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Trust in the investor relationship marketing of startups: a systematic literature review and research agenda

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Abstract

An important task of entrepreneurs is the management of investor relations. Past literature has emphasized the role of trust for managing relationships and regulating their quality. However, the landscape of investors has changed due to digitalization, so that new players have joined and expanded the investor offer. Entrepreneurs also often enter into relationships with multiple investors, which can challenge investor relationship marketing. To provide an overview, we conduct a structured literature review on the entrepreneur's relationship marketing with four key investors: venture capitalists (VCs), business angels (BAs), banks, and crowd funders. The paper improves the understanding of trust as a concept in the management of investor relations and identifies directions for future research. The results show that research has predominantly studied trust in the VC–entrepreneur relationship. Across different investors, the primary focus has been on factors that influence trust building, especially investor communication and entrepreneur–investor fit. Furthermore, the results show that trust has an influence on cooperation by strengthening the relationship and reducing risk.

Keywords Entrepreneurial marketing · Entrepreneurial finance · Trust · Relationship marketing · Investor relations · Startup

Jel classification G24 · L26 · M13 · M31

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1 Introduction

New ventures are in desperate need of financial capital to realize their growth aspirations. Investors are thus of the utmost importance to provide entrepreneurs with financial resources (Huang and Knight 2017). In addition, investors can also provide technological support, their social capital (Block et al. 2018), or act as mentors (Mittens et al. 2012). Therefore, a good relationship with investors can enable entrepreneurs to maximize the benefits available. Past research has emphasized the role of trust in that relationship (Cherry 2015; Pollack et al. 2017). Recent developments in the practice of entrepreneurial financing, largely enabled by digital technologies have led to new actors and new challenges in the entrepreneur–investor relationship (e.g., Block et al. 2018; Bellavitis et al. 2017; Bonini and Capizzi 2019; Drover et al. 2017; Wohlgemuth et al. 2016), spurring a need to unravel this complex relationship. One example of digital technologies affecting entrepreneurial finance relationships is crowdfunding, which requires entrepreneurs to convince investors in the digital space (Feola et al. 2019) and develop trust across geographical borders into virtual communities (Guenther et al. 2018). Because entrepreneurs often collaborate with several investors at the same time (Moritz et al. 2016), this may also have different effects on the development of trust with different investors (Pollack et al. 2017). In this study, we focus on the relevance of trust in successfully managing investors from the entrepreneur’s perspective.

The establishment and maintenance of relationships with investors is referred to as investor relationship marketing (Tuominen 1997). Relationship marketing is part of the entrepreneurial marketing (EM) tasks of startups (Most et al. 2018; Stokes 2000). Trust plays a vital role in investor relationship marketing, as it affects the relationship quality between two parties (Pollack et al. 2017). Trust means that a person (trustor) has expectations of another (trustee) and is vulnerable to whether or not the trustee performs the expected actions, independent of control (Mayer et al. 1995).

The complex competitive environment and the importance of trust in managing investors creates a need to understand how entrepreneurs can build trusting relationships with different investors in their relationship marketing. However, trust is scarcely examined in the entrepreneurship literature, and there is a lack of an overview that processes the concept of trust in this complex landscape (e.g., Cherry 2015; Pollack et al. 2017; Welter 2012). For this reason, the current paper aims to answer the following questions: What is the state of the art of trust in the entrepreneur–investor relationship? And what are paths for further research in this research stream?

We identify 32 articles published in 22 journals between 1996 and 2019, of which the majority focuses on the trust between entrepreneurs and venture capitalists (VCs). A key topic in the literature is the relationship-focused antecedents of developing trust between entrepreneurs and investors, especially communication and partner fit. Studies examining the outcomes of investor relationship marketing remain the exception.

This article contributes to the literature in three ways. First, we systematically identify and review the existing research on trust in the entrepreneur–investor relationship. Thus, to the best of the authors’ knowledge, this literature review is the first to provide an overview of trust in this relationship. Second, this paper develops a framework to structure the existing literature on the basis of the antecedents and outcomes of trust. By doing so, this paper contributes by uncovering gaps in research and accordingly points to paths for future research and also derives practical implications for entrepreneurs’ investor relationship marketing.

To answer the research questions, this article is structured as follows: Sect. 2 lays out the theoretical context of the analysis. Section 3 then explains the research approach of this paper. Section 4 analyzes the existing literature and highlights research gaps. The discussion of a future research agenda follows in Sect. 5, and Sect. 6 points to the limitations and draws a conclusion.

2 Investor relationship marketing and trust: the context of analysis

As a part of their EM efforts, entrepreneurs need to manage relationships with different stakeholders (Gruber 2003; Hills et al. 2008; Most et al. 2018). These relationships build the foundation of EM, allowing the startup to grow and build a competitive advantage (Hills et al. 2008). The investor is an important stakeholder (Gruber 2003; Stokes 2000; Tuominen 1997), because the entrepreneur–investor relationship provides financial support and entrepreneurs benefit from the skills and social capital of the investor (Block et al. 2018; Mitteness et al. 2012). Consequently, entrepreneurs have to establish trusting relationships with their investors (Cherry 2015; Pollack et al. 2017). Research shows that the environment in which the relationship is embedded is characterized by uncertainty, risk (Burns et al. 2016; Pollack et al. 2017), information asymmetries (Cable and Shane 1997; Kollmann and Kuckertz 2006), and the threat of opportunistic behavior (Cable and Shane 1997). As a result, contracts between the parties cannot cover everything (van Osnabrugge 2000), which necessitates that trust plays a key role (Gulati and Sytch 2008; Mayer et al. 1995), as it regulates the relationship (Welter 2012).

A conceptual examination of trust shows that the literature is intensively concerned with the concept trust (Olsen 2008) and that accordingly different definitions exist. Moreover, when different disciplines deal with the term, this also leads to the development of unique views, depending on the discipline (Doney and Cannon 1997). But despite this heterogeneity, the literature shows that distinct characteristics emerge which can be found in the individual definitions (Moorman et al. 1992; Zahra et al. 2006). The definitions therefore share some common ground in that trust is related to whether one is willing to make oneself vulnerable (Mayer et al. 1995; Rousseau et al. 1998; Whitener et al. 1998), what expectations (Das and Teng 1998; Mayer et al. 1995; Rousseau et al. 1998; Sirdeshmukh et al. 2002; Whitener et al. 1998) or beliefs one has in the partner (Anderson and Weitz 1989; Whitener et al. 1998) and the associated risk within the relationship (Sheppard and Sherman 1998; Whitener et al. 1998). A further characteristic results from the expectations, because the trustor does not control

their realization (Mayer et al. 1995; Whitener et al. 1998). Beside the concept of trust there is another term in trust literature, trustworthiness, which has to be classified here (Mayer et al. 1995; Möllering 2019). Trustworthiness refers to the trustee and its characteristics, such as benevolence, integrity, and ability and is a precursor of trust (Mayer et al. 1995).

