to invest in*". Such interactions not only enhance deal flow opportunities but also foster long-term relationships and create a community of supportive firms, significantly enhancing the venture capital ecosystem.

Limited Partners (LPs) also play a pivotal role in the VC investment landscape. LPs, including institutional investors and innovative corporations, often have expansive and diverse networks, providing unique investment opportunities. Some VCs have regular deal flow from LPs, as Case 9 explains, "*With all our LPs, we have monthly or at least quarterly meetings where we exchange deal flow*". The exchange of deal flow between VCs and LPs not only increases the quantity but also enriches the quality and diversity of investment prospects. This collaboration allows LPs to actively participate in the investment process, leveraging the expertise of VCs while providing them access to pre-screened opportunities.

The inner circle of VC firms is another critical source of investment opportunities. To quote Case 4 *"we have a network of professionals, including investment banks, corporate finance boutiques, accountants, and lawyers, who have worked with us for years. They are familiar with our investment criteria, and they often bring potential opportunities to our attention"*. Some VCs intentionally work with scouts to access deals. As shared by Case 7 "*We have scouts with diverse backgrounds, each chosen based on their interesting networks and potential to bring us deals*". Portfolio companies are also an important source of investment opportunities. As Case 4 explains "*the management teams of our existing portfolio companies play a significant role in our deal origination. They have insights into their respective industries and often bring interesting opportunities to our attention*".

The rise of data science tools has brought a revolutionary change in deal flow generation. VCs are increasingly deploying these tools to analyze vast amounts of data, identify underlying patterns and trends, and make informed investment decisions. Case 5 describes their innovative approach to leveraging technology, stating, "*..we also utilize a LinkedIn scraper for our digital tech team. This scraper is automated and programmed in Python to scrape data from the LinkedIn profiles of founders in our country. It collects a significant amount of information daily*". This adoption of data science tools represents an enhancement to the deal-sourcing process, exemplifying how technology acts as a complement to human expertise, enriching the decision-making process with a wealth of data-driven insights. Furthering this point, Case 4 explains "*Some investors have tools that automatically generate deal flow using data analysis, but it's something we're considering for the future. (..)These tools don't replace humans; rather, they complement* *human efforts and make the process easier*". As the venture capital industry continues to evolve, the integration of such data science tools is likely to become standard practice, revolutionizing how VCs scout and assess potential investments

In summary, the identification of sources of investment opportunities is a critical and multifaceted aspect of venture capital operations, essential for securing a consistent flow of viable prospects. VC firms employ a range of strategies and sources, from accelerator programs and co-investments to collaborations with LPs, insights from portfolio companies and scouts, and the utilization of data science tools. Each of these components plays a vital role in ensuring a rich and diversified investment pipeline, allowing VCs to remain at the forefront of innovation and market trends.

4.1.2 Attraction and formation of partnership

After identifying potential sources of investment opportunities, VCs focus on attracting and forming partnerships, a crucial phase in securing a strong deal flow. To successfully navigate this step, it's imperative for VCs to maximize their visibility within their ecosystem. Consequently, they deploy a range of strategically designed methods aimed at boosting their market presence and forging connections with potential partners.

A significant aspect of this strategy involves active participation in industry conferences. These events are more than just gatherings; they are strategic platforms for VCs to network, exchange insights, and keep up with the latest industry trends and innovations. As noted in Case 8, "*At conferences, we focus more on networking and speaking to other VCs. I will describe my investment strategy and what I'm looking for and so investors will see whether in their portfolio or they have a deal where they want us to be involved*". This proactive approach underscores the importance of networking, as further detailed in another statement from Case 8: "*We identify different conferences that deal with topics of interest to us. We go there not only to secure speaking engagements but also to meet people, entrepreneurs, and investors*". These insights align with the observation from Case 3: "*Events create opportunities for investors to interact, exchange ideas, and start collaborating on ventures*". Attending these conferences provides VCs with exposure to a broad audience, including potential investees, co-investors, and other industry professionals. Securing speaking engagements at these conferences is another crucial strategy. When VCs take the stage, they showcase their knowledge, investment successes, and understanding of market trends, further enhancing their visibility and influence in the industry.

Thought leadership, manifested in publishing research papers and opinion pieces, is another pivotal tool for enhancing visibility and credibility in the venture capital industry. As reported by Case 8, "*Becoming a thought leader or working toward that is crucial for us, as it enhances our visibility, builds brand awareness, and encourages people, be it entrepreneurs or investors, to reach out to us. They see us as credible and* *valuable contributors to the field, so they share data and insights with us*". In line with this approach, Case 6 highlights the significance of digital engagement: "*If you visit our website, you'll notice that we regularly publish materials to generate traffic and awareness. Participating in these discussions and sharing our research allows us to establish ourselves as leaders in the field*". VCs that engage in creating and disseminating insightful content position themselves as authoritative figures in the industry. This content, which covers complex industry trends, emerging technologies, and market dynamics, demonstrates their expertise and helps to attract innovative startups and lucrative investment opportunities. Moreover, thought leadership content, especially when shared on digital and social media platforms, can significantly amplify a firm's reach and impact. Engaging in these forms of content creation often leads to further invitations for speaking engagements and participation in industry roundtables, thereby enhancing the firm's network and visibility.

Organizing and sponsoring networking events is yet another key strategy employed by VCs. Case 8 elaborates on this approach, stating, "*we might organize side events, such as networking dinners or drinks, where we invite individuals we want to build and nurture relationships with*". These events range from formal conferences and seminars to informal meetups and mixers, creating platforms for VCs to build and strengthen relationships with entrepreneurs, fellow investors, industry leaders, and potential collaborators. Hosting these events positions VC firms at the center of the entrepreneurial ecosystem, fostering connections and a sense of community. Networking events also serve as showcases for the VC firm's portfolio companies, providing them with a platform to demonstrate their progress and potentially attract additional funding or strategic partnerships. Moreover, these events enhance brand visibility and market presence, fostering deeper and more meaningful connections that often lead to new investment opportunities and long-term collaborations.

In conclusion, VCs employ a range of tactics – from conference participation, securing speaking engagements, thought leadership, and content creation, to organizing networking events – to enhance their visibility and credibility in the venture capital ecosystem. These efforts are instrumental in attracting and securing valuable partnership opportunities, establishing long-term relationships, and ultimately contributing to the success and growth of both the VC firms and the broader entrepreneurial ecosystem they support.

