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FINANCING COMPLEXITY AND SOPHISTICATION IN NASCENT VENTURES

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ABSTRACT

Although scholars have considered the financing challenges facing small businesses for some time, little work has focused on financing issues at the venture's nascent stage. In this study, we investigate the sources of funding sought by nascent entrepreneurs and the relationship between the complexity of these funding sources, business plan formalization, and expectations of future firm growth. Using data from the Entrepreneurship Research Consortium/Panel Study of Entrepreneurial Dynamics, we find that nascent entrepreneurs, even those associated with high-growth ventures, favor simple rather than complex sources of funding at the nascent stage. Funding complexity and business plan formalization are also found related to expectation of firm growth. An additional contribution is the development of a funding complexity continuum scale, which should be useful in future studies of nascent as well as later stage entrepreneurial finance and firm growth.

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INTRODUCTION

Financing a new or growing enterprise is a major challenge facing most entrepreneurs (Sudek, 2006). Extant research of entrepreneurial finance has focused on capital acquisition and capital structure of operating ventures (e.g., Alsos, Isaksen, & Ljunggren, 2006; Becker-Blease & Sohl, 2007; Davidson & Dutia, 1991; Örtqvist et al., 2006; Van Auken & Carter, 1989; Zhang, 2007). Such firms, often labeled small and medium-sized enterprises (SMEs), have typically commenced production of output and have recognized revenue from operations.

On the other hand, our understanding of the financial context of nascent ventures, new firms with little or no measurable performance of which to speak, is less developed. Yet, there remains critical pressure on SME's to launch and add jobs to advance economic development. Since a venture's financial challenges depend in part on the company's phase of development (Brophy, 1997; Eckhardt, Shane, & Delmar, 2006), a nascent entrepreneur's financing issues likely differ from those of more established founders. Of interest, for example, is how the nascent founder seeks to acquire the financial capital necessary to get the business operational (Shane & Cable, 2002). Many commentators believe that small businesses often lack the financial sophistication necessary for effective capital management and growth (e.g., Aronoff, 1998). Others have found evidence suggesting that gender-based funding gaps exist despite the fact that female participation in the new venture creation process has and continues to grow (e.g., Alsos, Isaksen, & Ljunggren, 2006; Becker-Blease & Sohl, 2007.)

It is also of interest to investigate possible linkages between nascent firm financing and other factors related to the success of new ventures. For example, studies have suggested the degree to which nascent entrepreneurs develop formal business plans appears related to the founder's expectations for growth and possibly to future performance (Matthews & Human, 2000). Therefore, it is possible that a nascent entrepreneur's financing intentions may relate to business plan formalization and, in turn, to future growth expectations.

Using data from the Entrepreneurship Research Consortium/Panel Study of Entrepreneurial Dynamics (ERC/PSED), a national study of nascent entrepreneurs, we focus on three questions meant to improve our understanding of nascent venture financing and its relationship to other operating decisions. First, do nascent entrepreneurs favor simple or complex sources of start-up capital? Second, to what degree does this funding source complexity, in combination with business plan formalization, relate to nascent entrepreneurs' expectations of organizational growth? Third, are there differences in these relationships between nascent entrepreneurial ventures and nascent small business ventures?

CONCEPTUAL BACKGROUND AND HYPOTHESIS DEVELOPMENT

A frequently cited problem of small businesses is inadequate financing (Welsh & White, 1975, Davidson & Dutia, 1991). While self-financing appears to be the most common financing alternative, entrepreneurs often seek external funding alternatives such as trade credit, mortgages, loans (with friends and family, banks, finance companies, government), and venture capital (Eisemann & Andrews,

1981; Maier & Walker, 1987; Mason & Harrison, 1995; Shane & Cable, 2002).
The level of sophistication or complexity associated with acquiring external funding sources can be considerable. For example, entrepreneurs must deal with a financier's aversion to risk, desire for control, and contractual issues (Keasey & Watson, 1994; Scholtens, 1999). They build effective contact networks when venture capital is sought (Choy, 1990). Such efforts have been shown to enhance firm reputation by facilitating effective transfer of information critical to the process of venture selection in funding decisions (Shane & Cable, 2002).