To explain the concept of trust in the context of relationship marketing, Morgan and Hunt (1994) developed the Commitment-Trust theory, a frequently cited model. This model conceptualizes trust and commitment as keys that represent the quality of a relationship. The structure of this model is based on the assumption that various antecedents exist, which influence trust and commitment positively or negatively. This relationship quality (trust and commitment) then in turn influences the outcomes of a relationship. Through this structure, Morgan and Hunt (1994) provide an important basis for the relationship marketing research, because it highlights the fact that trust is multidimensional. Therefore, various scholars have used and developed the basic principles of this model to further understanding trust (e.g., Doney and Cannon 1997; Palmatier et al. 2006). For the entrepreneur–investor context, this approach is therefore also used to provide a framework for this literature review. Figure 1 presents the integrative framework we have developed, based on the following considerations. There are several antecedents of trust (Doney and Cannon 1997; Morgan and Hunt 1994; Palmatier et al. 2006), which represent relationship marketing strategies (Palmatier et al. 2006). At the level of these strategies (antecedents) there are different intermediate levels, which are partner-specific (entrepreneur or investor) or concern the relationship (Howorth and Moro 2006; Palmatier et al. 2006). However, before these strategies can lead to trust, trustworthiness must be established (Howorth and Moro 2006; Mayer et al. 1995). For this reason, relationship marketing strategies signal trustworthiness, which then leads to trust. Subsequently, trust influences various outcomes of a relationship, which are also partner-specific (entrepreneur or investor) or concern the relationship (Palmatier et al. 2006).

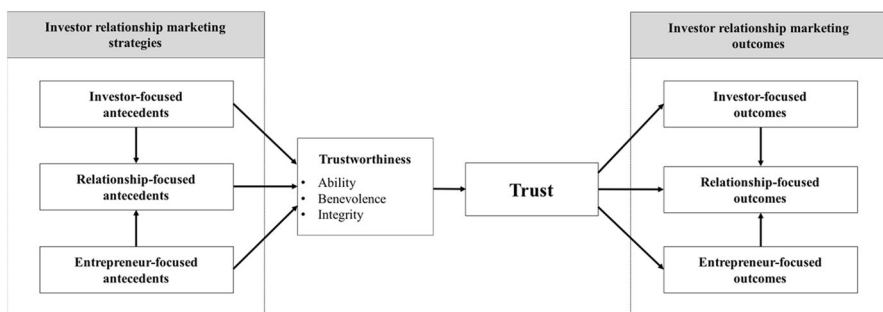


Fig. 1 A framework for trust in investor relationship marketing

3 Review method

3.1 Article identification

To review the current state of research on trust in the entrepreneur–investor relationship, we conducted a structured literature review (Fisch and Block 2018; Tranfield et al. 2003).

The trust literature argues that the concept has attracted the attention of various disciplines (see Sect. 2), which is why previous literature reviews on trust in relationships with other contexts should be helpful in identifying relevant terms. For the selection of investor terms, the literature was searched for relevant investor types. VCs and business angels (BAs) are central investors and therefore important for entrepreneurial finance (e.g., Block et al. 2018; van Osnabrugge 2000), as are banks (e.g., de Bettignies and Brander 2007; Schulte 2012). Crowdfunding represents an emerging form of startup financing (e.g., Block et al. 2018; Bonini and Capizzi 2019). Based on these considerations, the terms *investor**, *venture capital**, *business angel**, *bank**, and *crowd** were used to describe the various investors and capital providers. In general, *investor** covers this topic in general, while the other terms are used to search specifically for such investors. As the trust literature discusses trust and trustworthiness (Mayer et al. 1995), we have used *trust** as a term for this. Furthermore, other literature reviews on trust also use the term *trust* to identify relevant articles in this context (e.g., Bozic 2017; Kostis and Näsholm 2019), which is why we consider it useful for our review. The selection of synonyms for startups is in line with Köhn (2018) and includes the terms *startup**, *start-up**, *entrepreneur** and *new venture**. The following search string, which we used for the search, stems from the areas *investor*, *trust*, and *startup*:

(investor* OR “venture capital*” OR “business angel*” OR bank* OR crowd*) AND trust* AND (startup* OR start-up* OR entrepreneur* OR “new venture*”)

The search string was then used in the Scopus and EBSCO host Business Source Premier databases to identify relevant articles searching in titles, abstracts, and keywords. These two databases have also proven useful in other systematic literature reviews (Arz 2017; Köhn 2018).

This study focuses on empirical and conceptual papers published in academic peer-reviewed journals in English. This ensures that only high-quality knowledge with an appropriate impact is included in the selection (Köhn 2018; Podsakoff et al. 2005). For this reason, we have excluded other papers published at conferences, books, book chapters, gray literature, presentations, and dissertations.

The search in January 2020 resulted in 170 articles from scientific journals on Scopus and 87 scientific journal articles on EBSCO host Business Source Premier. This led to a selection of 257 articles. In a first step, all data records were merged, and duplicates removed (n = 50), leaving 207 articles. Subsequently, as in other literature reviews (e.g., Brüne and Lutz 2020; Köhn 2018; Michler et al.

2019), a quality cut-off put in place to ensure the quality of the selected journals. We used the scientific journal ranking (SCImagojr) and excluded articles from the lowest quartile ($SJR \leq 0.337$). As a result, we excluded 86 articles from further searches. We then examined the abstracts of the remaining 121 articles to determine to what extent they dealt with trust between entrepreneurs and contributed to answering the research question. In this step, articles that only mentioned the importance of trust and did not provide any in-depth indications on its emergence or consequences were excluded from the search. Furthermore, some studies focused on the stakeholders of startups in general and therefore did not study specific investors. Any such articles were also excluded. As a result, 25 articles were included in the review. Further studies can also be identified by reference checking (Booth et al. 2012), and that method was also applied to the identified benchmark articles. This made it possible to add a further seven articles to the sample, giving a final total of 32 articles. Figure 2 summarizes the search process.

3.2 Overview of selected articles

The 32 articles identified span a period from 1996 to 2019 and show that trust in the entrepreneur–investor relationship is a growing research stream. Table 1 provides an overview of the 22 journals, in which the articles are published and their ranking as well as the number of articles published in five-yearly sections. When comparing the individual clusters, it must be taken into account that the last cluster covers 4 years (2016–2019) due to the search period. With regard to the periods of publication, it is noticeable that 21 articles (66% of the selected articles) have been published since 2010. This increase may be due to the financial crisis in 2008, which has led to increased interest in trust building with investors (Strauß 2018). Another explanation may be the development and implementation of digital technologies and their influence on marketing and finance. Furthermore, most articles were published in the journal *Venture Capital* ($n=5$), followed by *Entrepreneurship: Theory and Practice* ($n=4$), the *International Journal of Entrepreneurial Behavior and Research* ($n=2$), the *Journal of Business Venturing* ($n=2$) and the *Journal of Small Business and Enterprise Development* ($n=2$). In addition, we note that articles on traditional investors such as VCs, BAs, and banks were mainly published in entrepreneurship and management journals. In contrast, articles on crowdfunding are mainly found in computer science journals. One possible reason for this may be that different disciplines are involved in crowdfunding (e.g., entrepreneurship, finance, computer science). That shows that crowdfunding is a multidisciplinary research stream, which is of interest in other disciplines besides entrepreneurship and management (Mochk-
abadi and Volkmann 2020).