4.1.3 Maintaining networks and partnerships

Effectively maintaining networks and partnerships is pivotal for a sustained supply of deal flow. The strategic allocation of dedicated team members to focused partnership management is a core component of this process. Case 6 underscores this approach, noting, "*When we commit to a partnership, we internally assign a team member to drive it. We prioritize our partnerships based on their relevance to our investment* *goals and the support they can provide to our portfolio companies*". Case 5 further enriches this strategy, explaining "*Our networking strategy for deal sourcing incorporates a two-sided approach. First, we have a systematic approach where we aim to establish connections with various universities and accelerators across our country. then we designate specific points of contact within our team for each of these universities. This systematic effort involves building one-on-one relationships with universities, accelerators, and startup programs*". The roles of these team members are multifaceted, encompassing the facilitation of communication, ensuring alignment of goals and expectations, and deeply understanding the needs and objectives of each partner. This approach is essential not only for establishing robust partnerships but also for ensuring they are continuously cultivated and strengthened, which is crucial for long-term success. Particularly important in this realm is maintaining a constant presence in key industry hubs. By being physically present, VCs immerse themselves in the ecosystem, directly engaging with and supporting startup teams, participating in program activities, and becoming an integral part of the startup community. Case 2 sheds light on the importance of consistency in this approach, remarking, "*it takes time to build relationships. (..) You need to be consistent (..)By consistently showing up there with the same people, people start to recognize you*". Further elaborating on this strategy, Case 6 states, "..*one of our partners visits regularly, typically at least once every two weeks, and spends time there working and being visible*". Case 10 reinforces this idea, emphasizing that "…*we focus on building connections with other major venture capital firms. Regular contact, calls, and visits are essential to establish a strong network*". This constant presence not only fosters strong face-to-face relationships but also provides VCs with immediate access to emerging talent, innovative ideas, and hands-on involvement in startup development.

Equally important is the cultivation of good relationship between VCs and their portfolio companies. As highlighted by Case 4, "*Our existing portfolio companies are a significant part of our network, and we encourage associates and principals to build strong relationships with them. It's not just about sending LinkedIn requests; it's about spending quality time with these contacts to develop meaningful connections*". Case 6 sheds further light on how this relationship thrives, explaining, "*it is tradition here to invite one portfolio company to have lunch with us because we all have lunch together in the office on Tuesday. The whole team is in, and then they get to meet the entire team. Team members can use that opportunity to get to know the portfolio company team better and expand their own network*". The strength of the relationship between VC team members and their portfolio companies is directly proportional to the likelihood of these companies referring new investment opportunities. By engaging in regular, informal interactions, VC team members can foster deeper connections with their portfolio companies, a crucial step in building a rapport that encourages the sharing of potential investment leads

In building and maintaining relationships, trust is also paramount. Trust is established through transparency, consistent communication, and mutual respect. Case 5 elaborates on this concept, stating, "*Building relationships with other VCs is a highly personal process (...) Trust is a key factor because not every investor is eager to share their best deals. So, it's important to demonstrate that you trust them with your own deals. You should be willing to forward them promising opportunities, not just the ones you're less enthusiastic about investing in yourself*." Echoing this sentiment, Case 1 highlights the reciprocal nature of trust in these relationships: "... *by giving free information to accelerators, for example training them, you get earlier access to deals because they know and trust you. So it's like building a relationship where you trust each other to share information*." Coaching startups emerges as a consistent activity done by VCs on a regular basis to build a solid relationship where the other party can trust you good intention in the partnership. Case 10 explains "..*building a solid relationship involves giving back to the university ecosystem. By actively engaging with the university and offering constructive feedback, particularly in the early stages before a startup is spun out, you show that you're invested in their success. This can involve brainstorming market strategies, resolving conflicts, refining deal structures, and aiding in the company's formation. By being a valuable partner in these aspects, you remain on their radar and contribute to the growth of startups associated with the university*". Further elaborating on these strategies Case 5 says "*in academia we provide coaching and guidance, investing a considerable amount of time to support these emerging ventures, even if we don't invest in those ventures (..)our approach to academia is quite similar to our personal relations with other venture capitalists and investors. We view it as a crucial aspect of our work to actively engage with the ecosystem, offering coaching and assistance to individuals who aim to launch startups*". By actively assisting partners and startup teams, and demonstrating a willingness to share opportunities and knowledge, trust deepens over time.

To complement these strategies, VCs utilize a range of technological tools, including CRM systems. Case 11 illustrates their utility, stating, "*In the CRM tool we use, for instance in Quantum Industries, we do have a comprehensive overview of the various players, investors, and advisors (...) our CRM tool is very useful for mapping out our investment sources and connections*." These systems play a crucial role in meticulously tracking interactions with partners, enabling effective relationship management and the maintenance of detailed records of all communications and transactions. Such technological integration is key to efficiently managing a diverse network of partners.

In conclusion, the effective maintenance of networks and partnerships is essential for venture capital firms to ensure a steady flow of deal opportunities. This involves strategically allocating team members to manage partnerships, maintaining a constant presence in key industry hubs, and cultivating trust through consistent communication and coaching. The role of technology, particularly CRM systems, in supporting these strategies is also vital. It enables VCs to track interactions and manage relationships efficiently. Collectively, these approaches form a comprehensive framework for building and sustaining robust partnerships, essential for long-term success in the competitive venture capital environment.

4.2 Process to Identify high quality investment opportunities

4.2.1 Use of Internal Expertise to Identify Emerging Technologies and Trends

In the dynamic landscape of VC, the ability to quickly recognize and predict industry trends and shifts is a crucial competency. This expertise is vital for venture capitalists to identify investment opportunities that have strong potential for success. In the collected empirical data, it emerged that at the heart of this capability lies the expertise of management teams within VC firms. These teams, often composed of individuals with extensive industry experience, play a pivotal role in discerning emerging trends and market shifts. In the words of case 6, "*Our partners have established themselves with their own brand and have high reputation within their respective sectors (..), they bring their extensive networks and expertise to the fund".* The importance of management's expertise is further emphasized by Case 8, stating, "*I think it's our understanding of technology, which creates a condition for a very good dialogue with entrepreneurs. Entrepreneurs appreciate meeting people who understand their grand vision, the value chain, the market dynamics, and the key challenges they're dealing with*". The management team's extensive industry knowledge, acquired through years of experience, enables them not only to identify high-quality investments but also to provide valuable assistance to entrepreneurs.

Moreover, the importance of conducting comprehensive, in-depth research on emerging technologies and industry trends cannot be overstated. As shared by Case 6: "*research is a crucial aspect of our work, and we give it significant importance. We often conduct what we refer to as "deep dives" into specific sectors or topics of interest*". This research goes beyond surface-level analysis, delving into the nuances of new technologies, market dynamics, and consumer behavior patterns. It involves keeping up with the latest technological advancements, understanding new market dynamics, and tracking industry-specific trends. As highlighted by Case 9, "*we do a lot of unmet need landscaping by disease, areas, innovation, geography, and sometimes by technology but it's more about the end-user trends like personalized medicine, remote patient monitoring, etc. So then you start with that, and then in each space you look at, you look at what are the best companies, what does it take to win?*". The insights gathered from this continuous research process empower VC firms to make well-informed decisions, helping them to identify investment opportunities that are not only lucrative but also strategically aligned with their portfolio objectives.

