

Mind the Gap:

Public Equity as a Financing Solution
for Medium-Sized Enterprises and the
Influence of National Culture

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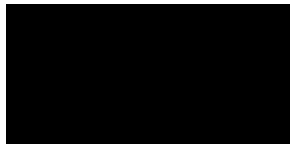
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Declaration

This work has not been submitted for any other degree or professional qualification.

The thesis is the result of my own independent work.



Lisa Paula Koch

Abstract

Purpose: SMEs are the backbone of today's economies. In order to be able to persist sustainably, sufficient access to finance is necessary. However, there is a financing gap for SMEs and traditional bank financing is not sustainable anymore due to ever more constraints. This research proposes the use of public equity to gain funding. However, the acceptance of public equity differs strongly between countries. The United Kingdom and Germany represent two polar extremes of financial behaviour, with the United Kingdom being a typically equity-based and Germany being a typically bank-based country. Therefore, this research aims to identify the impact of national culture on the decision to go public in the United Kingdom and Germany. The theoretical framework builds on the Satisficing Theory of Rationality, the Pecking-Order Theory as well as Hofstede's Cultural Dimension Theory.

Methodology: Using a mixed methods approach, entrepreneurs have been asked about their financial decision making and their opinion about public equity. Results show that national culture has an impact on the decision to go public, in particular a negative impact of long-term orientation and uncertainty avoidance. Based on that, eight policy guidelines have been determined to promote public equity financing for medium-sized enterprises in both countries.

Findings: This research supports the Satisficing Theory of Rationality and the Pecking-Order Theory and contributes putting them in relation as well as in the context of medium-sized enterprises and the decision to go public. Hofstede's Cultural Dimension Theory has only partially been supported. This research adds to the literature criticising the model for being not specific enough. The results of this study are of interest not only for entrepreneurs and policymakers, but also provide suggestions for further research on the topic. Therefore, it is relevant for both, a practical and academic audience.

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“You can design and create and build the most wonderful place in the world. But it takes people to make the dream a reality.” – W. E. Disney

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I Table of contents

Declaration.....	II
Abstract.....	III
Acknowledgements.....	IV
I Table of contents.....	V
II Illustrations.....	VIII
III Tables.....	X
IV Abbreviations.....	XII
1 Introduction.....	1
1.1 Research problem.....	1
1.2 Research aim and objectives.....	8
1.3 Recipients of the study.....	9
1.4 Structure.....	15
2 Literature review.....	17
2.1 Capital structure alternatives for medium-sized enterprises.....	17
2.1.1 Small and medium-sized enterprises.....	17
2.1.1.1 Definitions of SMEs.....	18
2.1.1.2 Macroeconomic importance of SMEs.....	20
2.1.2 Capital structure decisions.....	22
2.1.3 Public equity financing.....	31
2.1.3.1 Specifics for medium-sized enterprises.....	37
2.1.3.2 Influences on the decision to go public.....	41
2.2 National culture.....	46
2.2.1 Definitions of national culture.....	47
2.2.2 Measurements of national culture.....	53
2.3 Cultural impact on corporate financial decisions.....	69
2.4 Conceptual approach.....	77
2.5 Chapter conclusion.....	79
3 Landscape comparison of the United Kingdom and Germany.....	80
3.1 National landscapes.....	80
3.2 Cultural landscapes.....	97
3.3 Conceptual framework of the study.....	102
3.4 Chapter conclusion.....	104

4	Methodology	105
4.1	Research philosophy	105
4.2	Research design and method	113
4.3	Data collection	119
4.3.1	Quantitative data collection	119
4.3.1.1	Survey design	120
4.3.1.2	Hypotheses	123
4.3.1.3	Survey questions.....	128
4.3.2	Qualitative data collection	137
4.3.2.1	Interview design	137
4.3.2.2	Interview guide	140
4.4	Research ethics	143
4.5	Chapter conclusion	145
5	Survey results.....	146
5.1	Respondent demographics	146
5.2	Results.....	151
5.2.1	Research question 1 – general attitude towards public equity financing.....	153
5.2.2	Research question 2 – impact of public equity culture ..	162
5.2.3	Research question 3 – impact of national culture.....	170
5.2.4	Research question 4 – changing circumstances	174
5.2.5	Research question 5 – policy changes.....	179
5.3	Results summary	184
5.4	Chapter conclusion	185
6	Interview results.....	186
6.1	Participant demographics	186
6.2	Results.....	188
6.2.1	Theme 1 – current financing instruments	188
6.2.2	Theme 2 – public equity	189
6.2.3	Theme 3 – cultural impact	197
6.2.4	Theme 4 – outlook	201
6.3	Chapter conclusion	203

7	Discussion	205
7.1	Results discussion	205
7.1.1	Research question 1 – general attitude towards public equity financing.....	206
7.1.2	Research question 2 – impact of public equity culture ..	211
7.1.3	Research question 3 – impact of national culture.....	215
7.1.4	Research question 4 – changing circumstances	218
7.1.5	Research question 5 – policy changes.....	221
7.2	Policymaker guidelines and outlook.....	224
7.3	Revised conceptual framework.....	234
7.4	Chapter conclusion	235
8	Conclusion.....	237
8.1	Key results and contributions.....	237
8.2	Limitations and suggestions for further research	243
8.3	Concluding remarks and recommendations.....	245
V	References	247
VI	Appendix	XIII

II Illustrations

Figure 1: The cost of capital gap between SMEs and large firms	7
Figure 2: Simplified IPO process and relevant stakeholders.....	10
Figure 3: Target reception groups for this research	11
Figure 4: Structure of the dissertation by chapter	15
Figure 5: Classification of capital structure adopted in this research	23
Figure 6: Financial efficiency comparison of different financing forms.....	25
Figure 7: Financial Growth Cycle Model determining the most suitable form of capital for each stage of a firm	26
Figure 8: Context of the main capital structure theories.....	30
Figure 9: Hierarchical order of different levels of culture	52
Figure 10: The emergence and stabilisation of cultural patterns.....	57
Figure 11: Lewis' cultural three-dimensional model	62
Figure 12: Inglehart & Weizel's cultural map 2005-2007.....	64
Figure 13: Initial conceptual framework of this research	77
Figure 14: AIM All-Share and Scale All Share indices performance comparison [Oct 2019 - Sep 2020].....	91
Figure 15: Hofstede's cultural dimension values for the United Kingdom and Germany	98
Figure 16: Interdependency between SMEs, economic growth and financial systems.....	102
Figure 17: Conceptual framework of this research.....	103
Figure 18: Explanatory sequential mixed methods design.....	115
Figure 19: The applied survey process	119
Figure 20: Hypothesis model	128
Figure 21: Proportions of respondents per industry (n = 935).....	149
Figure 22: National proportions of respondents per NUTS1 region (n = 931) .	150
Figure 23: General attitude towards public equity financing (n = 1,008)	154
Figure 24: Proportion of responses per answer category divided by country (n = 1,008).....	155
Figure 25: Country comparison of the mean attitude of going public (n = 1,008).....	156
Figure 26: Growth aspiration in relation to the general attitude towards public equity financing (n = 1,008)	158

Figure 27: Employment firm size in relation to the general attitude towards public equity financing divided by country (n = 945).....	159
Figure 28: Industry in relation to the general attitude towards public equity financing (n = 935)	160
Figure 29: The impact of PEIDV, PEUAI, PELTO and PEIND on the likelihood of going public	164
Figure 30: Public equity cultural values in comparison to Hofstede's cultural values.....	171
Figure 31: Mean likelihood of going public for different changing variables	174
Figure 32: Ratio of specific SME equity platform awareness per country (n = 844).....	180
Figure 33: Themes identified from survey question 6	180
Figure 34: Themes identified from survey questions 9 and 11.....	182
Figure 35: Revised hypothesis model	184
Figure 36: Simple code structure for the “current financing instruments” theme	188
Figure 37: Simple code structure for the benefits and motivation of going public arm of the “public equity” theme	189
Figure 38: Simple code structure for the problems of public equity arm of the “public equity” theme.....	191
Figure 39: Simple code structure for the “necessary changes” sub-theme	193
Figure 40: Word clouds for the "necessary changes" sub-theme.....	195
Figure 41: Simple code structure for the “external influences” sub-theme	196
Figure 42: Simple code structure for the IDV variable of the “cultural impact” theme per country	197
Figure 43: Simple code structure for the UAI variable of the “cultural impact” theme per country	198
Figure 44: Simple code structure for the LTO variable of the “cultural impact” theme per country	199
Figure 45: Simple code structure for the IND variable of the “cultural impact” theme per country	200
Figure 46: Simple code structure for the “outlook” theme	201
Figure 47: Revised conceptual framework of this research	235
Figure 48: Key results and contributions per chapter.....	238

III Tables

Table 1: SME categorisation according to the definition of the European Commission	18
Table 2: SME categorisation according to the definition of the UK Companies Act.....	19
Table 3: SME categorisation according to the definition of the Institut für Mittelstandsforschung Bonn.....	19
Table 4: Overview of key figures from 2018 of SMEs in comparison to large enterprises in the EU-28	21
Table 5: Overview of advantages of public equity financing for businesses	32
Table 6: Overview of disadvantages of public equity financing for businesses	35
Table 7: Overview of the main determinants of the decision to go public	42
Table 8: Overview of the main definitions of culture.....	47
Table 9: Overview of the main models of cultural dimension measurements	53
Table 10: Thematic overlaps of the different models of cultural dimensions with Hofstede's six-dimensional concept.....	65
Table 11: Overview of the main literature measuring the impact of national culture on financial decisions	70
Table 12: PEST analysis regarding SME public equity in the United Kingdom and Germany - political factors	81
Table 13: PEST analysis regarding SME public equity in the United Kingdom and Germany - economic factors	83
Table 14: PEST analysis regarding SME public equity in the United Kingdom and Germany – socio-cultural factors.....	93
Table 15: PEST analysis regarding SME public equity in the United Kingdom and Germany - technological factors.....	95
Table 16: Basic beliefs of alternative inquiry paradigms	106
Table 17: Pilot survey response rate by country	123
Table 18: Overview of the link between the research objectives, questions and hypotheses.....	124
Table 19: Overview of the link between the research objectives, questions, hypotheses and interview themes	142
Table 20: Survey response rate by country	147

Table 21: Respondent employment demographics in relation to the population	147
Table 22: Overview of the null hypothesis and alternative hypothesis for H ₁ ..	155
Table 23: Overview of the null hypotheses and alternative hypotheses for H _{2a-d}	162
Table 24: Pearson correlation coefficients between the general attitude of going public and the public equity cultural variables	165
Table 25: Multiple linear regression coefficients for the general attitude of going public.....	168
Table 26: Probit estimation coefficients for the general attitude of going public.....	169
Table 27: Overview of the null hypotheses and alternative hypotheses for H _{3a-d}	172
Table 28: Overview of the null hypotheses and alternative hypotheses for H _{4a-h}	175
Table 29: Response rates for the open-ended survey questions.....	179
Table 30: Sample groups and participants' key characteristics	187
Table 31: Summary of significant quantitative results and validity assessment for research question 1	206
Table 32: Summary of significant quantitative results and validity assessment for research question 2	211
Table 33: Summary of significant quantitative results and validity assessment for research question 3	215
Table 34: Summary of significant quantitative results and validity assessment for research question 4	218
Table 35: Summary of significant quantitative results and validity assessment for research question 5	221
Table 36: Guideline framework for policymakers	224
Table 37: Research questions answered.....	242

IV Abbreviations

AG	Aktiengesellschaft
AIM	Alternative Investment Market
ANOVA	Analysis of Variance
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht
CMU	Capital Markets Union
DAX 30	Deutscher Aktienindex
DE	Germany
EMH	Efficient Market Hypothesis
EU	European Union
EUR	Euro
FTSE 100	Financial Times Stock Exchange 100 Index
GBP	British Pound Sterling
GDP	Gross domestic product
IDV	Individualism
IND	Indulgence
IPO	Initial public offering
LTO	Long-term orientation
MAS	Masculinity
Nomad	Nominated advisor
OLS	Ordinary least squares
OTC markets	Over-the-counter markets
PDI	Power distance
PEIDV	Public equity individualism
PEIND	Public equity indulgence
PELTO	Public equity long-term orientation
PEUAI	Public equity uncertainty avoidance
Plc	Public limited company
SMEs	Small and medium-sized enterprises
UAI	Uncertainty avoidance
UK	United Kingdom
USD	US-Dollar

1 Introduction

Financing has become increasingly difficult over the past decade, in particular for small and medium-sized enterprises (SMEs). However, SMEs are very important to the economic welfare of countries. Therefore, alternative sources of finance gain in importance to circumvent this financing gap problem. Based on the Pecking-Order Theory, this research suggests public equity financing as a possible solution for medium-sized enterprises. In addition, this study is based on the Satisficing Theory of Rationality, postulating that not only rational decisions impact the capital structure of a business, but also irrational, behavioural aspects. In particular, this research investigates which influence national culture plays in the decision to go public, building on Hofstede's Cultural Dimension Theory. Since the United Kingdom and Germany have comparable macroeconomic landscapes but differ in their cultural environments, they are the countries of observation in this study. Although both countries have well-established stock markets, the United Kingdom is a very market-oriented and Germany is a very bank-based country. Thus, two polar extremes in financial behaviour are being observed.

This chapter will first outline the research problem and develop a research aim and objectives. Subsequently, the relevant stakeholders of this study will be identified. Finally, the structure of this dissertation will be illustrated.

1.1 Research problem

SMEs are very important and build the backbone of today's economies in terms of their quantity, employment and contribution to economic growth (European Commission, 2019c). Therefore, it is important for the economies to provide stable environments for SMEs in order for them to persist sustainably. These environments consist of three primary sources: limited government regulation, sufficient managerial expertise and access to finance (Ayyagari, Demirgüç-Kunt & Maksimovic, 2008; Beck & Demirgüç-Kunt, 2006; Poutziouris, Wang & Chan, 2002). Entrepreneurial ecosystems support the development and growth of businesses. They include social, political, economic and cultural aspects. If

these elements are stable, businesses have the right environment to innovate and grow (Spigel, 2017).

Many researchers agree that access to finance is the primary factor affecting the ability of SMEs to persist, develop and grow (Ayyagari et al., 2008; Berger & Udell, 2006), especially since the financial crisis (Carbó-Valverde, Rodríguez-Fernández & Udell, 2016; Lee, Sameen & Cowling, 2015; Wehinger & Kaousar Nassr, 2016). “The role of finance has been viewed as a critical element for the development of small and medium-sized enterprises” (Cook, 2001, p. 18). The easier SMEs get access to external finance, the more likely they are to grow bigger and survive longer (Wiklund & Shepherd, 2003). External financing can be defined as the “funds obtained from an organisation from an outside source” (Oxford Dictionary of Finance and Banking, 2014, p. 158). Sufficient access to external capital is important as it is the prerequisite for higher productivity and economic growth, both on a microeconomic (Beck, Demirgüç-Kunt, & Maksimovic, 2005; La Porta, Lopez-De-Silanes, Shleifer & Vishny, 1997) and macroeconomic level (Beck, Levine & Loayza, 2000; Butler & Cornaggia, 2011; Rajan & Zingales, 2003). Throughout their complete development life-cycle, from seed capital to growth investment, SMEs require adequate access to financial resources (Oliver Wyman, 2014). Consistent capital is needed for short-term financing requirements as well as for the satisfaction of long-term investment needs (Serrasqueiro, Leitão & Smallbone, 2018). As for that, it is primarily needed for growth investments, followed by refinancing, the financing of projects and the financing of business succession (Deloitte, 2012). Hence, sufficient capital is necessary for funding investments for efficiently allocating resources in order for companies to reach their full growth potential (Department for Business, Innovation & Skills, 2012).

However, although sufficient access to finance is so important for the success of SMEs, it is not always guaranteed. Numerous studies found that a so-called financing gap for SMEs is existing (Becchetti & Trovato, 2002; Berger & Udell, 1998; Gregory, Rutherford, Oswald & Gardiner, 2005; Wehinger & Kaousar Nassr, 2016). There is no generally agreed definition of this financing gap (OECD, 2006) but it usually refers to SMEs lacking external financial resources which restrain them from exploiting profitable opportunities to grow (OECD, 2006; Oliver Wyman, 2014). As explained above, SMEs mostly need access to

capital in order to finance development and growth, which is why the financing gap is sometimes referred to as a growth capital gap (OECD, 2010). The gap of finance arises when the demand for external finance is exceeding the willingness or possibilities of financial suppliers to provide funds at current market conditions which results in a shifted market equilibrium (Gregory et al., 2005). It has been shown that the manufacturing and construction sectors are more likely to feel constraints in finance due to the high capital intensity of those sectors (Coluzzi, Ferrando, & Martinez-Carrascal, 2015). A recent Deloitte survey amongst medium-sized enterprises in Germany has identified that the access to finance is a current topic of discussion for almost two-thirds (64%) of the respondents (Deloitte, 2012). The financing gap has increased over time. It is difficult to monetarily measure the gap, but it is estimated to amount to 5.2tn USD worldwide, with about 7.8bn USD in Europe and Central Asia (The World Bank, 2020b).

The critical determinant of SME's access to finance is the overall macroeconomic legal, institutional and regulatory framework. SMEs often lack information and managerial skills to access external finance (OECD, 2006). "However, a lack of finance can constrain cash flow and hamper businesses' survival prospects" (Department for Business, Innovation & Skills, 2012, p. 1). Hence, capital procurement restrictions for SMEs increase the cost of capital restraining their opportunity for growth investments which is so important for their competitive survival (Aggarwal & Zong, 2006) as their profit and turnover growth get hampered (Balling, Bernet & Gnan, 2009).

Given the current Corona crisis, both, the United Kingdom and Germany, have introduced measures to support SMEs in these difficult economic times. These support measures include tax incentives, easier access to fast credit lines with fair conditions, free advice, short-time work etc. (Bundesministerium für Wirtschaft und Energie, 2020a; Crown, 2020). These measures aim to support the economies and help them survive the crisis. However, in the long-term, these support measures are not viable. They do not help closing the financing gap in the long run, but only provide short-term emergency support to SMEs in order to keep the economies alive and competitive.

In order to sustainably counteract the financing gap and support SMEs in the long run, the European Union (EU) has developed numerous support projects. As such, the Small Business Act follows the principle “think small first” and aims to incorporate the specific characteristics and needs of SMEs in legislation. One of the four main pillars of this act is the investigation of the question how to guarantee sustainable access to finance for SMEs across Europe (European Commission, 2008). This highlights the relevance of this research topic.

Despite all the support, it has to be kept in mind that most SMEs aim to grow, but not all. The Department for Business, Energy & Industrial Strategy (2019) has measured in its annual Longitudinal Small Business Survey that 59% of British SMEs aspire to grow. Thus, about every third SME is either happy with its current position or downsizing. Reasons not to grow are either unconscious due to lacking knowledge or skills on how to grow, or conscious decisions in order to keep the business to a size over which they can maintain full control (Mazzarol & Reboud, 2020). Nonetheless, as justified in chapter 2.1, the focus of this research is on medium-sized enterprises. These represent the bigger spectrum of SMEs and have therefore already grown to their current size. Consequently, their intention to grow is assumed to be higher compared to the entirety of SMEs, making them more relevant to this research. The group with the biggest turnover and employment growth throughout the years have been medium-sized enterprises in the sectors production & construction and business services. Thus, they are more in need of further finance (Department for Business, Energy & Industrial Strategy, 2019). Similar trends can be observed for German medium-sized businesses (Institut für Mittelstandsforschung Bonn, 2015).

At the moment, SMEs have a low level of diversification in their sources of finance, they often overly rely on their cash flow as well as on debt financing, which is the most commonly used form of external finance, in order to fulfil their growth investment needs (OECD, 2015; Oliver Wyman, 2014; Serrasqueiro et al., 2018). The European Commission (2019d) supports this statement with an annual survey among SMEs that has identified that 82% of all SMEs within the EU used debt financing in 2019. The most widespread forms of debt capital used in 2019 by SMEs were credit lines or overdrafts (34%), leasing or hire-purchase (24%) and trade credit (17%). However, only 28% of SMEs newly

applied for credit lines, bank overdrafts or credit card overdrafts from which 21% did not receive the full funding they have applied for. The other 72% did not apply mostly due to the fear of rejection. This low amount of successful applications underlines the fact that SMEs struggle to get sufficient access to debt finance.

According to Ayadi (2009), the three main obstacles for successful bank lending for medium-sized enterprises lie in the lack of equity in the firm, followed by high credit risk and unavailability of collateral. A major disadvantage of debt financing is the permanent dependency on banks (Beck, Demirgüç-Kunt & Maksimovic, 2008; OECD, 2015; Psillaki & Daskalakis, 2009). 54% of British medium-sized enterprises state that they have a very strong and dependent relationship with their bank (BVA BDRC, 2019). 63% of German medium-sized enterprises state that their bank is their most important business partner (Deloitte, 2012).

However, following the financial crisis in 2008/09, the constraints on banks giving out loans have increased which resulted in higher requirements to be successfully considered for bank lending (Wehinger & Kaousar Nassr, 2016; Vermoesen, Deloof & Laveren, 2013). In addition, banks in both, the United Kingdom and Germany, are continuously closing their local branches (Deutsche Bundesbank, 2019; House of Commons, 2020a). This exacerbation of access to one of the most used sources of securitised finance for SMEs is threatening their investments into growth and therefore potentially suppressing economic welfare (Oliver Wyman, 2014). Although many companies have restructured their internal processes aiming to reduce their dependency on banks, these severe restrictions in accessing credits have led towards an aggravation of the financing gap problem, especially for SMEs (Serrasqueiro et al., 2018). These restrictions mainly refer to the Basel Accords. Basel III is a regulatory framework, agreed upon in December 2010 by the members of the Committee on Banking Supervision. The Accord results from the financial crisis and contains supplementary recommendations to the Basel II Accord from 2004 aiming to stabilise the financial sectors. Banks are demanded to strengthen their sustainable equity through capital conservation buffers, and a leverage ratio limit as well as two liquidity ratio limits (Liquidity Coverage Ratio and Net Stable Funding Ratio) have been introduced. That way, banks are envisioned to

be more stable and flexible in times of crises by significantly raising their core capital (Bank for International Settlements, 2011). These requirements lead to increased efforts and expenses of banking institutions which they have to relocate in the costs and conditions of their loans. Thus, banks undertake more severe credit rationings which makes it harder, especially for smaller enterprises, to get bank financing.

Numerous studies have documented that the access to securitised forms of finance is severely more constrained for SMEs than it is for large companies (Almeida, Campello & Weisbach, 2011; Beck & Demirgüç-Kunt, 2006; Coluzzi et al., 2015; Department for Business, Innovation & Skills, 2012, D'Espallier & Guariglia, 2015) despite the fact that finding capital is most important for smaller businesses' survival. These problems are mainly due to an increased cost of borrowing in terms of interest rates and charges. Despite the very low key interest rates resulting from the financial crisis and the current Corona crisis in both, the United Kingdom and Germany, external finance is more expensive for smaller firms than for larger firms because the fixed costs of lending are not proportional to the loan size (Wagenvoort, 2003). Hence, since smaller firms tend to ask for smaller bank loans (OECD, 2006), the fixed costs such as administration costs, information collection costs and the risk premium, are proportionally more expensive as compared to the loan size (Wagenvoort, 2003). The risk premium is higher for small firms since they usually have less financial and economic stability as well as fewer tangible assets which can be used as collateral facilities and thus a higher default risk (Ayadi, 2009; Savignac & Sevestre, 2008). In addition, as argued by Boot (2000), information gaps between the borrowers and the lenders are among the main causes for the financing gap among SMEs, which is why the establishment of a long-term relationship between the two parties is essential to increase transparency and therefore to decrease these information gaps. This is another reason why larger firms, which usually have better relationships with their borrowers and thus less information asymmetries, have less problems to acquire capital than smaller firms. Figure 1 illustrates that the gap between lending costs of smaller loans (to SMEs) and larger loans (to large firms) has been constantly widened since the financial crisis, together with a general lending cost increase since then (Oliver Wyman, 2014).

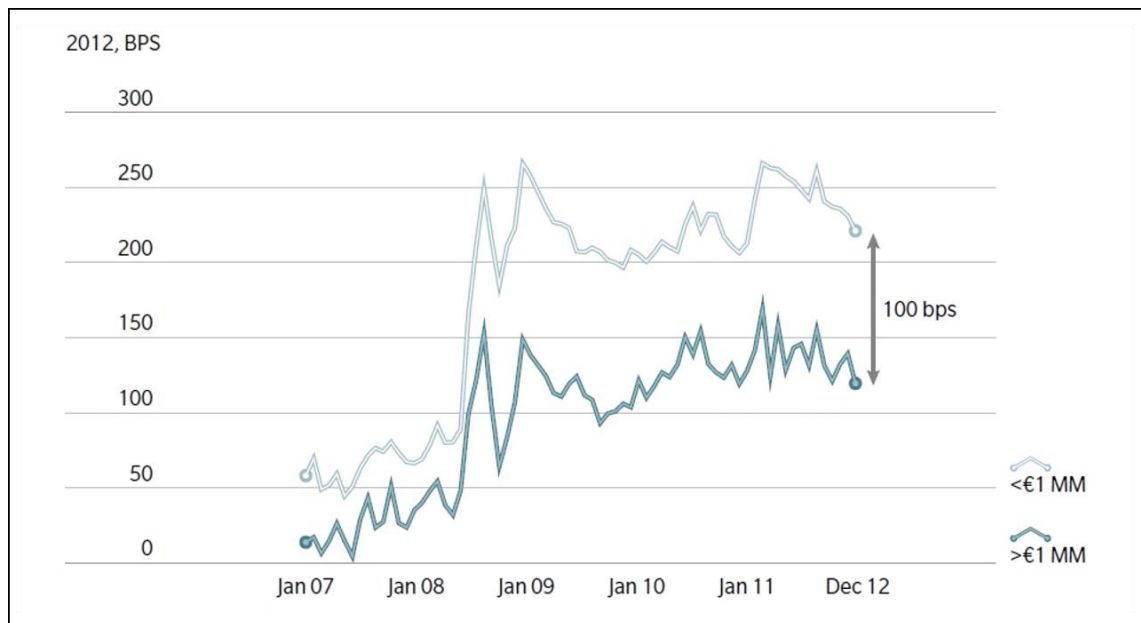


Figure 1: The cost of capital gap between SMEs and large firms (Oliver Wyman, 2014, p. 4)

In addition, the amount of bank loans for SMEs has peaked in 2009 after years of sustained growth and has declined in the years following the financial crisis (Department for Business, Innovation & Skills, 2012; European Commission, 2019d; Serrasqueiro et al., 2018). “[...] the combination of the conservatism of the banks together with the financial fragmentation of the Eurozone, caused a serious worsening of the terms of finance available to SME, especially from 2010” (Serrasqueiro et al., 2018, p. 2). It has been proven that after the financial crisis, cash flow had much less importance, whereas debt had a much stronger negative effect on the growth of SMEs as compared to before the crisis (Serrasqueiro et al., 2018). Hence, the increased constraints of SMEs accessing external finance in the aftermath of the financial crisis have highlighted how much dependent SMEs are of banks and how vulnerable they react to changing conditions in debt financing (OECD, 2015). Therefore, it has become much more relevant to strengthen SMEs’ capital structures in order to weaken this risky dependency. The European Central Bank (2014) has identified that firms with high debt levels reduce their investments more than firms with low debt levels. However, investments are essential for growth which is why a capital structure with lower debt levels can i.e. be achieved by entering capital markets (OECD, 2015; Serrasqueiro et al., 2018), which is the solution approach taken in this research.

1.2 Research aim and objectives

Based on the research problem, this study assumes that public equity financing holds much potential for medium-sized enterprises to close their financing gap. The focus on medium-sized enterprises will be justified in chapter 2.1. However, although the two biggest stock exchanges in Europe are in London and Frankfurt (World Federation of Exchanges, 2020), public equity investments are significantly higher in the United Kingdom than in Germany (Deutsches Aktieninstitut, 2011 & 2020). Therefore, this research postulates that national culture has an influence on the decision to go public. Thus, the research aim is to identify the impact of national culture on the decision of medium-sized enterprises to raise capital through public equity financing in the United Kingdom and Germany.

This aim is relatively broad and is generally supported by more specific research objectives (Thomas & Hodges, 2010). The three research objectives are:

1. to review the knowledge level in the fields of capital structure decisions and intercultural comparison in order to classify extant literature and justify the focuses as well as the original contribution of the research,
2. to identify the influence of national cultural dimensions on the motivation to raise capital through public equity financing for medium-sized enterprises in order to elevate the current opinion positions in the United Kingdom and Germany and
3. to develop guidelines for relevant policymakers in the United Kingdom and Germany in order to promote public equity financing among medium-sized enterprises.

These objectives follow the rough structure of the dissertation as further outlined in section 1.4. Therefore, the order above aims to support the logical flow of the research. The first objective, the literature review, aims to classify this research into the existing literature and justify the focusses as well as its

originality. The second objective examines the main original contribution of this research by finding out how national cultural dimensions are connected to the current opinion on going public. With the high level of uncertainty these years due to Brexit and the Corona crisis, long-term planning for sustainable financing options has become exacerbated. Thus, national culture might also predict how the countries deal with these uncertain circumstances. Finally, the third objective sets the results into relation with the research problem, providing theoretical and practical contributions in terms of specific guidelines for policymakers to adopt in order to promote public equity financing among medium-sized enterprises. This will eventually contribute to solving the research problem and support reducing the financing gap.

1.3 Recipients of the study

Looking at the process of getting listed at a stock exchange, the stakeholders involved with this process can be identified as the recipients of this research. The detailed process of an initial public offering (IPO) differs between the specific requirements of the different stock exchanges, but generally consists of similar measures. Very simplified and generalised, it can be divided into four steps. First, the business needs to make the decision to go public. This decision is dependent on multiple aspects, which will be further elaborated on in chapter 2.1.3.2. After having decided in favour of an IPO, the necessary documents need to be prepared. These documents usually include a prospectus outlining all important financial and corporate information of the business. In a third step, the application needs to be accepted by the relevant stock exchange, before, in a final step, the company can get listed there. The more detailed IPO processes for the Alternative Investment Market (AIM) of London Stock Exchange and the Scale segment of Deutsche Börse, which are the relevant stock markets for medium-sized enterprises in the observed countries of this research, will be covered below and in chapter 3.1. Figure 2 illustrates the above described IPO process, outlining which stakeholders are involved in which step of the process.

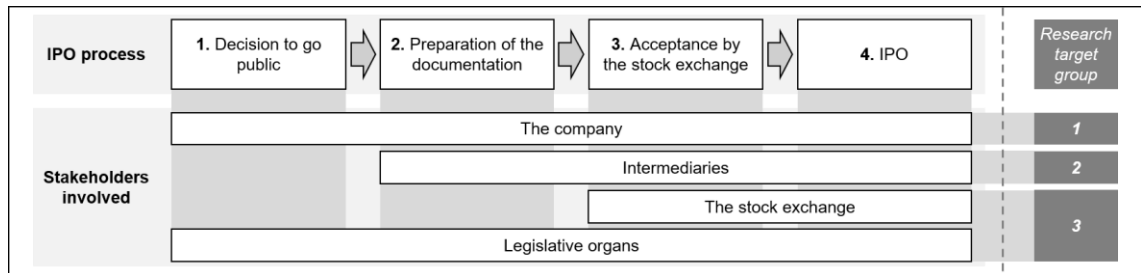


Figure 2: Simplified IPO process and relevant stakeholders (own illustration based on Deutsche Börse, 2019; London Stock Exchange, 2015)

The company pursuing the IPO is the main stakeholder, involved throughout the whole process. After having decided to get listed on a stock exchange, intermediaries are usually being consulted such as i.e. banks or lawyers. The third main stakeholder involved in the process is the stock exchange where the company wants to get listed. All steps of the process and all involved stakeholders are being influenced, controlled and monitored by national and international law. Since both, the stock exchange and legislation, provide the regulatory framework, they are merged as the stakeholder group of policymakers.

This research will therefore mainly inform those identified three groups of main stakeholders who are all interdependent from each other. As the focus will be set on the United Kingdom (UK) and Germany (DE), the following figure outlines some of the specific recipients of this study.

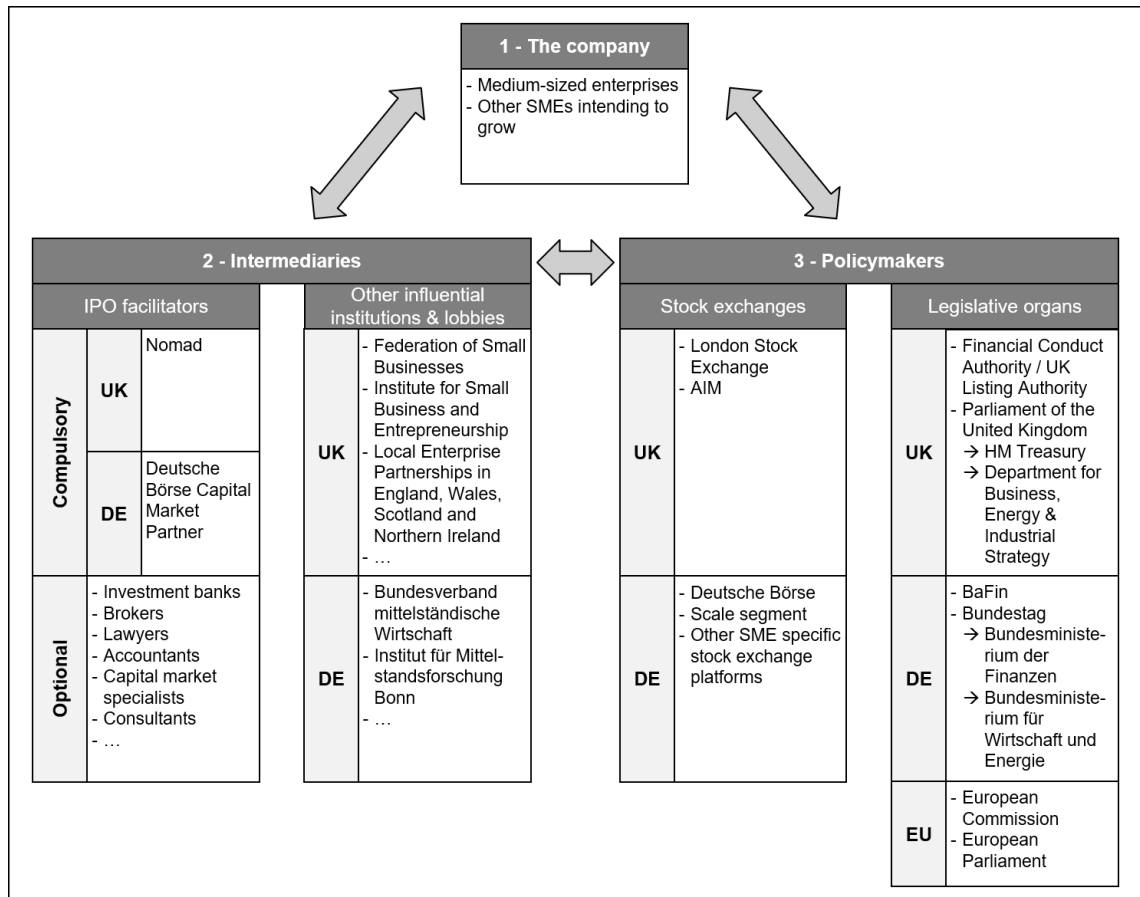


Figure 3: Target reception groups for this research

Regarding the first stakeholder group, the company, this study is relevant to all medium-sized enterprises in the United Kingdom and Germany who need a sustainable source of capital. The data collection of this research will be based on this group, assessing how national culture influences their decision to go public. Therefore, medium-sized enterprises are a major target audience of this research. In addition, also other, smaller, SMEs could benefit from the results in case they are aiming to grow and become bigger. For the remainder of this dissertation, the term entrepreneur refers to all medium-sized enterprises. There is no universally agreed definition of the term. Contrary to definitions saying that entrepreneurs are characterised by certain personalities and are only business owners wanting to grow (Rauch & Frese, 2012), this research broadly defines entrepreneurs as representatives of (medium-sized) businesses.

The second group of stakeholders, the intermediaries, can be subdivided into two categories: IPO facilitators and other influential institutions & lobbies.

IPO facilitators are stakeholders that are needed to complete the IPO process. Generally, they are the same in the United Kingdom and Germany, however, the stock exchange requirements are different resulting in local distinctions. As for that, in order to get listed on the AIM, the issuing company needs to appoint a nominated advisor (Nomad). The Nomad is responsible for assessing whether the business is suitable to get listed on the AIM. Another major task is to advise the company about the IPO process as well as to guide it on its continuing obligations once listed (London Stock Exchange, 2015). The German equivalent to a Nomad is a so-called Deutsche Börse Capital Market Partner, which is usually a bank or a financial service institution. Their role is to ensure a complete, consistent and comprehensive application and they support the company throughout the financial and legal due-diligence process (Deutsche Börse, 2017). Besides those compulsory IPO facilitators, companies are free to choose advice from other institutions including investment banks, brokers, lawyers, accountants, capital market specialists etc.

Other institutions that do not directly affect the IPO process but influence the existence and development of medium-sized enterprises in general, include, but are not limited to, the institutions mentioned in the following. As such, they include the Federation of Small Businesses in the United Kingdom. This lobbying organisation represents the entirety of British SMEs to the local and national governments. In addition, it offers benefits to its members including a big network as well as free legal advice and support which could be useful in relation to the IPO process (Federation of Small Businesses, 2020). Another influential organisation is the Institute for Small Business and Entrepreneurship which is a network of SMEs and relevant people and organisations to them. Its goal is to provide excellence for SME entrepreneurship not only in the practice but also in research, policy and learning (Institute for Small Business and Entrepreneurship, 2020). In addition, the Local Enterprise Partnerships Network (2020) in England, Enterprise Zones Wales (Business Wales, 2020), Scottish Enterprise (2020) and Enterprise Northern Ireland (2020) also support SMEs in their growth ambitions. In Germany, influential institutions for SMEs include the Bundesverband mittelständische Wirtschaft which is an organisation

representing the entirety of German SMEs to politics and important economic organisations and unions. The institution provides its members broad networking opportunities (Bundesverband mittelständische Wirtschaft, 2020). Furthermore, the Institut für Mittelstandsforschung Bonn is a research institute focussing on German medium-sized enterprises. Besides providing a comprehensive statistical database, it is aiming to research and improve current developments and problems to medium-sized enterprises (Institut für Mittelstandsforschung Bonn, 2020c). In addition, lobbies such as Interessenverband kapitalmarktorientierter kleiner und mittlerer Unternehmen e.V. (2020) support SMEs in going public. Thus, these institutions are relevant recipients of this research as they are either directly or indirectly involved in the IPO process of medium-sized enterprises.

Finally, the two last groups of stakeholders, the stock exchanges and legislative organs, can be combined under the category of policymakers. They are also a very important target group for this research as policymakers strongly influence the whole IPO process and thus the accessibility of public equity to medium-sized enterprises. Therefore, this stakeholder group is addressed in the third research objective.

As mentioned above, the relevant stock exchanges for medium-sized enterprises is the AIM from the London Stock Exchange in the United Kingdom and the Scale Segment from Deutsche Börse in Germany. Each stock exchange provides specific rules and regulations to follow in order to join and remain listed. There are further SME specific segments in German stock exchanges (i.e. m:access in Munich or Primärmarkt in Düsseldorf), however, the Scale segment is the biggest and most developed one, and therefore the most relevant one for the scope of this research (World Federation of Exchanges, 2020). Nonetheless, the results of this study may also be of interest to those other segments.

The main relevant legislative organs in the United Kingdom is the Financial Conduct Authority, also referred to as the UK Listing Authority when it is acting in its capacity as the competent authority. Its main role is to maintain the Official List which is a catalogue of all securities and their issuers that it has approved

for trading on British exchanges. Moreover, it sets the documentation requirements for the IPO process (Financial Conduct Authority, 2020). The main legislative reference to this process is the Financial Services and Markets Act 2000, concluded by the Parliament of the United Kingdom (2000). Therefore, the parliament and its influencing ministerial departments, such as the HM Treasury or the Department for Business, Energy & Industrial Strategy, are potential institutions to which this research could be of interest. Furthermore, also concluded by the Parliament of the United Kingdom (2006), the Companies Act 2006 is the second most relevant law in relation to the IPO process as it incorporates all the regulations regarding companies in the United Kingdom.

In Germany, the main legislative organs in relation to the IPO process is the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). This is the German equivalent to the British Financial Conduct Authority, supervising all financial institutions and services within the country. The BaFin falls under the authority of the Bundesministerium der Finanzen, the German Federal Ministry of Finance. Besides this supervisory authority, there are numerous legislations regulating the stock exchanges and corporate law, including i.e. the Börsengesetz (Bundestag, 2019a), Wertpapierhandelsgesetz (Bundestag, 2020), Börsenzulassungs-Verordnung (Bundestag, 2019c) and Handelsgesetz (Bundestag, 2019b). These laws are concluded by the Bundestag, the German parliament, and thus being influenced by relevant ministerial departments such as the Bundesministerium der Finanzen and the Bundesministerium für Wirtschaft und Energie (Federal Ministry for Economic Affairs and Energy).

Finally, the European Commission is another recipient of this research, especially in view of its endeavoured Capital Markets Union (CMU; European Commission, 2020b; more details on this union are mentioned in chapter 3.1). Setting numerous regulations and directives regarding the IPO process as well as stock exchange procedures on a European level, the European Parliament also has high impacts on getting listed. With the United Kingdom having left the EU in 2020, this stakeholder group is more relevant to Germany. Besides the Small Business Act (European Commission, 2008) promoting EU-wide support for SMEs, relevant regulations include i.e. Regulation (EU) 2017/1129 (European Parliament, 2017) regarding the prospectus or Regulation (EU) No 596/2014 (European Parliament, 2014) concerning market abuse.

1.4 Structure

Figure 4 summarises the structure of this dissertation.

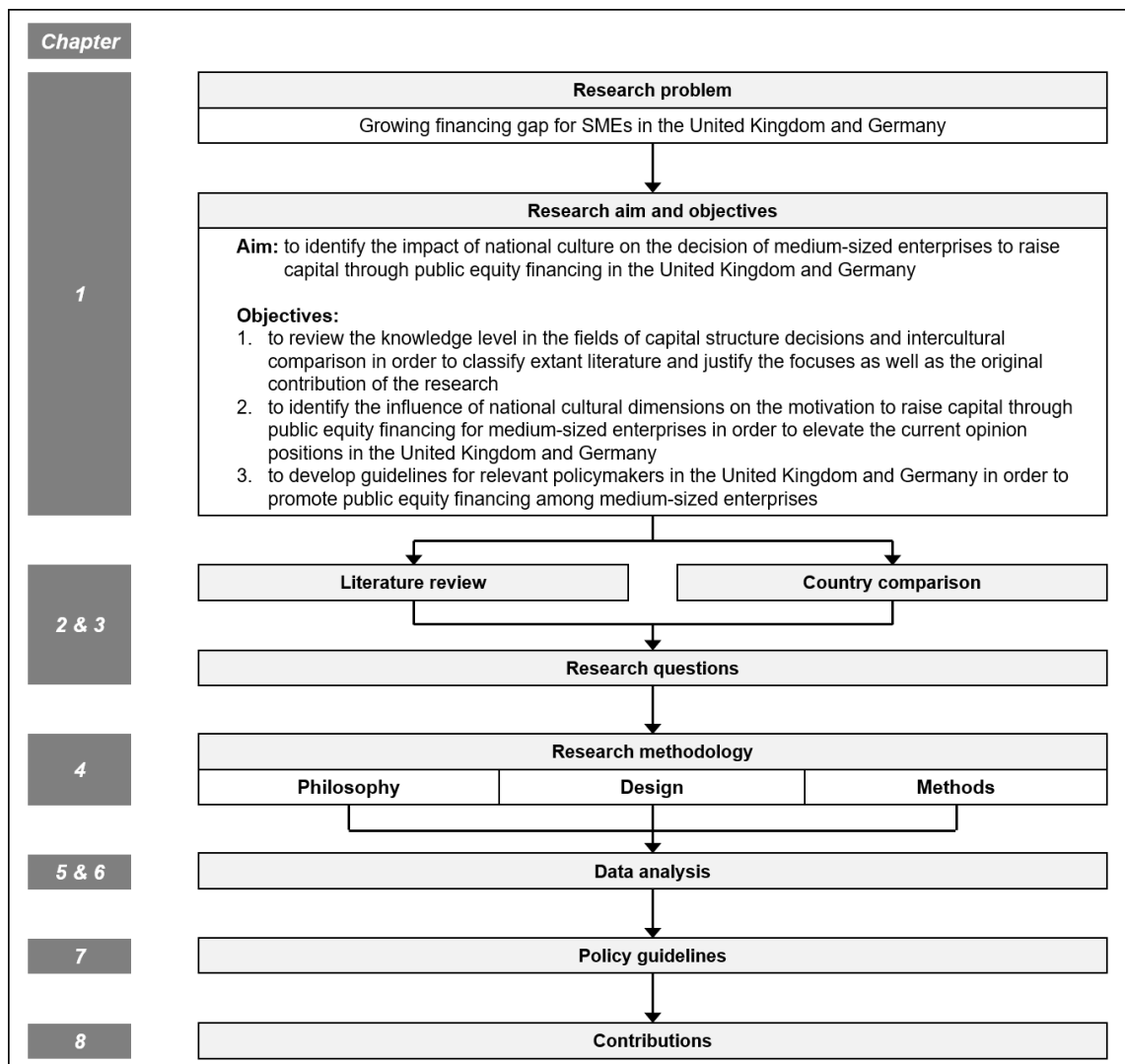


Figure 4: Structure of the dissertation by chapter

This dissertation is divided into eight chapters.

Chapter 1 gave an introduction into the research problem and deduced the overall research aim and objectives. In addition, the recipients of the study have been defined. Altogether, this chapter gave an overview of the research topic, rationale and rough approach.

Chapters 2 and 3 will cover the first research objective. Therefore, chapter 2 will be a literature review in the fields of capital structure decisions and intercultural comparison, in order to identify the theoretical foundation of this research. Together with chapter 3, which will cover a country comparison in order to

justify the geographic focus, they will generate the conceptual framework this study will be based on, as well as a set of research questions to be analysed.

Consequently to the findings of the literature review, chapter 4 will outline the methodological approach based on which the data collection, analysis and interpretation will be oriented. This chapter will cover the philosophical underpinning of the research as well as the research design and methods.

Chapters 5 and 6 will be concerned with the data collection and analysis, working towards research objective 2.

Subsequently, chapter 7 will discuss the results and deduce appropriate policy guidelines. These are supportive of research objective 3 and will aim to directly counteract the research problem.

Finally, chapter 8 will sum up the dissertation by referring back to the approach and results. To this end, the theoretical and practical contributions of this study will be highlighted.

2 Literature review

This chapter will outline the extant literature in relation to the research topic, supporting the first research objective. To this end it is divided into five sections. The first section is concerned with capital structure options for medium-sized enterprises. Subsequently, section two will focus on national culture, by first defining culture and second outlining the numerous approaches to measuring it. The third section will combine the two previous topics and highlight extant literature in the field of cultural impact on corporate financial decisions. Finally, this chapter will conclude with deciding on the conceptual approach based on the findings from the previous sections before summarising the main findings in the chapter conclusion.

2.1 Capital structure alternatives for medium-sized enterprises

This first chapter section will look at alternative sources of capital for SMEs and justify the research focuses on medium-sized enterprises and public equity. It is divided into three topics. First, SMEs will be defined and their macroeconomic importance will be determined. Second, capital structure decisions will be outlined before last, a focus will be set on public equity financing and its specifics for medium-sized enterprises as well as general influences on the decision to go public.

2.1.1 Small and medium-sized enterprises

The vast majority of businesses in European markets consists of SMEs, accounting for around two-thirds of total employment and more than half of the value added (European Commission, 2019c). Therefore, SMEs are often considered the backbone of the economies (European Commission, 2019c; Hagen, Zucchella, Cerchiello & de Giovanni, 2012). This section will first outline the different definitions of SMEs before highlighting their importance.

2.1.1.1 Definitions of SMEs

There is no universally agreed definition of SMEs due to the wide diversity of businesses. Often, countries or individual bodies have developed their own definitions. The following will present the most relevant definitions for the focus countries of this research: the United Kingdom and Germany.

The most widely accepted of these definitions in Europe has been agreed upon on 6th May 2003 by the European Commission and took effect on 1st January 2005 (European Commission, 2016). According to that definition, SMEs can be subclassified into three groups: medium-sized enterprises, small enterprises and micro enterprises. Their allocation to these groups is done according to the table stated below. Medium-sized enterprises have up to 249 employees and do not exceed either a turnover of 50m EUR or a balance sheet total of 43m EUR. Hence, all enterprises which meet these criteria are considered SMEs (European Commission, 2019c).

Table 1: SME categorisation according to the definition of the European Commission (own table based on European Commission, 2003)

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ 50m EUR		≤ 43m EUR
Small	< 50	≤ 10m EUR		≤ 10m EUR
Micro	< 10	≤ 2m EUR		≤ 2m EUR

This research will focus on this definition as it is also done by Eurostat, the official statistical office from the EU (European Commission, 2019c; Eurostat, 2020a) and in order to ensure a solid basis for comparison.

In the United Kingdom, a commonly used definition for SMEs, which is i.e. utilised by the British government, is the definition according to the Companies Act 2006 whose monetary definition thresholds have been increased through an official amendment in 2015 (Parliament of the United Kingdom, 2015). They base the definition on three characteristics out of which at least two must be met in order to be considered a SME. As illustrated in table 2, the Companies Act distinguishes between just two company size categories: medium-sized and small. The staff headcount only slightly differs from the definition of the

European Commission as they include one employee more for each category. Moreover, unlike the European definition, staff headcount is not necessarily a criterion to meet the size requirements as long as the other two criteria are met (Parliament of the United Kingdom, 2006). However, in order to be considered a SME, turnover and balance sheet indicator thresholds are much lower than in the European definition, also when taking into account the currency exchange rate. Hence, the amount of SMEs according to the British definition is lower than according to the definition of the European Commission. This research will therefore not be based on the Companies Act definition in order to have a higher observation quantity.

Table 2: SME categorisation according to the definition of the UK Companies Act (own table based on Parliament of the United Kingdom, 2006 & 2015)

	Min. 2 out of 3 criteria must be met		
Company category	Staff headcount	Turnover	Balance sheet total
Medium-sized	≤ 250	≤ 36m GBP	≤ 18m GBP
Small	≤ 50	≤ 10.2m GBP	≤ 5.1m GBP

In Germany, a widely used definition of SMEs has been developed by the Institut für Mittelstandsforschung Bonn in 2016. In this classification, SMEs are defined using only two indicators, namely staff headcount and turnover. The main difference to the definition of the European Commission is, besides not taking into consideration the balance sheet total indicator, that the staff headcount for medium-sized enterprises is defined to go up to 499 instead of 249 (Institut für Mittelstandsforschung Bonn, 2020b). Hence, this definition accounts for a higher overall quantity of SMEs by including more medium-sized enterprises with larger employment numbers.

Table 3: SME categorisation according to the definition of the Institut für Mittelstandsforschung Bonn (own table based on Institut für Mittelstandsforschung Bonn, 2020b)

Company category	Staff headcount	Turnover
Medium-sized	< 500	≤ 50m EUR
Small	< 50	≤ 10m EUR
Micro	< 10	≤ 2m EUR

The institute's justification for the alteration of the definition is "to emphasise the German distinctiveness" (Institut für Mittelstandsforschung Bonn, 2020b). This is explained by the fact that in comparison to the EU with 99.8% of all businesses being SMEs (European Commission, 2019c), in Germany slightly less businesses account for SMEs (99.5%; European Commission, 2019a). By widening the definition of SMEs, they make up for that difference as the number of enterprises considered SMEs increases (Institut für Mittelstandsforschung Bonn, 2020a). However, this is only reasonable for German SMEs. Therefore, the EU definition is more suitable for the two-country approach of this research.

Many further institutions, such as for instance the SME definition of the KfW Bankengruppe, have adjusted their standards to meet the EU definition (KfW Bankengruppe, 2016). This underlines the universal acceptance and importance of the European definition. Therefore, and for the fact of uniform and fair comparison between the United Kingdom and Germany, this research will adopt the definition of the European Commission.

2.1.1.2 Macroeconomic importance of SMEs

SMEs are very important, not only because they represent 99.8% of all European businesses (European Commission, 2019c), but also because of their macroeconomic contribution. Due to their high quantity, even though an individual SME does not contribute much, the collective of SMEs has a very high impact on the economies. Therefore, SMEs are considered the global engines boosting long-term economic growth and new employment opportunities, both in developed and developing economies (Fritsch & Mueller, 2004). The three main indicators to measure that economic impact of SMEs are: number of enterprises, number of people employed and value added (European Commission, 2019c). Globally speaking, it can be observed that SMEs have a higher economic contribution in developed countries than in developing countries. As such, they account for 60% of worldwide employment, providing for 50% value added, with both figures being higher in developed economies (Oliver Wyman, 2014). As illustrated in table 4, there were over 25 million SMEs in the EU employing over 97 million people which accounted for two-thirds of the total employment in 2018. These SMEs generated more than

4tn EUR which represent over 56% of all value added. These numbers follow a steadily increasing trend since 2014. The level of employment as well as the value added have exceeded pre-crisis levels in 2016 and have therefore finally recovered from the financial crisis in 2008/09. This positive trend is expected by the European Commission to continue at a relatively steady pace in the upcoming years. However, the current Corona crisis might have negative impacts on this trend due to exacerbated macroeconomic environments as further discussed in chapter 3.1. The main industries SMEs are operating in the EU are accommodation and food services, business services and construction, accounting for over 80% of their employment and over 75% of value added (European Commission, 2019c).

Table 4: Overview of key figures from 2018 of SMEs in comparison to large enterprises in the EU-28 (own table based on European Commission, 2019c)

	Micro	Small	Medium	Σ SMEs	Large	Σ Total
Number of enterprises						
in thousands	23,324	1,472	236	25,032	47	25,079
in % of total enterprise population	93.0	5.9	0.9	99.8	0.2	100.0
Number of persons employed						
in thousands	43,528	29,541	24,670	97,739	49,046	146,785
in % of total employment	29.7	20.1	16.8	66.6	33.4	100.0
Value added						
in billion EUR	1,610	1,358	1,388	4,357	3,367	7,724
in % of total value added	20.8	17.6	18.0	56.4	43.6	100.0
Value added per enterprise						
in thousand EUR	69	923	5,891	174	71.192	308

Even though medium-sized enterprises display the lowest number of enterprises, the value added per enterprise is, with almost 6m EUR, the largest among SMEs, as illustrated in the table above. Therefore, amongst SMEs, the group of medium-sized enterprises has the largest impact which is one of the reasons why this research will focus on medium-sized enterprises.

2.1.2 Capital structure decisions

The importance of SMEs has been proven as well as the fact that their access to external finance is very limited, in particular in the aftermath of the financial crisis. SMEs mainly use short-term debt finance which does not provide the long-term funding they would need for sustainable growth (Oliver Wyman, 2014). This section will build on these information and outline some solutions of alternative access to finance which medium-sized enterprises can use to loosen their reliance on banks and debt financing in order to be able to persist in the markets and continue to grow. These alternative forms of financing have gained in influence, especially since the financial crisis has widened the financing gap for SMEs (Serrasqueiro et al., 2018).

In order to identify alternative solutions for SMEs to access finance, a brief overview of capital structure helps to assign the context. Capital structure can be defined as “the mix of debt and equity maintained by the firm” (Gitman & Zutter, 2015, p. 508). It can be categorised in numerous different ways. The distinction between debt and equity capital is included in most cases as it is also applied in corporate balance sheets reporting according to IFRS standards. As for that, the financing options are listed on the right side of the balance sheet which balance out and finance the assets noted on the left side. This right side, and hence the capital procurement options, is divided into the two main categories: liabilities (debt) and equity (IFRS Foundation, 2018). Typical debt capital options are i.e. overdrafts, loans, invoice finance, credit cards, hire purchase, leasing and grants (Rigby, 2011). Debt financing is characterised by an unconditional claim on the borrowers who, regardless of the situation they are in, have to regularly pay interest. Besides paying the interest rate, the only other commitment with debt financing is to repay the principal at the end of maturity. Equity financing, by contrast, includes other commitments such as the split of corporate ownership and potential dividend distributions, as further discussed in section 2.1.3 (OECD, 2015). Another classification of capital structure is provided by Myers (1984) who divides between three categories: credit financing, external equity and self-financing. Furthermore, another widely used classification i.e. used by Deakins, Whittam & Wyper (2010) distinguishes between two groups: internal and external sources of finance.

Both groups can be subclassified into debt and equity. None of the mentioned classifications of capital structure are contradicting each other. Their different approaches highlight the different focuses of each classification. As for that, the applied classification in this research will be based on a mixture of the IFRS Foundation (2018), Myers (1984) and Deakins et al. (2010) as illustrated in figure 5.