Furthermore, it is also clear that the studies specialize in different investors. The studies are dedicated to VCs ($n=14$), BAs ($n=7$), banks ($n=3$), and crowdfunding ($n=8$). Figure 3 shows the distribution of investor subjects over time. It is noticeable that in the early phases of trust research, studies focused on VCs and BAs were particularly prevalent, but recently this distribution has become more heterogeneous owing to the growth of crowdfunding (Moritz and Block 2016).

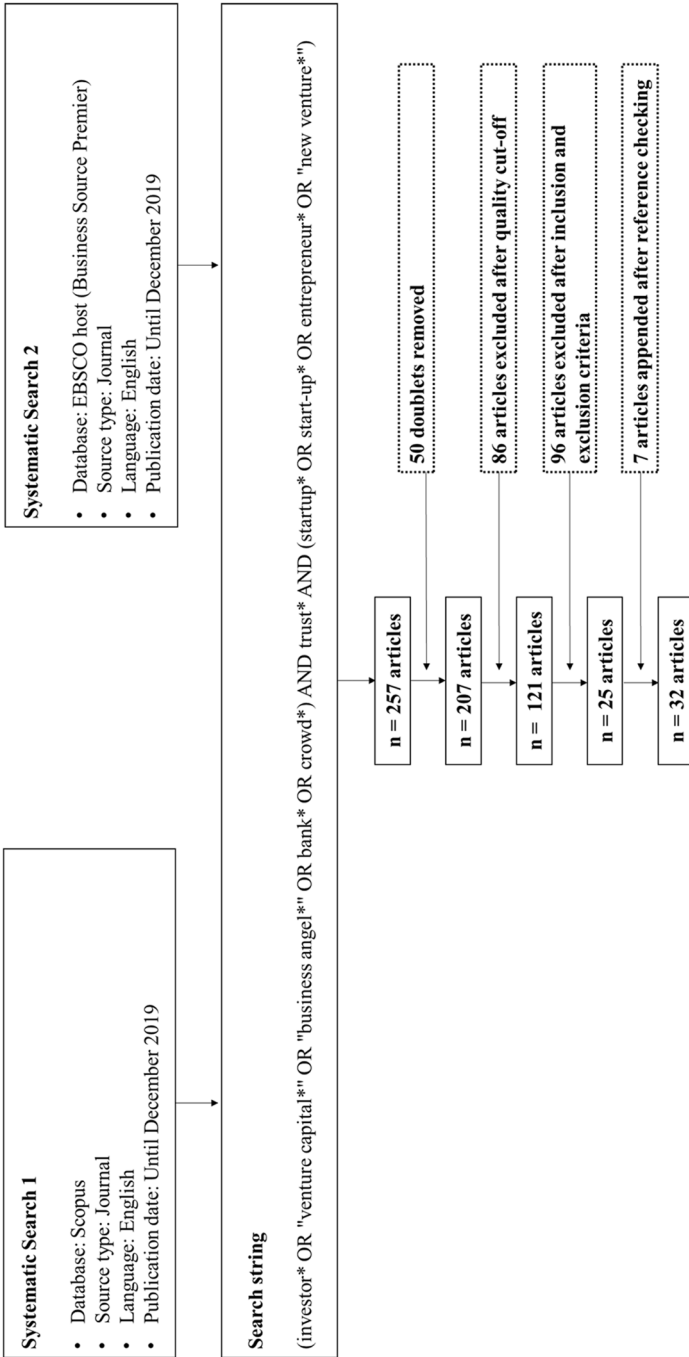


Fig. 2 Systematic search and selection process

Table 1 Descriptive analysis of the identified articles

Journal	Journal Ranking (SJIR)	Σ	1996–2000	2001–2005	2006–2010	2011–2015	2016–2019 ^a
Academy of Management Journal	10.755	1	1				
ACM Transactions on Computer–Human Interaction	0.523	1		1			
Asia Pacific Journal of Tourism Research	0.731	1					1
Cluster Computing	0.338	1					1
Entrepreneurship and Regional Development	1.170	1					1
Entrepreneurship Research Journal	0.529	1					1
Entrepreneurship: Theory and Practice	5.073	4	1	1	1	1	
IEEE Access	0.609	1					1
Industrial Management and Data Systems	1.137	1					1
International Journal of Entrepreneurial Behavior and Research	0.785	2					2
International Small Business Journal	1.987	1				1	
Journal of Business Ethics	1.860	1					1
Journal of Business Venturing	4.835	2		1	1	1	
Journal of Economic Interaction and Coordination	0.450	1					1
Journal of Management	7.936	1				1	
Journal of Small Business and Enterprise Development	0.504	2			1	1	
Journal of Small Business Strategy	0.659	1			1		
Kyklos	1.128	1			1		
Online Information Review	0.656	1					1
Strategic Entrepreneurship Journal	2.817	1					1
Teleomatics and Informatics	1.206	1					1
Venture Capital	0.665	5		3	1	1	
Total		32	2	4	5	7	14

^aIncludes articles published until December 2019 (12-31-2019). The study of Kim et al. (2020) was published online in November 2019 and is therefore part of this review

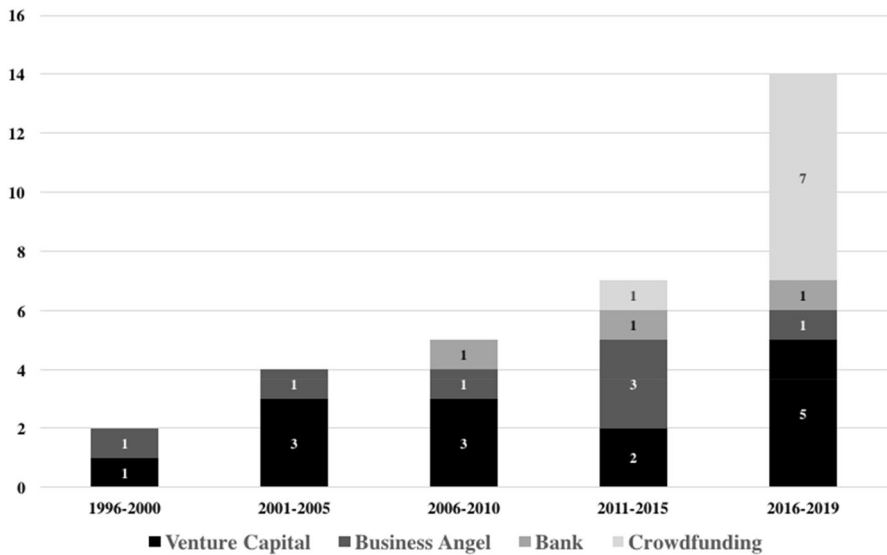


Fig. 3 Distribution of articles in review

An overview in the “[Appendix](#)” (Table 4) provides further information about the methodology, the sample, and the region of data collection for the respective papers.