In addition to leveraging management expertise and research, VC firms often have a culture of continuous learning and networking within their teams, recognizing its importance in staying attuned to industry shifts and emerging opportunities. This culture of engagement and professional development is exemplified by initiatives that encourage active participation in the broader VC community. As Case 9 illustrates, " *I encourage my investment managers, for example, to invite other junior investors from other funds to create a VC breakfast for young VCs or something like that. This way they can interact and learn from each other''.*

This approach not only keeps team members informed about the latest industry developments but also facilitates valuable networking opportunities. By organizing and participating in events like VC breakfasts, team members can exchange insights with their counterparts from different firms, fostering a collaborative and informed environment. Such an environment fosters a deeper collective understanding of the market and technology trends, further enhancing the firm's ability to identify and capitalize on emerging opportunities.

In summary, the ability to quickly identify and predict industry trends and shifts is a vital skill for VCs, essential for uncovering high-quality investment opportunities. This skill is nurtured through the expertise of management, comprehensive research, and a culture promoting continuous learning practices. Together, these elements enable VC firms to navigate the complexities of their industry, stay ahead of trends, and make informed investment decisions.

4.2.2 Consulting external parties to fill the knowledge gap

The internal knowledge, while crucial, is not always sufficient for making the most informed investment decisions. To address this limitation, VCs often turn to external sources to augment and complement their internal expertise. The empirical data highlights a variety of external entities that VCs rely on to fill these knowledge gaps, each playing a unique and significant role in enhancing their understanding and decision-making processes.

One common approach is the utilization of CEOs in residence known also as venture partners. These are typically seasoned industry professionals with a wealth of experience and a deep understanding of specific sectors. Case 3 explains this concept stating, " *the CEO in Residence is often an expert in the market segment that aligns with the fund's focus. With their deep industry experience, these CEOs can provide valuable insights and expertise to strengthen the fund's decision-making process*." Additionally, Case 6 points out, "*In both investment teams, the structure typically involves a partner as the team lead, occasionally supported by a venture partner*." This indicates that the integration of these experienced individuals into VC firms is a structured strategy to enhance team capabilities. Their insights are particularly valuable in areas where the VC's internal team may lack depth or experience. By integrating the perspectives and expertise of these external advisors, VCs gain a more rounded and nuanced understanding of the investment landscape.

Another strategy employed by VCs to enhance their knowledge base is co-investing with firms known for their strong research and development (R&D) skills. This collaboration not only pools financial resources but also merges different areas of expertise and market intelligence. Case 10 highlights the value of such partnerships particularly in the realm of deep tech, "*Investors see the value in our fund being involved; it* *signifies the technology's validity as we have many R&D personnel supporting it. This provides more assurance, particularly in deep tech where the costs are high*". Partnering with these R&D-focused VCs allows access to a broader range of technological and market insights, which can be pivotal in identifying promising investment opportunities. The combination of financial collaboration and expertise exchange in these co-investments is instrumental in enhancing the overall capacity of VCs to make well-informed decisions in complex and high-stake investment areas.

VCs are increasingly turning to academic scholars to generate valuable industry insights. These scholars bring a wealth of knowledge from their respective fields, including recent academic research, innovative theories, and a deep understanding of technological advancements. Their academic rigor and detailed analyses provide VCs with a deeper, research-backed understanding of market trends, emerging technologies, and potential investment risks and opportunities. As Case 9 details, "*when we conduct our landscape analysis, we often perform deep dives. Typically, we maintain a rotating pool of scholars. These are individuals with significant expertise but no prior experience in investing. They come in for around six months. They will then create a presentation or write a report*." This approach of incorporating scholars into their research process allows VCs to benefit from fresh perspectives and in-depth knowledge, ensuring their investment strategies are well-informed and aligned with the latest industry developments.

Furthermore, some VCs extend their external consulting to include industry-specific experts, analysts, and consultants. These professionals can offer targeted insights into particular markets or technologies, helping VCs to navigate complex and rapidly evolving sectors. Case 4 illustrates this approach, noting, "*We are comfortable entering a new sector if we understand its key dynamics. We often hire experts to help us navigate unfamiliar territory*." By engaging with these experts, VCs can stay ahead of industry changes and better predict future trends and market needs, thereby positioning themselves to make more strategic investment decisions.

In summary, the combination of CEOs in residence, co-investment partnerships, academic scholars, and industry experts forms a comprehensive approach for VCs to fill internal knowledge gaps. These diverse sources of external knowledge not only enhance the VCs' understanding of the investment landscape but also significantly contribute to selecting high-quality investment opportunities.

4.2.3 Investment Strategy Refinement

The critical final step of the second process involves blending internal expertise and externally acquired knowledge to meticulously refine the investment strategy. This strategic refinement is essential as it guides the firm's future investment trajectory, enabling access to high-quality investment opportunities. As VCs embark on this process, they first focus on re/defining key societal challenges that they aim to address, a step that is fundamental to shaping their investment strategies. Case 3 Concisely captures this approach, stating, "*You start by identifying the most significant social challenges then seek solutions that address these challenges'.* This approach is founded on the understanding that by addressing societal challenges, VCs can yield significant financial gains.

Following the identification of these challenges, VCs then focus on isolating key technologies that can effectively tackle these issues. As explained by Case 8, "*We are thesis-driven, so we define technologies of our interest such as robotics, quantum computing, and AI*". This stage necessitates a thorough understanding of technological innovation and its potential applications. It involves analyzing gathered information on emerging technological trends and industry direction. The emphasis here is on technologies that are not only groundbreaking but also demonstrate a clear capacity to provide tangible solutions to the identified societal challenges. Case 8 further elaborates stating: "*After identifying the technologies of our interest, we map the ecosystem of companies and investors in those topics, meeting many people along the way. This helps us identify investment opportunities*".

As we can understand, re/defining the investment focus is a comprehensive and strategic endeavor. Beginning with societal challenges and progressing to identify relevant technologies, this approach ensures VCs access high-quality investment opportunities and make significant contributions to societal progress. This organized method is summarized by Case 1, stating, "*Typically we have what we call the private placement memorandum plan, which is our investment strategy (..) in that we define the societal challenges we want to address and then we continuously define technologies that can do that. After that we ask the team members to reach out to the sources of deal origination to acquire those technologies*". This demonstrates how VCs strategically map their path from overarching goals to specific steps. Furthermore, it demonstrates how VCs transition from the process that enables them to screen high-quality investment opportunities, to the process that allows them to access these investments.