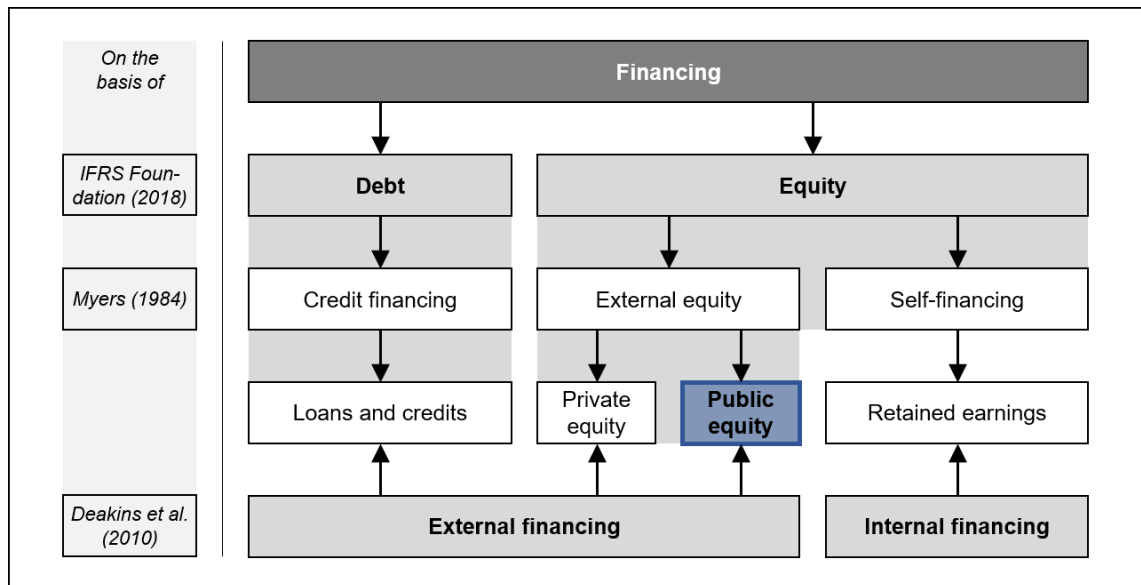


Figure 5: Classification of capital structure adopted in this research (own illustration based on IFRS Foundation, 2018; Myers, 1984; Deakins et al., 2010)

The main distinction of the capital structure understanding adopted in this research classifies between debt and equity. Debt capital is considered loans and credits from external institutions or individuals. Equity capital is divided into external equity, including private and public equity, and self-financing through retained earnings. Therefore, external equity and debt capital is classified as external financing whereas self-financing is grouped as internal financing. The top-down approach from the distinction between debt and equity is the most reasonable classification for this research since the research aim very specifically focuses on public equity financing rather than focussing on external financing in general. The reasoning for this will be elaborated in the following.

Generally, most SMEs tend to finance internally, however, this source of finance can restrain them from growing and thus from surviving sustainably (Carpenter & Petersen, 2002). Consequently, in order to remain competitive in today's

dynamic markets, SMEs also need capital from external sources (Department for Business, Innovation & Skills, 2012). At the moment, 49% of SMEs use external financing. The trend over the years is clearly rising. Moreover, the bigger the business, the more external financing they use. Therefore, medium-sized enterprises form the biggest group amongst SMEs using external financing with 78% (BVA BDRC, 2019).

As mentioned before, the majority of SMEs in Europe relies on debt financing with only about 5% of European SMEs using equity financing (Oliver Wyman, 2014). However, since debt financing is heavily reliant on today's post-crisis vulnerable and ever more requesting banking institutions and credit markets, more diversified financing options for SMEs, in particular equity financing, can help to fill the financing gap (OECD, 2020b). Businesses making use of equity financing have been proven to be more active in research and development activities, leading to increased innovation and, thus, to growth (Müller & Zimmermann, 2009). This contributes to ensure their long-term investments and therewith their sustainable growth and survival from which the whole economy benefits (Balling et al., 2009; OECD, 2015).

External equity can be distinguished between private and public equity, as outlined in figure 5. Private equity is more relevant at early stages of small companies with little access to information, whereas public equity is more relevant for older and medium-sized firms with more access to information (cf. figure 7; Berger & Udell, 1998). Private equity is provided by investors who make equity investments directly into private businesses that are not listed on public exchanges. Typical sources for private equity are venture capital, business angels and corporate venturing. Whereas the first two sources provide capital without getting involved in the management of the business, corporate venturing provides not only finance but also other sources such as managerial expertise to the business in exchange for equity. By contrast, public equity is connected with getting the business listed on the stock markets and publicly offering shares of the business to stock investors. However, even though equity capital is usually the most expensive form of finance since debt capital normally profits from the leverage effect, there are still many benefits connected with public equity which will be further explained in section 2.1.3 (Rigby, 2011).

When looking at the financial efficiency of different financing forms, it can be observed that equity financing generally attains best scores in risk-return ratio compared to other forms of finance, in particular SME's so often used bank loans (Department for Business, Innovation & Skills, 2012). Figure 6 illustrates this confrontation.

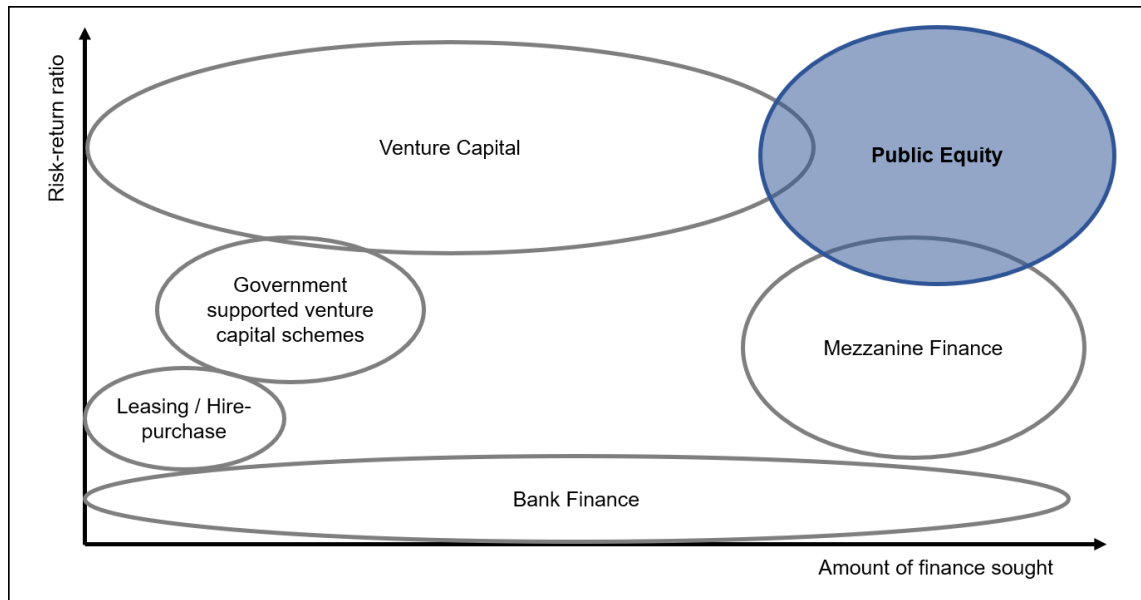


Figure 6: Financial efficiency comparison of different financing forms (own illustration based on Department for Business, Innovation & Skills, 2012, p. 6)

There is no universally adoptable rule of thumb which form of capital is ideal for businesses, especially since SMEs have very differing stakeholder and owner structures (Deloitte, 2012). The firm size, firm age as well as the information available determine which form of financing is most suitable for a firm. These three determinants usually positively correlate with each other, meaning the bigger a firm, the older it is and the more information it normally has access to. The following Financial Growth Cycle Model for small businesses, developed by Berger & Udell (1998) summarises which forms of finance are most suitable for each stage of a firm. It is based on the assumption that financing needs and options change as the firm develops in terms of size, age and information availability.

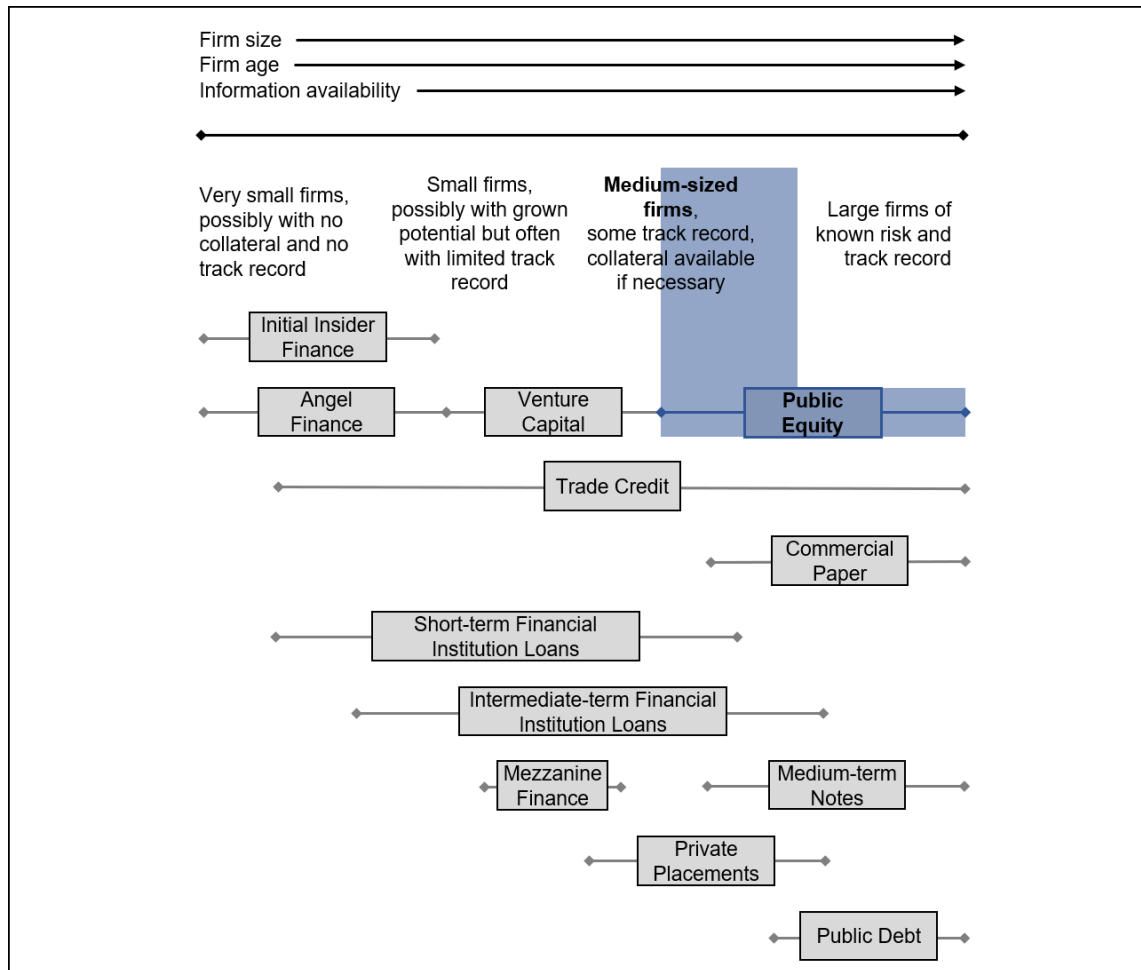


Figure 7: Financial Growth Cycle Model determining the most suitable form of capital for each stage of a firm (own illustration based on Berger & Udell, 1998, p. 623)

Hence, small firms at a very early stage “must rely on initial insider finance, trade credit, and/or angel finance” (Berger & Udell, 1998, p. 622) and usually have better access to finance from government and venture capital sources (Pickernell, Senyard, Jones, Packham & Ramsey, 2013), whereas larger, older and better informed firms have more options of finance. As this research focuses on public equity as a financing form, the model suggests that it is most suitable for medium-sized to large firms (Berger & Udell, 1998). With a focus on SMEs due to their proven importance to the economies, the attention of this research will therefore be on medium-sized enterprises.

Since the Financial Growth Cycle Model has been developed in 1998, it does not incorporate more recent innovations in financing which have evolved in the past two decades. Besides the mentioned funding alternatives, “a whole set of relatively ‘new’ sources of financing [has] emerged” (Bellavitis, Filatotchev, Kamuriwo & Vanacker, 2017, p. 2), highlighting how dynamic the field of

accessing capital is. These funding alternatives include, but are not limited to, microfinance, crowdfunding and peer-to-peer lending. Most new approaches share common features in terms of being cross-border financing alternatives, being platform-mediated and aggregating and pooling together many smaller individual transactions instead of having one big transaction (Bruton, Khavul, Siegel & Wright, 2015). This entails the advantage that smaller-scaled investors often do not aspire extraordinary returns, but also accept intrinsic returns such as the knowledge to have supported a local business in financial distress (Chan & Parhankangas, 2017). In addition, these funding innovations often make use of social networks to communicate and advertise the funding opportunities amongst investors and businesses. They are gaining in importance and are rapidly spreading across the world. Hence, these new funding options provide efficient alternatives to access capital throughout the complete life-cycle of a firm, and therefore to circumvent the financing gap (Bellavitis, 2017; Bruton et al., 2015).

Amongst those funding innovations, crowdfunding is arguably the most popular option (Bruton et al., 2015). “[Crowdfunding] involves an open call, mostly through the Internet, for the provision of financial resources either in the form of donation or in exchange for the future product or some form of reward to support initiatives for specific purposes.” (Belleflamme, Lambert & Schwienbacher, 2014, p. 588). The crowdfunding platform Kickstarter has funded almost 195,000 projects with a total of more than 5.5bn USD of funds pooled (Kickstarter, 2021). The five major benefits of a crowdfunding campaign are to help overcoming funding difficulties, to facilitate further funding, to involve the crowd and generally to provide contacts whilst keeping the control and ownership of the business. Thus, crowdfunding is an effective, easy and fast way of accessing capital, helps achieving investment readiness, makes use of the wisdom of the crowd and also advertises the business and raises awareness. Nonetheless, downsides include the potential sharing of intellectual property, high transaction costs due to the large amount of investors, enhanced expenditure of time to prepare the funding campaign and convince potential investors respecting different cultural backgrounds, over-complication to choose a suitable platform for the campaign, limited experience and loss of potential customers in case of reward-based crowdfunding where products or services

are exchanged for funding (Macht & Weatherston, 2014; Green, Tunstall & Peisl, 2015). One of the major downsides, however, is that “most crowdfunding campaigns do not achieve their funding goals” (Cumming, Leboeuf & Schwienbacher, 2020, p. 332) since they are based on an all-or-nothing approach. The success-rate on Kickstarter is 38% (Kickstarter, 2021). Thus, only if the aspired amount of capital is raised, the crowdfunding campaign is successful and the business raises the funding. Otherwise, they do not receive any funds at all. This, in addition to the fact that it only provides a one-off fund, are reasons why public equity financing is the more suitable option for the focus of this research. In particular medium-sized enterprises require a more sustainable source of funding and the newer financing approaches introduced above rather focus on one-off and early-stage finance (Belleflamme et al., 2014; Bruton et al., 2015; Chan & Parhankangas, 2017).

Furthermore, there are several theories trying to explain the rationale according to which firms' capital is structured. The founders of capital structure theories are Modigliani & Miller (1958) who initiated the Proposition of Capital Structure Irrelevance. They claim that the value of a firm remains the same regardless of the firm's debt policy. Hence, they say that no matter how the capital structure of a firm is composed, it has no influence on the firm value. This proposition is based on the assumptions of perfect capital markets as well as the disregard of taxation and transaction costs. Perfect capital markets are characterised by priced assets with total efficiency according to Fama's (1970) Efficient Market Hypothesis (EMH). The underlying assumptions of that theory are a frictionless and absolute capital market in which all investors rationally understand new information which come to the market in an independent and random manner. All investors have access to this information and act in a risk averse manner. Fama states that stock prices reflect all available information and adjust very quickly to them which is why it is impossible to influence or predict price developments. However, it has been empirically proven that this neoclassical approach does not fully explain actual market events since markets are not always a “fair game” and perfectly efficient. As such, certain market anomalies can be identified which depict moments where stock prices do not follow the EMH but can be predicted to a certain level (i.e. Ariel, 1987; Arouri, Jawadi &

Nguyen, 2010; Levy & Yagil, 2012; Rozeff & Kinney, 1976). This in addition to the absence of taxation disproof the applicability of Modigliani & Miller's Proposition of Capital Structure Irrelevance because they naturally do not reflect the actual markets.

This is why Kraus & Litzenberger (1973) have advanced the Trade-Off Theory taking into account taxation. They postulate that a firm needs to trade-off the financial distress derived from debt and tax benefits associated with debt until the value of the firm is maximised. Hence, firms decide to take up debt capital to generate tax savings to an economically reasonable amount, because firms with a high level of leverage face a higher probability of insolvency.

However, this theory is also based on the principles of Fama's EMH. Since the assumptions of Modigliani & Miller's and Kraus & Litzenberger's neoclassical approaches of explaining capital structure have therefore been highly criticised, neoinstitutional capital structure theories have been developed which postulate that Fama's EMH is incorrect. The Agency Theory as well as the Pecking-Order Theory are two theories based on the assumption of imperfect capital markets building on the fact that information asymmetry is present in actual capital markets.

The Agency Theory, developed by Jensen & Meckling (1976) states that agency costs rise due to a conflict of interest between shareholders and managers (agency cost of equity) and due to a conflict of interest between the debt-holders and shareholders (agency cost of debt). Thus, optimal capital structure can be obtained by balancing the benefits of equity or debt financing against agency costs of equity or debt.

In addition, the Pecking-Order Theory from Myers & Majluf (1984) claims that firms follow a hierarchical pecking order of preferred forms of capital. As for that, the first choice is self-financing through retained earnings. If this source does not provide sufficient capital, the second choice for firms is debt financing. The third and final choice of capital procurement is through equity financing. This is the last choice because equity financing leads to constraints in the own management power of businesses. However, in order to have sufficient capital, firms with growth opportunities need to choose equity financing. That way, by

following this hierarchical pecking order, the value of the firm can be maximised (Myers & Majluf, 1984).

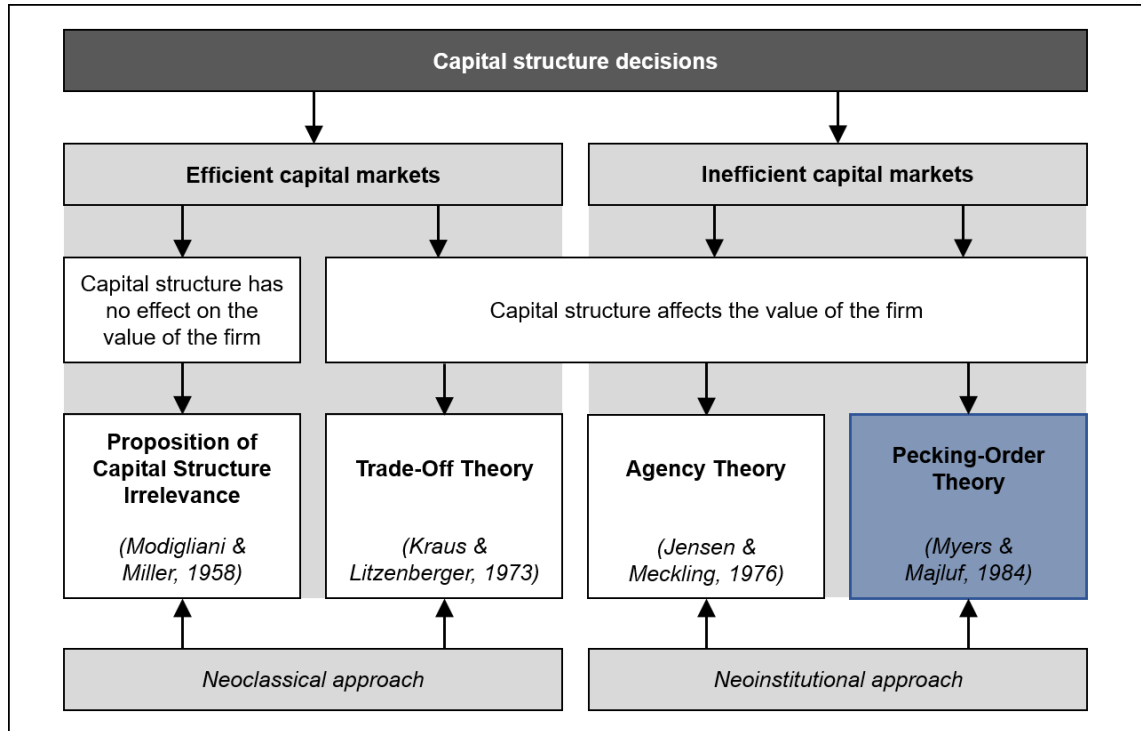


Figure 8: Context of the main capital structure theories

Figure 8 summarises the context of the four capital structure theories introduced above. There are more theories going into more detail about specific aspects, however, the four presented theories are the most relevant in the context of this research. As justified above, this research assumes that capital markets are inefficient. As for that, the Pecking-Order Theory will be adopted in this research since it is in line with the assumptions of this research. The Agency Theory is not adopted in this research as it is underpinned by Expected Utility Theory (von Neumann & Morgenstern, 1944). As further justified in chapter 3.1.3.2, this research postulates that maximising utility is not the only reason for selecting a capital structure, but also unconscious and irrational behavioural aspects. Therefore, the Pecking-Order Theory finds more application in the scope of this research as it can be applied in interaction with behavioural theories. Thus, this research postulates that Pecking-Order Theory is not only based on the conscious maximisation of utility, but also on unconscious behavioural aspects. The classification of capital structure is adopted to the one decided upon in figure 5, dividing between credit financing, external equity and self-financing.

The pecking order in which these forms of capital are used is analogue to the financing gap explained in chapter 1.1. SMEs most relevant form of finance is internal financing through retained earnings and personal savings (Carpenter & Petersen, 2002; Ou & Haynes, 2006), followed by credit financing and their heavy reliance on banks (European Commission 2019d; Oliver Wyman, 2014). However, since it is ever harder to access debt capital due to increasing requirements, the second choice of form of finance according to the Pecking-Order Theory is often fully exhausted. The resulting next choice for growing SMEs is to take up equity financing, which is also recommended i.e. by the OECD (2020b). The practical application of the Pecking-Order Theory has been proven by various studies (i.e. Adair & Adaskou, 2015; de Jong, Verbeek & Verwijmeren, 2011, Kumar, Colombage & Rao, 2017; Sardo & Serrasqueiro, 2017; Yazdanfar & Öhman, 2016), but is still under-researched in relation to SMEs (Becker, Ulrich & Botzkowski, 2015; Kumar & Rao, 2015).

In fact, it can be observed, that equity capital has steadily become more important over the last decades for SMEs in Germany. Especially for medium-sized enterprises, where equity capital plays a more important role than for micro and small enterprises, the equity ratio almost doubled from 18.4% in 2002 to 31.2% in 2018 (KfW Bankengruppe 2019). This research will focus on public equity financing as a solution for medium-sized enterprises to escape the financing gap in the future, as the stock markets provide much still unused potential (Oliver Wyman, 2014).

2.1.3 Public equity financing

Public equity financing is a form of capital procurement where a firm gets publicly listed on a stock exchange where it trades business ownership shares in return for capital (OECD, 2015). Public equity provides long-term financing which supports the sustainability of corporate investments, value creation and growth (OECD, 2013). As outlined in figure 6, public equity is connected to a high risk-return ratio which makes it a very efficient source of finance if the risk appetite of a firm is appropriate. Then, it can boost the firm's development and growth (OECD, 2015). This section will outline the main advantages and

disadvantages of public equity in general. Section 2.1.3.1 will specify on medium-sized enterprises and their distinctive needs and characteristics in relation to public equity. Moreover, section 2.1.3.2 will elaborate on aspects which influence the decision to choose this form of financing.

One aspect that can have both, positive and negative impacts on the share price, is the performance of the market and the economy as a whole. This, besides the firm specific performance, impacts the share price, and thus the amount of equity capital primarily (Rigby, 2011), which is why it can be an advantage and a disadvantage depending on how the economy performs.

“The advantages of stock market flotation are manifold” (Röell, 1996, p. 1,073). Table 5 summarises the main advantages for businesses when they decide to procure capital through public equity.

Table 5: Overview of advantages of public equity financing for businesses

	Main advantages of public equity financing	Reference
Corporate financial implications	Access to long-term capital and sustainable growth opportunities	<i>Brown et al., 2009; Wehinger & Kaousar Nassr, 2016</i>
	Strengthened equity base and less dependency on debt capital and banks	<i>Bekaert et al., 2014</i>
	Better resistance against economic financial downtimes	<i>Chava & Purnanandam, 2011</i>
	Reduction of agency problems	<i>Brown et al., 2009; Myers, 1977</i>
	Enhanced chances for further capital procurement	<i>Gitman & Zutter, 2015; Bradley et al., 2003; Wehinger & Kaousar Nassr, 2016</i>
	Business valuation	<i>Rigby, 2011</i>
	Exploitation of mispricing	<i>Reber, 2017; Röell, 1996</i>
	No repayment requirements	<i>World Federation of Exchanges, 2017</i>
Other corporate implications	Enhanced publicity and better company image	<i>Pagano et al., 1998; Röell, 1996</i>
	Better position in the marketplace	<i>Rigby, 2011</i>
	Potential exploitation of first-mover advantage	<i>Chemmanur & He, 2011</i>
	Motivation and commitment of employees	<i>Edmans, 2011</i>
	Eased access of management expertise	<i>Rigby, 2011</i>
	Enhanced corporate governance and external communication	<i>Oliver Wyman, 2014</i>
	Better working relationships with professional advisors	<i>OECD, 2015</i>

	Formulation of a clearly defined business strategy	<i>Röell, 1996</i>
	Improved management and internal structures	<i>Röell, 1996</i>

Generally, the advantages of public equity financing can be divided into two groups: implications directly on the financing situation of the businesses and implications on other corporate aspects.

As for the first group, the most important advantage of public equity financing is the access to new finance (Brown, Fazzari & Petersen, 2009) as well as to long-term sustainable finance (Wehinger & Kaousar Nassr, 2016). In fact, it has been empirically proven that within the first seven years of being listed on the British main markets, in average two-thirds of the shares of a new entrant are sold to outside shareholders, which provides the listed business with reliable sustainable capital (Brennan & Franks, 1997). This new capital helps to enable great potential for growth through the newly created opportunity for expansion and investments (Department for Business, Innovation & Skills, 2012; Rigby, 2011). In addition, businesses listed on the AIM grow more quickly after the IPO thanks to the fact that they got listed (Colombelli, 2015). Furthermore, by choosing public equity as their financing form, businesses strengthen their equity base and are therefore less dependent on debt capital and thus on banks (Bekaert, Ehrmann, Fratzscher & Mehl, 2014). This makes the business more resistant against potential financial crises (Chava & Purnanandam, 2011). In addition, this reduces the leverage of the firm resulting in an abated debt overhang and other agency problems such as information asymmetry (Brown et al., 2009; Myers, 1977). However, by being equipped with a higher equity ratio and sufficient liquidity, the businesses meet the high requirements which eases the access to further capital, including debt capital (Gitman & Zutter, 2015; OECD, 2015; Wehinger & Kaousar Nassr, 2016). The fact that the company is publicly listed often biases analyst recommendations upwards which is a positive effect for companies as it attracts new potential investors (Bradley, Jordan & Ritter, 2003). In addition, by getting publicly listed, companies get a very specific and objective valuation of their business value. This is helpful for internal planning as well as for potential investors to better understand what they are investing into (Rigby, 2011). Only by the fact of getting publicly listed, the value of the firm automatically increases (Maksimovic & Pichler, 2001).

Moreover, on a financial perspective, another advantage of public equity financing can be achieved through the exploitation of mispricing. This undervaluation is realised through efficient timing of new issues of shares to the markets in order to take advantage and exploit excessively optimistic investor expectations (Reber, 2017; Röell, 1996). This mispricing occurs due to agency problems, mainly information asymmetry between underwriters, issuers and investors (Baron, 1982; Beatty & Ritter, 1986; Li, Lin & Zhan, 2019). Finally, another major advantage of public equity is that there are no repayment requirements such as interest to pay. The listed firms can decide each time again if their current performance allows them to distribute a dividend, which provides them the freedom to adjust especially during times of crises (World Federation of Exchanges, 2017).

Advantages of public equity financing which have implications on non-financial aspects of the businesses are for instance the enhanced publicity and improved company prestige that come along with getting listed. Hence, going public can be seen as a marketing investment. Many companies see this advantage as the most important one besides the access to new long-term capital (Pagano, Panetta & Zingales, 1998; Röell, 1996). Furthermore, it is not only easier to access additional capital due to the improved equity ratio, but it also enhances other stakeholder relationships such as with suppliers, customers, business partners etc. This is due to the fact that listed companies are proven to be competitive and stable as they need to go through a complex due diligence process before they can go public. Hence, stakeholders have more confidence in those companies as they are attached to less risk, which is why they can make business under improved conditions. That leads to a better overall position in the marketplace (Rigby, 2011). Furthermore, by going public before the direct competitors, the company profits from better reputation and better market conditions before those competitors and can therefore exploit a first-mover advantage (Chemmanur & He, 2011). In addition, another stakeholder group that profits from going public are the employees. They become more motivated and committed. Moreover, a positive relationship between employee satisfaction and shareholder returns can generally be observed (Edmans, 2011). Furthermore, the capital procurement through public equity eases the access to management expertise which is also based on the increased standing

of the business in the marketplace. This makes it easier to attract highly experienced and skilled board members (Rigby, 2011). In addition, the management of the companies gains from having an improved corporate governance as well as better external communications (Oliver Wyman, 2014). Moreover, also due to the improved standing, sustainability and liquidity of the firm, working relationships with professional advisors are easier, including services such as stakeholder management, due diligence and prospectus writing, IPO roadshow support, financial services and public relations (OECD, 2015). Furthermore, the firm profits internally from having a clearly formulated business strategy for future growth which was necessary for a successful due diligence during the IPO process. Finally, due to similar reasons, not only the management itself typically improves, but also the organisational and financial structure of the business. That way, the business profits from being better prepared for its future growth pursuits (Röell, 1996).

In contrast to all those advantages, there are also some major disadvantages for businesses in relation to public equity financing as summarised in table 6.

Table 6: Overview of disadvantages of public equity financing for businesses

Main disadvantages of public equity financing	Reference
High costs	<i>OECD, 2015; Oliver Wyman, 2014; Pagano et al., 1996; Rigby, 2011</i>
Risk of mispricing	<i>Reber, 2017; Röell, 1996</i>
High regulatory requirements, accountability and scrutiny	<i>OECD, 2015; Oliver Wyman, 2014</i>
High transparency of business insights	<i>Bernstein, 2015</i>
Limited knowledge	<i>Wehinger & Kaousar Nassr, 2016</i>
Danger of loss of control	<i>Mac an Bhaird, 2010</i>
Lack to directly access capital markets for smaller capitalised companies	<i>Börner et al., 2010</i>

The main two disadvantages of public equity financing are that it is related to high costs and high risk. Not only is the process of getting listed very cost intensive, including costs for the due diligence, distribution and registration, but also the time the management and employees spend on administration and

financial announcements etc. is increased (OECD, 2015; Rigby, 2011). The whole process is connected to a number of costly requirements as well as to many legal and regulatory frameworks (Oliver Wyman, 2014). In addition, costs arise after the IPO in terms of significantly enhanced tax payments (Pagano, Panetta & Zingales, 1996). This high level of costs which may create problems in control and decision making is the reason why most SMEs do not consider public equity financing (Berger & Udell, 1998). Furthermore, just as mispricing can be an advantage, it can also be a potential disadvantage that can occur (Reber, 2017; Röell, 1996). In this case, not enough liquidity would be generated by the shares limiting the investment and growth opportunities. Moreover, this would denote a lack of interest in the shares which can lead to a worsened standing in the marketplace with decreased tolerance of the stakeholders (Rigby, 2011). In addition, as mentioned before, stock markets are highly controlled platforms which is why there are numerous regulatory requirements, high accountability as well as strict scrutiny which constitute a major burden of public equity (OECD, 2015; Oliver Wyman, 2014). In order to comply with these burdens, businesses have to be highly transparent. This represents a disadvantage since competitors get an insight into business figures that can provide them with sensitive information which could lead to competitive advantages for rival businesses. Furthermore, this enhanced transparency leaves almost no room for imprecise accounting (Bernstein, 2015). In addition, there is a knowledge gap of entrepreneurs. In particular SMEs often lack awareness of public equity instruments (Wehinger & Kaousar Nassr, 2016). Another main disadvantage of public equity financing is the danger to lose control of the business to the shareholders (Mac an Bhaird, 2010). However, in average, this risk is unwarranted as usually the majority of voting rights remains within the firm (Pagano et al., 1998). Even though over 50% of the company's shares are usually sold within the first couple of years following the IPO, they are rationed into small external block sizes in most cases, ensuring that no external party has individual control (Brennan & Franks, 1997). Finally, another disadvantage of public equity is that it is usually reserved for larger enterprises as smaller enterprises are lacking direct access to capital markets due to missing specialised platforms (Börner, Grichnik & Reize, 2010).

Nonetheless, this last-mentioned disadvantage can be alleviated by governments or stock markets ensuring that the institutional environment is accommodating the specific needs of SMEs (Oliver Wyman, 2014). The problem has already been recognised by some stock exchanges which is why some of them have reacted by developing specific stock market platforms for smaller enterprises, such as for instance the AIM market from the London Stock Exchange (London Stock Exchange, 2015) or the Scale segment from Deutsche Börse (Deutsche Börse, 2017). Hence, until recently, public equity financing has been reserved to large firms. However, with these stock market platforms in place and a trend towards more equity financing, SMEs, in particular medium-sized enterprises, have a whole new opportunity to procure long-term capital and make use of the manifold advantages.

2.1.3.1 Specifics for medium-sized enterprises

Due to the specific characteristics of SMEs which differentiate them from large firms, not only the firm size measurements but also aspects like liquidity and risk propensity build a different foundation for public equity financing. As such, in particular the facts that SMEs have higher variances of profitability and growth, their high year-to-year volatility in earnings, their relatively low survival rate, their more loosened corporate governance and particularly their management on a more personal and less professional level compared to larger firms, are aspects that widen the financing gap for SMEs but also require different premises for public equity financing. Furthermore, asymmetric information problems are more severe for SMEs than for larger enterprises (OECD, 2006).

In addition, a special characteristic that distinguishes many medium-sized enterprises from larger businesses is the high proportion of family firms. "Family firms are the predominant organizational structure around the world" (Ampenberger, Schmid, Achleitner & Kaserer, 2013, p. 247). Both, in the United Kingdom (with a proportion of 48.8%; IFB Research Foundation, 2019) and in Germany (with a proportion of 57%; Stiftung Familienunternehmen, 2019), about half of all medium-sized businesses are family-owned. The fact that the proportion is higher in Germany is due to the distinction of German Mittelstand

(Ampenberger et al., 2013), which will be further discussed in chapter 3.1. The statistics show that the smaller the firm size, the higher the proportion of family businesses. Thus, there are about twice as many family firms amongst medium-sized enterprises compared to large businesses (IFB Research Foundation, 2019; Stiftung Familienunternehmen, 2019).

Although the universe of family firms is heterogeneous (Chua, Chrisman, Steier & Rau, 2012), some common characteristics can be observed. As such, family firms are characterised by their high independence and control due to pure ownership (Carney, van Essen, Gedajlovic & Heugens, 2015; Croci, Doukas & Gonenc, 2011). They are usually very traditional and therefore long-term committed to a good reputation of the business (Ampenberger et al., 2013). Thus, long planning horizons and sticking to well-proven strategies are common ways to run the business. Given the value of tradition, conservative management operations are often followed and change is not implemented easily (Cruz & Nordqvist, 2012; Zellweger & Sieger, 2012). Thus, family businesses are usually rather risk averse, which, however, does not impair their performance (Carney et al., 2015; Croci et al., 2011; González, Guzmán, Pombo & Trujillo, 2013; Michiels & Molly, 2017). Nonetheless, it can be observed that family businesses running in the second generation or further, are generally more open to unconventional strategies, innovation, proactiveness and change (Cruz & Nordqvist, 2012; Zellweger & Sieger, 2012).

The same is observable with capital structure decisions of family firms. First-generation firms are usually more conservative and prefer to completely fund their operations internally in order not to threaten the full family control of the business even if that results in forgoing growth opportunities (Ampenberger et al., 2013; Carney et al., 2015; Koropp, Kellermanns, Grichnik & Stanley, 2014; Michiels & Molly, 2017; Wu, Chua & Chrisman, 2007). In contrast, later-generation firms are more open towards external financing (Amore, Minichilli & Corbetta, 2011; Koropp et al., 2014). Nonetheless, given that in family firms the financial decisions are often made by a single person, that person's behaviour (Koropp et al., 2014) and thus cultural background also influences the capital structure, which supports the main argument of this research. A general tendency towards traditional forms of external finance such as debt financing can be observed (Croci et al., 2011; González et al., 2013). However, as

explained in chapter 1.1, access to traditional debt financing is exacerbated for SMEs which is a key impediment for family businesses to survive and grow (European Commission, 2021). In 2017, the proportion of British medium-sized enterprises applying for but not obtaining debt finance has been twice as high for family-owned businesses than for non-family medium-sized enterprises (IFB Research Foundation, 2019). Therefore, in particular family businesses need to change their attitude and become more open to alternative options to procure capital such as public equity financing.

Generally, it can be said that the larger a company is in size, the more likely it is to go public, from a micro enterprise being very unlikely to large enterprises being rather likely (Pagano et al., 1998). Therefore, in addition to the justification in section 2.1.2, public equity financing among SMEs is most reasonable for medium-sized enterprises which is why the focus of this research is on this subgroup of SMEs. Oliver Wyman (2014) believes that the potential of public equity for SMEs, in particular for medium-sized enterprises, is very high. They expect that up to 20% of total SME funding could be originated from public equity. The OECD (2015) also identified much potential in this financing form highlighting the advantages of increased growth opportunities and a better overall standing with improved conditions in the marketplace. However, a more severe disadvantage for SMEs than for larger enterprises are the associated costs since due diligence, distribution and securities registration are fixed costs which carry more relative weight in smaller firms (Berger & Udell, 1998). Nonetheless, those fix costs are not impossible to overcome (Oliver Wyman, 2014).

However, as identified in section 2.1.3, one of the main burdens for medium-sized enterprises to get listed is the lack of specialised platforms for SMEs (Börner et al., 2010). "For decades, private market participants and officials have been seeking to encourage the development of specialised exchanges or similar trading platforms to satisfy the demand of SMEs for equity finance" (OECD, 2015, p. 94). Some of these specialised public equity platforms have been developed over the past decades across the globe, offering an (usually second-tier listing) alternative to the main stock exchange. They typically target medium-sized enterprises at an established or mature stage in their lifecycle and provide them the facilitated opportunity for an IPO as their listing

requirements and costs to list are usually lower than the main board. As such, they generally allow more flexible criteria on aspects like the operating history, financial performance history, minimum amount of shareholders, etc. In addition, listing and maintenance fees are usually lower than in the main markets, accounting for the lower financial possibilities of smaller firms (OECD, 2015; Wehinger & Kaousar Nassr, 2016). However, in order to retain investor interest and market integrity, certain operating practices are often in place such as strict delisting rules, institutional mentoring or a lock-up period for large shareholders after an IPO which restricts them from selling their shares in that period (Yoo, 2007).

Some of the biggest established specialised SME equity platforms worldwide, which have been growing rapidly, are: the AIM in London, TSX Venture in Canada, HK GEM in Hong Kong, Mothers in Japan and AltX in South Africa (Oliver Wyman, 2014). Due to the geographic localisation of this dissertation, focussing on the United Kingdom and Germany, the SME equity platforms AIM from London Stock Exchange (2015) and Scale from Deutsche Börse (2017) are most relevant for this research. Chapter 3.1, which treats the macroeconomic comparison between the two countries, will also highlight the public equity landscapes and further elaborate on the AIM and Scale segment.

Through these platforms, medium-sized enterprises can publicly issue equity on the market while making transparent basic information about the firm, its activities and financial situation through a prospectus (OECD, 2015). In order to get listed on a market like the AIM, numerous key advisors need to be appointed such as the Nomad who is managing the technicalities of the process, a broker who is responsible for the investor road show and trading operations in the beginning and in the after-market, accountants who support with the financial reporting, lawyers and financial PR (Rigby, 2011). After being listed, the company needs to make regular disclosure while the trading takes place following the exchange's regulations (OECD, 2015) by ongoingly re-appointing the Nomad, a broker and further advisors (Rigby, 2011). Since these platforms are regulated equity markets, they do not include over-the-counter (OTC) markets where securities are traded directly between the buyer and seller, but the market serves as an intermediary between the two parties, which is why its rules are crucial (OECD, 2015).

There are still obstacles why many SMEs do not consider public equity financing. The relatively high costs for the IPO and for remaining listed represent a major obstacle. In addition, since SME issuances are usually small, it is difficult to find institutional investors (Oliver Wyman, 2014). Nonetheless, the potential advantages of public equity financing for medium-sized enterprises are manifold and often exceed these obstacles by promising sustainable long-term financing for the opportunity to invest, grow and remain competitive in the markets. Furthermore, both, the companies and investors, get a clear indication on the performance and value of the firm besides the many advantages listed in section 2.1.3. Oliver Wyman (2014) has analysed that successful SME public equity markets can contribute up to 0.2% increase to the national GDP besides strongly supporting employment worldwide. Generally, it can be observed that the specialised public equity platforms for SMEs are growing rapidly and are listing a sizable amount of enterprises (Oliver Wyman, 2014). However, especially in Europe, public equity is fragmented and not very attractive for SMEs given the low level of cross-border investments (OECD, 2015). The European Commission has identified this problem and is convinced of the benefits associated with standardised and unified public equity platforms for SMEs, which is why the CMU is currently being established. Further details on the CMU are listed in chapter 3.1.

2.1.3.2 Influences on the decision to go public

After having specified the beneficial potential of public equity financing for medium-sized enterprises to overcome their financing gap in the previous sections, this section will focus on the influences on the decision to get listed on public markets in order to support the research aim. Most literature on this topic supports the assumption of efficient capital markets according to which investors always make rational decisions (Fama, 1970). Hence, the major researched determinants of going public are to either exploit the advantages or circumvent the disadvantages of public equity financing, as presented in section 2.1.3. The following table summarises the main identified factors influencing the decision to go public.

Table 7: Overview of the main determinants of the decision to go public

Determinant	Influence	Reference
Firm size & Firm age	Bigger firms are more likely to go public	<i>Pagano et al., 1998; Ritter, 1987</i>
	Older firms are more likely to go public	<i>Chemmanur & Fulghieri, 1999; Leland & Pyle, 1977</i>
	Bigger and older firms are more likely to go public since investors prefer to invest into better known companies (Adverse Selection Theory)	<i>Chemmanur & Fulghieri, 1999</i>
	Smaller firms are less likely to go public because the smaller the firm the lower is its expected liquidity	<i>Pagano et al., 1998</i>
Costs & Value of the firm	The more public equity minimises the costs and maximises the firm value the more likely the firm is to go public (Cost of Capital Theory)	<i>Modigliani & Miller, 1963; Scott, 1976</i>
	Firms aiming to generate more firm value are more likely to go public	<i>Maksimovic & Pichler, 2001</i>
	Companies aiming to exploit first-mover advantage in order to be ahead of competition are more likely to go public	<i>Chemmanur & He, 2011</i>
Investment & Growth	High-growth companies are less likely to go public due to an unwillingness to get more transparent and to lose confidentiality	<i>Campbell, 1979; Yosha, 1995</i>
	High-risk companies, including high-investment companies are more likely to go public	<i>Pagano, 1993</i>
	An increase of the market-to-book ratio by one standard deviation increases the probability of an IPO by 25%	<i>Pagano et al., 1998</i>
	High-investment companies are more likely to go public due to the unification of shareholders	<i>Pagano & Röell, 1998</i>
	Companies who want to regain control from venture capitalists are more likely to go public	<i>Black & Gilson, 1998</i>
	Companies aiming to enhance their reputation are more likely to go public	<i>Brau & Fawcett, 2006</i>

Equity ratio	High-debt companies paying high interest rates are more likely to go public	<i>Pagano et al., 1998; Rajan, 1992</i>
	Companies looking for new investors based on recommendations are more likely to go public	<i>Bradley et al., 2003</i>
Outlook for acquisition	Companies aiming to get acquired are more likely to go public due to better conditions and easier processes	<i>Ang & Brau, 2003; Mello & Parsons, 2000; Zingales, 1995</i>

There is evidence from numerous research (i.e. Bancel & Mittoo, 2009; Berger & Udell, 1998; Coluzzi et al., 2015; Pagano et al., 1998; Ritter, 1987; Wehinger & Kaousar Nassr, 2016) that firm size is an important factor influencing the likelihood of going public. Generally said, the smaller a firm the less likely it is to get publicly listed and vice versa (Pagano et al., 1998; Ritter, 1987). The same applies for the age of the company. The younger it is the less likely is an IPO (Chemmanur & Fulghieri, 1999; Leland & Pyle, 1977). These determinants of size and age can be explained by the fact that investors are usually less informed than the issuers about the true value of the firm. This information asymmetry can eventually lead to mispricing (Leland & Pyle, 1977; Li et al., 2019). Furthermore, the Adverse Selection Theory explains this relation by the fact that smaller and younger firms are generally not very well known and transparent to potential investors which is why these usually prefer to invest into larger companies (Chemmanur & Fulghieri, 1999). Another reason for smaller firms to be less likely to go public is the lower expected amount of liquidity. As liquidity is an increasing function of a firm's trading volume, smaller firms, which usually have less trading volume, can therefore not profit as much from liquidity as large firms (Pagano et al., 1998).

In addition, the cost of an IPO is a very important determinant in the decision to go public, based on the Cost of Capital Theory which states that firms decide to get listed when public equity will minimise their cost of capital and therewith maximise the value of the firm (Modigliani & Miller, 1963; Scott, 1976). This includes the direct costs of getting listed and the annual subsequent costs of remaining listed including i.e. auditing, certification and stock exchange fees (Pagano et al., 1998). In fact, only the fact that a company goes public adds value to the firm, which in itself is a motivation to get listed (Maksimovic &

Pichler, 2001). This is why even firms with sufficient capital sometimes choose to go public in order not to let their competitors get the first-mover advantage on the stock markets (Chemmanur & He, 2011). Once a firm in an industry goes public, close competitors often follow so they remain competitive (Lowry & Schwert, 2002).

Another determinant hampering the decision of getting listed is the loss of confidentiality due to the disadvantage of high transparency regulations. Hence, if a company is highly technological and innovative providing a major part of their standing in the market, they are less likely to go public in order not to lose their confidentiality and thus competitive advantage (Campbell, 1979; Yosha, 1995). In contrast, Pagano (1993) has identified that companies are more likely to go public the more risk taking they are. Since companies investing much are taking risks, this statement is in line with Campbell (1979) and Yosha (1995). Also compatible to this is the fact that fast growing companies are more likely to go public, resulting from their high investments. This influence, according to Pagano et al. (1998), can be measured by the market-to-book ratio from firms. They argue that an increase of the market-to-book ratio by one standard deviation increases the probability of an IPO by 25%. Another reason for high-investment companies to be more likely to go public is the unification of shareholders. If the companies procured their capital through debt financing or private equity, all investors would have different requirements. By going public, their reporting is standardised and similar for all shareholders (Pagano & Röell, 1998). Moreover, in case of prior extensive private equity capital procurement, companies can regain control from venture capitalists (Black & Gilson, 1998). Furthermore, companies profit from a better reputation and prestige which enhances the relationships with all stakeholders (Brau & Fawcett, 2006).

Moreover, an IPO is more likely for companies with high debts and companies paying high interest rates who invest their capital into their growth. In this case, the public equity serves directly to overcome borrowing constraints and to increase the bargaining power with banks (Pagano et al., 1998; Rajan, 1992). In addition, after an IPO, analyst recommendations are often positively biased which could attract new investors and support investments and growth (Bradley et al., 2003).

Another determinant to go public is the option for insiders to cash out for personal gain by selling shares in the IPO (Ang & Brau, 2003; Mello & Parsons, 2000; Zingales, 1995). Furthermore, going public facilitates the process of taking over the firm to an attractive price (Zingales, 1995). A study from Brau & Fawcett (2006) supports this determinant of the decision to go public. They have identified that the main motivations for companies getting listed is to facilitate acquisitions, followed by establishing a market value of the firm and enhancing the company's reputation. The main reason not to go public was identified to be the preservation of decision making control and ownership.

Pagano et al. (1998) criticise their own and most other research by saying that the assumption of efficient capital markets with rational investors is not realistic. In contrast to most of the literature mentioned above, this research will therefore suppose that Fama's EMH is incorrect. Therefore, inefficient capital markets with market participants not always being rational are assumed. The research field of behavioural finance questions the assumption of rational investors and efficient markets. It concentrates on the real decision behaviour of the market participants and tries to explain the impact of situational irrationality on capital market prices (Fuller, 1998). The decision-making process is not fully rational due to limited information, time constraints, limited cognitive abilities and subjectivity (March, 1978) as well as the complex and unpredictable business environment of decisionmakers (Sadler-Smith, 2004). Criticising the principles of the Expected Utility Theory (von Neumann & Morgenstern, 1944), Simon (1955) proposes the Satisficing Theory of Rationality which postulates that decisions are not always made to reach maximum utility, but to reach satisficing utility. This is to say, that decisionmakers are bounded rational (March, 1978) and do not decide for the best option, but for the option that is good enough for their needs given their limited cognition of alternatives (Simon, 1955). Based on similar assumptions, Kahneman & Tversky (1979) have developed the Prospect Theory in the late 1970s which was later awarded with the Nobel price (The Nobel Foundation, 2002), underlining the significance of behavioural aspects on decision making. Thus, many decisionmakers in SMEs lack understanding of the financing alternatives which are available to them, which leads to bounded rational satisficed decisions due to limited awareness of alternatives

(Hutchinson, 1999). Consequently, SME entrepreneurs are often not able to choose the best financing option for them, which is criticising the rational application of the Pecking-Order Theory as suggested in section 2.1.2. Therefore, the Pecking-Order Theory will be viewed in this research in relation to the Satisficing Theory of Rationality, meaning that the principles of pecking order apply to capital structure decisions in SMEs, but that, due to limited awareness and cognition, those decisions are influenced by irrational behaviour. Since national culture influences behaviour (Hofstede, 1991), the overall research aim of this study is justified.

Hence, not only the fair balance of costs and benefits of an IPO is important in the decision to go public, but also other “soft” factors. Further literature has also identified that most studies solely focus on quantitative variables to explain capital structures of firms, while qualitative variables are under-researched (Kumar & Rao, 2015; van Caneghem & van Campenhout, 2012). These factors might include culture and management practices, as identified by OECD (2015) who argues that despite the existence of a CMU, difficulties for SMEs seeking public equity might also arise due to these aspects. In fact, Pagano et al. (1998) mention that the general rule of thumb according to which the firm size is an important determinant of going public is not always applicable. They state that especially in countries such as Germany, it does not always find application due to the fact that it’s a financially very conservative country. Hence, they indicate that national culture influences the decision to go public. However, it has not been further elaborated on, which is why this gap in literature shall be filled in this research.

2.2 National culture

It is often argued that national culture is a very important influential factor of managerial decisions but it has been mostly ignored in research until the 1980s (Adler & Jelinek, 1986; Hofstede, Hofstede & Minkov, 2010). Since national culture highly defines (organisational) behaviour, the study of cultures and their values and impact is essential to more holistically understand the social construct of decision making. This enhanced understanding can then adjust and

improve managerial behaviour which, in the long run, improves the performance and thus sustainable growth of an organisation, as culture forms a part of entrepreneurial ecosystems which support innovation and growth of businesses (Spigel, 2017).

This section will first define the different understandings and definitions of the term national culture, specifying the definition this research will be based on. The second section will further explain different methods of measuring national culture, in particular agreeing on a measurement concept which will be used as a basis for this research.

2.2.1 Definitions of national culture

Culture is often referred to as “a fuzzy, difficult-to-define construct” (Triandis et al., 1986, p. 258). This is due to the fact that it is “a highly complex, elusive, multilayered notion that encompasses many different and overlapping areas and that inherently defies easy categorization and classification” (Furstenberg, 2010, p. 329). There is no universally agreed definition of culture, which is why, over the years, numerous definitions have emerged from research (Alvesson, 2013). These different understandings of the term imply how it is examined and studied (Brown, 1998). The following table summarises some of the most established definitions in literature.

Table 8: Overview of the main definitions of culture

Reference	Definition
<i>Taylor, 1871, p. 1</i>	“Culture, or civilization [...] is that complex whole which includes knowledge, belief, art, moral, law, custom, and any other capacities acquired by man as a member of society”
<i>Benedict, 1934, p. 9-10</i>	“[Culture is] not given at birth [...] but must be learned anew from grown people by each generation”
<i>Kroeber & Kluckhohn, 1952, p. 181</i>	“Culture consists of patterns, explicit and implicit, of and for behavior acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiments in artefacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values”

<i>Hofstede, 1991, p. 6</i>	"[Culture] is the collective programming of the mind that distinguishes the members of one group or category of people from others"
<i>Trompenaars & Hampden-Turner, 1993, p. 7</i>	"[Culture consists of] basic assumptions [which] define the meaning that a group shares. They are implicit. [...] What is taken for granted, unquestioned reality: this is the core of the onion."
<i>Bennett, 1998, p. 3</i>	"[Culture is] the learned and shared patterns of beliefs, behaviour, and values of groups of interacting people"
<i>Singer, 1998, p. 5-6</i>	"[...] a pattern of learned, group-related perceptions – including both verbal and nonverbal language, attitudes, values, belief systems, disbelief systems, and behaviors – that is accepted and expected by an identity group is called a culture"
<i>Holliday, 1999, p. 247</i>	"[...] 'culture' refers to the composite of cohesive behaviour within any social grouping [...]"
<i>Spencer-Oatey, 2000, p. 4</i>	"Culture is a fuzzy set of attitudes, beliefs, behavioural conventions and basic assumptions and values that are shared by a group of people, and that influence each member's behaviour and each member's interpretation of the 'meaning' of other people's behaviour"
<i>Shaules, 2007, p. 138</i>	"Culture is the shared products and meanings which act as the interactive frameworks in a given community"
<i>van de Vijver & Matsumoto, 2011, p. 3</i>	"[Culture is] A unique meaning and information system, shared by a group and transmitted across generations, that allows the group to meet basic needs of survival, by coordinating social behavior to achieve a viable existence, to transmit successful social behaviors, to pursue happiness and well-being, and to derive meaning from life"

One of the earliest researchers to define culture was Tylor (1871) who describes it to include "knowledge, belief, art, moral, law, custom, and any other capabilities and habits acquired by man as a member of society" (p. 1). Sixty-three years later, another often cited definition has been developed by Benedict (1934) who states that culture is not automatically given but learned and evolved throughout the lives of the individuals. This statement is based on cultural relativism which values the simultaneous and equipollent coexistence of different cultures. Thus, in order to understand different behaviours, mindsets, norms and values, the relative situation and culture needs to be respected.

Furthermore, also based on cultural relativism, another widely cited definition of culture has been developed by Kroeber & Kluckhohn (1952) who compared 164

different definitions before summarising their own, as quoted in table 8. However, they also state that a definite and holistic definition of culture is an almost impossible undertaking.

Towards the end of the 20th century, further renowned attempts to define the term have been developed. One of these has become a major milestone in culture research which has been achieved by Hofstede (1991). The author defines culture as a shared mental programming that distinguishes one group from another. People's behaviour is partially predetermined by their culture. There are three levels of uniqueness in mental programming: human nature which is universal and inherited, culture which is specific to a group and learned, as well as personality which is specific to an individual and both, inherited and learned. According to this definition, common values are the core of every culture, determined by the practice of symbols, heroes and rituals. Despite changing practices over time, values are claimed to be stable. Furthermore, it is distinguished between a hierarchical level of different cultural systems: national level, regional/ethnic/religious/linguistic level, gender level, generation level, social class level and intra-organisational level (Hofstede et al., 2010).

Another very often cited pair of authors in relation to culture is Trompenaars & Hampden-Turner (1993). They argue that culture is implicit and taken for granted, based on the core assumptions which a group shares. As many other authors (i.e. Alvesson, 2013; Hofstede et al., 2010; Holliday, 1999), they believe that culture needs to be regarded depending on its level, with national culture being on a high, more generalisable level towards organisational culture which is happening on a lower, more individual level. According to them, cultural differences have origin in relationships with other people, attitudes to time and attitudes to the environment.

Moreover, Bennett (1998) takes up the cultural relativist view, also arguing that culture is not a static concept but is learned in the interaction with others. Furthermore, the author distinguishes between objective and subjective cultures. The definition focuses on the subjective culture, including "beliefs, behaviours, and values" (Bennett, 1998, p. 3) which is in contrast to the objective culture which is defined as "behavior that has become routinized into a

particular form” (Bennett, 1998, p. 3) such as language, social or political systems, economy, art or music. By focussing on subjective culture, Bennett highlights the psychological importance of culture which is essential in dealing with cultural difference.

In addition, Singer (1998) has introduced a perceptual model of culture. According to the author, perception plays a major role in culture. People who share and recognise the same perception about aspects of the external world are an identity group. Thus, due to the many layers of culture, individuals are members of uncountable identity groups at the same time which is reflected in aspects such as i.e. vocation, social class, geography, philosophy, language, age and gender. Each individual ranks these identity groups in a hierarchical order depending on the degree of shared values with a group. However, as all aspects including values are ever changing, this hierarchical order is dynamic, as well. Moreover, since no two individuals ever share the exact same identity groups in a similar order, everyone can be said to be culturally different, which is why communication between cultures needs to be specific and is always unique.

Another widely accepted definition is from Holliday (1999) who focuses on the fact that not a single individual constitutes a culture, but a group of people. The author defines several layers of culture that exist. As such, national cultures are considered to be overarching cultures which influence and encompass their subcultures including i.e. industry cultures, regional cultures and corporate cultures. In addition, Holliday distinguishes between the large- and small-culture approach. The large-culture approach is a top-down approach which infers individual behaviour from national culture, starting from generalisations about the national culture and then supporting evidence with the behaviour of individuals. Hence, large cultures are referred to on a national or international level. The small-culture approach is the exact opposite, following a bottom-up approach deducing generalisable national culture from individual behaviour. Therefore, small cultures are the cohesive behaviour and mindset emerging from any social group. Whereas large cultures are essentialist, meaning that people passively receive cultural influences a priori as a defining and causal agent, small cultures are a non-essentialist notion which is socially constructed and emergent.

The culture definition from Spencer-Oatey (2000) argues that culture is to be regarded in different layers with each layer influencing and involving the other. On the outer layer, artefacts, products, rituals and behaviours determine culture. These aspects influence systems and attitudes which are one layer below that, followed by the next layer including beliefs, norms and attitudes. Finally, on the centre layer, the core of what defines culture, basic assumptions and values can be found.

