Gordon Institute of Business Science
University of Pretoria

Bridging the Funding Gap: The Role of Entrepreneurial Action in Securing Capital for Start-ups and SMEs.

Student number: 24082199

A research project proposal submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration

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Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination at any other university. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Abstract

This study addresses the persistent "readiness-governance misalignment" that prevents viable South African SMEs from securing funding. The research aimed to identify which entrepreneurial actions, when translated into credible, audience-fit signals, increase perceived fundability at the “Existence” and “Survival” stages.

The study employed a qualitative, dyadic research design, conducting 22 in-depth interviews with 11 matched pairs of early-stage entrepreneurs and the specific funders (from banks, DFIs, and VCs) who assessed them.

The principal finding is that the "misalignment" is fundamentally a "three-signal portfolio" mismatch. Fundability was found to rest on three signal categories: (1) ‘Paper’ signals (e.g., "spotless books"), which funders interpret as a non-negotiable proxy for founder discipline; (2) ‘Audience’ signals, where a mismatch between the venture's pitch (e.g., "IP") and the funder's mandate (e.g., "jobs") is a primary rejection driver; and (3) ‘Human’ signals, where "coachability" was identified by funders as a "non-negotiable", actively tested signal of reduced execution risk.

The study contributes the actionable "Three-Signal Portfolio" framework for entrepreneurs. Recommendations are provided for entrepreneurs to build documentation discipline, for funders to make their mandates explicit, and for incubators to teach "audience fit" as a core skill.

The study's qualitative findings are context-bound. Future quantitative research is needed to test the predictive power of the "Three-Signal Portfolio" framework.

Keywords

Audience-Fit Coachability, Dyadic Methodology, Entrepreneurial Action, Fundability, Investment Readiness, Signalling Theory, SME Financing

List of Acronyms and Abbreviations

CIPC	Companies and Intellectual Property Commission
DFI	Development Finance Institution
EAT	Entrepreneurial Action Theory
GDP	Gross Domestic Product
LR	Literature Review
MSME	Micro, Small, and Medium Enterprises
MVP	Minimum Viable Product
NEF	National Empowerment Fund
P1-P6	Propositions 1-6
RQ1-RQ5	Research Questions 1-5
SME	Small and Medium Enterprise
SEDFA	Small Enterprise Development and Finance Agency
SEFA	Small Enterprise Finance Agency
Seda	Small Enterprise Development Agency
VC	Venture Capital

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Chapter 1: Introduction / Background to the Study

Across economies, new and small SMEs face persistent financing frictions that depress firm formation, dampen innovation, and mute job creation, even where viable opportunities exist (Cumming & Zhang, 2016; De Blick, Paeleman, & Laveren, 2024). In emerging markets, these frictions are sharpened by information asymmetry and thin, high-cost screening environments that make it difficult for funders to verify quality at early stages (Connelly, Certo, Ireland, & Reutzel, 2011). In these contexts, the behaviours entrepreneurs employ to convert early traction into credible, verifiable signals play a crucial role in determining their perceived fundability. Research in the action tradition emphasises that what founders do, experimenting in small steps, documenting results, formalising governance signals, and engaging iteratively with resource holders, shapes funder assessments under uncertainty (Frese & Gielnik, 2024; Pollack, Maula, Allison, Renko, & Günther, 2021).

In South Africa, this general problem is acute. The MSME sector is large and economically material, yet a substantial share of ventures – especially micro and early-stage SMEs – struggle to convert real commercial activity into the readiness and governance signals that funders require. Finfind's national analysis of more than 10,000 applications (2023–2024) reports a funding gap exceeding R350 billion, alongside evidence of 315 active funders and 605 products, indicating that supply exists but is poorly aligned to demand and the realities of smaller SMEs (Finfind, 2025).

Moreover, only a minority of applicants' present core readiness signals (e.g., up-to-date management accounts and accountant-signed annual financial statements), which weaken perceived fundability despite underlying opportunities (Finfind, 2025). These findings reinforce the relevance of **entrepreneurial action** and **signalling** for bridging the **readiness–governance misalignment** that keeps viable ventures unfunded (Pollack et al., 2021; Connelly et al., 2011).

1.1 Purpose

The purpose of the study is to examine how entrepreneurial action—with an emphasis on signalling behaviour, staged experiments, and adaptive engagement with financiers—addresses a readiness misalignment between entrepreneurs and funders and thereby enhances funding for start-ups and SMEs in South Africa. The study employs a qualitative, interpretivist design to generate a context-specific framework explaining how action and signals reduce information asymmetry and align readiness with governance expectations at the venture–funder interface (Connelly et al., 2011; Pollack et al., 2021).

1.2 Context of the Study

International studies indicate that small and medium-sized enterprises (SMEs) consistently face funding gaps, which in turn have major negative impacts on innovation and employment (De Blick et al., 2024; Cumming & Zhang, 2016). A global logic underpins the present inquiry: where information asymmetry is high and verification costly, early-stage ventures face conservative screening; this elevates the value of deliberate signals produced through entrepreneurial action to reduce perceived risk (De Blick et al., 2024; Connelly et al., 2011; Balyuk, 2023).

A pronounced governance misalignment worsens this context. While established financial institutions, such as banks and DFIs, continue to privilege formal, paper-based signals (e.g., reconciled management accounts and enforceable contracts), a newer FinTech lane increasingly leverages digital footprints and trending alternative data to assess SME risk (Cornelli et al., 2023; Balyuk, 2023). This structural misalignment establishes a fragmented signalling environment, obliging entrepreneurs to formalise both a traditional paper trail and an emerging digital trail to satisfy these divergent funder audiences

In October 2024, the South African government launched the Small Enterprise Development and Finance Agency (SEDFA, 2024), merging the mandates of the Small Enterprise Development Agency (SEDA) and the Small Enterprise Finance Agency (SEFA) into a single apex body for small enterprise development and finance,

and renamed the classification of Small and Medium Enterprises (SME) to Micro Small and Medium Enterprises (MSME). We will use the acronyms SME and MSME interchangeably in this research. This consolidation streamlines advisory and finance channels for SMEs and reframes public-sector readiness pathways and due-diligence interfaces.

South African SMEs are economically significant: widely referenced, policy-level estimates indicate their contribution is around 40% of GDP (United Nations Development Programme, 2024). This underscores why “first-finance” bottlenecks matter for growth and employment creation. Complementing this macro stake, FinMark/FinScope material documents a large MSME base characterised by heavy microenterprise representation and meaningful informal participation (FinMark Trust, 2024). These features significantly complicate the borrower verification and screening processes, which is a structural challenge that the growth of digital lending seeks to address (Cornelli et al., 2023; Balyuk, 2023).

Heavy micro-enterprise representation and prevalent informal participation characterise the sector's composition, addressing the structural financing challenges within the MSME base (FinMark Trust, 2024). Given that formal signals inherently reduce funder verification costs, this structural composition ensures a strong correlation between access to capital and formality. This operational reality raises a crucial translation problem: many SMEs must convert cash-based trading and informal contracts into mandated documentary signals, including bank-reconciled management accounts, accountant-signed financials, and enforceable customer agreements, to align with stringent lender governance requirements (Finfind, 2025). The structural growth of digital lending, by leveraging alternative data, often seeks to circumvent the costs associated with these formal requirements (Cornelli et al., 2023; Balyuk, 2023).

Despite the reported availability of 315 funders offering 605 products, a persistent funding deficit exceeding R350 billion indicates a fundamental misalignment between finance supply and MSME demand (Finfind, 2025). Critically, start-up finance remains a top necessity but is poorly represented in the current supply landscape (Finfind, 2025). FinScope MSME evidence consistently reiterates this limitation, identifying finance as a primary barrier during both the existence and survival phases (FinMark Trust, 2024). Broader African scholarship emphasises that access to finance is a key

lever for entrepreneurial growth and employment, where credible signals and institutional quality co-determine whether SMEs successfully translate opportunities into viable investment (Ajide, 2020).

Problem Definition

The core gap is a readiness misalignment shaped by entrepreneur-side and funder-side constraints. Many businesses that are run by entrepreneurs have thin financial records and few signals that are rich in information. On the funding side, screening costs, mandate fit, and concerns about adverse selection led to conservative assessments (Nguyen & Du, 2022; Stiglitz & Weiss, 1981; De Blick et al., 2024).

Both the entrepreneurial action theory and the signalling theory provide an explanation for reducing misalignment. Action theory foregrounds purposeful, iterative behaviours, experimentation, action planning, error mastery, and documentation under uncertainty (Frese & Gielnik, 2024).

Signalling Theory, a core framework in entrepreneurial finance, rigorously specifies how observable, credible, and costly-to-fake indicators fundamentally alter investor beliefs (Connelly et al., 2011). Using this theoretical logic, traditional South African screening processes prioritise highly credible, governance-ready examples. Specifically, two such signals frequently recur:

• Bank-reconciled revenue trails (linking deposits to invoices to contracts), and

• Signed, enforceable customer contracts that specify price, term, and remedies.

These formal signals function by transforming ambiguous commercial traction into standard signals that simultaneously reduce verification costs and substantially improve fundability (Finfind, 2025; NEF, 2024; SEDA, 2023–24).

While broader global scholarship reliably connects financing frictions to fundamental information asymmetries (De Blick et al., 2024), South Africa-specific explanations detailing how concrete entrepreneurial actions and signals successfully mitigate readiness misalignment at the venture–funder interface remain under-specified within MSME literature derived from FinScope/FinMark and practitioner datasets (FinMark Trust, 2024). This gap necessitates a deeper examination of the emerging digital signals used to bridge the divide

between entrepreneurial informal realities and funder governance requirements (Cornelli et al., 2023; Balyuk, 2023).

1.3 Problem Statement

Despite demonstrable market opportunities, many South African start-ups and SMEs remain unfunded, not only because of opportunity quality, but also because of a misalignment between entrepreneurial readiness (documentation, governance, traction evidence, and signalling) and funder expectations (risk disclosure, governance assurance, and verifiable signals) under conditions of information asymmetry and uncertainty.

Readiness is inseparable from governance: the design and demonstration of basic governance (controls, reporting, compliance signals) function as necessary signals that reduce screening costs and reclassify ventures from “opaque” to “fundable” in the eyes of capital providers (Connelly et al., 2011; Pollack, Rutherford, & Nagy, 2021; Finfind, 2025).

1.4 Significance of the Study

The study advances theory at the intersection of entrepreneurial action and signalling by specifying how concrete behaviours transform latent opportunities into credible signals that shift investor beliefs in an information-poor setting and arguing that signal effectiveness is stage- and audience-dependent in South Africa’s dual markets (Pollack et al., 2021; Connelly et al., 2011).

For founders and funders, the study provides an actionable framework that prioritises a short, testable set of readiness signals and signals, especially bank-reconciled revenue and enforceable customer contracts that have been proven to matter in local screening processes, thereby improving deal quality and throughput (Finfind, 2025; NEF, 2024; SEDA, 2023–24).

By focusing on misalignment rather than absolute capital scarcity, the study aligns with national priorities to expand “bankable” MSME deal flow and to graduate micro SMEs into formal, higher-productivity segments (FinMark Trust, 2024).

1.5 Research Scope

The inquiry centres on (i) entrepreneurial action sets that translate informal or nascent traction into verifiable signals and (ii) the signalling logic through which these signals are interpreted by funders in South Africa's MSME finance market (Connelly et al., 2011; Pollack et al., 2021).

The analysis highlights private and development-orientated funders active in SME debt and equity; informal family finance is treated only inasmuch as it affects readiness and signalling (Finfind, 2025; FinMark Trust, 2024).

The study is limited to South Africa and to the contemporary period reflected in Finfind (2023–2024 applications) and FinScope (2022/2024) evidence (Finfind, 2025; FinMark Trust, 2024).

1.6 Chapter outline

To answer the overarching research question—Which entrepreneurial actions, when translated into credible, audience-fit signals, raise perceived fundability for South African SMEs at the Existence and Survival stages? Each chapter makes a specific contribution.

Chapter 2 develops the theoretical and conceptual basis (Entrepreneurial Action Theory, Signalling Theory, and the SME growth-stage lens), defines the constructs used in this study, and motivates the propositions that map directly to RQ1–RQ5.

Chapter 3 states the research questions and propositions in their final form and shows their alignment to the conceptual framework.

Chapter 4 operationalises the questions through an interpretivist, dyadic multiple-case design (entrepreneur–funder pairs), the interview instrument (Appendix A), sampling, and a thematic-analysis procedure that links each RQ to specific data and codes.

Chapter 5 presents the empirical results organised by themes that explicitly answer RQ1–RQ5 (e.g., documentation discipline for RQ1/RQ3; audience-fit metrics for RQ2; coachability for RQ4; and boundary conditions for RQ5).

Chapter 6 integrates those findings with the literature, showing where they confirm, refine, or contradict prior work and consolidating the explanation in a context-specific framework; in doing so, it answers the overarching question and evaluates each proposition.

Chapter 7 concludes the research question by synthesising the cues/signals, outlining theoretical and practical contributions, recommending actions for entrepreneurs, funders, and ecosystem actors, and highlighting limitations and future research directions.

Chapter 2: Literature Review

2.1. Introduction

The literature review proceeds in four movements that cumulatively motivate the study's research questions and propositions.

First, it positions Entrepreneurial Action Theory, Signalling Theory, and the SME Growth Framework as the primary lenses through which early-stage fundability can be understood in a South African setting.

Second, it defines key constructs (entrepreneurial action; fundability/readiness; bootstrapping; investor decision criteria; digital footprints) and shows how these are interpreted by different investor audiences.

Third, it highlights the empirical and conceptual gaps that remain, particularly the translation of how bootstrapped entrepreneurial activity turns into bankable readiness and how they adapt their signalling strategies to suit dual markets.

Finally, it advances to a conceptual framework that links actions → signals → audience interpretation → perceived fundability, explicitly mapped to **RQ1–RQ5** and **P1–P6**.

Figure 1. Literature-Review Roadmap

SA Funding Gap & Dual Markets (Context)	→	**Research Problem**	→	**Overarching RQ: Which actions, when translated into credible audience-fit signals, raise perceived fundability at Existence & Survival?**

Theoretical Lenses	Key Constructs (debated & linked to RQs)	Conceptual Framework	Gaps & Contributions
● Entrepreneurial Action Theory (anchor) ● Signalling Theory (complement) ● SME Growth Framework (Churchill & Lewis: Existence → Survival)	● A. Entrepreneurial action → RQ4, RQ5 (learning, coachability, boundary conditions) ● B. Fundability & readiness → RQ1 (formalisation, signals, risk) ● C. Bootstrapping & informal capital → RQ3 (documentation discipline → bankable readiness) ● D. Investor decision criteria → RQ2 (MVP/traction by audience), RQ5 (context)	● Actions → Signals → Audience Interpretation (Banks, DFIs, Angel Investors/VC) → Perceived Fundability → Access to Capital [Moderated by: Stage (Existence/Survival), Sector, Network Access, Infrastructure]	● SA micro-level signalling portfolios by stage & audience ● Interaction of action–signal–audience under dual markets ● Practical readiness routines that lower screening cost

In South Africa, early-stage businesses have a persistent finance readiness gap. Founders often create real economic value, but they have trouble turning their actions into signals that outside funders can trust, especially when transactions are cash-based, records are thin, and screening costs are high (Rao, Kumar, Chavan, & Lim, 2023; FinMark Trust, 2024).

In such information-poor environments, what entrepreneurs do – testing minimum viable products, documenting paying pilots, formalising simple controls, and codifying learning matters because concrete actions generate costly, observable signals that

reduce perceived risk for financiers (Donbesuur, Boso, & Hultman, 2020; Pollack, Maula, Allison, Renko, & Günther, 2021).

The South African small-firm landscape heightens this logic. A dual economy, uneven digital and physical infrastructure, and compliance expectations around registration and tax elevate the value of bank-reconciled revenues, basic contracts, and verified filings as portable signals at first assessment, particularly for banks and Development Finance Institutions (DFI) that rely on physical information (FinMark Trust, 2024; Arcuri & Levratto, 2020).

Recent practice-orientated research further links disciplined bootstrapping to simple working-capital routines that improve investor legibility at a minimal scale, tightening the action-to-signal chain for ventures without audited histories (Fitzsimons, Hogan, & Hayden, 2023). Taken together, contemporary literature suggests sequential logical actions create signals, signals reshape perceived agency and information risk, and altered perceptions influence funding decisions under uncertainty (Rao et al., 2023; Pollack et al., 2021).

A central argument developed here is that the audience is intrinsic to this process. Much action-process research treats “stakeholders” as a single category and seldom parses how different funders read signals; the argument advanced is that actions change funding outcomes only when translated into audience-fit signals. Banks require hard, verifiable signals, while equity investors weigh growth, team, and learning signals (Donbesuur et al., 2020; Pollack et al., 2021; Arcuri & Levratto, 2020).

In entrepreneurial finance, signal effectiveness is context- and audience-dependent: early equity backers attend to traction quality and team-level cues/signals, whereas lenders emphasise compliance, payment reliability, and documentation that lowers screening and agency risk (Pollack et al., 2021; Ullah, 2020; Fitzsimons et al., 2023).

However, in the South African context, signals co-evolve with dual markets (formal and informal), infrastructure gaps, and institutional expectations around company registration and tax compliance, which shape what can be credibly observed at low cost (FinMark Trust, 2024; Finfind, 2025). Thus, the same action, a township pilot with paying users, may strongly signal market discovery to angel investors yet remain concealed from a bank

unless revenues are reconciled through a business account and supported by basic filings (Finfind, 2025; Bhattacharyya & Subrahmanya, 2024).

Framing the literature through Entrepreneurial Action Theory, complemented by signalling logic and a small-firm growth lens, the review concentrates on the Existence and survival stages, where readiness deficits and interpretation gaps are most acute and where targeted actions can plausibly shift investor belief.

The guiding questions explore the interaction between early formalisation and traction (RQ1), identify which Minimum Viable Product (MVP) and traction metrics are significant for different audiences (RQ2), clarify how documentation transforms bootstrapping into bankable readiness (RQ3), investigate how learning orientation and coachability influence perceived execution risk (RQ4), and determine which boundary conditions enhance or reduce signalling effectiveness across various sectors and types of funders (RQ5) (Ullah, 2020; Pollack et al., 2021; Jansen, Heavey, Mom, Simsek, & Zahra, 2023; FinMark Trust, 2024; Finfind, 2025).

This chapter reviews theory and signals on entrepreneurial action, signalling, SME growth stages, and investor decision criteria to explain how specific actions, when translated into audience-fit signals, increase perceived fundability.

2.2. Theoretical Lens

2.2.1 Entrepreneurial Action Theory

Entrepreneurial Action Theory (EAT) explains how founders convert intent into outcomes under uncertainty by acting and testing hypotheses with minimum viable signals, recombining scarce resources, documenting learning, and engaging resource holders iteratively (Donbesuur, Boso, & Hultman, 2020; Duarte Alonso & Kok, 2021). In information-poor and institutionally stretched settings, these behaviours matter because action produces traces that can be observed and checked by outsiders, shrinking both informational and agency risks in funding decisions (Pollack, Maula, Allison, Renko, & Günther, 2021).