Chapter 5: Discussion, Conclusion & Limitations

This chapter analyzes the findings, provides the theoretical implications and managerial contribution of this paper. Furthermore it explores this paper's limitations and potential direction of future research.

5.1 Discussion

5.1.1 Internal Processes for Proactive deal Origination

Venture capitalists proactively engage in deal origination through two distinct yet interconnected internal processes as summarized by **figure 3**. The first process aims to secure a continuous inflow of investment opportunities from trusted parties. It starts with VCs identifying sources of investment opportunities. These sources may include both existing and new avenues VCs wish to explore. It is a common practice to map these sources visually by using preferred criteria to the VC; most used criteria are the geographical location, investment stage, quality and/or the status of the relationship. The focus shifts to attracting sources desired but not yet accessed. This can involve directly proposing partnership agreements to these sources or engaging with them in shared environments to build rapport. The ultimate goal of this step is to form a beneficial formal or informal agreement which will lead to the VC's access to investment opportunities. At this stage, clear communication of investment preferences to (potential) deal flow partners is critical, as it simplifies the process of receiving suitable deals. The final step of this process requires VCs to implement strategies that sustain and enhance these partnerships, thus ensuring a consistent flow of opportunities. These strategies often involve assigning dedicated team members to relationship management and encouraging regular interaction with the deal flow partners.

The second process is inherently linked to the first one, as it aims to ensure the high quality of selected deals. It starts with VCs using their internal capabilities to understand emerging technologies and market trends. This step is fundamental as it contributes to making sure VCs will make informed investment decisions. However, not always the internal resources are sufficient to fully understand the complex market dynamics of the venture capital industry. For this reason VCs often consult external experts to fill their knowledge gaps. These experts are mostly part of the VC's network and are known for their extensive knowledge on a particular subject. The final step concluding this process, involves the critical task of redefining the investment strategy based on gathered internal and external insights. This step is fundamental as it depicts the dynamicity of venture capitalists, an important and necessary characteristic to survive and thrive in a highly competitive industry.

The presented model in figure 3 summarizes the relationships between the key findings of this study and the interconnectedness of the described processes. It presents a grounded model where no process is given priority over another. This circular model underscores the different, yet equally important roles of each process. It illustrates their complementarity and simultaneous relevance.

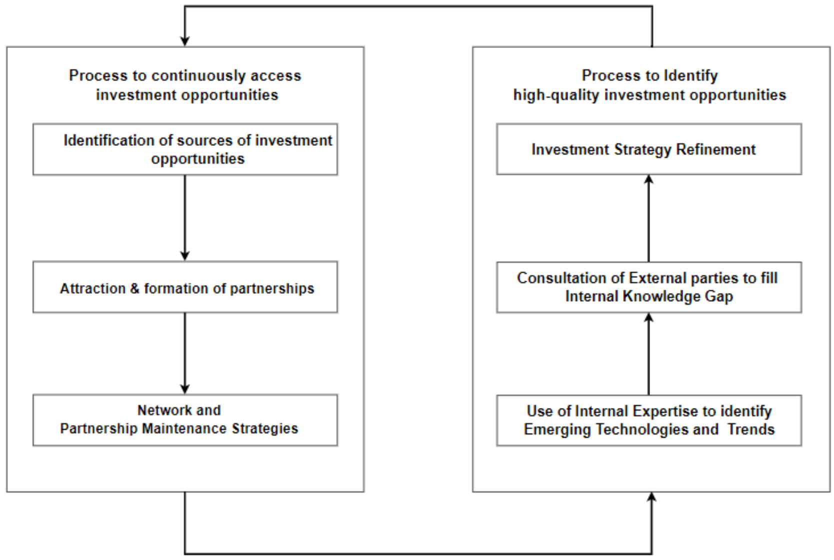

Figure 3: Grounded model

5.1.2 Theoretical Implications

The collected empirical data leads us to formulate a theory on proactive deal origination; *continuous access to high-quality investment opportunities is a function of two interconnected and complementary processes: the first aims to secure reliable partnerships that supply investment opportunities, and the second seeks to gather essential information that strategically guides investment choices.*

This study aimed to form an in-depth view of deal origination in venture capital, thereby bridging a significant research gap in academia. The emphasis was on understanding the necessary internal processes to foster proactive deal origination and discovering the main factors affecting VCs' continuous access to high-quality investment opportunities. The primary scholarly contribution of this research is the in-depth exploration and clarification of the proactive deal origination mechanisms within the venture capital sector. While previous studies have broadly categorized deal origination methods (Tyebjee & Bruno, 1984; Fried & Hisrich, 1994; Silva, 2004; Bender, 2011) or expressed a preference for proactive over reactive approaches (Pappas, Allen, & Shalock, 2009; Teten & Farmer, 2010; Lentz, 2012; Fuchs et al., 2021; Gerdemann et al., 2022), they have not fully outlined the necessary internal processes that facilitate such proactive strategies. Moreover, this study enriches the academic conversation by delineating the two distinct yet complementary processes that venture capitalists employ for deal origination. This dual-process framework is a novel contribution to the literature, offering a detailed understanding of how venture capitalists navigate the complexities of deal origination. Furthermore, it significantly enhances the existing understanding of the investment process, which primarily focuses on the lifecycle of investment opportunities from their initial engagement with VCs (Tyebjee and Bruno, 1984). By shedding light on this initial phase, this study provides a more nuanced comprehension of how investment opportunities are actively identified, thereby deepening our overall grasp of the entire investment process. Additionally, the key findings of this research on deal origination establish a foundational basis for future research, both qualitative and quantitative, to build upon. This expansion and verification of the findings will further explore their broader implications.

It is also important to note that this study's findings support existing theories. Indeed, the presented circular model can explain and support the Network theory and the RBV (Resource-Based View) theory, which emphasize the importance of relationships building and strong internal capabilities. According to Network theory, the strength and breadth of a firm's network are instrumental in identifying and securing novel opportunities (Dimov & Milanov, 2010; Ferrary, 2003; Podolny, 1993). This concept is particularly relevant in the VC deal origination process. It manifests as the ability to identify and engage with entities that can enhance deal origination efforts, followed by the development and upkeep of these pivotal relationships. The existing literature also emphasizes that a well-developed network is essential in facilitating access to vital market and technological insights, thereby aiding in the evaluation of potential investments (Sorenson & Stuart, 2001; Batjargal, 2007; Gulati, 1998; Gulati & Gargiulo, 1999). Indeed, through their networks, VCs gain access to information about emerging trends, unmet market needs, and innovative technologies. This information is particularly valuable as it allows VCs to identify and evaluate potential investments long before they reach the broader market, enabling them to move quickly and secure deals with high-growth potential (Hochberg, Ljungqvist, & Lu, 2007; Teten and Farmer, 2010; Bergh, Thorgren & Wincent, 2011).