Moreover, another often used definition has been developed by Shaules (2007) who emphasises on the shared frameworks of products and meanings that have to be learned. Products refer to the objectively visible elements of a group such as i.e. food, music and language, very similar to the objective culture according to Bennett (1998). With the group developing and changing over time, these products adjust. The second aspect of Shaules' definition, meanings, refers to the shared interpretation of products including i.e. the way of speaking or the importance of certain products. These meanings rely on countless layers of contextual frameworks which the group uses for their understanding of products, behaviour and concepts. Hence, according to this definition, culture determines the way people behave and think.

Finally, one often accepted definition from the last decade, developed by van de Vijver & Matsumoto (2011), points out that culture is a unique shared system that is passed on from generation to generation in order to eventually enhance happiness and well-being.

A clear definition of culture in the context of the research is very important since it impacts the way cultural research is conducted and analysed (Jahoda, 2012; Martin, 1995). For this research, culture will be defined as a compilation of the mentioned definitions which most supports the research aim. The points of agreement which is present in all definitions is the fact that it is something shared and unique to a group as well as that it is happening on a subconscious level. Bennet's (1998) view of a subjective culture as well as Shaules' (2007) definition of meanings will be applied since the impact of values and beliefs on financial decisions is aimed to be identified. This, also according to Hofstede et al. (2010) and Spencer-Oatey (2000), is considered to be the core of culture

and behaviour. Hence, since culture influences the behaviour of people (Hofstede et al., 2010), it is assumed that values and beliefs influence the behaviour in the core. Homer & Kahle (1988) have empirically demonstrated that values and attitudes influence behaviour, which supports this assumption.

The concept of cultural relativism will be applied since the simultaneous and equipollent coexistence of different cultures is assumed. Thus, culture can only be understood in context to the situation and environment. Therefore, the view of culture on different levels is supported with national culture forming the outer layer of the culture onion influencing its subcultures. Leaning mostly on Hofstede et al.'s (2010) and Holliday's (1999) definitions, these subcultures include different levels in a descending order as illustrated in figure 9.

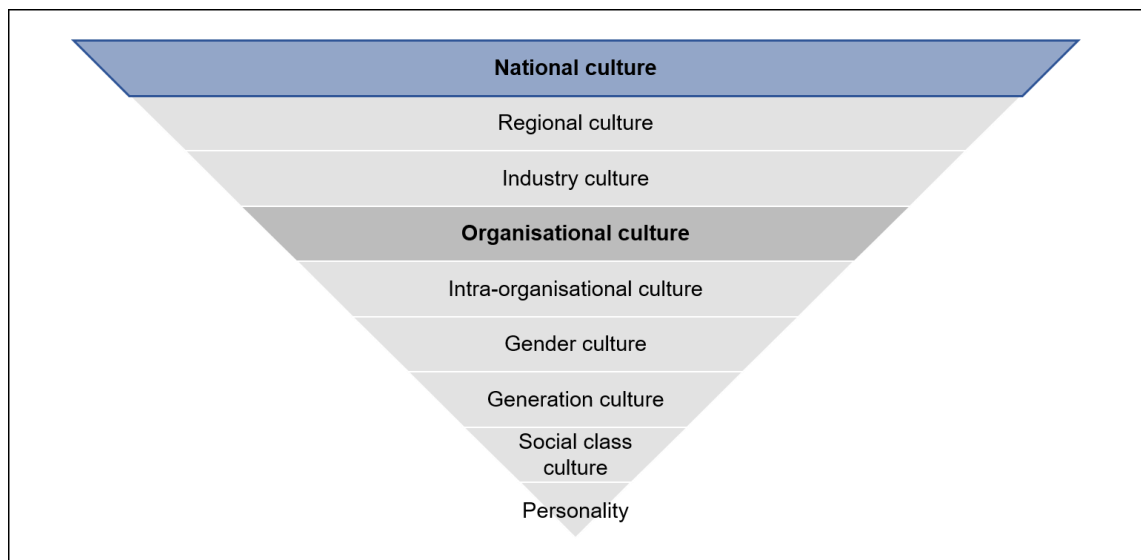


Figure 9: Hierarchical order of different levels of culture (own illustration based on Hofstede et al., 2010; Holliday, 1999)

Furthermore, in accordance with Hofstede (2001), it is assumed that culture is something learned and evolved but at the same time very stable over time. This stability allows for cultural comparison on a national level adding more explanatory power and longer validity to the research. Consequently, by comparing cultures based on the national level and deducing information to the organisational level, a large-culture approach in concordance with Holliday (1999) definition is taken, which is also determined in this definition.

Hence, this research is based on the assumption that core values on a national level of culture also influence the behaviour on an organisational and even

personal cultural level. This is supported by Newman & Nollen (1996) who state that people bring their national culture anywhere including the workplace. In addition, culture does not only influence behaviour but also institutional applications, policies and norms including corporate decision making (Çetenak, Cingoz & Acar, 2017). Thus, this research will be based on an organisational level of culture deriving from the national culture. However, decision making is done by individuals, and even if they are deciding in lieu of the organisation, their personality and individual perceptions also influence the decision process (Adler & Gundersen, 2008; Hofstede, 2001; Singer, 1998). As such, the subcultures including the social class, generation, gender and intra-organisational cultures also influence decision making. Nevertheless, national culture, being the outer and most important layer, has the most influence as depicted in figure 9. Therefore, it is essential to have knowledge about the different cultural influences in order to adjust the managerial and decision behaviour (Podrug, 2011; Singer, 1998).

2.2.2 Measurements of national culture

In order to identify the influences of national culture, it needs to be quantified. Many researchers have tried to define quantifiable dimensions which reflect a holistic mapping of all facets that constitute national cultures, although it is impossible to completely map out the full extent of it (Çetenak et al., 2017). The most established cultural dimension models are summarised in table 9.

Table 9: Overview of the main models of cultural dimension measurements

Reference	Cultural Dimensions
<i>Tönnies, 1887</i>	Gemeinschaft vs. Gesellschaft
<i>Kluckhohn & Strodtbeck, 1961</i>	<ul style="list-style-type: none"> - Relationship with nature: mastery vs. harmony vs. subjugation - Relationship with people: individualistic vs. collateral vs. lineal - Human activities: being vs. becoming vs. doing - Relationship with time: past vs. present vs. future - Human nature: good vs. neutral vs. evil (- <i>Space: here vs. there vs. far away</i>)

<i>Hall, 1966,</i> <i>1976,</i> <i>1983,</i> <i>Hall & Hall, 1990</i>	<ul style="list-style-type: none"> - Space: need of more (private) space vs. need of less (private) space - Context: high context vs. low context - Time: monochronic vs. polychronic - Information: slow flow of information vs. fast flow of information
<i>Hofstede, 1980</i> <i>Hofstede & Bond, 1988</i> <i>Hofstede et al., 2010</i>	<ul style="list-style-type: none"> - Power distance - Individualism vs. collectivism - Masculinity vs. femininity - Uncertainty avoidance - Long-term vs. short-term orientation - Indulgence vs. restraint
<i>Trompenaars & Hampden-Turner, 1993</i>	<ul style="list-style-type: none"> - Universalism vs. particularism - Individualism vs. communitarianism - Affective vs. neutral - Specific vs. diffuse - Achievement vs. ascription - Sequential vs. synchronous - Internal vs. external control
<i>Schwartz, 1994</i>	<ul style="list-style-type: none"> - Autonomy vs. Conservatism - Mastery & Hierarchy vs. Egalitarian commitment & Harmony
<i>Lewis, 1996</i>	Linear-active vs. multi-active vs. reactive
<i>House et al., 2004</i>	<ul style="list-style-type: none"> - Performance Orientation - Assertiveness - Future Orientation - Humane Orientation - Institutional Collectivism - In-Group Collectivism - Gender Egalitarianism - Power Distance - Uncertainty Avoidance
<i>Inglehart & Welzel, 2005</i>	<ul style="list-style-type: none"> - Traditional vs. secular-rational - Survival vs. self-expression

Tönnies (1887) was one of the earliest researchers to define cultural dimensions. The author distinguishes between the variables *Gemeinschaft* and *Gesellschaft* in order to explain different national cultures. According to Tönnies, this dichotomy explains how people within a culture deliberately decide how to socially interact with others. *Gemeinschaft* (deriving from the German word for community) cultures are characterised by a natural and organic cohabitation of a nation and culture. This culture shares the social will to a unity, morals and religion. In contrast, *Gesellschaft* (which is German for society) cultures are characterised by a calculated and rational cohabitation of a nation and culture. It is described as the process of a deteriorated *Gemeinschaft* where the friendly

and connected cohabitation of a culture is separated. Individuals do not see any more benefit in a *Gemeinschaft* which is why, in a *Gesellschaft* culture, their individual gain is most important.

Since these cultural dimensions are only based on one aspect, social interaction, it is not sufficient to characterise all variables of generally much more multifaceted cultures. Therefore, in the 20th and 21st century, more researchers have tried to develop more extensive cultural dimensions. As such Kluckhohn & Strodtbeck (1961) have developed their Values Orientation Theory. They do not only consider the relationship with people as a determinant of national culture but also the relationship with nature, human activities, the relationship with time and human nature. For each of these five dimensions they have defined three potential outcomes as outlined in table 9. These outcomes should be understood as a reflection of a society's basic orientation towards its environment. The fifth dimension, human nature, was considered too complex which is why they did not further explore it. In order to test the other four dimensions, interviews with five cultural groups in the USA have been held. They proposed relevant real-life situations and asked the participants about their value orientation for each of the specific situations. As a result, they drew value profiles of each culture which enabled a structured comparison.

Unlike most other cultural dimension models, Hall's approach has developed over decades, starting with the space dimension in 1966, adding a context dimension in 1976, a time dimension in 1983 and an information dimension in the 1990s. Kluckhohn & Strodtbeck (1961) have already suggested a sixth dimension, space, to their model but did not further follow it. Hall (1966) has transferred this idea by introducing a cultural dimension based on space dependencies. The author's study of proxemics distinguishes cultures with a need of more space against cultures needing less space. Space includes everything from personal space to the own territory. These types of space are perceived both visually and auditorily. Hall underpins the research with empirical examples on Germany with a significant requirement for space, England with a less important need for space, and France with a low need for personal space. Ten years after this dimension, Hall (1976) has developed a complimentary dimension focussing on context. According to Hall, culture is mainly measured through communication. The author states that the confidence

in communication on things other than words to convey meaning is differing between and characterising specific cultures. Hall distinguishes between high-context cultures where implicit context adds more meaning to the actually spoken information, and low-context cultures where messages only consist of what has been directly said without implying any further context. Hence, in high-context cultures communication is more indirect relying more on shared background knowledge, whereas in low-context cultures messages are very direct and specifically state the meaning. Furthermore, in high-context cultures, personal space is smaller whilst in low-context cultures, there is a greater requirement for more space. Hall's (1983) third dimension was added seven years later, focussing on time as a determinant to distinguish different cultures. The author states that cultures are situated on a time spectrum between monochronic and polychronic. Monochronic cultures are characterised by the preference to do one thing at a time, segmenting time into small units and the adherence to pre-set schedules. In contrast, polychronic cultures distinguish themselves by the preference of doing many things simultaneously, which is why they are more easily distracted and interrupted, resulting in a higher acceptance of flexible, often changing plans. Whereas monochronic cultures appreciate the sense of a perfect time for everything, polychronic cultures are more flexible since time is perceived as fluid. Finally, Hall's fourth dimension is about the pace of the flow of information. This pace measures how long a message intending an action needs in an organisation to arrive at the recipient and to originate the intended action. Cultures with a slow flow of information are usually present in low-context countries since the information needs to be planned and structured carefully in order to include all necessary details. In addition, these slow flowing information are often divided into several parts and it is paid attention not to include more than necessary. In high-context cultures there is generally a fast flow of information because not as much carefulness needs to be put into the correct formulation of the information (Hall & Hall, 1990).

Another widely used concept of cultural dimensions has been developed by Hofstede. The concept consists of six dimensions, four of whose have been defined in 1980, followed by the fifth dimension in 1988 and the additional sixth dimension in 2010 completed the model. In order to explain the emergence and

reinforcement of cultural patterns, Hofstede (2001) has introduced the model illustrated in figure 10. According to this model, changes in cultural patterns mainly come from outside influences through natural or human forces. These forces influence the origins of societal norms. Hence, outside influences do usually not directly impact norms unless they are particularly violent (such as i.e. military conquest), but they cause shifts in ecological conditions gradually leading to alterations in norms. These alterations happen over long periods of time and very incrementally because national cultures, which are based on norms and values, are extremely stable over time.

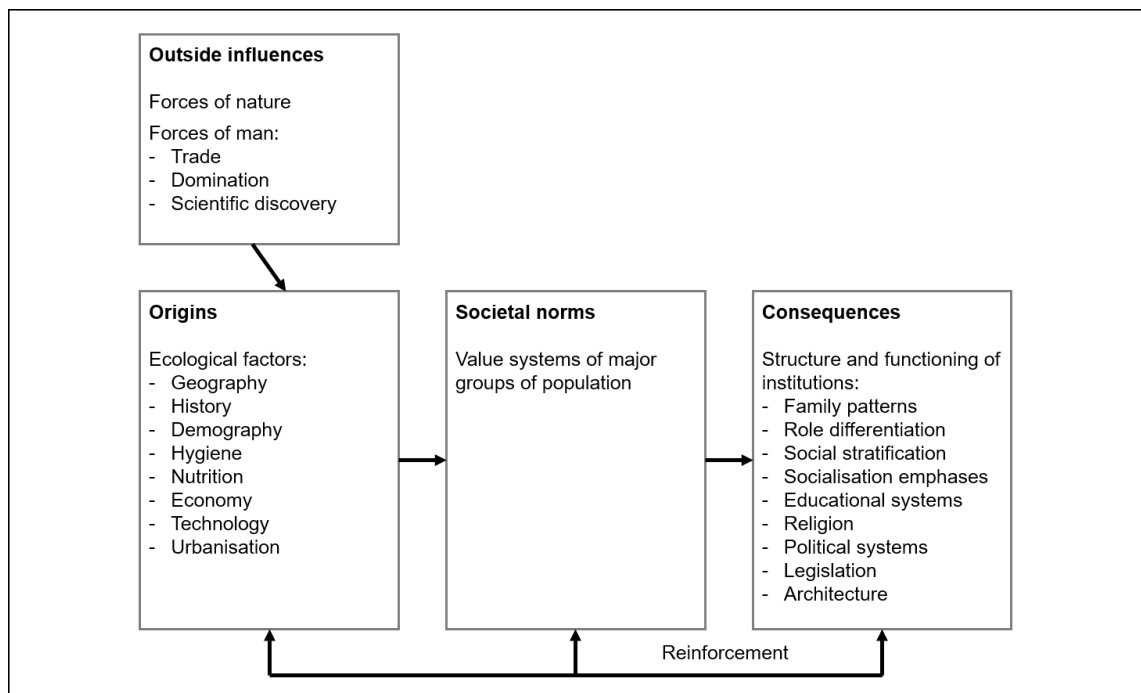


Figure 10: The emergence and stabilisation of cultural patterns (Hofstede, 2001, p. 12)

The first four dimensions from Hofstede (1980) have been determined by two waves of a survey among IBM marketing and service employees in 53 different countries worldwide, each conducted in a two year time span. For each survey wave, 60,000 respondents have provided data. After analysing the data, Hofstede defined the model's first four cultural dimensions: power distance (PDI), uncertainty avoidance (UAI), individualism (IDV) and masculinity (MAS). PDI measures the general acceptance of unequally distributed power. In countries with a high PDI, wealth and power is very concentrated to few people, resulting in a gap between the rich and the poor and people know whom to obey. However, this uneven distribution is accepted and people display respect

for others of higher status. On the contrary, in low PDI cultures, wealth and power is more evenly distributed and people are working and living on a similar level including everyone and respecting everybody the same way. Hence, decision making as well as social and organisational structures are rather decentralised with flat hierarchical pyramids. Moreover, Hofstede's second cultural dimension, UAI, measures how comfortable members in a culture are towards uncertain and unknown situations. Cultures with a high UAI tend not to tolerate much uncertainty and prefer to have control over planned situations. They perceive uncertainties as very uncomfortable and even threatening, which is why they prefer to have a long-term strategy and clear rules to follow. Hence, countries with a high UAI are usually very risk averse. By contrast, countries with a low UAI tolerate much more uncertainty and perceive them as curious and interesting. These cultures usually prefer not to stick too much to a schedule and regulations and emphasise short-run reactions willing to take some risk. Furthermore, in the third cultural dimension, Hofstede distinguishes between individualist and collectivist cultures. IDV refers to cultures where the interest and freedom of the individual is more important than the interest of the group. Thus, ties between individuals are rather loose and people care most about themselves and close relatives. On the contrary, collectivist countries focus on the interest of the group as one with a strong integration of individuals. Therefore, important values for collectivist cultures are loyalty and dependence. Moreover, Hofstede's fourth dimension, initially the last one from the author's first publication, distinguishes between masculine and feminine cultures. Masculine cultures are characterised by a clear distinction of social gender roles with strong values of assertiveness, competition and material success. Feminine cultures, by contrast, are more focussed on qualitative and humanitarian aspects of life with much concern for the weak, interpersonal relationships and overlapping gender roles. In addition, Hofstede & Bond (1988) have defined a fifth dimension to the model focussing on time orientation, originally labelled Confucian work dynamism. The dimension includes values such as thrift, persistence, the sense of shame and ordering relationships. Long-term oriented (LTO) cultures encourage thrift, savings and the commitment and willingness to subordinate oneself for a result and purpose. Short-term oriented cultures usually have less savings and spend much in order

to satisfy social pressure. They prefer quick results. Finally, it was not until the 21st century that Hofstede et al. (2010) have completed the model by adding a final dimension. This dimension distinguishes cultures according to the aspects of indulgence (IND) and restraint. Indulgent countries are considered to be very open towards activities that drive the enjoyment of life and fun. By contrast, restrained countries are much more conservative sticking to social norms and suppressing unusual activities that drive enjoyment and fun.

A further very often cited (Tung & Verbeke, 2010) model of cultural dimensions has been developed by Trompenaars & Hampden-Turner (1993). Based on a ten year lasting survey investigation among 46,000 managers in over 40 countries, they have defined seven dimensions measuring a culture. The first of these is universalism against particularism which measures the standards of relationships. As such, universalist cultures feel that strong rules and obligations are essential for moral reference. Therefore, they tend to follow rules no matter the situation, aiming to find a fair solution. In addition, universalist cultures are convinced that their philosophy is the only right way, which is why they tend to try to convince others of their values. In contrast, particularist cultures are not necessarily following the rules in case of special circumstances. For them, relationships are more important than regulations. Therefore, particularist cultures are more flexible, and depend their behaviour on the situation. Moreover, the second cultural dimension of the model is individualism versus communitarianism. In an individualist culture, the need of the individual is more important than the group. Personal freedom and individual development are major values of these cultures. A communitarianist culture, however, focuses more on the integration and protection of the whole group with loyalty being an important value. Trompenaars & Hampden-Turner's third dimension is dividing between affective and neutral cultures. An affective country is very open to freely expressing emotions in human relationships, whereas in neutral countries it is taught not to overtly show feelings. The fourth dimension is concerned with how life in general is pictured and how strong people involve in relationships. As such, cultures considered specific systematically analyse elements of a problem separately before putting them back together. They concentrate more on quantifiable hard factors. Furthermore, they individually engage with other people in specific areas of life on a single level of personality. On the contrary,

diffuse cultures rely more on qualitative soft factors and tend to see the whole picture with all elements of a problem being related to one another. They engage with others in multiple areas of life on several levels of personality simultaneously. In addition, the fifth dimension of the model refers to how personal status is assigned. In achievement oriented cultures, personal status is earned by which achievement one has reached and what they have done in life, whereas in ascription oriented cultures, personal status derives from who someone is taking into account the age, gender, social class, education and heritage. These first five dimensions of the model all measure how people interact with each other. The sixth dimension deals with time and the seventh focuses on the environment. As such, they divide between sequential and synchronic cultures. Cultures that structure time sequentially regard time as sequence of events and do one thing after another. These cultures also prefer to stick to a structured schedule, whereas synchronous cultures are more flexible and tend to change their plans. They regard past, present and future as being interrelated and often do more than one thing simultaneously. Finally, the last dimension of the model measures how much the environment is valued by a culture. Cultures with internal control usually determine all important decisions from within. Their motivations and values are also derived from within and people should control their environment by imposing their will on it. On the contrary, external control cultures are more focused on the environment rather than on themselves as they believe that the world is more powerful than individuals. The man is considered to be a part of nature and therefore needs to follow its laws, directions and forces. Hence, these cultures better adapt to external circumstances (Trompenaars & Hampden-Turner, 1997).

After this very comprehensive model of cultural dimensions, Schwartz (1994) has developed a model consisting of only two dimensions. These dimensions are based on seven core values which have been identified, focussing more on an ethical point of view. Schwartz's data derives from survey data of teachers from 41 cultural groups in 38 different nations. The first dimension confronts autonomy and conservatism. Autonomy is a value that is divided into intellectual autonomy and affective autonomy. Intellectual autonomy is important in cultures focussing on individuals and their interests, emphasising on self-direction and personal freedom, whereas affective autonomic cultures concentrate on

individual hedonism and the enjoyment of life. In contrast to autonomy, conservative cultures are focussing on strong and deep relationships, valuing security and tradition. In addition, Schwartz's second cultural dimension contrasts mastery and hierarchy with egalitarian commitment and harmony. Mastery refers to an active mastery and modification of the social environment through ambitious and independent individuals aiming to get ahead of others. With hierarchy, Schwartz refers to the social standing of an individual in a society based on its wealth and authority. On the other spectrum of the second dimension, egalitarian commitment refers to the voluntary engagement to support other people for their improved welfare. Finally, the last value depicting Schwartz's second cultural dimension is harmony which, in direct contrast to mastery, refers to living in harmony with nature and protecting the environment.

Another attempt of measuring and comparing different national cultures has been developed by Lewis (1996) based on questionnaire data from 50,000 executives and over 150,000 online participants from 68 different nationalities worldwide. The author has developed a three-dimensional model where cultures are positioned between the three variables linear-active, multi-active and reactive, as illustrated in figure 11. Linear-active cultures do one thing at a time having a clear schedule. In addition, they are polite but direct, confront with logic and quantifiable hard facts, are job oriented but strictly separate their social and professional life, value truth, have limited body language and respect hierarchical differences. Multi-active cultures are characterised by being able to do many things simultaneously, speaking a lot and often interrupting, only roughly planning a schedule but being flexible to adjust it and being very emotional and displaying feelings. Moreover, they are very people-oriented confronting rather with qualifiable soft facts, believe in a flexible truth, have an extensive body language and mix social and professional life. The third variable, reactive cultures, are very conscious of others and listen and react accordingly. Furthermore, they are generally polite and indirect, do not confront or interrupt others, conceal their feelings, are very people-oriented, diplomatic and patient and connect the social and professional life.

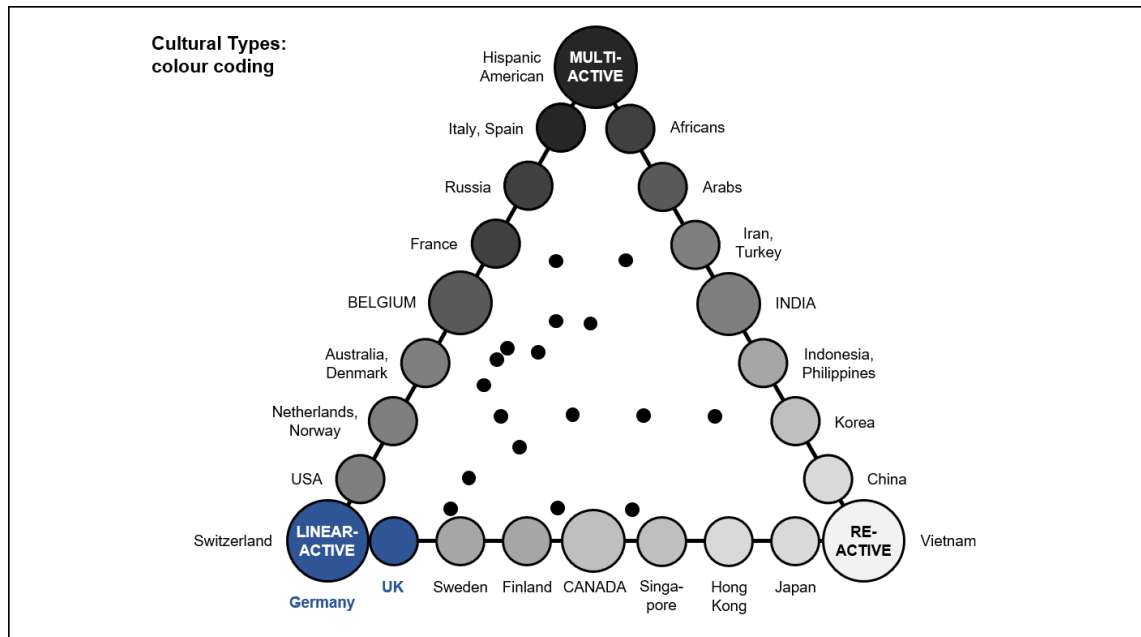


Figure 11: Lewis' cultural three-dimensional model (own illustration based on Lewis, 2006, p. 42)

A more recent and also often cited (Tung & Verbeke, 2010) model to quantify and compare cultures has been established by the GLOBE (an acronym for Global Leadership and Organizational Behavior Effectiveness) Foundation in 2004. Since its foundation in 1991 by Robert House, data has been collected worldwide through multiple methods in several phases. With nine different dimensions, GLOBE has developed the most comprehensive model presented in this literature review. The first dimension, performance orientation, measures how much performance improvement and excellence of people within a culture is encouraged and rewarded. Assertiveness, which is the second dimension, indicates how confrontational and aggressive people are towards others. The third dimension is future orientation and measures how much and through which actions individuals in a culture plan ahead their time. The fourth dimension, humane orientation, measures how collective cultures are and how fair, loyal and group-related individuals are to others. In addition, institutional collectivism, the fifth dimension, identifies how institutional practices encourage collective action and equal distribution of resources. The sixth dimension, which is in-group collectivism, indicates how much individuals openly express their loyalty and pride towards their organisations and families. The next dimension measures how much cultures try to equalise gender inequality. Furthermore, the eighth dimension, power distance, measures how much authorities, hierarchical

differences and different social statuses are generally accepted by a culture. Finally, the last dimension of the GLOBE model is uncertainty avoidance which measures how much a culture relies on its social norms, rules and traditions and how much it is prepared to take risks for the future (House, Hanges, Javidan, Dorfman & Gupta, 2004).

A further nameable cultural dimension model has been established by Inglehart & Weizel (2005) based on data from the World Value Survey. They state that their two-dimension visual model explains more than 70% of cross-culture variance. Their first cultural dimension is the differentiation between traditional and secular-rational cultures. In traditional cultures, religion is very important as well as close parent-child ties and clear authority. In addition, traditional cultures have strict standards and regulations, strong moral values and very much national pride. In contrast, secular-rational cultures strictly divide religion and life values. Furthermore, they are more flexible towards rules, authority and the importance of family which is why there is much less national pride and collectivism. The second dimension of Inglehart & Weizel's model is distinguishing between survival and self-expression cultures. They have identified that most industrial societies have shifted from a survival cultures to being self-expression cultures. The focus of survival cultures is, as the name indicates, to survive. However, once a culture has reached the point where survival and physical security is ensured and not questioned anymore, other values gain importance such as more quality in life and self-expression. The model is depicted in a cultural map as illustrated in figure 12.

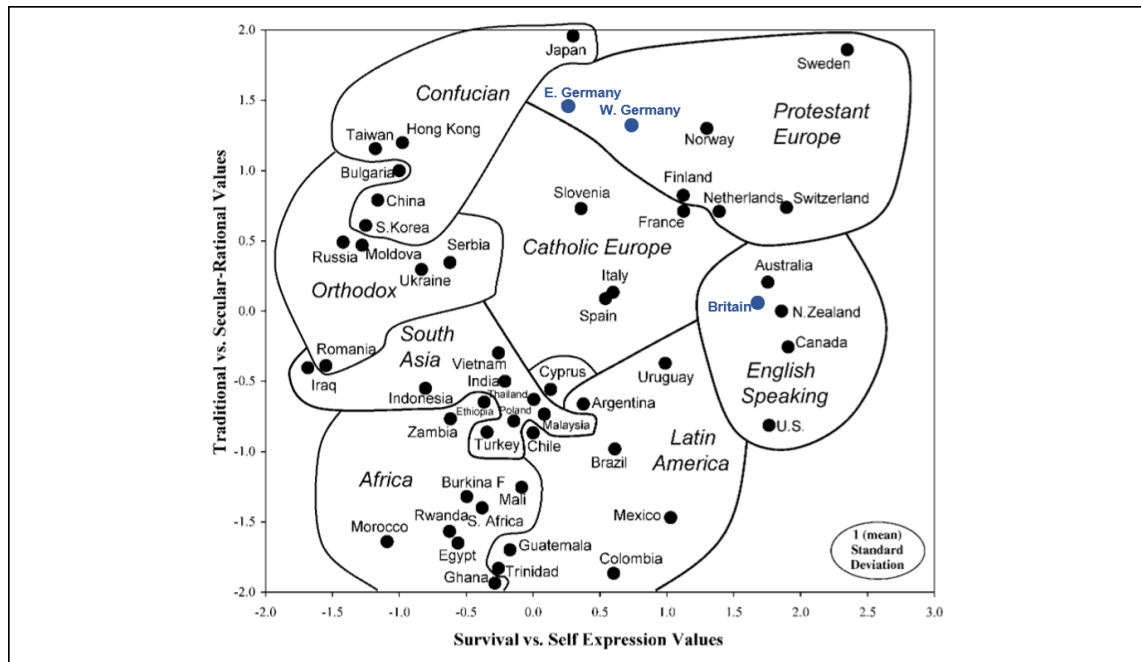


Figure 12: Inglehart & Weizel's cultural map 2005-2007 (Inglehart & Weizel, 2010, p. 554)

It can be observed that many of the above-mentioned concepts of cultural dimensions feature overlapping aspects. Table 10 summarises the main overlaps to Hofstede's model since Hofstede's model will be applied in the analysis of this research. This is due to resource-efficient data availability in contrast to the other models as well as to the fact that, despite a lot of criticism, which will be mentioned below, Hofstede is still one of the most cited and applied cultural comparison model in social sciences (cf. section 2.3) and it has been empirically demonstrated to have an impact on numerous organisational and managerial aspects (Çetenak et al., 2017). As opposed to the other concepts, Hofstede's model comprises of six cultural dimensions which can explain all of the developed dimensions of other researchers, as outlined in table 10.

Table 10: Thematic overlaps of the different models of cultural dimensions with Hofstede's six-dimensional concept

		Hofstede					
Cultural Dimensions		PDI	UAI	IDV	MAS	LTO	IND
Tönnies	1 Gemeinschaft vs. Gesellschaft			X			
Kluckhohn & Strodtbeck	1 Relationship with nature		X				
	2 Relationship with people	X	X				
	3 Human activities					X	X
	4 Relationship with time					X	
	5 Human nature	X			X		
	6 (Space)	X		X			
Hall	1 Space	X		X			
	2 Context		X	X	X		
	3 Time					X	
	4 Information	X	X				
Trompenaars & Hampden-Turner	1 Universalism vs. particularism			X	X		
	2 Individualism vs. communitarianism			X			
	3 Affective vs. neutral				X		X
	4 Specific vs. diffuse		X		X		
	5 Achievement vs. ascription	X			X		X
	6 Sequential vs. synchronous					X	
	7 Internal vs. external control	X			X		
Schwartz	1 Autonomy vs. Conservatism			X	X		X
	2 Mastery & Hierarchy vs. Egalitarian commitment & Harmony	X		X	X		
Lewis	1 Linear-active vs. multi-active vs. reactive	X	X	X	X	X	

House et al.	1	Performance Orientation				X		
	2	Assertiveness				X		
	3	Future Orientation					X	
	4	Humane Orientation			X			
	5	Institutional Collectivism	X		X			
	6	In-Group Collectivism	X		X			
	7	Gender Egalitarianism				X		
	8	Power Distance	X					
	9	Uncertainty Avoidance		X				
Inglehart & Welzel	1	Traditional vs. secular-rational	X		X	X		X
	2	Survival vs. self-expression		X	X	X		X

It can be observed that most of Hofstede's dimensions are reflected in the majority of the other frameworks, sometimes in multiple aspects, but none consists of all of Hofstede's dimensions. The framework from Lewis reflects five out of Hofstede's six dimensions, however also due to limited data access, outdated data and the fact that the two countries of observation, the United Kingdom and Germany, are rated fairly similar in Lewis' model, Hofstede's framework is the more comprehensive and reasonable to use in this research. In addition, since it is "still the most widely used cultural indices in the international business literature" (Chui & Kwok, 2008, p. 91), it is applied in this research.

Nevertheless, Hofstede's framework, like all other frameworks, is not flawless and has been strongly criticised. As such, Hofstede's sampling method has been criticised. Using only marketing and sales employees from just one international company seems not diversified enough. Moreover, the amount of participants per country varies significantly from more than 1,000 participants in countries like the United Kingdom and Germany to only 37 survey participants in Pakistan. Hence, a major critique is that the sampling approach is not diversified and potentially not reliable enough (Kirkman, Lowe & Gibson, 2017; McSweeney, 2002) but rather focuses on corporate culture (Javidan, House, Dorfman, Hanges & de Luque, 2006; Williamson, 2002). As a justification,

Hofstede (1980) stated that the different corporate policies and management practices from multiple companies would have falsified the results. By focussing on only a single international company for the basis of the sample, the data would be left with cultural differences only reflecting national culture since the corporate culture variable would be consistent. Moreover, McSweeney (2002) criticises that the data is not relevant anymore since it has been collected decades ago. However, “substantial recent research has upheld the validity of Hofstede’s conclusions” (Chang & Noorbakhsh, 2009, p. 328). In addition, Kirkman et al. (2017) and Tung & Verbeke (2010) argue that the model does not sufficiently capture the complex malleability of culture over time. Nonetheless, Hofstede Insights, an organisation supporting and continuing Hofstede’s work, is constantly collecting and publishing new up-to-date country data (Hofstede Insights, 2020c). In addition, Hofstede (2001) highlights that culture develops only very slowly over time. “There is no reason why [differences between national cultures] should not play a role until 2100 or beyond” (Hofstede, 2011, p. 22). Minkov & Hofstede (2011) and Inglehart (2008) also confirm that cultures do not move much unless a radical event takes place. Thus, Hofstede’s cultural dimension model is relatively robust over time. Furthermore, it is criticised that a national culture is not homogenous and to be stereotyped and does not represent every single citizen of that nationality due to numerous subcultures which exist in every country as well as the individual context (Andrews & Mead, 2009; Hsu, Woodside & Marshall, 2013; Kirkman et al., 2017; Minkov & Hofstede, 2011; Osland & Bird, 2000; Tung & Verbeke, 2010). Nonetheless, the definition of national culture, as agreed in section 2.2.1, underlines the difference between national culture and personality. With a large-culture approach, which is applied in this research, Hofstede’s model finds justification. Moreover, Hofstede (2001) highlights the clear distinction between national culture and individual context: “Cultures are not king-size individuals. They are wholes, and their internal logic cannot be understood in the terms used for the personality dynamics of individuals. Eco-logic differs from individual logic.” (p.17). In addition, Beugelsdijk, Kostova & Roth (2017) and Hsu et al. (2013) have supported the large-culture approach by identifying that national culture is a meaningful proxy to explaining behaviour because common values and beliefs are the core of every shared culture. Moreover, the cultural

dimensions are argued to be too much simplified to represent a whole culture (Kirkman et al., 2017; Papamarcos, Latshaw & Watson, 2007), and the labels can cause confusion (Jones & Alony, 2007) which was a known limitation of Hofstede's research. Nevertheless, it was also the intention of the cultural dimension model to summarise and measure culture based on simplified dimensions (Hofstede, 1980), as it is the case with all cultural dimension models referring to culture as a pattern (Beugelsdijk et al., 2017), so they should not be seen individually but always in combination to get a more holistic view of culture (Hofstede, 2011).

In conclusion, despite the criticism of Hofstede's model, it is the most suitable cultural dimension model for the scope of this research. This is due to the fact that the model is a seminal work in the field and still one of the most often used means to measure and compare cultures in business studies (Beugelsdijk et al., 2017; Çetenak et al., 2017; Chui & Kwok, 2008; Hsu et al., 2013; Minkov & Hofstede, 2011; Tung & Verbeke, 2010). The main reason for this popularity is the fact that the model is very comprehensive and incorporates different properties of other cultural dimension models (c.f. table 10; Beugelsdijk & Welzel, 2018; Minkov & Hofstede, 2011). "The discovery of similar dimensions in completely different material represented strong support for the basic nature of what was found" (Minkov & Hofstede, 2011, p. 13). Furthermore, the main criticisms of Hofstede's approach have often been subject of discussion in research, but have mostly been justified as summarised in the previous paragraph.

The two criticisms this research will focus on are the lack of context of the model as well as its philosophical underpinning. As such, due to the large-culture approach, this research takes the side of Beugelsdijk et al. (2017) and Hsu et al. (2013) and does not criticise the lack of personal context of the approach. However, similar to Beugelsdijk et al. (2017) and Tung & Verbeke (2010), this research criticises the fact that the model focuses on national culture applying to all aspects of life instead of taking into account the specific situational context. Thus, there is a need for a more context-specific model to conceptualise culture. In particular, this study focuses on the context of the decision to go public. This is in line with Hofstede (2001) who encourages researchers to explore further and develop the model to "serve the

understanding of cultural differences and the improvement of intercultural communication and cooperation, which the world will increasingly and forever need.” (p. 466).

Finally, the second criticism that will be approached in this research focuses on Hofstede’s philosophical underpinning. By applying a positivist approach, Hofstede used a questionnaire design to collect quantitative data. Since culture is based on peoples’ experience and perception, this approach is considered not to be appropriate since it includes very subjective and biased answers (Williamson, 2002). This research will therefore apply a postpositivist approach, as further elaborated on in chapter 4.1, which allows to take these experiences and perceptions into consideration, which is inevitable when collecting a deep understanding of the culture.

2.3 Cultural impact on corporate financial decisions

National culture is a complex construct that has been researched since more than a century (Brown, 1998) but only has gained attention in management studies since the 1980s (Wallace, Hunt & Richards, 1999). Therefore, it is still a very under-researched topic when setting it into relation with individual management disciplines such as finance. Nonetheless, as argued above, national culture is likely to have an impact on financial decisions. Consequently, this section aims to combine the two main topics treated in section 2.1 and 2.2, the decision of medium-sized enterprises to go public and national culture. It will be given an overview of existing literature on how national culture influences financial decisions, resulting in an analysis in the next section identifying the specific gap in literature which this research will focus on, justifying the overall aim and objectives of the research of this dissertation.

Despite the hard nature of financial decisions, weighting up benefits and costs, soft factors such as the cultural background of the decisionmaker also have an impact on financial decisions (Chen, Dou, Rhee, Truong, & Veeraraghavan, 2015; Çetenak et al., 2017; Kumar & Rao, 2015; Kurtz, 2003; Kutan, Laique, Qureshi, Rehman & Shahzad, 2020). “Executives’ financial decisions show variance from society to society as a result of their cultural differences”

(Çetenak et al., 2017, p. 355). This is particularly due to cultural perceptions, as concordant to Singer's (1998) perceptual model of culture, which impact corporate financial decisions (Chang & Noorbakhsh, 2009). Hence, the values and beliefs, composing the core of a culture, influence decision making not only on an individual but also on an organisational level (Podrug, 2011). This is in line with the culture definition applied in this research. This effect is even more noticeable in family-owned businesses and SMEs (Ayadi, 2009; Kumar & Rao, 2015). The literature to prove this connection between cultural background and corporate financial decisions, however, is still limited, but the awareness of this causal dependency is growing, which makes it a very relevant topic (Çetenak et al., 2017; Chang & Noorbakhsh, 2009; Giannetti & Yafeh, 2012; Kutan et al., 2020; Li, Griffin, Yue & Zhao, 2013; Shao, Kwok & Guedhami, 2010). The following table summarises the major publications on the topic from the past two decades, specifically outlining which cultural dimension framework has been applied, which aspects are considered under corporate financial decision making and which countries have been focused on.

Table 11: Overview of the main literature measuring the impact of national culture on financial decisions

Reference	Cultural dimension(s)	Financial decision variable(s)	Method & timely + geographical focus
<i>Chui et al., 2002</i>	Schwartz: - Conservatism - Mastery	Corporate debt ratio	Sample of 5,559 firms in 1996 from 22 countries (AUS, BRA, CHE, CHN, DEU, DNK, ESP, FIN, FRA, GRC, HKG, ITA, JPN, MEX, MYS, NLD, NZL, PRT, SGP, THA, TWN, USA)
<i>Beckmann et al., 2008</i>	Hofstede: - PDI - IDV - MAS - UAI	- Herding behaviour - Experience on decision making level - Personal asset volumes - Higher safety margins against the tracking error allowed - Research effort	Sample of 1,025 observations between 2003 and 2004 from 4 countries (DEU, USA, JPN, THA)
<i>Chui & Kwok, 2008</i>	Hofstede: - PDI - IDV - MAS - UAI	Life insurance consumption	Sample between 1976 and 2001 from 41 countries (no specification)

<i>Chang & Noorbakhs h, 2009</i>	Hofstede: - MAS - UAI - LTO	Holding large cash and liquid balances	Sample of >75,000 firms between 1995 and 2004 from 45 countries (ARG, AUS, AUT, BEL, BRA, CAN, CHE, CHL, CHN, COL, CZE, DEU, DNK, ESP, FIN, FRA, GBR, GRC, HKG, HUN, IDN, IND, IRL, ISR, ITA, JPN, KOR, MEX, MYS, NLD, NOR, NZL, PAK, PER, PHL, POL, PRT, SGP, SWE, TWN, THA, TUR, USA, VEN, ZAF)
<i>Fidrmuc & Jacob, 2010</i>	Hofstede: - PDI - IDV - UAI	Dividend payouts	Sample of 5,797 firms from 41 countries (AUS, AUT, BEL, BRA, CAN, CHE, CHL, CHN, DEU, DNK, ESP, FIN, FRA, GBR, GRC, HKG, IDN, IND, IRE, ISR, ITA, JPN, KOR, MAR, MEX, MYS, NLD, NOR, NZL, PAK, PER, PHI, POL, PRT, SGP, SWE, TWN, THA, TUR, USA, ZAF)
<i>Han et al., 2010</i>	Hofstede: - PDI - IDV - MAS - UAI	Earnings discretion	Sample of 18,609 firms between 1992 and 2003 from 32 countries (no detailed specification, but includes AUS, BEL, GBR, GRC, HKG, IDN, IND, JPN, KOR, MYS, PAK, POR, SGP, USA, ZAF)
<i>Shao et al., 2010</i>	Schwartz: - Conservatism - Mastery	Dividend payouts	Sample of 27,462 firm-year observations between 1995 and 2007 from 21 countries (AUS, CHE, DEU, DNK, ESP, FIN, FRA, HKG, ISR, ITA, JPN, MEX, MYS, NLD, NZL, PRT, SGP, TWN, THA, TUR, USA)
<i>Li et al., 2011</i>	Schwartz: - Conservatism - Mastery	- Foreign joint ventures' leverage decisions - Short-term debt decisions	Sample of >8,000 foreign joint ventures in China in 2002 from 32 countries (no detailed specification, but includes HKG)
<i>Podrug, 2011</i>	Hofstede: - PDI - IDV - MAS - UAI	Decision making style	Sample of 147 observations from 3 countries (HRV, HUN, SVN)
<i>Siegel et al., 2011</i>	Schwartz: - Egalitarian commitment	Cross-border investment flows	Sample based on Schwartz's (2005) dataset, including 15,000 questionnaires from 55 countries (ARG, AUS, AUT, BGR, BOL, BRA, CAN, CHE, CHL, CHN, CYP, CZE, DEU, DNK, EGY, ESP, EST, FIN, FRA, GBR, GEO, GHA, GRC, HKG, HUN, IDN, IND, IRE, ISR, ITA, JPN, JOR, KOR, MEX, MKD, MYS, NAM, NLD, NOR, NPL, NZL, PER, PHL, POL, PRT, RUS, SGP, SVK, SVN, SWE, TUR, TWN, USA, VEN, ZWE)

<i>Giannetti & Yafeh, 2012</i>	Inglehart & Welzel: - Traditional vs. secular-rational - Survival vs. self-expression	- Lending conditions - Relationship between borrower and lender	Sample of 86,000 loans from >6,500 banks to >40,000 borrowers between 1980 and 2005 from <60 countries (no detailed specification, but includes AUS, BRA, CAN, CHN, <u>DEU</u> , ESP, FRA, <u>GBR</u> , HKG, IDN, IND, ITA, JPN, KOR, MEX, NLD, NOW, SGP, SWE, TUR, USA)
<i>Li & Zahra, 2012</i>	Hofstede: - IDV - UAI	Formal institutions affecting the level of venture capital activity	Sample between 1996 and 2006 from 68 countries (ARE, ARG, AUS, AUT, BEL, BGD, BGR, BRA, CAN, CHE, CHL, CHN, COL, CRI, CZE, <u>DEU</u> , DNK, ECU, EGY, ESP, EST, FIN, FRA, <u>GBR</u> , GHA, GRC, GTM, HKG, HUN, IDN, IND, IRL, ISR, ITA, JPN, KEN, KOR, KWT, LUX, MAR, MEX, MYS, NGA, NLD, NOR, NZL, PAK, PAN, PER, PHL, POL, PRT, ROU, RUS, SGP, SLE, SLV, SVK, SWE, THA, TTO, TUR, TZA, USA, VEN, VNM, ZAF, ZMB)
<i>Li et al., 2013</i>	Hofstede: - IDV - UAI Schwartz: - Harmony	- Corporate risk-taking - Managerial discretion	Sample of 7,250 firms between 1997 and 2006 from 35 countries (ARG, AUS, AUT, BEL, BRA, CAN, CHE, CHL, <u>DEU</u> , DNK, ESP, FIN, FRA, <u>GBR</u> , GRC, HKG, ISR, ITA, JPN, KOR, MEX, MYS, NLD, NOR, NZL, PER, PHL, PRT, SGP, SWE, THA, TUR, TWN, USA, ZAF)
<i>Mihet, 2013</i>	Hofstede: - PDI - IDV - MAS - UAI	Corporate risk-taking	Sample of 50,000 firms in 400 industries between 2000 and 2012 from 51 countries (ARE, ARG, AUS, AUT, BEL, BRA, CHE, CHL, CHN, COL, CZE, <u>DEU</u> , DKN, EGY, ESP, FIN, FRA, <u>GBR</u> , GRC, HGK, HUN, IDN, IND, IRE, ISR, ITA, JPN, KEN, KOR, KWT, LBN, MEX, MYS, NGA, NLD, NOR, NZL, PAK, PER, PHL, POL, PRT, SAU, SGP, SWE, THA, TUR, TWN, USA, VEN, ZAF)
<i>Chang & Lin, 2015</i>	Hofstede: - PDI - IDV - MAS - UAI - LTO	Herding behaviour in international stock markets	Sample of 50 stock markets until 2011 (ARG, AUS, AUT, BEL, BRA, BGR, CAN, CHE, CHL, CHN, COL, CZE, <u>DEU</u> , DKN, ESP, FIN, FRA, <u>GBR</u> , GRC, HKG, HUN, IDN, IND, IRE, ISR, ITA, JPN, KOR, LUX, MEX, MYS, NLD, NOR, NZL, PAK, PER, PHL, POL, PRT, ROU, RUS, SGP, SVN, SWE, THA, TUR, TWN, USA, VEN, ZAF)

<i>Chen et al., 2015</i>	Hofstede: - IDV - UAI	- Corporate cash holdings - Corporate capital expenditures, acquisitions and repurchases	Sample of 209,036 observations in 27,801 firms between 2004 and 2009 from 41 countries (AUS, AUT, BEL, BRA, CAN, CHE, CHL, CHN, <u>DEU</u> , DNK, ESP, FIN, FRA, <u>GBR</u> , GRC, HKG, IDN, IND, IRE, ISR, ITA, JPN, KOR, MEX, MYS, NGA, NLD, NOR, NZL, PAK, PHL, POL, PRT, RUS, SAU, SGP, SWE, THA, TUR, USA, ZAF)
<i>Fauver & McDonald, 2015</i>	Hofstede: - IDV - UAI	Corporate debt-to-equity ratio	Sample of 13,000 firms between 1995 and 2009 from 19 countries (ARG, AUS, BRA, CAN, CHN, <u>DEU</u> , FRA, <u>GBR</u> , IDN, IND, ITA, JPN, KOR, MEX, RUS, SAU, TUR, USA, ZAF)
<i>Petersen et al., 2015</i>	Hofstede: - MAS - UAI - LTO	- Savings rate - Use of credit - Spending pattern	Sample of 3,400 observations over 36 months in 34 countries (no detailed specification)
<i>Çetenak et al., 2017</i>	Hofstede: - PDI - IDV - MAS - UAI	- Capital structure choices - Corporate risk-taking - R&D consumption - SG&A expenses - Working capital level - Retained earnings-Earnings management practices	Observations in 2014 from 20 countries (ARG, BRA, CHL, <u>DEU</u> , EGY, FRA, <u>GBR</u> , GRC, IDN, ISR, KOR, MEX, MYS, PHL, POL, ROU, SGP, TUR, USA, ZAF)
<i>Gupta et al., 2018</i>	Hofstede: - PDI - IDV - MAS - UAI - LTO - IND	IPO activity	Sample of 10,805 observations from 47 countries (no detailed specification, but includes CHN and RUS)
<i>Tran, 2020</i>	Hofstede: - UAI	Corporate cash holdings	Sample of 188,264 observations from 26,509 firms over 13 years in 44 countries (no detailed specification)

Chui, Lloyd & Kwok (2002) have identified a significant negative correlation between conservatism and mastery with the corporate debt ratio. Hence, the more conservative and mastery a culture is, the less debt companies tend to take. Beckmann, Menkhoff & Suto (2008) have empirically proven that individualist cultures tend not to be as affected by herding behaviour as

collectivist cultures, and that countries with a high PDI generally have older and less experienced managers who make corporate decisions. Furthermore, they have identified a positive association between MAS and high volumes of assets under personal responsibility, caused by more men in high corporate positions. In addition, they found that UAI is positively related to higher safety margins against the tracking error allowed as well as to increased research expenses. "These consequences [...] clearly affect investment behavior, although in a complex way" (Beckmann et al., 2008, p. 624). Chui & Kwok (2008) have observed how national culture affects life insurance consumption. They have detected that IDV is significantly positively and PDI and MAS are significantly negatively correlated with life insurance density. Moreover, Chang & Noorbakhsh (2009) examined the impact of culture on cash and liquidity holdings based on a very comprehensive international sample. Their results are that the dimensions UAI, MAS and LTO are all positively influencing the holdings of larger cash and more liquid balances. Fidrmuc & Jacob (2010) have found that firms in countries with high levels of IDV, low PDI and low UAI pay significantly more dividends. Han, Kang, Salter & Yoo (2010) have identified a positive connection between UAI and IDV with manager's earnings discretion, influenced by the strength of investor protection. A study by Shao et al. (2010) has observed that conservatism is positively and mastery is negatively associated to dividend payouts. Li, Griffin, Yue & Zhao (2011) have identified that national culture has significance explanatory power in the decision of Chinese foreign joint ventures. They have identified that mastery significantly negatively affects foreign joint ventures' leverage as well as short-term debt decisions. Furthermore, mastery significantly positively affects the likelihood of foreign joint ventures having long-term debts. Their other observed cultural dimension, conservatism, was proven not to have any significant effect on foreign joint ventures' leverage decisions. In addition, Podrug (2011) has proven that national culture influences the decision making style which is reflected in all corporate decisions, including financial decisions. The research from Siegel, Licht & Schwartz (2011) has identified that egalitarian cultures have a direct effect on cross-border investment flows, which is assumed to be caused through the direct influence on the decision making and daily business conduct of managers. While most of these empirical analyses are based either on

Hofstede's or Schwartz's cultural dimension, Giannetti & Yafeh (2012) apply Inglehart & Welzel's framework to measure cultural distance. They found cultural differences have an effect on the relation between borrower and lender in terms of smaller loans at worse conditions the more the cultures differ from each other. Furthermore, Li & Zahra (2012) have found in a research comprising 68 different cultures that a high level of formal institutional development is positively affecting venture capital activity, however, in cultures with high UAI and collectivism, this effect is weaker. A study from Li et al. (2013) has identified that IDV is significantly positively and UAI and harmony are significantly negatively correlated to corporate risk-taking. The bigger the company and the lower earnings discretion, the stronger is the correlation between culture and corporate risk-taking. "We conclude that even in a highly globalized world with sophisticated managers, culture matters" (Li et al., 2013, p. 1). A study from Mihet (2013), based on a much more comprehensive sample, supports these findings of countries with low UAI and high IDV being more risk-taking. The author adds the dimension of PDI which is also found to be associated with enhanced risk-taking in case of low PDI indicators. In addition, the analysis is also investigating on an industry level, finding that companies which are informationally more impermeable tend to take more risk. These companies are most likely to be found in the industries finance, mining, oil refinery and IT. Thus, the risk-taking of a firm is best explained by the cultural dimensions of the country they are in. The positive association between IDV and corporate risk-taking can be explained that more individualistic countries usually have legal systems that support individual freedom which could encourage risk-taking (Rehbein, 2014). Chang & Lin (2015) have identified a positive link between Confucian cultures and herding behaviour in investments, whereas this link is not observable in Western cultures. Confucian cultures are defined in this study to represent the cultural dimensions of high collectivism, high PDI, high MAS, low UAI as well as low LTO. According to the research, especially the dimensions PDI, IDV and MAS influence investment herding behaviour. Furthermore, Chen et al. (2015) have analysed how national culture affects corporate cash holdings worldwide. They have found that collectivistic and uncertainty avoidant cultures are positively associated with more corporate cash holdings. This is due to the fact that both cultural dimensions have

influence on the precautionary motivation to hold cash. Furthermore, individualist and low uncertainty avoidant cultures are shown to be positively associated with corporate capital expenditures, acquisitions and repurchases. In addition, Fauver & McDonald (2015) have found that firms in countries with a high score in IDV and a low score in UAI have higher levels of debt. They have also shown that corporate financial decisions in developed markets are more affected by national culture than in emerging markets. Petersen, Kushwaha & Kumar (2015) have observed that customers from cultures with a low UAI are more likely to decide to finance purchases through debts, whereas people from feminine and long-term orientated cultures are rather unlikely to overextend their spending and have a higher savings rate. Çetenak et al. (2017) have identified that PDI affects corporate risk-taking, R&D consumption, SG&A expenses, the working capital level, retained earnings as well as earnings management practices. The cultural dimension IDV affects the same variables except for R&D consumption but also including capital structure choices. UAI is influencing the same aspects as PDI, also including capital structure choices, but excluding earnings management decisions. Finally, they have observed that MAS affects capital structure choices as well as the level of working capital. Furthermore, Gupta, Veliyath & George (2018) have found that more firms go public in countries with high levels of PDI and LTO and low levels of IDV. One of the most recent studies observing cultural impact on corporate financial decisions is from Tran (2020). In a very extensive research, the author observed a significant positive connection between UAI and corporate cash holdings. This effect has strengthened in the aftermath of the financial crisis. Thus, firms in countries with high uncertainty levels tend to hold more cash.

In summary, there is numerous extant literature on cultural impacts on corporate financial decisions. Much of the literature has been conducted in the past two decades, making it a very current research topic. However, the literature differs in its understanding of corporate financial decisions. Only one of the more recent studies from Gupta et al. (2018) has investigated IPO activity in relation to national culture. This highlights the relevance of this topic. Nevertheless, this research is different by focussing not on IPO activity but on the decision making that leads to an IPO. Therefore, this research looks at reasons why businesses do not yet go public and how these could be adapted

to make public equity more attractive. Gupta et al. (2018) instead, have looked at businesses that have gone public and their connection to national culture without looking at the decision-making process nor aiming to enhance IPO activity through adopted policy recommendations. Thus, this study will add to the literature as the decision to go public has not yet been investigated in the context to national culture and medium-sized enterprises in the United Kingdom and Germany.

2.4 Conceptual approach

The previous sections have shown that the decision to go public has not yet been researched in context to national culture. However, as justified above, the behavioural impact on capital structure decisions is an approach describing why businesses' choice to go public or not is not always fully rational. Since national culture has been proven to influence our behaviour, including corporate financial decision making, the overall postulation of this study is that national culture directly impacts the decision to go public. Based on this, figure 13 summarises the initial conceptual approach of this research.

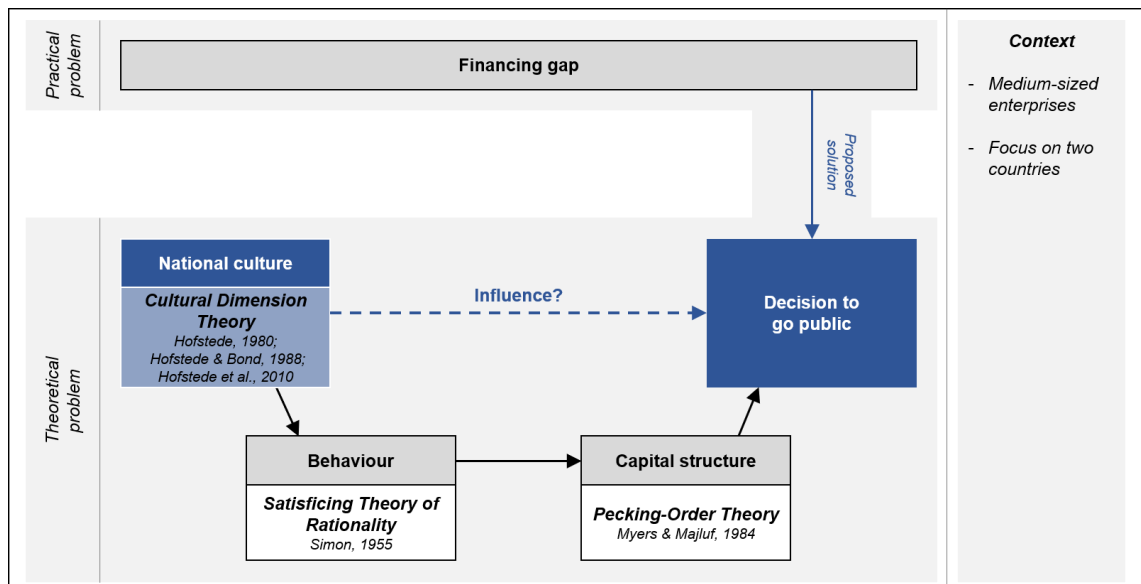


Figure 13: Initial conceptual framework of this research

In view of the financing gap problem, as well as of the importance of SMEs to the economies and the impact of culture on sustainably functioning and growing

entrepreneurial ecosystems, the topic is very relevant and significant. Hence, in order to contribute closing the financing gap for SMEs, this topic needs to be further researched on. That way, it can be ensured to provide a sustainable environment for them to grow as well as to fill this identified gap in literature. This justifies the research aim.