An important concept for this investigation is the notion that entrepreneurs tend to favor a "pecking order" or hierarchical preference when seeking financial capital—moving from simple, easy to obtain capital sources to those that are more complicated to obtain. Edgar (1991), for example, found that managers in small firms tended to first finance their needs by using internally generated funds as much as possible, followed by debt, and then equity as a last resort. In their survey, Van Auken and Carter (1989) also found a higher reliance on debt capital by small businesses rather than seeking equity sources of capital. In this study, we propose that sources of funding exist on a continuum from simple to complex, with founders own money anchoring one end of the continuum (simple) and venture capital anchoring the other end of the continuum (complex). More specifically, Table 1 shows a range of twelve sources of funding from simple to complex.

Less is known, however, about how this preference for simple or complex capital sources relates to nascent stage firms. Anecdotal evidence (e.g., Mamis, 1994) suggests that nascent entrepreneurs may indeed adhere to the pecking order model of capital acquisition, preferring simple, easy to procure financing sources rather than more complex options. We define nascent entrepreneurs as those individuals who, alone or with others, are in the process of starting a business (Gartner, Shaver, Carter, & Reynolds, 2004). This preference may be due in part to an owner's aversion for risk or for sharing control (Hutchinson, 1995). It may also be due to overconfidence as a source of cognitive bias that has been associated with seeking external funding (Forbes, 2006). This may be coupled with a lack of sophisticated techniques typically employed by small firms when making financial decisions (Runyon, 1983). This likely plays a large role in the financing intentions of nascent entrepreneurs, since founders are at times considered to be financially under informed and unversed in sophisticated financial alternatives available for start-ups (Aronoff, 1998). Therefore, we posit that:

> *H1: Nascent entrepreneurs will favor simple sources of financing rather than complex sources.*

In much of the entrepreneurship literature, ventures are often viewed as firms with high growth potential. Research on entrepreneurial finance reflects this bias, leaning towards capital acquisition and structure in the entrepreneurial business venture, or EBV, context (Bygrave & Timmons, 1992). It is recognized, however, that even income substitution, or lower growth, nascent ventures have funding needs on the financing complexity continuum. Carland, , Hoy, Boulton, and Carland (1984) suggest that small business ventures are independently owned and operated, not dominant in their field, and do not engage in any new marketing or innovative practices. By contrast, they

suggest entrepreneurial ventures' principal goals include profitability and growth, characterized by innovative strategic practices.

The capital requirements of slower growth small business ventures, or SBVs, are usually lower than those for EBVs. In addition, financiers seeking to fund EBV growth potential require more information from entrepreneurs given that such growth is often accompanied by greater marketplace uncertainty (Shane & Cable, 2002). The financing of scalable entrepreneurship ventures versus income substitution small business ventures, shows that this distinction overlooks key issues and differences. An important question, however, is whether the founder's financing intentions significantly differ between EBVs and SBVs at the nascent stage of the firm. Although it would seem likely that the founders of EBVs would favor, more complex financing sources in order to procure more capital for growth, it is also plausible that the founder's lack of sophistication about financial matters (e.g., Aronoff, 1998) might cause the financing intentions of these two groups to be more similar than different. Given the inherent scale requirements of EBV growth, we posit the following difference between small and entrepreneurial nascent ventures on the dimensions developed above:

> *H2: Founders of EBVs will favor more financing complexity than will founders of SBVs.*

Female founders appear particularly attracted to simple sources of financing such as drawing from personal savings and establishing loans with friends and family (Brush, 1991). Studies have shown that women obtain significantly less financial capital to develop their new businesses despite sharing similar funding perceptions and behavior with men (Alsos, Isaksen, & Ljunggren, 2006; Becker-Blease & Sohl, 2007). In addition, women who seek more complex financing alternatives such as bank loans may be taken less seriously and are sometimes viewed as higher credit risks than their male counterparts (Riding & Swift, 1990; Koper, 1993). Evidence also suggests that women are less likely to seek growth in their ventures (Orsar, Hogarth-Scott, and Wright, 1998). This could diminish female nascent entrepreneurs' desire for larger pools of capital available from more complex sources. We should expect, then, that:

> *H3: Female nascent entrepreneurs will favor simpler sources of financing than their male counterparts.*

Little research has examined how financing intentions of nascent entrepreneurs interact with other factors thought to impact venture success. For example, a chronic prescription for nascent entrepreneurs has been to better plan for the future (e.g., Baker, Addams, & Davis 1993). It is likely that financing complexity is related to the formality of business planning in nascent ventures. Complex sources of funding (e.g., venture capital) are often sought by entrepreneurs who seek large pools of capital for growth (e.g., Bhide, 1992); formal business plans are usually a requirement for entrepreneurs seeking to tap such capital sources. Indeed, studies suggest that such a requirement is based on a financiers' tendency to base funding decisions on objective verifiable indicators of venture development, such as the completion of marketing and organizing, as well as venture sales levels (e.g., Eckhardt, Shane, & Delmar, 2006). Further, a founder's preference for simple or complex

financing sources might influence the degree to which the founder formally plans for the future. Simple financing preferences may temper the perceived need to plan. Regardless of the causal order, we should expect that:

H4: Funding complexity will be positively related to the formality of business planning in nascent ventures.