4 Results

4.1 Conceptualization of trust in entrepreneur–investor relationship

The theoretical foundations of trust have shown that this concept can be illuminated by different disciplines and that different types of trust exist. For this reason, it is necessary that this section deals with the theoretical foundations of the identified literature in order to be able to place the following statements in this context.

In addition to the term *trust*, *confidence* is also used in the examined articles. Duffner et al. (2009) discuss the differences between trust and confidence. They emphasize the risk that parties assume in trusting each other and the vulnerability, while confidence is described as an evidence-based mechanism. A further distinction is made by Klabunde (2016), who relates confidence to the competencies of the partner, while trust rather conveys the belief that the partner is acting as expected. If we now refer to other papers also dealing with this distinction, it becomes apparent that in addition confidence is primarily conceived of as a future state and the expectations associated with it (e.g., Maxwell and Lévesque 2014; Panda and Dash 2016; Shepherd and Zacharakis 2001). However, confidence and trust are also used interchangeably without explicitly differentiating between the terms (e.g., Dai et al. 2018; Gerber and Hui 2013; Sapienza and Korsgaard 1996).

In addition to this conceptual discussion, the various papers also refer to trust with different emphases. A study on the relationship between BAs and entrepreneurs that looks at the dyad describes trust in that context as *intrateam trust* (Bammens and Collewaert 2014). Another paper uses the term *swift trust* (Harrison et al. 1997), which refers to relationships that involve only limited collaboration (Meyerson et al. 1996). The paper by Schwarzkopf et al. (2010) discusses the existence of goodwill and competence trust. That article refers back to Das and Teng (1996) and explains goodwill in terms of the parties involved being willing to achieve the goals of the relationship, while in the case of competence, the attention is on the ability to achieve this. Goodwill is based on values and norms shared by the parties. Hain et al. (2016) distinguish between institutional and relational trust. Institutional trust represents a macro level of trust, refers to the general trustworthiness of others and can be characterized by cultural and formal rules (Hain et al. 2016; Welter 2012). Others distinguish between trust based on human emotions (affect-based) and trust that is more rational (cognitive-based) (Dai et al. 2018). A comparable distinction is made by Kang et al. (2016), who describe trust based on emotions as relationship trust and rational trust as calculus. Moreover, the emergence of trust in the entrepreneur–investor relationship is also differentiated according to behavior and character. The last issue concerns the perception and thereby the factors of ability, benevolence, and integrity are included in the investigation, which should explain the trustworthiness of a partner. The explanation of behavior is based on procedural justice (Middelhoff et al. 2014). Both the explanations of the conceptual distinction between confidence and trust and the various trust concepts are *prima facie* indications of the complexity and heterogeneity of this topic.

4.2 Overview of types of entrepreneur–investor relationships

The literature reviewed focuses on different investors and there are also differences between individual investors (e.g., de Bettignies and Brander 2007; Wong et al. 2009); it is therefore necessary to discuss those investors separately, which ensures that investor relationship marketing strategies and outcomes are presented in an investor-specific context. Such a differentiated point of view (investor, entrepreneur, and relationship) has already proven useful in literature reviews with different investors (Drover et al. 2017). To this end, the articles systematically identified were carefully read and then systematized according to their antecedents and outcomes. Table 2 summarizes these topics in specific entrepreneur–investor relationships and the structure stems from the integrative framework visualized in Fig. 1. The topics are elaborated upon in detail for every investor type separately in the following subchapters.

4.3 Trust in the entrepreneur–venture capitalist relationship

The relationship between entrepreneurs and VCs can be characterized by the fact that VCs provide support beyond the financial aspects and thus contribute to the value creation of the startup (Fairchild 2011). VC firms obtain their capital from

Table 2 Antecedents and outcomes of trust in the entrepreneur–investor relationship

Unit of analysis	Key topics in entrepreneur–investor relationship ^a			
	VC	BA	Bank	Crowdfunding
<i>Antecedents</i>				
Investor-focused antecedents	Trustworthiness (Benevolence)	Interest payments	Characteristics, propensity to trust, values, trusting stage, faith in humanity, emotional base	Motivation
Relationship-focused antecedents	Communication, fairness, partner fit, experiences, commitment	Communication, partner fit, interaction	External factors, length and strength, previous interactions, partner fit	Communication, partner fit, interactions
Entrepreneur-focused antecedents	Reputation, quality, success, behavior	Existing investor-relationships	Characteristics, community involvement, values	Existing investor-relationships
<i>Outcomes</i>				
Investor-focused outcomes	Startup evaluation, learning	Investment intention	–	Investment intention
Relationship-focused outcomes	Strength of the relationship, cooperative behavior	Perception of startup performance	Amount, cooperation, reducing agency problems	Commitment
Entrepreneur-focused outcomes	–	Investor choice	–	–

^aSome papers focus on more than one investor, so they have been assigned to the appropriate investors, who provide insights for this literature review. We have attributed the papers of Ferguson et al. (2016) and Middelhoff et al. (2014) to VCs and the paper of Fairchild (2011) to BAs

other partners (limited partners), which means that they do not invest their own capital. The investor-entrepreneur relationship is usually the concern of professional fund managers working for the VC firm (De Clercq et al. 2006).

Overall, as summarized in Table 2 the results show that the focus of the literature is on relationship- and entrepreneur-focused antecedents, while it is not clear which influencing factors come from the investor. The relationship-focused antecedent cases in particular are a focal topic of previous research and show similarities within the antecedents.

Investors can signal *trustworthiness* to entrepreneurs, as the study by Middelhoff et al. (2014) illustrates. One finding is that benevolence has the strongest influence when trust is formed. Furthermore, it is clear that the other two factors ability and integrity are weaker. The frequency of interaction is used as a moderator in this study, but the results show that this factor has no effect, in relation to ability. A higher level of interaction does not influence whether trust is built or weakened. Procedural justice also shows that this has no influence on trust (Middelhoff et al. 2014).