Originality in social sciences can be defined “as using a new approach, method, or data, studying a new topic and doing research in an understudied area, as well as producing new theories and findings” (Guetzkow, Lamont & Mallard, 2004, p. 191). The original contribution of the research to extant literature will be the focus on public equity financing as a corporate decision. In addition, none of the above-mentioned literature has specifically concentrated on medium-sized enterprises yet. However, as the financing gap problem is most relevant for SMEs and, among those, public equity financing is a potential solution most suitable for medium-sized enterprises, the focus on this group of businesses is justified. In addition, the applicability of the Pecking-Order Theory for SMEs has been identified to need further research. Furthermore, this study aims to support testing the applicability of the behavioural impact to the Pecking-Order Theory as well as the application of both to medium-sized enterprises’ financial decision making. Moreover, the majority of existing research has not yet covered the impact of all of Hofstede’s dimensions, mainly due to the fact that the sixth dimension is fairly new (Hofstede et al., 2010). For that reason, the application of Hofstede’s IND dimension will also be an original contribution. In addition, this research aims to test the applicability of Hofstede’s Cultural Dimension Theory to specific aspects of organisational behaviour, which has often been criticised to be limited. Finally, as outlined in table 11, the country observations of existing research have been very diversified. Most research has focussed on many different cultures, which does not allow the specific comparison and explanation between individual countries but generalises countries based on their cultural dimensions. This research, in contrast, will focus only on two countries, which allows to specifically allocate differences not only to cultural dimensions but also to cultural aspects which cannot be generalised in cultural dimensions such as for instance country-specific political, economic, socio-cultural or technological environments and developments. The selection of the countries will be justified in chapter 3.

2.5 Chapter conclusion

This chapter has defined terms relevant to this research and justified its theoretical underpinning. By defining SMEs according to the definition of the European Commission, a widely accepted definition has been chosen allowing for a homogenous sample selection and adequate comparison. Different capital structure options have been introduced in order to better understand how public equity financing is positioned in capital structure decisions. Moreover, national culture has been defined based on a combination of different definitions in order to best suit the aim of this research and realistically reflect and measure social phenomena. Concerning the theoretical underpinning of this research, a focus on the Pecking-Order Theory, the Satisficing Theory of Rationality and Hofstede's Cultural Dimension Theory has been justified. All three theories are well established in research, but putting them in relation to each other is an original contribution of this study.

3 Landscape comparison of the United Kingdom and Germany

After having proven the relevance and significance of the research topic in the previous chapters, this chapter will first justify the geographical focus, highlighting the current landscapes of medium-sized enterprises and public equity opportunities, before elaborating on the cultural differences between the United Kingdom and Germany in section 3.2. The chapter will result in a finalised graphical summary of the conceptual framework and deduce relevant research questions for the subsequent analysis in section 3.3, before a chapter conclusion will summarise the main topics of this chapter.

3.1 National landscapes

This section will provide a general comparison of the United Kingdom and Germany. To this end, it will follow the structure of a PEST analysis which is being used as it generates an objective view of the national environments (Gupta, 2013). The tool can be traced back to Aguilar's (1967) ETPS model which has later been renamed to its current name. PEST is an acronym for political, economic, socio-cultural and technological. The main goal of the model is to brainstorm descriptive and influential aspects for each of those four factors in order to depict the current environmental situation. The model has originally been designed for and is often used by organisations, however, its application is also reasonable on a country level, taking the viewpoint of it being a big macroeconomic organisation (Gupta, 2013). Different variants of the model have been established over time, such as i.e. STEPE, PESTEL, DESTEP or SPELIT, adding ecological, legal, demographic and/or intercultural factors accordingly (Lynch, 2018). In order to keep it simple, this section will focus on the traditional PEST model. The legal factor will be included under the political analysis and demographic and intercultural factors are included under socio-cultural factors. Furthermore, as intercultural factors are a main focus of this research, they will be catered for in more detail in section 3.2. In contrast, ecological factors do not support the research aim and will therefore not be covered in detail, which justifies the usage of the traditional PEST model. The

following section will present the PEST analysis with a focus on environmental factors describing and (potentially) influencing the IPO decisions of SMEs in the United Kingdom and Germany.

Table 12: PEST analysis regarding SME public equity in the United Kingdom and Germany - political factors

		United Kingdom	Germany
Political factors	National laws	<ul style="list-style-type: none"> - Financial Services and Markets Act 2000 - Companies Act 2006 	<ul style="list-style-type: none"> - Börsengesetz - Wertpapierhandelsgesetz - Börsenzulassungs-Verordnung - Handelsgesetz
	EU laws	<i>(n.a. after Brexit)</i>	<ul style="list-style-type: none"> - Small Business Act - Regulation (EU) 2017/1129 - Regulation (EU) No 596/2014
	Legal form for publicly listed companies	Public Limited Company (Plc)	Aktiengesellschaft (AG)
	Capital requirements	50,000 GBP	50,000 EUR
	Government debt in relation to national GDP	116.6% [2018]	69.1% [2019]
Expected political changes	Brexit		

As outlined in chapter 1.3, numerous legislation influences the IPO process as well as the scope of conduct for medium-sized enterprises. On a national level, these laws include the Financial Services and Markets Act 2000 (Parliament of the United Kingdom, 2000) and the Companies Act 2006 (Parliament of the United Kingdom, 2006) in the United Kingdom, as well as the Börsengesetz (Bundestag, 2019a), Wertpapierhandelsgesetz (Bundestag, 2020), Börsenzulassungs-Verordnung (Bundestag, 2019c) and Handelsgesetz (Bundestag, 2019b) in Germany. Furthermore, in particular to Germany, European law is of relevance, including numerous regulations and directives such as i.e. the Small Business Act (European Commission, 2008), Regulation (EU) 2017/1129 (European Parliament, 2017) or Regulation (EU) No 596/2014 (European Parliament, 2014). These regulations and laws are just a selection of the diverse legislation influencing SMEs and their IPOs.

In order to be able to get listed on a public stock exchange, the legal form of the business needs to be a public limited company (Plc) in the United Kingdom, or an Aktiengesellschaft (AG) in Germany. The minimum capital requirement is 50,000 GBP or EUR respectively (Department for Business Innovation & Skills, 2011; Bundesministerium für Wirtschaft und Energie, 2020b).

The national potential to support SMEs in their IPO is limited due to governmental debt in both countries. The national budgets for 2020 spend most on social protection, health and education in the United Kingdom (HM Treasury, 2020) and social protection, defence and transport in Germany (Bundesregierung, 2020b). Thus, the governmental spending has other priorities than supporting SMEs in going public. The governmental debt in relation to the national GDP is 116.6% in the United Kingdom and 69.1% in Germany. The expenses in relation to the Brexit have caused the British debt to increase over the past years (OECD, 2020c). The current Corona crisis has forced countries to take up additional debt in order to back up the economies (Bundesministerium der Finanzen, 2020; Department for Business, Energy & Industrial Strategy, 2020). Unless the relevance of SMEs going public becomes more important, these high governmental debts make potential subventions rather unlikely. This is one more reason why the significance of the topic needs to be better communicated not only to academic but also to political audiences, as envisioned by the third research objective.

Further political factors that determine the environment of the countries in relation to the IPO process of SMEs include the Brexit. In 2016, the United Kingdom has decided to leave the EU by triggering article 50 of the Treaty of Lisbon (Cameron, 2016). The Brexit was originally planned to take place in 2019 and eventually took place in February 2020. Until the end of 2020 a transition period is happening. With the start of 2021, the Brexit will come into effect, either with or without a deal with the EU (House of Commons, 2020b). Therefore, the direct implications of Brexit on SMEs in the United Kingdom and Germany are not yet certain. Imports and exports, money and labour movements etc. might become more difficult which could exacerbate their situations (Kierzenkowski, Pain, Rusticelli & Zwart, 2016), but British businesses might also benefit from more national support.

Table 13: PEST analysis regarding SME public equity in the United Kingdom and Germany - economic factors

		United Kingdom	Germany	
Economic factors	Macroeconomics	GDP Real GDP growth rate	2,523bn GBP [2019] ↑ +1.4% [2019]	3,435bn EUR [2019] ↑ +0.6% [2019]
		Inflation rate	1.7% [2019]	1.45% [2019]
		Unemployment rate	3.9% [2019]	3.0% [2019]
		Balance of payments (current account balance)	-81,736m GBP [2019]	245,532m EUR [2019]
		Main trade partners (= value of imports + exports)	1. USA 2. Germany 3. China 4. Netherlands 5. France [2019]	1. China 2. Netherlands 3. USA 4. France 5. Italy 6. Poland 7. United Kingdom [2019]
		USD exchange rate	1.29 GBP/USD [30.09.2020]	1.17 EUR/USD [30.09.2020]
		Key interest rate	0.1% [2020]	0.00% [2020]
	Medium-sized enterprises	Amount % of all SMEs	27,954 [2018] 1.32%	62,073 [2018] 2.46%
		Employment % of all SMEs	3,203,689 [2018] 29.65%	6,096,584 [2018] 31.92%
		Value added % of all SMEs	195bn EUR [2018] 30.32%	357.7bn EUR [2018] 36.93%
		Main sectors	1. Production 2. Health 3. Business administration & support services [2019]	1. Wholesale, retail trade, repair of motor vehicles 2. Manufacturing 3. Administrative and support service activities [2018]
		Predominant financing form	1. Internal financing 2. Trade credit 3. Leasing or hire purchase ... 13. Public equity (2%) [2013]	1. Internal financing 2. Bank financing 3. Short-term credits ... 7. Public equity (1%) [2012]

	Stock exchanges	Amount	1	8
		SME platforms	AIM	- Scale - m:access - Primärmarkt
Listed SMEs	825 [08.2020]	50 [09.2020]		
SME Index Return [Oct '19 - Sep '20]	FTSE AIM All-Share ↑ +9.84%	Scale All Share ↑ +9.47%		

As the analysis of economic environmental factors is the most relevant to the scope of the research (in addition to the analysis of cultural factors which will be covered in section 3.2), it is the most comprehensive part for this PEST analysis. To that end, it will be divided into three categories: macroeconomics, medium-sized enterprises and stock exchanges.

Knox Lovell, Pastor & Turner (1995) define four key indicators of macroeconomic measurement. The first is economic growth which measures the relative change in national output indicated by the gross domestic product (GDP). In 2019, the countries Germany and the United Kingdom had the highest GDPs within the EU, together accounting for more than one third (36.2%) of the EU-28 GDP. In Germany it amounted to 3,435bn EUR, followed by the United Kingdom with 2,523bn GBP (Eurostat, 2020b). Since in both countries the real GDP has been positive and growing since the financial crisis in 2009, their national output is pursuing a positive trend (Eurostat, 2020d). For that reason, both, the United Kingdom and Germany, are of major macroeconomic significance, which is why a focus on these two countries underlines the relevance of this research. The impact of the current Corona crisis for this and the other macroeconomic indicators will be discussed in the end of this section.

The second indicator of macroeconomic performance is the inflation rate. It measures the general change in price levels, based on a basket of average consumer goods on a yearly basis (Knox Lovell et al., 1995). Inflation targets in the Euro-area and the United Kingdom are close to but below 2% over the medium term (Bank of England, 2020a; European Central Bank, 2020b). In 2019, the British inflation rate amounted to 1.7% and the German inflation rate was at 1.45% (2015 = 100; OECD, 2020d). Thus, the United Kingdom and

Germany met the inflation target, which is to say that prices are relatively stable in both countries.

Third, the unemployment rate measures how well an economy uses its labour force to produce output (Knox Lovell et al., 1995). The rate is aimed to be kept as low as possible, i.e. because unemployment benefits are a major component of government expenditures. There are several ways of measuring unemployment. This research adopts the definition from the International Labour Organization (2020a), according to which the unemployment rate counts the people within an economy which are of working age (≥ 15 years) and do not have a job but are actively searching employment. In 2019, the United Kingdom had a labour force of 34,9m people of which 3.9% were unemployed, and Germany's labour force of 43,8m people depicted an unemployment rate of 3.0%. Since 2011, a similar downside trend of the unemployment rate can be observed in both countries (International Labour Organization, 2020b). Hence, the United Kingdom and Germany provide a solid and equal basis for comparison also under the viewpoint of unemployment rate due to their similar values and developments.

The fourth indicator of macroeconomic performance by Knox Lovell et al. (1995) is the balance of payments. It measures all transactions of goods, services and capital as well as all transfer payments made with other countries. In 2019, the current account balance amounted to -83,736m GBP in the United Kingdom and 245,532m EUR in Germany (OECD, 2020a). Thus, on a first glance, the countries have a different import and export behaviour. However, looking at the origins of these numbers, it can be observed that the United Kingdom has a deficit in its goods balance but a surplus in its services balance, while the opposite applies for Germany. Thus, the United Kingdom relies much on the export of services and Germany on the export of goods in order to aspire for and maintain a surplus in their current account balances. Nonetheless, both countries are the two biggest export nations within the EU, with exports of 698,626m GBP in the United Kingdom and 1,617,467m EUR in Germany in 2019. In addition, being amongst the four biggest export nations within the OECD countries, this highlights their economic importance not only for Europe but also worldwide, which supports the geographic selection for the basis of this research (OECD, 2020a).

Furthermore, both countries are highly dependent of each other. In 2019, Germany (besides the USA) was the most important trade partner for the United Kingdom. The most imports in the United Kingdom were sourced from Germany (12.9%), and 9.8% of its exports went to Germany (Office for National Statistics, 2020b). In 2019, Germany exported 5.9% of its total exports to the United Kingdom, placing it amongst its top five exporting partners. Simultaneously, it imported 3.5% of its complete imports from there (Statistisches Bundesamt, 2020e). Thus, the countries are highly reliable on each other in order to ensure their positive economic performance. Therefore, it is important for both countries to have a stable financing system for their businesses in order to maintain those external relationships. This highlights the significance of the research topic.

Moreover, in terms of their foreign exchange turnover, the currencies used in the United Kingdom and Germany are the most important ones in Europe and (together with the US Dollar and the Japanese Yen) amongst the four most influential and accepted currencies worldwide (Bank for International Settlements, 2019). Since the US Dollar has the highest foreign exchange turnover, the exchange rate is a good indicator for the stability of the national currencies (Cohen, 2016). Over the past year, the GBP/USD rate has fluctuated between 1.15 and 1.35 (XE, 2020b), and the EUR/USD rate has moved between 1.07 and 1.20 (XE, 2020a). These fluctuations are i.e. due to US monetary policy, however they also reflect the stability of the national currencies, which is relatively comparable for the Pound sterling and the Euro. Compared to other currencies, both are relatively stable, underlining the stable macroeconomic performance in both countries.

In addition, the key interest rate of the countries is another indicator of their macroeconomic performance. It describes the rate at which banks can borrow from the central bank and is determined as part of the central bank's monetary policy decisions (Knox Lovell et al., 1995). The key interest rate of the United Kingdom is currently at 0.1%, after dropping from 0.75% in March 2020 due to the Corona crisis (Bank of England, 2020b). More details on the impact of the crisis will be elaborated below. In Germany/the Eurozone, the key interest rate has constantly been at 0.00% since March 2016 (European Central Bank, 2020a). The rates are so low as a turnout from the financial crisis in 2008/09.

The British rate was at 0.5% after the crisis, and only rose again in mid-2018 from where it eventually dropped two years later due to the Corona crisis (Bank of England, 2020b), whereas the Eurozone rate first fell to a 1.00% level as a reaction to the financial crisis and then, with the Euro-crisis in the 2010s, decreased to its current all-time low in early 2016 (European Central Bank, 2020a). These low rates enable banks to borrow at low costs, aiming to increase the general money supply in order to boost spending and eventually support economic growth (Knox Lovell et al., 1995). Thus, regarding their monetary policy, both countries currently follow a low bank rate approach. However, the British bank rate has been showing first recovery in terms of slowly rising rates before the Corona crisis, whereas the German rate remains untouched due to the fact that it concerns the whole Eurozone and also accommodates for economically weaker countries like Greece. Thus, the United Kingdom is more flexible and country specific than Germany concerning monetary policy decisions. The consequence for SMEs is that bank loans become more expensive with a higher interest rate. Therefore, with the expectation of eventually rising key interest rates, alternative options to traditional debt financing for SMEs will gain in importance.

The second category of the PEST analysis' economic factors are the group of medium-sized enterprises. With almost 28,000 enterprises in the United Kingdom and more than twice as many in Germany, they form the smallest group among SMEs in both countries. However, they account for about 30% (United Kingdom) and 32% (Germany) of all SME employment. Generating 195bn EUR in the United Kingdom and over 357bn EUR in Germany, they account for 30% and 37% of all value added amongst SMEs (European Commission, 2019a & 2019b). Thus, in both countries, medium-sized enterprises are a very important group for macroeconomic welfare. However, a slight difference can be observed in all figures being higher for Germany than for the United Kingdom. In particular the amount of medium-sized enterprises as a percentage of their total SMEs is 87% higher in Germany. This underlines the importance of the German so-called Mittelstand. Mittelstand firms are highly innovative and progressive, fostering i.e. technology and employment, and enjoy a high international reputation (Berlemann & Jahn, 2016). Thus, their

sustainable access to finance is crucial for good economic performances in Germany, but also in the United Kingdom.

In terms of number of businesses, the main sectors of British medium-sized enterprises are in production (16%), health (13%) as well as business administration and support services (10%; Office for National Statistics, 2019b). In Germany, the main sectors are in wholesale, retail trade, repair of motor vehicles (27%), manufacturing (23%) as well as administrative and support service activities (11%; Statistisches Bundesamt, 2020d). Hence, although in the sector definitions of both national statistic offices are different, similar main sectors can be identified in manufacturing as well as business administration and support services. The other two top industries in the countries are both services, the British health oriented and the German motor vehicle oriented. Thus, in contrary to the whole German economy which has a surplus in its good balance, the economy of medium-sized businesses is very service oriented in both countries. As identified in chapter 1.1, business services is an industry that requires more external finance than other industries. This highlights the significance of the research topic to medium-sized enterprises.

Moreover, concerning the access to finance, medium-sized enterprises in both countries mostly rely on internal financing, which is in line with the assumptions of the Pecking-Order Theory (cf. chapter 2.1.2; Myers & Majluf, 1984). Regarding external financing, they are experiencing rising difficulties. In the United Kingdom, 75% of medium-sized businesses have needed external finance (Department for Business Innovation & Skills, 2014), however, 4% of loan applications for SMEs were rejected (European Commission, 2019b). The Department for Business Innovation & Skills (2014) identified that public equity is only used by 2% of the medium-sized enterprises after other sources of external finance such as trade credits, leasing or hire purchase etc. The same can be observed for Germany. In particular the costs of small loans compared to large loans grew to be 57.4% more expensive, making it increasingly harder for medium-sized enterprises to access external capital (European Commission, 2019a). A study from Deloitte (2012) has identified that only 1% of German medium-sized enterprises used public equity as a source of external finance, following bank financing, short-term credits etc. Therefore, due to increased constraints in accessing traditional forms of external finance, alternative

financing options become more relevant, such as public equity, which is still fairly underused in both economies. Kraus, Schröder & Schnutenhaus (2014) support that in the aftermath of the financial crisis, alternative financing instruments, including public equity financing for SMEs, have gained influence given the restricted lending policies of banks since the financial crisis.

Finally, the third category falling under the economic factors of the PEST analysis concerns the stock exchanges. Although the biggest stock exchanges in Europe are located in the United Kingdom and Germany (measured by market capitalisation in mid-2020; World Federation of Exchanges, 2020), the stock exchange landscapes differ between the two countries in terms of number of exchanges. In the United Kingdom, there is only one stock exchange, the London Stock Exchange. However, being the largest stock exchange in Europe with a history dating back to the 1770s, it is very well established and important not just in Europe but worldwide (London Stock Exchange, 2020c). Germany is home to eight stock exchanges with Deutsche Börse in Frankfurt being the most important and internationally established one in terms of market capitalisation. Further stock exchanges are spread across the country and are mostly relevant to the local markets (Brokervergleich.com, 2020). Thus, both economies have the necessary infrastructure for public equity financing.

As indicated in chapter 2.1.3.1, specific platforms have been developed for SMEs and fast-growing enterprises to go public. In the United Kingdom, this platform is the AIM which belongs to the London Stock Exchange. The AIM has been established in 1995 with 10 listed companies and an 82m GBP market capitalisation and is now the leading growth market for SMEs worldwide with 825 listed companies and a market capitalisation of over 100bn GBP (London Stock Exchange, 2015; London Stock Exchange, 2020a). As opposed to the Main Market, the AIM has more loosened admission criteria and continuing obligations. As such, there is no required minimum market capitalisation (London Stock Exchange, 2015). Nonetheless, Rigby (2011) has identified that businesses with a market capitalisation of less than 20m GBP rarely float. In addition, an IPO at the AIM does not require a trading record or an official pre-vetting of the admission documents. Furthermore, the level of shares to be

public is not prescribed and listed businesses do not need prior shareholder approval for most transactions. That way, more flexibility is provided. Moreover, a close collaboration with a Nomad is required at all times who is responsible to ensure the following of certain rules i.e. through a due diligence, guidance through the flotation process and assistance with the necessary documentation (London Stock Exchange, 2015). In Germany, several public equity platforms for SMEs and fast-growing businesses have been developed by the individual stock exchanges (i.e. m:access in Munich or Primärmarkt in Düsseldorf). Given that Deutsche Börse is the biggest stock exchange in Germany (World Federation of Exchanges, 2020), this research focuses on its SME segment. The Scale segment was developed in 2017 and currently lists 50 businesses (Deutsche Börse, 2020a). The entry standards for the Scale segment are slightly stricter compared to the AIM, in order to reduce default risk and avoid a market breakdown. In the early 2000s, Germany gained bad experience with the market breakdown of the segment Neuer Markt. It failed because nationwide banks and media hyped the market participation among inexperienced private investors who did not understand the markets. Consequently, numerous listed SMEs were forced into bankruptcy and Neuer Markt failed as a SME stock exchange platform (Franzke, 2004). Therefore, in order to learn from these mistakes, an IPO in the Scale segment requires a business history of two years or more, a minimum of 10m EUR turnover and an estimated market capitalisation of minimum 30m EUR. In addition, the listed businesses need to employ over 19 people and have a par value of minimum 1 EUR. Another requirement is that at least 20% of the shares or the value of 1m EUR needs to be in free float (Deutsche Börse, 2019).

Both, the AIM and the Scale segment have indices consisting of all their listed firms. Comparing their performance over the last year, they have developed fairly similarly as illustrated in figure 14. The return of both indices between 1st October 2019 and 30th September 2020 amounted to just below 10% (Onvista, 2020), which is high above current saving returns from banks.

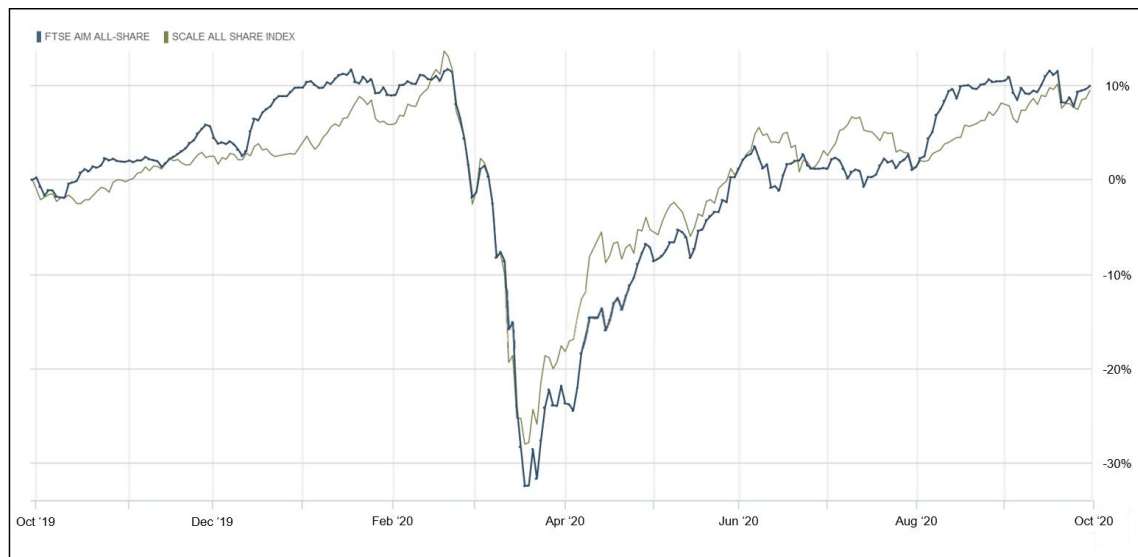


Figure 14: AIM All-Share and Scale All Share indices performance comparison [Oct 2019 - Sep 2020] (Onvista, 2020)

Although the Scale is still a very young segment, its performance is comparable to the AIM. Similar to the main share indices (FTSE 100 and DAX 30), the Corona crisis has hit the AIM and Scale index severely in March/April 2020 but is recovering from it again (Onvista, 2020). The high long-term returns highlight that public equity is a sustainable alternative to gain funding.

One of the main reasons why there are only few specialised equity markets for SMEs is deficiencies in the exchanges' regulations (Röell, 1996). For that reason, the European Commission has developed an action plan to establish an EU-wide CMU with the aim to create "a true single market for capital in the EU" (European Commission, 2020b). Its three main objectives are to

- develop a more diversified financial system complementing bank financing with deep and developed capital markets
- unlock the capital around Europe which is currently frozen and put it to work for the economy, giving savers more investment choices and offering businesses a greater choice of funding at lower costs
- establish a genuine single capital market in the EU where investors are able to invest their funds without hindrance across borders and businesses can raise the required funds from a diverse range of sources, irrespective of their location" (European Commission, 2020b).

Hence, it is aimed to facilitate the process and platforms for SMEs to enter and raise capital on public markets while supporting and enhancing cross-border investments on this EU-wide platform. That way, access to finance for SMEs is improved which results in more efficient capital allocation and improved risk-sharing and, in the long run, leads to more integrated and well-functioning capital markets that contribute to growth and employment (European Commission, 2015). The implementation of the CMU was planned for 2019, however, due to legislation obstructions, the project's operationalisation is delayed. It is on the work programme of the European Commission for 2020 (European Commission, 2020a) and expected to be taking place after the Corona crisis. The Vice-President of the European Commission who is in charge of the CMU has stated that

“the EU will come out of 2020 with higher debt, which could hold back investment and growth. We should support equity and equity-like investments to protect workers and financial sector. And work harder to create a Capital Markets Union to diversify funding sources for companies.” (Dombrovskis, 2020).

This underlines the significance of public equity to sustainable economies. Once the CMU is in place, the current legislation issues will be clarified, which will provide SMEs in the EU to have fair and simplified access to public equity financing. Thus, this supports the thesis of this research that the main impact on why SMEs in different countries should decide to make use or deny the CMU will be culturally based.

Since the United Kingdom has decided to leave the EU, it is uncertain if they will still be involved in the CMU. In case they will not be involved with it, the CMU loses the biggest European stock exchange which could endanger the success of the whole project (Centre for European Reform, 2019; PricewaterhouseCoopers, 2020).

Both, the fact that specialised SME platforms for public equity financing are being developed not only on a national level but also on a pan-European level, and the fact that policies are intentionally being kept fairly flexible in order to support better access to external capital, underline the significance of the research topic.

Table 14: PEST analysis regarding SME public equity in the United Kingdom and Germany – socio-cultural factors

		United Kingdom	Germany
Socio-cultural factors	Total population	66,796,800 [2019]	83,166,711 [2019]
	Population density	- London vs rest - England vs rest - Urbanisation	- Berlin vs rest - West vs East - Urbanisation
	Education expenditure	117.3bn EUR [2018]	139.4bn EUR [2018]
	Stock market private investors	12,500,000	4,545,000
	% of population	23.0% [2011]	6.5% [2019]
	Cultural dimensions	<i>Section 3.2</i>	

The next part of the PEST analysis examines socio-cultural factors. Thus, it is concerned with the population, their lives, habits and beliefs etc. The United Kingdom has a population of 66.8 million (Office for National Statistics, 2020c) and is therefore a little smaller than Germany with a population of 83.2 million (Statistisches Bundesamt, 2020a). Both countries have steadily growing populations but face the problem of demographic change. Hence, there is an increasing number of elderly people in the economies, due to improved standards of living and health, while the number of new-borns is decreasing in relation (Office for National Statistics, 2015b; Statistisches Bundesamt, 2020b). Since an older population demands more social expenditure from the countries in terms of healthcare and pension payments, there will be less capital to support SME financing campaigns. Therefore, in line with the third research objective, the proven significance of this research topic needs to be better communicated to policymakers for them to better prioritise government spending.

Furthermore, in both countries, unequal population densities can be observed. As such, in the United Kingdom, the area with the by far highest population density is London with 4,978 people per km². In comparison, the second biggest population density is in the North West with 492 people per km² and the area with the lowest population density is Scotland with only 67 people per km². Furthermore, it can be observed that most people live in England. The other countries, Wales, Northern Ireland and Scotland are relatively much less

populated (Office for National Statistics, 2015a). In Germany, similar trends can be examined. There is a clear trend of people living in the city states Berlin, Hamburg and Bremen, with Berlin being the area by far most people live in with 4,090 people per km². The area with the lowest population density is Mecklenburg-West Pomerania with only 69 people per km². In addition, a clear difference between the East and the West can be observed. The states of the former German Democratic Republic are much less populated than the states in Western Germany (Statistisches Bundesamt, 2019). Moreover, in both countries, urbanisation is happening. While in the United Kingdom 87.5% of the population are living in cities and towns, in Germany 77% are, with the continuous trend of these ratios rising over time (Eurostat, 2019). Thus, even though Germany has a bigger population, the population phenomena happening are the same in both economies.

Furthermore, relevant to the research topic and concerning socio-cultural factors, is the level of education in the countries. The higher educated a country is, the more potential there is for them to know about sustainably operating a business including ensuring sufficient access to capital (Wilson, Kickul & Marlino, 2007). This is measured through education expenditure which amounts to 117.3bn EUR in the United Kingdom and 139.4bn EUR in Germany. Relative to the national GDP, they spend 4.8% and 4.2% on education (Eurostat, 2020c). Thus, these numbers are fairly similar, assuming a comparable level of education between the countries.

Moreover, another relevant socio-cultural aspect is stock market activity. In the United Kingdom, about 23% of the population invests in public equity. With almost every fourth person in the population holding public shares in companies, the United Kingdom has the highest stock market activity in Europe (Deutsches Aktieninstitut, 2011). In Germany, only 6.5% of the population is active on stock markets (Deutsches Aktieninstitut, 2020). Thus, although the countries are fairly similar in their population and education, they differ heavily in that social aspect which could be due to their cultural background. Therefore, especially in Germany, there is a lot of potential to rise the public stock market activity.

Finally, the last but arguably most relevant socio-cultural factor to this study is the national culture. As the cultural dimensions are the main variables of this research, they will be covered in more detail in section 3.2.

Table 15: PEST analysis regarding SME public equity in the United Kingdom and Germany - technological factors

		United Kingdom	Germany
Technological factors	Internet coverage	91%	86%
	Target population internet coverage	98% [2019]	97% [2019]
	Online stock trading platform	Millennium Exchange	Xetra

The last dimension of the PEST analysis is concerned with technological aspects. As such, relevant to this research is how many people can access the internet and potentially trade shares online. With 91%, the internet coverage in the United Kingdom (Office for National Statistics, 2019a) it is higher than in Germany with 86% (Initiative D21, 2020). However, excluding the oldest population group from the statistics and hence looking at the relevant target population, in both countries the internet coverage is very high with 98% in the United Kingdom (for people aged 16 to 64; Office for National Statistics, 2019a) and 97% in Germany (for people aged 14 to 59; Initiative D21, 2020).

Another relevant aspect in terms of technological factors is the online access of the stock exchange operations. As such, the London Stock exchange is operating an online trading platform called Millennium Exchange, which is very flexible, fast and easy to use (London Stock Exchange, 2020b). Deutsche Börse has a comparable online trading platform called Xetra (Deutsche Börse, 2020b). Thus, both countries have the technological infrastructure to improve public equity financing for medium-sized enterprises.

Finally, so-called black swan events can have significant influence on the PEST determinants. Black swans are events of high impact which are highly improbable to predict (Taleb, 2010). The current Corona crisis can be classified as such an event. It was impossible to predict and had severe impacts. The

Corona crisis has been caused by the outbreak of a novel Corona virus disease in China by the end of 2019. Subsequently, the virus has spread across the world, leading to a pandemic, as officially declared in March 2020 (World Health Organization, 2020). Since then, many measures have been taken to keep the spread of the virus to a minimum which affected not only social aspects of the national environment, but also political, economic and technological issues. Political changes have mainly occurred in increased government spending in form of numerous emergency funds for SMEs and businesses in financial hardship (Bundesministerium der Finanzen, 2020; Department for Business, Energy & Industrial Strategy, 2020). In addition, economic influences have been numerous. Their full impact will only be observed over time. However, in both, the United Kingdom and Germany, the GDP has fallen drastically due to the Corona crisis. Moreover, unemployment rates have risen significantly in both countries (Office for National Statistics, 2020a; Statistisches Bundesamt, 2020c). In addition, as mentioned above, the Bank of England has lowered the key interest rate to 0.1% in order to support the economy with easier lending conditions. Due to lockdown and contact restrictions in both countries, the Corona crisis also has severe impact on the socio-cultural environment (Bundesregierung, 2020a; Johnson, 2020). Since culture develops incrementally over time and drastic events such as an unprecedented pandemic influence cultural development (Hofstede, 2001), the impact of the crisis on the culture is difficult to predict. Finally, technological influences of the crisis are rather positive as most work and education processes have been moved online. The usage of online tools for work and leisure has significantly increased since the lockdown (GlobalWebIndex, 2020). Thus, the black swan outbreak of COVID-19 in early 2020 has had severe influences on the environments of the United Kingdom and Germany. In particular SMEs suffered most under the declining business activities. Therefore, their focus at the moment is to survive the crisis. However, as shown in figure 14, stock markets have only dropped momentarily. Hence, in the long run, SMEs could consider the option of going public as an opportunity to better safeguard against black swan events in the future.

To summarise, the United Kingdom and Germany are fairly similar countries in terms of their political, economic and technological situations which makes them a solid basis for comparison. As they are the two countries with the strongest economic output within the EU, have a stable macroeconomic performance and belong to the most important European and worldwide export countries, their geographic focus for research is justified. Both countries have the legislation, systems and infrastructure to provide SMEs with specific public equity opportunities. Medium-sized enterprises are of major importance in both countries, in particular the Mittelstand in Germany, making their sustainable access to sufficient finance crucial. However, there are some different influences on the countries such as Brexit and the fact that Germany is part of the Eurozone and therefore dependent of the decisions of the European Central Bank. Nonetheless, the major differences between the countries can be observed in their socio-cultural environments.

3.2 Cultural landscapes

The previous section has proven that the national landscapes of the United Kingdom and Germany are fairly similar except for socio-cultural aspects such as stock market acceptance. This section will therefore elaborate on those differences focussing on national culture as this is the key independent variable of this study.

Chapter 2.2.2 has justified the application of Hofstede's cultural dimension model for this research. Figure 15 summarises the cultural dimensions for the United Kingdom and Germany.

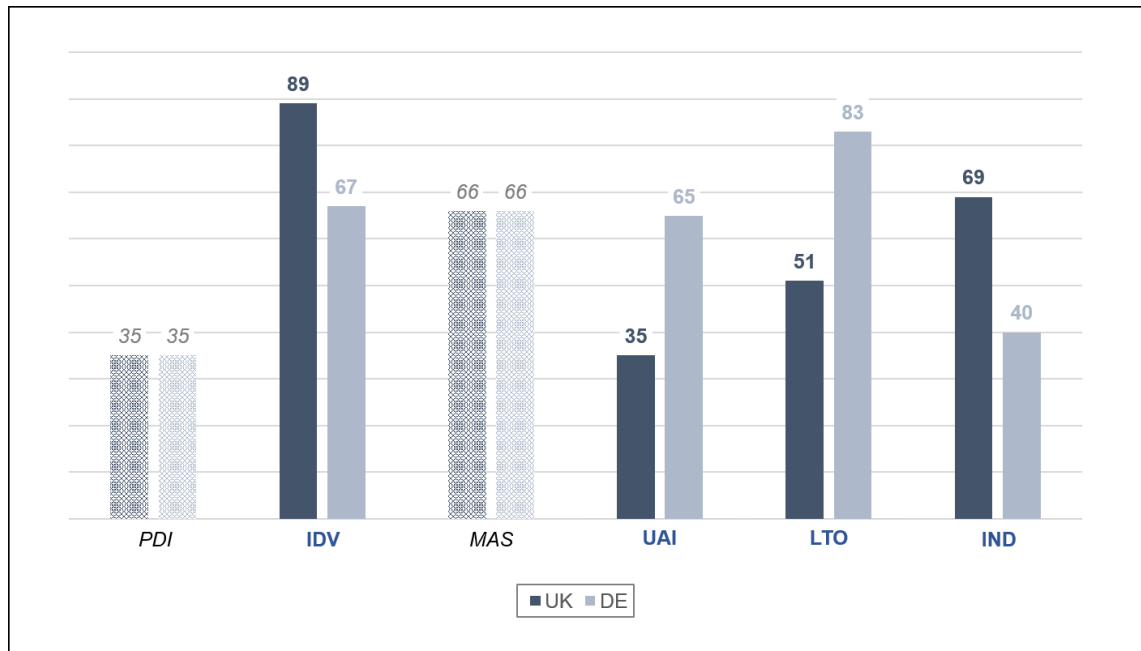


Figure 15: Hofstede's cultural dimension values for the United Kingdom and Germany (own illustration based on Hofstede Insights, 2020a)

Both countries have similar low values (35) in PDI. Thus, people of all social levels are considered equally important and fair play is a common cultural value, both in business and in social life. In addition, both countries score identically (66) in MAS. Success and performance are major values and drivers in life and status is often openly shown. People are very ambitious from their childhood on (Hofstede Insights, 2020a).

As it is the aim of this research to identify the impact of national culture, a focus on cultural dimensions needs to be set which are not similar for both economies. Therefore, this research will concentrate on the remaining four cultural dimensions as they depict cultural differences between the United Kingdom and Germany.

As such, with a score of 89, the United Kingdom is one of the most individualist countries in the world. Germany, scoring 67, is slightly less individualist but also favours privacy and focuses on the unique purpose and contribution of each person in the society. Business relationships and responsibilities are based on precise contracts. German language “is among the most direct in the world [...] giving the counterpart a fair chance to learn from mistakes” (Hofstede Insights, 2020a). In the United Kingdom, these values are more distinct, and the personal

success of the individual is commonly accepted and aspired (Hofstede Insights, 2020a).

Furthermore, the countries differ very much in the dimension of UAI. The United Kingdom scores relatively low (35), indicating a high acceptance of uncertainty. People are generally rather flexible with their time and schedule, being able to adapt to unforeseen changes. Therefore, plans always follow a clear goal but the operations to reach it are not defined in detail. Generally, planning horizons are relatively short to allow for flexible adaptations which is also why innovation and change is an often-welcomed concept in business. Germany, by contrast, is very avoidant of uncertainty (65). People favour systematic schedules which they can follow, monitor and control throughout. Thus, planning horizons are usually long-term and well thought-through to the detail. There is little room for unforeseen adaptations and changes. A strong reliance on expertise aims to compensate for high uncertainty (Hofstede Insights, 2020a).

Moreover, the United Kingdom is not specifically long-term nor short-term oriented. With a score of 51, no dominant preference can be identified. Thus, it depends on the situation and the context determining how far ahead plans are made. In Germany, however, a clear trend towards long-term oriented preferences (83) can be measured. In line with the high UAI score, people tend to make long-term plans and focus on the future rather than the present (Hofstede Insights, 2020a).

Finally, the countries also differ in the last cultural dimension, IND. With a score of 69, the United Kingdom is an indulgent culture, which is reflected in a general acceptance and willingness to follow individual attitudes and desires in order to enjoy life. Generally, people tend to be more optimistic, spending more attention and time on leisure activities. The opposite applies for Germany, which is a more restrained (40) culture. People tend to follow the socially accepted norms and not their individual desires which are perceived not to be accepted by society. Therefore, an emphasis is put on their education and working life instead of leisure activities (Hofstede Insights, 2020a).

This research postulates that these cultural dimensions have an influence on the decision of medium-sized enterprises to go public. Thus, it argues that

national culture influences the acceptance of public equity, which is backed up by financial systems literature. As outlined in chapter 2.1.2, there are two main categories of financing capital: by debt and equity. On a national level, countries have evolved their preference for one or the other, which defines their predominant financial system (Kwok & Tadesse, 2006). Multiple studies have confirmed that Anglo-Saxon countries are usually typical (equity) market-based countries, as opposed to countries like Germany or Japan, which are typical bank-based countries. The United Kingdom and Germany mark the polar extremes of both systems with an equity market capitalisation in relation to the national GDP of 93% in the United Kingdom to only 22% in Germany (Li, 2007). This is also reflected in the different stock market activities between the countries as commented on in the previous section. Thus, countries such as the United Kingdom are more used to sophisticated capital markets, whereas in bank-based countries debt financing through financial institutions is the predominant way to access capital (Barth, Nolle & Rice, 1997; Demirgüç-Kunt & Levine, 1999; Kwok & Tadesse, 2006; La Porta et al., 1997; Lavezzolo, Rodríguez-Lluesma & Elvira, 2018; Li, 2007). However, as explained in chapter 1.1, due to the financing gap, this access to debt financing is impeded nowadays. This justifies a movement towards market-based financial systems in order to find a solution for a sustainable source of capital, which is in line with the aim of this research.

Kwok & Tadesse (2006), Aggarwal & Goodell (2010) and Lavezzolo et al. (2018) identified that national culture has significant influence on the financial system of a country. As such, they have proven that countries with a higher UAI prefer bank-based systems, and vice versa. These findings are in line with the values for Hofstede's UAI dimension for the United Kingdom and Germany. The former has a low value of 35 and is a typical market-based country, whereas the latter has a high value of 65 and is a typical bank-based country (Hofstede Insights, 2020a). The same trend applies for LTO. Family businesses (which most Mittelstand businesses are), which are generally more long-term oriented than other businesses, prefer bank-based systems (Ampenberger et al., 2013). Furthermore, Hirshleifer & Thakor (1992) have identified that countries with high individualistic values tend not to finance business projects with debt in order to maintain their performance. This would support the postulation of this research

as the United Kingdom with a high IDV value, has a market-based culture, relying less on debt capital than Germany. Finally, the value of IND has an influence on the financial system of a country. As such, countries with a low levels of IND values place emphasis on preserving their public image and on tradition (Chui et al., 2002) and might therefore prefer debt over equity financing.

Except for the UAI dimension, Hofstede's other dimensions have not yet been set into relation with the financial systems. The other three dimensions mentioned in the previous paragraph were either measured through other cultural dimension theories or through values representing the same as Hofstede's dimensions. Thus, there is a gap in literature to find out if Hofstede's remaining dimensions have an influence on the financial system of a country. With the focuses of this research, it will be tested if the findings above can be transferred to the Hofstede model and if they apply for medium-sized enterprises in the United Kingdom and Germany in order to measure the influence of national culture on their decision to go public to inform the research aim.

Furthermore, it has been identified that countries with a well-developed legislation, including i.e. strong shareholder-protection rights, well-established accounting standards, strongly regulated stock exchanges and little corruption, tend to be more market-based (Beck, 2006; Demirgüç-Kunt & Levine, 1999; Boot & Thakor, 1997; Kwok & Tadesse, 2006; La Porta et al., 1997; Röell, 1996). Although Germany fulfils these requirements by having a very well-developed law tradition, it is a typical bank-based country. This, as well as the fact that Germany has a "smaller but active equity market" (Li, 2007, p. 63) attests the readiness of the country for a potential development towards a more market-based financial system, which supports the aim of this research.

The financial system is also influenced by the macroeconomic development of a country. A positive development leads to the growth of both, banks and capital markets, and vice versa (Beck, 2006; Demirgüç-Kunt & Levine, 1999; Levine, 2002). With the positive economic growth in United Kingdom and Germany, inflation rates around the aimed 2% as well as the reduction of unemployment, as outlined in section 3.1, the requirements for potential public equity financing

are constantly improving (assuming that after the Corona crisis, macroeconomic trends will return to pre-crisis levels). This underlines the suitability of the geographical focus of this research.

Since SMEs are proven to be highly relevant for the sustainable economic growth of a country (Beck et al., 2005), their positive performance is essential for a strong financial system which, in return, ensures the survival and growth of SMEs (Beck, 2006; Demirgüç-Kunt & Levine, 1999). Thus, an interdependency between the financial system, macroeconomic growth and microeconomic success results as illustrated in figure 16.

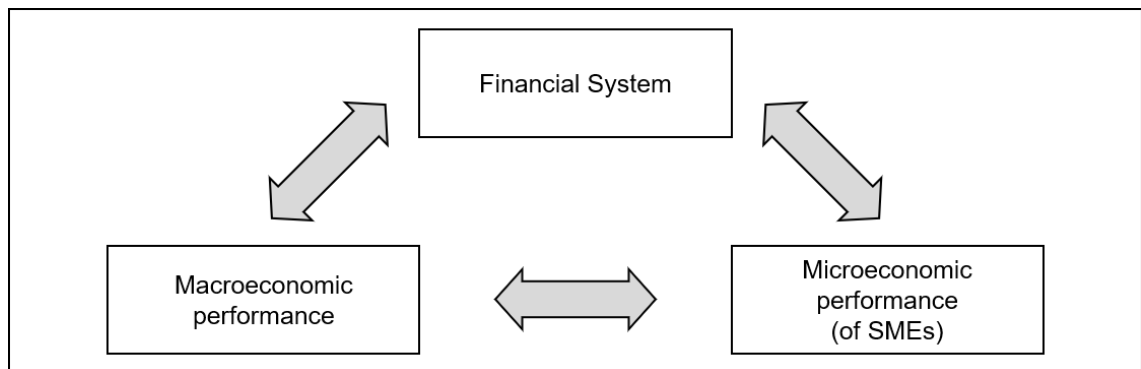


Figure 16: Interdependency between SMEs, economic growth and financial systems

The originality of this research, as opposed to existing literature, is the focus on medium-sized enterprises. It will be analysed if the financial systems theories are also embedded for this particular group of businesses. In addition, this is the first research focussing on more than one of Hofstede's cultural dimensions in relation to the countries' financial systems. Finally, the focus on the United Kingdom and Germany is original in that context.

3.3 Conceptual framework of the study

The previous two chapters have introduced the theoretical background of this study. Figure 17 summarises the main theories and concepts explained and points out how this research fits in.

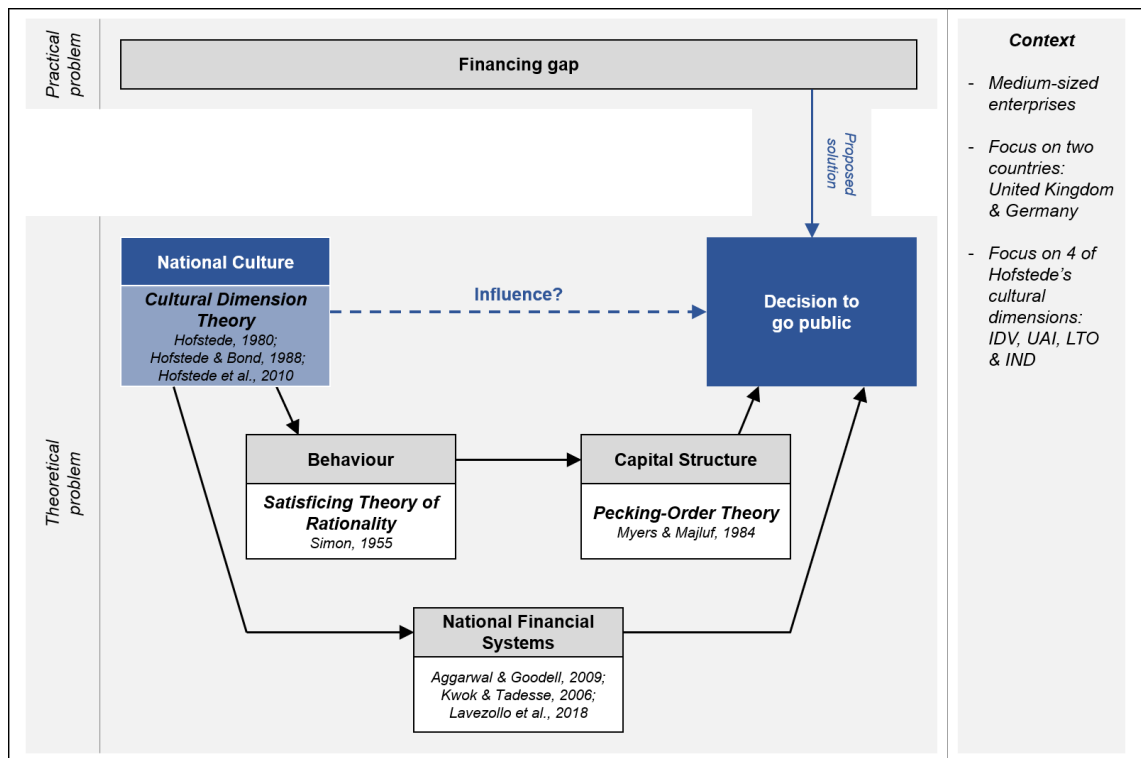


Figure 17: Conceptual framework of this research

The research problem of the existing financing gap was discussed in chapter 1. Public equity financing as a proposed solution to the problem, the influence of behavioural aspects as well as cultural dimension theories have been covered in chapter 2. Two main influences on the decision to go public have been identified in corporate decision making (covered in chapter 2) as well as in the national financial system (covered in chapter 3). There is a proven impact of national culture on both of these influences. Justifying the research aim, this research therefore postulates a direct influence of national culture on the decision to go public.

The specific research questions that shall be answered in order to support the research aim are:

1. How many medium-sized enterprises in each country would consider public equity financing?
2. What is the current perceived attitude reflecting cultural dimensions of medium-sized enterprises towards public equity financing?
3. To what extent do these attitudes reflect national culture?
4. Which changes could improve these attitudes?
5. How can these changes be reflected in relevant policies?

The following chapters will outline the methodological approach and its operation to answering those questions.

3.4 Chapter conclusion

This chapter has finalised the literature review for this research by outlining the relevance of the United Kingdom and Germany as countries of observation as well as by reinforcing the significance of public equity financing for medium-sized enterprises. By being very similar in their political, economic and technological situations which are relevant to the research topic, the United Kingdom and Germany are perfect countries for comparison. Their national culture differs in many aspects, namely in four of Hofstede's dimensions, which supports the research aim since the explanatory power of culture is aimed to be identified. The significance of public equity financing as a solution towards closing the financing gap has been emphasised by the fact that both countries as well as the EU have (plans for) specialised equity platforms for SMEs, particularly for medium-sized enterprises. Moreover, this chapter has finalised the conceptual framework of this research and developed relevant research questions.

4 Methodology

After having specified the research topic and its relevance and originality in the previous chapters, this chapter will outline the methodology how the research was conducted. Consistency throughout the research between the aim, objectives, research questions, philosophy and methods is an essential underpinning for its rationale (Proctor, 1998). Therefore, this chapter will first elaborate on the philosophical backdrop of this study, focussing on the applied ontological, epistemological and methodological views in section 4.1. Based on this, section 4.2 will continue describing the applied research design and methods, going into detail on the specific methods for the data collection in section 4.3. Finally, section 4.4 will cover the ethical aspects of this study before section 4.5 will conclude this chapter.

4.1 Research philosophy

Kuhn (1970) developed the term paradigm which is very widespread in social sciences (Green & Ritzer, 1976; Guba, 1985). A research paradigm can be defined as “a pattern of thinking based on shared assumptions or collective awareness that is predominant in a society and affects the way individuals perceive and respond to the world” (O’Leary, 2007, p. 185). Hence, a paradigm can be seen as the commonly accepted set of standards within a society. Researchers and scientists have developed different paradigms which can be considered their “rules of the game” by which their research is informed.

According to Guba (1990), paradigms are “basic belief systems” (p. 18) which answer the questions of ontology (‘what is the nature of reality?’), epistemology (‘what is the relationship between the knower and the known?’) and methodology (‘how can the knowledge be found out?’). Ontology, deriving from the Greek words “ontos” for “being” and “logos” for “study”, is concerned with the study of being, which is to say with the nature of what exists (Howell, 2015). In a research context, the ontological position answers the question on the existence and structure of reality (Blaikie, 2004a). Furthermore, epistemology, deriving from the Greek word “episteme” for “knowledge”, hence refers to the study of knowledge. It answers the question how reality can be known and

understood (Howell, 2015). Crotty (1998) states that it is inevitable to have ontological claims without having epistemological claims since assumptions about the nature of social phenomena have impact on the way knowledge is gained from these phenomena. Hence, both positions are linked and therefore difficult to be discussed separately. Guba's (1990) third parameter, methodology, derives from the Greek word "methodos" and refers to the study of the course of action towards a goal. Thus, methodology is concerned with the strategical approach of a research, i.e. backing up the approach of data collection and the usage of particular methods for its analysis (Crotty, 1998).

There are many different ways to provide answers to these three questions based on different belief systems which is reflected in different research philosophies. As for that, there is an ongoing dialogue among researchers as to which philosophy is the most adequate. This dialogue is due to be infinite as each philosophy comes with different strengths and weaknesses (Howell, 2015).

Guba & Lincoln (1994) define four main philosophic stances with positivism and constructivism being both extremes of the spectrum and postpositivism and critical theory in the middle. Table 16 summarises these four stances and specifies their answers to the three outlined paradigmatic questions.

Table 16: Basic beliefs of alternative inquiry paradigms (Guba & Lincoln, 1994, p. 109)

Item	Positivism	Postpositivism	Critical Theory et al.	Constructivism
Ontology	Naïve realism – “real” reality but apprehendable	Critical realism – “real” reality but only imperfectly and probabilistically apprehendable	Historical realism – virtual reality sharpened by social, political, cultural, economic, ethnic, and gender values; crystallized over time	Relativism – local and specific constructed realities

Epistemology	Dualist/ objectivist; findings true	Modified dualist/ objectivist; critical tradition/ community; findings probably true	Transactional/ subjectivist; value- mediated findings	Transactional/ subjectivist; created findings
Methodology	Experimen- tal/ manipulative; verification of hypotheses; chiefly quantitative methods	Modified experimental/ manipulative; critical multiplism; falsification of hypotheses; may include qualitative methods	Dialogic/ dialectical	Hermeneutical/ dialectical

Located on the left extreme of Guba & Lincoln's (1994) spectrum is positivism. Its ontology is assuming that only one true reality exists which is driven by unchangeable laws of nature. This single true view of an immutable reality is reflected in the term naïve realism that best describes the positivist ontology. For that reason, its epistemology is very objectivist as reality is considered to be "out there" to be observed and not dependent on different perceptions (Guba, 1990). Hence, positivism is highly concerned with measurable and observable phenomena, strictly dividing between the subject and object of the research. Therefore, positivist methodology mainly utilises scientific fact-based evidence to reveal the existing singular reality, often through a deductive approach testing hypotheses (DiVanna, 2012). This is why positivist research is very systematic and quantitative, mostly based on empirical data statistical measures and its logical and reasonable analysis (Blaikie, 2004b).

However, despite its structured and logical approach, the positivist stance has also been strongly criticised. Hence, notwithstanding the fact that most authors in the research fields covered in this research have followed a positivist approach (i.e. Çetenak et al., 2017; Chui & Kwok, 2008; Li et al., 2013; Mihet, 2013), it is not a justified approach for this research as the independent variable, national culture, is an original contribution which requires a different background. One of the main aspects of critique on positivism is the separation between facts and values. Many agree that reality is only reflected in a combination of the two which is declined by positivism, stating that experience

is not an adequate source of knowledge (Benton & Craib, 2011). Nonetheless, as outlined in chapter 2.2.1, culture is mainly defined by a group's shared values and beliefs. Thus, positivism is not an applicable approach for this research as it contradicts with the major assumptions and definitions outlined in chapter 2. Furthermore, positivism believes in only one single truth to be discovered. In line with this aspect is the critique that the theoretical concepts, which positivist research is usually based on, cannot reflect the actual reality. Positivism treats the world as a closed system not reflecting the complexity of how nature and society interact (Benton & Craib, 2011). Moreover, positivist research does not seem to take into account the meaning of their research to its social actors but only the meaning it has for the researchers themselves (Blaikie, 2004b). This, however, contradicts the major assumption of this research as the interaction of nature and society is a major aspect defining national culture. In addition, unlike the positivist assumption, this research follows the common belief of cultural studies considering phenomena to change over time. Moreover, the factual existence of multiple different cultures with numerous subcultures underlines the fact that culture studies postulate different truths to be discovered. Thus, particularly with this research addressing a very practical topic, results will have implications not only for further research but also for the society, specifically for medium-sized enterprises, intermediaries and relevant policymakers.