Recent work extends the original micro-behavioural core by showing how infrastructure and ecosystem conditions shape which actions are feasible and visible: digital rails enable cheaper experimentation and record-keeping, raising the odds that small tests create

legible signals; where rails are thin, similar actions remain costly to observe and thus less persuasive to funders (Schade & Schuhmacher, 2022; Stam & Van de Ven, 2021).

In South Africa's dual economy, where many early ventures trade informally and verification is expensive, EAT and FinMark Trust's MSME analyses and Finfind's practice reports support this view by showing that gaps in documentation and basic compliance problems are common reasons for rejection, even when there is demand (FinMark Trust, 2024; Finfind, 2025). This reading highlights documentation gaps and basic compliance deficits as common drivers of rejection, even when demand exists (FinMark Trust, 2024; Finfind, 2025).

Action-centric studies emphasise founder discipline and adaptability as the engines of progress; critics caution that regulatory friction, corruption risk, and uneven access to financial rails constrain action sets and limit the observability of results, particularly outside metro cores (Ullah, 2020; Schade & Schuhmacher, 2022). Network-based work adds that early ties shape which actions are attempted and how they are evaluated, with iterative cycles of "act–evaluate–adjust" accelerating when founders gain timely feedback from diverse contacts (Kaandorp, Van Burg, & Karlsson, 2020).

A growth-orientated stream shows that as SMEs scale, the content of action changes from bricolage to routinisation and governance flow, implying that the signals that persuade capital providers also shift over time (Jansen, Heavey, Mom, Simsek, & Zahra, 2023). These perspectives converge on a practical insight for funding: actions matter most when they generate signals that arrive in forms an audience can trust, at low-cost bank-reconciled revenues, signed pilots, elementary controls, and simple dashboards that show unit economics clearly (Fitzsimons, Hogan, & Hayden, 2023; Finfind, 2025).

However, most action-process research aggregates "stakeholders" and does not parse how different funders read action signals. This study builds on action theory but repositions the audience as intrinsic: actions only change funding outcomes when translated into audience-fit signals, with banks needing hard, verifiable signals while equity investors weigh growth and learning signals (Pollack et al., 2021; Arcuri & Levratto, 2020; Donbesuur et al., 2020; Fitzsimons et al., 2023; Finfind, 2025).

This audience-sensitive extension is consistent with signals from mixed-economy environments, where lenders emphasise compliance signals and cash flow visibility, while angel and venture investors tend to pay more attention to traction quality, team adaptability, and learning orientation (Pollack et al., 2021; Jansen et al., 2023). In South In Africa, these interpretations are further shaped by the realities of dual markets, infrastructure gaps, and institutional expectations around tax registration, Companies and Intellectual Property Commission status, and SARS compliance, which together determine what can be credibly shown at low screening cost (FinMark Trust, 2024; Finfind, 2025).

EAT suggests that there are different stages of growth, based on the work of Churchill and Lewis (2002). The theory says that at the Existence stage, action portfolios will focus on discovery and market validation through small, quick tests, first-customer pilots, and turning intent into paying MVPs that show a willingness to pay. This is in line with RQ2, which asks which MVP and traction metrics convince different types of investors. During the survival stage, the focus shifts towards automating operations and producing low-cost, verifiable signals that reduce lender risk. These signals include basic bookkeeping, bank-reconciled revenue histories, simple customer contracts, and periodic control routines. This approach directly engages RQ1, which examines how early formalisation interacts with traction to shape perceived risk in banks and DFIs (Churchill & Lewis, 2002; Fitzsimons et al., 2023; Finfind, 2025).

Documentation discipline then becomes the bridge that converts bootstrapping into bankable readiness at a small scale, the focus of RQ3 (Fitzsimons et al., 2023; Finfind, 2025). Finally, EAT's emphasis on adaptive learning and feedback provides the behavioural substrate for RQ4: investor judgements of execution risk hinge on the observable learning orientation and coachability of how founders translate setbacks into process changes and show signals of disciplined iteration under volatility (Jansen et al., 2023; Pollack et al., 2021). Boundary conditions in sector, stage, networks and infrastructure are central to RQ5, thus moderating this "action-to-signal-to-funding" chain by altering both feasibility and observability of actions across South African contexts (FinMark Trust, 2024).

Entrepreneurial Action Theory (EAT) anchors the study by specifying the micro-mechanisms through which founders generate investor-legible signals that reduce information and agency

risk (Pollack et al., 2021; Jansen et al., 2023). Through this lens, the argument suggests that early formalisation and documentation are not administrative overheads but essential action outcomes that serve as tangible signals (Donbesuur, Boso, & Hultman, 2020; Fitzsimons, Hogan, & Hayden, 2023).

This logic underpins the study's full set of propositions (P1–P6) ,

- P1 including the arguments that earlier formalisation lowers perceived agency risk
- P2: That demonstrable MVP traction raises investor interest with audience-specific metrics.
- P3: that complementary teams with a minimal governance flow lower perceived execution risk.
- P4: That documentation discipline converts economical bootstrapping into bankable readiness.
- P5: that visible learning orientation improves conversion under uncertainty
- Additionally, P6, aligning signals with investor mandates, accelerates the approval process and reduces decision-making time (FinMark Trust, 2024; Finfind, 2025).

This emphasises that signals must be costly to imitate and easy to verify for outsiders; hence, early financiers place a premium on screening costs (Finfind, 2025), particularly given the large MSME base characterized by heavy micro-enterprise representation and meaningful informal participation (FinMark Trust, 2024)

2.2.2. Signalling Theory

In early venture finance, investors confront material information asymmetries and agency risks. Signalling theory explains how founders purposefully craft observable, credible signals/cues that reduce these frictions and shape funding decisions. Classical accounts emphasise that signals must be costly to imitate and easy to verify for outsiders; hence, early financiers place a premium on signals such as paying pilots, bank reconciliation revenues, and signed customer contracts rather than unaudited forecasts or intent statements (Connelly, Certo, Ireland, & Reutzel, 2011; Pollack, Maula, Allison, Renko, & Günther, 2021).

Recent work in entrepreneurial finance extends this logic: what matters is not signalling per se, but the "fit" between the signal portfolio and the "audience," which interprets it under uncertainty. Crowdfunding backers, angel investors, venture capitalists, banks, and development finance institutions (DFIs) weigh different signals because their mandates,

screening technologies, and risk exposures diverge (Bhattacharyya & Subrahmanya, 2024; Arcuri & Levratto, 2020).

A foundational Journal of Management review argued that signalling research had proliferated across domains while drifting into fragmented, construct-specific silos; it called for integrative views that tie signal attributes – such as cost, observability, and audience fit – to receiver characteristics and the decision context (Connelly, Certo, Ireland, & Reutzel, 2011). Building on this, a recent Journal of Management synthesis in entrepreneurial finance urges founders to tailor signal design to investor type so they do not over-supply inexpensive, low-diagnostic claims and under-supply harder-to-fake proof points (e.g., verified traction, governance signals) that move risk-adjusted judgements (Colombo, 2021). Further, evidence on "signal bundles" shows that combining third-party affiliation cues with venture-quality signals produces complementary – often super-additive – effects on investor attention and willingness to provide initial external capital, highlighting that it is the configuration of signals rather than any single cue that shifts evaluations (Plummer, Allison, & Connelly, 2016).

Empirically, audience dependence is now well evidenced. In entrepreneurial finance, signal effectiveness is context- and audience-dependent: early equity backers attend to the quality of traction and team-level signals – such as repeat usage, cohort retention, and learning rate – while lenders require "hard" information and verifiable compliance that lowers screening cost and agency risk (Pollack et al., 2021; Rao, Kumar, Chavan, & Lim, 2023).

Banks and DFIs lean on documentation density and governance hygiene because their downside protection rests on repayment capacity and enforceability; angel investors and VCs, by contrast, allow more weight to dynamic capability cues (coachability, pivot discipline) and unit-economics momentum (Jansen, Heavey, Mom, Simsek, & Zahra, 2023; Kaandorp, Van Burg, & Karlsson, 2020).

In the South African setting, signals interact with dual markets (formal vs informal), infrastructure gaps, and institutional expectations (e.g., tax registration, CIPC status, SARS compliance). Where trading is cash-based and contracts informal, credible translation requires documentation routines, i.e., reconciled management accounts, VAT/tax filings, and basic governance flow that render performance "legible" to lenders

and DFIs; absent this, strong commercial activity can still read as opaque risk (FinMark Trust, 2024; Finfind, 2025). Thus, the same action (say, a township pilot) may strongly signal market discovery to angel investors but remain opaque for a bank unless documented through reconciled accounts and tax filings (Mpofu & Sibindi, 2022; Finfind, 2025). In short, “what” is done and “how it is signalled” co-determine signal efficacy in South Africa’s mixed ecosystem.

Signalling also varies by stage, which connects this lens to the SME growth framework used in this study. At the Churchill and Lewis “Existence” stage, investor-relevant signals skew toward “market validation” MVP demonstrations, first-customer pilots, and willingness-to-pay signals because uncertainty about problem–solution fit dominates (Churchill & Lewis, 2002; Pollack et al., 2021). As businesses move into the “Survival” stage, the types of signals they present to their audience change to focus on “operational and financial” indicators, such as basic governance and compliance signals, cash-flow management, simple unit-economics dashboards, and accountants. These stage-contingent shifts map directly onto the study’s research questions: RQ2 foregrounds traction metrics and MVP evidence for equity audiences; RQ1 and RQ3 foreground formalisation and documentation routines that convert informal finance and bootstrapping into bankable readiness; and RQ4 highlights “soft” yet inferable signals (learning orientation, coachability) that equity investors extract from founder behaviour during diligence.

Taken together, signalling theory in this dissertation is applied as a design problem: founders at Existence and Survival purposely assemble “audience-fit, stage-fit” signals that are (i) costly enough to be credible, (ii) observable at low screening cost, and (iii) interpretable against investor mandates in South Africa’s institutional conditions. This lens provides the connective tissue linking entrepreneurial actions to changes in perceived fundability, and it motivates the study’s focus on “which” signals travel, “to whom”, “under what boundary conditions”, and “with what measurable effects” on decision speed and approval odds.

From signalling theory, signals must be costly-to-fake, observable and diagnostic for the intended receiver; hence, audience-fit portfolios matter more than the volume of cues. This supports P2 (traction metrics differ by investor type) and P6 (mandate fit accelerates

decisions) and frames RQ2/RQ5 around which signals persuade which At which stage do funders operate? (Connelly et al., 2011; Pollack et al., 2021; Arcuri & Levratto, 2020)

2.2.3. SME Growth Framework

The SME Growth Framework offers a stage-based view of how resource needs, managerial priorities and external stakeholders' expectations evolve as young SMEs navigate early development. Churchill and Lewis's schema highlights five stages: existence, survival, success, takeoff, and resource maturity—but only the first two are decisive for first finance, when verification frictions and agency risk are most acute (Churchill & Lewis, 2002). In these formative stages, funding outcomes depend less on static founder traits and more on how actions create signals that financiers can read quickly and trust. In South Africa's dual economy, this staging logic is especially salient because the prevalence of micro and informal enterprises increases the cost of due diligence for lenders and development financiers, amplifying the premium on portable, credible signals of readiness (FinMark Trust, 2024; Finfind, 2025).

In the "existence stage," the firm demonstrates that its solution effectively addresses a real customer problem, that there is a willingness to pay, and that delivery can be achieved on a small scale. Entrepreneurs now concentrate on seizing opportunities and exploring new markets. This aspect includes making minimum viable products, running customer pilots, and recording how much people are willing to pay. These behaviours matter because they generate costly, observable signals – paid trials, cohort retention snapshots, pilot invoices – that reduce interpretation disputes between founders and funders (Pollack, Maula, Allison, Renko, & Günther, 2021).

Investor audiences weigh these signals differently. Early equity backers focus on traction quality and learning velocity, reading MVP uptake and iterative improvement as proxies for execution under uncertainty; by contrast, lenders prioritise hard, verifiable signals – bank-reconciled deposits, signed contracts, basic compliance – that compress screening cost and lower perceived agency risk (Arcuri & Levratto, 2020; Pollack et al., 2021). The implication for **RQ2** is straightforward: Metric portfolios at Existence should be audience-fit – paid pilots and cohort retention for

angel investors and venture funds; verifiable receipts, debtor lists and proof of compliance for banks and DFIs.

At the “survival stage”, the question shifts from “Is there a market?” to “Can this business deliver repeatedly without running out of cash?” Here, actions migrate from discovery to discipline: instituting basic governance, separating business and personal accounts, reconciling monthly management accounts, filing taxes on time, and formalising recurring customer contracts. Such routines convert bootstrapped trading into bankable readiness by creating a paper trail that third parties can validate at low cost (Finfind, 2025; Fitzsimons, Hogan, & Hayden, 2023).

Earlier formalisation—tax registration, Companies and Intellectual Property Commission (CIPC) status, basic internal controls—lowers perceived agency risk and increases investability precisely because it produces durable signals that survive founder narratives (P1; RQ1). Documentation discipline further helps founders reframe economical execution as signals of cash conversion and unit-economics understanding, strengthening lender comfort when audited histories are absent (P4). Equity investors at Survival continue to weight growth efficiency, but they also begin to infer coachability and learning orientation from flow signals – board or advisory minutes, KPI reviews, pivot memos – because these signal disciplined changes under volatility (RQ4) (Jansen, Heavey, Mom, Simsek, & Zahra, 2023; Ullah, 2020).

South African boundary conditions intensify these stage dynamics. A large share of trading occurs in cash with thin accounting support; digital and logistics gaps complicate verification; and many founders keep hybrid formal–informal arrangements that leave lenders with scant third-party signals of control (FinMark Trust, 2024; Mpofu & Sibindi, 2022). Under such conditions, the highest-yield actions are often the simplest: reconcile bank statements to sales ledgers monthly; evidence tax submissions; memorialise repeat transactions with basic contracts; and maintain a short debtor ageing report. These signals materially shorten lender screening time and help DFIs meet mandate requirements without bespoke investigation, thereby raising approval odds (P6). Equity audiences still value exploration, but traction that is “hard-wired” into accounts and contracts travels further across mixed investor ecosystems (RQ5).

Taken together, the growth framework does more than label phases; it sequences which actions and signals matter, for whom, and why. At Existence, market-validation signals The term 'dominate' refers to the importance of paying pilots, providing evidence of customer retention, and recording the first revenue through the bank. This staged progression is in line with the study's propositions and research questions: earlier formalisation and traction signal lower perceived risk (P1; RQ1); MVP and retention metrics differentiate investor audiences (P2; RQ2); documentation discipline translates bootstrapping into readiness (P4; RQ3); learning orientation becomes legible through routines (P5; RQ4); and signal portfolios must be tuned to mandates and infrastructure conditions (P6; RQ5).

The framework integrates Churchill and Lewis's stages with entrepreneurial action and signalling, providing a clear pathway from founder behaviours, audience fit signals, and funding conversion for early-stage ventures in South Africa.

The SME Growth Framework sequences what is feasible to signal: market validation dominates at Existence and operational/financial discipline at Survival. This sequence explains rejections despite strong demand (mistimed signalling) and directly anchors P1 and P4, aligning with RQ1–RQ3 on stage-calibrated signals. (Churchill & Lewis, 2002; Finfind, 2025; FinMark Trust, 2024)

2.2.4 Synthesis

Bringing the three lenses together yields a mechanism chain tailored to South Africa’s context: entrepreneurial actions (EAT) generate signals with credible cost/observability (signalling theory), which audiences interpret through stage-specific expectations (SME growth framework), resulting in perceived fundability. Three complementarities emerge:

1. Conversion mechanism. EAT’s behaviours become investable when translated into documentary signals that are low-cost to verify (e.g., reconciliations, contracts). This operationalises P1 and P4 and explains RQ1/RQ3 in thin-file settings (Fitzsimons et al., 2023; Finfind, 2025).

2. Audience-fit portfolio. Signals must be configured to ensure equity retention, promote growth efficiency, and foster a learning orientation; banks and development

finance institutions (DFIs) assess banked cash, compliance, and enforceability, which directly motivate P2/P6 and RQ2/RQ5 (Pollack et al., 2021; Arcuri & Levratto, 2020).

3. Human signal. Coachability and learning orientation serve as tested indicators of lower execution risk under volatility, and investors actively probe these variables during diligence—supporting P5 and RQ4 (Jansen, Heavey, Mom, Simsek, & Zahra, 2023).

Two tensions follow. First, over-formalisation too early can slow experimentation at Existence, so the target is minimal viable formalisation that pays back through reduced screening cost (connected to RQ1). Second, signal proliferation creates noise: low-diagnostic vanity metrics can crowd out diagnostic measures (e.g., cohorts, unit economics), risking misinterpretation (RQ2).

2.3 Key constructs

2.3.1. Entrepreneurial action

Entrepreneurial action refers to purposeful, problem-solving behaviours that founders deploy under uncertain circumstances to move a venture from intentions to observable results. Recent research shifts attention from static traits to sequences of actions—searching, experimenting, learning, formalising, and mobilising others—that convert opportunity beliefs into market signals (Duarte, Alonso, & Kok, 2021; Donbesuur, Boso, & Hultman, 2020).

Action is iterative rather than linear: early steps generate feedback that shapes subsequent choices, including what to persist with, what to abandon, and what to document for external audiences. In nascent ventures, this iteration is mediated by resource constraints and digital infrastructure, which together influence the speed, cost, and visibility of action formations (Schade & Schuhmacher, 2022).

Networking is not a backdrop but an action domain in its own right; founders alternate between doing and evaluating as they build initial ties that unlock information, suppliers, and first customers (Kaandorp, Van Burg, & Karlsson, 2020). Founders' actions are crucial for fundability because they generate signals that others can confirm. There are three central families of actions. Discovery actions create market

validation – minimum viable products, paid pilots, early retention – that become traction signals for investors who prioritise growth quality (Pollack, Maula, Allison, Renko, & Günther, 2021).

Formalising actions—tax registrations, basic internal controls, and customer and supplier contracts—lower perceived agency risk for lenders and DFIs by showing governance discipline at a low screening cost. Documentation actions—bank-reconciled management accounts, unit economic dashboards, flow records of reviews, and advisory inputs—translate bootstrapping into bankable readiness, tying everyday economy to credible cash flow narratives (Fitzsimons, Hogan, & Hayden, 2023). Learning-oriented actions—rapid post-mortems, controlled pivots, and coachable engagement with mentors and investors— alter assessments of execution risk because they make adaptability observable (Jansen, Heavey, Mom, Simsek, & Zahra, 2023). Together these behaviours connect action to signal and signal to capital.