At the level of relationship-focused antecedents, *communication*, *fairness*, and *partner fit* are three further antecedents (Panda and Dash 2016; Shepherd and Zacharakis 2001). Duffner et al. (2009) show a positive connection with communication and trust—a result in line with the findings of Sapienza and Korsgaard (1996), who state that timely feedback influences the positive relationship between the parties and leads to an increase in trust. If an entrepreneur informs an investor in good time how the performance of the portfolio companies is developing, the investor will perceive this as positive in the sense of procedural justice. Furthermore, feedback also becomes relevant at this point, because if there is little control, timely feedback is relevant to perceiving a relationship as fair (Sapienza and Korsgaard 1996). Another paper argues that trust between VC investors and entrepreneurs can both be directly influenced by the communication between the parties, and also indirectly influence other factors such as signaling commitment and consistency, being fair and just, and the partner fit (Shepherd and Zacharakis 2001). Panda and Dash (2016) base a part of their study on this concept and distinguish between two phases in this relationship: an early stage and a growth stage. The authors note that the early stage phase is marked by informal communication that takes place via telephone and e-mail and can be described as daily/weekly. In addition, VC investors appear around once a month and visit their portfolio companies. In contrast in a growth-stage relationship, distanced and professional communication occurs that only occasionally requires contact by telephone or e-mail. Overall, Panda and Dash (2016) show that the level of trust is high during the early stage, while it is low(er) in the growth stage. Furthermore, Panda and Dash show that fairness in the early stage phase means being open to startup performance and accepting that the startup could fail. Another paper (Strätling et al. 2012), contributes to the fairness debate in analyzing the effects of contracts between VCs and entrepreneurs on their relationship. The aforementioned study investigates Dutch startups and indicate that entrepreneurs allow control to a certain degree. The study also distinguishes between neoclassical and relational contracts, that is, contracts without a social context and contracts based on informal agreements. The results show that neoclassical contracts have a negative impact on

whether the entrepreneur regards the investor as trustworthy. In contrast, relational contracts have a positive influence (Strätling et al. 2012). The measures to create trust can be assigned to the partner fit, because VCs pay attention to the extent to which the measures taken by an entrepreneur to build trust are comparable with their own (Schwarzkopf et al. 2010). An early stage fit between investor and entrepreneur is also created by the same alma mater and the same city where both spent their childhood (Panda and Dash 2016). Hain et al. (2016) also make a contribution to partner fit, because they devote themselves to institutional trust and beyond that to relational trust. The latter is particularly important for investments in developed economies. For example, relational trust can assist in dealing with geographical or cultural borders (Hain et al. 2016). Furthermore, both interpersonal attraction and the strength of relationship norms can be precursors of trustworthiness (Ferguson et al. 2016). Another criterion that VC investors consider when deciding whether to invest or not are *experiences* that it has had previously with the entrepreneur. This means that these experiences together with the cooperation are the basis for the trust sensitivity (Yang and Li 2018). Another antecedent of trust is *commitment* and can help to build trust if one of the two parties signals their commitment (Shepherd and Zacharakis 2001). Whether entrepreneurs exhibit commitment to the relationship (the early stage form) can be determined by whether they have invested their own money in the company and how they see their role as investors (Panda and Dash 2016).

Entrepreneurs can influence the trust of VCs through their *reputation* and *quality*, as well as by the *success* of their startup (Duffner et al. 2009). A further explanation has been developed by Haiyan (2019) and acknowledges the dynamics of trust. The author finds that entrepreneurs influence these dynamics through their *behavior*. Furthermore, the author has integrated a further perspective in the form of *learning*, on the basis that the entrepreneur learns something about the investor and the investor learns something about the entrepreneur. Which in turn contributes to the dynamics (Haiyan 2019).

Trust in the entrepreneur influences how an investor *evaluates* the startup and its performance (De Clercq and Sapienza 2006) and also has a negative influence on *VC learning* (De Clercq and Sapienza 2005). In the case of the relationship-focused antecedents, it is assumed that the *relationship strength* also depends on the degree of trust (Schwarzkopf et al. 2010). Furthermore, the model of De Clercq and Sapienza (2001) integrates trust to analyze relational rents in this relationship. The authors assume that the strength of the relationship depends on the degree of trust. If trust is created between entrepreneurs and VCs, it influences the *cooperative behavior* of the parties (Panda and Dash 2016; Shepherd and Zacharakis 2001). Shepherd and Zacharakis (2001) argue that an increase in trust leads the respective party (VC or entrepreneur) to also be confident that the other party will cooperate.

4.4 Trust in the entrepreneur–business angel relationship

Business angels are individuals who support entrepreneurs with financial resources (Sudek 2006) in the form of their own money (De Clercq et al. 2006). Furthermore,

they also provide further value-adding activities, such as mentoring advice or access to their networks (De Clercq et al. 2006).

Overall, as summarized in Table 2 research on trust in the entrepreneur–business angel relationship remains scarce. There are many individual antecedents and outcomes, but they are highly fragmented.

The development of trust on the part of BAs can be influenced by *existing investor relationships* to signal trustworthiness to the BA (Sørheim 2003). Klabunde (2016) examines trust from the perspective of the BA and approaches this issue from an agent-based model that determines the optimal investor strategy. One factor is *interest payments*. This means that whether trust is built or lost depends on how the interest payments on the investment behave. If those interest payments increase, trust increases, and if payments decrease, trust decreases accordingly. In this context, the author also addresses the fact that investors exchange ideas with others from their network in order to assess their levels of return, which ultimately also flows into trust building (Klabunde 2016). The study of Bammens and Collewaert (2014) find that the quality of *communication* between BA and entrepreneur has a positive correlation with trust. The papers reviewed also show commonalities in their treatment of *partner fit* (Klabunde 2016; Sørheim 2003). The study of Sørheim (2003) explains that it is important for investors to create a common basis with the entrepreneur, which is the prerequisite for entering into a trusting relationship over a longer period of time. Furthermore, every *interaction* influences how the investor perceives trust (Sudek 2006).

The trust-building measures initiated by entrepreneurs in receipt of an investment offer outweigh the measures taken by entrepreneurs who do not receive one (Maxwell and Lévesque 2014). Therefore, trust influences how BAs determine an *investment intention* (Harrison et al. 1997; Maxwell and Lévesque 2014; Sudek 2006). Another consequence of investor trust is the evaluation of *startup performance* because a high level of trust has a positive effect on the assessment (Bammens and Collewaert 2014). In contrast, trust also plays a role for entrepreneurs when they *choose an investor*, as Fairchild (2011) demonstrates. It is argued that the relationship with BA is more trusting than that with VC, while the added value of VC is higher. Furthermore, this model states that empathy and trust are linked. This also leads to a higher value being attached to the BA than to the VC. The propositions of Fairchild (2011) allow the conclusion that the choice of investor is as dependent on empathy and trust as it is on economic factors.

4.5 Trust in the entrepreneur–bank relationship

The entrepreneur–bank relationship is characterized by the fact that a bank manager is responsible for lending to the customer (an entrepreneur) (Howorth and Moro 2006). In the case of banks, however, it should be noted that, in comparison to VCs or BAs, they have a lending function and, accordingly, no equity participation (De Clercq et al. 2006). If we relate this to the risk associated with trust (Mayer et al. 1995), then banks do not carry the risk that a VC or BA does (De Clercq et al. 2006).

