

Fundraising for Startups, Investing Resources, Business Growth, and Exit Strategies

DOI: <https://doi.org/10.5281/zenodo.18368337>

ORCID:  <https://orcid.org/0009-0006-6170-5532>

Citation: Virgen, M. (2025). Fundraising for Startups, Investing Resources, Business Growth, and Exit Strategies. Fundraising for Startups, Investing Resources, Business Growth, and Exit Strategies. <https://doi.org/10.5281/zenodo.18368337>

Fundraising is a common first step in bringing an entrepreneurial vision into reality. Fundamentally, fundraising includes getting funding to cover startup costs, product development, operations, and initial market entry. Some entrepreneur usually start with friends and family, and reach out to personal networks for seed capital that comes flexible terms. As the startup scales and grows, and has a stream of revenue, entrepreneurs would then usually attempt their chances at getting funding from an angel investors and venture fund to scale and further grow their business. Some investors mentorship and business acumen beyond just funding. Some founders skip fundraising through friends and family, or crowdfunding and go directly to attempting to raise capital from investors. Investor influence, providing resources and credibility, is critical for success (Siddik, A. et al., 2024). For some founders, a small business is not in their vision and from the start they have a plan to exit through an initial public offering (IPO) and so gaining investor capital is essential from the beginning. Institutional venture capital follows once a startup shows product-market fit and a clear path to rapid growth.



These investment rounds require more formal financial sheets, and valuation negotiations that reflect both current performance and future up-side potential. Gaining the first investor can be the most challenging, but after a startup receives funding, it can create a herd type of affect where other investors feel like they might miss out if they do not invest. For instance, OpenAI raised over \$11.3 billion largely due to strong investor networks, while smaller startups have struggled to secure significant funding without similar backing (Siddik, A. et al., 2024). Investor influence significantly impacts the total funding received by startups, indicating that investor networks likely facilitate access to resources, enhance credibility, and attract additional funding. They also provide mentorship and strategic guidance, helping startups scale effectively (Siddik, A. et al., 2024).

Although there are other means of gaining funding, such as personal funding, bank loans, credit cards, revenue based lending, government grants, and crowdfunding, It would seem that although gaining investor capital might be difficult, it can be the most rewarding since it also brings additional resources and credibility beyond just funding. There are opportunities as well as challenges for project initiators as well as for crowd-investors, if they are considering equity crowdfunding, peer-to-peer (P2P) lending and rewards-based crowdfunding platforms, among others, to raise awareness about their projects and to access finance from crowd-investors (Camilleri, M. A. et al., 2024).

In the early stages of a startup, founders may be wary of providing details of their intellectual properties, as they may be concerned that someone could steal their ideas,

innovations and projects. As a result, Investors of crowdfunded projects may not always have adequate and sufficient information on the borrowers of finance, as crowdfunding platforms may not exercise thorough due diligence on their users (Camilleri, M. A. et al., 2024). Crowd funding may seem like a great way to raise capital and many entrepreneurs are successful using this route. However, If the set funding goal is not met, they will not receive any funds for their project, making it a risky way to attempt to raise capital. As an entrepreneur with an idea it can be easy to be clouded with the idea of a successful startup. Hence, using ones own funds and getting a loan for a startup idea can be risky. However, with investor funding a founder can then have the support and reassurance that their business plan is viable with scalability potential.

Whether a founder is seeking funding through loans, credit cards, friends, family, bootstrapping, crowdfunding, government grants, or investors, one thing remains certain. Early-stage external investments are especially important for the growth and survival of new ventures (Esposito, C. D. et al., 2024). Some Veteran founders may find a niche in government grants if their startup is in a specific industry such as health or technology. Governments tend to direct funds to “future technologies” to generate positive externalities resulting from innovative activity (e.g., increase in diversity, competition, and economic growth) (Esposito, C. D. et al., 2024). Hence, although there is not a one shoe fits all approach to raising funds, entrepreneurs should conduct their research to find out what programs are available to them and their specific industry.

Investing

Once startup funding capital is obtained, effectively investing the funds becomes important to successfully scale and grow while keeping funds for unforeseen expenses. This is where a previously developed financial plan and marketing plan may come into play. By having a plan on where the funds are going to be spent founders can allocate and disperse their company funds effectively.

Startup ventures need to then use their resources across key functions in development, marketing, and operations based on the businesses priorities in order to ensure resources push forward innovation without over leveraging. Operational and hiring investments require careful workforce planning to avoid a large payroll in order to avoid problems with paying employees or becoming severally cash strapped.

Beyond internal allocations, some firms choose strategic investments in adjacent startups or technologies, forming partnerships that can accelerate time to market or open new channels. Each investment decision must be traced back to an expected return or break even point. This can be in customer growth, margin improvement, or market expansion. With clear set benchmarks and regular reviews founders can be better positioned to reallocate funds if results fall short.