Action also varies by stage. In the earliest months, emphasis falls on proving need–solution fit and willingness to pay through tightly scoped MVPs and paying pilots; as ventures move into sustained trading, emphasis shifts toward operational discipline – cash conversion, working-capital hygiene, simple governance flows – that demonstrate a viable business model. Uneven infrastructure and a dual formal–informal economy in South Africa require many ventures to convert cash-based trading into signals that formal funders can understand; disciplined documentation routines serve as a crucial bridge (Finfind, 2025).

Within entrepreneurial action, discovery, formalisation, and documentation actions jointly convert behaviour into verifiable signals that funders can read at low cost; the logic links to P1/P4/P5 and RQ1/RQ3/RQ4, given that learning-oriented behaviour (including coachability) is increasingly made visible through governance flow. (Jansen et al., 2023; Fitzsimons et al., 2023; Pollack et al., 2021).

2.3.2 Fundability and investment readiness

Fundability is a receiver-side evaluation: external financiers integrate signals about team calibre, traction quality, governance discipline, and scalable economics into a risk-

adjusted judgement about whether to supply capital. In early ventures this judgement is formed under high information asymmetry, so what matters is not only underlying performance but also whether performance is converted into costly-to-fake, easy-to-verify signals that lower screening and agency risk (Connelly, Certo, Ireland, & Reutzel, 2011).

Readiness can therefore be understood as the capacity to translate entrepreneurial actions into signals that specific investor audiences can interpret quickly – closing the chain from actions → signals → perceived risk → decision (Rao, Kumar, Chavan, & Lim, 2023; Pollack, Maula, Allison, Renko, & Günther, 2021).

Audience differences are pivotal. Banks and DFIs privilege “hard information”: legal registration, tax compliance, bank-reconciled management accounts, enforceable customer contracts, and elementary controls that make cash flows monitorable. These items reduce verification cost at first assessment and address governance risk embedded in thin-file applicants (Arcuri & Levratto, 2020). Angel investors and VCs consider market proof and dynamic execution, using metrics like paying pilots, cohort retention, unit-economics momentum, and coachability as indicators of adaptability in uncertain situations (Gompers, Gornall, Kaplan, & Strebulaev, 2020; Jansen, Heavey, Mom, Simsek, & Zahra, 2023). Fundability rises when ventures assemble audience-fit portfolios – for example, pairing paid pilots and retention (equity-salient) with reconciled revenues and basic compliance (debt-salient) to keep future financing options open (Pollack et al., 2021).

Stage shifts the salience of signals. Existence: readiness hinges on credible market validation signals—MVP tests that convert into banked revenue and simple cohort retention because uncertainty about problem-solution fit dominates. At the survival stage, readiness pivots towards operational and financial discipline—cash flow control, documentation quality, and governance flow—because execution and agency risks dominate lender judgements (Churchill & Lewis, 2002). This progression explains why some ventures with strong early demand still fail screening: the signalling surface has not evolved from discovery-heavy to discipline-heavy in step with the firm.

The South African context intensifies these dynamics. A dual economy, uneven digitisation, and a large microenterprise base mean rejections often stem from documentation gaps rather than a lack of commercial activity (FinMark Trust, 2024; Finfind, 2025).

Readiness improves materially when cash-based trading is converted into portable signals: segregated business accounts, monthly reconciliations, debtor ageing, simple customer contracts and costs, and making cash flows measurable. This orientation discipline lowers lender verification costs and reframes economical execution as credible working capital management, strengthening the case where audited histories are absent (Fitzsimons, Hogan, & Hayden, 2023). At the same time, sensitivity to structural frictions – corruption exposure, regulatory burdens, infrastructure gaps – remains necessary, because they shape what can be documented at a reasonable cost (Ullah, 2020).

Conceptualising fundability as a receiver-side judgement clarifies why paper, audience, and human signals must be composed together: lenders infer repayment and enforceability, and equity investors infer opportunity quality and adaptive execution. This mapping substantiates P1–P3/P6 and motivates RQ1–RQ2/RQ5. (Arcuri & Levratto, 2020; Gompers, Gornall, Kaplan, & Strebulaev, 2020; Pollack et al., 2021).

2.3.3. Bootstrapping and informal capital

In resource-constrained settings, founders routinely bootstrap – stretching internal cash flow, delaying founder salaries, leveraging trade credit, and drawing on family, friends, and rotating savings groups to finance search and early learning (Jayawarna, Jones, & Macpherson, 2020; Pal, Sethi, Jena, Patra, & Pal, 2020). From an entrepreneurial action perspective, these behaviours are purposeful adaptations to uncertainty that keep experiments alive when formal funding is unavailable (Alonso & Kok, 2021).

However, the same practices can produce thin paper trails: cash sales, owner “loans” intermingled with expenses, and ad hoc record-keeping elevate agency and screening risk for lenders in emerging markets (Mpofu & Sibindi, 2022). In short, bootstrapping preserves operating optionality but can deepen opacity unless founders deliberately convert activity into verifiable signals.

Recent evidence suggests a conditional payoff. Fitzsimons, Hogan, and Hayden (2023) show that the benefits of bootstrapping accumulate when founders combine economic execution with working capital discipline—straight through banked sales, timely invoicing, and reconciled payables/receivables—because these routines create low-cost, high-credibility documentation of transaction quality. In South Africa, where audited histories are often missing, simple signals that are difficult to fake and easy to check (like bank feeds, POS summaries, and customer statements) can take the place of formal audits at the first screen. This approach makes it easier for banks and DFIs to understand the information (Finfind, 2025).

Debate persists about whether heavy reliance on informal capital is a stepping stone or a trap. On one hand, social and community finance (including stokvels and supplier credit) is widespread in African MSMEs and often the only viable way to test demand quickly (Mpofu & Sibindi, 2022). On the other hand, diversification into many small, short-term sources can reflect distress rather than strategy, signalling limited scalability or poor planning for external funders (Chit & Rizov, 2024).

The interpretation of the synthesis depends on the audience and context: equity investors may view lean experiments funded by cash flow as signals of resourcefulness when combined with learning metrics (such as cohort retention and unit economics), while banks and Development Finance Institutions (DFIs) prioritise hard information—like bank-reconciled revenue, compliance, and debtor ageing—because it minimises screening time and agency risk (Rao et al., 2023).

The stage at which a venture is in is also important. In the Existence phase, bootstrapping that funds minimum viable product tests and first-customer pilots yields its strongest signal when every sale lands in a bank account and is tied to

basic contracts or delivery notes; this turns “hustle” into portable proof (Jayawarna et al., 2020). As ventures enter Survival, the emphasis shifts to capital flow – inventory turns, on-time invoicing, control – and to documentation discipline (monthly reconciliations, management accounts) that makes bootstrapped traction legible to formal lenders and DFIs (Fitzsimons et al., 2023; Finfind, 2025). In South Africa’s dual markets, this translation problem is acute because informal trading is common, and institutional expectations centre on verifiability; disciplined documentation bridges the two worlds.

Taken together, bootstrapping is not a barrier when paired with documentation discipline; it becomes a credible pathway from economical execution to bankable readiness by producing signals that different investor audiences can trust. This logic motivates RQ3 and P4—that routines such as reconciled accounts and simple unit economics dashboards convert informal finance into signals that lower screening costs and agency risk—and sets up the discussion of investor decision criteria that follows.

For bootstrapping, frugality must be paired with working capital and documentation routines—segregated accounts, reconciliations, debtor ageing—to convert informal trading into lender-grade signals; this is the mechanism tested in RQ3 and distilled in P4. (Fitzsimons et al., 2023; Jayawarna et al., 2020; Finfind, 2025).

2.3.4. Investor decision criteria (banks & DFIs vs angel investors & VCs)

Investor audiences evaluate early ventures through different risk models, screening technologies, and mandate constraints, which makes audience-fit signal portfolios decisive. Under signalling theory, cues that are costly to fake and easy to verify carry the greatest weight, but the type of credible cue varies systematically by investor (Connelly, Certo, Ireland, & Reutzel, 2011).

Banks and development finance institutions (DFIs) prioritise repayment capacity and enforceability by favouring "hard information," which reduces screening costs and agency risks. Angel investors and venture capital (VC) investors are organised around option

value and growth; they weigh team calibre, traction quality, and learning velocity more heavily (Gompers, Gornall, Kaplan, & Strebulaev, 2020; Rao, Kumar, Chavan, & Lim, 2023). Stage further conditions these preferences: at Churchill and Lewis's Existence stage, market-validation signals matter most; at Survival, operational discipline dominates the lender view, while equity investors still parse growth efficiency and adaptability (Churchill & Lewis, 2002).

For **banks/DFIs**, first-assessment signals are pivotal: legal registration, tax compliance, bank-reconciled management accounts, enforceable customer contracts, and elementary controls (segregated accounts, basic approvals). These items reduce verification costs and make cash flows measurable over time (Arcuri & Levratto, 2020). In South Africa's dual market, rejections frequently concentrate around documentation gaps rather than a lack of activity, which explains the premium on early formalisation as a signal that lowers perceived agency risk (FinMark Trust, 2024; Finfind, 2025).

Documentation discipline (monthly reconciliations, short debtor ageing, invoice and receipt ledgers) converts bootstrapping into bankable readiness and enables lenders to infer repayment capacity despite thin audit histories (Fitzsimons, Hogan, & Hayden, 2023). DFIs additionally overlay development mandates (jobs, localisation, inclusion), so founders who signal credible delivery against such mandates at low interpretation cost reduce time-to-decision and raise approval odds (Rao et al., 2023). These mechanisms are in line with RQ1 (how formalisation affects traction at the first bank/DFI assessment) and RQ3 (how documentation turns informal finance into readiness). They also support P1 and P4.

For angel investors/VCs, decision criteria emphasise signals of opportunity quality and execution under uncertainty: paying pilots, cohort retention and activation, unit economic momentum, sales cycle compression, and signals of disciplined learning (Gompers et al., 2020; Pollack, Maula, Allison, Renko, & Günther, 2021). Team-level cues – complementarity, governance flow, and coachability – serve as proxies for dynamic capability; investors infer "learning orientation" from signals like iteration logs, KPI reviews, and documented pivots (Jansen, Heavey, Mom, Simsek, & Zahra, 2023). Equity audiences tolerate temporary financial fragility at Existence when growth-

efficiency pathways are credible, but they increasingly expect operational hygiene as ventures move into Survival (Churchill & Lewis, 2002).

In South Africa, uneven infrastructure and mixed formal–informal trading introduce an observability constraint: the same township pilot that persuasively signals If a bank doesn't bank and link revenue to tax records, it may remain opaque to angel investors (Finfind, 2025; FinMark Trust, 2024). Hence, ventures benefit from hybrid portfolios—signals that satisfy equity's traction lens while producing lender-grade documentation—particularly for founders who anticipate sequenced financing (Rao et al., 2023). This logic maps to RQ2 (which MVP/traction metrics signal investability by audience) and RQ4 (how learning orientation and coachability reshape perceived execution risk), with RQ5 addressing boundary conditions – sector capital intensity, network access, and infrastructure – that amplify or dampen signal effectiveness across audiences.

In summary, decision criteria diverge predictably: banks (DFIs) prioritise verifiable compliance and cash flow reliability, whereas angel investors (VCs) prioritise traction quality and adaptive execution. Audience -fit signalling therefore requires stage-specific calibration-validation-heavy signals at the existence stage and discipline -heavy signals at the survival stage while ensuring that signals are legible within South Africa's institutional and infrastructural constraints (Connelly et al., 2011; Churchill & Lewis, 2002; Finfind, 2025).

A distinct third audience is venture debt. Unlike collateral-centred bank lending or hypergrowth-oriented venture equity, venture debt prices risk recurring revenue, cash-flow visibility, covenantable KPIs, and financial discipline (De Rassenfosse, G., & Fischer, T.; 2016; SaaS Capital, 2025). Audience-fit signals therefore include contracted MRR/ARR, retention and unit-economic momentum, and flow signals that demonstrate reporting hygiene (Colombo, 2021; Spence, 1973).

Recent lending workflows have used alternative datasets like payment trails, platform transactions, mobile usage, and device fingerprints to help thin-file SMEs get loans (IFC, 2019; Björkegren & Grissen, 2019). For signalling theory, these "digital exhaust" traces are important because they are streams that are hard to fake and are seen,

which lowers the cost of screening when there are no audited histories (Spence, 1973; Stiglitz & Weiss, 1981; Berg et al., 2018). In South Africa, FinTech lenders increasingly use trended and alternative data to segment risk; however, borrower delinquency profiles and product design differ from traditional bank portfolios, underscoring audience-specific interpretation (IFWG, 2020; Jaiswal, D., Mohan, A., & Deshmukh, A. K. (2023); OECD, 2025).

Finally, investor decision criteria diverge predictably—banks/DFIs weigh compliance and cash-flow reliability; angels/VCs weigh traction quality and adaptive execution—so hybrid portfolios are prudent for sequenced finance. This scenario directly backs up P2/P6 and sets the stage for RQ2/RQ5. (Connelly et al., 2011; Finfind, 2025).

Investor expectations and digital signals should be read as parts of the same interpretive system rather than as parallel themes. Digital traces (e.g., platform sales ledgers, card-acquirer streams, VAT/PAYE filing regularity, basic telemetry on repeat use) only travel when they are legible to a specific audience and are paired with the right “paper” and “human” signals.

For banks and DFIs, trended payments and filing regularity serve as low-cost proxies for cash discipline and enforceability, particularly when reconciled with invoices and contracts. For equity investors, cohort retention, activation, and unit economic momentum transform telemetry into growth-quality signals. Additionally, DFIs' digital tasks can prioritise repayment capacity and enforceability by favouring "hard information," which reduces costs.

Thus, digital exhaust neither substitutes for documentary signals nor stands alone: it complements them by shrinking verification costs and sharpening mandate fit (Burg, Gombović, & Puri, 2020). This logic directly motivates RQ1–RQ3 (formalisation, documentation, and conversion of bootstrapping into readiness) and RQ5 (boundary conditions) and supports P1 (earlier formalisation), P2 (audience-specific traction metrics), P4 (documentation discipline), and P6 (mandate-fit portfolios) (Connelly, Certo, Ireland, & Reutzel, 2011; Pollack, FinMark Trust, 2024;).

2.3.5 Digital footprints as verifiable signals (FinTech & alternative data)

Digital footprints – the structured traces produced by payment activity, platform transactions, mobile usage and device-level identifiers – function as verifiable signals because, (i) they are observable to lenders through data-sharing and consented access, (ii) costly to fabricate at scale, and (iii) persistent over time, enabling trended views of behaviour (Spence, 1973).

In thin-file SME contexts where audited financials and collateral are limited, these features materially reduce screening costs and informational asymmetry relative to traditional files (Stiglitz & Weiss, 1981; IFC, 2019). What makes digital exhaust "signal-like" rather than "noise" is that it encodes economically meaningful routines—cash-in/cash-out rhythms, invoice settlement flow, customer repeat purchases, and platform reputation—that map to the borrower's underlying capability and discipline.

Empirically, alternative-data credit scoring has demonstrated predictive power. Digital-footprint variables – such as online checkout behaviour, device consistency, and temporal regularity in payments – explain default outcomes beyond bureau scores (Berg, Burg, Gombović, & Puri, 2020). Similarly, mobile-usage patterns and contact-graph stability have been shown to predict on-time repayment among micro- and small-borrowers, even in the absence of formal financial histories (Björkegren & Grissen, 2020). These results are consistent with signalling theory: behaviours that are repeated, externally recorded, and difficult to counterfeit constitute credible signals of reliability, enabling lenders to separate higher-quality borrowers from lower-quality ones when conventional documentation is missing.

In practice, FinTech lends dead-data workflows. Common signals include (1) revenue and customer-health proxies (platform GMV, POS throughput, repeat-purchase ratios, churn/retention, ticket size dispersion); (2) liquidity management (intra-month volatility, overdraft episodes, days-to-cash, invoice-to-cash lag); (3) governance flow (regularity of reconciliations, on-time tax/payroll submissions, alignment between stated and observed activity); and (4) identity and continuity (device and merchant-account persistence, IP/device mismatch rates). Because these signals are timestamped and

high-frequency, lenders can form forward-looking, granular views of resilience, rather than relying on static, backward-looking statements (IFC, 2019; World Bank, 2025).

In South Africa, the growth of alternative and trended data has enabled segmentation that is often unavailable in traditional bank portfolios – especially for sole proprietors and informal-formal “hybrid” SMEs. Data sources include card-acquirer streams, marketplace and delivery-platform ledgers, PAYE/VAT filing patterns, and mobile-money rails; these are increasingly combined in scorecards and cash-advance products (IFWG, 2020). However, delinquency profiles differ by product design: high-frequency, revenue-based advances with daily or weekly sweeps exhibit distinct arrears dynamics from amortising bank term loans, requiring audience-specific interpretation of the same signals (e.g., a volatile GMV series may be tolerable for inventory-turn financing but risky for fixed-instalment structures).

Two caveats follow. First, fairness and drift: alternative signals can proxy for protected attributes or degrade as platforms change; robust model governance (shift detection, challenger models, and periodic human review) is necessary to preserve validity over time (World Bank, 2025). Second, strategic response: once known, signals can be gamed at the margins (e.g., manufactured transaction bursts). Therefore, lenders privileged families with mutually reinforcing signals (e.g., revenue, retention, and reconciliation regularity) and tested them for cross-source consistency to keep the signalling cost high and the falsification risk low (Berg et al., 2020).

For this study’s Three-Signal Portfolio, digital footprints populate all three layers: (1) Market traction signals (retention, cohort revenue stability); (2) Cash-discipline signals (working-capital cycles, sweep tolerance, variance control); and (3) Governance signals (reporting flow, data hygiene, identity continuity). Because they are observed, trended, and independently verifiable, these footprints strengthen the external validity of the audience-fit claims advanced in Chapter 6 and justify differentiated credit designs for venture debt, FinTech revenue-based advances, and bank term lending (IFC, 2019; IFWG, 2020; World Bank, 2025).

2.4. Research Gaps and Contributions

Since general indicators of quality provided by external entities (third-party signals) often remain insufficiently specified or vague (Connelly et al., 2011), especially in markets where persistent financing frictions exist (De Blick et al., 2024) and high information asymmetry makes verification costly (Connelly et al., 2011; Stiglitz & Weiss, 1981), specific external achievements—such as the successful completion of an accelerator programme (Seitz et al., 2025) or the procurement of competitive public grants (Bellucci et al., 2023)—function as crucial, externally bestowed validations. Research suggests these affiliations effectively legitimise emerging enterprises and facilitate access to vital networks, thereby playing a distinct role in early-stage fundability (NISED, 2022). Signal links such affiliations to improved venture outcomes while noting selection effects, indicating a distinct role for these endorsements in early-stage fundability.