Funding complexity may relate to a nascent venture's ability to grow. A challenge when investigating such a relationship is that growth is not easily measured at the nascent stage of the firm. Drawing from the theory of planned behavior (Azjen, 1991) that posits that actions can be predicted from intentions, researchers have begun employing a founder's expectations of firm growth as a proxy for actual growth (e.g., Orsar, Hogarth-Scott, & Wright, 1998; Krueger, Reilly, & Carsrud, 2000; Matthews & Human, 2000). Since complex sources of funding offer access to larger pools of capital, it seems likely that entrepreneurs who employ complex funding configurations will have relatively high growth expectations. However, this relationship may be attenuated by other variables thought to influence growth expectations. For example, if the founder has declared the firm as a high-potential scalable type (EBV), it stands to reason that growth expectations should be higher (Carland, Hoy, Boulton, & Carland, 1984). Closely related, the degree to which a nascent founder conducts formal business planning has also been found to influence growth expectations (Matthews & Human, 2000). Therefore, we posit the following:

H5: Higher levels of funding complexity will be related to the nascent entrepreneur's expectations of firm growth.

H6: Founders of EBVs will have higher growth expectations than SBVs.

H7: Higher levels of business plan formalization in nascent ventures will be related to the entrepreneur's expectations of firm growth.

METHODS AND MEASURES

Procedure and Sample

Data from the Entrepreneurship Research Consortium/Panel Study of Entrepreneurial Dynamics (ERC/PSED I), a national study of nascent business founders, are used for this research. The ERC/PSED I project gathered data from randomly selected nascent business founders utilizing both telephone interview and mail survey methods. To be considered the founder of a nascent venture, the respondent had to indicate 1) they were in the process of starting a new business, either alone or jointly with others; 2) the initial activity to start the new venture occurred within 24 months of the screening; 3) the new venture was not part of an existing organization; and 4) the respondent was a member of the founding team, and not a consultant or merely a passive investor. PSED I involves the screening of approximately 62,000 adults between 1998 and 2000. The PSED I is a nationally representative longitudinal study of nascent entrepreneurs that offers systematic, reliable, and generalizable data on the new venture creation process. As a result, 830 usable responses from nascent entrepreneurs were obtained for this investigation. The reader is referred to Reynolds (2000) for a detailed account of this database's development and content.

Variables and Measures

Funding Complexity. A series of questions asked the founder to indicate various sources of anticipated funding. For each source where the respondent answered "yes," the respondent also estimated the amount of funding from that source. Twelve sources of anticipated financing were included in the survey: the entrepreneur's own money, spouse, spouse of other team members, friends and family, friends and family of other team members, credit cards, employer, second mortgage, bank loan, small business loan, personal finance company, and venture capital.

Each of our research team independently rated each one of these funding sources on a "financing complexity" scale of one to five, where one represented a simple, easy to obtain funding source and five represented a source of funding that was complicated to obtain. It was stipulated that at least one "one" and one "five" had to be assigned among the funding sources. Very close agreement was realized among our three independent ratings with only minor differences in mid-range ratings were evident. The consensus rating assigned to each source of funding appears in Table 1. Note that all funding sources rated 2 or less were considered "simple" and that all funding sources rated 3 or higher were considered "complex." Both the continuous (one through five) scale and the bivariate (simple or complex) scale of funding complexity were utilized in the analysis.

Gender. Sex of the respondent was recorded by the phone interviewer as one for male and two for female.

Business Plan Formalization. A single item of the phone survey asked, "A business plan usually outlines the markets to be served, the products or services to be provided, the resources required – including money -- and the expected growth and profits for a new business. Has a business plan been prepared?" A "yes" or "no" response was provided. If yes, the respondent was asked, "What is the current form – (1) unwritten or in your head, (2) informally written, (3) combination of (1) and (2), (4) formally prepared?"