Internal capabilities also play a key role in a VCs deal origination process; the RBV theory underscores the significance of a firm's unique internal resources and capabilities in achieving competitive advantage (Wernerfelt, 1984). Specifically, within the venture capital context, it is argued that these unique attributes are fundamentally linked to a firm's ability to identify and secure high-quality investment opportunities (Cumming et al. 2007; Castellaneta et al., 2018; Gadiesh & MacArthur, 2008). These resources encompass a spectrum of assets, including but not limited to, proprietary methodologies for market analysis, in-depth sector-specific insights, and a seasoned investment team with a keen eye for value (Zarutskie 2010; Mention and Bontis, 2013). However, the mere possession of these resources does not automatically translate into successful deal origination. The dynamic nature of the venture capital market demands that firms not only leverage but also continuously refine and adapt these resources to maintain relevance and effectiveness (Gadiesh & MacArthur, 2008). As industries evolve and new technologies disrupt traditional business models, a VC firm must also evolve, enhancing its knowledge base, investment theses, and deal evaluation criteria to capture emerging opportunities that promise high returns. The continuous access to investment opportunities is thus a function of the firm's agility and strategic orientation toward resource management. A VC firm must be proficient in translating its resources into actionable intelligence that guides deal seeking. This entails deploying sophisticated data analytics, fostering a culture of continuous learning, and engaging in strategic foresight to anticipate market shifts (Castellaneta et al., 2018). The interplay of these efforts ensures that a VC firm not only identifies potential investments but also assesses them through a refined lens that aligns with both current and future market trajectories.

In essence, this study bridges a significant gap in VC deal origination literature and lays the groundwork for future academic exploration. It presents a proactive model for deal origination, informed by empirical data and supporting both network theory and the RBV theory. At the heart of the developed theory on deal origination is the principle that consistent access to high-quality investment opportunities is contingent upon a dual strategy: first, the establishment of reliable partnerships to guarantee a continuous supply of investment opportunities, and second, the acquisition and utilization of critical information to inform investment decisions. These findings can stimulate further research, enhance theoretical comprehension, and refine practical methodologies within the venture capital arena.

5.1.3 Managerial Implications

The findings of this study hold several managerial implications for VCs like DeepTechXL seeking to enhance their deal origination processes. To effectively accomplish the first step of the process meant to guaranty a continuous access to investment opportunities, there are several critical actions that managers should undertake. Firstly, it's essential to quantify the sources of investment opportunities. This involves not just having a broad idea of where investments are coming from, but also delving into specifics like benchmarking accelerator engagement. Managers should count the number of accelerator programs they are partnered with and measure the precise percentage of total deal flow each contributes. Secondly, evaluating the quality of these sources is paramount. This step goes beyond a superficial assessment; it requires a detailed analysis of the quality of deals each source provides. For example, with accelerator programs, managers should prioritize relationships with those known for delivering high-quality deals. This evaluation also extends to co-investment partnerships and LP networks. Here, managers should assess the strategic fit and performance of co-investment partners and the frequency and quality of interactions with LPs. The final part of this step is setting concrete goals to improve or expand the sources of investment opportunities. Managers should set specific targets for forming new relationships with industry professionals and actively work towards these goals.

In terms of attraction and formation of partnerships, managers should focus on increasing their industry presence and engagement. This can be achieved by monitoring the number of industry events attended, setting quantifiable objectives for speaking engagements, and developing metrics to track thought leadership publications like papers, podcasts, or articles. Networking events are also vital; managers should quantify the number of networking events hosted or sponsored and track the outcomes from these events to ensure they are building valuable connections.

For network and partnership maintenance strategies, a clear accountability structure for partnership management is essential. Managers should assign a specific individual responsible for each partnership, develop a scoring system to prioritize partnerships based on strategic value, and regularly review these relationships against set goals to identify any gaps. Trust building and relationship maintenance are also key. Implementing a regular communication schedule with partners and adopting CRM tools to identify trends and gaps in relationship maintenance will help in fostering long-term, beneficial relationships.

In the second process, using internal expertise to identify emerging technologies and trends, is paramount. Managers should assign specific team members the responsibility of conducting focused research on emerging technologies and market trends. These individuals should possess not only a keen understanding of the technological landscape but also the foresight to anticipate future trends. Their role should involve more than just periodic market reviews; they should be immersed in continuous learning and network expansion within their fields of expertise. This approach ensures that the firm stays ahead of the curve in identifying potential game-changing technologies and market shifts. In addition to assigning dedicated personnel, VCs should institutionalize the process of conducting “deep dive” research sessions. These sessions are in-depth explorations into specific sectors, technologies, or market phenomena. They should be conducted regularly and methodically, with clear objectives and a structured framework. By tracking the frequency and outcomes of these sessions, managers can assess their effectiveness and adjust the focus or methodology as needed. Furthermore, the insights gained from these deep dive sessions should be systematically integrated into the firm's investment strategy.

For the effective consultation of external parties to address internal knowledge gaps, it's crucial to establish a dynamic and diverse network of external advisors. Expanding this network with carefully selected experts can introduce fresh perspectives and specialized expertise that significantly enhance the investment decision-making process. Many VCs use a rotating pool of scholars to produce research and/or have CEOs in residence whose industry expertise is very useful. Managers should not only focus on increasing the number of external advisors but they should also critically evaluate the impact these experts have on investment decisions. This involves assessing the relevance and applicability of their advice, and how it translates into actionable investment strategies

Lastly, to refine their investment strategy, managers should track the adaptability of the investment strategy in response to market shifts. The market environment is continually changing, influenced by technological advancements, economic shifts, regulatory changes, and consumer behaviours. Managers need to develop a keen sense of market dynamics and the agility to pivot their strategies as needed. This agility can be achieved through regular market analysis, staying informed about global trends, and maintaining a flexible investment approach that allows for quick responses to new opportunities or emerging risks.

In summary, this study holds several managerial implications for VCs like DeepTechXL seeking to enhance their deal origination processes. It emphasizes quantifying and evaluating investment sources, forging strong partnerships, harnessing both internal and external expertise, and adapting investment strategies to market changes. These key steps are crucial for sourcing quality investments and aligning with dynamic market and societal trends.

5.2 Conclusion & Limitation

5.2.1 Conclusions

This thesis has conducted a thorough examination of the strategies employed by venture capitalists in identifying and securing high-quality investment opportunities. The findings, as detailed in Chapter 4, reveal a nuanced dual-process approach adopted by VCs. This approach involves a delicate balance of external networking and leveraging internal resources, a methodology further enhance our understanding of Network theory and the Resource-Based View theory in the context of venture capital. The investigation highlights the critical importance of a balanced approach, emphasizing its effectiveness in addressing the complexities and dynamic nature of the venture capital market.