As a response to the criticism of positivism, the paradigm of constructivism has emerged (Hershberg, 2014), which represents the other extreme of Guba & Lincoln's (1994) spectrum. Its common beliefs are therefore based on the opposite values than positivism, usually following an inductive research approach. Its ontology is a relativist view, which is to say that reality is perceived as something socially constructed over time through interactions with each other (Spender, 2011). Thus, reality is seen as a plurality which always needs to be put in context in order to account for societal, historical and cultural circumstances. Therefore, constructivism sees reality as something individually experienced and interpreted, which is why reality is perceived differently and cannot be objectively measured (Crotty, 1998). As a result, constructivist epistemology is very subjectivist. Knowledge is socially constructed and can

only be interpreted and understood in its specific context. The individual subject influences and perceives knowledge differently due to the relativist ontology. Thus, constructivism values the differences between social actors. The methodology of this philosophy naturally promotes qualitative data as it leaves more room for the expression of individual truths and interaction (Costantino, 2012). Therefore, it supports the importance of listening to the actors of society rather than focussing on firm objects and statistics.

Even though constructivism compensates for the most weaknesses of positivism, it is also criticised by many. As such, constructivism is often said to be too subjective and therefore not generalisable (Spender, 2011). This is one reason why constructivism is not a suitable philosophy for this research. With the focus on public equity, there is not much room for subjective perception and interpretation as monetary returns and performances of capital instruments are objective in their nature. In addition, it is criticised that, under a constructivist approach, people cannot express the complete reality they perceive, which is to say they do not always tell the entire truths but only parts of it. Furthermore, this research approach lacks transparency as the full context in which to see the expressed truth, cannot be fully reflected (Spender, 2011). This critique also supports why constructivism is not being used as a basis for this research. Culture is a too complex construct to be able to fully outline and understand for each individual.

The dispute between positivism and constructivism has led to the formation of new philosophies, including critical rationalism (Popper, 1959) and critical theory (Frankfurt School; Horkheimer & Adorno, 1972). These philosophical stances are located between positivism and constructivism on Guba & Lincoln's (1994) spectrum. Critical theory has constantly developed since its start, based on the enlightenment movement (Poutanen & Kovalainen, 2012). Its ontological position is historical realism. The reality is considered to be a series of structures which reified over time, "shaped by a congeries of social, political, cultural, economic, ethnic and gender factors" (Guba & Lincoln, 1994, p. 110). The epistemology of critical theory is transactional and subjectivist. Knowledge is characterised by an inseparable connection between the investigator and the

object. The typical methodology is dialogic and dialectical, requiring an active dialogue often in the form of interviews, creating informed consciousness of how the knowledge and reality derived from historical patterns (Guba & Lincoln, 1994; Howell, 2015).

Although this research topic agrees with the basic assumptions of the historical realist, that reality, in particular culture, is developed over time, the epistemological notion of the philosophy does not comply with this research. Just as constructivism, critical theory is subjectivist in its epistemology (Alvesson & Skoldberg, 2018), which would be appropriate for the cultural aspect of the research aim but not with the objectivist financial aspect of it. Thus, a less interpretive approach is more suitable for this research. Moreover, although the cultural background forms part of the context in order to understand and critically evaluate the knowledge, which would support this research, understanding the complete context is too comprehensive as it is impossible to picture the whole complex context of an individual.

The last philosophical doctrine on Guba & Lincoln's (1994) spectrum is postpositivism which is situated between positivism and critical theory. Therefore, it fulfils the criteria of being more objectivist whilst still accepting a reality that is assumed to exist but is imperfect and changes over time. The ontological position of postpositivism is critical realism. It is believed that a part of reality exists independently of our awareness of it. Reality is considered to be multi-levelled and emergent (Fox, 2012). Bhaskar (1978) argues that critical realism distinguishes between the empirical, the actual and the real. The empirical includes all that is observable and measurable. The actual refers to events and experiences which are caused by the mechanisms of the real. And the real are all causal mechanisms that exist independently and beyond our perception and knowledge. Thus, there are things in the actual truth that are caused by something real that cannot be measured as well as by something empirical that can be measured. Postpositivism, usually following an explanatory approach, is concerned with mapping the aware characteristics of the social reality and interpreting the unaware part of this reality, finding causation and relations for the sake of transformational change (Rutzou, 2016).

However, causation is approached critically using objective observations and facts and employing those to understand the complexly layered structures and processes of social phenomena. This is done without reducing the causation to fixed variables, giving justice to the heterogeneity and adaptability of the social world. Thus, reality is aimed to be reflected as closely as possible, but never perfectly, as it is impossible due to the fact that parts of reality are indiscernible (Fox, 2012; Guba & Lincoln, 1994). Postpositivist epistemology is objective and dualist such as in positivism, and hence relatively generalisable but more critical. Findings are assumed to be true but can also be false due to the ontological position. Thus, knowledge needs to be seen in context while the ontological realism entails the commitment to truth (Fox, 2012). Furthermore, knowledge is always historically and socially located. It is partial and imperfect but can grow over time (Bhaskar, 1978). The methodology is based on critical multiplism which developed out of triangulation in the mid-1980s. It encourages to make different features of the research multiple such as i.e. methods for data collection, approaches to data analysis or stakeholder perspectives on key aspects (Cook, 1985). The methods used in postpositivism are modifiable, based on positivist quantitative methods, but may also include qualitative methods (Fox, 2012). Hypotheses are falsified rather than verified, and an assessment of context information is aspired, but it is known that mapping the full extent of the context is impossible due to the ontological supposition that many aspects happen individually from our knowledge of them (Guba & Lincoln, 1994).

Postpositivism is the philosophy used in this research as it is the most appropriate philosophy to inform the research aim. The ontology postulates a reality that is happening independently with parts of it happening unaware from what we know. The focus on public equity financing in this research is a measurable part of reality, and the focus on national culture is a great example for those parts of reality that exist independently without us being able to know and understand all aspects of this complex context. Thus, referring to the research aim, the subconscious influence of national culture is aimed to be interpreted in order to critically identify cultural multiples of causal influences underlying public equity financing. The understanding of truth is very relevant to this research as the field of financing is committed to one truth, however, the

influence of culture and the assumption of cultural relativism adds a contextualising parameter. Moreover, reality is considered to be multi-levelled and emergent which also perfectly suits the definition of culture as specified in chapter 2.2.1. As for the methodology, postpositivism is the most suitable approach as it takes the advantages of positivist methods with highly reliable results but adds a more critical ontological approach in order to add validity. Critical multiplism allows for the usage of different method approaches as well as for the creation of different viewpoints, setting the results into relation for the different stakeholders of this research.

In addition, with reference to Bhaskar (1978), the ontological position of having multiple realities, both measurable and unmeasurable, affecting the truth, is observable with the subjects of this research. As such, medium-sized enterprises are not only influenced by the empirical, but also by the real. The empirical refers to their measurable environments such as performance, size, location, number of employees, customers, suppliers, products, prices etc. In the scope of this research, it mostly refers to financial decisions and performance. In contrast, the real refers to their cultures and personal context. This does not only include national culture, but is multiple and also includes realities from various sub-cultures such as for instance industry specifics, competitor or customer influences as well as the owner's or manager's upbringing, education, familial influences, etc. This is very similar to the perceptual model of culture from Singer (1998) according to which every individual is influenced by the real which is a combination of uncountable identity groups including i.e. geography, language, age, education (cf. chapter 2.2.1). Thus, from an ontological viewpoint, the large-culture approach of this research is only investigating a proportion of the real. In fact, the real is also comprised of the sub-levels of national culture, i.e. regional, industry, organisational, intra-organisational, gender, generation and social class culture, as well as personality (cf. figure 9; Hofstede et al., 2010; Holliday, 1999; Singer, 1998). Nonetheless, as argued in chapters 2.2.1 and 2.2.2, the sole focus on national culture is justified for the scope of this research, not least because all sub-cultures are influenced by national culture and all are based on similar values and beliefs in the core (Beugelsdijk et al., 2017; Hsu et al., 2013). Thus, by having both, empirical and real aspects of the actual in this research, the

ontological and epistemological positions of the postpositivist philosophy are justified.

Since postpositivism is located between positivism and constructivism, it incorporates a mixture of criticism that both philosophical doctrines entail. As such, the emphasis on the critical realist ontology is often criticised, like in positivism, because it is aimed to force the truth into a concept. Although this concept is more loose in postpositivism and leaves room for the unknown parts of reality, it is still questionable if reality follows any form of concept or just happens randomly. Postpositivism believes that knowledge can be improved by making claims about reality which is accepted to be relative and changing over time, limiting the results of a research only to the moment its data has been collected (Rutzou, 2016). Although it is aimed to find a causal relationship in this study, the ontological boundaries of postpositivism limit the potential explanatory power of the concept accounting for the reality to change and exist independently. This major point of criticism needs to be accepted in this research, limiting it to the boundaries of this philosophical doctrine. By adopting this research philosophy, the results of this dissertation always need to be seen in relation to these limitations.

4.2 Research design and method

After having defined the research philosophy informing this study, this section will outline in more detail the format and approach that was taken in this research.

An explanatory sequential mixed method design was used for the data collection. Developed in the late 1980s to early 1990 as a distinct research approach, mixed method research is still relatively young (Creswell & Plano Clark, 2018). Since then it has gained in influence, and thus credibility, especially in business studies (Bryman, 2009). Mixed methods are characterised by collecting and analysing both, quantitative and qualitative data, and by the integration of both data forms and their results in line with a research design that is influenced by the philosophy (Creswell & Plano Clark, 2018).

Creswell (2014) distinguishes between three basic mixed methods designs: convergent parallel mixed methods, explanatory sequential mixed methods and exploratory sequential mixed methods. In the first, qualitative and quantitative data is collected and analysed separately, before their results are compared in order to confirm or reject each other. The other two designs follow a sequential approach, meaning that one type of data is collected and analysed before it builds to or is followed up by the second type of data at a later stage. Morgan (2014) suggests a differentiation between priority and sequence data. Priority data is the type of data (qualitative, quantitative or equal weight of both) that is most important for the gathering of relevant information to answer the research aim. Sequence data is then considered supporting information of the priority data and adding substance to the findings.

Informed by the philosophy, mixed methods are suitable for the methodology of this research as it makes the methods for data collection, its analysis and stakeholder viewpoints multiple, in line with Cook's (1985) critical multiplism. The applied postpositivist stance is based on a predominantly objective approach but also allows room for subjective interpretation. Thus, due to the unequally weighting of those epistemologic positions, a convergent parallel mixed methods approach is not reasonable. Instead, priority data is quantitative and sequence data is qualitative, leading to an explanatory sequential mixed method design as outlined in figure 18. An explanatory research, which is often used in postpositivist research (Rutzou, 2016), explicates "how or why things are as they are" (Ticehurst & Veal, 2000, p. 5). Thus, as the overall aim of this study is to find out the impact of national culture on the decision to finance a medium-sized enterprise through the stock market, it is aimed to describe why financing decisions of medium-sized enterprises are as they are.

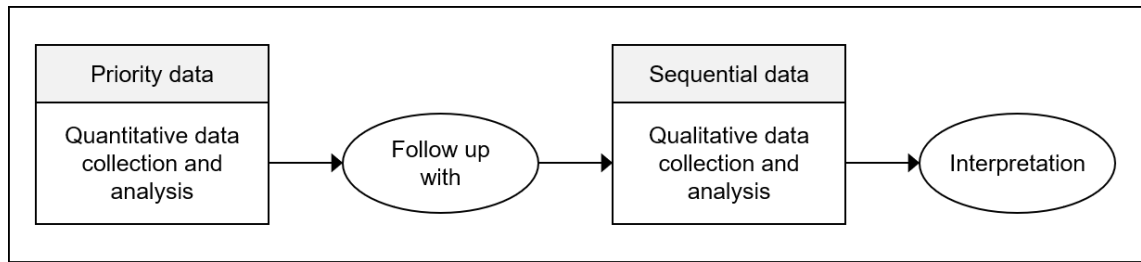


Figure 18: Explanatory sequential mixed methods design (own illustration based on Creswell, 2014)

Following figure 18, first quantitative data was collected and analysed, followed up with the collection and analysis of qualitative data adding subsequent information to the priority data. That way, the fairly reliable results of the quantitative part are backed up with validity of the qualitative part (Bell, Bryman & Harley, 2019). Creswell (2014) supports the selection of an explanatory sequential mixed methods design for this research by arguing that it is the most suitable for giving a more in-depth understanding of the priority data results, in particular for studies observing cultural relevance. Data was aimed to fulfil the scientific requirements of high reliability, replication and validity (Bell et al., 2019) by having a big sample for the priority quantitative data which adds more generalisability and also in-depth information from the sequence qualitative data.

This research therefore mainly followed a deductive approach. Especially with an explanatory style, deduction is the most suitable design as existing theories are tested through formulated hypotheses. Subsequently, data is collected and analysed in order to confirm or reject those hypotheses which, depending on the outcome, could lead to a rephrasing on the original theories to be tested. Quantitative data is therefore necessary, assuming that entities can be objectively measured (Adams, Khan & Raeside, 2014; Mill, 1843). Thus, in this research, a conceptual framework has been developed based on the literature review (cf. figure 17) outlining the specific assumption to be tested, which is the assumption that national culture has an impact on the corporate decision to go public. In a next step (cf. section 4.3.1.2), hypotheses were defined which embed this major assumption and break it down to smaller, directly testable assumptions. After the priority quantitative data collection, those hypotheses

were then assessed resulting in an overall prove or confutation of the main assumption made. Finally, findings were generalised to a certain extent, bearing in mind that the postpositivist ontology does not support a full prove of hypotheses nor a 100% generalisability.

However, as sequential mixed methods were used, the sequence qualitative data collection followed more of an inductive approach. This is usually more contextual and focuses on behaviours and perceptions, which is why usually smaller-scale studies are utilised (Bell et al., 2019). Hence, in order to add meaning and in-depth understanding to the results from the priority data analysis, sequence data was collected and analysed, verifying the findings of the quantitative data. In line with the postpositivist philosophy, this addition of sequence subjective data is acceptable in order to support the validity of the priority objective data.

The research mainly relied on primary data. Although secondary data is easier to access, less time-consuming and can be very comprehensive, it is not specific to the own research question and it is often uncertain how the data was collected, how reliable it is and which definitions and assumptions it is based on. Therefore, primary data was collected for the dependent variable (the decision to go public). Although this is a more time-consuming and difficult way to collect data, it provides context-specific up-to-date data tailored to the study's research questions and there are no doubts about its reliability and assumptions (Adams et al., 2014). Secondary data was only used for the independent variable of national culture as well as for control variables. As argued in chapter 2.2.2, the cultural data was retrieved from Hofstede Insights (2020a), focussing on the four cultural dimensions IDV, UAI, LTO and IND. Control variables include data that is not directly related to the research questions but might also have an impact on the dependent variable (Adams et al., 2014). In this case, control variables include the firm size, turnover, balance sheet total, location and industry. They were retrieved from the databases FAME, which provides reliable and comprehensive corporate data for 11 million companies in the United Kingdom and Ireland (Bureau van Dijk, 2020a), and Orbis, which covers similar data for over 310 million companies worldwide (Bureau van Dijk, 2020b).

As for the priority data, the quantitative data collection was conducted through a web-based survey and the qualitative data collection for the sequence data was done through unstructured interviews. For the former, a survey is the most suitable data collection method as it is very efficient and can reach a high number of respondents. Surveys are amongst the most commonly used methods in business and management research (Adams et al., 2014). They collect objective quantitative data, often from a largely accessible sample, which allows to attempt generalising the findings for the population. Normally, surveys are executed through questionnaires asking specific questions to be analysed which support testing the hypotheses and thus answering the research questions. Questionnaires are a very structured, reliable, comprehensible and convenient way of collecting data. Other advantages are that they are not very expensive, quick to administer and do not include bias towards an interviewer. However, disadvantages include that they need extensive preparation in order to ensure that respondents fully understand the questions. Moreover, it is difficult to ask open-ended questions to get more in-depth answers since respondents usually prefer quickly to answer “tick-the-box” questions. In addition, due to the same reason of unwillingness to spend too much time on a questionnaire, questionnaires are often only partially answered or not completed at all. This makes it difficult to ask many questions, demanding an extensive preparation of the questionnaire to assure a manageable amount of questions providing sufficient data to answering the research questions (Bell et al., 2019). The response rate is usually quite low and additional data such as body language or workplace environment cannot be collected due to the anonymisation of the data collection (Adams et al., 2014).

In order to make up for those disadvantages, the sequence qualitative data collection in this research was conducted using unstructured interviews. Interviews are the most commonly used method for qualitative data collection. While structured interviews are too limited in their explanatory power and the main aim of the sequence data is to add validity to the quantitative results, an unstructured approach was used. This usually includes a set of predetermined topics to cover but leaves room for individual questions and is flexible to explore further, generally in the form of open-response questions (Easterby-Smith,

Thorpe, Jackson & Jaspersen, 2018). However, unstructured interviews are often too subjective due to biases of the interviewee and the interviewer, they are less transparent and therefore less reliable than the quantitative data and, due to the limited number of participants, less generalisable (Bell et al., 2019). Nonetheless, given the sequential mixed methods approach in this study, the emphasis is put on the priority data which is derived from the survey. Thus, the above-mentioned disadvantages of interview data do not carry much weight. However, by being able to ask flexible questions, having more time to get in-depth information as well as by being able to collect additional data and interpret the individual, the unstructured interviews add value in form of validity to the survey results which supports the aims of the postpositivist approach (Bell et al., 2019). Section 4.3 further elaborates on the detailed execution of those methods.

Overall, the research followed the design of a comparative study since differences between the United Kingdom and Germany were observed (Bell et al., 2019). Furthermore, a cross-sectional design was applied for the data collection of both, the quantitative and qualitative data. Hence, data was collected at one point in time (Hall, 2011). Compared to a longitudinal design, which collects data over a course of time, a cross-sectional design is less expensive and time consuming. The analysis of cross-sectional data is more straightforward being able to use simple inferential statistics. In addition, there is a higher probability of finding participants as they only need to commit once to answering the questionnaire. Thus, the common attrition problems of longitudinal research did not apply for this research (Liu, 2011).

Methods do not only describe the procedures used to collect data, but also the techniques used to analyse it (Crotty, 1998). As for that, the analysis of the survey data was conducted using the spreadsheet software Microsoft Excel as well as the statistical software SPSS. While Microsoft Excel is good to use for descriptive statistics and the organisation of data, statistical software such as SPSS is better adapted for deeper statistical analyses including inferential statistics (Fisher, 2010). Thus, the testing of the hypotheses was done using

inferential statistics as well as multiple regression and probit modelling (Field, 2018). The interview data was analysed using the software NVivo. Following a thematic analysis approach, by coding the data in the system, general themes and patterns can be identified, analysed and eventually interpreted (Bazeley, 2012).

4.3 Data collection

This section will outline in more detail the two methods of data collection used in the sequential explanatory mixed methods approach in this research. Section 4.3.1 will focus on the priority quantitative data, outlining its survey design with its sampling and distribution approach, the assumed hypotheses as well as the questionnaire questions. Section 4.3.2 will specify on the sequence qualitative data, focussing on the interview design with its sampling, preparation and execution as well as the interview topics.

4.3.1 Quantitative data collection

The quantitative data collection was approached following Adams et al.'s (2014) survey process which is illustrated in figure 19.

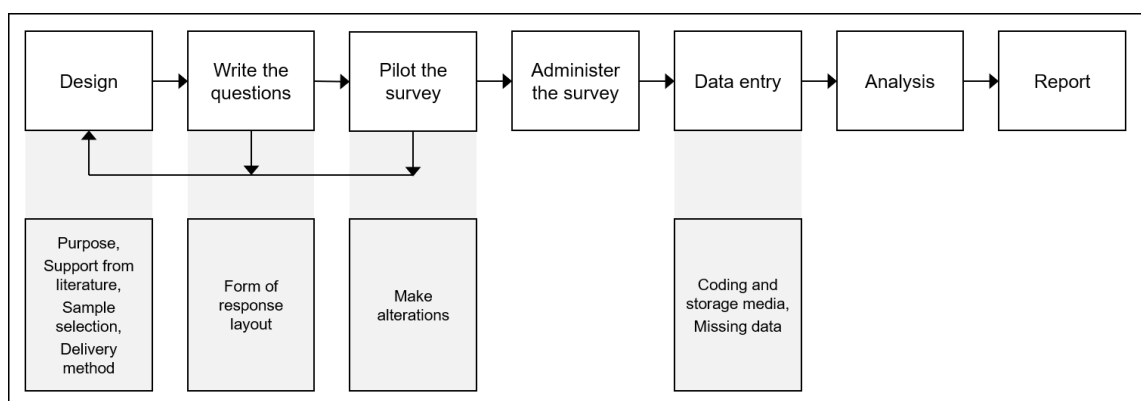


Figure 19: The applied survey process (own illustration based on Adams et al., 2014)

First, the design of the survey had to be determined which is outlined in section 4.3.1.1. In order to be able to conduct the second step, the writing of the questions (covered in section 4.3.1.3), the hypotheses had to be defined, as elaborated on in section 4.3.1.2. The following three steps contain the execution

of the research from a pilot study, over the actual study to the data entry. The planning of these steps will be explained in the survey design section and their results will be analysed and reported on in chapter 5.

4.3.1.1 Survey design

As it is impossible to conduct the survey with the complete population, a sample needs to be defined which is a subset of the population representing its opinion (Saunders, Lewis & Thornhill, 2019). The population is the entirety of medium-sized enterprises in the United Kingdom and Germany. As this population is impossible to holistically approach, the sampling frame consists of all medium-sized enterprises with email contact details. Subsequently, based on that sampling frame, the final sample was constituted applying simple random sampling. This sampling method allows for an equal chance of selection for all members of the sampling frame, keeping the sampling error at a minimum. Other advantages are that it takes less time than collecting data from the whole population (whenever possible) while remaining a high scope. Hence, it is a very efficient method of representing a population. Disadvantages are that it is difficult to select a sample without biases. In addition, depending on the size of the sample, there is always the probability that not the complete population is reflected since important data of not included observations could potentially be ignored (Saunders et al., 2019). In this research, however, any bias during the sample selection was minimised since it relied on the independently produced output of the databases providing the contact details. Furthermore, the representativeness disadvantage of sampling was minimised by aiming to observe as many medium-sized enterprises as possible based on data availability.

The sample access details were retrieved from the FAME database for the British sample and the Orbis database for the German sample, both provided and managed by Bureau van Dijk (2020a & 2020b). It is relatively time and cost efficient as well as practical and flexible, providing output for specific needs of this research. Since both are verified and approved databases, they provide high quality data directly from the companies' annual reports. Despite the

comprehensive data availability, the potential sample frame for this research was reduced to medium-sized enterprises (according to the size criteria defined by the European Commission as justified in chapter 2.1.1.1) as well as to only those enterprises which have an email address and for which complete datasets of all relevant variables were available. This left 16,802 British and 7,418 German medium-sized enterprises for the sample frame. By having a relatively big sample size, sampling error was aimed to be minimised. However, non-sampling error, in particular non-response error causes the sample to be smaller. Furthermore, self-selection bias is an issue that diminishes the sample size as only those respondents complete the survey who are interested and willing to do so (Olsen, 2011). These limitations need to be accepted. Procedures to enhance the response rates are listed below.

A standardised web-based questionnaire was created whose link was distributed via email to the sample frame. Following the cross-sectional design, there was only one cycle of the survey, besides the pilot study which is further specified below. SurveyMonkey (2020) has identified that 80% of responses are usually collected within the first seven days, 95% within 19 days upon release of a survey. Therefore, in order to enhance the chances of a relatively high response rate, the respondents were given 3 weeks to complete the questionnaire. As the recipients of the survey were managers in financial positions of the enterprises, the survey was sent out in the morning during a working week, so that it could be processed immediately.

The questionnaire was created using the university-approved NOVI software which is more secure and reliable than freely accessible survey software. This facilitates the data gathering, in particular the fifth step of the survey process (cf. figure 19), data entry (Edinburgh Napier University, 2015a). That way, a relatively large sample can be addressed, and cost and time can be saved, which makes the survey feasible throughout the two countries, and which provides a direct availability of the data. Disadvantages are that the response rate might be low, that there is not much possibility to control the survey situation, and that there might be biases included in the answers (Vehovar & Manfreda, 2017). According to Adams et al. (2014), response rates rarely exceed 20%. The response rate for this research has not been expected to be

very high due to the fact that it was sent out to a big amount of random businesses, there were no incentives for the respondents and they had to invest about five minutes time into it. A good cover letter has been proven to increase the chances for a higher response rate (Saunders et al., 2019). Hence, the email containing the link to the online-survey outlined the importance and relevance of the research and the Edinburgh Napier University logo on all documents added seriousness and trustworthiness. In addition, the questionnaire was kept relatively short aiming to enhance the chances of a better response rate as it could be completed fairly quickly, which was also highlighted in the email. This email as well as the information form can be viewed in appendix 1. Furthermore, two reminders were sent out to those enterprises of the sample which have not yet completed the survey, each one week apart. Reminders usually have a positive effect on the response rate (Kaplowitz, Hadlock & Levine, 2004). The second reminder highlighted the fact that it was the last reminder in order to emphasise the limited time left to complete the survey.

In order to minimise the potential risks connected with the survey and to ensure its high quality, piloting the survey is essential (Bell et al., 2019). Especially since the questionnaire was distributed in two different languages, a pilot study is highly recommended in order to minimise misunderstandings and uncertainties in linguistic equivalence which might occur in translation (Church, 2012). Prior to the pilot study, the questionnaires were given to native speakers in both countries to proofread and ensure the clear understanding of the questions. The sampling for the pilot study followed the same approach as the sampling for the actual survey as outlined above. Thus, simple random sampling was used sending out the pilot survey to a sample of 500 businesses, 250 per country. The response rate of 5.6% led to 28 returned questionnaires. Table 17 summarises the response rate. The pilot has proven that non-sampling error is inevitable to occur due to non-response error (Bell et al., 2019). Some businesses have argued that their policies do generally not allow the participation in surveys. This also justifies the uneven answer distribution between the two countries.

Table 17: Pilot survey response rate by country

	UK	DE	Both
Total no. of invitations sent	250	250	500
Email delivery errors	42	21	63
Net emails sent (Σ)	208	229	437
Returned questionnaires with both consents given	13	15	28
<u>Response rate</u>	<u>5.20%</u>	<u>6.00%</u>	<u>5.60%</u>

Based on the pilot results, the questionnaire design has been mainly supported. One issue was risen by a business which had commented its complete disinterest in public equity due to its ambition not to grow. This comment was incorporated through adding a question on firm growth aspiration to the questionnaire. Furthermore, the average time spent on the survey by the pilot was below five minutes which is why this time estimation was included in the invitation email and information form.

4.3.1.2 Hypotheses

With the application of a sequential mixed methods design under a postpositivist philosophy, the priority data was tested through hypotheses. Those hypotheses need to be falsified due to the critical realist ontology (Guba & Lincoln, 1994). Thus, under the postpositivist regard, hypotheses can never be fully accepted as it is impossible to include the complete reality into the model. Therefore, hypotheses can only fail to be rejected, hence, they can be supported but never be proven.

Deducing from the five research questions, as concluded in chapter 3, this research postulates four hypotheses. The last research question is not reflected in the hypotheses as it provides the base for the discussion of the results. The sequence data collection also adds information to this research question. Therefore, the following hypotheses were used based on the first four research questions, as outlined in table 18.

Table 18: Overview of the link between the research objectives, questions and hypotheses

Research objective	Research question	Research hypothesis
2. to identify the influence of national cultural dimensions on the motivation to raise capital through public equity financing for medium-sized enterprises in order to elevate the current opinion positions in the United Kingdom and Germany	1. How many medium-sized enterprises in each country would consider public equity financing?	H ₁
	2. What is the current perceived attitude reflecting cultural dimensions of medium-sized enterprises towards public equity financing?	H _{2a-d}
	3. To what extent do these attitudes reflect national culture?	H _{3a-d}
3. to develop guidelines for relevant policymakers in the United Kingdom and Germany in order to promote public equity financing among medium-sized enterprises	4. Which changes could improve these attitudes?	H _{4a-h}
	5. How can these changes be reflected in relevant policies?	n.a. / data collection supporting the discussion of results from the data analysis

The first research question (“How many medium-sized enterprises in each country would consider public equity financing?”) pictures the status quo, counting how many enterprises would consider public equity financing. By comparing the answers between the two countries, the comparative study design is reflected. The hypothesis is based on the fact that more than four times as many British companies are listed than German ones (The World Bank, 2020a). Thus, H₁ postulates that the same applies for medium-sized enterprises, stating that they have a more positive general attitude towards public equity financing in the United Kingdom than in Germany.

H₁: The United Kingdom has a more positive general attitude of going public than Germany

The second research question (“What is the current perceived attitude reflecting cultural dimensions of medium-sized enterprises towards public equity financing?”) is the basis for the second hypothesis. As argued in chapter 3.2, the focus of this research is set on four of Hofstede’s six cultural dimensions. Since these cultural dimensions reflect all aspects of national culture, this research creates a set of cultural dimensions only focussing on the public equity financing attitude and behaviour of a national culture. These new dimensions are based on Hofstede’s core values but put into the context of public equity financing. The computation of those public equity (PE) cultural variables is outlined in section 4.3.1.3. For the remainder of this research they are named public equity individualism (PEIDV), public equity uncertainty avoidance (PEUAI), public equity long-term orientation (PELTO) and public equity indulgence (PEIND).

The second hypothesis postulates an impact of those dimensions on the reason why medium-sized enterprises decide not to go public. Due to the focus on four cultural dimensions it is therefore divided into four sub-hypotheses. Whether their impact is expected to be positive or negative on the attitude of going public is based on the assumption that Hofstede’s cultural dimensions are reflected in the public equity cultural dimensions (H_{3a-d}). Therefore, since Hofstede’s values for the United Kingdom are higher for IDV and IND and lower for UAI and LTO compared to the values for Germany, a positive impact of PEIDV and PEIND and a negative impact of PEUAI and PELTO on the attitude of going public is expected.

H_{2a}: PEIDV has a positive impact on the general attitude of going public

H_{2b}: PEUAI has a negative impact on the general attitude of going public

H_{2c}: PELTO has a negative impact on the general attitude of going public

H_{2d}: PEIND has a positive impact on the general attitude of going public

Since the second hypothesis is based on an assumption, the assumption is tested in the third hypothesis, answering the third research question (“To what extent do these attitudes reflect national culture?”). Again, as four cultural dimensions are being observed, the hypothesis is divided into four sub-hypotheses. Each of them states that their public equity cultural variable is reflected in Hofstede’s cultural variable counterpart.

H_{3a}: Hofstede’s IDV variable reflects PEIDV

H_{3b}: Hofstede’s UAI variable reflects PEUAI

H_{3c}: Hofstede’s LTO variable reflects PELTO

H_{3d}: Hofstede’s IND variable reflects PEIND

The fourth hypothesis is based on the next research question (“Which changes could improve these attitudes?”). This hypothesis outlines which changes would need to be done in order for a better acceptance of public equity financing. The hypothesis is divided into eight sub-hypotheses. The first four cover changes in public equity cultural variables and the last four cover changes in political, economic, social or technical aspects, inspired by the PEST analysis done in chapter 3.1. In contrast to H_{2a-d}, this hypothesis does not focus on the demand side of an IPO process, but rather on the supply side. Thus, it concentrates on circumstances that need to change in order to enhance the likelihood of going public. To this end, for similar reasons as H_{2a-d}, it is postulated that circumstances catering for lower PEIDV and PEIND values and more for higher PEUAI and PELTO values result in a higher acceptance of public equity financing. In other words, businesses with low PEIDV and PEIND and high PEUAI and PELTO values will be better supported in going public. Furthermore, it is assumed that decreased political burdens and increased economic stability, socio-cultural awareness as well as technological processes also result in better general attitudes towards public equity as a financing form. The results from this hypothesis provides possible support for the guideline development for research objective 3.

- H_{4a}: Circumstances catering for lower PEIDV will increase the general attitude of going public
- H_{4b}: Circumstances catering for higher PEUAI will increase the general attitude of going public
- H_{4c}: Circumstances catering for higher PELTO will increase the general attitude of going public
- H_{4d}: Circumstances catering for lower PEIND will increase the general attitude of going public
- H_{4e}: Circumstances decreasing political burdens regarding going public will increase the general attitude of going public
- H_{4f}: Circumstances increasing economic stability will increase the general attitude of going public
- H_{4g}: Circumstances increasing socio-cultural awareness of stock markets will increase the general attitude of going public
- H_{4h}: Circumstances increasing technological processes regarding going public will increase the general attitude of going public

Figure 20 summarises how the hypotheses fit in with a conceptualised model of the main variables.

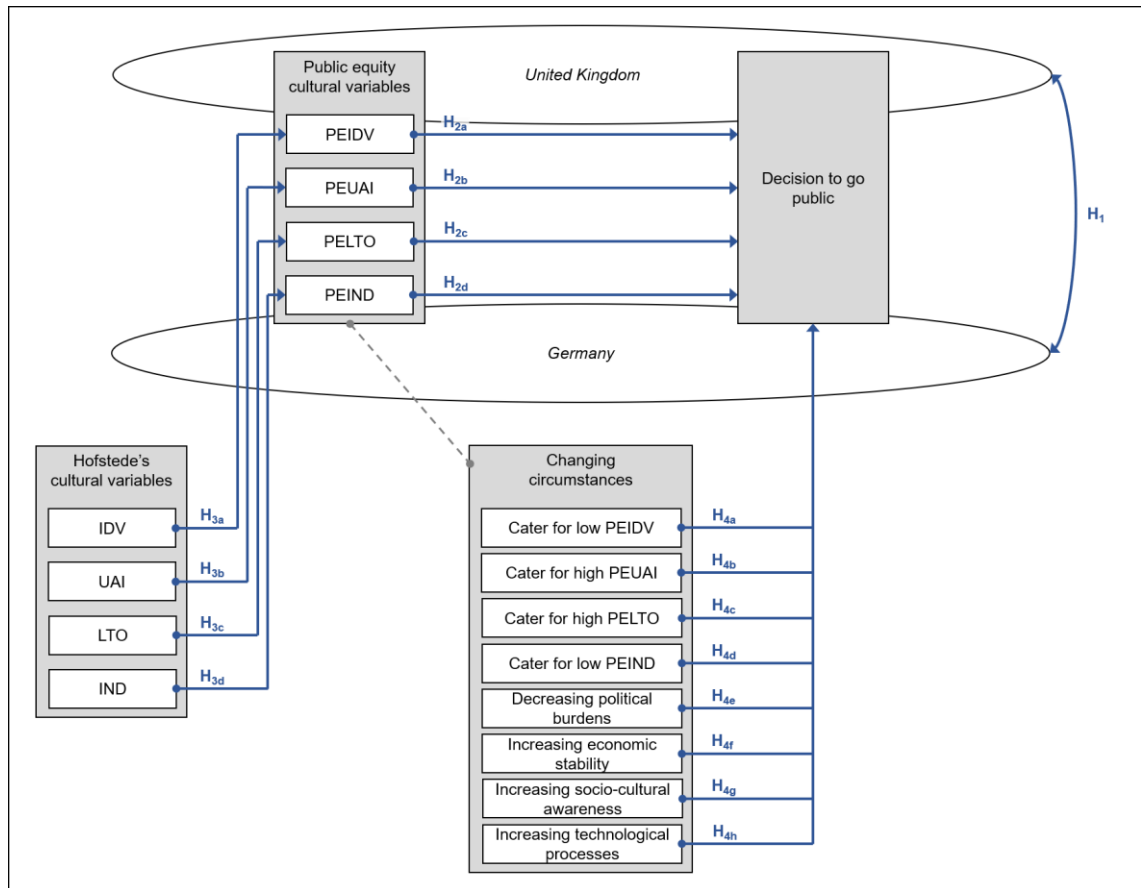


Figure 20: Hypothesis model

4.3.1.3 Survey questions

As outlined in section 4.3.1.1, the questionnaire was sent out via email to a random sample of medium-sized enterprises in the United Kingdom and Germany. When the participating enterprises have selected the link to the web-based survey which was included in the email, they were transferred to the information sheet of the questionnaire providing necessary information about the context and aim of this research (cf. appendix 1.2). On the following page the respondents had to accept a consent form giving their acceptance to voluntarily answering the questionnaire and to the providence of the questionnaire data within the scope of the research. They were also made aware that they could withdraw anytime until the point of submission of the questionnaire. The wording of that consent form is in line with Edinburgh Napier University's (2018) Code of Practice on Research Integrity. In case the

respondents did not accept this consent form, they were taken to a “Thank you” page without the opportunity to complete the questionnaire.

After the acceptance of the consent form, the respondents were directed to the actual questionnaire which was divided into four parts. Keeping it relatively simple and short is a prerequisite for reliable data (Burns & Burns, 2008). A copy of the questionnaire, both, in its English and German version, can be viewed in appendix 1.2. The translation was done by the researcher, paying attention on keeping the same meaning in both languages in order to keep the survey and its results as comparable as possible (Behr & Shishido, 2016).

The first part collected data needed to test H_1 . It consisted of two questions. Since the agreement of the consent form is technically the first question, the actual survey began with question 2. After giving a brief definition of public equity financing, question 2 asked about the current general attitude towards considering public equity financing as a financing source for the business. The respondents could choose their answer on a five-point Likert-type scale which is a common method of attitude measurement. Choosing between five different levels of likelihood that they would consider public equity financing, their general attitude towards going public was measured. The odd number of the scale items allows for neutral responses through a middle point (Likert, 1932). Since Likert-type scales are often used, they are generally easily understood. Another advantage is that it is easier for respondents to decide on an answer because they are not forced into an extreme direction and can indicate either no or only a slight tendency towards one side. Furthermore, it allows for a homogeneous quantitative and relatively precise measurement of general different attitudes. The responses are easily quantifiable through number codes and thus practical for quantitative analysis (Burns & Burns, 2008). Disadvantages of Likert-type scales, however, are that many people avoid choosing the highest or lowest option of the scale in order not to be seen to have an extremist opinion, which might falsify the results. Furthermore, the individual categories and the gaps between them are not universally understood in a similar way. Thus, two people having the same opinion might choose different answers due to their different understanding of the categories. In order to minimise this disadvantage and to avoid misinterpretations of the scale, the categories were described verbally (Oppenheim, 2009). They ranged from “very likely” (1) to “very unlikely” (5). For

those companies that already procured public equity, there was an option to select that they were already listed on a stock exchange. Another disadvantage of the measurement is that it does not address the reason why the attitude was classified in one of the five points (Burns & Burns, 2008). Therefore, follow-up questions in the other parts of the survey addressed this issue.

The third question of the survey was added after the pilot run during which some respondents have indicated that they do not aim to invest and grow in the near future. Thus, this question discovered the growth ambition of the business. It stated three possible options to select from: grow, remain or reduce the current size of the business.

Those who have indicated in the second question that they were already listed on a stock exchange were then forwarded to the end of the survey. The focus of the questionnaire was on the reasons why medium-sized enterprises are not yet listed. Therefore, all other respondents were directed to the next part of the questionnaire in order to address the “why” behind their attitude.

Setting the focus on national culture as a potential explanatory reason why the company is not yet listed, the second part of the questionnaire addressed H_{2a-d} and H_{3a-d}, aiming to generate the public equity cultural dimensions as explained in section 4.3.1.2. Thus, the questionnaire was oriented on Hofstede’s (2013) Values Survey Module 2013 Questionnaire which was used to generate the Hofstede cultural dimension values across the countries. Even though Hofstede & Minkov (2013) explain which question is allocated to which of the six cultural dimensions, their questions could not simply be copied as they do not focus on public equity financing. Therefore, the major values addressed by Hofstede were identified for each cultural dimension, and questions based on these values in relation to public equity financing were asked in order to generate the public equity cultural dimensions.

As such, the main values for IDV are the focus on individual success, egoism and a loosely-knit social framework as opposed to unquestioning loyalty in a group (Hofstede Insights, 2020b). Analogue to Hofstede’s questionnaire, two questions were asked per cultural variable, resulting in eight questions for the

question block 4. Thus, transferring these values to the topic of public equity, the first two questions asked to which extent the respondents agree that public equity does not provide any benefits to their company (as an indicator for high PEIDV) or to their economy (as an indicator for low PEIDV). Analogue to the following questions, a five-point Likert-type scale has been used, similar to Hofstede's (2013) questionnaire, ranging from "strongly agree" (1) to "strongly disagree" (5).

The second cultural dimension, UAI, was addressed in the following two questions. Major values of high UAI are an uncomfortableness with uncertainty and the request to control the future with fixed principles instead of letting it happen (Hofstede Insights, 2020b). Relating these values to public equity, the respondents were asked about their opinion on share price movements being too unpredictable and risky (as an indicator for high PEUAI) and on their willingness to try out new forms of financing (as an indicator for low PEUAI).

LTO was the next cultural dimension to be covered. Long-term oriented cultures are characterised by the values of tradition and norms as opposed to welcoming and encouraging change (Hofstede Insights, 2020b). Referring to those values, it was asked if they agree to have a defined corporate strategy with little room for amendments (as an indicator for high PELTO). The next question asked if they plan to stick to their known financing methods without planning to change anything (also as an indicator for high PELTO).

The final cultural dimension to be addressed was IND. High-scoring countries value free gratification of the desire to enjoy life, whereas low-scoring countries value strict social norms (Hofstede Insights, 2020b). The last two questions of question block 4 therefore asked the respondents to evaluate the low importance of the opinion of society (as an indicator of high PEIND) and the importance of comparison and social norms (as an indicator of low PEIND).

The public equity cultural dimensions were therefore calculated using the following equations:

$$PEIDV = ([6 - \bar{x}_a] + \bar{x}_b) * 10$$

$$PEUAI = ([6 - \bar{x}_d] + \bar{x}_c) * 10$$

$$PELTO = ([6 - \bar{x}_e] + [6 - \bar{x}_f]) * 10$$

$$PEIND = ([6 - \bar{x}_g] + \bar{x}_h) * 10$$

where $\bar{x}_i = \text{mean score for question } i$

Each dimension was based on answers to two questions, both of which were equally weighted. In the case that a question was stated indicating a high value for a dimension, the mean score was subtracted from 6 in order to obtain a high mean score for a high corresponding value. By adding up the mean scores from the two questions per dimension, a maximum value of 10 could be obtained. In order to be consistent with Hofstede & Minkov's (2013) model, the values were multiplied by 10, creating a potential range from 20 to 100.

The next part of the questionnaire informed H_{4a-h}. A couple of potential circumstances influencing public equity cultural dimensions were presented, asking the respondents how their attitude towards public equity financing would change. On a five-point Likert scale, they had to indicate whether the circumstance would make public equity financing "much more attractive" (1), "more attractive" (2), "no change" (3), "less attractive" (4) or "much less attractive" (5). This part consisted of eight questions, each addressing one of the four cultural dimensions and one of the four aspects of the PEST analysis. Thus, each question covered one of the eight sub-hypotheses H_{a-h}.

The first question of this section addressed H_{4a} and hence circumstances influencing PEIDV. The respondents were asked how their attitude towards going public would change if they knew by that it would benefit the whole economy if most businesses went public. It is a fact that a higher capital markets activity support higher economic performance (Li, 2007). However, the individual can lose in that scenario which is causing the higher risk of public equity (Pilbeam, 2018). This is therefore a circumstance supporting businesses with high levels of collectivism. It therefore caters for lower PEIDV values as suggested in H_{4a}.

The following question covered H_{4b} and described a circumstance supporting businesses with high PEUI values. This dimension is more catered for by lowering the risk of public equity. Thus, by adding a threshold below which the stock price cannot fall, the risk of going public is reduced, allowing more uncertainty avoidant companies to consider this financing option.

The dimension of LTO was covered in the next question, addressing H_{4c}. By asking the respondents about their opinion on the statement that one of their competitors has had long-term success with public equity as a financing form, an increased catering for businesses with high PELTO values is advocated.

The fourth question of question block 5 addressed the last cultural dimension, IND. Respondents were asked if they would rather accept public equity if they could be the first and no other competitor has yet chosen the financing form. This would indicate a circumstance catering more for high PEIND values. Thus, this scenario described the opposite of what was anticipated by H_{4d}. This needs to be reflected in the analysis.

The last four questions of the section proposed four changes regarding political, economic, socio-cultural and technical circumstances in order to identify potential areas of action to increase the general attitude of going public.

The first of those question postulated less political burdens promoting public equity financing. As such, the main political disadvantages as outlined in chapter 2.1.3 are found in the complicated processes and legislation. Thus, reversing those disadvantages, the question asked for the opinion if there was less bureaucracy and a clearly regulated legislation.

The economic circumstance addressed in the questionnaire describes a situation in which there is a stable and well performing economy with no prospect of a slowdown, thus, an increased economic stability. This feeling of economic stability might encourage some companies to feel save enough to take the risk of considering a new form of financing.

The next question addressed the socio-cultural aspect. It asked the respondents on how their opinion would change in case more investors were active on the stock markets, hence, if socio-cultural awareness was increased.

As any other market, capital markets are composed of two sides: supply and demand (Pilbeam, 2018). Since the focus of this research is set on the demand side (companies going public and searching for capital), this question concerns the supply side of the market (investors providing capital) in order to get a more complete view of its impact on the decision to go public.

The final question of question block 5 covered the last aspect of a PEST analysis, technological circumstances. It was asked if the opportunity of operating the whole process of getting and remaining listed on a stock exchange online would change their opinion on public equity financing. This postulates an increase in technological processes.

Based on the answers to those questions, in relation to the answers of the second question, a new variable was calculated, expressing the changed general attitude if the changes proposed in the questions occurred. The changed general attitude was therefore calculated using the following equation:

$$AttitudeChanged_{IDV} = GeneralAttitude + \bar{x}_a - 3$$

$$AttitudeChanged_{UAI} = GeneralAttitude + \bar{x}_b - 3$$

$$AttitudeChanged_{LTO} = GeneralAttitude + \bar{x}_c - 3$$

$$AttitudeChanged_{IND} = GeneralAttitude + (6 - \bar{x}_d) - 3$$

$$AttitudeChanged_p = GeneralAttitude + \bar{x}_e - 3$$

$$AttitudeChanged_E = GeneralAttitude + \bar{x}_f - 3$$

$$AttitudeChanged_s = GeneralAttitude + \bar{x}_g - 3$$

$$AttitudeChanged_T = GeneralAttitude + \bar{x}_h - 3$$

where *GeneralAttitude* = answer from question 2

\bar{x}_i = mean score for question *i*

The answers to this question block were added on to the answers of the second question, setting them in relation to the general attitude value from question 2. In the case of H_{4d}, the survey question was suggesting the opposite of what is

stated in the hypothesis by supporting an increase in PEIND, whereas the hypothesis postulates that circumstances catering more for lower PEIND values are favourable. Therefore, the mean score of the question was subtracted from 6. That way, the value corresponded to the value needed to test the hypothesis. Since the value 3 indicates that there is no change, 3 was subtracted in order to generate a comparable new variable indicating the new general attitude after the influence of change. Thus, a “much more attractive” attitude subtracts 2 (= 1-3) from the general attitude, “more attractive” subtracts 1 (= 2-3), no change nothing (= 3-3), “less attractive” adds 1 (= 4-3) and “much more attractive” adds 2 (= 5-3) to the general attitude of going public. Therefore, this new variable has a value range of -1 to 7. Thus, it is not similar to the general attitude variable which has values between 1 and 5. However, since the neutral centre point equals the value 3 for both variables, they can be compared, but the different spectrum needs to be kept in mind.

This section ended with a last optional question (question 6) asking for further aspects which might enhance the chances of the company to consider getting listed on a stock exchange. This question was open-ended to provide the opportunity to list and comment on as many aspects as wanted.

The last section of the survey specifically addressed the existing platforms for SMEs on stock exchanges. First, in question 7, the respondents were asked if they were aware of those platforms. That way, it can be identified if there is a general awareness of their existence, or if there is the need to better advertise them. Thus, findings of this section support research question five.

In case of a positive answer to that question, two follow-up questions (questions 8 and 9) inquired how much the platforms currently satisfy the demands of the respondents and, in an open-ended question format, what else needs to be included. In case of a negative answer to question 7, the same format of follow-up questions (question 10 and 11) was addressed. However, instead of asking for the extent to what the platforms satisfy their needs, it was asked how the new knowledge of their existence increases the chances of the company going

public. Then, as above, an open-ended question asked what those platforms need to incorporate in order for the company to rather get listed.

After the completion of this fourth section of the questionnaire, the respondents were directed to a last page consisting of three components. The first component was a personal identifier asking for the name of the business. It was therefore an open-ended question giving the respondents the opportunity to freely enter the name of their company. This question was accompanied by a note stating that their data will be treated confidentially and will be anonymised, as suggested by Edinburgh Napier University (2018). The identifier was only used in order to assign secondary data from annual reports to the dataset, generating control variables to the model. This identifier question was asked at the end of the questionnaire, in order not to build rapport with the respondent too early, to decrease the dropout rate early on in the questionnaire and to ensure the actual survey is completed before boring the respondent with demographic questions, as advised by Stoutenborough (2011).

In addition, the respondents were asked to enter their email address in case they were available for potential follow-up interviews for the research. This field was optional.

Finally, as suggested by Edinburgh Napier University (2018), a second opportunity to confirm the consent of the respondents was given. Only complete questionnaires where both opportunities to confirm consent have been accepted were used for the analysis. The mandatory acceptance of the second consent confirmation enabled the “submit” button which was located after a notification that this marked the last possibility to withdraw from the survey. The respondents were then directed to a page thanking them for their support which also provided an email address to contact for additional comments and questions.

4.3.2 Qualitative data collection

After the collection and analysis of the quantitative priority data, qualitative sequence data was collected, making use of unstructured interviews. Unlike the quantitative data collection, this method tends to be more constructivist than positivist in its epistemology (Warren, 2011). The interview participants were therefore viewed as meaning makers and thus used to add validity to the results of the quantitative data in this research. This chapter is divided into two sections. First, the interview design will be explained and second, the questions used in for the interviews will be elaborated on.

4.3.2.1 Interview design

The design of interviews is generally open-ended and much more flexible than quantitative designs, which is why there are no standard design structures (Warren, 2011). Following the concepts of critical multiplism in the postpositivist underpinning of this research in order to generate different viewpoints, the groups of participants was split into three, representing each stakeholder group identified for this research in chapter 1.3: medium-sized enterprises, intermediaries and relevant policymakers. Therefore, the qualitative data collection serves two goals: first, to add validity and insight information to the results from the quantitative data collection and analysis, and second, to add an exploratory aspect to the study in order to identify feasible and practical ways of implementing the guidelines. Thus, research objective two and three are addressed with the qualitative data collection.

The sample was gathered by using nonprobability sampling, namely convenience sampling and purposive sampling. Nonprobability sampling is an often-used approach for qualitative research with small sample sizes and cost-efficient acquisition. Although it lacks in representativeness of the population, it avails itself of valid in-depth data giving illustrative examples (Daniel, 2012). A minimum of eight interviews was aspired, as this is the threshold required to gain 80-90% data saturation (Namey, Guest, McKenna & Chen, 2016). Guest, Bunce & Johnson (2006) state that data saturation begins after six interviews and is usually fully reached after twelve interviews. Therefore, between eight

and twelve interviews were aspired for this research, keeping the option open to conduct more afterwards in the case of limited data saturation.

The first group of participants, the medium-sized enterprises, was identified through the questionnaire during the priority data collection. In the end of that questionnaire, respondents have been asked to enter their contact information if they were available for a follow-up interview on the topic. This is a common sampling strategy for mixed method approaches (Morris, 2015). Those enterprises that have indicated an interest, were contacted through the provided email address, asking if they were still available for an interview and when that could take place (cf. appendix 2.1.1). In case of a positive answer, it was agreed on a suitable date and an information form and consent form was sent out that had to be read and agreed upon prior to the interview (cf. appendix 2.2 & 2.3). In order to comply with ethical standards (further elaborated on in section 4.4), a signed copy of the consent form was required for the interviews to take place. Thus, for this group, convenience sampling was used as it is the easiest and most efficient way to gather the sample due to their easy accessibility and relevant sample characteristics (Saumure & Given, 2012).

The second and third group of participants, the intermediaries and policymakers, were selected using purposive sampling, which is to say they met selected criteria making them suitable for adding value to the research objectives (Saumure & Given, 2012). Based on the identified recipients of this research as outlined in figure 3, institutions of each group were contacted via email asking for their willingness to participate in an interview regarding the research topic (cf. appendix 2.1.2). As with the first group, if they accepted, another email was sent agreeing on a date, enclosing the information and consent form to read and complete before the interview (cf. appendix 2.2 & 2.3).

These sampling techniques inevitably entail selection bias as the participants were not randomly drawn from the population (Bull Kovera, 2012). In particular for the first group, self-selection bias is given, due to a correlation between the participants' propensity for participating and the topic of the study (Olsen, 2011). Furthermore, similar to the quantitative sample selection, non-response error is inevitable. Especially when following basic ethical standards, only those participants were taken into account who voluntarily agree to take part in the

study, which generates sampling bias (Bull Kovera, 2012). These biases increase the systematic error of the analysis but they are accepted as, due to the limited number of interviews conducted, there is limited generalisability and reliability in any case. The aim of the interviews is not to add reliability, but validity, by investigating how the questions have been understood and how the answers were meant. Therefore, such a small sample is acceptable with regards to the mixed methods design of this research.

In addition, a similar distribution of British and German enterprises for the interviews was aspired. In-person interviews were conducted rather than interviews via phone or video-chat, in order to have a more personal atmosphere and to make the interviewee feel more home and thus willing to elaborate on questions. Moreover, a personal setting allows for better interpersonal understanding and flexibility (Bell et al., 2019). In order to use resources efficiently and to get comparable information, it was aimed to conduct them around the same time period. Language has been found to be an aid of thinking and expressing real opinions and feelings (van Nes, Abma, Jonsson & Deeg, 2010). Therefore, in order not to lose meaning through translation, the interviews were held in the native language of the interviewee, either in English or in German. The interviews were recorded using a recording device provided by the university in order to be able to transcribe them subsequently for their analysis. As suggested by Warren (2011), the interview consisted of the questions as well as of a face sheet covering general descriptors of the participant. The timely scope was limited to one hour which is enough to cover all topics and yet acceptable for the interviewees to spend the time of their working hours for the interview.

Firmin (2012) advocates the usage of unstructured in-depth interviews when the main objective of the method is to get more depth instead of breadth, in order to find out more details. To this end, unstructured interviews were used since the main reason for the interviews is to add validity to the results of the priority data and to get more insights into the opinions of the participants. Advantages of unstructured in-depth interviews are that they allow for rich access and understanding of personal data and context. They do not follow a strict given set of questions but are flexible and allow the participant to talk about what they think is important. Therefore, due to its flexibility, it is a very versatile method.

Following the approach of unstructured interviews, there is room for a flexible and individual development (Warren, 2011). Giving the open-ended and exploratory character of unstructured interviews, in-depth understanding is gained through probing for details. That way, the individual development and interaction between the interviewer and the interviewee eventually adds validity (Johnson, 2011). A pilot run of the interviews was not done, as the unstructured and unpredictable nature of them makes a pilot redundant. However, the interview guide was counterchecked by a second person.

In order to have a basis for the analysis, the interviews were transcribed using verbatim transcription. This is the most common transcription method for qualitative interviews and refers to an exact written replication of the said words (Poland, 1995). At some points, where the interviewee has stuttered or used filler words such as “ehm” or “uh”, the transcription has been smoothed, which is common practice in order to enhance consistent content understanding (Hepburn & Bolden, 2017). The German interviews were not translated in order to capture as much meaning and culturally specific expressions from the original as possible (Lu & Gatua, 2014). Therefore, only for the reporting of the results, whenever quotes or word clouds were used, those were translated (Behr & Shishido, 2016). Subsequently, thematic analysis was applied to extract the meaning of the transcripts in reflection to the research questions (Bell et al., 2019). Using codes (called nodes in NVivo), themes can be identified summarising the opinion and general views of the interview participants (Saldaña, 2016). Thematic coding was used tagging all relevant interview data and organising it in a hierarchical code structure, creating themes and underlying categories based on repeated patterns. However, the technique of coding also fragments data and often separates it from its context (Marshall, 1981). Nonetheless, it is the most efficient and established method to analyse qualitative data (Bell et al., 2019), which is why it was used for this research.

4.3.2.2 Interview guide

As argued in the previous section, the interviews followed an unstructured design. Due to its flexible approach, no set interview questions were prepared. Instead, an interview guide was prepared, entailing all important themes without

going too much into detail. That way, it was made sure that all major themes were covered whilst remaining the flexibility to let the interviewee lead the discussion into aspects which they find most relevant and interesting (King & Horrocks, 2011). The interview guide should therefore only be seen as a rough guideline instead of a prescribed script that needs to be followed (Morris, 2015).

Since the interview guide is strongly linked to the research questions, key themes were identified that support finding answers to that question. In addition, some example questions for each theme were defined, always making sure to phrase them clear, easy to understand and not too complex (Morris, 2015). Rubin & Rubin (2011) distinguish between three types of qualitative interview questions: main questions that guide the conversation, probes that clarify any specify answers (i.e. through examples) and follow-up questions that pursue the implications of answers to the main questions. The interview questions for this research were composed out of all three question types. Only examples for potential main questions were in the interview guide which could either be used when appropriate or ignored when not. Following an unstructured interview design, they could be adapted flexibly, and probes and follow-up questions could be added individually depending on the situation and the participant's answers.

The research questions that were addressed in the qualitative data collection of this research are the same as for the quantitative data collection, as the validity of the results should be tested. Therefore, the interview guide, as attached to appendix 2.4, covers the five themes: current financing instruments, general attitude towards public equity, cultural impact, necessary changes and outlook. The guide lists a couple of example questions, however, given the unstructured interview approach, those only serve as an aide-memoire rather than giving a strict template to follow. That way, it was ascertained that all themes were covered while the interviewees were free to emphasise on the themes which were most important to them (Bell et al., 2019). Table 19 summarises how the interview themes are linked to the research objectives, questions and hypotheses.