Table 1: Funding Sources and Financing Complexity Ratings

Funding Source	Financing Complexity Rating	Simple or Complex Funding Source?
Founder's own money	1	Simple
Spouse	2	Simple
Spouse of team members	2	Simple
Friends and family	2	Simple
Friends and family of team members	2	Simple
Credit cards	2	Simple
Employer	2	Simple
Second Mortgage	3	Complex
Bank loan	4	Complex
Small Business Administration loan	4	Complex
Personal Finance Company	4	Complex
Venture Capital	5	Complex

Type of venture. A single item of the phone interview asked, "Which of the following best describes your preference for the future size of this business: (1) I want the business to be as large as possible, or (2) I want a size I can manage for myself or with a few key employees?" Drawing from Carland et al.'s (1984) distinction between entrepreneurial business ventures (EBVs) and small business ventures (SBVs), respondents that answered (1) were considered to be associated with EBVs while those that answered (2) were considered associated with SBVs.

Expectations of Financial Growth. A single item of the phone interview asked, "We would like to ask about your expectations regarding the future of this new firm. First, what would you expect the total sales, revenues, or fees to be in the first full year of operation? And what about in the fifth year?" The fifth year estimate of revenues was used as the owner's estimate of financial growth over the five-year horizon. Given that the near term revenue base in most nascent enterprises enterprises approaches zero, we found that calculating revenue growth rates from years one through five produced an unacceptable amount of noise in the data. Since very little, if any, revenue exists in a nascent enterprise, using the actual fifth year revenue value should provide an accurate reflection of expected financial growth in most cases. A log transformation was performed on the fifth year value in order to approximate a normal distribution to facilitate the regression analysis.

Expectations of Full Time Employee Growth. Two items of the phone interview asked the respondent to estimate the number of full-time employees, exclusive of the owner, expected in year one and year five Using a similar rationale for deriving the financial growth value noted above, we used the respondent's estimate of the number of full time employees in year five as the indicator of employee growth expectations.

RESULTS

The funding intentions of nascent entrepreneurs appear in Table 2. These results show that nascent entrepreneurs generally appear to prefer more simple forms of financing. Over one half of respondents intended to fund their start-up with only simple sources, with nearly 70% of all respondents employing with at least some source of simple financing. Nearly 5% of nascent entrepreneurs intended to fund their start-ups with only complex sources. Table 3 summarizes the popularity of various funding types. The three most popular sources of simple funding favored by respondents were personal funds, credit cards, and spouse. Bank loans were the only complex funding type in the top five. These results support Hypothesis 1

Funding intentions of Entrepreneurial Business Ventures (EBVs) and Small Business Ventures (SBVs) appear in Table 4. The data suggest that EBVs favor a slightly greater mixture of simple and complex funding than do SBVs. However, a Chi square test for independence was not statistically significant ($\chi 2 = .207$; $p = .976$), suggesting that no significant relationship exists between type of venture and funding complexity. Thus, we find only minimal support for Hypothesis 2

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Table 2: Summary of Funding Intentions

	Frequency	Percent	Cumulative Percent
No funding	196	23.6	23.6
Simple funding only	458	55.2	78.8
Complex funding only	41	4.9	83.7
Both simple and complex	135	16.3	100.0
Total	830	100.0	

Table 3: Breakdown of Funding Intentions

Funding Source	% Respondents Indicating this Source	Simple or Complex Funding Source?
Founder's own money	90.3	Simple
Credit cards	30.6	Simple
Spouse	25.1	Simple
Friends and family	13.8	Simple
Bank loan	12.1	Complex
Friends and family of team members	9.4	Simple
Spouse of team members	7.7	Simple
Small Business Administration loan	4.5	Complex
Second mortgage	3.4	Complex
Venture Capital	3.2	Complex
Employer	3.0	Simple
Personal Finance Company	2.4	Complex

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Table 4: Funding Intentions Based on Venture Type

Venture Type		No Funding	Simple Funding Only	Complex Funding Only	Both Simple and Complex	Total
EBV	Count	43	98	9	31	181
	% EBVs	23.8%	54.1%	5.0%	17.1%	100.0%
	% total	5.3%	12.0%	1.1%	3.8%	22.2%
SBV	Count	144	354	32	103	633
	% SBVs	22.7%	55.9%	5.1%	16.3%	100.0%
	% total	17.7%	43.5%	3.9%	12.7%	77.8%
Total	Count	187	452	41	134	814
	% total	100.0%	100.0%	100.0%	100.0%	100.0%