This study identified several key components in the VC proactive deal origination process. Firstly, the identification of sources investment opportunity is foundational for VC firms, involving a multifaceted approach that leverages various sources, each offering unique contributions to the investment pipeline. Sources range from accelerator programs and co-investments to collaborations with Limited Partners, insights from portfolio companies, scouts, and the innovative use of data science tools. This diverse sourcing strategy ensures a rich and diversified investment pipeline, keeping VCs at the forefront of innovation and market trends.

Secondly, the attraction and formation of partnerships are crucial in securing a strong deal flow. VCs employ strategies like active participation in industry conferences, thought leadership through content creation, and organizing networking events. These efforts enhance their visibility and credibility within the venture capital ecosystem, attracting valuable partnership opportunities and establishing long-term relationships that contribute to the success and growth of both the VC firms and the broader entrepreneurial ecosystem they support.

Maintaining networks and partnerships is also pivotal for a sustained supply of deal flow. This involves strategic team allocation for partnership management, consistent presence in key industry hubs, and cultivating trust through transparency and consistent communication. The use of technological tools like CRM systems aids in efficiently managing these relationships.

Finally, the process of identifying high-quality investment opportunities involves using internal expertise to recognize emerging technologies and trends, consulting external parties to fill knowledge gaps, and refining investment strategies. This comprehensive approach ensures VCs not only access high-quality investment opportunities but also make significant contributions to societal progress. The strategic refinement of investment focus is dynamic and adaptive, requiring continuous learning, adaptation, and engagement with a network of experts, innovators, and stakeholders within the ecosystem.

In summary, this thesis has clarified the complex and multifaceted strategies employed by venture capitalists to identify and secure high-quality investment opportunities. It underscores the importance of a dual-process approach that harmonizes external networking with the efficient utilization of internal resources. This dynamic and adaptive approach not only positions VCs at the forefront of innovation but also contributes significantly to societal progress by supporting the broader entrepreneurial ecosystem. The findings from this investigation offer valuable insights into the dynamics of the venture capital market, presenting a comprehensive guide for VCs on how to continuously and proactively access high quality investment opportunities.

5.2.2 Limitations and future research direction

This study, focused on proactive deal origination strategies in the venture capital sector, acknowledges specific limitations that may affect the generalizability of its findings. While the research provided a thorough exploration through semi-structured interviews with a wide range of VC professionals, the inherent limitations of the study's methodology and sampling strategy must be considered. As detailed in the methodology section, the data collection method primarily involved conducting semi-structured interviews. While these interviews provided valuable insights, it is important to note that this study's limited sample size presents a challenge when generalizing the findings to a broader population. The sampling strategy, though meticulously structured to include a diverse range of professionals from various investment stages and geographic locations, relied on the DeepTechXL network. This reliance could have introduced a degree of selection bias, potentially leading to homogeneity in the collected data and limiting the study's ability to fully represent the diverse practices within the broader VC industry. Additionally, time constraints imposed on the research restricted the sample size and geographical coverage, further affecting the depth and comprehensiveness of the data collected.

Despite these challenges, this study made concerted efforts to offset these limitations by prioritizing the diversity and expertise of its interviewees, thus ensuring robust and insightful findings within the constraints of the sample size. The voluntary participation of interviewees and their validation of the interview transcripts, coupled with the rigorous methods used for data collection and analysis significantly enhanced the credibility and reliability of the collected data

For future research, expanding the sample size and geographical scope could provide a more comprehensive understanding of proactive deal origination strategies across the global VC sector. Investigating the effectiveness of these strategies in different economic and cultural contexts, and how they are adapted in response to varying market conditions, could offer valuable insights. Furthermore, testing the emerged theory through quantitative research would significantly contribute to a more nuanced understanding of how VCs can proactively navigate deal origination. Another interesting direction for future research could be investigating the influence of different leadership styles within venture capital firms on proactive deal origination. Such research could build upon the findings of this thesis and examine how leadership approaches like transformational, transactional, or laissez-faire impact the process of identifying and securing investment opportunities. The study would delve into the dynamics of leadership and management within VC firms, providing insights into how different management styles contribute to or hinder proactivity in deal origination. By addressing these areas in future research, we can gain a richer and more nuanced understanding of proactive deal origination strategies in the venture capital sector, enhancing both the academic literature and practical applications in the field.

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Appendices

Appendix A: Interview Guideline

Internal Behaviour Influencing Proactivity in Deal Origination

1. Could you provide an example of how your network has been utilized to access deals?
2. What other internal behaviours do you employ to ensure proactive deal origination?
3. Do you conduct research on emerging technologies and market trends as part of your deal origination strategy?
4. What is your organizational structure and how do different roles contribute to deal origination?
5. What tools are essential in your deal origination process?
6. Do you engage in formal or informal partnerships with sources of your deal flow?
7. How do you maintain and strengthen relationships with your deal flow sources?

External Factors Influencing Deal Origination

1. Which external channels have you found most reliable for delivering high-quality investment opportunities?
2. Why do sources of deal flow choose to collaborate with your VC firm over others?
3. Do you involve external parties to evaluate the quality of investment opportunities?

Suggestions for VCs Who Want to Have a More Proactive Deal Origination

1. What advice would you give to VCs aiming to adopt a more proactive approach in deal origination?
2. In retrospect, what aspects of your deal origination strategies would you consider improving to be more proactive?