Table 19: Overview of the link between the research objectives, questions, hypotheses and interview themes

Research objective	Research question	Research hypothesis (QUAN data)	Interview theme (qual data)
2. to identify the influence of national cultural dimensions on the motivation to raise capital through public equity financing for medium-sized enterprises in order to elevate the current opinion positions in the United Kingdom and Germany	1. How many medium-sized enterprises in each country would consider public equity financing?	H ₁	1. Current financing instruments
	2. What is the current perceived attitude reflecting cultural dimensions of medium-sized enterprises towards public equity financing?	H _{2a-d}	2. General attitude towards public equity
	3. To what extent do these attitudes reflect national culture?	H _{3a-d}	3. Cultural impact
3. to develop guidelines for relevant policymakers in the United Kingdom and Germany in order to promote public equity financing among medium-sized enterprises	4. Which changes could improve these attitudes?	H _{4a-h}	4. Necessary changes
	5. How can these changes be reflected in relevant policies?	n.a.	4. Necessary changes 5. Outlook

Before the start of the interview, it was made sure that the participants had no more questions on the topic and process, and that they have signed the consent form. They were notified again that the records will be kept safe and confidential. Then, the audio-recording device, thus the data collection, was started.

In addition, for each participant, a face sheet was completed covering general descriptors of them. As such, for the medium-sized enterprises, it covered the firm name, size and location. For control reasons, this face sheet also included information on an individual level such as gender and position within the company. The face sheet for the other two groups included the name of the participant and of the institution they are working for, their role within the institution as well as their gender and the country they are located. In the final reporting of the results, the participants are anonymised, of which they have been informed prior to the interviews.

4.4 Research ethics

Burns & Burns (2008) define ethics to be “the application of moral principles and/or ethical standards that guide our behaviour in human relationships” (p. 29). Thus, any research that involves the contact with human individuals, such as the primary data collection for this research, requires following ethical standards. This study is based on the Edinburgh Napier University’s (2018) Code of Practice on Research Integrity. It was established on the principles of the Concordat to Support Research Integrity (Universities UK, 2019) and the Singapore Statement on Research Integrity (2nd World Conference on Research Integrity, 2010), both universally agreed standards for research integrity. The university’s guiding principle is that all research should be conducted with “honesty, rigour, transparency and open communication, care and respect [and] accountability” (Edinburgh Napier University, 2018, p. 2), aiming to create benefit for the society and not to harm anyone or anything in any way. It is emphasised to be aware of the potential risks of the research. As it is the aim of this study to compare cultural differences between the United Kingdom and Germany, the topic was approached sensitively throughout the complete research, not discriminating any differences. When collecting both, quantitative and qualitative data, all participants were given the opportunity to withdraw at any time, however, the survey respondents were made aware that after having submitted the online questionnaire there will be no possibility for their data to be removed. Prior to the data collection they were given a consent form as well as an information sheet on the purpose and methodology of this

research, also outlining how the data will be handled and stored. Participation was not induced with any rewarding motivation such as i.e. financial means. A personal dependent relationship between the researcher and any of the contacted firms or participants did not exist, underlining an equal treatment of all participants. After the data collection, the confidentiality of the participants, both, individuals and businesses, was maintained. A personal identifier in the survey was only used in order to be able to collect annual report business data on the business to add control variables to the study. The respondents were informed why this is necessary and that their data would still be treated confidentially and anonymously throughout the reporting of the research, ensuring their privacy and thus the honesty and reliability of the survey replies (Edinburgh Napier University, 2018). All collected data met the university's Research Data Management Policy (Edinburgh Napier University, 2015b) as well as the EU-General Data Protection Legislation (European Parliament, 2016) and its national implementations, namely the Data Protection Act 2018 in the United Kingdom (Parliament of the United Kingdom, 2018) and the Bundesdatenschutzgesetz in Germany (Bundesministerium der Justiz und für Verbraucherschutz, 2017). Therefore, a secure storage of the data was ensured using the researcher's personal drive on the university's secure IT system (Edinburgh Napier University, 2020). Furthermore, data quality was aimed to constantly comply with the concepts of reliability, replication and validity as it is common practice in scientific projects (Bell et al., 2019). Hence, any sort of bias was minimised so that the research is consistent and could potentially be replicated by another researcher resulting in the same findings (Saunders et al., 2019). In addition, by focussing on the priority quantitative data, a big sample ensures a high generalisability which, however, is limited by the research philosophy according to which no 100% generalisability is possible.

In summary, this research is free from any form of research misconduct including "fabrication, falsification, misinterpretation of data and/or interests and/or involvement, plagiarism, [as well as] failure to [...] avoid unreasonable risk or harm to humans [...] [or] the environment [and failure to follow] proper handling of privileged or private information on individuals collected during the research" (Edinburgh Napier University, 2018, p. 38). The responsibility of the contribution of this research is fully accepted by the author. An ethical approval

for this research has been accepted by the Edinburgh Napier Business School Research and Innovation Committee in February 2019.

4.5 Chapter conclusion

This chapter has set the prerequisites to approaching the second research objective. Following a postpositivist philosophy, explanatory sequential mixed methods were applied. That way, quantitative and qualitative data was collected in order to respect the different natures of both, public equity financing and national culture. First, a web-based survey collected quantitative data from a simple random sample of medium-sized businesses in the United Kingdom and Germany. Subsequently, in order to add validity, unstructured interviews with relevant groups to the IPO process were conducted. Data was treated rigorously and ethically throughout the whole process. Thus, this chapter sets the approach for the data collection and analysis which will be covered in the following chapters.

5 Survey results

The survey was sent out to participants in the United Kingdom and Germany and ran for three weeks between May and June 2019. Two reminders were sent out, each one week apart.

This chapter will present the results of the survey, first outlining the descriptive statistics of the respondents before focussing on answering the research questions in the second section and summarising them in the third section, before concluding the chapter in section 5.4.

5.1 Respondent demographics

As specified in chapter 4.3.1.1, the survey was sent out to a simple random sample of British and German medium-sized enterprises retrieved from the FAME and Orbis databases. About 12% of the email invitations sent were unable to be delivered, leaving a sample frame of 20,801 companies which have been invited to participate in the survey. Complying with university research integrity policy (Edinburgh Napier University, 2018), only responses with both consent agreements given were considered usable responses. With 4.21%, the response rate of the British companies was 2.1 percentage points lower than the German response rate. However, due to the initially bigger British sample frame, the proportion of responses turned out to be almost equal between the two countries, with a slightly higher share of British responses (59.3%) compared to German (40.7%). The overall response rate of the survey was 4.85%, providing 1,008 usable responses for the basis of the analysis. In 63 cases, the participants refused to state their name in the identifier question, which is why analyses containing secondary data was limited to all other companies (n = 945). However, those respondents were not excluded from the dataset as they support the reliability of the overall results. Therefore, the sample consists of the response demographics as summarised in table 20.

Table 20: Survey response rate by country

	UK	DE	Both
Total no. of invitations sent	16,552	7,168	23,720
Email delivery errors	2,338	581	2,919
Net emails sent (Σ)	14,214	6,587	20,801
Returned questionnaires with both consents given	598	410	1,008
Proportion of responses	59.3%	40.7%	100%
Response rate	4.21%	6.22%	4.85%
<i>Nonresponse in identifier question</i>	23	40	63

A response rate of almost 5% is relatively low, however, web-based surveys usually have relatively low response rates (Nulty, 2008). In addition, generally, response rates from organisations are lower than from individuals (Baruch & Holtom, 2008). Some invitees replied with a personal message explaining reasons for their prevention to participate. Those reasons included that company policy generally does not allow to take part in surveys, that company policy does not allow to click external links as well as limited capacity in terms of workforce and time to fill out the questionnaire due to the small size of the business. This is in line with Fenton-O’Creevy (1998) who identified that the two main reasons for survey nonresponses from organisations are that the employees are too busy (28%) and company policy prohibiting to take part in surveys (22%). However, due to the high sampling size, the absolute number of responses of over 1,000 is a solid basis for the analysis. In fact, it has been shown that surveys with very low response rates can be more representative than surveys with higher response rates (Krosnick, 1999). Thus, it is necessary to see how much the respondent demographics represent the population.

Table 21: Respondent employment demographics in relation to the population (own table including data from European Commission, 2019a & 2019b)

		UK	DE	Both
No. of businesses	n	598	410	1,008
	N	27,954	60,505	90,027
	<i>n/N</i>	2.14%	0.66%	1.12%
No. of employees (<i>n = 945</i>)	\bar{x}	115.75	101.32	110.72
	s	49.91	52.56	51.92
	μ	114.61	98.22	103.31

Population figures are highlighted in bold

The statistical characteristics of the sample can be viewed in appendix 3.1. Table 21 summarises the amount of businesses as well as the number of employees for the sample and the population (which is the entirety of medium-sized enterprises in the countries). In terms of numbers, the sample only represents 1.12% of the population, with a higher representation in the United Kingdom compared to Germany. This is due to the smaller population but bigger sample size in the United Kingdom compared to Germany. However, looking into the main characteristics of the businesses, it can be asserted that the mean number of employees is marginally higher in the sample than in the population. Nevertheless, this is favourable for this study as public equity is more relevant for bigger companies (Berger & Udell, 1998). Thus, the sample is representing the population well in terms of employment size and relevance to public equity.

In addition, looking at the industry distribution, it can be observed that four industries are represented in more than half of the sample: business services; wholesale; public administration, education, health social services; and construction. Business services alone account for a quarter of the sample industries. These four industries are observable for both countries, however represents slightly more than 50% of the British sample and slightly less than 50% of the German sample, as outlined in figure 21.

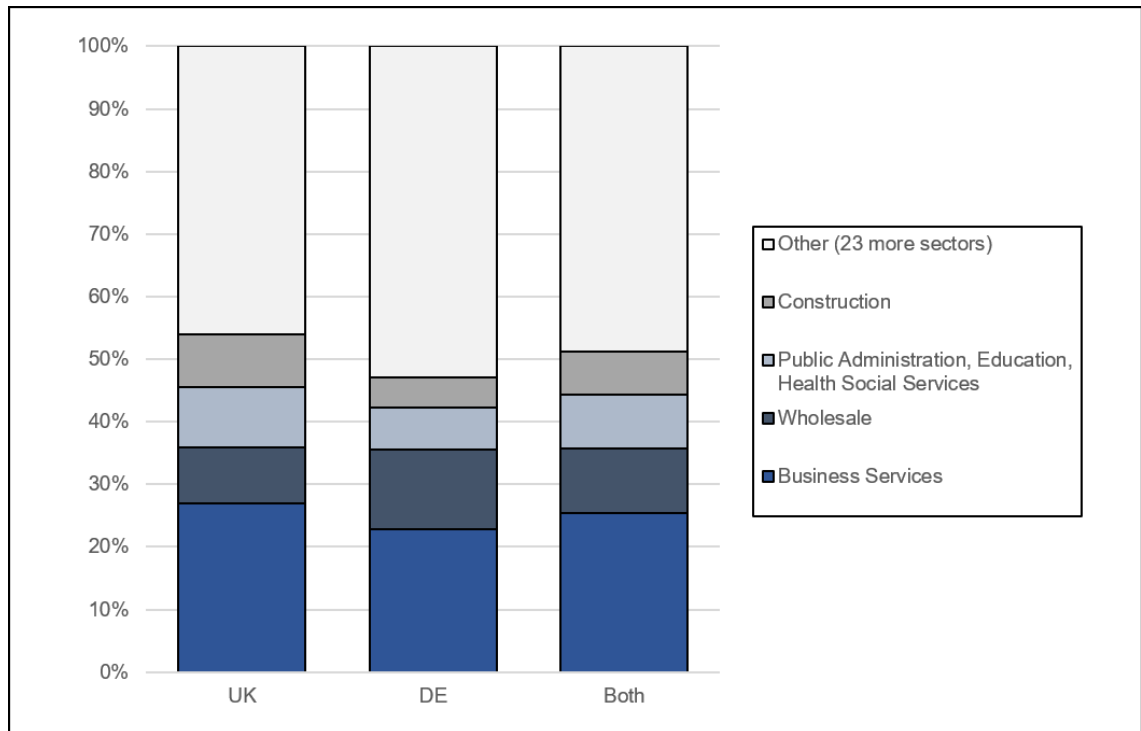


Figure 21: Proportions of respondents per industry (n = 935)

Chapter 3.1 mentioned the main industries according to the national statistics bodies of the countries. Even though they are using different industry keys and definitions, the main industries of the population correspond with the sample industries, including about one quarter of all medium-sized enterprises operating in business services, followed by wholesale. Therefore, the rough industry distribution of the countries' entirety of medium-sized enterprises corresponds to the sample. Since business services require more external finance than other industries, as discussed in chapter 1.1, the sample is very relevant to the research topic.

Furthermore, looking at the NUTS1 regions in both countries and comparing the distribution between the sample and the population, no major discrepancies can be observed. The only difference exceeding a deviation of two percentage points from the population occurs in the London region which is slightly higher represented in the sample (23%) than in the population (18%). However, as described in chapter 3.1, London has the only stock exchange in the United Kingdom, making it a more relevant area for this study. Moreover, a study from Amini (2013) has shown that SMEs in the London area are more likely to go

public than SMEs from other regions. Therefore, the slightly increased representation of that area for this analysis is favourable.

Apart from this, a clear geographical differentiation between London and the rest of the United Kingdom as well as between East and West Germany can be observed. This is similar to the socio-cultural aspect of population density as specified in chapter 3.1, highlighting a connection between population and business density. In the United Kingdom, most companies of the sample are from the regions London (23%) and South East England (14%). In Germany, North-Rhine Westphalia (22%), Bavaria (17%) and Baden-Württemberg (15%) represent the major regions. Figure 22 illustrates the geographical distribution of the sample for both countries.

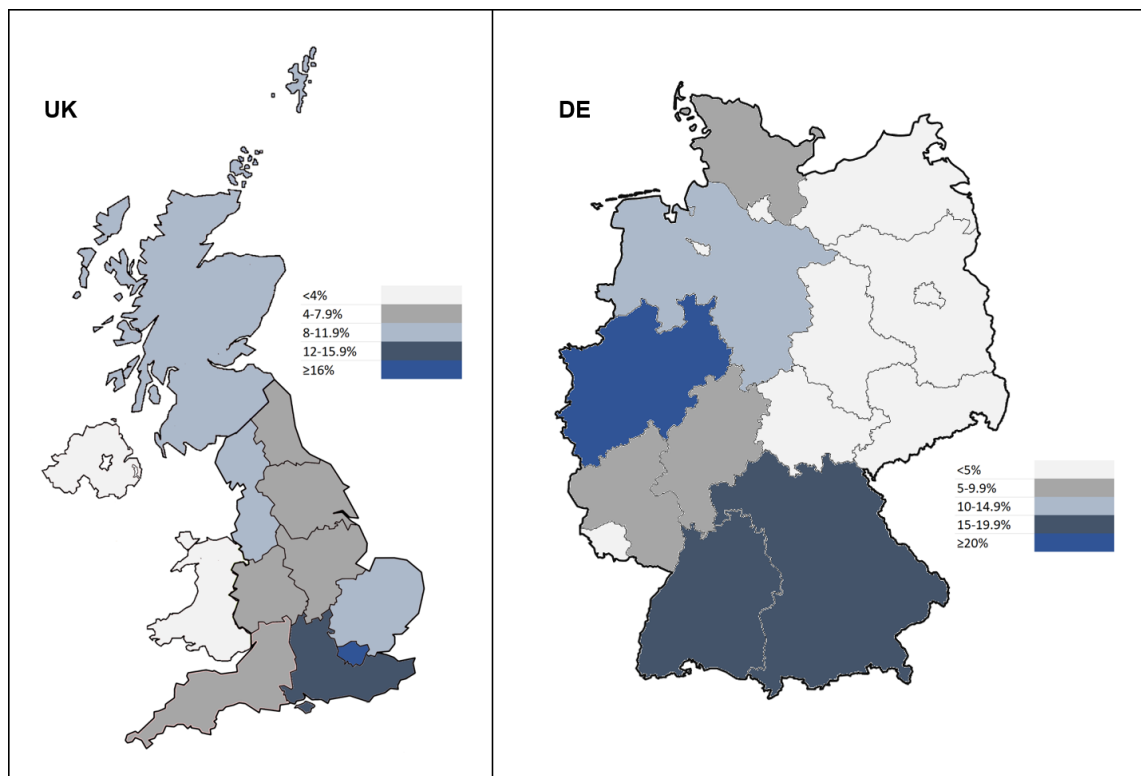


Figure 22: National proportions of respondents per NUTS1 region (n = 931)

In summary, although the sample is far off representing the entirety of medium-sized enterprises in terms of numbers, its key characteristics are very similar to the population. Thus, the sampling error is relatively small. Its informative value, representativeness and reliability are therefore relatively high. This is why it is an appropriate sample for this analysis. Nonetheless, especially respecting the

critical realist ontology of this research, the disadvantages of sampling regarding its limited representativeness are impossible to fully eliminate. There will always be part of the truth affecting reality that cannot be measured and exists beyond knowledge.

5.2 Results

This section will go through the five research questions consecutively. Research questions one to four will be covered by testing the defined hypotheses using inferential statistics. Whenever a hypothesis is accepted, it needs to be kept in mind that it cannot be fully verified due to the critical realist research philosophy. Instead, these results should be understood as not falsified, indicating that there is a connection but that its full context cannot be mapped.

Concerning data cleaning prior to the analysis, no changes to the initial dataset have been made. The dataset without any item nonresponses consists of 725 cases. The remaining 283 cases are missing values either for one or more variables. For all variables with missing data, the missing data has not been substituted, e.g. by the mean substitution technique (Hair, Babin, Anderson & Black, 2018), in order to minimise systematic error.

Furthermore, in order to maximise the explanatory power of the data, there have been no outliers removed from the sample. Initially, potential outliers have been minimised through the sample selection process which only included businesses meeting the location and size requirements of the study. Furthermore, outliers in 5-point Likert scales do not exist as it is the nature of Likert scales to have a floor and a ceiling. Thus, all answers moving within those thresholds are valid data (van den Broeck, Cunningham, Eeckels & Herbst, 2005).

The analysis of the research questions which test hypotheses focuses on parametric statistics. These are generally based on four main assumptions. First, it is assumed that the sample is from a population which follows a fixed probability distribution, in particular the standard normal distribution (Field, 2018). Therefore, data is usually tested on normality using tests like the Shapiro-Wilk test (Shapiro & Wilk, 1965). However, there is an ongoing debate

on whether data needs to be normally distributed in order to conduct parametric hypothesis tests. As such, it has been proven that tests such as the *t*-test and Analysis of Variance (ANOVA) are robust against non-normally distributed data as long as the sample consists of 30 or more observations (Glass, Peckham & Sanders, 1972; McDonald, 2014). This is due to the Central Limit Theorem which proves that the combined means of all samples of a population make up a normal distribution. Hence, significance tests of large samples are accurate regardless the sample distribution (Field, 2018). Therefore, following the Central Limit Theorem, this analysis will assume normally distributed sample means due to a sample size ($n = 1,008$) high above 30, allowing the utilisation of parametric statistics.

Second, homogeneity of variances is assumed for the usage of parametric statistics. Thus, variances throughout the data should be similar (Field, 2018). In the case of this analysis, data for two groups, the United Kingdom and Germany, has been collected. Therefore, the data variances need to be the same for each country. This is usually tested using the Levene's test (Levene, 1960). It tests the null hypothesis that the variances in both groups are similar ($H_0: \sigma_{UK}^2 = \sigma_{DE}^2$). Nonetheless, Norman (2010) and McDonald (2014) state that even in the case of unequal variances, parametric tests are still valid as long as the sample size is big enough (>30). Thus, due to the big sample size of this analysis, the criterion of homogeneity of variances is not relevant.

In addition, the data measured should be interval data (Field, 2018). Although the used Likert-type scale is technically an ordinal number, there is an ongoing controversy whether it can be treated as interval data. This research will take the side of many others (i.e. Norman, 2010; Sullivan & Artino, 2013) who agree that it can be used as interval data in order to be able to apply parametric tests, because Likert-type scale variables "usually represent an underlying continuous measure" (Allen & Seaman, 2007). This assumption is also commonly used by other authors in the field. As such, in the *Journal of Small Business Management* which is a 3-star rated top peer reviewed journal in the field (Association of Business Schools, 2018), authors including Beal (2000), Crant (1996), Santos, Roomi & Liñán (2016) or Wolff & Pett (2000) collect Likert scale or Likert-type data and employ parametric tests based on them.

Finally, the fourth assumption for the application of parametric tests is that the data needs to be independent (Field, 2018). In general, this assumption is met for this dataset as the survey has been sent out to individual, noncoherent businesses who could only respond once, and the analysed variables all measure something different.

Furthermore, for all hypothesis tests in this paper, a .01 level of significance ($\alpha \leq 1\%$) was applied. Thus, the type I error, which is when a significant effect has been tested but does not actually occur in reality, amounts to $\alpha = .01$. Hence, in average 1% of all tests identifying a significant effect in the population, are incorrect, reducing the type I error to a minimum. Type II errors, in the contrary, occur when no significant effect has been measured but in reality actually occurs. According to Cohen (1992), this error should not exceed 20% ($\beta \leq 0.2$). For this research, the possibility of both error types to occur is accepted to the given significance levels. This supports the critical realist ontology this research is based on, underlining that parts of reality cannot be measured and exist beyond knowledge.

The following will consecutively address the five research questions.

5.2.1 Research question 1 – general attitude towards public equity financing

Research question 1: How many medium-sized enterprises in each country would consider public equity financing?

The answers to survey question 2 produced an output of the current general attitude of the respondents towards public equity financing. Figure 23 summarises the responses. It can be observed that, out of all respondents, 80% have a negative attitude towards considering public equity financing for their business. More than half of the respondents (59%) say that it is very unlikely for them to go public. 7% are undecided and 10% would potentially consider public equity, equally distributed between it being likely or very likely. The remaining 3% of the respondents ($n = 33$) are already listed on a public stock exchange and therefore not relevant for this analysis because it is aimed to identify reasons why businesses do not go public.

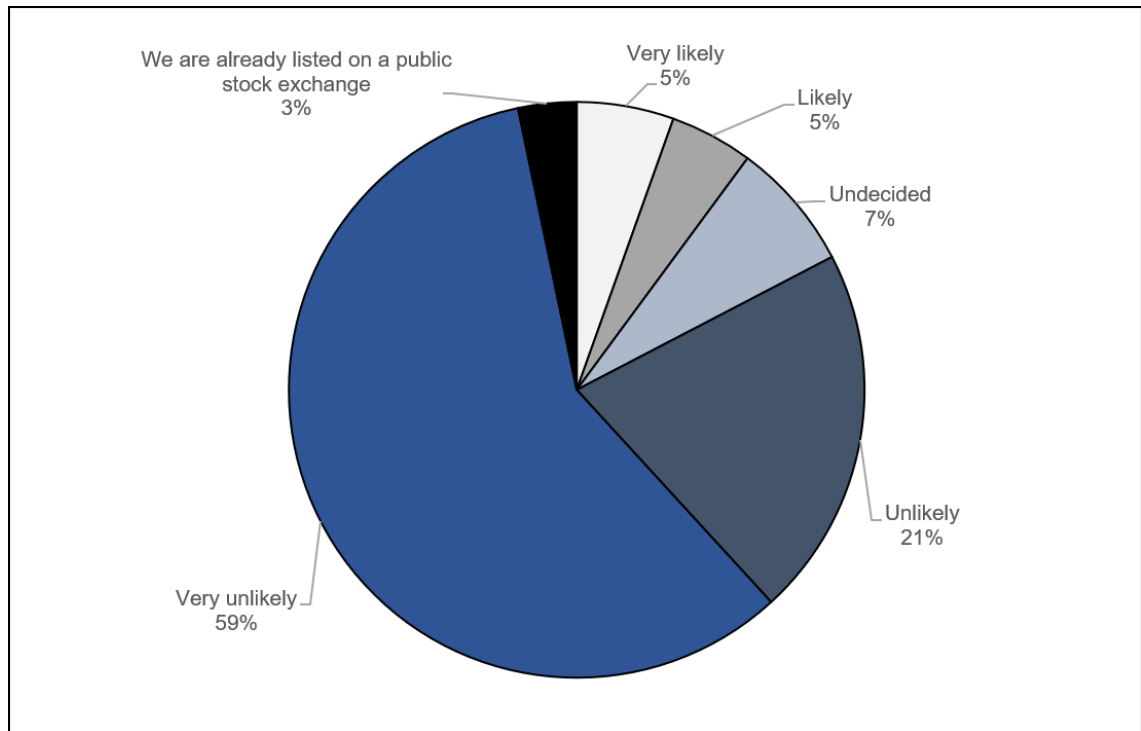


Figure 23: General attitude towards public equity financing (n = 1,008)

Dividing the answers into the two strata of this analysis, the same trend can be observed for both countries. However, the United Kingdom is more open towards public equity with 14% of the British respondents potentially considering public equity financing compared to 5% in Germany. In addition, with 10% of the British respondents, the United Kingdom has a three times higher proportion of undecided enterprises. Moreover, concerning the already listed enterprises, both countries have the same proportion. Figure 24 summarises these findings.

In addition, compared to the complete sample, the highest deviations can be observed in the “very likely”, “likely” and “undecided” categories in both countries. In the United Kingdom, these are 18 to 23 percentage points higher and in Germany they are much lower than the sample. This highlights again that British enterprises are much less conservative and more open towards public equity financing than German.

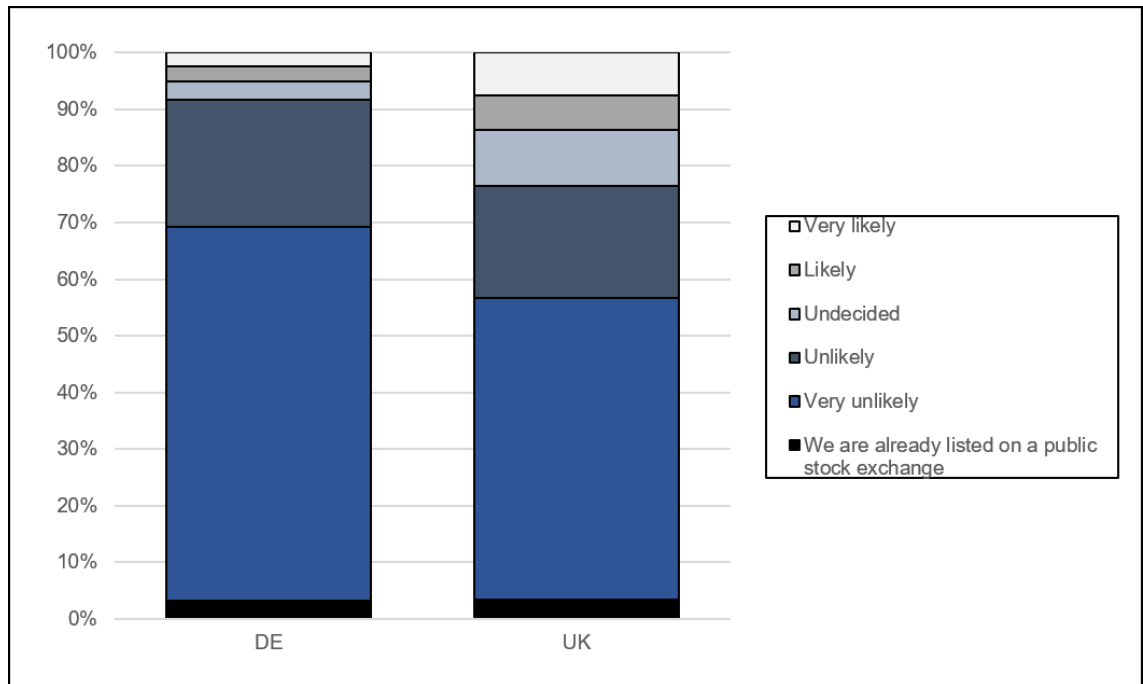


Figure 24: Proportion of responses per answer category divided by country (n = 1,008)

H_1 tests if the differences in attitude between the countries are significant. The null hypothesis (H_0) states that the mean of the British general attitude equals the mean of the German general attitude. The alternative hypothesis (H_1), in contrast, states that the attitudes do not equal between the countries. Table 22 summarises these null and alternative hypotheses for H_1 .

Table 22: Overview of the null hypothesis and alternative hypothesis for H_1

H_1	
H_0	$\mu_{Attitude_UK} = \mu_{Attitude_DE}$
H_1	$\mu_{Attitude_UK} \neq \mu_{Attitude_DE}$

Figure 25 illustrates the different means of the two countries in relation to the overall mean of the sample. The British mean is lower and the German mean is higher than the sample mean, indicating that, in average, British businesses are more likely to go public than German.

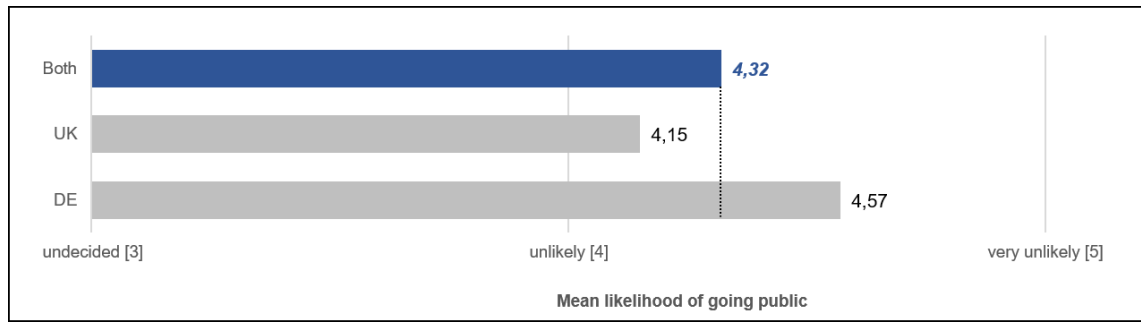


Figure 25: Country comparison of the mean attitude of going public (n = 1,008)

For the testing of the hypothesis, an independent sample *t*-test was used. Unlike paired-sample *t*-tests comparing means of two different variables for the same group, independent sample *t*-tests compare means of the same variable for two different groups (Szafran, 2012). The two different groups are the United Kingdom and Germany. Since the sample size of the two groups is not equal, the test has an unbalanced design.

The pre-tests have identified that the data is significantly not normally distributed in both groups by testing the Shapiro-Wilk test ($p < .001$). However, due to the application of the Central Limit Theorem, the violation of this test requirement is not relevant as the test is still accurate due to the big sample size. Furthermore, SPSS has identified some weak outliers (between 1.5 and 3 standard deviations distant from the mean). However, as reasoned before, outliers in Likert-type data do not exist due to the fact that the scale has a defined bottom and ceiling. Therefore, no outliers have been deleted from the sample. In addition, Levene's test for equality of variances has significantly proven that variances of the two groups are not homogeneous ($p < .001$). With samples of $n > 30$, Rasch, Kubinger & Moder (2011) and Ruxton (2006) support the supposition that homogeneity of variances is not a necessary requirement for independent sample *t*-tests to be accurate. They advocate the utilisation of the Welch-test for any sample with a sample size above 30 because it is generally more robust. Therefore, for this analysis, results from the Welch-test find application.

Running the test, a significant difference between the means of the two groups can be asserted, $t(1,005.19) = -5.95$, $p < .001$. As a result, there is strong evidence against the null hypothesis. The effect size, measured through Cohen's *d*, equals .29. This implies that the means of the two countries differ by

0.29 standard deviations, which is why it is considered a medium effect (Cohen, 1992). Hence, British businesses are significantly more likely to go public than German businesses.

H₁ is therefore accepted.

In question 3 of the survey, participants have been asked to state whether they aspire to grow their business, remain or reduce their current size. Between the groups, Levene's test showed that equal variances could not be assumed ($p < .001$) which is why the Welch-ANOVA was used for the analysis of these groups. There are significant differences in the likelihood of going public for the different intentions where to lead the business size in the future, Welch's $F(2, 30.38) = 12.40, p < .001$. Figure 26 summarises the results to that question in relation to their current attitude towards public equity financing. With 81%, the vast majority pursues their business to grow. Most of the respondents selecting public equity financing to be very likely (87%), likely (100%) or who are already listed (97%) also aspire to grow their business. Only 1% of the sample ($n = 11$) wants to downsize, all of which state to be either unlikely or very unlikely to go public. The same applies to 89% out of the 18% that want to remain their current size. Furthermore, the already listed firms mostly want to grow. The Games-Howell post-hoc analysis revealed a significant difference of the attitude of going public between businesses wanting to grow and those wanting to maintain (.28, 99%-CI[.03, .52]) or reduce their size (.55, 99%-CI[.09, 1.01]). Thus, businesses aiming to grow are significantly more likely to go public than businesses aiming to maintain or reduce their size.

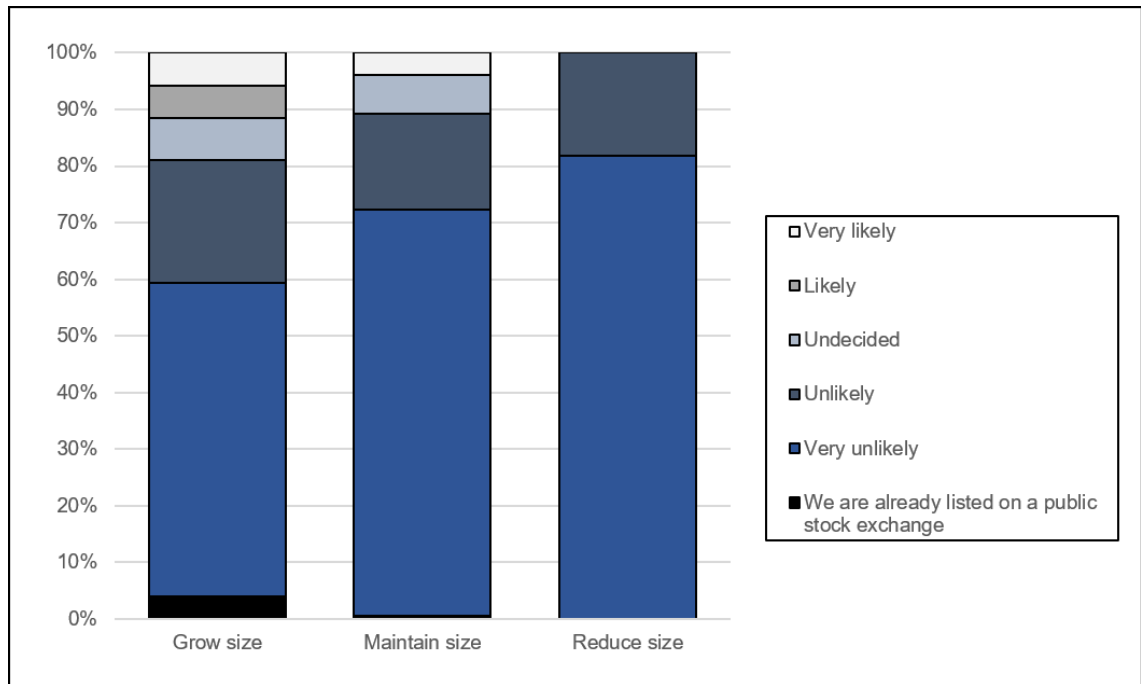


Figure 26: Growth aspiration in relation to the general attitude towards public equity financing (n = 1,008)

Comparing the countries, it can be asserted that generally more British businesses (87%) aspire to grow than German (73%). Similar to the complete sample, there is a significant difference between the likelihood of going public for British and German businesses wanting to grow, $t(779.12) = -5.55$, $p < .001$. The mean difference of .44 points on the Likert-type scale indicates that British businesses aiming to grow are more likely to go public than German businesses wanting to grow. For businesses aiming to maintain their current size, no significant difference in attitude of going public between the countries can be asserted, $t(123.74) = -1.10$, $p = .275$, nor for the businesses aiming to reduce their size, $t(9) = -.13$, $p = .900$.

In order to analyse this issue for different employment sizes, the number of employees scale variable has been recoded into an ordinal variable, categorising four groups in intervals of 49 employees. For these groups, homogeneity of variances was asserted using Levene's Test which showed that equal variances could be assumed ($p = .529$). Thus, a one-way ANOVA analysis was used. It was found that there are no significant differences in the likelihood of going public for the different employment groups, $F(3, 941) = 1.84$, $p = .138$. All size groups follow the same pattern as the overall results. Hence,

there is no proposition to be made about the employment size of a business influencing their decision to go public.

Significant differences between the countries can be observed in the smallest (50-99 employees) size group, $t(479.42) = -6.02, p < .001$. British companies of that size group have a mean difference of .57 on the Likert-type scale compared to German businesses of the same size group. Thus, British smaller-sized businesses are significantly more likely to go public than their German equivalent. For all other size groups, no significant differences between the employment sizes can be observed (100-149 employees: $t(145.09) = -1.98, p = .050$; 150-199 employees: $t(140) = .34, p = .737$; 200-249 employees: $t(76.91) = -.72, p = .474$). Figure 27 summarises these response proportions.

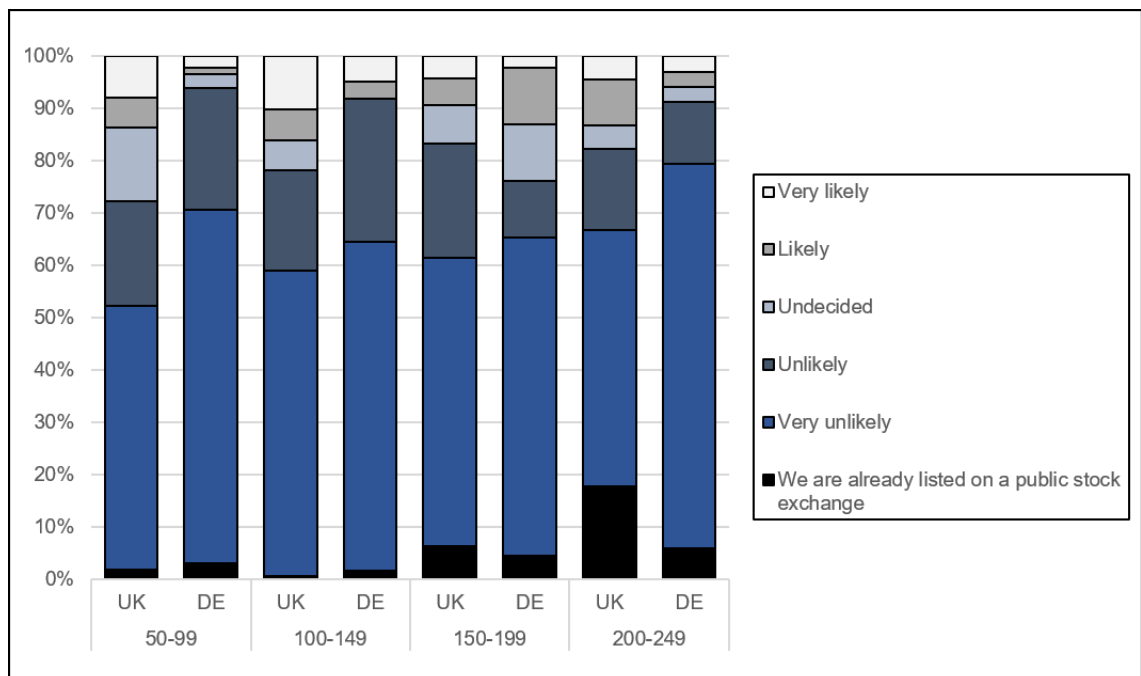


Figure 27: Employment firm size in relation to the general attitude towards public equity financing divided by country (n = 945)

Concerning the industries, the four main industries as identified in section 5.1 were compared whilst the less appearing industries were grouped into “other” industries due to the limited explanatory power of their individuals, justified by their small representative size (for each industry in “other” $n < 30$ per country). The detailed constituent parts of this group can be seen in appendix 3.2. Levene’s test showed that equal variances could not be assumed ($p < .001$)

which is why the Welch-ANOVA was used. It can be observed that there are significant differences in the likelihood of going public for the different industries, Welch's $F(4, 237.02) = 10.31, p < .001$. The Games-Howell post-hoc analysis revealed a significant difference of the attitude of going public between businesses from the business services industry and businesses from the wholesale (.61, 99%-CI[.18, 1.04]), construction (.71, 99%-CI[.29, 1.12]) and other (.40, 99%-CI[.06, .74]) industries. Thus, with 44% of all respondents indicating a very likely or likely consideration of public equity, the business services industry is significantly over-proportionally interested in going public compared to most other industries. Another significant difference between the groups can be observed between the public administration, education, health social services industry and the construction industry (.61, 99%-CI[.08, 1.14]). Representing 20% of all "undecided" replies, the public administration, education, health social services industry is significantly more likely to go public than the construction industry. Figure 28 summarises the responses divided by industry group.

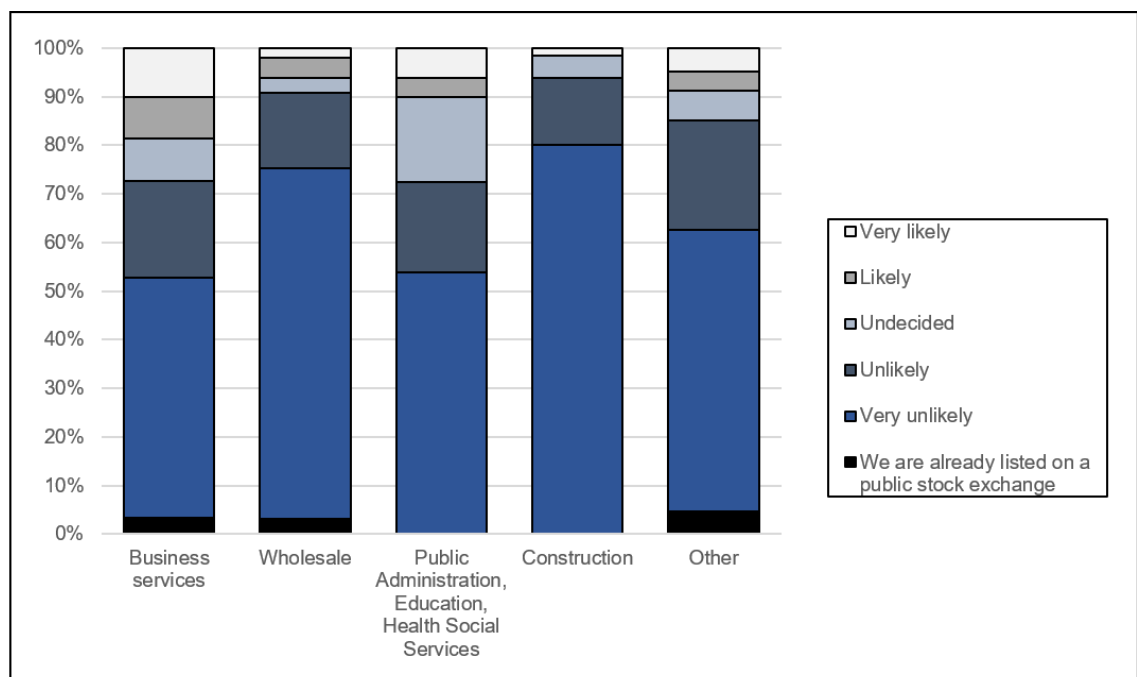


Figure 28: Industry in relation to the general attitude towards public equity financing (n = 935)

Looking at the United Kingdom, similar patterns to those in figure 28 are observable. In Germany, business services also have an increased tendency of being more open towards public equity financing, however, it is not as strong as

in the United Kingdom. The likelihood of going public in this sector is significantly different between the United Kingdom and Germany, $t(220.49) = -3.93$, $p < .001$. The mean difference on the Likert-type scale amounts to .66, making British enterprises in the business services industry significantly more likely to go public than German businesses in the same industry. For all other industries, no significant differences between the countries can be measured (wholesale: $t(95) = .35$, $p = .731$; public administration, education, health social services: $t(60.26) = 1.92$, $p = .059$; construction: $t(63) = .29$, $p = .773$).

Regarding the regional differences of the businesses, due to limited amount of replies in some individual regions, especially in Germany, those with $n < 30$ responses were grouped into “other” regions for this section. This leaves Germany with four main regions and one “other” region. The four main regions represent 64% of all German responses. In order to have a comparable number of regions for the United Kingdom, those five regions representing the most answers up to a similar amount (63%) compile the British main regions and the remaining ones were summarised as “other” regions. That way a higher significance in the results can be achieved. A detailed breakdown of the NUTS1 regions can be viewed in appendix 3.2.

With regards to the British regions, most businesses being either very likely or likely to consider public equity financing ($n = 561$) come from the areas London (21%), South East England (16%) and South West England (10%). However, since these regions are represented in the sample most, there is no significant difference in the likelihood of going public for the different British regions, $F(5, 592) = .69$, $p = .630$.

In Germany ($n = 370$), most businesses selecting “very likely” or “likely” regarding their potential consideration of public equity come from Bavaria (24%), North-Rhine Westphalia (19%) and Saxony (14%). As for the British regions, there is no significant difference in the likelihood of going public for the different German regions, $F(4, 405) = .63$, $p = .644$.

5.2.2 Research question 2 – impact of public equity culture

Research question 2: What is the current perceived attitude reflecting cultural dimensions of medium-sized enterprises towards public equity financing?

In order to answer this research question as well as the following two research questions, the public equity cultural dimensions were calculated using the equations as derived in chapter 4.3.1.3. That way, four new variables have been created based question block 4 of the questionnaire, which provide the foundation for the testing of all hypotheses.

H_{2a-d} needs to be tested in order to answer the second research question. For this, the computed public equity cultural variables were set into relation with the general attitude of going public (answers to question 2). H_{2a-d} is divided into four different hypotheses, each addressing one of the four observed public equity cultural variables. The null hypothesis for each variable states that there is no significant linear relationship between the public equity cultural variable and the general attitude of going public. In contrast, the alternative hypothesis states that there is a significant linear relationship. Table 23 summarises these null and alternative hypotheses for H_{2a-d}.

Table 23: Overview of the null hypotheses and alternative hypotheses for H_{2a-d}

H_{2a}	
<i>H₀</i>	$\rho_{PEIDV GoPublic} = 0$
<i>H₁</i>	$\rho_{PEIDV GoPublic} \neq 0$
H_{2b}	
<i>H₀</i>	$\rho_{PEUAI GoPublic} = 0$
<i>H₁</i>	$\rho_{PEUAI GoPublic} \neq 0$
H_{2c}	
<i>H₀</i>	$\rho_{PELTO GoPublic} = 0$
<i>H₁</i>	$\rho_{PELTO GoPublic} \neq 0$
H_{2d}	
<i>H₀</i>	$\rho_{PEIND GoPublic} = 0$
<i>H₁</i>	$\rho_{PEIND GoPublic} \neq 0$

Figure 29 plots the answers to the general likelihood of going public in relation to the public equity cultural variable values in bubble diagrams. The size of the bubbles indicates the number of participants choosing the respective answers. Due to the fact that most participants chose to be very unlikely to go public, the biggest bubbles are on the right side of the graphs. However, it can also be observed that the bubble sizes within the individual values of likelihood to go public differ. Drawing a linear regression line over the plots, the general direction of the relationship between the variables can be observed. Due to the fact that the dependent variable is noted on an inverted scale (from 1 = “very likely” to 5 = “very unlikely”), the algebraic signs need to be swapped for the interpretation. Thus, figure 29 illustrates a negative relation between the decision to go public with PEIDV, PEUAI and PELTO and a positive relation with PEIND. The strongest slope of the linear regression line is observable for the PELTO variable. For each improvement on the likelihood scale of going public, the PELTO score decreases by 7.88. Thus, businesses with high values in PELTO are in average less likely to go public.

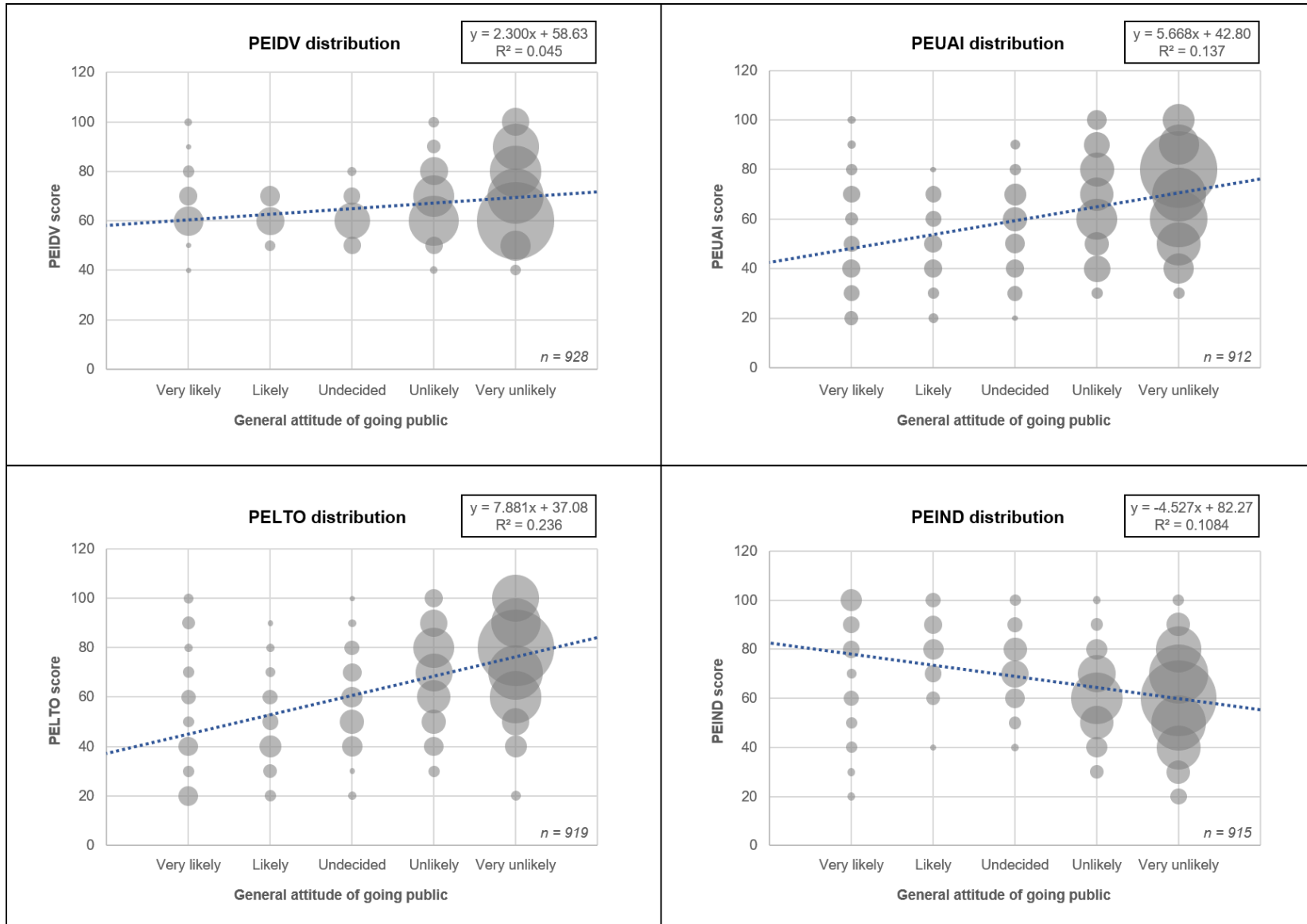


Figure 29: The impact of PEIDV, PEUAI, PELTO and PEIND on the likelihood of going public

In order to test the significance of those effects, the Pearson correlation has been calculated. It measures to which extent a linear relationship between two variables exists. Its values lie between -1 and 1. The closer the value is to those extremes, the stronger the relationship, either negative or positive. A value of 0 indicates no relationship (Field, 2018).

Table 24: Pearson correlation coefficients between the general attitude of going public and the public equity cultural variables

	General Attitude	PEIDV	PEUAI	PELTO	PEIDV
General Attitude	1				
PEIDV	,212**	1			
PEUAI	,370**	-,164**	1		
PELTO	,485**	,212**	,435**	1	
PEIND	-,329**	-,190**	-,188**	-,297**	1

**results are significant at a .01 level

Table 24 summarises the results of the correlation analysis. It can be observed that all correlations are significant ($p < .001$). Thus, the null hypotheses are rejected for all of H_{2a-d}. However, in order to accept H_{2a-d}, the predicted directions of the correlations need to be confirmed.

For H_{2a} a weak positive correlation between the attitude of going public and PEIDV can be observed, $r(926) = .21$, $p < .001$. Thus, generally speaking, the higher the PEIDV value the less likely is a business to go public. This is the opposite of what is anticipated in H_{2a}.

H_{2a} is therefore rejected.

Furthermore, for H_{2b} a positive correlation can be observed, $r(910) = .37$, $p < .001$. This indicates that businesses with a high PEUAI are less likely to go public. This is in accordance with what is stated in H_{2b}.

H_{2b} is therefore accepted.

Moreover, a positive correlation can be observed for the relationship between the general attitude of going public and PELTO, $r(917) = .49$, $p < .001$. This is to

say that businesses with a high value in PELTO are less likely to go public, which is in line with H_{2c}.

H_{2c} is therefore accepted.

Finally, the relationship between the general attitude of going public and PEIND has been tested, identifying a negative correlation, $r(913) = -.33, p < .001$. Thus, businesses are more likely to public if they have a high PEIND value. This relationship is predicted by H_{2d}.

H_{2d} is therefore accepted.

Looking at the Pearson correlation results for the individual countries, slight differences can be observed. Similar to the whole sample, in the United Kingdom, all significance levels are $< .001$ resulting in a strong rejection of the null hypotheses for all of H_{2a-d}. The correlation coefficients for H_{2b}, H_{2c} and H_{2d} are stronger than for the whole sample with $r(565) = .43, p < .001$ for H_{2b}, $r(567) = .53, p < .001$ for H_{2c} and $r(564) = -.45, p < .001$ for H_{2d}. This indicates that the predictions from those three hypotheses follow a strong effect.

In Germany, all null hypotheses are rejected except for the one for H_{2d}. With a correlation coefficient close to 0 between PEIND and the general attitude of going public, there is no significant evidence against the null hypothesis of H_{2d}, $r(347) = -.04, p = .432$. Thus, only H_{2b} and H_{2c} are accepted for the German sample, $r(343) = .23, p < .001$ for H_{2b} and $r(348) = .35, p < .001$ for H_{2c}.

H_{2d} is therefore rejected for German businesses.

A linear multiple regression analysis is used to predict the outcome value based on several predictors (Field, 2018). Since, for the whole sample, all public equity cultural variables have been proven to have a significant linear positive or negative relationship with the general attitude of going public, the Enter regression method was used, meaning that all independent variables have been entered simultaneously into the regression equation. As identified in table 24, none of the public equity cultural variables correlate more than $|0.5|$ with each

other, supporting that they all measure a different cultural aspect, which increases the reliability of this model. They have been tested for multicollinearity using the variance inflation factor. All results are summarised in appendix 3.3. For each variable, the factor amounts to a value of between 1.07 and 1.38. Thus, there are no issues of multicollinearity with the variables, making them good predictor variables for the model. Furthermore, the assumption of homoscedasticity is violated due to unequal variances, as documented in the scatter plot in appendix 3.3. Heteroscedasticity, however, is still acceptable for the creation of the regression model. Similar to the general assumption of homogeneity of variances for the application of parametric tests, heteroscedasticity does not affect the regression model if the sample size is big enough ($n > 30$), which is the case for this analysis (Norman, 2010; McDonald, 2014).

Using the ordinary least squares (OLS) method, the linear probability model estimators were explored (Field, 2018). The country was not used as a dummy explanatory variable for the model as the aim of the research is to find out the impact of only cultural variables on the decision to go public. Moreover, since the research consists of just two countries, the addition of a country variable would make the results less generalisable. This justifies the focus on only the four cultural variables.

R Square for the model equals to .326 (adjusted R Square = .323), which is to say that the combination of the four public equity cultural variables can explain about one third of the variance of the general attitude of going public. According to McCormick & Salcedo (2020), R Square values of 25% are considered high if the model measures human behaviour. Thus, the model has a relatively high explanatory power. Furthermore, a statistically significant linear relationship between the general attitude of going public and the combination of public equity cultural variables has been measured, $F(4, 885) = 107.07, p < .001$. Therefore, it was determined which of the public equity cultural variables are significant in predicting the general attitude of going public after adjusting for the effects of the three other public equity cultural variables. The results in table 25 show that all four predictors are significant, which makes them all relevant for the model.

Table 25: Multiple linear regression coefficients for the general attitude of going public

	Unstandardized coefficients		Standardised coefficients	t-value	p-value
	B	Standard error	Beta		
(Constant)	1.646	.312		5.278	< .001
PEIDV	.014	.003	.154	5.165	< .001
PEUAI	.016	.002	.244	7.557	< .001
PELTO	.019	.002	.301	9.109	< .001
PEIND	-.012	.002	-.162	-5.520	< .001

The prediction equation for the decision to go public is therefore expressed as:

Decision to go public

$$= -1.646 - 0.014 * PEIDV - 0.016 * PEUAI - 0.019 * PELTO + 0.012 * PEIND + \varepsilon_i$$

The algebraic signs of the equation have been swapped in contrast to the results in table 25 due to the inverted answer scale of question 2. Thus, the decision to go public is enhanced when the value of the general attitude of going public is low (1) and decreased when it's high (5). By swapping the algebraic signs, the readability of the equation is simplified. That way, a cultural variable increasing the attitude of going public adds to the equation whereas a variable decreasing the attitude is subtracted from the equation.

The low B values are due to the big scale of the public equity cultural variables, which is why a change of their values by 1 does not have much influence on the decision to go public, but a strong change by 50 has much more influence. Since the public equity cultural variables range from 20 to 100, and are individual for each country, the prediction equation above is a good indicator, explaining almost a third of its composition.

The estimators are still significant after controlling for country, growth aspiration, number of employees, turnover and balance sheet total. The results for these controlling estimators can be seen in appendix 3.3. ε_i in the equation accounts for all variables that are not included in the model but add explaining the dependent variable. This is in line with the ontological position of this research.

There are aspects in social phenomena which are impossible to reflect and quantify as they exist beyond our capability to measure or know about them.