Stage-calibrated signalling in emerging markets remains underspecified. Much of the extant literature treats signals as static signals, yet evidence from South Africa indicates that what counts as credible proof must be calibrated to the existence and survival constraints that shape verification costs and perceived agency risk (Ullah, 2020; Moscalu et al., 2020). This study therefore theorises and tests a stage-specific portfolio of entrepreneurial actions and signals that travel across the funding interface at the earliest Churchill and Lewis stages (P1–P3).

A second unresolved issue concerns the conversion of informal traction into bankable readiness. While the value of bootstrapping is recognised, prior work has not specified how document discipline translates economical execution into debt-ready signals that lenders can verify at low screening costs (Mpofu & Sibindi, 2022; Fitzsimons et al., 2023). The research operationalises the simple routines and signals that underpin this conversion, such as reconciled accounts and standardised customer documentation (P4).

A third gap is audience-fit in South Africa’s dual markets. Recent signalling reviews call for investor-specific integration (Colombo, 2021; Pollack et al., 2021), yet the

metric portfolios actually used by banks and DFIs, as distinct from equity investors, have not been consolidated for the local context of uneven infrastructure and institutional expectations (FinMark Trust, 2024) The study improves signal sets and boundary conditions that are specific to investors (P2, P6).

Conceptually, the contribution links Entrepreneurial Action Theory and Signalling Theory through the Churchill and Lewis growth lens to yield a multi-audience, stage-calibrated model of fundability under institutional voids. Practically, it specifies low-cost, high-yield signals founders can produce to pass the first assessment, tightly aligned with South African funder expectations (Finfind, 2025; NISED, 2022)

A more in-depth critique brings to light four tensions that the literature does not fully address. First, the bootstrapping debate is ambivalent: frugality (careful use of resources/money) preserves learning options, yet cash-based trading often deepens opacity unless founders hard-wire documentation routines; even then, lenders may read diversified informal funding as distress rather than discipline (Chit & Rizov, 2024). This ambiguity justifies testing how documentation converts informal cash flows into bankable readiness (RQ3; P4).

Second, while alternative-data scoring shows incremental predictive power, it introduces fairness and model-drift risks and is vulnerable to gaming, which is why lenders prefer families of mutually reinforcing traces cross-checked against bank feeds and filings; this complicates the promise of “digital-only” underwriting (RQ5; P2/P6) (Berg et al., 2020).

Third, over-formalisation too early can slow discovery at the Existence stage, yet under-formalisation at the Survival stage is a common rejection trigger—suggesting a stage-calibrated minimum that still reduces agency risk (RQ1; P1).

Fourth, “coachability” is celebrated as predictive of execution under uncertainty, but its inference is noisy and observer-dependent; funders actively test it through flow signals and learning signals, pointing to the need to specify observable proxies (RQ4; P5).

These contradictions ground the study's focus on audience-fit and stage-fit signal portfolios rather than generic "quality" signals. (Pollack et al., 2021; Churchill & Lewis, 2002; Finfind, 2025).

2.5. Conceptual framework

Explicitly, the framework organises signals into a three-part portfolio: (1) "paper" (formal documentation and financial signals); (2) "audience" (mandates and metrics for banks (DFIs), angel investors (VCs), and venture debt lenders; and (3) "human" (learning orientations). and coachability inferred from routines. This study conceptualises fundability as the outcome of a sequenced chain: entrepreneurial actions create credible, audience-fit signals that capital providers interpret against their mandates and risk models, thereby shaping perceived fundability and access to capital.

Entrepreneurial Action theory explains how founders operating under uncertainty and resource constraints enact discovery trials, formalise routines, and document outcomes; Signalling theory then clarifies why only actions that are translated into costly-to-fake, observable signals reduce information and agency risk at first assessment (e.g., bank-reconciled revenues, signed pilots, verifiable compliance).

The Churchill & Lewis growth model is used as a boundary: at Existence, actions emphasise market validation (MVPs, first-customer pilots); at Survival, emphasis shifts to operational and financial discipline (cash flow control, basic governance, and tax compliance) that evidence a viable business model for lenders and DFIs. This staged lens fits the South African context, where dual markets, uneven infrastructure, and institutional expectations heighten verification costs and make documentary signals decisive in screening.

The framework positions three interacting cores: (1) entrepreneurial actions (experimentation, early formalisation, documentation discipline, learning orientation, and team complementarity); (2) signal production (signed paying pilots, bank-reconciled revenue traces, cohort/retention signals, unit economics dashboards, and

compliance signals); and (3) audience interpretation by banks/DFIs, angel investors/VCs, and grant/impact funders, each weighting different attributes.

Moderators – stage (Existence→ Survival), sector, network access, and infrastructure – amplify or dampen signal effectiveness. This design links directly to your RQs and propositions: RQ1/P1 (formalisation × traction for banks/DFIs), RQ2/P6 (audience-fit metrics), RQ3/P4 (documentation discipline converting bootstrapping into bankable readiness), and RQ4/P5 (learning orientation and coachability).

Chapter 3: Research questions and propositions

Chapter 1 established the study's practical and theoretical problem: in South Africa a persistent finance-readiness misalignment prevents many viable early-stage ventures from converting activity into signals that external funders trust, particularly at the Existence and Survival stages where information asymmetry and screening costs are highest. The chapter delineated a problem that is not merely capital scarcity but a translation challenge at the venture–funder interface.

Chapter 2 develops the theoretical grounds for addressing this challenge by integrating entrepreneurial action theory with signalling theory and situating them both within the Churchill and Lewis small-firm growth lenses. The synthesis argued that what founders do—experimentation, early formalisation, documentation discipline, and learning orientation—shapes access to capital only insofar as those actions are converted into credible, audience-fit signals that different investor types can verify at low cost. The literature further indicates that signal effectiveness is moderated by stages, sectors, network access, and infrastructure— factors that are especially salient in South Africa's dual markets.

This chapter transforms the theoretical arc into a series of targeted research questions and propositions, providing a clear path from problem to theory to inquiry. The overarching question asks which entrepreneurial actions, when rendered as credible and audience-fit signals, raise perceived fundability for South African ventures at Existence and Survival.

Sub-questions then specify: how formalisation interacts with traction for lenders and DFIs; which MVP and traction metrics have different investor audiences' values; how documentation converts bootstrapping into bankable readiness; how coachability and learning orientation affect assessments of execution risk; and which boundary conditions amplify or dampen signalling effectiveness.

In this study, "signals" refer to credible, costly-to-fake, and observable cues that receivers (banks, DFIs, angels, and VCs) can interpret quickly; "readiness artefacts" are the documentary outputs of action (e.g., bank-reconciled accounts, enforceable contracts, and compliant filings).

Entrepreneurial Action Theory explains how founders produce such signals (action → artefact), Signalling Theory explains why only audience-fit signals persuade (receiver-side interpretation), and the SME growth lens explains when particular signals are feasible and diagnostic (existence vs survival). The propositions below, therefore, operationalise Chapter 2's synthesis by stating what should be true in practice when actions are translated into audience-fit signals under South African conditions.

Each proposition operationalises these claims into testable statements that flow directly from the literature review and the conceptual framework articulated in Chapter 2, while remaining anchored to the South African context outlined in Chapter 1.

Overarching research question: Which entrepreneurial actions, when translated into credible and audience-fit signals, increased the perceived fundability of early-stage South African ventures at the Existence and Survival stages (NISED, 2022)?

RQ1. How did early formalisation in tax, compliance, and baseline controls interact with traction to shape perceived risk among South African funders, and what specific signals were decisive at the first assessment in banks and development finance institutions (Ullah, 2020)?

RQ2. Which minimum viable product and traction metrics best signal investability for banks and development finance institutions compared with venture and angel investors, and why in the South African context of uneven infrastructure and dual markets (Pollack, Rutherford, and Nagy, 2021)?

RQ3. How did documentation discipline convert bootstrapping and informal finance into bankable readiness that lowered screening cost and agency risk for funders when audited histories were absent, and which simple routines were most persuasive at small scale (Finfind, 2025)?

RQ4. In what ways did learning orientation and coachability change investor assessments of execution risk under market volatility and regulatory change, and how did investors infer these traits from founder behaviour and signals during diligence (Jansen, Tempelaar, and van der Rijt, 2023).

RQ5. Which boundary conditions in stage, sector, network access, and infrastructure amplified or dampened signalling effectiveness for early ventures in South Africa, and how should signal portfolios be adapted accordingly for different investor audiences? (FinMark Trust, 2024)

P1. Earlier formalisation that included tax registration and basic controls lowered perceived agency risk and increased investability at Existence and Survival by providing verifiable signals at low screening cost (NISED, 2022).

P2. Demonstrable minimum viable product traction, measured through paying pilots and retention, increased investor interest, with metric choice varying by audience between banks or development finance institutions and equity investors who weighted growth efficiency more heavily (Pollack, Rutherford, and Nagy, 2021).

P3. Complementary founding teams with a minimal governance flow that included advisory input and periodic performance reviews lowered perceived execution risk for external funders at early stages by evidencing discipline and decision quality (Colombo and Grilli, 2005).

P4. Bootstrapping paired with documentation discipline through reconciled accounts and unit-economics dashboards eased the transition to formal finance when compared with bootstrapping alone by converting economical execution into bankable readiness in small SMEs (Fitzsimons, Hogan, and O'Rourke, 2023).

P5. Visible learning orientation and coachability raised funding conversions under uncertainty by signalling adaptability and disciplined change when assumptions failed in volatile markets (Jansen, Tempelaar, and van der Rijt, 2023).

P6. Targeted signalling that matched the investor mandate increased approval odds and shortened decision times in South Africa's mixed investor ecosystem by reducing interpretation gaps during screening (Finfind, 2025).

RQ	Proposition (verbatim)	Chapter 2 anchors (examples)	Operational markers in this study	Methodological test (Chapter 4 link)
RQ1	**P1.** Earlier formalisation … lowered perceived agency risk … by providing verifiable artefacts at low screening costs.	EAT (action → artefact); Signalling (costly-to-fake (survival SME Growth (survival emphasis).	Tax registration, bank-reconciled accounts, basic controls, and enforceable contracts.	Conduct dyadic interviews to establish lender/DFI first-assessment criteria, code "paper" signals, and map themes to RQ1.
RQ2	**P2.** Demonstrable MVP traction … increased investor interest, with metric choice varying by audience.	The terms include Signalling, which refers to audience fit; EAT, which stands for experimentation and traction; and SME Growth, emphasising existence.	Paying pilots; retention/cohort signals; growth-efficiency metrics (e.g., CAC/activation).	Dyadic interviews: investor type comparisons (banks/DFIs vs angels/VCs); traction metrics coded to RQ2.
RQ4	**P3.** Complementary teams with minimal governance cadence lowered	EAT includes routines and governance cadence, while signalling refers to human cues.	Advisory input, KPI reviews, meeting flows, and documented decisions.	Dyadic interviews: inference of execution risk from governance routines; theme links to RQ4.

	perceived execution risk.			
RQ3	**P4.** Bootstrapping + documentation discipline transformed economical execution into bankable readiness.	EAT (documentation as action outcome); Signalling (verifiable traces); SME Growth (stage-shift to discipline).	Monthly reconciliations, debtor ageing, and unit-economics dashboards.	Dyadic interviews will focus on lenders' interpretations of documentation, the coding of "documentation discipline", and research question three (RQ3).
RQ4	**P5.** Learning orientation and coachability raised conversion under uncertainty.	EAT (learning actions); signalling (tested human signal).	Iteration logs, response to critique, visible process updates.	Dyadic interviews: funder “coachability tests”; mapping to RQ4.
RQ5	**P6.** Mandate-matched signalling increased approval odds and shortened decision time.	Signalling refers to the receiver-side interpretation, while SME Growth is conditioned by both stage and sector fit.	Audience-fit evidence sets; mandate-fit narratives.	Dyadic interviews: mandate interpretation (banks/DFIs vs equity); boundary conditions; RQ5.

The propositions (P1–P6) are tested using the interpretivist, dyadic multiple-case design detailed in Chapter 4, with a semi-structured interview instrument that elicits both founder actions/artefacts and funder interpretations. The thematic analysis explicitly codes paper, audience, and human signals and aligns signals for each RQ to its corresponding proposition, preserving the golden thread into the empirical chapters.

Chapter 4: Research Methodology

4.1 Introduction

This chapter outlines the research methodology adopted to investigate the role of entrepreneurial action in securing capital for start-ups and SMEs in South Africa. It describes and justifies the philosophical paradigm, research design, sampling strategy, unit of analysis, data collection methods, and analysis procedures employed.

The study also discusses the measures taken to ensure its rigour and ethical integrity, as well as its limitations. The methodology was meticulously selected to ensure consistency with the research questions and hypotheses, thereby maintaining the "golden thread" of coherence from the research problem to data analysis. In essence, the chapter explains what was done and why it was done in service of answering the research questions, following established academic research practices. Each aspect of the methodology is detailed in the subsections that follow.

4.2 Research Paradigm

This study is grounded in an interpretivist research paradigm, which is well suited to examining complex social phenomena such as entrepreneurial action within its real-world context because it privileges participants' subjective meanings and situated experiences (Creswell & Poth, 2018; Saunders, Lewis, & Thornhill, 2019).

In contrast to positivism, which seeks context-free generalisations based on observable facts, interpretivism emphasises understanding over measurement by engaging closely with how actors make sense of their worlds (Saunders et al., 2019). Within this paradigm, the ontology assumes multiple, co-existing realities – each entrepreneur may experience the funding interface differently – while the epistemology treats knowledge as co-constructed through researcher–participant interaction (Lincoln & Guba, 1985; Creswell & Poth, 2018).

Anchoring the work in interpretivism provides a philosophical justification for a qualitative, exploratory design and a multiple-case strategy aimed at explaining how and why phenomena occur rather than how often they occur (Yin, 2018; Creswell &

Poth, 2018). In this study, the relevant social context is the South African start-up environment, and the focal experiences are entrepreneurs' actions and strategies to secure funding. Because these experiences are embedded in social networks, institutional expectations, and evolving market conditions, the datasets of interest are rich narratives rather than deconstructed metrics (Saunders et al., 2019).

The interpretivist stance therefore guided the use of semi-structured interviews and thematic analysis, aligning data-collection and analysis procedures with the goal of eliciting insider perspectives and making sense of meanings in context (Creswell & Poth, 2018). Consistent with qualitative quality criteria, rigour is evaluated in terms of credibility, transferability, dependability, and confirmability, rather than solely by the validity–reliability vocabulary of positivist designs (Lincoln & Guba, 1985).

Overall, adopting interpretivism ensured philosophical–methodological coherence – linking the worldview (multiple realities, co-constructed knowledge) to the chosen methods – and enabled a nuanced, contextually grounded inquiry into how entrepreneurial action helps bridge the funding gap in South Africa (Saunders et al., 2019; Yin, 2018).

4.3 Research Design

Based on the interpretive paradigm and research questions, a qualitative, exploratory research design was employed. A research design is the general plan or outline for how a study will be done. It connects the research questions to the way the data will be collected and analysed. According to Saunders, Lewis, and Thornhill (2019), research designs can be broadly categorised as quantitative, qualitative, or mixed-methods.

This study followed a qualitative design because the inquiry centred on understanding processes and meanings (entrepreneurs' actions and experiences), rather than testing hypotheses with quantified variables. Qualitative designs are appropriate for research questions that ask "how?" or "why?", as they allow participants to freely express perspectives in their own words and enable in-depth exploration of phenomena.

Within the qualitative paradigm, the research took on an exploratory and descriptive character. It sought to explore ways in which entrepreneurial actions help secure funding, an area where theory was relatively undeveloped in the South African context.

An exploratory approach is useful when investigating a new or poorly understood issue, as it provides flexibility to uncover unexpected insights (Yin, 2018). The design is specifically a **dyadic multiple-case study**. A case study strategy is appropriate because it examines contemporary events within their real-life context and can incorporate various data sources. The dyadic (matched-pair) design was deliberately chosen to address reviewer feedback and to capture the "readiness misalignment" at the venture-funder interface. The time frame was cross-sectional, and data were gathered from September to October 2025 to get a snapshot of what people were doing and thinking at the time.

4.4 Population and Sample

The population for this research comprised two distinct but interconnected groups central to the South African entrepreneurial ecosystem. The first group consisted of entrepreneurs who are founders or owners of early-stage Small and Medium-sized Enterprises (SMEs) at the "Existence" or "Survival" stages of growth. The second group comprised the formal funders who assess these ventures, including bank credit managers, venture capital (VC) investors, representatives from Development Finance Institutions (DFIs), and angel investors. This dual-population focus was essential for investigating the "readiness misalignment" at the venture-funder interface.

To make the dyadic design operational, sampling proceeded in two stages. First, a non-probability purposive, maximum-variation sample of entrepreneurs was assembled across sectors (e.g., manufacturing, technology, construction, energy, finance, retail), stages (existence/survival), and funding outcomes (successful/unsuccessful). This ensured heterogeneity in entrepreneurial actions and contexts. Second, after each entrepreneur interview, the corresponding funder who had assessed that specific SME was recruited via snowball access, thereby forming a matched pair (dyad) anchored in a real funding assessment. This approach yielded 11 complete dyads (N = 22) and produced a balanced participant set of 11

entrepreneurs and 11 funders, providing a multi-perspective view of the same engagement context. The entrepreneurs reported three (3) to 15 years of average business ownership, while funders had professional experience ranging from eight (08) to 30 years.

Saturation guided the final sample size. As detailed in 4.9.2 (Saturation Analysis), high-level themes plateaued early, and new descriptive codes became redundant by the eighth dyad, with the final three dyads confirming both code and meaning saturation. In practice, the analysis order within each pair (Funder → SME) supported saturation tracking and strengthened the within-dyad comparison of signals sent versus signals received.

4.5 Unit of Analysis

The dyadic design is the only way to move beyond stated beliefs and capture real-time interpretation of "human" signals (e.g., coachability) and the frictions of "audience" misalignment that a single-actor study cannot observe.

The primary unit of analysis for this study is the entrepreneur-funder dyad. Each dyad, representing a single "case" in this multiple-case study, consists of the matched pair of one entrepreneur and their corresponding funder who engaged in a formal funding assessment. The unit of observation is the individual participant (the entrepreneur or the funder), but the analysis centres on the relationship, interactions, and (mis)perceptions between them.

This dyadic unit of analysis was explicitly chosen for its methodological rigour and its direct alignment with the research questions and to (i) address misalignment directly (comparing what entrepreneurs signalled with what funders received), (ii) enable triangulation within cases, and (iii) support within-case and cross-case synthesis aligned to the case study strategy. A study of entrepreneurs alone could only capture perceived funder criteria, while a study of funders alone could only capture claimed assessment models.

By contrast, the dyadic design is uniquely suited to answering RQ3: it is the most effective design to empirically investigate the central problem of "misalignment" by

directly comparing the entrepreneur's stated actions and signals against the funder's reception and interpretation of those same signals.

This design allows for the triangulation of data within each case. This provides a more valid and reliable picture of the funding interaction than a single-actor perspective could offer. This unit of analysis facilitates a robust, two-stage analysis. First, a "within-case analysis" looks at the specific signals, criteria, and misalignments that are unique to each dyad. Second, a "cross-case synthesis" compares the patterns across all 11 dyads to identify the generalisable findings that answer the overarching research questions.