Appendix B: Data Table

2nd order Themes	Selected quotes "1st order codes''
Identification of sources of investment opportunities	Case 1: "If you liaise with universities then you have early access to potential deal flow. This is more like long-term origination" Case 4: "We reach out to venture capitalists specializing in a particular field, stay updated through online articles, engage with industry platforms, and attend relevant events. ." Case 5: "we're mapping every university and accelerator in Germany, and each team member leverages their personal network to stay connected and informed about potential investment opportunities aligned with their interests" Case 6: "we have a strong presence in the venture capital community, and many venture capitalists approach us with potential deals, especially given our focus on seed and Series A investments. As a result, we frequently engage in co-investment opportunities with other venture capitalists" Case 7: "We have scouts with diverse backgrounds, each chosen based on their interesting networks and potential to bring us deals" Case 7: "the successful founders in our portfolio get approached to do investments and then they share them with us" Case1: "Short-term origination is talking to other VCs and regional development companies and ask if they have a deal they cannot do on their own." Case 5: "I would say that the most high-quality deals primarily come from investor networks. Building strong relationships with reputable investors often leads to them sharing excellent deals with us, deals they themselves intend to invest in" Case 4: "Networking with other venture capital firms has also become crucial (..) Building these relationships has led to a stream of opportunities" Case 4: "we have observed a recent increase in deals coming from other funds that offer co-investment opportunities. This marks a shift in our approach since we used to prefer being the lead investor" Case 7: "Since we focus on early-stage investments, other VC firms usually don't align with our stage. Angel investors, on the other hand, can be a valuable source for us." Case 8: "We often call VCs who invest earlier than us, such as once a quarter to review their portfolio companies and to identify the most relevant companies that would be fundraising and that are performing well and where you know we could eventually lead in the next round. It's a very qualified deal flow." Case 9: "The best leads come from other VCs" Case 8: "Companies that spin out directly from universities are usually too early for us. We typically invest in spin-offs that have already raised a few rounds and matured a bit. Nevertheless, we maintain strong connections with these universities to stay informed on technology trends direction" Case 10: "Depending on the stage, we engage with various parties. For seed-stage, we collaborate with tech transfer offices at universities and often directly with professors. (…) For Series A, we focus on building connections with other major venture capital firms." Case 4 "the management teams of our existing portfolio companies play a significant role in our deal origination. They have insights into their respective industries and often bring interesting opportunities to our attention" Case 5: "our portfolio companies are deeply rooted within their ecosystems, and as a result, they sometimes recommend opportunities and forward contacts to us. However, the extent of their involvement largely depends on how well the investment manager maintains their personal relationships with the founders" Case 9: "With corporates, we have formal partnerships. So with all our LPs, we have monthly or at least quarterly meetings where we exchange deal flow" Case 5: "we also utilize a LinkedIn scraper for our digital tech team. This scraper is automated and programmed in Python to scrape data from the LinkedIn profiles of founders in Germany. It collects a significant amount of information daily" Case 8: " Some investors have tools that automatically generate deal flow using data analysis, but it's something we're considering for the future. (..)These tools don't replace humans; rather, they complement human efforts and make the process easier"

	Case 4: “we have a network of professionals, including investment banks, corporate finance boutiques, accountants, and lawyers, who have worked with us for years. They are familiar with our investment criteria, and they often bring potential opportunities to our attention” Case 4: “Independent corporate finance advisors, particularly smaller boutique firms that have worked with us for a considerable time, also contribute to our deal flow. They bring deals to our attention and have a good understanding of our investment criteria” Case 11: "It's challenging to pinpoint a single source for the highest quality deals because they can emerge from unexpected sources" Case 11: “As for utilizing AI or data science tools to enhance our deal flow by scouring the internet, we haven't ventured into that territory yet, although it's something that's gaining traction in the industry, and we might explore it in the future” Case 11: “in the CRM tool we use, for instance in Quantum Industries, we do have a comprehensive overview of the various players, investors, and advisors (..)our CRM tool is very useful for mapping out our investment sources and connections”
Attraction of partnership opportunities	Case 3: "Events create opportunities for investors to interact, exchange ideas, and start collaborating on ventures." Case 8: " At conferences, we focus more on networking and speaking to other VCs. I will describe my investment strategy and what I'm looking for and so investors will see whether in their portfolio or they have a deal where they want us to be involved." Case 6: "If you visit our website, you'll notice that we regularly publish materials to generate traffic and awareness. (..) participating in these discussions and sharing our research allows us to establish ourselves as leaders in the field. " Case 8: "Becoming a thought leader or working toward that is crucial for us, as it enhances our visibility, builds brand awareness, and that encourages people, be it entrepreneurs or investors, to reach out to us. They see us as credible and valuable contributors to the field, so they share data and insights with us” Case 8: “We identify different conferences that deal with topics of interest to us. We go there not only to secure speaking engagements but also to meet people, entrepreneurs, and investors" Case 8: "we do have a list of conferences for each calendar year (..) It's essential for us to maximize our visibility at such events. This often involves being invited as a speaker or panelist" Case 8: "we might organize side events, such as networking dinners or drinks, where we invite individuals we want to build and nurture relationships with" Case 8: "Our goal is to elevate our brand and be perceived as a thought leader in deep tech topics. We aim to establish ourselves as a go-to investor for deep tech entrepreneurs and fellow deep tech investors." Case 3: “Funds should invest in better marketing efforts. Marketing plays a pivotal role in gaining industry visibility (..) you need to have a clear understanding of where you want to be visible and what message you want to convey. It's not about casting a wide net; it's about targeting the right areas. Your marketing efforts should align with your portfolio and long-term goals”
Network and Partnership Maintenance Strategies	Case 5: “Building relationships with other VCs is a highly personal process (..) Trust is a key factor because not every investor is eager to share their best deals. So, it's important to demonstrate that you trust them with your own deals. You should be willing to forward them promising opportunities, not just the ones you're less enthusiastic about investing in yourself” Case 5: “It takes time to develop relationships with other VCs. You need to be present at events, meet these investors in person, and engage in face-to-face interactions.” Case 6: "There are formal and informal aspects to maintaining relationships with co-investors. The formal route often involves sitting on the same board because we are all investors in the same company. This formal interaction helps us stay connected. The second approach is more ad hoc. We maintain communication through emails or calls. For instance, we might want to discuss why they chose to invest in a particular opportunity or why they passed on it" Case 10: "…we focus on building connections with other major venture capital firms. Regular contact, calls, and visits are essential to establish a strong network"