As summarized in Table 2, the research findings on trust in the entrepreneur–bank relationship are mainly influenced by the study by Howorth and Moro (2006) that provides a comprehensive model for the antecedents of trust. Beyond that, however, research results available to date are sparse.

Howorth and Moro (2006) show various possibilities of influence which could be regarded as signals of trustworthiness on the part of investors and entrepreneurs. The *characteristics* and *values* are common antecedents, which, through entrepreneurs and investors, help to forge *partner fit* and thus to establish trustworthiness between entrepreneurs and their bank managers (Howorth and Moro 2006). In addition, Howorth and Moro (2006) also show that entrepreneurs' *community involvement* is a trustworthy signal and that *trust propensity*, *trusting stage*, *faith*, and the *emotional base* are also antecedents of investors' trust and *previous interactions* as a relationship-focused antecedent of trust. Moreover, personal trust between a bank manager and an entrepreneur is also influenced by *external factors*, such as the institutional environment, which is in turn further categorized as regulatory or normative, the former referring to the bank and the latter to the social context (Moro et al. 2017). The *relationship strength and length* and *previous interactions* between entrepreneur and bank manager are further antecedents at the relationship level (Howorth and Moro 2006).

When entrepreneurs request a loan from a bank, the *amount* of the loan granted will also depend on the extent to which the bank manager has trust in the borrower (Moro et al. 2017). After the investment, trust influences the *cooperation* between entrepreneurs and banks (Howorth and Moro 2006). Durkin et al. (2013) show that a lack of trust can have negative consequences for instance that entrepreneurs want to search for other types of investors. In contrast, trusting cooperation can also mitigate negative aspects, such as, *agency problems* (Howorth and Moro 2006).

4.6 Trust in the entrepreneur–crowd investor relationship

Crowdfunding emerged through digitization and brings together many investors on one digital platform, who can then invest in a startup (Kim et al. 2020). This means that the entrepreneur usually cannot establish a personal one-on-one trust relationship but must instead seek to build a relationship with a more or less anonymous mass. Furthermore, there are also various forms of crowdfunding (Kim et al. 2020). In the reviewed papers reward-based crowdfunding (e.g., Dai et al. 2018) and equity-based crowdfunding (e.g., Xiao 2019) are examined. Crowdfunded investment means entrepreneurs have to deal with investors who may have various motivations and who are willing to accept different levels of risk (Mochkabadi and Volkman 2020).

As summarized in Table 2, the research on the entrepreneur–crowd investor relationship to date shows that it has mainly been individual antecedents that have been investigated to determine the development of trust. The possible outcomes of trust have so far rarely been investigated.

Existing investor-relationships play a role in the development of trust; thus, their credibility is important for the entrepreneur whether a follow-on investor invests

(Xiao 2019). Moreover, for crowd investors who invest in startups through crowdfunding campaigns, *motivation* is an antecedent that helps to build trust (Kim et al. 2020). The aforementioned study investigates tourism crowdfunding, combines motivation with trust, and reports that both intrinsic and extrinsic motivation positively influence trust building. Among the relationship-focused antecedents, *communication* is discussed (Gafni et al. 2019; Zhao et al. 2017). While entrepreneurs present their startup at the online pitch, they can gain the trust of investors by frequently referring to them by name (Gafni et al. 2019). Another way to build trust through communication is through social media such as Facebook and social media platforms can be used by entrepreneurs to disseminate information, which influences trust (Dai et al. 2018). Zhao et al. (2017) state that *partner fit* also contributes to trust building for crowd investors. Entrepreneurs who take trust management into account when seeking crowdfunding can influence the *investment intention* in two ways (Zheng et al. 2016): either centrally through creditworthiness or peripherally through the *interaction* between the parties. Zheng et al. (2016) report the latter in particular shows greater effects. This is because the interaction between investor and entrepreneur can foster a relationship of trust, which subsequently leads to an investment decision (Zheng et al. 2016). Kang et al. (2016) examined calculus trust and relational trust and found that they jointly or separately influence investment intention. Furthermore, trust also influences *commitment* (Zhao et al. 2017) and a lack of trust is one reason why investors choose not to invest (Gerber and Hui 2013).

5 Discussion and future research agenda

Figure 4 visualizes the key concepts in the reviewed literature on trust in entrepreneur–investor relationships. This figure bundles the identified topics from Table 2 and shows them comprehensively in the developed framework from Fig. 1.

With regards to the investor relationship marketing strategies, the academic discussion focuses strongly on the relationship-focused antecedents. These antecedents show commonalities regardless of the investor type. Under the term partner fit, commonalities between entrepreneur and investor can be summarized, such as common values, social distance, or common basis (e.g., Howorth and Moro 2006; Shepherd and Zacharakis 2001; Sørheim 2003; Zhao et al. 2017). Another frequently discussed relationship-focused antecedent we identified is the communication in relationships with VCs, BAs and crowd investors (e.g., Bammens and Collewaert 2014; Shepherd and Zacharakis 2001; Zhao et al. 2017). However, findings relating to the investor-focused and entrepreneur-focused perspectives are rare, indicating the necessity for further research in this area. Drawing from the relationship marketing literature, scholars may investigate how each partner's expertise or competence as well as potential existing disagreements among the partners (Palmatier et al. 2006) affect trust in the entrepreneur–investor relationship.

The crowdfunding literature shows that the relationship between entrepreneurs and crowdfunding investors is built through online communities (e.g., Gafni et al. 2019; Zhao et al. 2017). Accordingly, the interaction between these parties also takes place online, for example through pitch videos (Gafni et al. 2019) or the use

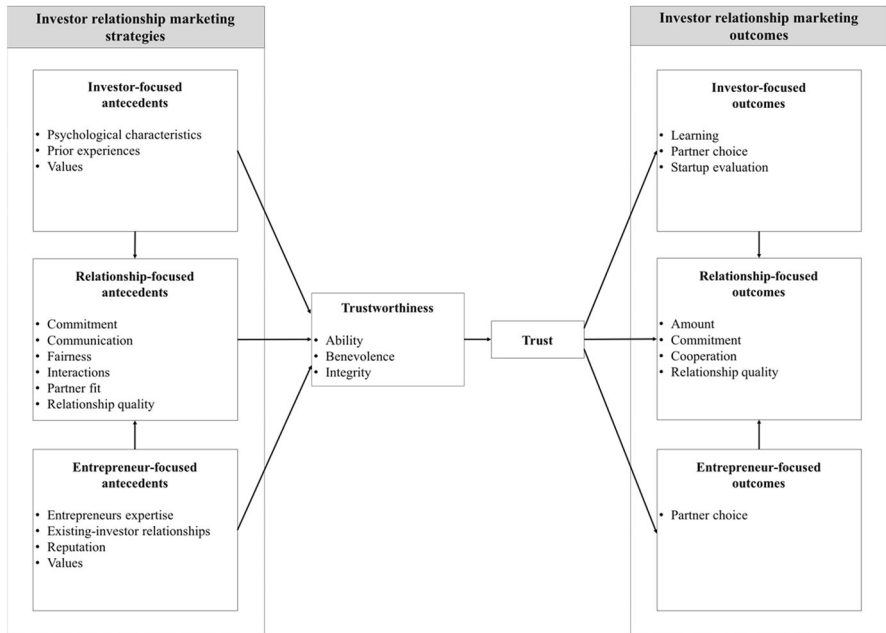


Fig. 4 Key findings for trust in the entrepreneur–investor relationship marketing