The linear probability model above implies a continuous dependent variable (y = decision to go public). The influencing variables on the likelihood of going public have been calculated. However, it can be argued that the decision to go public is a dichotomous variable – the businesses either consider going public or not. To this end, a probit model has been generated which depicts the probability of businesses choosing either one side or the other. The dependent variable has therefore been recoded into a binary variable, with 0 = do not consider going public (sum of answers “very unlikely” and “unlikely” for question 2) and 1 = consider going public (sum of answers “very likely”, “likely” and “undecided” for question 2). “Undecided” answers are included in the value 1 because in that answer public equity is not seen as something completely undesirable, thus, the consideration of that financing form is not fully excluded. Out of the 890 valid answers for the probit model composition, 81.3% do not consider going public ($y = 0$) and 18.7% potentially consider going public ($y = 1$). A logit model could have been used as well. Their assumptions of the underlying distributions differ, with the probit model being based on a standard normal distribution and the logit model on a logistic distribution (Chen & Tsurumi, 2010). In line with the general assumption of normally distributed data for the utilisation of parametric tests applied for the other hypotheses, the probit model was used for this estimation whose results are summarised in table 26. However, the results for both models usually do not differ significantly (Chen & Tsurumi, 2010). Appendix 3.3 summarises the results for both models, showing that the results are fairly similar.

Table 26: Probit estimation coefficients for the general attitude of going public

	B	Standard error	Wald	<i>p</i>-value
(Constant)	-2.755	.598	21.201	< .001
PEIDV	-.028	.006	23.868	< .001
PEUAI	-.023	.004	37.167	< .001

PELTO	-.023	.004	41.693	< .001
PEIND	.018	.004	21.907	< .001

The prediction equation for the decision to go public is therefore expressed as:

Decision to go public

$$= -2.755 - 0.028 * PEIDV - 0.023 * PEUAI - 0.023 * PELTO \\ + 0.018 * PEIND + \varepsilon_i$$

Unlike with the OLS linear regression above, the algebraic signs for the probit model do not need to be changed because the inverted scale has been adjusted by composing the binary dependent variable.

However, similar to the OLS model, the probit model exhibits the same tendencies of the predictor variables. A decrease of PEIDV, PEUAI or PELTO, or an increase of PEIND significantly affect businesses to be more likely to decide going public.

The chi-square test statistic confirms that the current model fits better than a model with just an intercept, $X^2(4) = 288.01$, $p < .001$. In addition, with a McFadden pseudo R Square of .336, a good model fit is attained (McFadden, 1979).

The estimators of the probit modelling are still significant after controlling for country, growth aspiration, number of employees, turnover and balance sheet total. The results for these controlling estimators are summarised in appendix 3.3.

5.2.3 Research question 3 – impact of national culture

Research question 3: To what extent do these attitudes reflect national culture?

Testing H_{3a-d} supports answering the third research question. The computed public equity cultural variables were set into relation with Hofstede's cultural variables in order to find out potential connections. Similar to H_{2a-d}, this hypothesis is also divided into four separate hypotheses, one for each cultural variable. Furthermore, since cultural variables are inevitably country specific,

the tests need to be performed for each of the two strata individually. Figure 30 outlines the public equity cultural values compared to Hofstede's cultural values.

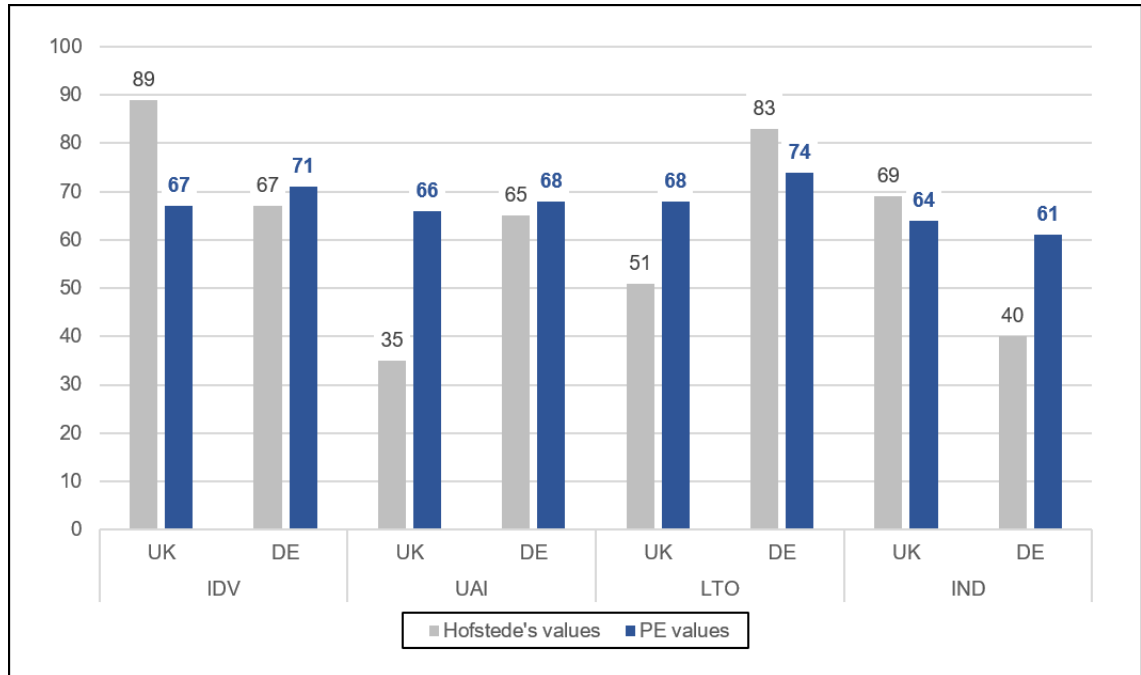


Figure 30: Public equity cultural values in comparison to Hofstede's cultural values (own illustration including data from Hofstede Insights, 2020a)

It can be seen that the values of PEIDV and PEIND are lower than Hofstede's equivalent cultural values in the United Kingdom and higher in Germany. The opposite applies for PELTO. PEUAI is higher than Hofstede's values in both countries. Three of the public equity cultural variables are within a 10% deviation from the Hofstede values, and thus relatively close: PEIDV in Germany (+6%), PEUAI in Germany (+6%) and PEIND in the United Kingdom (-7%). PELTO in Germany deviates -11% from the Hofstede value. Thus, generally speaking, the German public equity values are closer to the Hofstede values, whereas the British public equity values are further off, especially PEUAI with a difference of 89% to the Hofstede value.

H_{3a-d} aims to test if these differences or similarities between the public equity cultural variables and Hofstede's cultural variables are significant. Therefore, the null hypothesis for each variable and country states that the mean of the public equity cultural variable equals to the mean of Hofstede's variable, and the (two-tailed) alternative hypothesis states that those means are not equal. This can be expressed as in the following table.

Table 27: Overview of the null hypotheses and alternative hypotheses for H_{3a-d}

	United Kingdom	Germany
H_{3a}		
H_0	$\mu_{PEIDV_UK} = 89$	$\bar{x}_{PEIDV_DE} = 67$
H_1	$\mu_{PEIDV_UK} \neq 89$	$\bar{x}_{PEIDV_DE} \neq 67$
H_{3b}		
H_0	$\mu_{PEUAI_UK} = 35$	$\bar{x}_{PEUAI_DE} = 65$
H_1	$\mu_{PEUAI_UK} \neq 35$	$\bar{x}_{PEUAI_DE} \neq 65$
H_{3c}		
H_0	$\mu_{PELTO_UK} = 51$	$\bar{x}_{PELTO_DE} = 83$
H_1	$\mu_{PELTO_UK} \neq 51$	$\bar{x}_{PELTO_DE} \neq 83$
H_{3d}		
H_0	$\mu_{PEIND_UK} = 69$	$\bar{x}_{PEIND_DE} = 40$
H_1	$\mu_{PEIND_UK} \neq 69$	$\bar{x}_{PEIND_DE} \neq 40$

In order to test the hypotheses, one-sample t -tests were used. These allow for the comparison of a sample mean to a fixed population mean whose variance is unknown (Allen, 2018).

The public equity cultural variables were not normally distributed, as assessed by the Shapiro-Wilk test ($p < .001$ for each variable). However, as explained above, due to the Central Limit Theorem, not normally distributed sample data is not obstructive due to the big sample size. Furthermore, SPSS has reported some outliers from the dataset. However, as mentioned above, mathematical outliers are not excluded from the dataset because of the use of Likert-type scales which have a bottom and a ceiling.

The following will briefly go through each individual result for the different cultural variables and countries. For the British PEIDV variable, it can be asserted that it is much lower than Hofstede's IDV value of 89 with a significant mean difference of 22.33, $t(569) = -42.06$, $p < .001$. The German PEIDV value is a little higher than Hofstede's IDV value of 67 with a significant mean difference of 4.20, $t(357) = 6.80$, $p < .001$. Thus, in both countries, there is a statistically significant difference between means and, therefore, the null

hypothesis is rejected and the alternative hypothesis is accepted. PEIDV is therefore not reflected in Hofstede's IDV variable.

H_{3a} is therefore rejected for both countries.

Furthermore, the British PEUAI value is much higher than Hofstede's UAI value of 35 with a significant mean difference of 31.24, $t(566) = 40.32$, $p < .001$. The German PEUAI value is closer to Hofstede's UAI value of 65, however not significantly similar, with a mean difference of 2.91, $t(344) = 3.29$, $p = .001$. Therefore, for both countries, there is a statistically significant difference between means. Hence, there is strong evidence against the null hypothesis, indicating that PEUAI is not reflected in Hofstede's UAI variable.

H_{3b} is therefore rejected for both countries

In addition, the British PELTO value is higher than Hofstede's value of 51 with a significant mean difference of 17.23, $t(568) = 21.53$, $p < .001$. The German PELTO value is lower than Hofstede's LTO value of 83 with a significant mean difference of 8.52, $t(349) = -9.12$, $p < .001$. Therefore, in both countries, there is a statistically significant difference between means, showing that PELTO is not reflected in Hofstede's LTO determinant. Thus, the null hypothesis is rejected for both countries.

H_{3c} is therefore rejected for both countries.

Finally, the British PEIND value is a little lower than Hofstede's IND value of 69 with a significant mean difference of 4.97, $t(565) = -7.34$, $p < .001$. The German PEIND value is much higher than Hofstede's IND value of 40 with a significant mean difference of 21.46, $t(348) = 25.66$, $p < .001$. Thus, in both countries, there is a statistically significant difference between means and, therefore, the null hypothesis is rejected. This is to say that PEIND is not reflected in Hofstede's IND variable, either.

H_{3d} is therefore rejected for both countries.

In summary, none of the public equity cultural variables are reflected in Hofstede's values. Explanations for this will be discussed in chapter 7.1.3.

5.2.4 Research question 4 – changing circumstances

Research question 4: Which changes could improve these attitudes?

In order to answer the fourth research question, H_{4a-h} needs to be tested. For this, the answers to question block 5 of the survey were set into relation with the general attitude of going public, creating new “changed attitude” variables based on the calculation key as outlined in chapter 4.3.1.3. Given the different scales of these new variables, the effect sizes calculated below are a little lower than their determined values, because the value range of the new variable moves between -1 and 7 and the comparison value range is between 1 and 5. However, the effect direction is similar due to the fact that both middle values equal to 3, as explained in chapter 4.3.2.1.

Figure 31 illustrates the changed mean attitude scores based on the tested changing circumstances. It can be observed that all changes in external circumstances have a positive influence on the likelihood of going public. Circumstances catering for higher PEUAI have the most positive effects on the current attitude.

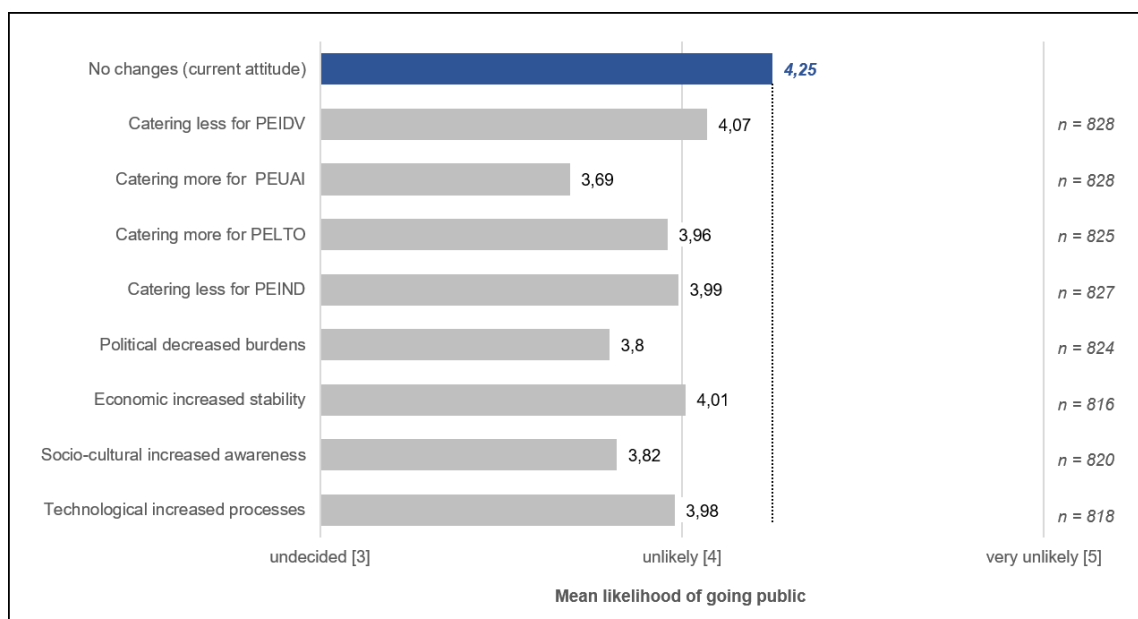


Figure 31: Mean likelihood of going public for different changing variables

The research question is divided into eight different hypotheses, each addressing one of the eight changed attitude variables. The null hypothesis for each variable states that the mean of the changed attitude of going public equals the mean of the general attitude of going public. In contrast, the (two-tailed) alternative hypothesis states that those means do not equal. Table 28 summarises these null and alternative hypotheses for H_{4a-h}.

Table 28: Overview of the null hypotheses and alternative hypotheses for H_{4a-h}

H_{4a}	
<i>H₀</i>	$\mu_{IDV\text{ChangedAttitude}} = \mu_{GoPublic}$
<i>H₁</i>	$\mu_{IDV\text{ChangedAttitude}} \neq \mu_{GoPublic}$
H_{4b}	
<i>H₀</i>	$\mu_{UAIC\text{ChangedAttitude}} = \mu_{GoPublic}$
<i>H₁</i>	$\mu_{UAIC\text{ChangedAttitude}} \neq \mu_{GoPublic}$
H_{4c}	
<i>H₀</i>	$\mu_{LTO\text{ChangedAttitude}} = \mu_{GoPublic}$
<i>H₁</i>	$\mu_{LTO\text{ChangedAttitude}} \neq \mu_{GoPublic}$
H_{4d}	
<i>H₀</i>	$\mu_{IND\text{ChangedAttitude}} = \mu_{GoPublic}$
<i>H₁</i>	$\mu_{IND\text{ChangedAttitude}} \neq \mu_{GoPublic}$
H_{4e}	
<i>H₀</i>	$\mu_{Political\text{ChangedAttitude}} = \mu_{GoPublic}$
<i>H₁</i>	$\mu_{Political\text{ChangedAttitude}} \neq \mu_{GoPublic}$
H_{4f}	
<i>H₀</i>	$\mu_{Economic\text{ChangedAttitude}} = \mu_{GoPublic}$
<i>H₁</i>	$\mu_{Economic\text{ChangedAttitude}} \neq \mu_{GoPublic}$
H_{4g}	
<i>H₀</i>	$\mu_{SocioCultural\text{ChangedAttitude}} = \mu_{GoPublic}$
<i>H₁</i>	$\mu_{SocioCultural\text{ChangedAttitude}} \neq \mu_{GoPublic}$
H_{4h}	
<i>H₀</i>	$\mu_{Technological\text{ChangedAttitude}} = \mu_{GoPublic}$
<i>H₁</i>	$\mu_{Technological\text{ChangedAttitude}} \neq \mu_{GoPublic}$

In order to test the hypotheses, paired-sample *t*-tests were used. These compare the means of two different variables for the same group of respondents. Since the groups are not independent from each other, this test is also known as dependent *t*-test (Szafran, 2012).

Assumptions for the application of paired-sample *t*-tests were tested based on the difference between both variables. This is due to the fact that the paired-sample *t*-test is technically a one-sample *t*-test of the differences between the two variables (Field, 2018). Therefore, the distance between the changed general attitude of going public and the general attitude of going public has been calculated individually. Based on those numbers, the assumptions for the application of paired-sample *t*-tests were tested.

The differences between the individual changed general attitudes of going public and the general attitude of going public were in no case normally distributed, as assessed by the Shapiro-Wilk test ($p < .001$ for each variable). However, applying the Central Limit Theorem, this assumption break is not crucial due to the big sample size. Furthermore, some outliers have been detected by SPSS, but none of them is extreme (within 3 standard deviation difference from the mean). Moreover, as mentioned above, Likert-type scales have a bottom and a ceiling which eliminates the existence of actual outliers. Therefore, there were no outliers to be deleted in the data.

Running the tests, it can be asserted that the attitude of going public through changes in catering for lower PEIDV values has a significant different mean than the general attitude of going public, $t(827) = -7.40$, $p < .001$. Thus, there is strong evidence against the null hypothesis for H_{4a} . Therefore, an effect between the two means can be observed. The effect size, calculated through Cohen's *d* amounts to .15 which indicates a small effect (Cohen, 1992). The direction of the effect is also similar to what was predicted by H_{4a} . Businesses are significantly more likely to go public if circumstances cater for lower PEIDV.

H_{4a} is therefore accepted.

In addition, the test for the impact of changes in circumstances catering for higher PEUAI values on the general attitude of going public was also significant, $t(827) = -20.44$, $p < .001$. Hence, there is strong evidence against the null hypothesis which is why the alternative hypothesis is accepted. The effect size with $d = .42$ is medium. The means differ in average by 0.42 standard deviations. Similar to H_{4a} , the effect direction is as anticipated by H_{4b} .

H_{4b} is therefore accepted.

Furthermore, it has been tested that changes in circumstances catering for higher PELTO values have significant impact on the decision to go public, $t(824) = -13.00$, $p < .001$. The null hypothesis is therefore rejected. The effect size is small with $d = .22$. The effect direction is also matching with what was anticipated in H_{4c} . Thus, circumstances catering for higher PELTO levels positively influence the decision to go public.

H_{4c} is therefore accepted.

Moreover, the impact of changes in circumstances catering for lower PEIND values on the general attitude of going public has been tested to be significant, $t(826) = -10.25$, $p < .001$. Therefore, there is strong evidence against the null hypothesis with a small effect size of $d = .20$. Similar to changes in the other public equity variables, the effect direction has been predicted correctly by the hypothesis. Circumstances catering for lower PEIND foster the decision to go public.

H_{4d} is therefore accepted.

In addition to testing the effect of changing public equity cultural variables on the decision to go public, changing circumstances in PEST variables have been tested. As such, a significant effect of changes in political circumstances could be measured, $t(823) = -17.36$, $p < .001$ leading to the rejection of the null hypothesis for H_{4e} . The effect size is $d = .34$ and its direction is in line with the

hypothesis prediction. Thus, the decrease of political burdens in the process of going public enhances the likelihood of businesses to get listed.

H_{4e} is therefore accepted.

Changing circumstances in economic factors have also been tested to influence the general attitude of going public, $t(815) = -11.18$, $p < .001$. There is strong evidence against the null hypothesis. The effect size is small with $d = .19$ and the direction of the effect supports H_{4f}. Circumstances increasing economic stability have a positive influence on how likely businesses are to go public.

H_{4f} is therefore accepted.

Moreover, changing socio-cultural circumstances have a significant influence on the decision to go public, $t(819) = -16.87$, $p < .001$. The null hypothesis is therefore rejected. Furthermore, the effect size is $d = .32$ and supports the direction assumed by H_{4g}. This is to say that businesses improve their attitude towards going public if there was a higher socio-cultural awareness of the stock markets.

H_{4g} is therefore accepted.

Finally, changing circumstances in technological factors also influence the general attitude of going public, $t(817) = -10.84$, $p < .001$. There is strong evidence against the null hypothesis. In addition, the effect size of $d = .20$ is small and the direction of the effect supports H_{4g}. Hence, circumstances increasing technological processes when getting listed on a public stock exchange have a positive influence on how likely businesses are to go public.

H_{4h} is therefore accepted.

To summarise, all changing circumstances anticipated in H_{4a-h} enhance the attitude of considering an IPO.

5.2.5 Research question 5 – policy changes

Research question 5: How can these changes be reflected in relevant policies?

In order to answer this research question, the open-ended survey questions were analysed. The questionnaire consists of three of those questions. The first (question 6) asks directly which general changes would need to happen in order for the business to be more likely to consider public equity financing. The second two questions (questions 9 and 11) ask the same, referring to what specific SME equity platforms need to incorporate in order to make public equity more attractive. Since the questions were optional and only asked for additional information, the response rates were relatively low as summarised in table 29.

Table 29: Response rates for the open-ended survey questions

	UK	DE	Both
Question 6: “Are there any other aspects that could improve your willingness to procure capital on the stock markets?”			
Sample	578	397	975
Responses	22	10	32
Response rate	3.8%	2.5%	3.3%
Question 9: “What do these platforms need to incorporate in order for you to consider public equity financing?” (<i>SME platform awareness</i>)			
Sample	225	65	290
Responses	24	5	29
Response rate	10.7%	7.7%	10.0%
Question 11: “What do these platforms need to incorporate in order for you to consider public equity financing?” (<i>No SME platform awareness</i>)			
Sample	302	252	554
Responses	6	21	27
Response rate	2.0%	8.3%	5.2%

The first question was asked to the entire sample minus the ones who were already listed on a stock exchange. Out of the 975 participants, only 3.3% provided a short written answer to the question. The other two questions were asked to the participants relative to their knowledge of existence of specific SME equity platforms. Figure 32 illustrates the ratio of participants who were aware of the existence of those platforms.

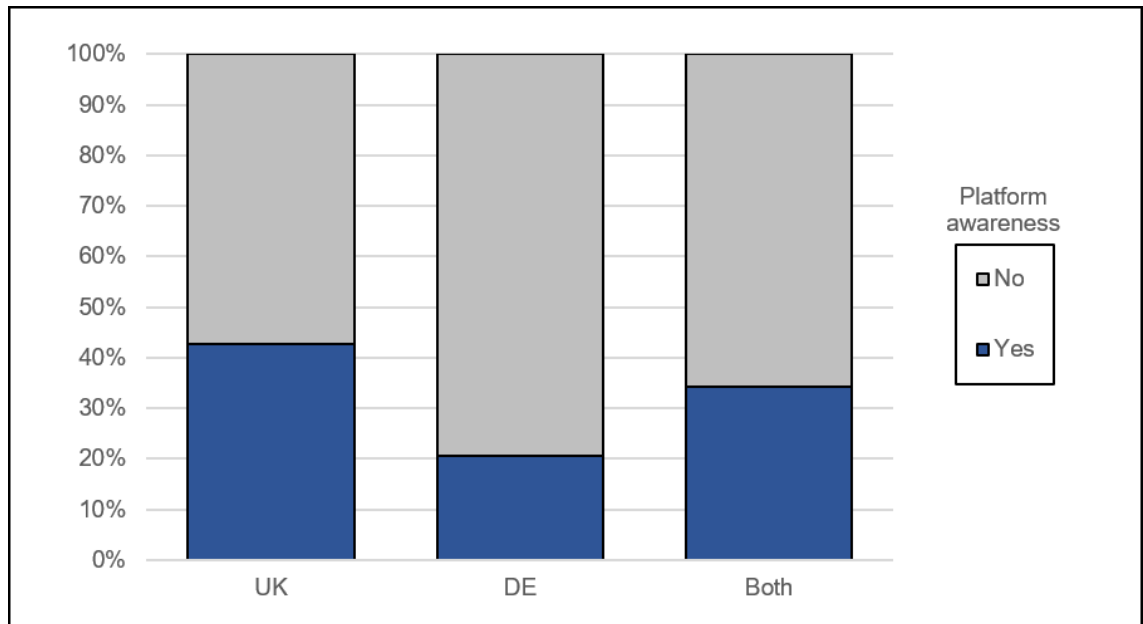


Figure 32: Ratio of specific SME equity platform awareness per country (n = 844)

It can be observed that in the United Kingdom, 43% of the survey participants knew about their existence, while in Germany, only 21% did. Thus, British entrepreneurs know significantly more often about the existence of SME platforms than German ones, $t(767.78) = -7.09, p < .001$. The willingness amongst the British respondents to reply to the question what those platforms should incorporate was much higher for respondents being aware of the platforms (10.7%) than for those who were not (2%). In Germany, no major difference in the willingness to answer can be observed.

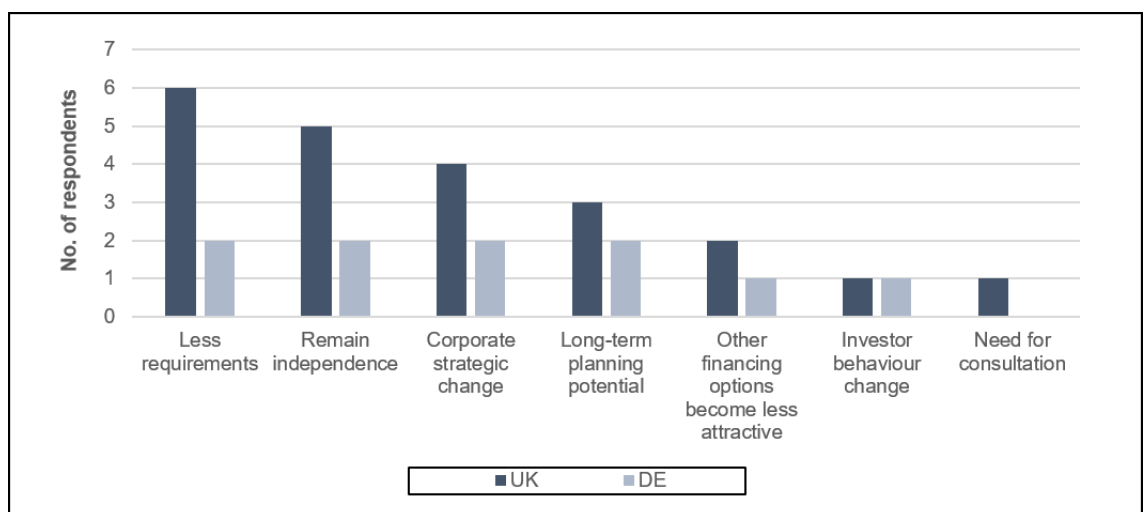


Figure 33: Themes identified from survey question 6

Using thematic analysis, the answers have been analysed. For the first question, seven themes could be identified as summarised in figure 33. The most mentioned theme was the desire for less requirements. In particular, reduced costs and fees have been mentioned. In addition, some have mentioned that accelerated processes of an IPO and shorter admission documents would be necessary to be more likely to consider it.

The second theme identified was that the businesses want to remain their independence. The participants have mentioned that they do not want to lose control over their business and they do not want it to be too transparent.

The third theme was corporate strategic change. It was mentioned that public equity would become more interesting in case of sudden growth and therewith increased demand for finance.

Moreover, it has been criticised by some that public equity is too short-term oriented. The businesses would prefer to be able to plan more long-term. One business has suggested the introduction of predetermined dates when the stock needs to be sold back to the business. Another participant said that they would prefer a more stable government to have more legal stability in order for them to rely on planning more long-term.

Another theme mentioned by the respondents was that public equity financing would become more likely if other forms of traditional financing turn less attractive. As such, it was mentioned that they would potentially opt for public equity if other financing forms stop existing or become less efficient, particularly if the interest rates rise again.

The sixth identified theme is a change in investor behaviour. The businesses would rather consider getting listed if there is a general higher willingness of the population to invest in shares. One German respondent said that their country needs to be more attractive as an investment target for investors from abroad.

Finally, a British business has expressed the need for consultation. They want to know more about how their business could be integrated in the capital markets.

In question 9, the 286 respondents have indicated that they are rather not content with the services the SME platforms offer ($M = 3.29$, $SD = .83$). For the respondents of question 11, who did not know about the existence of specific SME stock exchange platforms, a changed attitude variable has been computed analogue to H_{4a-h} . A significant difference of means between the general attitude of going public and the attitude of going public after the awareness of SME platforms could be observed, $t(547) = -6.88$, $p < .001$. Therefore, the knowledge about those platforms significantly enhances the likelihood of going public. Thus, there is general interest in the platforms, but they are not reaching the expectations of the respondents. To this end, the follow-up questions have aimed to identify what these platforms need to incorporate to make the IPO decision more attractive.

The thematic analysis for the other two open-ended survey questions is combined as both ask the same to different groups: those who are aware of special SME public equity platforms and those who are not. In the answers, six themes could be identified, summarised in figure 34, answering the question which characteristics those platforms should include.

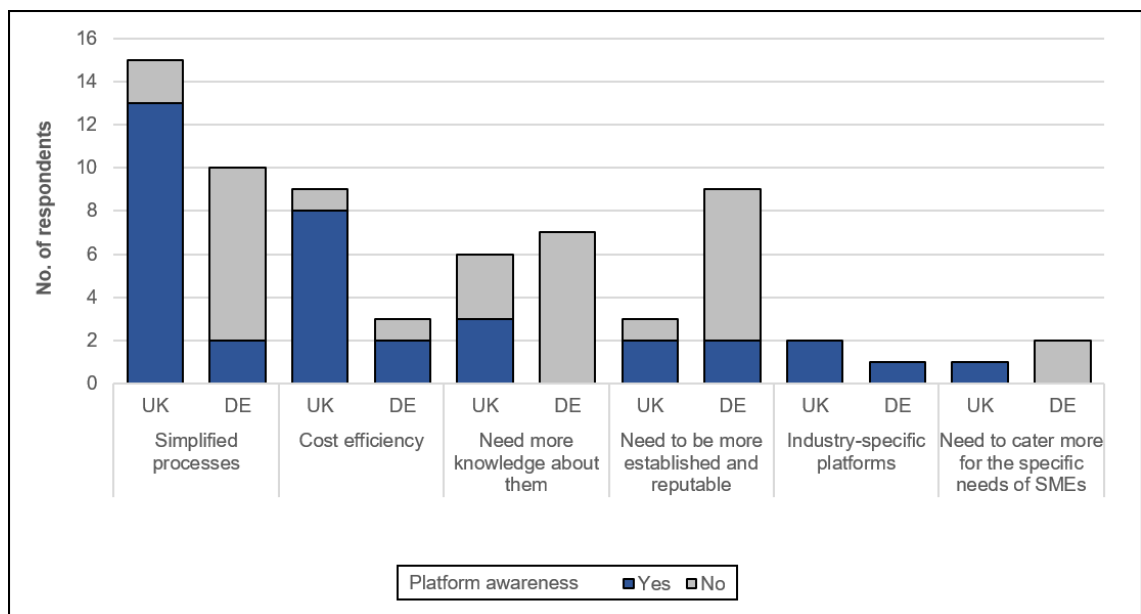


Figure 34: Themes identified from survey questions 9 and 11

The first theme mentioned by most is the demand for simplified processes. This, together with the second theme, cost efficiency, is in line with the first theme of the question analysed before, underlining the importance of those points.

Examples for simplified processes include quicker processes, more transparent and easier to understand processes, simplified reporting and documentation, the usage of easier to understand language, less bureaucracy and lower burdens to get listed. Most companies have emphasised that the current processes are too complicated and time-consuming. It can be observed that this theme has been mentioned in the United Kingdom mostly by businesses that are aware of the existence of SME specific platforms, while in Germany, the theme has been mentioned mostly by businesses who are not aware of those platforms.

The second theme identified also addresses the IPO process. It has been criticised that getting listed is too expensive.

Third, a desire for training opportunities has been expressed, mostly by businesses that are not aware of the SME equity platforms. The businesses agree that they do not know enough about the opportunity and need consultancy, training and support to increase their likelihood of considering public equity financing.

Furthermore, another common complaint, especially from German businesses, was that the platforms are not yet enough established and reputable. Many emphasised that the platforms need to be safe and successfully tested and recommended by others. In addition, they wish for a better awareness of the existence of those specific SME equity platforms, both amongst SMEs and amongst potential investors. One business suggested that the platforms need to directly address the SMEs in order to raise awareness of their opportunities.

The fifth theme identified was the desire for industry-specific platforms, expressed only by businesses that are aware of the existence of SME equity platforms.

Finally, there is a demand for the platforms to cater more for the specific needs of SMEs. As such, a more personal link between the stock exchange, the advisors and intermediaries, and the business is requested. Moreover, suggested by German businesses, the possibility to issue only very small volumes of shares is desired.

5.3 Results summary

The following figure summarises the results in the hypothesis model introduced in chapter 4.3.1.2.

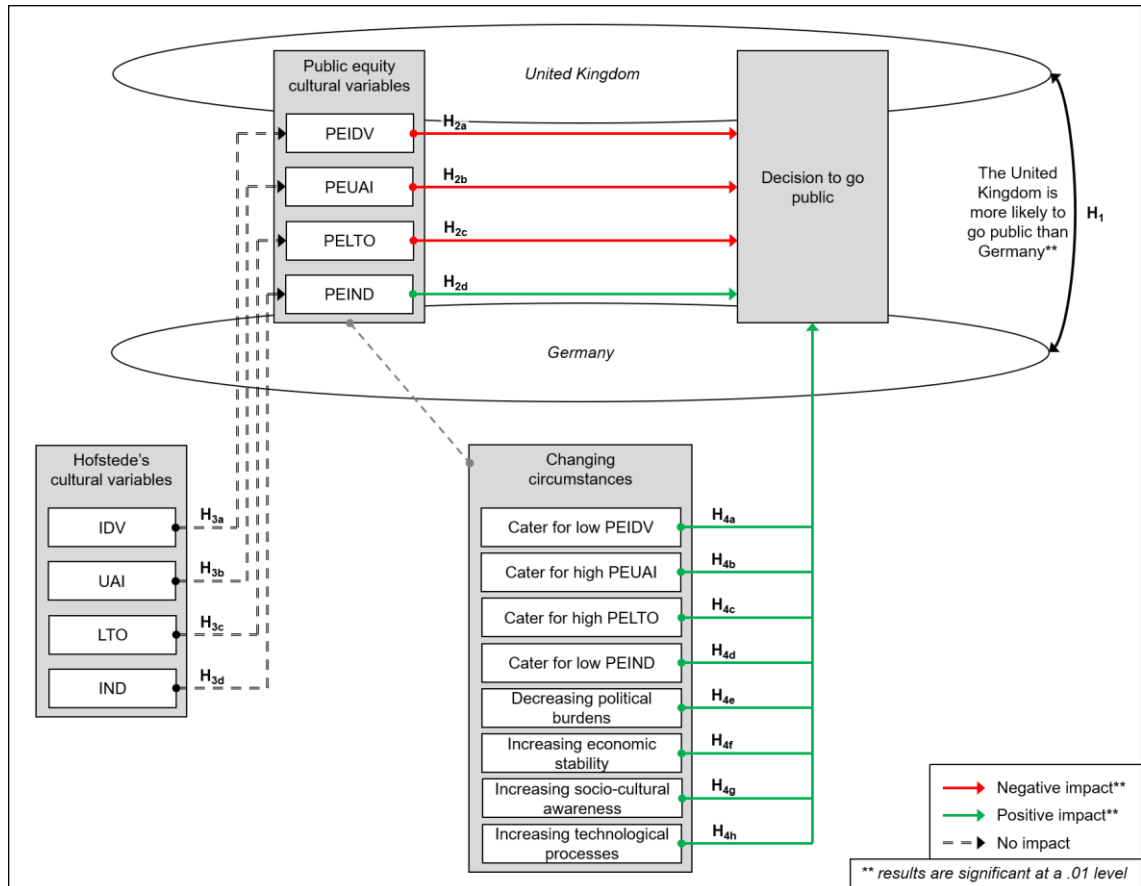


Figure 35: Revised hypothesis model

H₁ has been accepted, showing that British entrepreneurs have a significant better attitude towards public equity than German ones. In addition, H_{2a} has been rejected and H_{2b-d} accepted. All public equity cultural variables have an influence on the decision to go public, but the effect direction of PEIDV has been predicted to be oppositional. Moreover, each of H_{3a-d} has been rejected for both countries, indicating that Hofstede's variables do not reflect the public equity cultural variables. Finally, all of H_{4a-h} have been accepted, showing that the anticipated changing circumstances have a positive impact on the IPO decision.

5.4 Chapter conclusion

This chapter has answered the five research questions, supporting research objective 2 and 3. Based on survey responses from just over 1,000 entrepreneurs representative of their populations in the United Kingdom and Germany, it has been observed that British businesses are significantly more likely to go public than German ones. Negative influences of the public equity cultural variables PEIDV, PEUAI and PELTO, and positive influences of PEIND on the decision to go public were observed. However, no connection between Hofstede's cultural variables and the public equity cultural variables could be affirmed. In addition, eight changing circumstances based on changes in cultural aspects and PEST analysis variables have been proven to have a positive influence on the decision to go public. Finally, it has been shown that the awareness of specific SME public equity platforms is low in both countries but particularly in Germany. Further suggestions on how to improve the attitude towards public equity have been gathered. Given the .01 level of significance of the quantitative data, the results have a high explanatory power. However, in order to add validity to the results, qualitative data will be consulted in the next chapter.

6 Interview results

The interviews were conducted between November 2019 and January 2020 in different regions in the United Kingdom and Germany. This chapter will summarise the findings of the interviews. Therefore, first, the participants will be briefly described and second, main themes and thoughts will be presented. Finally, the third section will conclude this chapter

6.1 Participant demographics

Participants have been selected based on the defined three groups of research recipients as outlined in chapter 1.3. The first group, the entrepreneurs, have been contacted through the priority data collection process by asking them at the end of the survey if they were willing to take part in a follow-up interview on the topic. All respondents who expressed interest in that question have been contacted again in October 2019 asking if they were still available for an interview. Those with a positive response have been asked to propose a time for the interview within the given timeframe (November to mid-December 2019 for the United Kingdom and mid-December 2019 to mid-January 2020 for Germany). As a result, four British and three German interviews have been scheduled and successfully completed. The British interviews took place in three different regions with businesses ranging from 123 to 244 employees. The German interviews were conducted in two different regions, with two businesses on the smaller side of the medium-sized spectrum and one on the bigger side.

In addition, the two other research recipient groups, intermediaries and policymakers, have been contacted directly in both countries. As a result, interviews could be held with business consultants, relevant researchers, bank advisors and a stock exchange representative.

In total, the interview sample consists of 12 participants, equally divided between the countries. In line with Guest et al. (2006) and Namey et al. (2016) who state that data saturation is reached after six to eight interviews, data saturation for this project was reached before the twelfth interview. This was

observable in emerging patterns and recurring themes which will be treated in section 6.2. Thus, the remaining four to six interviews did not add new data, but added more validity to the previous ones. Table 30 summarises the key characteristics of the participants.

Table 30: Sample groups and participants' key characteristics

1 - Entrepreneurs					
Respondent ID	Country	Staff headcount	Turnover [m EUR]	Industry	NUTS1 region
E_UK_1	United Kingdom	123	26.2	Mining & Extraction	North East
E_UK_2	United Kingdom	244	11.3	Business Services	London
E_UK_3	United Kingdom	136	39.3	Travel, Personal & Leisure	London
E_UK_4	United Kingdom	190	37.4	Business Services	South East
E_DE_1	Germany	66	22.0	Business Services	Hesse
E_DE_2	Germany	60	13.4	Computer Software	North Rhine-Westphalia
E_DE_3	Germany	233	14.0	Business Services	North Rhine-Westphalia
2 - Intermediaries					
Respondent ID	Country	Type of intermediary		NUTS1 region	
I_UK_1	United Kingdom	Business consultant		Scotland	
I_UK_2	United Kingdom	Researcher in SME entrepreneurship		Scotland	
I_DE_1	Germany	Corporate bank advisor		Hesse	
I_DE_2	Germany	Regional bank director		Hesse	
3 - Policymakers					
Respondent ID	Country	Type of policymaker		NUTS1 region	
P_DE	Germany	Stock exchange		Hesse	

As justified in chapter 4.3.2.1, due to the application of convenience and purposive sampling, the sample is not representative enough to reflect the population. Therefore, there is no value in comparing the characteristics to the

population. However, the depth of the data is so rich that a high data quality is ensured.

6.2 Results

Using thematic analysis as justified in chapter 4.3.2.1, a total of 377 codes have been generated from the interview transcripts. After organising these, four themes with several categories have emerged. The detailed code structure can be viewed in appendix 4. Based on the interview guide, the first theme is concerned with current financing instruments. The second theme covers public equity. It incorporates three sub-themes: public equity in general, necessary changes and external influences. Moreover, the third theme highlights the cultural impact and the fourth theme is an outlook in the future. The following sections will outline the results per theme.

6.2.1 Theme 1 – current financing instruments

Participants have talked about how they currently generate funding. A total of four categories with 12 codes has emerged from this theme, summarised in figure 36.

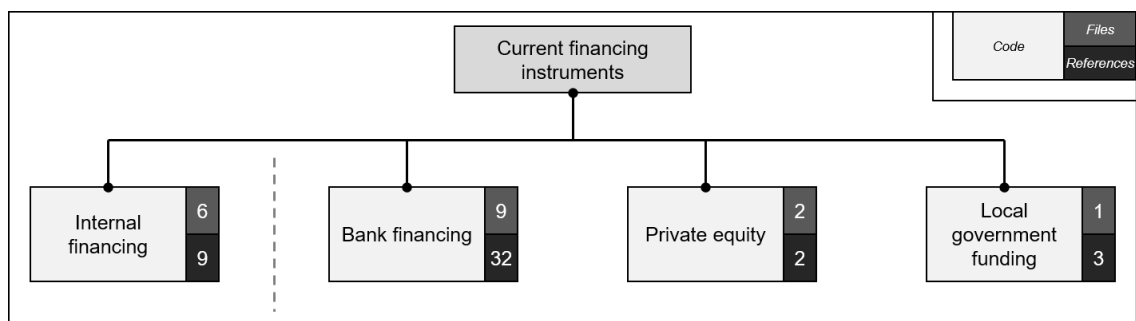


Figure 36: Simple code structure for the “current financing instruments” theme

Amongst the participants, currently four different instruments of financing are being used. Internal financing has been mentioned to be the first source of finance. Concerning external finance, most have referred to bank financing as their first point of contact. Especially German participants have highlighted a good relationship with their bank manager and thus a high level of trust. “I trust

my bank advisor to 100%" (E_DE_2). Nonetheless, they are aware that banks are based on business models and need to make profit. Although the current interest rate conditions are favourable, it is a problem to access big amounts of financial means at once. In addition, two British participants are using private equity and one German participant is receiving additional funding from the government.

6.2.2 Theme 2 – public equity

As mentioned above, the second theme, public equity, is divided into three sub-themes in order to support a clearer structure. The first sub-theme is about public equity in general linked to the second theme of the interview guide. It lists the benefits/motivation of going public and the problems of public equity which the participants are aware of, and also reflects their attitude towards it. Concerning the benefits/motivation of going public, 33 codes have emerged from the interviews, forming nine categories. Figure 37 summarises them.

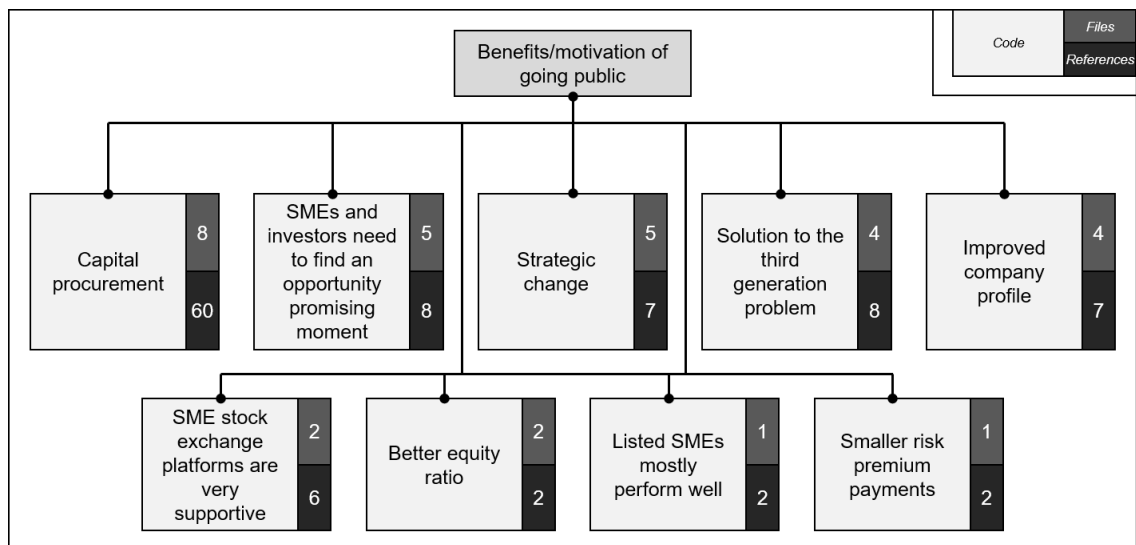


Figure 37: Simple code structure for the benefits and motivation of going public arm of the “public equity” theme

Nine different benefits of going public have been named. The most mentioned motivation has been assigned to procuring capital. The capital is needed to increase business capacity, namely starting new subsidiaries, buying expensive machinery, recruiting new employees and expanding into new buildings. Six interviewees have mentioned that they would use the capital for expansion,

both nationally and internationally. In addition, five participants have mentioned that capital would be used to buy out competitors. However, they are aware of the associated risks of failing integration and darkening business reputation. The usage of the capital for research and development activities has been mentioned only by German participants. Further two reasons for capital procurement have been noted in expanding the current product or service line and in avoiding business through third parties in order to have more control over all processes. The second mentioned benefit of going public is that participants are aware that it could be a great opportunity for both, the businesses and investors if the timing is right. "So, public equity is a good vehicle, obviously, for the right company at the right time." (E_UK_4). Moreover, five participants mentioned public equity to be beneficial in case of strategic change in the business. They are aware that a public listing can solve contingency problems of ownership, especially in family firms. Furthermore, participants mentioned that it leads to an improved profile and more visibility of the company. In addition, further benefits have been noted by two participants in the great support that both, the AIM and the Scale segment offer. Other benefits are an increased equity ratio as well as in smaller risk premium payments. Finally, the German policymaker has mentioned that the SMEs that are already listed perform mostly well.

Nonetheless, a number of problems associated with public equity have also been mentioned. With 207 references from all twelve participants, more problems than benefits (114 references from nine participants) have been discussed. Figure 38 illustrates the addressed negative aspects of public equity consisting of 82 codes, summarised in ten categories.

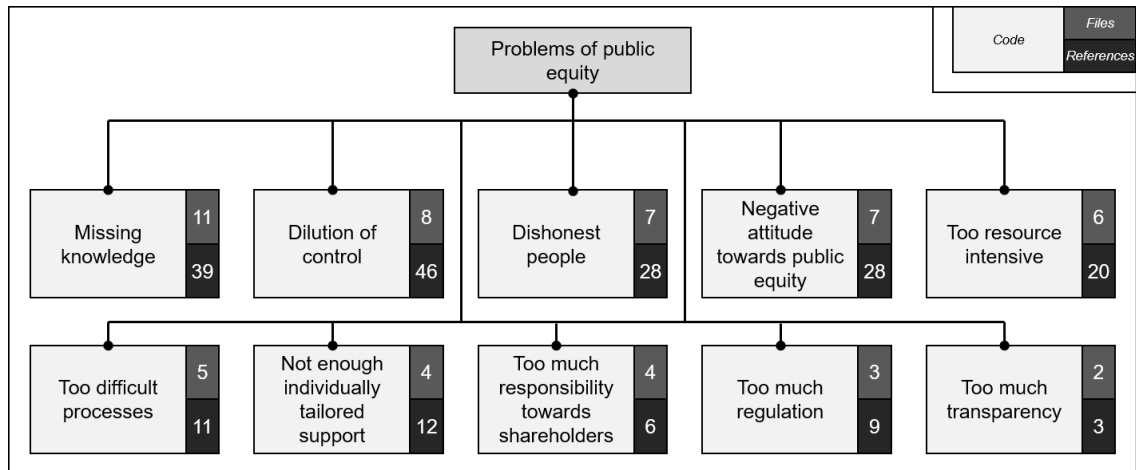


Figure 38: Simple code structure for the problems of public equity arm of the “public equity” theme

Ten problems associated with public equity financing have been mentioned. The most mentioned one is missing knowledge. Eleven out of the twelve interviewees have admitted that they do not know enough about public equity. Most entrepreneurs and intermediaries interviewed did not know about SME specific stock trading platforms. They either believe that they are too small for a public listing, not known well enough or do not receive any specific training. Only German interviewees have indicated that they also lack knowledge on public equity in general as well as on basic economic principles such as demand and supply fundamentals. “Many entrepreneurs actually have no idea about capital markets and therefore do not want to deal with it” (I_DE_2). Furthermore, the second most often mentioned problem of public equity financing is the dilution of control. The current owners are attached to their business and do not want to give the control to outsiders. Although new owners bring in new expertise, they are often too subjective and focus too much on numbers and less on tradition. This is particularly difficult for family businesses where the owner or their ancestors have built the company from scratch. They do not want the new generation, which is generally much more open to trying out new things, to change things. In addition, there is a lack of awareness of options reducing the risk of control dilution. As such, most are not aware that they do not have to get 100% of the business listed, and that there are free float requirements preventing individual investors to get too many shares. The third mentioned problem are dishonest people in capital markets. People tend to find unethical ways around regulations in order to personally benefit regardless of

others. Participants called it “the unacceptable fact of capitalism” (E_UK_1) and that it is “inevitable unless we revert back to trading beans and butter. There is no escape from it.” (E_UK_3). In addition, dishonest people include the practices of banks which often have unfair bonus and commission systems. Moreover, another problem associated with public equity is the negative attitude towards it. In the United Kingdom, the AIM has a bad reputation due to some underperforming businesses and too much short-term profit focus, and in Germany, people made bad experience with the failure of Neuer Markt in the early 2000s. “They have exaggerated during these times. People were driven into investments to which they would say today ‘I would never do that again’” (E_DE_2). Thus, especially under German participants, public equity financing is considered too risky, gambling and old-school. Furthermore, the fifth problem mentioned is the consumption of too many resources. Getting and remaining listed is very time and cost intensive. In addition, also linked to the problem of missing knowledge, the processes of an IPO are viewed as being too difficult. There are too many processes and regulations and it is hard to gain an overview. Moreover, another problem mentioned is the insufficient individual support. The interviewees complained about the stock exchanges being too inflexible to individual situations. There is also too little focus on industry specifics, i.e. due to advisors who are not sufficiently trained or interested in the company’s or industry’s individual histories and requirements, despite the important role advisors play in an IPO process. Apart from that, the participants would feel too much responsibility towards shareholders. Investors expect growth and in case they are unable to deliver it or make mistakes in their communications, investors could accuse and sue them which could eventually lead to psychological issues of the business owners. In addition, the participants complained about too much regulation. There is too little room to adopt the regulations to individual situations. Nonetheless, in particular due to the great number of dishonest people, they understand the need for extensive regulation. Finally, the last problem mentioned associated with public equity financing is that too much transparency is required. This links to the problem of dilution of control. “You become public and transparent for customers, employees, potential future employees, but also for partners, suppliers etc. And also for competitors.” (P_DE).

Linked to the mentioned problems of public equity, necessary changes have been raised which generate the second sub-theme under public equity. In the interview guide, this was addressed in the fourth theme. 63 codes have been created under that theme, summarised by eight categories as outlined in figure 39.

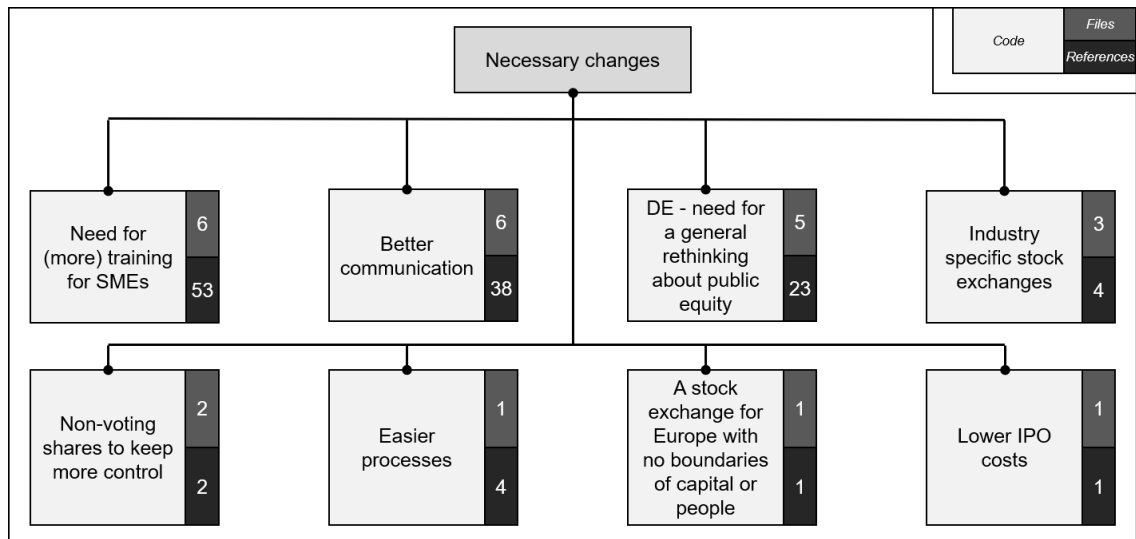


Figure 39: Simple code structure for the “necessary changes” sub-theme

The two most often mentioned necessary changes by both nationalities are the need for (more) training and better communication. For both of these categories, trust plays an important role. In order to be accepted, training should be held by trustworthy institutions only. In Germany, the banking group Sparkasse already offers information afternoons where they inform about different funding opportunities for SMEs. However, public equity is not covered at those and there is generally not much uptake on those events. Other trustworthy organs for potential training are stock exchanges, other businesses who have already gained experience with IPOs, tax advisors, business advisors, the government, Industry & Commerce Chambers or universities. In Germany, Deutsche Börse already offers free training for the Scale market where they provide information and hands-on examples for interested businesses during a day at the stock exchange. Feedback for those information sessions has been positive. The interview participants have highlighted that they would need to be approached instead of looking for training opportunities themselves. However, many SMEs and intermediaries do not receive invitations

for these sessions. In addition, they have mentioned that not only the businesses, but also the intermediaries concerned with an IPO process are in need of training in order to counteract the big problem of missing knowledge as mentioned above. Furthermore, communication needs to be improved. This concerns in particular communication between the businesses and intermediaries. Businesses wish for more intensive and individual care, taking into account the industry and history of the business. They wish for fewer contact persons, but those need to be better trained and have more decision-making authority. Again, values of trust, independence and transparency are very important to counteract the problem of insufficient individual support and dishonest people. Moreover, it has been mentioned under that category that commission based advisors are less trustworthy than advisors working for a regular income. In addition, communication between the businesses and customers, the government, and stock exchanges as well as business internal communication needs to be improved. Furthermore, another necessary change that is specific to Germany has been risen in the need for a general rethinking about public equity in order to counteract the bad reputation and missing knowledge problems. The participants have argued that already in school age, basic principles of money need to be better taught in order to generate an improved understanding for the risks and returns associated with them. This should be an incremental process, starting very simple and building up from there, giving the opportunity to gain more insights over time. However, it has also been mentioned that most teenagers would not make use of optional information sessions, which is why they would need another incentive for them to come such as i.e. an invitation to the cinema. By making it an event, the training provider (i.e. the bank) would also benefit from an improved reputation. One thing offered by Sparkasse in order to improve the awareness of systematics of capital markets is the so-called Planspiel Börse. This is a competition where teenagers across Germany invest a fictitious amount of capital on the stock markets and the team with the highest return after a given time period wins a price. "I took part in it with my team. And if you ended up under the first three places in your district, that is obviously a motivation to continue later on." (E_DE_3). Apart from that, some interview participants have mentioned that they would like to see an industry specific stock exchange. In

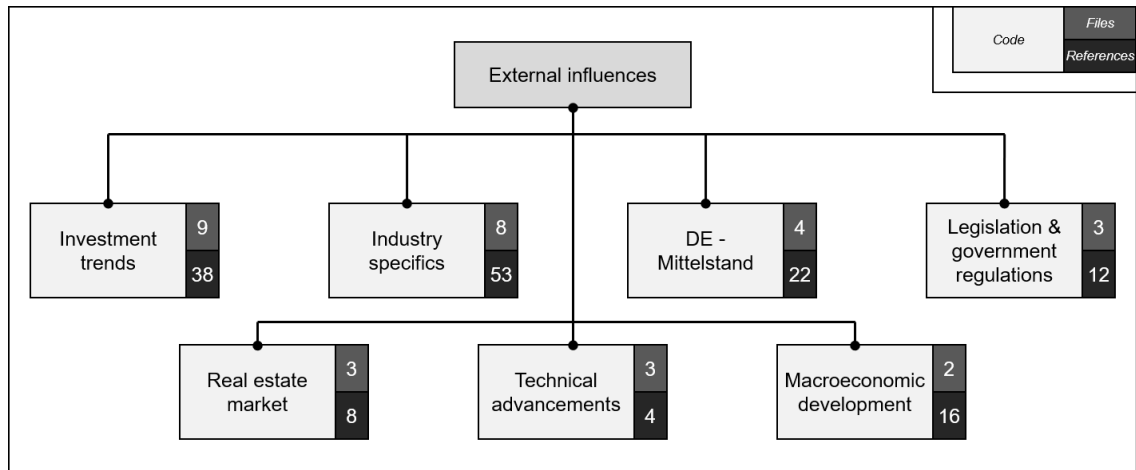


Figure 41: Simple code structure for the “external influences” sub-theme

The external influence mentioned by most participants are investment trends. Three trends have been discussed: micro investments (i.e. crowdfunding), ethical investments (i.e. environmentally friendly funds) and, only mentioned by British participants, less focus on national financing. The second most mentioned external influence is concerned with industry specifics. As mentioned above, many complain about stock exchanges and advisors not to cater for the specific characteristics of industries. The participants have talked about a general change of some industries. As such, mining and steel industries are very regressive whereas IT industries are gaining in importance. Since these are very fast moving and need long development times in order to achieve big profit margins, they are in need of sufficient capital. Furthermore, some industries are very seasonal. Their growth can therefore only be measured long-term, which is not yet sufficiently accepted at stock exchanges which are rather short-term profit oriented. In addition, some B2B industries find it difficult to find investors because they are less known, and some other industries (i.e. security) are highly regulated not allowing for trials such as going public. Moreover, another external influence is only concerning Germany. The standing of the Mittelstand is very important in the country. There is a high amount of family firms, and values of tradition but also innovation are important. Mittelstand firms usually have short decision making ways which makes them very efficient. They often have big firm values and (if they are open to external capital) are considered secure investments by both, national and international investors. In addition, another external influential category involves legislation and government regulations. There are initiatives supporting the funding for

SMEs, however, it is difficult to find a right balance of transparency regulations to meet the expectations of both, businesses and investors. Another mentioned influence has been identified in the real estate market. British citizens tend to buy housing whereas in Germany, renting is much more common. This proves that British people are more willing to make big investment decisions. In addition, technical advancements are influencing public equity decisions. They simplify communication and provide online platforms. Finally, macroeconomic developments such as business cycles and events like the financial crisis also influence going public decisions.