A comparison of funding intentions for males and females appears in Table 5. Results indicate that females prefer simpler sources of funding than do males. Specifically, a Chi square test for independence suggests a statistically

significant relationship between gender and funding intentions ($\chi 2 = 23.1$; $p = .000$),. which provides support for Hypothesis 3

Table 5: Funding Intentions by Gender

Gender	No Funding	Simple Funding Only	Complex Funding Only	Both Simple and Complex	Total
Male	108	207	32	80	427
Female	88	251	9	55	403
Total	196	458	41	135	830

To evaluate the relationships between funding complexity, venture type, business plan formalization, and expectations of growth, two stepwise regressions were conducted. In the stepwise procedure, independent variables entered the regression model if they were significant at the .05 level and removed if they caused previously entered variables to drop below the .10 level. Descriptive statistics and bivariate correlations for these regressions appear in Table 6. Note that the correlation between funding complexity and business plan formalization is significant which provides support for Hypothesis 4 (a simple regression using these two variables was significant at $p = .006$). The first regression examined the effects of funding complexity, venture type, and business plan formalization on financial growth expectations. A square root transformation was applied to the funding complexity variable to correct for heteroscedasticity. In addition, four data points were found to have large studentized residuals and were removed as outliers. All three variables entered the model significantly (Table 7). Business plan formalization entered the model first, followed by venture type and funding complexity, implying that all three variables are significantly related to expectations of financial growth.

Table 6: Bivariate Correlations for Regression Analysis

	Variables	Mean	SD	1	2	3	4	5
1	Funding Complexity	2.63	3.15	1.00				
2	Type of Venture	1.78	.42	-.02	1.00			
3	Business Plan Formalization	2.54	1.12	***.12	**-.08	1.00		
4	Financial Growth[a]	5.14	.91	**.08	***-.20	***.17	1.00	
5	Employee Growth	20.53	104.6	.05	**-.17	.02	**.13	1.00

[a]log transformation***p<.01 **p<.05 *p<.10

The regression results were both significant and the signs consistent with the hypothesized relationships between funding complexity (H5: $\beta = .118$, $p < .05$), venture type (H6: $\beta = -.168$, $p < .01$), business plan formalization (H7: $\beta = .216$, $p < .01$), and growth expectations. The adjusted R^2 of the full model (Model 3) was .094.

Table 7: Stepwise Regression Results of Financial & Employee Growth Expectations (Standardized Beta Coefficients)

	Financial Growth Expectations			**Employee Growth Expectations**
Variables	Model 1	Model 2	Model 3	Model 4
Business Plan Formalization	***.245	***.222	***.216	***-.159
Venture Type		***-.166	***-.168	.046
Funding Complexity			**.118	.004
R^2	.060	.087	.101	.025
Adjusted R^2	.058	.082	.094	.022
Δ Adjusted R^2		.027	.014	
F	24.86	11.53	5.96	7.45

*** p<.01 ** p<.05 * p<.10

The second regression examined the effects of funding complexity, venture type, and business plan formalization on employee growth expectations (Model 4, Table 7). Only venture type entered the model significantly. Funding complexity and business plan formalization were not significant predictors of employee growth expectations. The adjusted R^2 for the full model was .022. Based on these regression results, support was found for Hypotheses 5, 6, and 7 mainly in the context of the financial growth expectations.

DISCUSSION AND CONCLUSIONS

Some findings of this investigation are consistent with one of several widely held tenets of nascent entrepreneurial finance. Specifically, the results show that nascent entrepreneurs tend to favor the use of funding sources that are relatively simple to obtain, such as personal funds or those available from friends and family. Similarly, results show that nascent women entrepreneurs reported greater use of simple funding sources than their male counterparts. In contrast to studies focusing on the more traditional notion of capital structure as it relates to profitability in entrepreneurial financing (e.g., Davidson & Dutia, 1991), the present findings are more consistent with a focus on the issues of capital access (Becker-Blease & Sohl, 2007) and maintenance of strategic flexibility and decision-making control (e.g., Bhide, 1992). Accordingly, these findings enhance the extant literature by suggesting that simple sources of financing play a substantial role during the nascent new venture creation stages.