	Case 6: "We engage in partnerships with accelerator programs. (..) we have informal methods to maintain these relationships, such as participating in various accelerator programs as judges, mentors, or in similar roles" Case 1: "… by giving free information to accelerators, for example training them, you get earlier access to deals because they know and trust you. So it's like building a relationship where you trust each other to share information" Case 5: "Our networking strategy for deal sourcing incorporates a two-sided approach. First, we have a systematic approach where we aim to establish connections with various universities and accelerators across our country. then we designate specific points of contact within our team for each of these universities. This systematic effort involves building one-on-one relationships with universities, accelerators, and startup programs." Case 5: "Different teams can have different approaches to which team members are responsible for specific universities. One of the teams, for instance, divides the territory among team members on a regional basis. In this approach, since there are approximately 16 states in Germany, each investment manager is responsible for one of these regions. In our team, we take a different route. We consider the interests and expertise of the investment manager and then examine universities that excel in specific domains. We assign team members to universities based on this assessment. This approach creates a natural incentive for investment managers to establish close relationships with these universities, as their interests align" Case 6: "one of our partners visits regularly, typically at least once every two weeks, and spends time there working and being visible. (..)For other partnerships, it's a bit more flexible. It might involve touchpoints, calls, or emails, and when necessary, we schedule meetings. It's important to note that our approach isn't one-size-fits-all" Case 6: "When we commit to a partnership, we internally assign a team member to drive it. We prioritize our partnerships based on their relevance to our investment goals and the support they can provide to our portfolio companies" Case 7: "How do we maintain the relationship with angel investors? We typically catch up with them regularly and engage in conversations. We don't have formal agreements with them; they are usually individuals within our network." Case 6: "Our relationship with universities is relatively informal. We don't have any formalized agreements with specific universities, and we don't exclusively work with one university. However, some of our team members, including myself, occasionally give guest lectures at various universities that align with our interests" case 1: "Most of my deal flow came from universities, basically from building programs preparing spinouts for investor readiness(..) By being around them, like drinking coffee, and helping them, and then when you see a technology that might be useful to you as a fund or to others, you say it" Case 5: "Our coaching approach involves a two-sided strategy. On one side many universities have established programs to support students who want to start companies. These programs often bring in various venture capitalists to provide coaching and guidance. These coaching sessions are more organized and occur on a regular basis" Case 5: "in academia we provide coaching and guidance, investing a considerable amount of time to support these emerging ventures, even if we don't invest in those ventures (..)our approach to academia is quite similar to our personal relations with other venture capitalists and investors. We view it as a crucial aspect of our work to actively engage with the ecosystem, offering coaching and assistance to individuals who aim to launch startups" Case 10: "..building a solid relationship involves giving back to the university ecosystem. By actively engaging with the university and offering constructive feedback, particularly in the early stages before a startup is spun out, you show that you're invested in their success. This can involve brainstorming market strategies, resolving conflicts, refining deal structures, and aiding in the company's formation. By being a valuable partner in these aspects, you remain on their radar and contribute to the growth of startups associated with the university." Case 4: "Our existing portfolio companies are a significant part of our network, and we encourage associates and principals to build strong relationships with them. It's not just about sending LinkedIn requests; it's about spending quality time with these contacts to develop meaningful connections." Case 6: "it is tradition here to invite one portfolio company to have lunch with us because we all have lunch together in the office on Tuesday. The whole team is in, and then they get to meet the entire team. Team members can use that

	opportunity to get to know the portfolio company team better and expand their own network" Case 2: "it takes time to build relationships. You cannot keep sending different people in a location. It makes it harder to build relations and understand the dynamics of a place. You need to be consistent (..)By consistently showing up there with the same number of people, people start to recognize you," Case 8: “Building trust and rapport is the foundation for productive and successful long-term partnerships in the VC industry” Case 11: “While we don't have formal written agreements in place, we do have informal understandings with these organizations (..)We regularly follow up with these organizations on a quarterly or half-yearly basis to stay informed about potential investment opportunities (..) As we continue to grow, we plan to establish more structured partnerships in the future”
Use of Internal Expertise for Industry Trends	Case 4: "To pursue investment opportunities, we conduct desk research to map out these industries" Case 5: "Research is a crucial part of our deal origination process, but it's not a one-size-fits-all approach. Each topic and industry has its own set of influential thought leaders, newsletters, and sources of valuable information. It takes time to gain a comprehensive understanding of the areas we're interested into” Case 6: "research is a crucial aspect of our work, and we give it significant importance. We often conduct what we refer to as "deep dives" into specific sectors or topics of interest " Case1: "you read what other VCs are actively pursuing. And from that, you see which technologies to pursue, then you see whether you have them in your network and if you do, you reach out with some questions" Case 5: “We have teams dedicated for example to industrial tech, life science tech, med tech, digital tech, and more (..) within each team, team members often have specific niche subjects or areas of expertise that align with their personal interests. For instance, in our industrial tech team, we have a team member with a Ph.D. in physics who focuses on photonics and quantum computing. Meanwhile, others, like myself, who are industrial engineers, focus more on topics such as manufacturing hardware, including robotics, as well as related software solutions” Case 8: “I think it's our understanding of technology, which creates a condition for a very good dialogue with entrepreneurs. Entrepreneurs appreciate meeting people who understand their grand vision, the value chain, the market dynamics, and the key challenges they're dealing with” Case 9: “we do a lot of unmet need landscaping by disease, areas, innovation, geography, and sometimes by technology but it's more about the end-user trends like personalized medicine, remote patient monitoring, etc. So then you start with that, and then in each space you look at, you look at what are the best companies, what does it take to win?” Case 11: “Research holds a significant role in our company, both in terms of due diligence and staying informed about the direction of technology trends”
Strategies to bridge the Knowledge Gap	Case 5: "We are in contact with professors or technology transfer officers (..) We maintain regular exchanges with them to stay informed about emerging opportunities” Case 9: "when we conduct our landscape analysis, we often perform deep dives. Typically, we maintain a rotating pool of fellows. These are individuals with significant expertise but no prior experience in investing. They come in for around six months. They will then create a presentation or write a report, and we share the insights with some of our portfolio companies. Case 2: " while we are trying to help a portfolio company, I involve experts to think along with us and by doing so he is immediately within reach to other team members who are working on certain portfolio company" Case 1: “…so whenever you have a new deal, you'd first check with an expert and say hey, I got a new opportunity in this field. What do you think about this new technology? Can you make magic out of it?” Case 1: "We're a small Dutch fund at this moment. So we need to use our networks substantially to access knowledge and resources we don’t have" Case 3: "VCs in the United States leverage the ecosystem is through a concept called "CEO in Residence." These are individuals who are typically connected to a VC because the VC has previously invested in their companies, and these CEOs have successfully sold their businesses. The VC then brings these CEOs into their orbit, essentially making them consultants for the fund for a designated period, which could be a year or more (..) the CEO in Residence is often an expert in the

	market segment that aligns with the fund's focus. With their deep industry experience, these CEOs can provide valuable insights and expertise to strengthen the fund's decision-making process" Case 4: “We are comfortable entering a new sector if we understand its key dynamics. We often hire experts to help us navigate unfamiliar territory” Case 6: “In both investment teams, the structure typically involves a partner as the team lead, occasionally supported by a venture partner” Case 10: “Investors see the value in our fund being involved; it signifies the technology's validity as we have many R&D personnel supporting it. This provides more assurance, particularly in deep tech where the costs are high.” Case 11: “When we're engaged in a deal, our approach is to seek out experts in the relevant field. We tap into their research, knowledge, and expertise within that specific segment to ensure we make informed decisions.”
R/elaboration of investment focus	Case 1: “*Typically we have what we call the private placement memorandum plan, which is our investment strategy (..) in that we define the societal challenges we want to address and then we continuously define technologies that can do that and then we will ask the team members to reach out to the sources of deal origination”’* Case 3: "You start by identifying the most significant social challenges and then seek technologies and solutions that address these challenges." Case 8: "We are thesis-driven, so we define technologies of interest such as robotics, quantum computing, and AI” Case 8: “After identifying the technologies of our interest, we map the ecosystem of companies and investors in those topics, meeting many people along the way. This helps us identify investment opportunities" Case 2: "If you have a vision, you know where you want to go and you have a strategy for how to get there. Then you are able to translate the strategy into an executable plan "