The value of this design lies in its ability to go beyond self-reported beliefs, enabling the observation of real-time interpretations of human signals (e.g., coachability) and the tensions created by audience misalignment, which would remain hidden in a single-actor study.

4.6 Research Instrument

Given the qualitative, interpretive nature of the study, the primary data collection instrument was a semi-structured interview guide. Semi-structured interviews use open-ended questions organised around predetermined topics, balancing consistency across cases with flexibility to probe emerging ideas (Creswell & Poth, 2018).

This format was well-suited to exploring entrepreneurs' funding experiences because it provided structure to cover the research propositions (e.g., questions on specific types of entrepreneurial actions like networking or innovation in fundraising) while also permitting participants to share stories and raise insights the researcher might not have anticipated (Saunders, Lewis, & Thornhill, 2019; Turner, 2010).

The interview guide was developed based on the themes identified in the literature review (Chapters 2 and 3) and the research questions. It encompassed sections such as the entrepreneur's background and venture profile; the funding journey (types of funding pursued, challenges faced); specific actions and strategies employed to secure funding, outcomes of those efforts, and reflections or lessons learnt. Example questions included, "Can you describe how you went about trying to secure funding

for your start-up?", "What actions or strategies did you determine were most effective or ineffective in attracting investors or lenders?", and "How did you leverage your networks or resources in the funding process?" These open-ended questions were supplemented with probing prompts (e.g., "Tell me more about that" and "Why do you think that approach worked/did not work?") to elicit deeper detail (Patton, 2015). The language of the questions was kept clear and jargon-free, while still using business terminology familiar to entrepreneurs (like "formalisation", "fundable", etc.) where appropriate.

To ensure the quality and clarity of the instrument, the interview guide was pilot tested with two participants (not in the final sample), leading to minor refinements. This pilot phase served multiple purposes: (i) it checked whether the questions were understandable and interpreted as intended, (ii) assessed the flow and timing of the interview, and (iii) provided practice for the interviewer in managing the conversation.

The feedback from the pilot interviews led to minor refinements of the instrument – for instance, reordering some questions for better logical flow and simplifying a few questions that the pilot participants found confusing. Pilot testing is a standard step that helps surface problems early and enhances the trustworthiness of qualitative data collection (van Teijlingen & Hundley, 2001). In this study, the pilot confirmed that the questions were relevant and elicited rich responses closely aligned with the research aims.

Additionally, the interview guide was reviewed by an academic supervisor, approved by the research ethics committee, and peer-reviewed for face validity to verify that the questions covered the constructs of "entrepreneurial action" and "funding acquisition" as conceptualised in the study. The final interview guide is provided in Appendix A. By carefully designing and testing the interview instrument, the study ensured that data collected would be both rich in content and trustworthy as signals for addressing the research propositions (Lincoln & Guba, 1985).

4.7 Data Collection Procedure

Data was collected through in-depth, dyadic, semi-structured interviews with the 22 participants between September and October 2025. All interviews were conducted in English via video conferencing (Microsoft Teams) and lasted between 30 and 75 minutes.

Ethical clearance was obtained, and all participants provided written informed consent. Sessions were audio-recorded and professionally transcribed verbatim. The raw transcripts were then anonymised (using dyadic codes, e.g., P01_SME) and stored securely in password-protected files. Field notes and reflexive memos were maintained throughout the process to capture context and initial impressions.

4.8 Data Analysis

The 22 verbatim transcripts were analysed in ATLAS.ti (v.24) using reflexive thematic analysis (Braun & Clarke, 2006). A hybrid codebook combined deductive families derived from Chapter 2's framework (e.g., Action: Formalisation; Signal: Traction; Funder: Mandate Fit) with inductive codes emerging from the narratives (e.g., "sloppy documentation," "keep books spotless," and "team is pragmatic"). Coding proceeded line-by-line, followed by clustering into subthemes and aggregation into the four overarching themes presented in Chapter 5. The analysis moved in two stages: within-case (dyad) analysis to map actions ↔ signals ↔ (mis)alignments and cross-case synthesis to identify patterns across all dyads.

To enhance analytic rigour, a peer analyst reviewed a subset of transcripts and the codebook (analytic triangulation) to ensure that themes were grounded in the data and that code applications were consistent with definitions. Differences in code application were resolved by discussion and negotiated agreement, and changes were recorded in the audit trail. In line with reflexive thematic analysis, the study does not claim a separate numeric inter-rater coefficient; instead, it foregrounds transparency (documented decisions, memos), credibility (member checking), and confirmability (audit trail and direct quotations).

Alignment of codes, themes and propositions (golden thread). The deductive code families were intentionally aligned with the three-signal portfolio used throughout the study, ensuring that analysis outputs directly tested the propositions:

- **“Paper” signals** (documentation/early formalisation) → codes under Action: Formalisation, Signal: Paper/Documentation; mapped to **RQ1/RQ3** and **P1/P4**.

- **“Audience” signals** (mandate-/metric-fit, investor type) → codes under Funder: Mandate Fit, Signal: Traction/Retention; mapped to **RQ2/RQ5** and **P2/P6**.

- **“Human” signals** (learning orientation/coachability, governance cadence) → codes under Team/Governance, Learning/Iteration; mapped to **RQ4** and **P5**.

These linkages ensured that the **themes reported in Chapter 5** are not only data-driven but also **proposition-anchored**, preserving the chapter-to-chapter coherence established in Chapters 2–3.

A hybrid coding approach was used:

1. Deductive (Theory-Driven) Codes: A starting codebook was developed from the conceptual framework in Chapter 2 (e.g., Signal: Traction, Action: Formalisation, Funder: Mandate Fit).

2. Inductive (Data-Driven) Codes: The codebook was iteratively refined with new codes emerging directly from the narratives (e.g., "sloppy documentation", "keep books spotless", "team is pragmatic").

The researcher coded all transcripts line by line. These codes were then clustered into subthemes and, finally, the four overarching themes presented in Chapter 5. The analysis proceeded in two stages:

1. Within-Case Analysis: First, each dyad was analysed individually to map specific actions, signals, and (mis)alignments.

2. Cross-Case Synthesis: Second, the findings from all 11 dyads were compared to identify the common patterns, themes, and variations that answer the research questions.

Analyst triangulation was performed by having a peer review a subset of the transcripts and the codebook to confirm the themes were well-grounded in the data.

4.9.1. Trustworthiness and Rigour

Ensuring the trustworthiness of qualitative findings is critical for establishing their credibility and scholarly merit. This study adhered to well-established criteria for qualitative rigour, as proposed by Lincoln and Guba (1985), i.e., credibility, transferability, dependability, and confirmability, as well as strategies to mitigate potential researcher bias. We deliberately address these aspects below.

Credibility refers to confidence in the truth of the findings. To enhance credibility, the study employed triangulation and member checking. Triangulation was achieved by collecting data from multiple entrepreneurs across different industries and backgrounds, thereby verifying that themes were not limited to a single perspective. Interviews served as the principal data source, while the diversity of participants functioned as a method of data triangulation. The researcher also used theoretical triangulation to see if the new findings matched up with what was already known and theorised. These procedures enhanced the credibility of the findings when they were supported by the data.

Member checking involved providing a summary of preliminary findings or interpreted summaries back to a few willing participants to verify whether the researcher's interpretations resonated with their experiences. Participants confirmed the accuracy of key points (for example, one interviewee agreed that the summary captured how their networking led to investment) and provided no major corrections, which bolstered confidence that the analysis reflected reality as experienced by the entrepreneurs.

The transferability criterion concerns the extent to which findings could apply in other contexts. Rather than statistical generalisability, qualitative research aims for transferable insights by providing rich detail so that readers can determine similarity to other contexts. This study provides detailed descriptions of the research context, sample, and each theme. Chapter 5 includes detailed narrative accounts and direct quotes, which allow readers to gauge whether the entrepreneurial actions and funding dynamics observed might be comparable to those in other settings (for instance, other emerging markets or different times).

By specifying the context and participant characteristics, the study enables others to assess transferability. The findings are framed at a conceptual level (e.g., "leveraging social capital") that could be transferable beyond the specific cases, while any context-dependent nuances are acknowledged.

Dependability involves the stability and consistency of the research process. To address dependability, the study maintained a clear audit trail of all research activities and decisions. All raw data (audio files, transcripts), coding files, and theme development documents have been stored systematically. The methods section (i.e., this chapter) documents the procedures in detail to allow an external researcher to follow the process.

Moreover, the peer review of coding (mentioned in Section 4.8) contributed to dependability by ensuring that another researcher could apply the coding scheme and arrive at comparable conclusions. Any changes in the research design or focus during the study (there were none significant beyond slight clarifications in instrument wording) would also be logged to provide transparency. The consistency of data collection using the same interview protocol across all participants and the systematic approach to analysis collectively support the dependability of the study's results.

Confirmability refers to the extent to which the participants and data, not the researcher's bias or predisposition, shape the findings. In this study, reflexivity was practiced. This technique helped in continuously examining and bracketing biases. For instance, the researcher acknowledged a prior expectation that networking would be a key theme; being aware of this bias meant actively ensuring that other themes (like strategic partnerships or funding failures) received equal attention if supported by the data. The audit trail and use of direct quotations in the findings also enhance confirmability by linking conclusions back to the participants' own words, demonstrating that themes originated in the data. Additionally, as noted, member checks and peer review provided external perspectives that help confirm that the findings were not merely the researcher's subjective interpretations. By applying these strategies, the study aimed to fulfil the trustworthiness criteria recommended for qualitative research, thereby strengthening the legitimacy of its conclusions.

In summary, the research was designed and executed with a strong emphasis on rigour. By attending to credibility, transferability, dependability, and confirmability, the study provides confidence that its findings are not only grounded in the data but also reliable and relevant for further application or research. The careful method (as described in Sections 4.3–4.8) combined with these validation techniques ensures that readers and future scholars can trust the "recipe" of this research.

4.9.2. Saturation Analysis

Thematic saturation was monitored iteratively. As shown in Figure 2, the cumulative count of unique codes (orange line) rose sharply and then plateaued around the 8th dyad (participant P08_Funder), indicating code saturation at 22 unique codes. The cumulative theme count (red line) stabilises four major themes very early in the process, indicating significant saturation. Interviews were continued through all 11 dyads to ensure robustness and confirm the plateau was a true saturation point, consistent with qualitative guidance (Guest et al., 2006).

Saturation was assessed concurrently with data collection and coding. Two indicators were monitored: (i) code saturation (diminishing emergence of new descriptive codes) and (ii) meaning saturation (stability in how codes combined into subthemes/themes). By the eighth dyad (participant 16), no materially new descriptive codes were added, and theme boundaries stabilised. The final three dyads were analysed to confirm this pattern and to probe for counter-examples; none altered the thematic structure.

The decision to stop at 11 dyads (N = 22) was therefore grounded in both code and meaning saturation, consistent with the exploratory, interpretivist design and the study's focus on Existence/Survival-stage SMEs in South Africa. The dyadic Funder → SME coding order also supported saturation checks by making visible, within each pair, how signals sent compared to signals received.

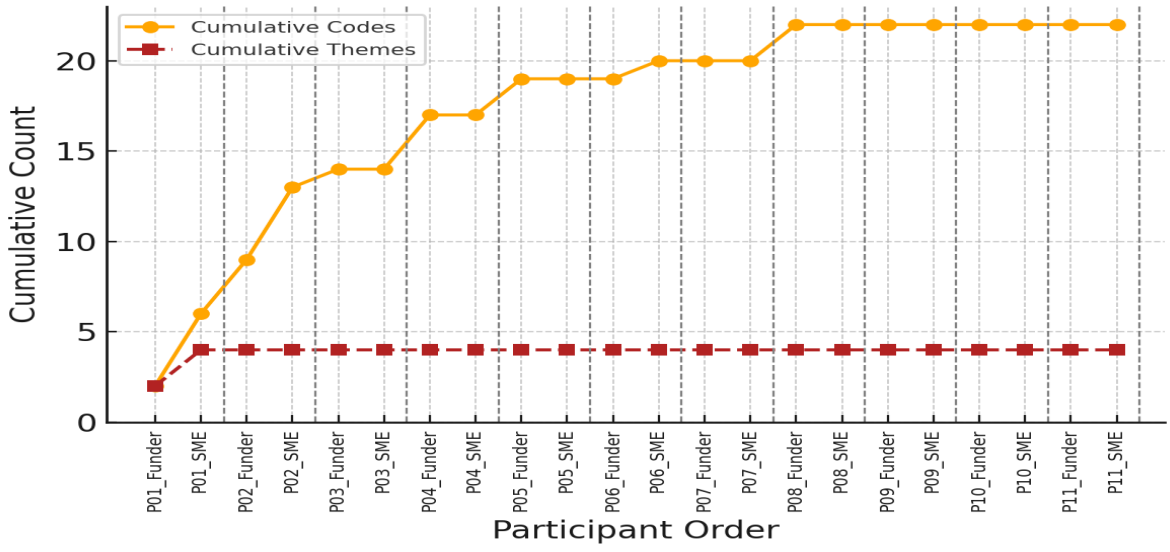

Figure 2: Cumulative number of codes and themes identified across interviews. The x-axis lists interviews in the order conducted (grouped by dyad, with funder then SME), and the y-axis shows the running total of unique codes (solid orange line) and themes (dashed red line) identified up to that interview.

4.10 Ethical Considerations

This study adhered to high ethical standards at all stages, recognising the responsibility to protect participants and ensure integrity in research practice. Key ethical considerations addressed include informed consent, confidentiality and anonymity, voluntary participation, and avoidance of harm, in line with the principles of the institutional guidelines.

Prior to data collection, each prospective participant was provided with a clear written explanation of the study, detailing the research purpose, what participation would involve (an interview of approximately 45 min), and the voluntary nature of involvement. The written explanation or request to interview highlighted that participants could decline to answer any question or withdraw from the study at any time without any negative consequences.

Participants were provided the opportunity to ask questions about the study before consenting. Written informed consent was obtained only after ensuring that participants understood the study (via a signed consent form). This consent form included permission to audiorecord the interview and use anonymous quotations in publications. The research was for academic purposes, and no personal information would be disclosed.

Protecting respondents' confidentiality was of paramount importance, given that entrepreneurs might share sensitive details about their business finances or personal challenges. All interview recordings and transcripts were stored securely with coded identifiers **(e.g., "P01_SME")** instead of real names. The researcher kept a master list of real names and codes in a password-protected file that only they could access.

In the transcription process, any mention of specific names of people, companies, or locations was either omitted or replaced with generic descriptors (e.g., "[a local bank]"). In the dissertation and related reports, participants are referred to by pseudonyms or generic labels, and precautions are taken to ensure that no details are reported that could inadvertently reveal anyone's identity; for example, a unique business product that could be traced back to a specific company is described in general terms. We have managed

all data in accordance with data protection regulations. After the required retention period for academic auditing, the raw data will be destroyed to further ensure confidentiality.

Participation in this study was entirely voluntary. This clause was stated in the recruitment phase and consent form. Participation was free of coercion or undue influence; for example, participants received no incentives beyond a small token of appreciation like a gift card, modestly valued, to avoid inducement. They also had the right to withdraw their data from the study up until a specified date (two weeks after their interview, before analysis began in earnest). None of the participants opted to withdraw, but knowing they had this right likely contributed to their willingness to speak freely.

Given the nature of the topic, the risk of physical or psychological harm was low. However, discussing business struggles could potentially evoke stress or emotional discomfort for some entrepreneurs (for instance, reflecting on a failed funding pitch or financial difficulties). The interviewer was sensitive to signs of distress. The interview questions were designed to be respectful and not pry into deeply personal areas unrelated to the study aims. Confidentiality measures safeguarded participants' businesses from potential reputational or economic risk. The study did not involve any deception; participants were fully aware of the researcher’s identity and the study’s purpose.

Before commencing the fieldwork, the research proposal, including instruments and consent procedures, was reviewed and approved by the University’s ethics committee. The Gordon Institute of Business Science and the University of Pretoria's ethical guidelines governed all procedures.

Additionally, the researcher adhered to principles of integrity in analysis and reporting by not fabricating or misrepresenting data and acknowledging all sources. Participants will be given access to a summary of the research findings if they wish, as a form of reciprocity and transparency.

In conclusion, by rigorously implementing these ethical safeguards, the study respected the rights and well-being of its participants and upheld the standards of ethical research conduct. This ethical diligence also contributes to the trustworthiness of the study, as it fosters an environment that encourages participants to be truthful and open, thereby enhancing the quality of the data obtained.

4.11 Limitations

Sample selection at the dyadic interface: by design, cases reached a human assessment interface; ventures desk-rejected by automated pre-screens (e.g., FinTech algorithms) are under-represented. Policy transition note: the SEDFA consolidation is ongoing; interpretations of public readiness programmes should be read against this institutional change.

Despite the careful design of this study, it must acknowledge several methodological limitations. These limitations pertain to aspects of research scope, design choices, and external validity, and they frame the context within which the findings should be interpreted.

The study's qualitative, in-depth nature meant that the sample size (11 entrepreneurs) was relatively small. As a result, the findings are not statistically generalisable to all start-up entrepreneurs or SMEs in South Africa, let alone other countries. The intention was to use analytical generalisations to develop insights and propositions that might resonate with theories or similar contexts rather than broad empirical generalisations. Nonetheless, readers ought to exercise caution in generalising the conclusions to diverse populations. The interviewed entrepreneurs might not fully represent South Africa's diverse SME sector; for example, certain regions or industries might be under-represented. Future research with larger samples or quantitative surveys could test the prevalence of the observed patterns in a broader population.

The research was confined to the South African context during a specific period. The funding environment and entrepreneurial culture in South Africa have particular characteristics (including economic conditions, investor climate, and possibly cultural attitudes toward entrepreneurship). This specificity of the context offers a dual benefit: it provides a profound understanding of the dynamics of the local "funding gap", but it also implies that the results may not be directly applicable to contexts with distinct funding ecosystems. For instance, in countries with more developed venture capital markets or different regulatory regimes, entrepreneurs' actions might play out differently. Therefore, the context limits transferability; however, as discussed in Section 4.9, a rich description is provided to help others assess the similarity of contexts.

The data rely on entrepreneurs' retrospective accounts of their funding journeys. Human memory and self-report come with potential biases. Entrepreneurs, reflecting on their actions, might unintentionally omit details, downplay failures, or exhibit social desirability bias, the tendency to present oneself in a favourable light. For example, a participant might overemphasise their strategic acumen while underreporting luck or external help in order to appear competent.

The study mitigated this issue by creating a non-judgemental interview atmosphere and probing for specific examples (to move beyond general platitudes). Nonetheless, the possibility remains that some accounts are subjective or selectively recalled. Triangulating with external data (e.g., verifying a timeline of funding rounds from public sources) was outside the scope of this qualitative study, so the analysis had to take narratives at face value, with critical reflection. Readers should thus interpret the findings as the perceived role of entrepreneurial action, which might differ somewhat from an objective reconstruction.