of social media (Berger et al. 2015; Dai et al. 2018). As the paper by Panda and Dash (2016) shows, the interaction between VCs and entrepreneurs takes place mainly in an informal and, in the growth stage, distanced manner. In the crowd-funding context past research emphasizes the role of trustworthiness signaled in investor communication to reduce information asymmetries (Moritz et al. 2015). This leads to the question of what influence communication in virtual communities (e.g., Facebook posts, tweets) has on the development of trust in relationships with traditional investors such as VCs, BAs, or banks.

Information on the outcomes of investor relationship marketing remains difficult to access because there are few findings relating to the individual levels, which is particularly true of entrepreneur- and investor-focused outcomes. Accordingly, further studies might contribute by exploring the consequences of trust for entrepreneurs and investors. A further insight is that trust is an important condition when it comes to the investment decision of investors. This emphasizes the importance of trust for the relationship and that it must be managed accordingly. Furthermore, De Clercq and Sapienza (2006), show that trust influences the evaluation of the startup performance and Duffner et al. (2009) relates trust directly to success. This leads to the question of whether there may be further outcomes that are influenced by trust but have yet to be isolated. In the relationship marketing literature, for example, loyalty and word-of-mouth are discussed as further outcomes of trust (Palmatier et al. 2006). Therefore, in future studies, scholars could investigate the impact of trust on these constructs in investor relationships.

Furthermore, the literature on trust in the entrepreneurship discipline shows that the work done so far mostly refers to the positive aspects of trust. This means there is a lack of critical debate, which also reveals the dark sides of this concept (Welter 2012). Although negative aspects of trust are addressed in various papers (e.g., Bammens and Collewaert 2014; Durkin et al. 2013), there is still potential to supplement these views. For example, trust can lead to blindness in strategic decision making or influence the choice of (weaker) control mechanisms (Zahra et al. 2006). Further studies could therefore ask, whether trust in the entrepreneur–investor relationship might cause negative side effects.

The 32 articles identified are devoted to trust in different phases of the relationship, that is, the trust between entrepreneur and investor is mapped in the empirical studies on a particular. There are studies that can be assigned to the pre-investment phase (e.g., Gafni et al. 2019; Sørheim 2003), others are dedicated to the post-investment phase (e.g., Bammens and Collewaert 2014; Middelhoff et al. 2014). If one considers, however, that the emergence of trust is a process (Doney and Cannon 1997; Swan et al. 1985), there are few studies at this point that illustrate the trust between entrepreneur and investor in several phases of the relationship (Panda and Dash 2016). Future studies shedding light on the relationship between entrepreneur and investor from the pre-investment to the post-investment phase could thus also show which antecedents and outcomes are present in the respective phases and how they might change.

Further research opportunities arise from changes in the area of entrepreneurial finance (e.g., Block et al. 2018; Bonini and Capizzi 2019; Bellavitis et al. 2017; Drover et al. 2017; Wohlgemuth et al. 2016). This literature review shows that, with a few exceptions, previous research has discussed individual investors in isolation. The development of the financing landscape, however, makes it necessary to abandon that isolation and connect investors (Drover et al. 2017). As mentioned in the introduction, this is how entrepreneurs do it in practice (Moritz et al. 2016), future studies might start here and explore how these multiple entrepreneur–investor relationships affect trust building with the entrepreneur.

Although this structured literature overview has addressed a new form of financing in the form of crowdfunding and reflects the state of research, there are emergent financing possibilities, such as accelerators or family offices (Block et al. 2018). In addition, research gaps are also apparent in the area of trust with established investors, such as corporate venture capitalists, which have largely been neglected up to now. This accordingly leads to the question of how entrepreneurs can establish trusting relationships with these investors.

Digital technologies largely affect entrepreneurship and innovation (Berger et al. 2019), we also expect that this will impact the relationship between entrepreneurs and investors. The blockchain technology enables financial transactions via decentralized platforms (Chen and Bellavitis 2020) and is the basis for Initial Coin Offering (ICO), a form of startup financing through tokens as currency (e.g., Block et al. 2020; Fisch 2019; Huang et al. 2019). Blockchain technology may solve agency problems and thereby act as a mechanism for trust (Shermin 2017). Personal trust may be complemented or even shift entirely towards technology. To this point, whether the concept of “trustless trust” will become reality and might also affect

traditional entrepreneur–investor relationships, which currently strongly rely on trust, remains mere speculation. Driven by blockchain technology advancements in practice, future research may explore how the blockchain technology affects trust in the investor marketing of startups.

This literature review offers both theoretical implications and practical advice to reveal trust for practitioners. The research framework shows that trust is a multidimensional concept, which is conceptualized by different antecedents and outcomes (Morgan and Hunt 1994). Our framework is therefore a basis and offers an overview for entrepreneurs who want to manage relationships with investors. The entrepreneur has to develop an awareness of the role of trust in the entrepreneur investor-relationship and in investor relationship marketing has to ensure that various partner-specific antecedents (e.g., investors' motivation, quality of the entrepreneur, and reputation) influence the creation of trust. Furthermore, this literature review shows that the state of research on the relevant antecedents varies depending on the type of investor. Nevertheless, two central antecedents can be identified that entrepreneurs should consider: entrepreneurs must pay attention to communication and the partner fit in the investor relationship. The consequence for investor relationship marketing is that entrepreneurs have to develop suitable strategies so that these antecedents contribute to trust building. Suppose an entrepreneur wants to convince a VC investor and signal trustworthiness through communication; one component of the communication strategy could be to communicate his or her reputation and quality and to demonstrate the startup's successes to date (Duffner et al. 2009). In addition, the entrepreneur could collect information about the investor that signals similarities, such as hometown or alma mater (Panda and Dash 2016) and can communicate such “fun facts” during the pitch. Entrepreneurs might also use other areas of EM to create an investor communication that develops trust. For example, public relation activities and social media could be used to share information about themselves and the startup, thereby also creating a reputation in the environment. This paper also gives an insight into the possible outcomes of trust. The outcomes show that entrepreneurs can influence the cooperation with their investors through trust, by creating a strong relationship and minimizing risks that may arise. In summary, the findings of this paper can be used to establish and maintain entrepreneur–investor relations in practice. A summary of the research gaps and the suggested paths for future studies is presented in Table 3.