This study produced some surprising results as well. No significant difference in funding preference could be found between the founders of high growth potential entrepreneurial business ventures (EBVs) and relatively low-growth potential small business ventures (SBVs). One might expect that founders of EBVs would seek more complex sources of start-up financing, since the pools of capital available from these sources tends to be relatively large and focused on high growth ventures. On the other hand, it remains possible that nascent founders are conservative and/or uninformed and do not realize the levels of funding required to grow the business. It is

also plausible that founders of EBVs may restrain their acquisition of startup capital in order to develop the firm's ability to efficiently utilize resources in its early stages (Bhide, 1992). Indeed, some successful founders, such as Sun Microsystems Inc. co-founder and CEO Scott McNealy, suggest that low initial funding levels were an important element of their venture's subsequent success. McNealy notes:

> We got started on $285,000. We went profitable in our first year. That's a good thing. [Sun Chief Scientist] Bill Joy likes to say there's never been a successful well-funded startup. If you have too much money, you're not going to find a new and different and more efficient and effective way. You're just going to try and overpower the current players with the same strategy. You can't win a sailboat race if you're behind by tacking behind the boat in front of you. You've got to go out and find different water and find better air (Shepard, 2002: 66-67).

Our findings suggest a significant relationship exists between funding complexity and the nascent entrepreneur's expectations of growth—particularly financial growth. Funding complexity's stronger relationship to financially-oriented growth expectations (as opposed to employee growth) may not be very surprising, given the monetary relationship between these two variables. When included with behavioral or operating variables such as venture type and business plan formalization, funding complexity appears to improve our ability predict founder expectations of firm growth. Of course, longitudinal research is necessary to better understand how these expectations relate to actual performance once the firm becomes operational.

Implications for Practice

Recent evidence has emerged suggesting that the new venture funding process is multistage in nature, and involves systematic differences in perceptions between entrepreneurs and potential financiers regarding the basis upon which funding decisions are made (Eckhardt, Shane, & Delmar, 2006). Coupled with such evidence, these results suggest that entrepreneurs can benefit from noting that complexity is likely to impact growth, both positively and negatively. This is the case early in the new venture creation process, regardless of the founder's growth orientation. An awareness of this may help nascent entrepreneurs to avoid the sense of overconfidence cited earlier, a source of cognitive bias associated with seeking external funding (Forbes, 2006). Moreover, given the impact of gender differences on funding gaps observed in other studies (e.g., Alsos, Isaksen, & Ljunggren, 2006), our results suggest that this may be particularly important for women owned ventures. In short, such consideration would constitute basic strategic decision-making practices that are likely to enhance pragmatic efforts to steer venture growth.

Implications for Future Research

Another contribution of this study is the notion of funding complexity—a concept that to this point has not been well operationalized. Results of this investigation suggest that the funding complexity scale developed in this study has validity; it should be useful in future studies of nascent entrepreneurial finance.

Despite this and other contributions outlined above, no study is without limitations. A key performance oriented variable of interest in this study is firm

growth expectations. Nascent entrepreneurs and small business owners as single respondents have the potential to report inflated expectations. While we are unable to control for this in this study, the concept of planned behavior (Ajzen, 1991) has emerged in entrepreneurship research as a potentially fruitful and positive indicator of how well new ventures will perform over time (e.g., Schwenk & Shrader, 1993). Yet despite such promise, evidence has emerged suggesting that new venture funding is a multistage process that entails systematic differences in perceptions between entrepreneurs and potential financiers (e.g., Eckhardt, Shane, & Delmar, 2006). Given such evidence, and the results in this study, one avenue for future research is to further explore the relationships between funding complexity, planning formality, and growth expectations, and how they translate into subsequent venture performance. Research is also important to overcome the limitations of a cross-sectional design in the study and the use of single-item measures. The causal directions also need further attention.

Conclusion

Notwithstanding the noted limitations, this investigation constitutes an informative exploration of how funding complexity factors into the nascent stages of new venture growth. This study informs research into nascent start-up financing. Perhaps most important, those who teach students and/or advise nascent entrepreneurs concerning the intricacies of funding new ventures, a continuum of funding complexity appears to exist. While more complex sources of funding such as angel or venture capital are often the first to be considered when launching a business, it is clear that less complex sources of funding dominate the new venture landscape even when high growth potential ventures are involved. It contributes to our growing understanding of nascent venture behavior and provides a foundation for further inquiry into the nature of financing and broader venture launch activities.

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