As with any interpretive research, the researcher's background and perspectives could influence the study. Efforts were made to bracket biases (see Section 4.9 on reflexivity), but complete elimination is impossible. The researcher's prior knowledge of entrepreneurship could have guided interviews in certain directions or led to preferential attention to expected themes. Peer debriefing and member checks were employed to reduce this risk, but a different researcher might have drawn different emphases from the same data. Transparency in methods and reflexive reporting address this inherent limitation of qualitative analysis. The confirmability measures taken (audit trail, quotations) aim to let readers see the basis for interpretations, partly offsetting this limitation.

The study focused on the actions entrepreneurs take to secure funding. This necessarily narrowed the focus on certain types of entrepreneurial behaviour (networking, pitching, bootstrapping, etc.) in the funding context. The study only looked at entrepreneurial actions directly related to funding efforts, such as product innovation or team building. This focus means the study might not account for all factors influencing funding success. For example, the study did not take into account how the quality of the business idea or the state of the market affected funding; instead, it focused on the entrepreneur's agency. delineated this scope, but readers should be aware that the results isolate the human action element from many

interrelated variables. In reality, entrepreneurial action works in tandem with venture quality, economic climate, etc., which are not fully controlled for here.

The research captured a snapshot of each entrepreneur's funding experience. However, entrepreneurial journeys are dynamic. A cross-sectional interview might miss how actions or attitudes evolved or how a one-time event (like participation in an accelerator program) had delayed effects. Longitudinal studies could observe how entrepreneurial actions and funding outcomes co-evolve, something this design could not do. The reliance on memory to reconstruct sequences is a limitation compared to real-time longitudinal tracking.

All interviews were conducted in English, which is a second language for some participants in South Africa. There is a chance that certain nuances or culturally specific concepts did not fully translate into English expressions, potentially leading to mild misinterpretation. The researcher was attentive to clarifying meanings during interviews to mitigate misunderstandings. Still, subtle meaning could be lost or altered in translation and transcription.

In acknowledging these limitations, the researcher has been careful in Chapters 5 and 6 to not overstate claims. The findings are presented as trends and insights from this particular study, not as definitive universal truths. Wherever appropriate, the discussion highlights these boundaries and suggests that further research could address them, for example, by using mixed methods to integrate objective funding outcome data or by comparing multiple country contexts. Despite the limitations, the study's design was suitable for its exploratory aims, and the results offer valuable contributions within those confines. Recognising constraints is part of effective scholarly practice, and it provides context for readers to properly weigh the conclusions drawn from this research.

Chapter 5: Findings

5.1 Introduction

This chapter is intentionally descriptive. It is focused on presenting the signal from the data, the patterns, the themes, and the participants' own words. The next chapter, Chapter 6, will discuss and analyse these findings, putting them in dialogue with the academic literature from Chapter 2.

This chapter presents the empirical findings derived from the 22 dyadic interviews. The previous chapter outlined the methodology; this chapter presents the results of that methodology. The findings are presented in four primary themes (T1–T4) that directly answer the study's research questions. Collectively, these four themes provide the empirical foundation for this study's core argument.

The four themes presented are:

- Theme 1: Entrepreneurial Actions Generating Fundability Signals
- Theme 2: Funder Assessment Criteria and Mandate Fit
- Theme 3: Misalignments and Bridging Mechanisms
- Theme 4: Strategic Sequencing for Fundability

5.2 Sample Overview

The thematic analysis of the 22 interviews (11 dyads) yielded four primary themes and their associated subthemes. Table 5.1 provides an overview of these themes, their link to the research questions, and their signal strength based on the frequency and richness of the data.

Table **5.1** below presents the anonymised participant roster and dyadic pairing. Each **dyad** consists of one entrepreneur (SME) and one funder who were interviewed in relation to a common engagement context. The coding scheme assigns a dummy ID to each participant (e.g., "P01_SME" for the entrepreneur in Dyad 1 and "P01_Funder" for the corresponding funder). These codes are used when presenting quotes in this chapter to ensure confidentiality.

Table 5.1. Participant roster and dyadic pairing (anonymised).

Dyad	Funder (ID)	Funder (ID)	Entrepreneur (ID)	Entrepreneur (ID)
1	P01_Funder	DFI	P01_SME	Manufacturing
2	P02_Funder	DFI	P02_SME	Construction
3	P03_Funder	DFI	P03_SME	Hospitality
4	P04_Funder	DFI	P04_SME	Mining
5	P05_Funder	DFI	P05_SME	Transportation and Manufacturing
6	P06_Funder	Private Equity/ VC	P06_SME	Agro Processing
7	P07_Funder	Bank	P07_SME	Energy
8	P08_Funder	VC	P08_SME	Technology
9	P09_Funder	Angel Investor	P09_SME	Engineering Consulting
10	P10_Funder	Bank	P10_SME	Financial Services
11	P11_Funder	Angel	P11_SME	Farming

Each dyad pairing (1–11) represents an entrepreneur–funder interaction. This structure enabled both within-dyad comparisons (how a given SME's actions and documents were perceived by their paired funder) and cross-dyad analysis (patterns observed across multiple funders and SMEs). Role distribution was balanced (11 funders; 11 SME owners). The dyadic ordering was also used in the data analysis and saturation tracking (with transcripts coded in the sequence Funder→ SME for each pair).

Table 5.2: Illustrative anonymised quotes by theme/subtheme

Theme	Subtheme	Participant	Exact quote
Actions Generating Fundability Signals	Early Formalization & Documentation	P01_SME	Record keeping, just the basic stuff. Just you don't need to have a finance degree to understand.

Actions Generating Fundability Signals	Early Formalization & Documentation	P03_SME	Keep the book spotless from day one and don't mix personal, personal and business money.
Actions Generating Fundability Signals	Traction & MVP Validation	P06_SME	We tested the model in the village. We're trying to get it to the urban area. That's part of scaling.
Actions Generating Fundability Signals	Team & Governance Hygiene	P08_Funder	The team must be both deep scientifically and commercially pragmatic.
Actions Generating Fundability Signals	Team & Governance Hygiene	P05_SME	Funders want to see your structure. They also want to meet your people. When you go to meetings, don't go alone.
Funder Assessment Criteria & Mandate Fit	Core Investment Philosophy	P09_Funder	The numbers must add up... rate of return... profitability and then mostly... cash flow.
Funder Assessment Criteria & Mandate Fit	Core Investment Philosophy	P07_Funder	Session of income... The funder now has all the rights.

Funder Assessment Criteria & Mandate Fit	Funder-Type-SpecifCriteria	P04_Funder	The developmental impact... how many jobs will it be creating? Is it based in a rural area?
Funder Assessment Criteria & Mandate Fit	Funder-Type-Specif Criteria	P08_Funder	Technical due diligence includes IP filings, scientific papers, and third-party evaluation reports.
Misalignments & Translation Steps	Sources of Entrepreneur-Funder Misalignment	P08_Funder	Sloppy documentation... business plan that is inconsistent... signals that the approach... is also perhaps disorganised.
Misalignments & Translation Steps	Sources of Entrepreneur-Funder Misalignment	P06_SME	The systems for getting government funding are very complex. It's very difficult to understand and navigate.
Misalignments & Translation Steps	Sources of Entrepreneur-Funder Misalignment	P05_Funder	We rarely engage with informal businesses because they are considered quite risky.

Table 5.2. Illustrative anonymised quotes by theme/subtheme

5.3 Theme 1: Entrepreneurial Actions Generating Fundability Signals (T1)

This theme (T1) answers RQ1/RQ3 and supports P1 and P4 by identifying what entrepreneurs do to signal their venture's fundability. Participants described proactive actions and routines used to demonstrate credibility and growth potential. These actions serve as "signals" to address information gaps so funders can infer the venture's quality (Connelly et al., 2011).

5.3.1 Subtheme: Early Formalization and Documentation A recurring message from both groups was that basic business formalities are foundational signals of seriousness. Many entrepreneurs acknowledged that they acquired these skills through challenging experiences.

"Record keeping, just the basic stuff… you don't need to have a finance degree to understand it" (P01_SME).

"Keep the books spotless from day one, and don't mix personal and business money" (P03_SME).

From the funders' perspective, this formalisation is not bureaucratic; it is a costly signal of integrity and discipline that lowers due diligence costs. In practical terms, tax registration, clean management accounts, and bank-reconciled statements operated as "first-screen" signals, consistent with Finfind (2025) data.

5.3.2 Subtheme: Traction and MVP Validation Participants emphasised that demonstrating market traction, as indicated by revenue, pilot customers, or user adoption, was consistently referred to as "proof that the business works." One entrepreneur shared their deliberate scaling strategy:

"We tested the model in the village… We're trying to get it to the urban area. That's part of scaling" (P06_SME).

Funders confirmed that concrete traction validates both product-market fit and execution capability. Where audited histories were unavailable, reconciled revenues and invoices served as credible substitutes, aligning with calls for audience-fit evidence in emerging markets (Colombo, 2021; FinMark Trust, 2024).

5.3.3 Subtheme: Team Quality and Governance Hygiene The third signal involves the human factor. Both funders and entrepreneurs have emphasised that a strong, credible team is perhaps the most powerful signal.

“The team must be both deep scientifically and commercially pragmatic.” (P08_Funder).

“Funders want to see your structure. They also want to meet your people. When you go to meetings, don’t go alone” (P05_SME).

Proactively building an advisory board or adopting formal governance practices (like holding regular meetings) was found to boost credibility. This functions as a signal of quality that mitigates execution risk, echoing the classic "jockey vs. horse" analogy where investors bet on the team (Jansen et al., 2023).

5.4 Theme 2: Funder Assessment Criteria and Mandate Fit (T2)

This theme (T2), addressing RQ2/R5, supports P2 and P6 and captures the funders’ side of the equation. The findings revealed a blend of universal criteria (applied by all) and differentiated criteria reflecting each funder’s institutional mandate.

5.4.1 Subtheme: Core Investment Philosophy (Viability and Risk) Regardless of type, all funders shared a core philosophy centred around financial viability. A senior bank credit manager summarised the universal criteria:

“The numbers must add up… rate of return… profitability and then, mostly, cash flow.” (P09_Funder).

For lenders, these factors translated into a focus on affordability (ability to repay) and security (collateral). One banker explained their reliance on mechanisms like a "cession of income... the funder now has all the rights [to that revenue stream]" (P07_Funder). This aligns with classical decision heuristics where lenders privilege downside protection (Mason & Stark, 2004).

5.4.2 Subtheme: Funder-Type Specific Criteria (Mandate Fit) Once basic viability was established, criteria diverged based on the funder's mandate.

•DFIs (Development Finance Institutions): These funders highlighted impact criteria. One DFI representative explained, “The developmental impact… how many jobs will it be

creating? Is it based in a rural area?" (P04_Funder). A venture may be profitable; however, it could still be rejected if it does not demonstrate sufficient socio-economic impact.

•Venture Capital Investors (VCs): The sample's VCs demonstrated a keen interest in innovation and high-growth potential. They looked for "technical due diligence... IP filings, scientific papers, third-party evaluation reports" (P08_Funder), as well as signals of scalability (Pollack et al., 2021).

•Banks remained conservative, sticking to proven cash flow, collateral, and character.

This confirms that funder heterogeneity is real and entrepreneurs must achieve "mandate fit" (Colombo, 2021). As one entrepreneur noted, "You pitch differently if it's a bank loan versus a VC."

5.4.3 Subtheme: Minimum Documentation Threshold Across all funder types, a non-negotiable minimum documentation threshold exists. Failing to provide key documents – a solid business plan, management accounts, tax compliance, and bank statements – was a universal stopgap.

"Sloppy documentation… a business plan that is inconsistent… signals that the approach is also perhaps disorganised" (P08_Funder).

As this quote shows, funders explicitly frame poor documentation as a negative signal of the entrepreneur's professionalism. Entrepreneurs confirmed that investing in professionalising their "packs" improved their success rates. Clear documentation is the "currency of communication" that enables funders to apply their criteria (Finfind, 2025).

5.5 Theme 3: Misalignments and Bridging Mechanisms (T3)

This theme (T3), central to RQ3, supports P4 and P5 and details the frequent gaps and frictions that occur between entrepreneurs and funders, rooted in information asymmetry.

5.5.1 Subtheme: Sources of Entrepreneur-Funder Misalignment Misalignments occurred in several forms:

•Entrepreneur Preparedness Deficits: Funders lamented the variable quality of applications. As one funder stated, "Sloppy documentation... signals that the approach...

is also perhaps disorganised" (P08_Funder). This included over-optimistic projections and a lack of detail.

•Questionable Entrepreneurial Actions: Funders flagged the commingling of personal and business funds as a major red flag. One DFI funder noted that purely informal businesses are “considered to be quite risky” (P05_Funder), as it signals a lack of stewardship.

•Funder Process Opacity: From the entrepreneur's perspective, funder processes were often a "black box". One SME owner said, “The systems for getting government funding are very complex. It’s very difficult to understand and navigate” (P06_SME) . This situation creates a perception gap where entrepreneurs feel they have complied, while funders feel the entrepreneur has missed "hidden" expectations.

5.5.2 Subtheme: Translation and Gap-Closing Mechanisms Importantly, the data also revealed how successful entrepreneurs bridge these divides.

•Coachability and Learning: Funders actively test for an entrepreneur’s openness to feedback. One VC stated, “Ability for us to coach a founder… and their willingness to learn are non-negotiables” (P08_Funder). Entrepreneurs who iterated on their models after receiving feedback were more successful. This "coachability" acts as a signal in itself, reducing relational risk.

•Leveraging Networks (Social Capital): Entrepreneurs used partnerships and mentors to "borrow" credibility. As one founder said, “We would not have won without the partnerships, networks, or collaborators we had. That’s how critical they are” (P05_SME). This use of social capital to build trust aligns with findings by Shane and Cable (2002).

•Incremental Formalisation: Savvy entrepreneurs "made themselves more formal" before reapproaching funders. This included actions like hiring an accountant or registering for VAT. This technique closes the gap by "sending stronger signals" and delivering the verifiable signals funders expect.

5.5.3 Theme 4: Strategic Sequencing for Fundability (T4)

This theme, which addresses RQ4, RQ5, and P6, highlights the temporal aspect of fundability. Participants stressed that entrepreneurs must follow a stage-contingent playbook, as actions are weighted differently at different stages of a venture's life. This aligns with the Churchill & Lewis (2002) growth framework.

5.5.4 Subtheme: Priority of Operational Basics (Existence/Survival Stage) In the early "Existence" and "Survival" stages, funders prioritised survival and consistency over aggressive growth. The most important fundamental is managing cash flow.

“You need to ensure that you manage your cash flows properly and plan for the eventuality when things don’t work out” (P05_SME).

Funders confirmed this: an entrepreneur who demonstrates basic operational control and "nails the basics" signals that capital will be used efficiently. Entrepreneurs who waited to seek funding until they achieved small-scale profitability approached funders from a position of strength.

5.5.5 Subtheme: Strategic Scaling and Adjacencies (Growth Stage): Once operational basics are stable, the conversation shifts to how to grow. Funders strongly prefer strategic, well-planned growth over haphazard expansion.

“The steel business started off as a [scrap] collector... then went into setting up their first rolling mill” (P04_Funder). This phased approach, which expanded to "adjacent opportunities," was viewed favourably as "derisking through milestones." Funders look for a logical growth narrative.

Entrepreneurs who presented a phased plan were considered much more credible than those who seemed overwhelmed. This feature also ties back to Theme 2 (Mandate Fit), as DFIs may prefer measured growth while VCs want to see a coherent plan for rapid scaling.

Theme (T)	RQ link	Associated Subthemes	Participants (n)	Quotes (n)	Evidence strength
T1. Entrepreneurial Actions Generating Fundability Signals	RQ1	Early Formalization & Documentation; Traction & MVP Validation; Team & Governance Hygiene	15 out of 22	86	High
T2. Funder Assessment	RQ2	Core Investment Philosophy (universal	18 out of 22	60	High

Theme (T)	RQ link	Associated Subthemes	Participants (n)	Quotes (n)	Evidence strength
Criteria & Mandate Fit		criteria); Funder-Type Specific Criteria; Minimum Documentation Thresholds			
T3. Misalignments in Perceptions and Translation Mechanisms	RQ3	Entrepreneurial Action Deficiencies; Funder Expectation Gaps; Misinterpretation of Informal Practices; Translation Steps to Close Gaps (e.g., Coachability, Networking)	17 out of 22	77	High
T4. Strategic Sequencing for Fundability (Stage-Contingent)	RQ4	Priority of Operational Basics (Existence/Survival Stage); Scaling & Adjacency Strategy (Growth Stage)	11 out of 22	35	Medium

Table 5.3. Key emergent themes, subthemes, and signal coverage.

<u>The analysis identified four key emergent themes, their subthemes, and the extent of evidential coverage:</u>

"**T1**: Entrepreneurial Actions Generating Fundability Signals" (linked to RQ1 and RQ4) comprises the subthemes "Early Formalisation & Documentation", "Traction & MVP Validation", and "Team & Governance Hygiene." This theme is supported by contributions from 15 of 22 participants and 86 illustrative quotations, indicating high-strength evidence.

"**T2**: Funder Assessment Criteria & Mandate Fit" (RQ2 and RQ5) encompasses a "Core Investment Philosophy" understood as universal, "Funder-Type Specific Criteria", and

“Minimum Documentation Thresholds”; it is substantiated by 18 of 22 participants and 60 quotations, also reflecting high-strength signals.

“**T3**: Misalignments and Translation Mechanisms” (RQ3) includes “Entrepreneurial Action Deficiencies”, “Funder Expectation Gaps”, “Misinterpretation of Informal Practices”, and “Translation Steps” (e.g., coachability and networking). This theme draws on 17 of 22 participants and 77 quotations, again demonstrating high-strength signals.

“**T4**: Strategic Sequencing for Fundability” (RQ4 and RQ5) addresses the “Priority of Operational Basics” for venture existence and survival, followed by “Scaling & Adjacency Strategy” for growth; it is supported by 11 of 22 participants and 35 quotations and is assessed as a medium-strength signal.

Collectively, these themes clarify how entrepreneurial actions generate fundability signals, how funders appraise those signals within mandate constraints, where misalignments typically arise, and how founders can sequence activities to improve financing prospects.