6 Limitations and conclusion

This literature overview is not free of limitations, so these will be discussed in the following section. A central inclusion criterion for the selection of articles was access to peer-reviewed journals published in English (Köhn 2018; Podsakoff et al. 2005). The scope of the literature overview is therefore not fully comprehensive and thus it is possible that interesting findings presented at conferences or in contributions to books have been overlooked. Therefore, at this point consideration must also be given to whether the quality of the articles should come first, as in this case, or whether the search field should be extended to deliver the broadest possible coverage

Table 3 Future research agenda for trust in the entrepreneur–investor relationship

Challenges and current research gaps	Future research directions
<i>Antecedents</i>	
Antecedents of trust to understand the multidimensional character of trust	Exploration of antecedents from the entrepreneur and investor perspectives in more detail (e.g., expertise, conflicts)
Influence of virtual communities on trust with traditional investors, as digitization affects collaboration	Influence of investor communication in virtual communities on trust between entrepreneurs and traditional investors (e.g., social media communication with/by VCs, BAs)
<i>Outcomes</i>	
Outcomes of trust to understand the multidimensional character of trust	Exploration of outcomes from the entrepreneur and investor perspectives in more detail (e.g., loyalty, word-of-mouth)
Negative consequences of trust to examine potential dark sides of a trusting relationship	Exploration of negative side effects of trust in the entrepreneur–investor relationship (e.g., blindness, lack of control)
<i>Time</i>	
Longitudinal studies to conceptualize the development of trust as a process	Measurement of trust at different stages of an entrepreneur–investor relationship and analysis of development of trust over time (e.g., pre-, post-investment)
<i>Investor landscape</i>	
Multiple entrepreneur–investor relationships, due to common practice entrepreneurs of multiple investors	Consideration of interdependencies, impact on trust and consequences for investor marketing due to multiple investors possibly engaged at different times (e.g., Crowd/VC, BA/VC)
Further (new) investor types, as entrepreneurs can get capital from different sources and new types of investors emerge	Examination of trust between entrepreneurs and other players in the entrepreneurial finance landscape (e.g., accelerators, family offices)
Effect of blockchain on trust in investor marketing, as technology can act as a trust mechanism	Examination of the influence of blockchain technology on trust in the investor marketing (e.g., ICO, existing antecedents, new antecedents).

of the topic. Although the search process forming the basis of the current review was carried out with great care, we cannot completely rule out that individual articles were overlooked. For example, articles may deal with trust, but not as a central topic, meaning it is not included in title, abstract, or keywords. A further point of criticism concerns the evaluation of the present selection, where the influence of the subjective feelings of the authors cannot be completely excluded.

In conclusion, entrepreneurs have an important task in raising capital for their startups and the task necessitates embarking on interpersonal relationships with their

stakeholders, the investors. This literature review thus makes an important contribution to research into the entrepreneur–investor relationship. In particular, studies that deal with trust as a concept of this relationship are systematically identified and subsequently discussed in order to identify further research paths. This paper shows that trust in the relationship with different types of investors has already been investigated, but the discussion has been dominated by the focus on VCs. Furthermore, it is evident that above all, the investors and their trust in the portfolio company is an important perspective. These findings are supplemented by the fact that trust is characterized by various determinants, which also offer potential approaches for further studies. Finally, it should be mentioned that this paper has approached trust from the point of view of EM, and thus it enriches the previous entrepreneurship research on trust with a novel perspective and illuminates further research paths.

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Compliance with ethical standards

Conflict of interest The authors declare that they have no conflict of interest.

Code availability Not applicable

Appendix

See Table 4.

Table 4 Overview of selected articles

References	Methodology	Sample	Region
Bammens and Collewaert (2014)	Quantitative	54 ventures with entrepreneurs and BAs	Belgium, USA
Dai et al. (2018)	Quantitative	2214 entrepreneurs and entrepreneurial project data from IndieGoGo	International
De Clercq and Sapienza (2001)	Conceptual	n/a	n/a
De Clercq and Sapienza (2005)	Quantitative	298 VCs	USA
De Clercq and Sapienza (2006)	Quantitative	298 VCs	USA
Duffner et al. (2009)	Quantitative	75 VCs	Germany
Durkin et al. (2013)	Qualitative	10 entrepreneurs	Northern Ireland
Fairechild (2011)	Conceptual	n/a	n/a
Ferguson et al. (2016)	Quantitative	79 ventures with entrepreneurs and lead-investors (mainly VC)	Canada, France, Germany
Gafni et al. (2019)	Quantitative	16,111 successful projects and 4113 failed projects pitches	International
Gerber and Hui (2013)	Qualitative	83 entrepreneurs and investors from Kickstarter, RocketHub, and IndieGoGo	USA
Hain et al. (2016)	Quantitative	30,650 VC deals	International
Haiyan (2019)	Conceptual	n/a	n/a
Harrison et al. (1997)	Qualitative	10 BAs	UK
Howorth and Moro (2006)	Qualitative	20 entrepreneurs and 6 bank managers	Italy
Kang et al. (2016)	Quantitative	610 crowd investors	China
Kim et al. (2020)	Quantitative	450 crowd investors	Korea
Klabunde (2016)	Conceptual	n/a	n/a
Maxwell and Lévesque (2014)	Quantitative	54 Startup Pitch	Canada
Middelhoff et al. (2014)	Quantitative	104 entrepreneurs	Germany, Austria, Switzerland
Moro et al. (2017)	Qualitative and Quantitative	Study 1: 8 loan managers Study 2: 450 loan managers	Italy
Panda and Dash (2016)	Qualitative	10 entrepreneur-VC dyads	India
Sapienza and Korsgaard (1996)	Quantitative	Study 1: 44 students acting as investors Study 2: 118 VCs	USA

Table 4 (continued)

References	Methodology	Sample	Region
Schwarzkopf et al. (2010)	Qualitative	10 VCs	Israel
Shepherd and Zacharakis (2001)	Conceptual	n/a	n/a
Sørheim (2003)	Qualitative	5 BAs	Norway
Strätling et al. (2012)	Quantitative	86 ventures	Netherlands
Sudek (2006)	Qualitative and Quantitative	Study 1: 259 ventures Study 2: 72 BAs	USA
Xiao (2019)	Qualitative	189 projects; 25 platform managers, investors, and entrepreneurs from AngelCrunch	China
Yang and Li (2018)	Quantitative	18 VCs	China
Zhao et al. (2017)	Quantitative	204 crowd investors from FlyingV	Taiwan
Zheng et al. (2016)	Quantitative	829 projects from demohour	China

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