Growth

Growth is the lifeblood of any venture with a large upside, but growth that comes too fast without the proper measures in place can undermine long-term sustainability. The need for firms to satisfy consumer demands by offering products/services. This includes considerations of quality, technology, support during and after purchase, and accurate information about products/services (Lulaj, E. et al., 2024). As a venture scales and grows it then becomes essential for the business to care for its customers in order to retain customers to have them purchase again and to also spread a positive word of mouth about their experience. Companies typically pursue a blend of organic and inorganic strategies to further growing their business.

Organic growth entails deepening penetration in existing markets by enhancing product features, improving customer experience, and optimizing pricing models. Inorganic growth—through mergers, acquisitions, or strategic alliances can accelerate market entry, acquire new capabilities, or eliminate competitors. However, a merger with another company can bring on unforeseen risks and complications with new software and new possible work culture differences.

Regarding speed in purchasing the product/service through consumers, for businesses to have a sustainable profit, they must build customer loyalty for products/services by offering consumers the opportunity to have speed during their purchase. Speed in purchase has a decisive influence on the perceptions and behaviors of potential customers to purchase products/services and also in business profit growth (Lulaj, E. et al., 2024). Hence, businesses need to ensure they build their logistic operations as they grow. For example, if a startup starts off from an at home kitchen making syrup with just the founder, friends and family, as the business grows the founder will need to ensure they also grow their operating and logistics space to meet the new demands of their growing business. Ultimately, sustainable growth requires a mixture of data-driven experimentation, small bets, and the agility to double down on winning initiatives while eliminating underperforming ones.

Exit Strategies

Finally, An exit strategy is essential for founders and investors to have a clear idea and goal of where the company intends to go as they successful achieve their scaling and growing metrics. The venture capital process involves fundraising, investment and disinvestment. Each decision within the venture capital process undergoes a thorough evaluation. The exit decision holds significant importance for VCs, as a well-planned and effective decision for both entry and exit can greatly enhance the potential for higher returns (Zuo, S. et al., 2025). The exit is where the founders and investors gain the most returns on their risk and effort on pursuing their startup venture. The most common type of exit is an initial public offering (IPO). Having a successful IPO requires readiness and strict financial controls and governance structures.

Many startups, however, find strategic acquisition by a larger corporation more achievable. Acquisitions can offer founders an immediate payout without the long waiting period and procedures that come from an IPO. An exit can be a long process with plenty of paperwork, but if founders plan early, have proper corporate governance, and a strong financial reporting team, they can find it easier to go through the demands of potential acquirers or public market regulators that are required when taking a company public. In conclusion, by aligning fundraising choices with investment priorities, properly leveraging growth factors without growing too fast, and planning a clear exit strategy, founders and investors increase their probabilities of building long standing and rewarding companies.

References:

Siddik, A. B., Li, Y., & Du, A. M. (2024). Unlocking funding success for generative AI startups: The crucial role of investor influence. *Finance Research Letters*, 69. <https://doi.org/10.1016/j.frl.2024.106203>

Camilleri, M. A., & Bresciani, S. (2024). Crowdfunding small businesses and startups: a systematic review, an appraisal of theoretical insights and future research directions. *European Journal of Innovation Management*, 27(7), 2183–2209. <https://doi.org/10.1108/EJIM-02-2022-0060>

Esposito, C. D., Szatmari, B., Sitruk, J. M. C., & Wijnberg, N. M. (2024). Getting off to a good start: emerging academic fields and early-stage equity financing. *Small Business Economics*, 62(4), 1591-1613. <https://doi.org/10.1007/s11187-023-00816-9>

Lulaj, E., Dragusha, B., Hysa, E., & Voica, M. C. (2024). Synergizing Sustainability and Financial Prosperity: Unraveling the Structure of Business Profit Growth through Consumer-Centric Strategies—The Cases of Kosovo and Albania. *International Journal of Financial Studies*, 12(2), 35. <https://doi.org/10.3390/ijfs12020035>

Zuo, S., & Wang, H. (2025). Optimal venture capital entry–exit strategy with jump–diffusion risk. *North American Journal of Economics and Finance*, 76. <https://doi.org/10.1016/j.najef.2024.102359>

-Miguel Virgen, PhD Student

Further Responses and Discussion:

Miguel, your discussion review was comprehensive, and I enjoyed reading your review point on fundraising. Fundraising is both foundational and strategic in

launching and scaling a startup. What stood out most in your post was the emphasis on not just capital but also on mentorship, credibility, and investor networks as essential ingredients for long-term success.

Raising initial capital from angel investors, friends, and family provides flexibility and early experimentation. Khan et al. (2025) outline the connection between financial development and venture capital fundraising and how the relationship varies by institutional quality. The use of a dataset spanning thirty-one countries between 2005 and 2017, employing a two-step generalized method of moments (GMM) estimation technique. Financial development is comprised of two key components: financial markets and financial institutions. Both have a significant positive effect on venture capital fundraising. The data showed that the shift occurs with institutional quality among countries that have robust legal frameworks.