Theme	**Subtheme**	**Funders (n)**	**SMEs (n)**
Actions Generating Fundability Signals	Early Formalization & Documentation	3	11
Actions Generating Fundability Signals	Traction & MVP Validation	4	8
Actions Generating Fundability Signals	Team & Governance Hygiene	10	7
Funder Assessment Criteria & Mandate Fit	Core Investment Philosophy	9	3
Funder Assessment Criteria & Mandate Fit	Funder-Type-Specific Criteria	8	1
Funder Assessment Criteria & Mandate Fit	Minimum Documentation Thresholds	8	1
Misalignments & Translation Steps	Sources of Entrepreneur-	8	5

	Funder Misalignment		
Misalignments & Translation Steps	Translation Steps to Close Gaps	9	10
Strategic Sequencing for Fundability	Priority of Operational Basics	2	3
Strategic Sequencing for Fundability	Scaling & Adjacency (Growth Strategy)	6	4

Table 5.4. Subtheme coverage by role (Funder vs SME)

Theme (T)	**Primary RQ(s)**	**Supported Proposition(s)**	**Salient Evidence Threads (examples)**
T1. Entrepreneurial actions generating signals	**RQ1, RQ3, RQ4**	**P1, P4, P5**	**Early formalisation and documentation serve as first-screen 'paper' signals; traction serves as market proof, and team/governance hygiene serves as a human signal.**
T2. Funder assessment & mandate fit	**RQ2, RQ5**	**P2, P6 (+ baseline P1/P4)**	**The concept of universal viability includes cash flow, affordability, and security, while**

			also considering mandate-specific perspectives for Development Finance Institutions (DFIs), Venture Capitalists (VCs), and banks, along with a universal documentation threshold.
T3. Misalignments & bridging mechanisms	**RQ3, RQ4**	**P4, P5**	**Preparedness deficits vs. process opacity; bridging via coachability, networks, and incremental formalisation.**
T4. Strategic sequencing for fundability	**RQ4, RQ5**	**P5, P6**	**Stage-contingent weighting: operational basics first, then adjacent scaling; milestones de-risk the growth narrative.**

Table 5.5. Mapping themes to research questions and propositions

5.6 Synthesis of Findings

The four themes presented in this chapter provide a coherent, multi-perspective answer to the research questions. The findings show that fundability is not a static attribute but an interactive, co-constructed process.

1. "Paper" Signals (T1 & T2): This indicates that a "preparedness deficit" is a primary source of misalignment. Funders (especially banks/DFIs) use formal documentation ("paper signals") as a low-cost filter. Entrepreneurs who succeed (T1) are those who invest in "formalisation" and "documentation discipline" and produce the exact signals that funders use as criteria (T2).

2. "Audience" Signals (T2 & T3): The data consumes a clear "mandate fit" problem. A major source of misalignment (T3) is entrepreneurs sending the wrong signals to the wrong audience (e.g., pitching a high-impact/low-return DFI project to a high-growth/high-return VC).

3. "Human" Signals (T1 & T3): The findings highlight the critical importance of "human" signals in bridging gaps. Funders specifically look for "team quality" (T1) and "coachability" (T3) as signs that a team is adaptable and less likely to fail.

In conclusion, entrepreneurs who successfully secure capital are those who translate their actions (T1) into verifiable signals that are specifically tailored to their target funder's mandate (T2), often using "translation mechanisms" like mentors and coachability (T3) to ensure their signals are legible and credible and sequenced appropriately for their stage of growth (T4). Read together, T1–T4 empirically substantiate P1–P6: paper lowers agency-risk (P1/P4), audience-fit accelerates decisions (P2/P6), and human signals mitigate execution risk (P5).

Chapter 6

6.1 Introduction

The analysis of the twenty-two interviews conducted with matched entrepreneur-funder pairs revealed a patterned, interpretable logic for how South African early-stage ventures convert action into perceived fundability. Four empirical themes were identified – entrepreneurial actions that generate fundability signals; funder assessment criteria and mandate fit; misalignments and bridging mechanisms; and strategic sequencing for fundability – and together they directly answer the study's research questions (RQ1–RQ5).

This chapter, building on Chapter 2's lenses and the growth-stage framework, interprets the findings through three interacting signal portfolios: paper (documentation and formalisation), audience (mandate and metric fit), and human (learning orientation and coachability). For transparency and to preserve cohesion, each portfolio is explicitly tied to the study's propositions: paper → RQ1 and RQ3 (P1, P4); audience → RQ2 and RQ5 (P2, P6); human → RQ4 (P5). This structure enables systematic comparison with prior literature—confirmations, refinements, and contradictions—consistent with the GIBS guidance for a discussion chapter. (Connelly, Certo, Ireland, & Reutzel, 2011; Pollack, Maula, Allison, Renko, & Günther, 2021).

The purpose of this discussion is to interpret those findings, connect them to the theoretical lenses and growth framework, and show their implications for practice and research. To make the argument analytically visible, the discussion is organised around three integrated signal portfolios that emerged as the golden thread of fundability: the paper signal (documentation and formalisation), the audience signal (mandate-fit and metric-fit), and the human signal (learning orientation and coachability).

6.2 Assurance of rigour.

The interpretivist, **dyadic** design underpins the credibility of the interpretations advanced here. Eleven matched entrepreneur–funder cases allowed **within-case triangulation** of

signals sent and signals received before **cross-case synthesis**, while the saturation analysis documented that new codes tapered by the eighth dyad (sixteenth interview). Focusing on the existence and survival stages enabled stage-specific comparisons that aligned with the Churchill- Lewis lens in the literature review. The discussion therefore proceeds on a foundation that is theoretically guided and empirically saturated, supporting claims about how paper, audience, and human signals operate at the venture–funder interface.

6.3. The “paper” signal

Documentation as a non-negotiable proxy for discipline (RQ1 & RQ3; P1 & P4).

6.3.1 What the study found

At the first assessment, documentation and early formalisation emerged as threshold requirements for fundability across all dyads. Entrepreneurs who had maintained bank reconciliation management accounts, separated business and personal accounts, filed taxes, and memorialised customer commitments through simple contracts reported faster screening and higher approval odds.

Lenders and DFIs described “sloppy documentation” and inconsistent plans as decisive negative cues, reading them not as mere administrative lapses but as evidence of disorganisation and governance risk. Thin documentation often led lenders to judge even visible market activity as "opaque", thereby delaying or denying finance. Conversely, pairs in which the founders had modest but verifiable paper trails—bank-linked revenues, dated invoices, debtor ageing, and proof of compliance—progressed further and faster, even when absolute performance was still nascent. These patterns were most pronounced at the survival stage but were already salient for existence-stage cases that had begun trading.

The cases deepen the literature by showing how coachability interlocks with paper and audience signals. Bridge: when documentation is incomplete, a prompt, prioritise a short list of high-yield signals: separate accounts with monthly bank reconciliations, up-to-date management accounts, dated invoices and receipts linked to bank

deposits, simple contracts for repeat customers, Durability cue: funders extrapolate from the trial—if the founder adapts in diligence, they are more likely to adapt to market volatility. Thus, the mechanism is observable adaptive execution, which lowers both agency and execution risk.

6.3.2 Why this matters theoretically.

The finding engages with the signalling theory's core claim that, under high information asymmetry, receivers privilege signals that are costly to fake and easy to verify (Connelly, Certo, Ireland, & Reutzel, 2011). In South Africa's dual markets, "paper" signals—bank-reconciled deposits tied to invoices and enforceable contracts—carry a diagnostic weight precisely because they lower screening costs and compress agency risk for lenders and DFIs, which are organised around repayment capacity and enforceability (Arcuri & Levratto, 2020).

The result also elaborates the literature on investment readiness: how bootstrapping converts into bankable readiness is through "documentation discipline"—straight-through banking of sales, regular reconciliations, and simple unit-economics dashboards that reframe economical execution as cash-flow control (Fitzsimons, Hogan, & Hayden, 2023). Practice signals showing that local rejections cluster around documentation gaps further situate the finding in context (Finfind, 2025; FinMark Trust, 2024).

In terms of Entrepreneurial Action Theory (EAT), paper is not passive; it is produced by a sequence of actions—formalization, recordkeeping, and periodic review— that transform activity into signals legible to outsiders (Donbesuur, Boso, & Hultman, 2020; Duarte Alonso & Kok, 2021).

6.3.3 Comparisons, extensions, and mechanisms.

The interviews confirm prior work that links documentation to reduced risk but add an interpretive mechanism: documentation functions as a proxy for the founder's future discipline. Funder responses suggested that messy or inconsistent paper does more than undermine numbers; it undermines confidence in the founder's routines. That

inference aligns with audience-side logic in signalling theory: senders are judged not only on content but on what a signal reveals about hidden attributes— in this case, reliability and governance flow (Connelly et al., 2011; Pollack, Maula, Allison, Renko, & Günther, 2021).

The dyadic design strengthens this interpretation by pairing what founders believed they had signalled with how funders actually interpreted those signals. Entrepreneurs often framed paperwork as “bureaucracy” standing between traction and finance; funders reframed it as a credibility filter for judgement under uncertainty. This mechanism clarifies why even modest formalisation can shift a case materially at first assessment: it shows the presence of routines that will protect capital.

The result also extends stage-calibration arguments. At Existence, founders who banked even small pilot revenues and tied them to dated invoices and delivery notes created a documentary “spine” that lenders could follow; without that spine, otherwise promising pilots remained invisible to debt audiences. At Survival, the combination of monthly reconciliations, short debtor ageing, tax filings, and simple contracts became decisive first-screen signals. This stage-shift mirrors the Churchill and Lewis logic: as uncertainty migrates from problem-solution fit to execution and cash-conversion, funders seek paper evidence of control (Churchill & Lewis, 2002).

The interviews therefore substantiate P1 – that earlier formalisation lowers perceived agency risk – and P4 – that documentation discipline converts bootstrapping into bankable readiness – while answering RQ1 and RQ3 with a South Africa-specific mechanism: documentation shortens screening by translating informal trading into lender-grade evidence at low interpretation cost (Finfind, 2025; FinMark Trust, 2024; Fitzsimons et al., 2023).

6.3.4 Implications.

The “paper” signal is a threshold test. Without it, we are unlikely to see other strengths such as market interest, founder passion, and innovative product. With it, modest businesses can clear the first gate and move to deeper evaluation. Entrepreneurs should therefore prioritise a short list of high-yield signals: separate accounts with monthly bank reconciliations, updated management accounts, dated invoices and

receipts linked to bank deposits, simple contracts for repeat customers, and current tax filings. These are low-cost to generate relative to the value they unlock. Funders, especially those mandated by DFIs to expand inclusion, can reciprocally lower interpretation costs by publishing "first-assessment" artefact checklists that reflect these decisive items.

6.4. The “audience” signal: mandate-fit as the central point of leverage (RQ2 & RQ5; P2 & P6)

6.4.1 What the study found.

Beyond the threshold, outcomes depended on who received the signal. The interviews showed a systematic split across funder types. Banks and DFIs weighted hard information —cashflow reliability, enforceable customer agreements, and verifiable compliance – while angel investors and VCs weighted traction quality, growth efficiency, and evidence of adaptive execution.

Development-mandate funders further overlaid social outcomes (jobs, localisation) on financial viability. Many rejections in the dataset arose not from weak ventures but from signal–audience mismatch: founders presented “IP strength” arguments to development funders fixated on jobs; others offered early growth and retention to credit audiences who first needed bank-reconciled income and documented working-capital discipline. Sequencing also mattered: several founders attempted to leap to large, equity-style raises before establishing paper-grade evidence of repeatable cash conversion.

6.4.2 Why does this matter theoretically

These patterns confirm and extend the literature that investor decision criteria diverge predictably based on audience (Gompers, Gornall, Kaplan, & Strebulaev, 2020; Rao, Kumar, Chavan, & Lim, 2023). Signalling theory anticipates this: signal efficacy is receiver- and context-dependent (Connelly et al., 2011). The SME growth framework clarifies when different audiences expect what.

At the existence stage, equity audiences are okay with temporary weakness as long as the MVP evidence and learning speed are satisfactory. Lenders, in contrast to other audiences, have different expectations. At the survival stage, lenders want cash-flow

visibility and governance hygiene; equity now expects growth efficiency and emerging control systems (Churchill & Lewis, 2002; Pollack et al., 2021). The South African boundary conditions sharpen these differences because dual markets and infrastructure gaps raise verification costs for banks and DFIs, increasing their reliance on solid evidence (FinMark Trust, 2024; Finfind, 2025).

6.4.3 Comparisons, extensions, and mechanisms.

The dyadic cases add granularity to the investor-type split by surfacing a third, distinctive audience—the mission-driven DFI—with criteria neither identical to banks nor VCs. DFIs in the sample combined cash-flow discipline with explicit mandate metrics (employment, localisation, inclusion), sometimes rejecting otherwise attractive equity-style growth stories that could not document credible delivery on development outcomes at low interpretation cost. This tripartite landscape - bank, DFI, and equity - generates novel points of failure, as a founder may simultaneously misalign with two distinct audiences. The analysis therefore extends RQ5 to a South Africa-specific boundary condition and substantiates P6: targeted signalling that matches the mandate increases approval odds and reduces decision time.

The interviews also suggest a directional logic: the paper signal answers “Can you play?”; the audience signal answers “are you playing on the right field?” Founders who cleared the paper threshold but then pitched the wrong story to the wrong audience were assessed as irrelevant rather than undisciplined. That distinction is relevant for action. Audience-fit entails tailoring both metrics and narrative to the receiver’s risk model: for banks/DFIs, documentary evidence of recurring cash conversion (e.g., debtor ageing, reconciled deposits, enforceable orders) and compliance signals are foregrounded; for angel investors/VCs, paid pilots, cohort retention, channel acquisition cost trajectories, and unit-economics momentum dominate.

When founders anticipate sequential financing (debt now, equity later), hybrid portfolios – retention + reconciled revenues; MVP uptake + contracts – travel across audiences and stages and thus compress time to capital (Rao et al., 2023; Pollack et al., 2021).

Finally, boundary conditions in sectors, network access, and infrastructure mediate audience fit. Capital-intensive sectors with longer payback windows raised lender caution; founders with deeper networks accessed advisory input that improved mandate fit; and infrastructure constraints (e.g., cash-heavy trading with poor digital rails) increased the cost of producing lender-grade evidence. These contingencies validate RQ5 and reinforce the literature that context shapes both feasibility and observability of signals (Ullah, 2020; Schade & Schuhmacher, 2022).

6.4.4 Implication.

Audience-fit is a directional test: once the paper is in place, founders must tailor the metric mix and storyline to the receiver. Practically, this implies pre-screening funders by mandate, curating evidence sets accordingly, and sequencing approaches: first clear thresholds with bank-reconciled cash-flow proof and compliance signals; then approach development funders with a simple, credible jobs-logic; and, where appropriate, present equity audiences with growth-efficiency trajectories and coachability signals (iteration logs, learning reviews). In short, who you send the signal to is as important as what you send.

6.5. The “human” signal: coachability as a tested indicator of lower execution risk (RQ4; P5)

6.5.1 What the study found.

When the paper was imperfect and the audience fit was incomplete—as is often the case in early stages—funders shifted their weight to an interpretive cue centred on the founder: coachability. Investors described actively testing responsiveness to feedback during screening: providing pointed critique or simple requests (e.g., “reconcile last three months”, “tighten debtor ageing”, “clarify unit economics”) and observing whether founders returned promptly with improved signals and clearer logic. Entrepreneurs who did so were deemed investable despite gaps; those who were defensive or slow lost momentum. Founders, in turn, reported that early advisory relationships, disciplined post-mortems, and visible changes to routines after feedback

were instrumental to positive decisions. This human signal was strongest with equity audiences but mattered for DFIs and banks when documentation was not yet perfect.

6.5.2: Why does this matter theoretically?

EAT emphasises that entrepreneurship under uncertainty is a sequence of actions and learning, not a static trait; learning-oriented actions – rapid iteration, error mastery, resource holder engagement – change outcomes by changing what the founder does next (Donbesuur et al., 2020; Duarte Alonso & Kok, 2021). Recent strategy work on dynamic capabilities echoes this concept by highlighting “learning orientation” and “update speed” as proxies for execution under volatility (Jansen, Heavey, Mom, Simsek, & Zahra, 2023). The interviews translate this abstract capacity into a tested signal. In signalling terms, coaching becomes credible not because the founders claim it but because investors create a low-cost trial—a request or critique— and evaluate the observed response. Under uncertainty, such trials are informative because they reveal how a founder will behave when reality departs from plan. The mechanism addresses RQ4 directly: coachability changes investor assessment of execution risk because it is an observable and repeatable test of adaptability.

6.5.3 Comparisons, extensions, and mechanisms.

The cases deepen the literature by showing how coachability interlocks with paper and audience signals.

First, it functions as a **bridge** when documentation is incomplete: a responsive founder who promptly produces reconciliations or clarifies unit economics after critique shows governance discipline in the making.

Second, it functions as a **translator** when audience fit is off: founders who take mandate feedback, recast their evidence, and return with a better-matched portfolio demonstrate the capacity to "read the room," which reduces interpretation risk and builds cooperative intent.

Third, it functions as a **durability cue**: investors extrapolate from the trial to future behavior—if the founder adapts to diligence, they are more likely to adapt to market volatility.

This triangulation substantiates P5 and explains why several dyads reported approvals after an initially weak showing once founders demonstrated disciplined, teachable change (Jansen et al., 2023; Pollack et al., 2021). In short, coachability is not a "soft extra"; it is a hard, non-negotiable indicator of lower agency and execution risk in settings characterised by uncertainty and thin information.

6.5.4 Implications.

Founders should formalise the learning orientation into visible routines: scheduled advisory reviews, short pivot memos that record hypotheses and outcomes, monthly KPI check-ins, and pre- and post-mortems for failed tests. These signals make adaptability observable. Funders can complement such practices by standardising feedback loops during screening and explicitly rewarding responsive iteration. The result is a cooperative testing environment in which human signals systematically offset temporary deficits in paper or audience fit.

6.6. Synthesis: how the three signals interact

A staged, portfolio model of fundability.

Taken together, the findings specify a staged portfolio model. At Existence, the minimum viable portfolio contains (i) early paper (banked pilot revenue tied to dated invoices and receipts); (ii) audience-fit traction metrics (paying pilots and early retention for equity audiences, verifiable receipts for debt audiences); and (iii) human signals (iteration logs and responsiveness to feedback).

At Survival, the centre of gravity shifts towards (i) heavier paper (monthly reconciliations, debtor ageing, taxes, simple contracts); (ii) audience-fit growth or cash-flow metrics; and (iii) human flow (governance meetings, KPI reviews, coachable engagement with mentors and financiers).

This staged shift aligns with the Churchill and Lewis framework and links EAT to signalling logic: actions produce signals whose diagnostic value changes by stage and audience (Churchill & Lewis, 2002; Pollack et al., 2021). The interviews thereby confirm P1–P6 as an integrated system: early formalisation lowers agency risk (P1); MVP traction raises interest with audience-specific metrics (P2); minimal governance flow with complementary

teams lowers execution risk (P3); documentation discipline converts bootstrapping into readiness (P4); coachability improves conversion under uncertainty (P5); and mandate-matched signalling shortens decision time (P6).

