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Cultural traits and startup funding: an empirical analysis of european startups? signals for investors

Vittorio Laus
University of Turin, Italy
vittorio.laus@unito.it

Francesco Martielli
University of Turin, Italy
francesco.martielli@unito.it

Antonio Salvi
University of Turin, Italy
antonio.salvi@unito.it

Abstract

In the rapidly evolving landscape of global entrepreneurship and startup ecosystems, it is crucial to understand the factors that influence the ability of innovative startups to secure funding. This study examines, through the lens of the signaling theory, the interaction between cultural attributes, interculturality, and the fundraising outcomes of startups. Utilizing a dataset of 158 European innovative startups sourced from Crunchbase, the authors employ a regression model that identifies a significant relationship between the amount of equity raised, the number of investors, and cultural indicators within startup environments. Initially, the authors analyze whether the number of investors impacts the amount of capital raised, finding behaviors similar to herd mentality. Moreover, they focus on the cultural traits of startup founders, which are found to significantly influence investment decisions. The results reveal a strong correlation between a startup's fundraising success and investor support, particularly pronounced when founders exhibit specific intercultural traits and draw from prior work experiences. These findings have significant implications for researchers, practitioners, and policymakers interested in comprehending the complexities of fundraising within an intercultural context. The paper provides a unique examination of how cultural elements shape the fundraising journey from both short-term and long-term perspectives. By exploring the intercultural profiles of founders, it offers insights into investors' decision-making processes. Ultimately, this research enhances our understanding of international entrepreneurship and the global startup ecosystem.