I appreciated your attention to alternative funding sources, such as equity crowdfunding and government grants. These alternate channels are gaining credibility, particularly for founders from marginalized or underrepresented communities. An example is the use of digital platforms, which have become and continue to be a significant factor in how individuals find material and emotional support for their healthcare needs. Author Davis et al. (2023) review the disparities that exist among Charitable crowdfunding platforms, such as GoFundMe (GFM), which allows individuals, families, and organizations to create fundraising campaigns for various reasons, including raising capital that is distributed and accessible via social media for medical expenses. GoFundMe campaigns have processed billions of dollars in transactions, with an estimated 90% share of the market coming from the United States, as it has become an increasingly prominent hub in digital health ecosystems. This platform also represents a disposition of inequity among racial and gender divides. Medical crowdfunding continues to influence how Americans access financial support beyond insurance coverage for acute and chronic health crises. While the industry remains unregulated, there are calls to strengthen the oversight of medical crowdfunding platforms so that the benefits and equality in crowdfunding for medical costs are more equitable among users.

Entrepreneurship development is high on the agenda of policymakers worldwide. Supporting new startups entails providing them with external finance. It is evident in countries that currently lack existing venture capital markets despite having strong economies, such as those in Europe. (Bellucci et al. 2023). In Europe, startups seeking access to funding are considered a significant bottleneck to innovation and growth. To address these concerns, policymakers have developed new funding instruments and allocated substantial funds to bridge the gap and secure the necessary financial resources for commercial technologies and products.

Overall, there is no one-size-fits-all model. Whether bootstrapping, crowdfunding, or seeking VC, alignment with the founder's vision, risk tolerance, and business model is

essential. The key lies in strategically using each funding stage not only to build capital but also to build credibility, capability, and momentum.

References:

Bellucci, A., Gucciardi, G., & Nepelski, D. (2023). *The determinants of public grants and venture capital financing: Evidence from Europe*. Publications Office of the European Union. <https://doi.org/10.2760/920754>

Davis, A. R., Elbers, S. K., & Kenworthy, N. (2023). Racial and *Gender Disparities in Highly Successful Medical Crowdfunding Campaigns* *Social Science & Medicine*. <https://doi.org/10.1016/j.socscimed.2023.115852>

Khan, M.Z., Ferrier, W., Khan, Z.U. *et al.* The interplay of institutional quality and financial development in venture capital fundraising. *J. Ind. Bus. Econ.* 52, 379–413 (2025). <https://doi.org/10.1007/s40812-024-00333-0>

-Wynnona Ware, PhD Student

Hi Miguel,

Your post provides a comprehensive overview of the entrepreneurial fundraising journey and insightfully connects funding strategies to each phase of business development. I especially appreciated your discussion on the importance of early investor support and the role of credibility in generating follow-on investments. Gompers et al. (2019) emphasized that initial investor confidence is often a catalyst for attracting further capital, particularly from institutional venture capitalists who rely heavily on validation signals. You also highlighted the value of investor networks, not only for capital but also for strategic guidance. Stevenson et al. (2022) discuss the concept of "funding fit," where entrepreneurs seek investors who align with their vision, values, and operational needs beyond just providing capital. This approach helps startups avoid mismatches that could hinder growth or misalign company direction.

Additionally, your point about the challenges of crowdfunding, particularly the lack of due diligence on platforms, is essential. While crowdfunding opens doors for early-stage startups, Stevenson et al. (2022) caution that insufficient vetting can introduce risk for both founders and investors. Doing so emphasizes why traditional VC funding remains a preferred route for startups aiming for scalable, long-term growth despite being more challenging to obtain. Finally, your reflection on exit strategies aligns well with Vernon's (2020) emphasis on planning the entire venture

lifecycle, from fundraising to exit. Successful venture capital relies not only on capital influx but also on a well-structured roadmap that enables both investors and entrepreneurs to achieve sustainable returns.

References

Gompers, P. A., Gornall, W., Kaplan, S. N., & Strebulaev, I. A. (2019). How do venture capitalists make decisions? *Journal of Financial Economics*, *135*(1), 169–190. <https://doi.org/10.1016/j.jfineco.2019.06.011>

Stevenson, R., McMahon, S. R., Letwin, C., & Ciuchta, M. P. (2022). Entrepreneur fund-seeking: toward a theory of funding fit in the era of equity crowdfunding. *Small Business Economics*, *58*(4), 2061–2086.

Vernon, P. (2020). *Venture Capital Strategy: How to Think Like a Venture Capitalist*. VC Razor Publishing.

-Jerrany Tanner, PhD Student

Publisher Note

Miguel Virgen, PhD Student. I have no known conflict of interest to disclose. Correspondence concerning this article should be addressed to Miguel Virgen, Email: support@doctorsinbusinessjournal.com