6.7 Explaining the readiness misalignment.

The readiness–governance misalignment observed in South Africa is explained by a combination of (i) high verification costs in dual markets and (ii) founders' under-supplying paper that travels across debt audiences; (iii) founders over-supplying generic traction narratives to the wrong audiences; and (iv) insufficiently visible learning orientation. The dyadic evidence indicates that many applicants are “quality ventures with invisible signals.” The remedy is not only more capital supply but also better translation of action into audience-fit, low-cost signals—beginning with paper, tailored by the audience, and bridged by human flow (Finfind, 2025; Connelly et al., 2011).

6.8 Alignment with and extension of prior scholarship.

The findings of this study line up with other MSME research that highlights the importance of documentation and access that's dependent on context. But this study adds a new layer by looking at how the paper, audience, and humans interact – like a portfolio rather than just individual signals. By focusing on the relationship between entrepreneurs and funders, the research shows that "readiness" is something that's shaped by relationships and tweaked at the point of interaction.

The finding helps explain why just listing barriers doesn't fully capture how outcomes are achieved without considering how things are translated. The study also puts into perspective the hype around digital-only underwriting. Even though using alternative data cuts down on screening costs, lenders still use a mix of documentary and behavioural signals to stop people from manipulating the system or getting off track—especially in situations where there's a mix of formal and informal trading. (Berg, Burg, Gombović, & Puri, 2020). OBJOBJ

6.9 Practical implications

6.9.1 For founders.

Prioritise a paper-first readiness path: separate accounts; reconcile monthly; maintain debtor ageing; memorialise repeat customers with basic contracts; keep tax filings current. Build a hybrid evidence set when sequencing finance – pair equity-salient traction (paid pilots, retention) with debt-salient signals (reconciled deposits, contracts). Make learning observable by recording iterations, advisory input, and post-mortems. These routines are inexpensive relative to approval odds; they shift (Fitzsimons et al., 2023; Pollack et al., 2021).

6.9.2 For funders.

Publish concise first-assessment checklists; clarify the metrics for mandates (jobs and localisation); and specify acceptable substitutes for thin audit histories, such as bank feeds, POS summaries, and verified platform data. Institutionalise feedback trials—short, time-bound requests with diligence that make coachability observable and reward responsive iteration. Where audit histories are thin, accept **verified substitutes** (bank feeds, POS exports, platform ledgers) to surface quality ventures masked by opacity (Finfind, 2025; FinMark Trust, 2024).

6.10. For ecosystem and policy actors.

Support low-cost bookkeeping and contract templates targeted at existence/survival stages; promote digital rails that reduce the cost of bank-grade evidence; and expand readiness clinics co-designed with credit managers and DFI officers, where entrepreneurs practice assembling mandate-fit portfolios before application. These interventions directly address the misalignment identified by the dyadic cases and the practitioner datasets.

6.11. Theoretical contributions

First, the study integrates EAT with signalling logic through a stage-based lens, specifying how concrete behaviours (formalisation, documentation, flow, iteration) are translated into audience-fit signals that move receiver beliefs at Existence and Survival.

Second, it advances the argument that the audience is endogenous: actions change outcomes only when composed into portfolios interpretable at low cost by specific funders (Connelly et al., 2011; Pollack et al., 2021).

Third, it positions coachability as a tested signal that receivers actively elicit in diligence, thereby shifting the human dimension from “soft trait” to “hard evidence” of lower execution risk (Jansen et al., 2023).

Fourth, by using the entrepreneur–funder dyad as the unit of analysis, the study indicates that readiness is relational: misalignment is produced at the interface and must be studied there to reveal translation mechanisms.

Together, these contributions extend stage-calibrated signals in emerging markets and sharpen the micro foundations of fundability in South Africa.

6.12. Limitations and future research

The interpretivist, multiple-case design seeks analytical generalisation rather than statistical inference. Sectoral composition and geographic concentration may limit transferability to capital-intensive industries or rural contexts with weaker financial rails. Finance providers willing to be interviewed may also differ from the broader population of gatekeepers. Future work can test the paper–audience–human model with larger samples, quantify effect sizes for specific signals (e.g., probability-of-approval shifts when debtor ageing is present), and examine FinTech-enabled “digital exhaust” as substitute signals where bank histories are thin. Experimental studies could further formalise coachability trials with diligence to estimate predictive validity for post-funding performance (Rao et al., 2023; Bhattacharyya & Subrahmanya, 2024).

6.13. Concluding integration

The evidence demonstrates that entrepreneurial actions increase perceived fundability when translated into paper that travels, tailored to the audience that interprets it, and reinforced by human routines that display disciplined learning. Existence and Survival—where verification costs and agency risk dominate—these portfolios provide a practical, low-cost route to closing South Africa’s readiness-governance gap. The analysis thereby answers the overarching research question

and its sub-questions while advancing propositions P1–P6 as a coherent, staged programme for entrepreneurs, funders, and ecosystem actors seeking to bridge the funding gap for start-ups and SMEs.

Chapter 7: Conclusions and Recommendations

7.1 Introduction

This study investigated the persistent "readiness-governance misalignment" that prevents viable South African Small and Medium Enterprises (SMEs) from securing capital, particularly during the critical "Existence" and "Survival" stages (Churchill & Lewis, 2002). The primary purpose was to identify which specific entrepreneurial actions (EAT), when translated into credible, "audience-fit" signals (Signalling Theory), increase an entrepreneur's perceived fundability in this high-asymmetry, high-screening-cost environment.

Employing a qualitative, dyadic research design with 11 matched pairs of entrepreneurs and funders (banks, DFIs, and VCs), the analysis confirmed that this misalignment is fundamentally a *translation failure*. The principal finding of this study is that fundability is co-constructed and demonstrated through an actionable "Three-Signal Portfolio.". This portfolio consists of:

1. **'Paper' Signals:** Verifiable documentation (e.g., "spotless books") that acts as a non-negotiable proxy for founder discipline.
2. **'Audience' Signals:** The (mis)match between a venture's metrics (e.g., "IP") and a funder's specific mandate (e.g., "jobs").
3. **'Human' Signals:** Observable traits, primarily "coachability", which funders actively test to de-risk execution.

This final chapter synthesises the results by looking at each research proposition. It then outlines the study's theoretical, managerial, and policy contributions before providing actionable recommendations for entrepreneurs, funders, and ecosystem actors. Finally, it addresses the study's limitations and provides concluding remarks that link back to the research problem, closing the "golden thread" of this dissertation.

7.2 Consolidated Summary of Findings

The findings from the 22 dyadic interviews directly answer the research questions (RQ1-RQ5) by confirming the propositions (P1-P6) set forth in Chapter 3.

P1: Early formalisation lowers perceived agency risk (RQ1). The findings were unequivocal: "paper" signals are a non-negotiable threshold for all funders, especially banks and DFIs. Early formalisation (tax registration, separate business accounts) and documentation discipline (bank-reconciled management accounts) were not seen as mere bureaucracy. Funders interpreted these artefacts as a credible, costly signal of the founder's discipline, professionalism, and stewardship, thereby lowering perceived agency risk at first glance.

P2: Traction metrics are audience-specific (RQ2). The data confirmed that "traction" is not a universal signal. A primary driver of misalignment was a mismatch in metrics. Banks and DFIs looked at the borrower's ability to pay back the loan, the strength of the cash flow signals, and the ability to enforce the loan (for example, by reconciling receivables and signing contracts). On the other hand, VCs and angel investors, who are more interested in growth, looked at signs of market validation and scalability, such as paying pilots, keeping cohorts, and unit economics.

P3: The frequency of governance and the presence of complementary expertise lower the risk of execution (RQ4). Beyond the founder, funders assessed the "human" signal of the wider team. Ventures with complementary skills (e.g., a "scientific" and a "commercial" founder) and a minimal governance cadence (e.g., advisory inputs, periodic performance reviews) were perceived as having lower execution risk. These indicators signalled that a decision-making process was in place, reducing dependence on a single founder.

P4: Bootstrapping + documentation converts effort into bankable readiness (RQ3). This study resolves a key tension for early-stage ventures. Bootstrapping alone (relying on informal capital) was often considered a red flag, signalling opacity. However, when bootstrapping was paired with rigorous documentation discipline (P1),

it was successfully *translated* into a positive signal of "bankability readiness," demonstrating resourcefulness and a proven ability to manage cash flow.

P5: Coachability is a *tested* human signal (RQ4). The "human" signal of coachability emerged as a critical, non-negotiable finding. Funders (especially VCs) reported that they *actively test* for it during due diligence (e.g., by providing feedback and observing the entrepreneur's response). A founder's willingness to learn and iterate was used as a powerful proxy for "adaptive execution" under volatility. This signal acted as a bridge, mitigating gaps when "paper" signals were imperfect.

P6: Mandate-matched signalling shortens decisions (RQ5). The findings confirmed that signal-audience mismatch is a primary rejection driver. Ventures were rejected not for being "bad businesses" but for "pitching to the wrong audience." Entrepreneurs who successfully tailored their evidence portfolio to a funder's specific mandate (e.g., highlighting "jobs created" for a DFI) reduced interpretation costs and accelerated the decision to fund.

7.3 Contributions of the Study

This research makes distinct contributions to theory, practice, and policy.

7.3.1 Theoretical Contribution

This study makes four key theoretical contributions at the intersection of Entrepreneurial Action Theory (EAT), signalling theory, and SME growth frameworks:

1. **I**ntegrates action, signals, and stage: it provides a mechanism that links EAT (actions like formalisation) with signalling theory (receiver interpretation) through the Churchill & Lewis's (2002) growth lens. It specifies *how* concrete behaviours are translated into audience-fit signals that are diagnostic at the "Existence" and "Survival" stages.
2. Proves Receiver Endogeneity: The study provides strong empirical evidence that a signal's value is *endogenous* to the receiver. It moves beyond generic

"quality signals" to specify audience-fit portfolios for banks, DFIs, and VCs in an emerging market, answering calls from scholars like Pollack et al. (2021).

3. Reframes "coachability" as a tested signal: It operationalises the "human" signal, recasting coachability from a static, "soft" trait into a tested, observable behaviour that funders actively elicit during diligence to lower perceived execution risk (Jansen et al., 2023).
4. **Validates the Dyadic Method:** By using the entrepreneur-funder dyad as the unit of analysis, this study demonstrates that "readiness" is not a static firm attribute but a *relational* and co-constructed phenomenon. This method reveals the *translation friction* at the interface, which single-actor studies cannot capture.

7.3.2 Managerial and Practical Contribution

For entrepreneurs and funders, the primary contribution is the actionable **"Three-Signal Portfolio" (Paper, Audience, Human)**. This framework serves as a practical diagnostic tool:

- **For Entrepreneurs:** It provides a low-cost, high-yield pathway to fundability. It prioritises a "distinction list" of essential "paper" signals (e.g., reconciled accounts), clarifies the different "languages" that funders speak (e.g., banks' "language of risk" vs. VC's "language of growth"), and highlights the critical, testable nature of the "human" signal.
- **For Funders:** The framework identifies key inefficiencies in the screening process. It supports the value of publishing "minimal artefact checklists" (for "paper" signals) and institutionalising structured "feedback trials" (for "human" signals) to surface high-potential ventures more accurately and reduce the risk of false negatives.

7.3.3 Policy Contribution

For ecosystem actors (e.g., SEDFA, incubators, and development agencies), this research identifies a critical point of leverage. The "readiness-governance gap" is a *translation* failure, not just a skills gap. Policy interventions should therefore focus on:

- **Teaching Translation:** Incubator and accelerator programmes should teach *documentation discipline* and *mandate-fit* as core skills, moving beyond generic pitch coaching.
- **Lowering Translation Costs:** Policy actors can subsidise the "paper" gap at scale by funding shared bookkeeping services or templates for early-stage ventures.
- **Improving Signal Infrastructure:** Supporting transparent matching platforms where funders *explicitly* state their mandate metrics (the 'Audience' signal) can systemically reduce mismatches and friction.

7.4 Recommendations

Based on the findings, the following actionable recommendations are proposed for the study's key stakeholders.

7.4.1 For Entrepreneurs (SME Owners/Founders)

1. **Institutionalise "Paper" Signals from Day One.** Prioritise documentation discipline as a core entrepreneurial action, not an administrative afterthought. Please open a separate business bank account at your earliest convenience. Maintain clean, bank-reconciled monthly management accounts. Please ensure that invoices are dated and taxes are filed promptly. This requirement is a non-negotiable "ticket to the game".
    - *Linked to: P1, P4; Themes: T1, T3; RQs: RQ1, RQ3* (Finfind, 2025; Fitzsimons et al., 2023).
2. **Engineer "Audience-Fit" for Every Funder.** Avoid a one-size-fits-all pitch. Research each funder's mandate. For banks/DFIs, foreground enforceability and cash-flow coverage (reconciled recurring revenue, signed contracts). For VCs/Angels, foreground validation and growth efficiency (paying pilots, cohort retention, unit economics).
    - *Linked to: P2, P6; Themes: T2, T4; RQs: RQ2, RQ5* (Pollack et al., 2021).

3. **Make the "Human" Signal Observable.** Demonstrate coachability. When a funder provides you feedback, treat it as a test. Respond promptly, incorporate the feedback, and show your work. Keep short "iteration memos" or advisory notes to make your learning process visible.
    - *Linked to: P3, P5; Themes: T1, T3; RQ: RQ4* (Jansen et al., 2023).

7.4.2 For Funders (Banks, DFIs, Angels/VCs)

1. **Adopt a Minimum Viable Artefact (MVA) Checklist.** Publish a simple, public checklist of the *exact* "paper" signals required to pass the first assessment (e.g., "last 3 months' reconciled management accounts"). Specify acceptable verified substitutes for thin audit histories (e.g., POS exports, verified platform ledgers).
    - *Linked to: P1, P4; Themes: T1, T3; RQs: RQ1, RQ3* (Finfind, 2025).
2. **Standardise "Coachability Trials" in Diligence.** Formalise the "human" signal test. Issue short, time-bounded requests (e.g., "restate your unit economics with these assumptions") and explicitly reward responsive, high-quality iteration in your scoring. This de-risks execution and surfaces adaptable founders.
    - *Linked to: P5; Themes: T3; RQ: RQ4* (Jansen et al., 2023).
3. **Make the "Audience" Lens Explicit.** Please ensure transparency regarding your mandate metrics. Screening templates and public-facing websites should clearly state the "language" you speak (e.g., "We fund job-creating ventures," "We look for 10x growth potential," "We require 1.2x cash-flow coverage"). These steps will reduce your intake of mismatched applications.
    - *Linked to: P2, P6; Themes: T2; RQs: RQ2, RQ5* (Connelly et al., 2011).

7.4.3 For Ecosystem and Policy Actors (e.g., SEDFA, Incubators)

1. **Fund Shared "Paper" Services.** Subsidise bookkeeping "pods" or "clinics" that provide low-cost, templated monthly reconciliation and management accounts for cohorts of Existence/Survival stage SMEs. This proposal is a scalable intervention that directly solves the P1/P4 problem.

    - *Linked to: P1, P4; Themes: T1, T3; RQs: RQ1, RQ3* (Finfind, 2025).
2. **Build Transparent Matching Infrastructure.** Develop and promote platforms that explicitly list funders' mandate metrics and guide entrepreneurs in building audience-fit portfolios. This measure directly addresses the P2/P6 mismatch.
    - This information is linked to P2 and P6, with themes including T2 and research questions RQ2 and RQ5 (FinMark Trust, 2024).
3. **Design "Coachability" into Training.** Incubator curricula should require founders to engage in structured feedback. Mandate quarterly advisory reviews, "pivot memos", and "diligence simulations" with real investors to train founders in the *action* of responding to structured critique.
    - *Linked to: P3, P5; Themes: T3; RQ: RQ4* (Jansen et al., 2023).

7.5 Limitations and Directions for Future Research

This study's qualitative, dyadic design provided depth and revealed relational mechanisms, but it has inherent limitations that offer clear directions for future research.

- **Generalisability:** The findings support *analytical* generalisations (extending to theory) rather than statistical generalisations. The 11-dyad sample, while saturated, cannot represent the entire South African SME ecosystem, particularly ventures in rural areas or the purely informal sector that may never reach a formal funder interface.
- **Retrospective Accounts:** The study relies on participants' retrospective accounts of funding engagements. While the dyadic design mitigates this by capturing two perspectives on the same event, recall bias may still be present.
- **Sample Selection:** By design, the study captured ventures that reached a human assessment interface. It under-represents ventures desk-rejected by automated FinTech algorithms.

7.5.1 Future research should build on these findings:

1. **Quantitative Testing:** A larger, quantitative study could test the predictive power of the "Three-Signal Portfolio" on funding approval odds and amounts.
2. **Experimental Design:** Future studies could use experimental designs to formalise "coachability trials" and test their predictive validity based on post-funding venture performance.
3. **Investigating "Digital Exhaust":** Research is needed to explore whether "digital exhaust" (e.g., platform/bank feeds, mobile money records) can act as a *verified substitute* for traditional "paper" signals for thin-file ventures and how funders can use this data without increasing fairness and model-drift risks (Berg et al., 2020).

7.6 Academic Closure (Addressing the Chapter 1 Gap)

Chapter 1 identified a critical gap: while theory established *that* entrepreneurial action, signals, and stage-gates mattered, the *mechanism* of *how* these elements interact at the venture-funder interface in an emerging market was under-specified. This dissertation addressed that gap by providing the mechanism: the **Three-Signal Portfolio**. It demonstrates *how* founders translate abstract actions (EAT) into legible, credible signals (signalling theory) that are weighted differently by "audience" (banks, DFIs, VCs) at specific "stages" (existence, survival). The study concludes that fundability is a relational, co-constructed outcome, not a static attribute, and that the "readiness-governance gap" is, at its core, a *translation failure*.

7.7 Golden Thread Conclusion

The purpose of this research was to address the practical problem of the "readiness-governance misalignment" that stifles SME growth in South Africa. The findings and propositions (P1–P6) jointly demonstrate that early formalisation ("paper"), audience-fit traction ("audience"), and testable coachability ("human") materially improve funding conversion when composed and sequenced by stage.

This study concludes that this misalignment is not an unbridgeable chasm but a solvable translation problem. When entrepreneurs deliberately assemble this Three-Signal Portfolio, and funders, in turn, become more transparent in their criteria, the gap narrows. The "Three-Signal Portfolio" is therefore both the theoretical synthesis of this study and a practical programme for unlocking capital for the next generation of South African entrepreneurs.

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Surname:	Mathebula	Initials:	MD
Student number:	24082199		
Email:	24082199@mygibs.co.za		
Phone:	072 266 2037		

Qualification details			
Degree:	MBA	Year completed:	2025
Title of research:	Bridging the Funding Gap: The Role of Entrepreneurial Action in Securing Capital for Start-ups and SMEs		
Supervisor:	Jordaan Jacobs		
Supervisor email:	jordaan@esronprojects.com		

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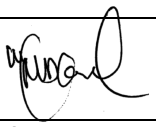
Signature: 	Date: 14 November 2025
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