6.2.3 Theme 3 – cultural impact

The third main theme talked about in the interviews is cultural impact, linked to the third theme in the interview guide. Structured along Hofstede’s applied cultural variables for both countries, a total of 61 codes has emerged from the theme. The codes of the first cultural variable, IDV, are shown in figure 42.

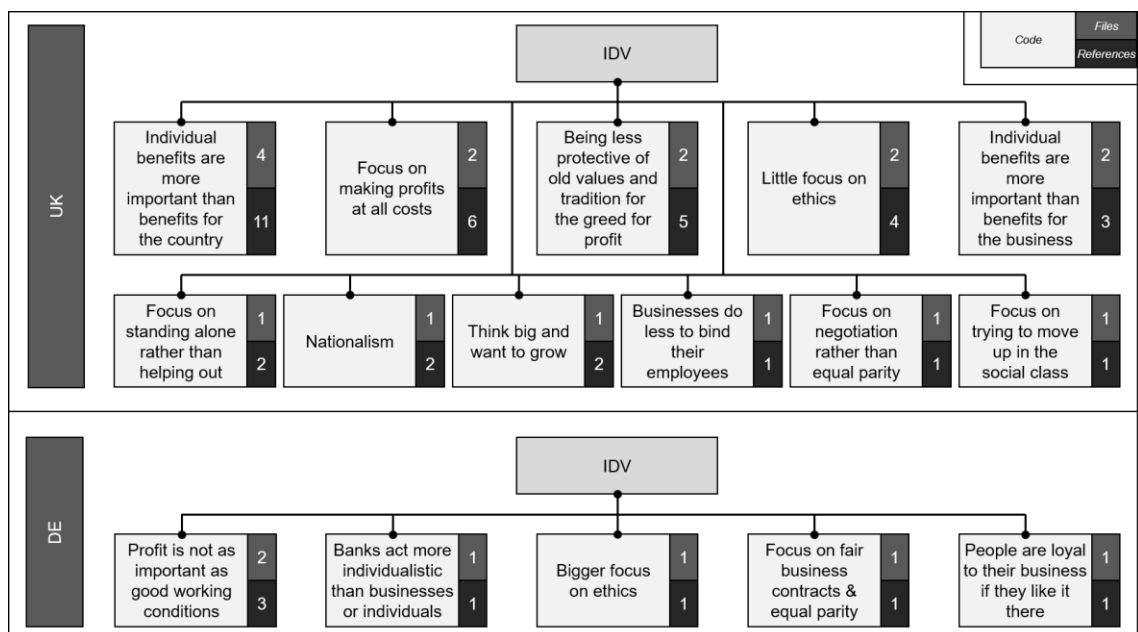


Figure 42: Simple code structure for the IDV variable of the “cultural impact” theme per country

Regarding financing decisions, British people see themselves much more individualistic than Germans. Their individual profit has been mentioned to be more important than the benefit for the country or businesses. Their focus is on

making profits at all costs, which means that they are less protective of traditions if that would result in bigger profits. “Which is why we’re being criticised in this country as being one of the worst homes of capitalism.” (E_UK_2). Moreover, in the business world, there is little focus on ethics. In addition, the individual standing is more important than helping out others. People tend to be very nationalistic, which is one of the reasons for Brexit. Most entrepreneurs think big and want to grow, not paying much attention on supporting their employees. In business affairs with others, a focus is set on negotiations in order to get the best deal possible, rather than equal parity. Finally, individuals aim to move up in the social class for a better life.

In Germany, participants have described much less individualistic values. As such, a focus is set on good working conditions and ethics. This is why employees often stay loyal to their businesses. Furthermore, fair business with others is very important. In addition, one participant has mentioned that banks are generally much more individualistic and profit-oriented than businesses or individuals.

The second cultural dimension, UAI, is summarised in figure 43.

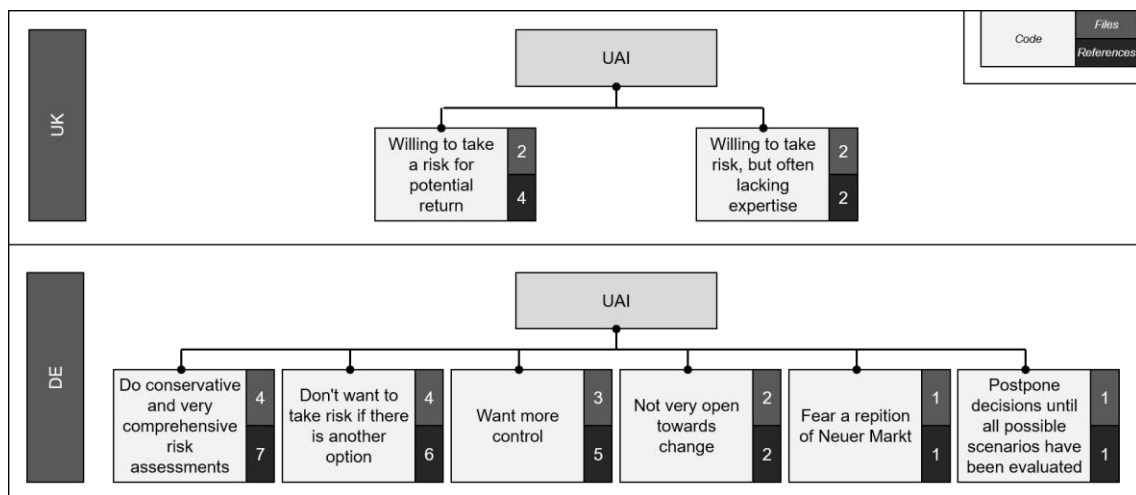


Figure 43: Simple code structure for the UAI variable of the “cultural impact” theme per country

British interview participants have expressed a lower UAI with regards to financing decisions than German ones. British businesses are willing to take a risk for potential returns, even though they are often lacking the expertise.

“I mean, the other thing is, because we are an island, we’ve always been a trading nation. So, consequently, we probably had in our mind that we are quite happy to accept that risk behind returns. Whereas I think in continental Europe you are quite happy to have reasonable returns for reasonable risk.” (E_UK_2).

In contrast, German businesses are very considerate when they take risks, making very comprehensive risk assessments. They do not want to take risks if other options are available, even if those lead to lower returns. They generally want more control and are not very open towards change. Therefore, they tend to postpone decisions until all scenarios have been evaluated. This might also be due to the bad experiences with Neuer Markt and the fear of its repetition.

LTO is the third cultural variable whose codes from the interviews are illustrated in figure 44.

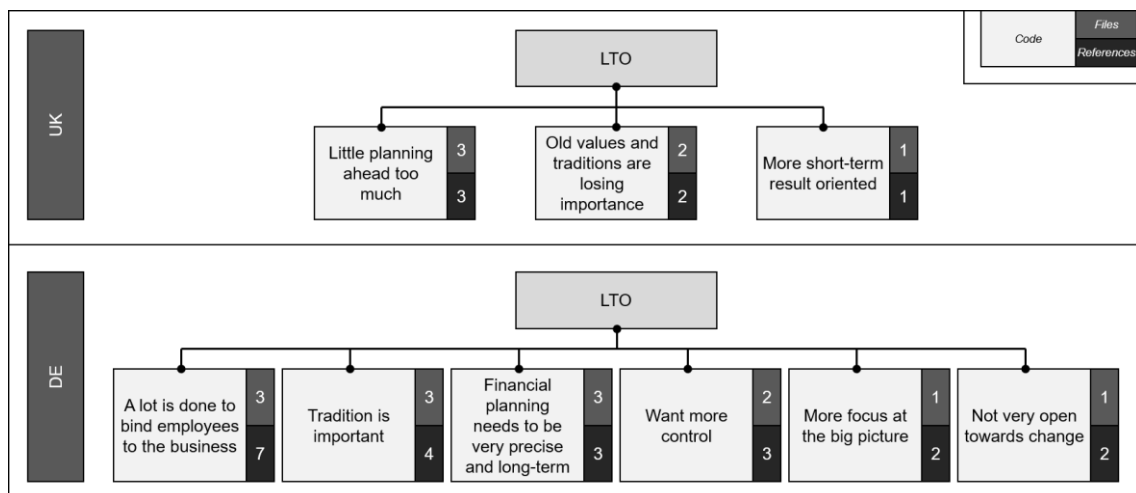


Figure 44: Simple code structure for the LTO variable of the “cultural impact” theme per country

Linking to the other variables, British businesses tend to be more short-term oriented than German businesses. British participants have stated that they do not plan too much ahead in their businesses and are generally rather short-term oriented. Traditions and old values are not very important to keep.

In Germany, however, a bigger focus on long-term planning is set. As such, a lot is done to bind employees to the business such as free childcare, gym, housing or big investments in work safety. In addition, tradition is very important, particularly for Mittelstand firms. In order to have as much control as

possible, financial planning is very detailed and long-term. A focus is set on the big picture and there is little openness towards change.

The final relevant cultural dimension to this research is IND. The statements of the participants regarding this dimension are illustrated in figure 45.

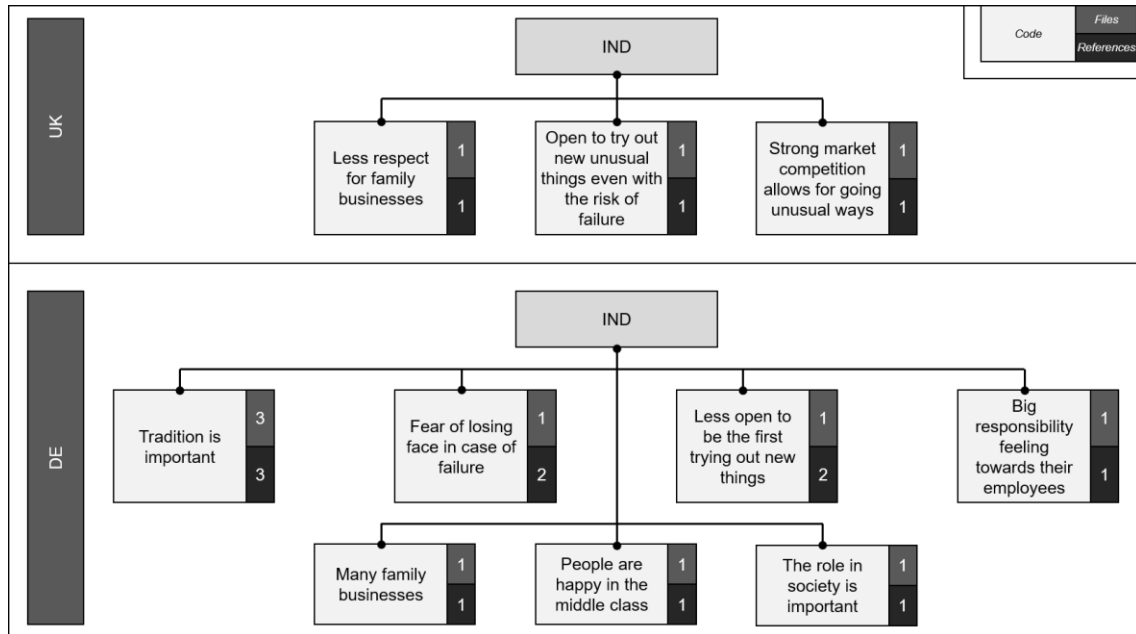


Figure 45: Simple code structure for the IND variable of the “cultural impact” theme per country

Concluding from the interviews, British businesses are more indulgent than German ones. This is observable in less importance for traditional family businesses. Moreover, society acknowledges if businesses try out new and risky things, even if they fail. Due to strong competition in the markets, there is a need to go unusual ways to distinguish the business.

In Germany, by contrast, tradition and social stability are very important values. “I believe that Mittelstand is not eager to get quick money but is aware of its role in society.” (I_DE_2). Businesses are less open to try out new things, fearing they could lose their face in case of failure. They feel a big responsibility towards their employees and families. People and businesses are happy in their middle class standing and do not want to risk that role in society which is important to them.

6.2.4 Theme 4 – outlook

The final theme of the interviews is concerned with an outlook in the future, which was addressed in the last theme of the interview guide. As summarised in figure 46, three categories have crystallised incorporating 50 codes: the future of public equity, Brexit and trust in banks.

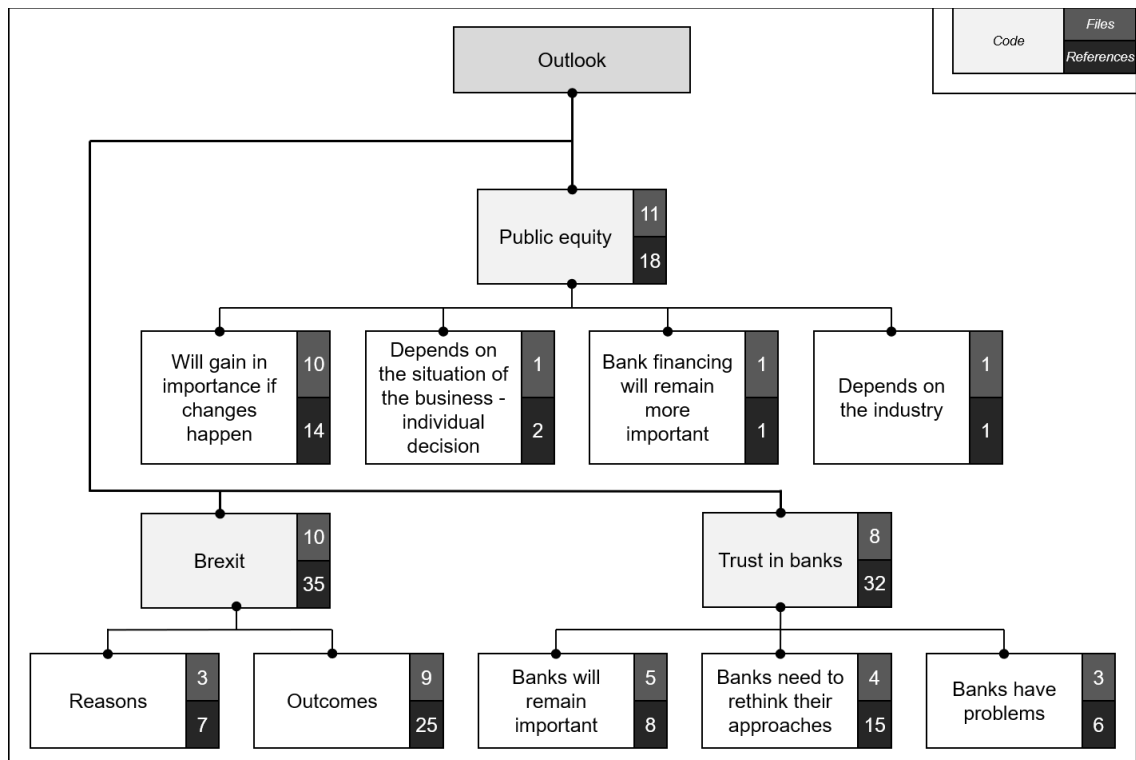


Figure 46: Simple code structure for the “outlook” theme

With regards to the first category, the future of public equity, the interview participants have stated that it will gain in importance for SMEs if some changes happen. As such, there needs to be more government awareness and support in the field. Moreover, if key interest rates rise again, the conditions of getting listed become more attractive or if the stock exchanges go with the current investment trends (i.e. more digital processes), they say that public equity would become more interesting. Nonetheless, since it is a strategic decision, it always depends on the individual situation the business is in, including the general situation of the industry. In addition, linked to the category covering trust in banks, a German interviewee has mentioned that bank financing will remain more important than alternative forms of funding.

The second category of the theme is concerned with Brexit. Both, reasons and potential outcomes, have been discussed. Reasons have been identified in the facts that British people do not like the system and do not want the EU to tell them what to do. “You know the old phrase of ‘an Englishman’s home is his castle’? That means that once you’re inside your domain, you do not accept any encroachment.” (E_UK_2). Furthermore, it was argued that people do not like change in general, which is why they have chosen to continue making their own independent decisions. Regarding potential outcomes of Brexit, the opinions have varied. There is generally a big insecurity about what is going to happen. Some British and all German interviewees expect a negative outcome for the United Kingdom in terms of reduced capital and labour movement from international investors and businesses. This would also result in less foreign business affairs, less exports and therefore lower economic output. E_DE_2 even said “They came from a world empire and are falling apart in the moment. We can watch the British kingdom collapse.“. By contrast, some British participants have predicted positive outcomes for the United Kingdom. Due to increased government support, national businesses can grow and enhance economic output. Moreover, investors might see a new opportunity in the country because they are not tied to the disadvantages of the EU anymore. “But now perhaps we’ll see that the UK is a unique opportunity and unique identity separate from the rest of Europe.” (E_UK_3). The impact of Brexit regarding Germany and the rest of the EU has been assessed to be rather low and not effecting businesses much unless they directly deal with British business partners.

Finally, the last category of the outlook theme is about trust in banks. The participants acknowledge that banks have problems, but if they rethink their approaches they will remain important. The problems have occurred due to the financial crisis, banks reducing their staff, too much greed for profit, dishonest people and the resulting decrease in trust. Thus, in order to remain important, they need to rethink their approaches. This could include staying on top of technology, getting new sources of income (i.e. focussing on alternative investments), enhancing transparency to prove ethical processes, focus more on specific SME needs or get training on public listings for SMEs and advise on it. Nonetheless, both British and German interviewees are certain that banks will

remain important for SME financing. In order to remain trustworthy, they need stricter regulations. In the long run, the bigger mainstream banks will remain more trustworthy than smaller banks. “So, across board, there'll be fewer banks, but relatively more stable banks” (E_UK_2).

6.3 Chapter conclusion

Four themes have emerged from the thematic analysis of the conducted interviews with twelve participants. First, current financing instruments have been named. Internal financing is the first source of finance followed by bank financing which is the first point of contact for external financing. The second theme covers the current attitude towards public equity. Several benefits have been mentioned such as it is a source of capital to expand the business and grow as well as it is a strategic decision which can improve the profile and credit rating of the business. Problems associated with public equity have also been approached which outnumber the mentioned benefits. Noted problems include missing knowledge, loss of control, dishonest people, negative associations with public equity, too intensive use of resources, too difficult processes, no individual support, as well as too much responsibility, regulation and transparency. In addition, necessary changes have been named around more knowledge, trust, individual support and less IPO burdens. To the regard of evaluating the feasibility of those changes, a number of external influences have been talked about. Influences include current investment trends, industry specifics, the special characteristics of German Mittelstand, legislation, housing market, technical advancements and macroeconomic developments. The third main theme concerns cultural impact on financing decisions. The interviewees have explained that British entrepreneurs are more individualistic, less long-term oriented, less uncertainty avoidant and more indulgent than German entrepreneurs. Common British values with regards to financing decisions have been named in profit, growth, results and competition, whereas common German values are around ethics, caution, control, planning and tradition. Finally, the last theme gave an outlook about public equity, Brexit and banks. The participants agree that public equity will become more important if the circumstances change. Opinions about Brexit are diverse, but there is a

common uncertainty around that category. Banks are said to remain important, although they need to rethink their approaches in order to be more trustworthy in the future.

7 Discussion

This chapter will address the results from the analyses reported in the previous two chapters, setting them in relation to the literature from chapters 2 and 3 and discussing their relevance for both, literature and practice. The first section will cover the discussion of the results, while the second section will focus on the deduction of specific guidelines and a brief outlook. The third section will then wrap up the findings by referring back to the conceptual framework of this research, before the fourth section will briefly summarise this chapter.

7.1 Results discussion

This section will be organised by research question. Each of the five research questions will be addressed individually. The first three sections treat research objective 2 and the last two questions, in addition to the subsequent policymaker guidelines, lean on research objective 3. In each section, first, the quantitative priority data results (cf. chapter 5) will be outlined. Second, they will be compared to the qualitative sequence data results (cf. chapter 6) in order to examine the priority data's validity. In a third step, the results will be discussed in relation to the literature (cf. chapters 2 and 3) in order to see how the results fit in and fill the identified gaps. These results always need to be seen under the consideration of the research philosophy. By following a postpositivist approach with a critical realist ontology, results are considered real but potentially incomplete since, due to the independent, multi-levelled and emergent nature of reality, it is impossible to fully understand social phenomena.

7.1.1 Research question 1 – general attitude towards public equity financing

Table 31: Summary of significant quantitative results and validity assessment for research question 1

Study results		Previous studies
Priority QUAN results	Sequential qual results	
10% are likely or very likely... 7% are undecided... 80% are unlikely or very unlikely... 3% are already listed <div style="display: inline-block; vertical-align: middle; margin-left: 10px;"> } ...to go public </div>		<i>Deloitte, 2012; Oliver Wyman, 2014</i>
The United Kingdom has a more positive general attitude of going public than Germany**		<i>Deutsches Aktieninstitut, 2011 & 2020; Deutsche Börse, 2019; London Stock Exchange, 2020a</i>
Businesses aiming to grow are more likely to go public**		<i>Brown et al., 2009; Müller & Zimmermann, 2009; OECD, 2015; Röell, 1996</i>
Businesses aiming to grow are more likely to go public in the United Kingdom than in Germany **		<i>Deutsches Aktieninstitut, 2011 & 2020; Deutsche Börse, 2019; London Stock Exchange, 2020a</i>
The employment size has no influence on the attitude of going public**		<i>Berger & Udell, 1998</i>
Businesses with 50-99 employees are more likely to go public in the United Kingdom than in Germany **	(very limited sample size)	<i>Deutsches Aktieninstitut, 2011 & 2020; Deutsche Börse, 2019; London Stock Exchange, 2020a</i>

Businesses in the business services or public administration, education, health social services industry are more likely to go public**		<i>Department for Business, Energy & Industrial Strategy, 2019; Institut für Mittelstandsforschung Bonn, 2015</i>
Businesses from the business service industry are more likely to go public in the United Kingdom than in Germany **		<i>Deutsches Aktieninstitut, 2011 & 2020; Deutsche Börse, 2019; London Stock Exchange, 2020a; OECD, 2020a</i>
The region within the countries has no influence on the attitude of going public**		

Validate QUAN results

Disproof QUAN results

***results are significant at a .01 level*

The first research question addresses the status quo of the businesses regarding their attitude towards public equity.

To begin with, the survey has not covered currently used financing instruments. However, the follow-up interviews have clearly highlighted that internal financing is used as a primary form of finance. In case the businesses need further finance, their first point of contact is their bank. In particular German businesses have expressed their trust in and dependency on their bank advisor. This is in line with previous studies (i.e. Beck et al., 2008; Deloitte, 2012; OECD, 2015; Psillaki & Daskalakis, 2009). Only if bank financing is not an option anymore due to too many constraints or the unavailability of loans, businesses start looking for other forms of finance and would also consider public equity. This order of financing preferences is in line with the Pecking-Order Theory (Myers & Majluf, 1984) on which this study is based. It therefore classifies itself in the number of studies supporting the Pecking-Order Theory (i.e. Adair & Adaskou, 2015; de Jong et al., 2011; Kumar et al., 2017; Sardo & Serrasqueiro, 2017;

Yazdanfar & Öhman, 2016) with the adding contribution of the context applicability of medium-sized enterprises in the United Kingdom and Germany.

The quantitative results have shown that the attitude towards public equity financing is rather negative. Only 10% of the respondents considered the financing form either likely or very likely for their business, while 80% agreed on it being unlikely or very unlikely. This negative general attitude was also expressed in most of the interviews. It confirms previous studies such as Deloitte (2012) or Oliver Wyman (2014) who observed that public equity is not being used or considered by many SMEs.

A significantly more positive attitude towards public equity financing has been observed in the United Kingdom compared to Germany, supporting H₁. The follow-up interviews have confirmed that result. Most British interview participants recognised the benefits of the financing form even if they do not consider using it, whereas all German interviewees were rather hesitant towards it and focussed on the disadvantages. This difference between the countries has been confirmed by the diverging actual numbers of SMEs being listed. The British AIM lists over 17 times more firms than the German Scale segment (London Stock Exchange, 2020a; Deutsche Börse, 2020a), although the technical and economical requirements are fairly comparably (cf. chapter 3.1). It is also consistent with the stock market investor activity, which is much higher in the United Kingdom than in Germany (Deutsches Aktieninstitut, 2011 & 2020). Thus, the works from Aggarwal & Goodell (2010), Kwok & Tadesse (2006) and Lavezzolo et al. (2018) have been confirmed by supporting the fact that the countries are based on different financial systems, with the United Kingdom being rather market-based and Germany being very bank-based. Thus, national financial systems literature has been shown to also be applicable to the group of medium-sized enterprises.

Furthermore, businesses aiming to grow have been found to be significantly more likely to go public than businesses aiming to remain or reduce their size. The interviews have confirmed that result by saying that they still feel too small to go public, but would consider it once they are bigger. “[We would not consider it] today because we are too small, but when our current product idea flourishes and our business grows, we would consider going to a stock

exchange" (E_DE_2). In addition, previous literature has also identified a positive link between corporate growth and public equity financing (i.e. Brown et al., 2009; Müller & Zimmermann, 2009; OECD, 2015; Röell, 1996).

Similar to the general attitude, amongst the businesses aiming to grow, the British ones are significantly more likely to go public than the German ones. This can be explained by similar reasons as mentioned above. More British SMEs are listed and businesses aiming to grow are generally more likely to go public than others.

Another finding of the quantitative data analysis has observed that the employment size group has no influence on the attitude of going public. In other words, both, medium-sized businesses with 50 or 250 employees, are equally likely to go public or not. In the interviews, this question has not been addressed individually, however, different size groups have been interviewed. No particular tendency of one size group has stood out. According to Berger & Udell's (1998) Financial Growth Cycle Model, the employment size influences capital structure decisions. Thus, these results do not match. However, Berger & Udell observe a very different sample. They do not focus on a specific group of businesses, but on the entirety of businesses. When only looking at the firm size applied in this research (50-250 employees), the Financial Growth Cycle Model confirms the findings. Public equity financing is relevant for all medium-sized businesses according to the model.

In addition, it has been analysed that the smallest observed size group (50-99 employees) is more likely to go public in the United Kingdom than in Germany. This, again, is due to the facts mentioned above that generally more British businesses have a more positive attitude towards public equity. The fact that this is most observable for the smallest size group can be explained by cultural values as further discussed in section 7.1.2. As identified in the interviews, British businesses are much more profit-oriented and willing to take a risk, also in a smaller-sized business. German businesses instead focus more on control and planning and fear losing their social standing if they risk too much. Especially in smaller-sized businesses, the risk of going bankrupt and failing is higher than in bigger, more established businesses.

Furthermore, the results have shown that, in particular businesses from the business services industry, but also from the public administration, education, health social services industry are significantly more likely to go public than businesses in other industries. The interviews support that finding, as those participants in the business services industry were rather interested in public equity financing. However, due to the limited number of interviewees, this only adds limited validity to the results. Nonetheless, as mentioned in chapter 1.1, medium-sized enterprises from the business services industry have higher demands for external financing due to high turnover and employment growth numbers, both in the United Kingdom and Germany (Department for Business, Energy & Industrial Strategy, 2019; Institut für Mittelstandsforschung Bonn, 2015). This underlines the validity of the findings of the survey.

Similar to the findings mentioned above, businesses from the business service industry are more likely to go public in the United Kingdom than in Germany. This is due to reasons mentioned before that British businesses are generally more likely to go public. In addition, as shown in chapter 3.1, the United Kingdom is a services export nation. In contrast to Germany, which is a goods export nation, services have more importance in the United Kingdom on a macroeconomic level (OECD, 2020a). In addition to being culturally more open towards risky and unusual business operations, this could explain why British service industries are more keen to ensure sustainable access to big amounts of capital than German ones.

Finally, it has been found that the NUTS1 region within the countries has no significant influence on the attitude of going public. Existing literature in the field has only been conducted on a country level, which is why this finding cannot be validated by previous studies. The interviews have been conducted in different regions within the countries and no distinct tendency towards a positive or negative attitude on public equity financing could be observed differing per region, which supports this finding.

7.1.2 Research question 2 – impact of public equity culture

Table 32: Summary of significant quantitative results and validity assessment for research question 2

Study results		Previous studies
Priority QUAN results	Sequential qual results	
PEIDV has a negative impact on the general attitude of going public**		Çetenak et al., 2017; Chen et al., 2015; Li et al., 2013; Mihet, 2013; Rehbein, 2014 Gupta et al., 2018
PEUAI has a negative impact on the general attitude of going public**		Çetenak et al., 2017; Chang & Noorbakhsh, 2009; Chen et al., 2015; Fauver & McDonald, 2015; Li et al., 2013; Mihet, 2013; Pagano, 1993; Petersen et al., 2015; Tran, 2020
PELTO has a negative impact on the general attitude of going public**		Chang & Noorbakhsh, 2009; Petersen et al., 2015
PEIND has a positive impact on the general attitude of going public**		Gupta et al., 2018
PEIND has no significant impact on the general attitude of going public in Germany**		Gupta et al., 2018
Multiple regression model: <i>Decision to go public</i> $= -1.646 - 0.014 * PEIDV - 0.016 * PEUAI - 0.019 * PELTO + 0.012 * PEIND + \varepsilon_i$		

Probit model: <i>Decision to go public</i> $= -2.755 - 0.028 * PEIDV$ $- 0.023 * PEUAI - 0.023$ $* PELTO + 0.018 * PEIND$ $+ \varepsilon_i$		
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Validate QUAN results

Disproof QUAN results

***results are significant at a .01 level*

With regards to the second research question, the public equity cultural variables have been calculated following the approach justified in chapter 4.3.2.2. The comparison of those newly computed variables to the original Hofstede variables will be discussed in section 7.1.3.

The results show that H_{2a} is rejected. Thus, PEIDV does not have a positive impact on the decision to go public. In fact, the opposite has been observed: PEIDV has a significant negative impact on the going public decision. In other words, the lower the PEIDV score, the more likely a business is to go public. The qualitative results have not supported that finding, indicating limited validity. Various participants in both countries have expressed a positive impact of PEIDV on the decision to go public. “In Britain we’re just like ‘give me the money’” (E_UK_1), “Because it’s a ‘mine’ culture rather than an ‘our’ culture” (E_UK_2), “And entrepreneurs always look at value. ‘So, what is the value that is in it for me?’” (I_UK_2). “I believe the Mittelstand has learned that it’s not about making quick money, but about being aware of its role in society” (I_DE_2), “I do believe that there is a much stricter ethic in German business” (E_UK_2). Thus, the qualitative data supports the H_{2a} hypothesis, contradicting the quantitative results. Most former studies also do not support this quantitative finding. The United Kingdom is one of the most individualist countries in the world (Hofstede Insights, 2020a). Çetenak et al. (2017), Chen et al. (2015), Li et al. (2013), Mihet (2013) and Rehbein (2014) are in line with the sequence qualitative finding of this study. IDV is positively impacting corporate risk-taking, decreased cash holdings and increased capital expenditures. Only Gupta et al.

(2018) support the quantitative finding of this research, saying that countries with low IDV scores have a higher IPO activity. In conclusion, with these contradicting results, there is little explanatory power to this variable. Due to the anonymisation of the survey respondents, a repetition of a survey with adopted questions of the PEIDV indicator is impossible with the exact same sample. This generates the need to further investigate this particular issue in future research.

Furthermore, H_{2b} and H_{2c} are supported. There is a proven significant negative impact of PEUAI and PELTO on the decision to go public. Thus, the lower the scores for those values are, the more likely the businesses are to go public. The qualitative results support these findings. In the United Kingdom, where more businesses are listed, “they have more of the mentality ‘come on, I just take the risk’” (E_DE_3) whereas in Germany “we are too scared of failing” (E_DE_2). Similar opinions were mentioned regarding PELTO.

“UK businesses, by their nature, are more, and it's wrong I think, but they are more short-term result orientated [...] whereas a German business is looking about the long-term nature of business and then the growth of that business over a period of time.” (E_UK_4).

These results are also in line with previous studies. Çetenak et al. (2017), Chang & Noorbakhsh (2009), Chen et al. (2015), Fauver & McDonald (2015), Li et al. (2013), Mihet (2013), Pagano (1993), Petersen et al. (2015) and Tran (2020) have shown that countries with a high UAI tend to have more cash holdings, take less corporate risk and are less open for capital expenditure, and countries with a high LTO have more cash holdings and are more debt financing oriented. Thus, these findings have a high validity and fit in with previous findings.

The last hypothesis covering research question 2, H_{2d}, is also accepted. PEIND has been proven to have a significant positive impact on the decision to go public. Thus, businesses with high scores in this cultural variable are more likely to get listed. Similar results came from the qualitative data. High levels of PEIND foster going unusual ways in financing. In the United Kingdom “being open to more opportunities that would ensure your survival within a very competitive market will actually play an important role” (I_UK_2), whereas the

typical bank-based German entrepreneur “who needs to close down is a failed character in his neighbour’s eyes. That is why people prefer to stay on the safe and well-known side.” (E_DE_3). One significant difference between the countries could be observed with H_{2d} which is not accepted when only considering German businesses. For this stratum, no significant impact of PEIND could be observed. In reverse conclusion this means that, due to the acceptance of H_{2d} for the whole sample, PEIND has a very strong significant impact on the going public decision in the other stratum, the United Kingdom. Comparing these results to previous studies is limited due to the relatively novelty of this cultural dimension. There is only one relevant study which has observed the impact of IND on IPO activity and no significant relationship could be determined (Gupta et al., 2018). Thus, the results of this research add to the pool of literature on this specific issue and need to be validated or disproved in the future.

All cultural dimensions, both Hofstede’s values and the public equity values, are interlinked with each other. The correlation matrix has shown that the highest correlation is between PEUAI and PELTO. However, since the correlation value is $< |0.5|$, both measure individual aspects of culture. The interviews have often highlighted this connection, as well. “The idea of going into those public types of financing is the fear of getting financing and fear of surviving long-term as a business, right?” (I_UK_2). “Germans are more risk-averse and long-planning and want to keep control over everything” (E_UK_2). The interviews have highlighted that high levels of IDV often indicate that entrepreneurs are more willing to take risk, less long-term oriented and more open towards unusual ways of financing, and vice versa, which is also in line with the studies of Hofstede et al. (2010).

The OLS multiple regression model brings together those findings and also demonstrates how the likelihood of going public changes in case any of the public equity cultural variables change. Looking at the slopes of the linear distributions in figure 29, the steepest slope and thus highest impact on the decision to go public is PELTO, followed by PEUAI, PEIND and PEIDV. Thus, businesses willing to take risk, to plan rather short-term, to go unconventional ways and to prioritise own wellbeing over the wellbeing of the community, are more likely to go public. These tendencies of impact and direction are also

reflected in the OLS equation. The country-individual public equity cultural variables can be inserted into the equation, resulting in a score indicating how likely medium-sized enterprises in the country are to go public. A probit estimation has been generated merging the output to a binary variable. The probit estimation shows the same tendencies as the OLS regression model and can be used by countries in order to have an estimation whether or not medium-sized businesses would consider going public. As mentioned above, the general tendencies of those models have been confirmed by the interviews (with the exception of PEIDV). These models in that context are an original contribution of this research. They cannot be compared to exiting literature as they represent something new.

7.1.3 Research question 3 – impact of national culture

Table 33: Summary of significant quantitative results and validity assessment for research question 3

Study results					
Priority QUAN results				Sequential qual results	
	UK		DE		
	<i>Hofstede</i>	PE	<i>Hofstede</i>	PE	
IDV	89	67	67	71	IDV
UAI	35	66	65	68	UAI
LTO	51	68	83	74	LTO
IND	69	64	40	61	IND
Hofstede's cultural variables do not reflect the public equity cultural variables **					

Validate QUAN results

Disproof QUAN results

***results are significant at a .01 level*

As justified in chapter 4.3.2.2, the quantitative data analysis was based on newly computed public equity cultural variables. The values for those can be seen in the table above. The new variables are higher than Hofstede's ones for PEUAI and PELTO in the United Kingdom as well as for PEIDV, PEUAI and

PEIND in Germany. The remaining variables are lower in their public equity relevance compared to Hofstede's values. H_{3a-d} are all rejected. Thus, there is no proof that Hofstede's values reflect the public equity cultural variables. The biggest deviations between them can be observed in the British PEUAI (+88.6%), German PEIND (+52.5%) and the British PELTO (+33.3%) variables. These tendencies could also be observed during the interviews. British entrepreneurs are said to be more risk averse and long-term oriented in financial decisions than in other aspects of their lives. German participants said they care much less about social norms when doing financing decisions, however, they are still important due to "responsibility for me, my employees and society" (E_DE_2). Nonetheless, one cultural value change direction is not supported by the interviews. The PEIDV variable in the United Kingdom is 25% lower than Hofstede's value. However, during qualitative data collection, the participants highlighted the increased egoism when it comes to financing decisions.

"Because we moved to a position where we sell these things to just do a financial deal. And we reached a situation in the country where the main emphasis is just to do a deal. Because if you would do a deal, a) you would make a lot of money and b) you get lots of bonuses. And it doesn't matter whether it's a good deal for the country or a good deal generally. You, the people who were doing that, could just move on to the next thing." (E_UK_1).

This is the opposite direction of the PEIDV variable for the United Kingdom. As justified in the previous section, this variable needs to be revised in future study. Thus, the qualitative data supports the quantitative findings except for the PEIDV variable. There are no previous studies to compare these results to, because they are an original contribution of this research and have not been done that way before.

One possible explanation for the fact that Hofstede's variables are not reflected in the public equity cultural variables could be that the original Hofstede cultural variables measure the cultural impact on the entirety of aspects of life, whereas the newly computed public equity cultural variables reflect only the cultural impact on the decision to go public. Thus, they only reflect a very specific

segment of what Hofstede is measuring. This research is therefore integrating into the criticism of Kirkman et al. (2017) and Osland & Bird (2000) that Hofstede's model is too general and does not reflect the specific context. Furthermore, a broader sampling approach has been used in this study, eliminating the criticism of Kirkman et al. (2017), and McSweeney (2002) that Hofstede's work is based on a too limited sample.

Therefore, the computed public equity cultural variables cannot be derived from the Hofstede values, but need to be raised individually for each country. The applied sample of two countries is too small to generate a rule on how to compute public equity cultural variables based on the Hofstede variables. To this end, public equity cultural variables need to be raised individually for further countries before a valid translation rule from Hofstede's values can be derived from them. A general variable transition rule could take the following format:

$$\text{i.e.: } PEIDV = IDV_{Hofstede} * x$$

where $x = \text{factor derived from country data}$

For PEIDV for the United Kingdom, x would equal to 0.75 ($67 = 89 * x$), and for the German data, x would equal to 1.06 ($71 = 67 * x$). Thus, based on these results, the average for x equals to 0.91. Consequently, the general transition rule for PEIDV would look like this:

$$\text{i.e.: } PEIDV = IDV_{Hofstede} * 1.06$$

However, generalisation with datasets from only two countries is very limited. Therefore, a similar approach needs to be taken with more country data and for all four variables. As a result, Hofstede variables can be easily inserted and converted which would make the OLS and probit estimation more generalisable. In summary, the computed public equity cultural variables still reflect national culture, but they should be seen independently from Hofstede as they focus on a very specific context.

7.1.4 Research question 4 – changing circumstances

Table 34: Summary of significant quantitative results and validity assessment for research question 4

Study results		Previous studies
Priority QUAN results	Sequential qual results	
Circumstances catering for lower PEIDV values will increase the general attitude of going public**		<i>Çetenak et al., 2017; Chen et al., 2015; Li et al., 2013; Mihet, 2013; Rehbein, 2014</i> <i>Gupta et al., 2018</i>
Circumstances catering for higher PEUAI or PELTO values will increase the general attitude of going public**		<i>Çetenak et al., 2017; Chang & Noorbakhsh, 2009; Chen et al., 2015; Fauver & McDonald, 2015; Li et al., 2013; Mihet, 2013; Pagano, 1993; Petersen et al., 2015</i>
Circumstances catering for lower PEIND values will increase the general attitude of going public**		<i>Gupta et al., 2018</i>
Circumstances decreasing political burdens regarding going public will increase the general attitude of going public**		<i>Dubini, 1989; Spigel, 2017</i>
Circumstances increasing economic stability, socio-cultural awareness or technological processes will increase the general attitude of going public**		<i>Dubini, 1989; Spigel, 2017</i>

Validate QUAN results

Disproof QUAN results

**results are significant at a .01 level

Research questions 4 and 5 focus on the composition of relevant policymaker guidelines by asking about things that need to be changed. To this end, research question 4 asks generally about circumstances of changing public equity cultural variables and environmental changes, whereas research question 5 is more open-ended and specific on particular change suggestions.

With regards to research question 4, all hypotheses are accepted. Regarding the first four sub-hypotheses concerning the public equity cultural variables, it was found that circumstances catering more for lower PEIDV and PEIND and for higher PEUAI and PELTO values, have a positive impact on the attitude of going public. As justified above, the measurement for the PEIDV variable needs to be revised, which is why the further interpretation of results concerning this variable is not reasonable but should be covered in further research. The remaining three public equity cultural variables can be further discussed. As for that, these results can be compared to the results to research question 2 to confirm their validity. As justified in chapter 4.3.1.2, research question 4 is concerned with the supply side of an IPO, whereas research question 2 focuses on the demand side. In section 7.1.2, it was discussed that entrepreneurs with low PEUAI and PELTO are more likely to go public. Thus, entrepreneurs with high scores in those variables are less likely to go public. Therefore, circumstances need to change in order to cater more for those entrepreneurs on the higher spectrum of these variables. For PEUAI, the proposed suggestion is to have an instrument with which stock prices cannot fall below a certain threshold, generating a security cushion. For PELTO, the scenario was suggested to have competitors with good sustainable experience with public equity financing. Hence, if the external circumstances allow for an increased level of those variables, which is to say less risk and more long-term planning, the attitude of going public would improve. The opposite effect was observed with PEIND, where entrepreneurs with high values are more likely to go public. Thus, the circumstances need to change in order to allow for low levels of PEIND. Deducing from the suggested scenario in the survey, entrepreneurs are not interested in a first-mover advantage, but would appreciate if other businesses have had positive experience with going public. This is very much in line with the scenario increasing PEUAI support, underlining the interdependence of cultural variables. In summary, as the hypotheses are

accepted, they follow the postulations. These are based on the results from research question 2, where all hypotheses are accepted except for the PEIDV variable. Since, except for the PEIDV variable, all results were validated through the follow-up interviews, the qualitative data also supports the results for research question 4 as described above. In addition, as summarised in table 34, similar literature to research question 2 validates the results, except for PEIDV, which needs to be measured differently, and PEIND, where literature is very limited due to the novelty of the variable.

The second part of research question 4 examines changes in political, economic, socio-cultural and technological factors. Each hypothesis, H_{4e-h} , is supported. Thus, the decrease of political burdens as well as the increase of economic stability, socio-cultural awareness and technological processes foster the acceptance of public equity as a potential financing form for medium-sized enterprises. In particular, the survey suggested less bureaucracy with clear and easy legislation, good and sustainable macroeconomic performance, increased stock market investment activity and an IPO process that is completely online. The interview data supports these findings. Participants in both countries have highlighted that there is too much regulation and that the legislation is too complicated and unclear. Thus, they wish for less and easier legislation. In addition, they have discussed that a stable macroeconomic environment is essential. With Brexit and the Corona crisis happening, there is much uncertainty amongst the entrepreneurs, which might hamper the willingness to go public. Furthermore, with regards to socio-cultural awareness, it was said that there are many dishonest people in the IPO process. Especially in Germany, trust is very important. In addition, stock investments are, historically caused, not very popular in Germany due to the failure of Neuer Markt. In both countries, but especially in Germany, there needs to be more training on the benefits and risks of public equity, so that entrepreneurs and society can better evaluate it. Finally, concerning technological processes, interview participants agreed that moving the IPO process online would be beneficial. "If you could have an online portal for the complete process, that would be better, no question" (I_DE_2). These results are also consistent with literature. Entrepreneurial ecosystems include political, economic and socio-cultural stability and growth, supporting the development and growth of businesses

(Dubini, 1989; Spigel, 2017), particularly through sufficient access to sustainable finance (Ayyagari et al., 2008; Berger & Udell, 2006; Carbó-Valverde et al., 2016; Lee et al., 2015; Wehinger & Kaousar Nassr, 2016). As outlined in chapter 3.1, both countries have comparable legislation, stable economies and technological standards. The only major difference between the countries occurs in socio-cultural aspects which can be explained by the different histories of the countries and which has been further elaborated on in the previous sections.

7.1.5 Research question 5 – policy changes

Table 35: Summary of significant quantitative results and validity assessment for research question 5

Study results	
Priority QUAN results	Sequential qual results
SME public equity platform awareness is higher in the United Kingdom (43%) than in Germany (21%)**	
There is an undecided to negative attitude towards the SME platforms satisfying the businesses demands	
The knowledge of the existence of SME platforms enhances the attitude of going public**	
Necessary changes to enhance the likelihood of going public: <ul style="list-style-type: none"> - Less requirements - Remain independence - Corporate strategic change - Long-term planning potential - Other financing options become less attractive - Investor behaviour change - Need for consultation 	

<p>Necessary changes in SME public equity platforms to enhance the likelihood of going public:</p> <ul style="list-style-type: none"> - Simplified processes - Cost efficiency - Need more knowledge about them - Need to be established and reputable - Industry-specific platforms - Need to cater more for the specific needs of SMEs 	
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Validate QUAN results

Disproof QUAN results

***results are significant at a .01 level*

The last research question is about policy changes and was addressed in the final optional open-ended part of the survey as well as in the follow-up interviews. As these questions were considered more of a brainstorming for the subsequent policy guideline development, they are an original contribution and can therefore not be validated by previous research. For that reason, the table above checks consistency of the results only between the two datasets of this research.

The survey has identified that, in order to be more likely to consider public equity, there need to be less requirements, more independence, strategic change, potential for long-term planning, less attractive financing alternatives, a change in investor behaviour or the need for consultation. In addition, the awareness of SME specific stock exchange platforms is low in both countries, but significantly lower in Germany than in the United Kingdom. Moreover, there is general interest in the platforms, but there is potential to better meet the specific demands of SMEs. This was confirmed in the interviews, where half of the British interviewees (2 out of 4 entrepreneurs and 1 out of 2 intermediaries) and only one of the German interviewees (the policymaker) knew about the existence of such platforms. Those who knew about the platforms criticised their inflexible approaches, and those who heard about them for the first time showed interest. Thus, missing awareness and knowledge is a problem that

needs to be addressed, in particular among intermediaries who typically facilitate and advise those instruments. Only by having sufficient knowledge, efficient financing decisions can be made, influencing the entrepreneurial ecosystem and thus the sustainable growth of the business (Grunert & Norden, 2012).

Regarding the SME specific stock exchange platforms, survey participants have indicated that they wish for easier processes, less costs, more training, more establishment, more industry-specific focus and a better care for the specific needs of SMEs. Wehinger & Kaousar Nassr (2016) have similarly highlighted that policymakers should consider the diversity of SMEs when making policies affecting them. "A one-size-fits-all approach to rule-making could be inefficient, if not detrimental" (p. 51). These results have all been mentioned in the follow-up interviews and are therefore in line with the qualitative data results. The most often mentioned necessary changes were better communication and the need for training. This is also advised by Li et al. (2019) who say that due to the high UAI in countries like Germany, there is very little knowledge and a lot of mistrust about riskier options of financing which should be fostered. This also supports the Satisficing Theory of Rationality (Simon, 1955) this research is based on. Due to limited knowledge about alternatives, businesses choose financing options that are good enough for them but perhaps not most efficient. Thus, there is a need to improve the knowledge and reputation of public equity, so that more elaborate financing decisions can be made. Regarding the problems of public equity which could potentially be addressed in future policies, they mentioned missing knowledge about the instrument as well as the dilution of control. The interviews have also highlighted additional things that should be addressed in future policies, including trust issues, the general negative attitude towards public equity and the raised responsibility towards different stakeholders. All these issues are starting points for potential changes in policies.

7.2 Policymaker guidelines and outlook

Based on the discussion above, a number of guidelines for policymakers can be deduced. These should help to improve the likelihood of medium-sized enterprises to consider public equity as a financing form in the future in order to have a sustainable source of finance and thus, to circumvent the financing gap problem. As discussed in section 7.1.4, circumstances decreasing political burdens improve the attitude towards going public. Therefore, the following guidelines aspire to do so.

Eight guidelines developed from the results of this research. They are relevant for both groups of policymakers this study addresses as defined in chapter 1.3: stock exchanges and legislative organs. In particular, stock exchanges refer to the London Stock Exchange in the United Kingdom with its AIM, and the Deutsche Börse in Germany with its Scale segment as well as the other German stock exchanges with SME platforms (i.e. m:access in Munich or Primärmarkt in Düsseldorf). Legislative organs refer to the Financial Conduct Authorities as well as the parliamentary relevant departments in both countries and the European Commission. The following table summarises the guidelines and the relevant policymakers.

Table 36: Guideline framework for policymakers

Focus	Guideline	Relevance for	
		Stock exchanges	Legislative organs
External communication	1. Improve communication	X	X
	2. Enhance education/training	X	X
	3. Arrange existing regulations/legislation more clearly	X	X
	4. Enhance marketing activities	X	
Internal processes & products	5. Improve IPO processes	X	
	6. Increase individually tailored support	X	
	7. Respect cultural differences	X	
	8. Evolve product range	X	X

The first policy guideline is to improve communication, which is relevant for both, stock exchanges and legislative organs. In both countries, participants have expressed their mistrust in people related to the IPO process. Thus, transparent processes and cost structures as well as the persistent communication and open accessibility of those are key to enhance the customer relationships and trust. This is in line with Boot (2000) who argued that increased transparency and long-term relationships enhance understanding and decrease information asymmetries. For that reason, there should be regulations in place to confine commission based transactions and unfair bonus systems for intermediaries. As justified in the results discussion above, this is likely to result in an increase of businesses considering public equity financing. In order to build more trusty relationships, communication should also be culture-specific, as further discussed in guideline seven. Entrepreneurs are willing to pay extra if they can fully trust and rely on their contact person and their independent and honest opinion. Thus, those values are potential unique selling propositions for stock exchanges and intermediaries.

It is important for both, stock exchanges and legislative organs, to have open and comprehensive communication with each other, entrepreneurs as well as relevant intermediaries. In order to achieve efficient communication with short and quick channels, it is important to have only few contact persons but those should have extensive decision-making authority. Thus, training of these contact persons needs to be longer and more intensive than it often is at the moment, so that they can gain sufficient experience.

In addition, linked to the sixth guideline, communication needs to be adapted to cater more for the individual needs of the customers. This includes better knowledge of advisors and more time spent on customer contact and distinct communication.

The second recommended policy guideline based on this research is to enhance education and training. This guideline concerns both groups of policymakers. Sufficient knowledge about public equity is key in order to build an educated estimate about associated risks and returns. As mentioned in chapters 1 and 2, SMEs lack awareness of public equity instruments which is

one of the main reasons for businesses not succeeding or wanting to grow (Mazzarol & Reboud, 2020; Wehinger & Kaousar Nassr, 2016). To this end, three target groups need to be approached: entrepreneurs, intermediaries and the general public. The study has evaluated that the knowledge about public equity, IPOs and SME specific platforms is deficient in both countries, but in particular in Germany. Therefore, especially intermediaries such as banks and business advisors, but also entrepreneurs and potential private or institutional investors need to know more about the opportunities and risks associated with public equity. As such, scepticism about i.e. dilution of control, which is a reason for many not to consider going public (Brau & Fawcett, 2006), can be reduced by teaching that not 100% of the business needs to be made public or by educating about minimum free float requirements etc. In addition, they could learn that their size and reputation is not too small if they choose to go public through a SME specific platform such as AIM or the Scale segment. That way, boundaries which prevent businesses from considering public equity could be removed that are easy to avoid through sufficient knowledge.

As stated above, the situation is more severe in Germany. Due to several reasons, including the failure of Neuer Markt, people are very hesitant towards public equity and consider it too risky without knowing how it works, which is also reflected in their high PEUAI and PELTO cultural variables. By counteracting those bad experiences through training and education, the instrument might not be seen as too risky, old-school or gambling if risks can be assessed reasonably. Thus, a repetition of the mistakes made with Neuer Markt could be avoided through sufficient knowledge. In addition to this, Neuer Markt was hyped through the media stimulating the public to invest in shares of which they had no experience or education. Hence, this research suggests putting a regulation in place which forbids to hype risky investments in the media without highlighting associated risks. This needs to be in concordance with the freedom of the press. Thus, training needs to respect cultural differences, which is in line with findings from Packham, Jones, Miller, Pickernell & Thomas (2010). Therefore, it is also linked to the seventh guideline discussed below.

In addition, especially in Germany, the general public has limited knowledge and a very bad attitude towards public equity. This is in line with Ahunov & van Hove (2020) who have discovered that countries with lower IDV scores, such as

Germany, know less about financial fundamentals than countries with higher IDV scores like the United Kingdom. Thus, in particular in Germany, there is the need for a general rethink about the instrument as well as about basic economic principles (i.e. interactions of supply and demand). By incorporating these education principles on a very basic level in school, incrementally building up over the years, the population could gain a better understanding about market economics and thus about opportunities and risks of public equity. This could eventually result in more people being active in stock markets, slowly moving the economy towards a less bank-based and more market-based country like the United Kingdom.

Regarding how to approach the target groups for training, it is important to have trustable and independent facilitators. This could be banks (especially Germans have expressed a high importance of their bank advisors), tax or business advisors, the government, the stock exchanges, Industry & Commerce chambers, universities or other experienced businesses.

Some banks across Europe already approach the youth by an interactive game called Stock Market Learning, where groups compete against each other by investing a given fictitious monetary amount. The team with the highest return wins a prize and all participants gain an insight into the principles of stock markets. This and similar initiatives should be further supported by policymakers, i.e. through bigger prizes, and better advertised in order to allure more participants and spread the general interest in stock markets.

In addition, some stock exchanges and banks offer information afternoons. However, there is generally not a big uptake on these, they are too centralised or relevant people are not invited. Possible solutions could include to offer additional incentives such as free merchandise, free movies etc. in order to boost attendance. By making the information part of an event, more people might attend and the reputation of the stock exchange or bank organising the event also benefits from it. The other problems can be solved by actively approaching relevant businesses and people. Invitation emails are often overlooked, which is why information sessions need to be advertised through other channels. One option are meet-ups where entrepreneurs meet and discuss recent issues with each other. These kinds of meet-ups already exist in

some areas and are well accepted by local entrepreneurs. Therefore, a policy implication could be to support those meet-up opportunities nationwide in both countries, so that all areas are covered. This would enhance communication amongst entrepreneurs and would also provide a platform for policymakers to present business options such as going public. In addition, public equity financing needs to be well communicated at those events, which is not yet the case. Eventually, it is all about accepting change, which is only possible incrementally over time with coherent and comprehensive communication and training. Thus, this aspect is very much in line with the first guideline presented above.

Similar training should be incorporated for intermediaries such as banks or business advisors, as these are often the first contact persons for entrepreneurs for strategic decisions. Therefore, as they are often not aware of SME specific stock exchange platforms, specific training sessions need to be offered for them, as well.

The third suggested policy guideline is to arrange the existing regulations and legislation more clearly. Similar to the two previous guidelines, this one is relevant to both, stock exchanges and legislative organs. The amount of regulation linked to an IPO and being listed is necessary, i.e. in order to counteract dishonest people and fraud. In fact, this research advises to have more regulations in place against unfair bonus systems and commission based advisory.

However, most participants of this study complained about the confusing legal landscape. They feel overwhelmed by the numerous regulations which is a reason for them not to consider going public. This is in line with Engelen, Meoli, Signori & Vismara (2020) who have discovered that increased regulation decreases the willingness to go public. For that reason, this guideline suggests policymakers to arrange the existing and relevant regulations in a clear manner and easy-to-understand language. That way, potential interested entrepreneurs or intermediaries can get a quick and structured overview of the legal landscape they need to be aware of.

In addition, the high bureaucratic efforts often discourage entrepreneurs to further look into a potential IPO. Therefore, they should be kept at a minimum and processes should be as short and simple as possible. Again, intensive communication with businesses and intermediaries is key. With skilled and informed advisors, the regulatory information burden can be minimised.

The fourth suggested guideline is the last one that focusses on external communication. Similar to the following three guidelines, it is only relevant for the stock exchanges in their role as policymakers. The guideline proposes to enhance marketing activities in order to promote public equity financing. Thus, they should focus on communicating the advantages of public equity such as i.e. sustainable access to finance, raised company profile and an increased equity ratio. Nonetheless, as argued above, major potential risks should be outlined as well, in order not to deceive anyone interested.

In addition, in order to foster circumstances catering for higher PEUAI and PELTO and for lower PEIND levels, testimonials are an effective marketing instrument. By presenting businesses that have successfully gone through the IPO process, entrepreneurs are approached on a more personal level, benefiting from their experiences. This fosters their certainty for longer-term planning as well as for their readiness to decide going this rather unusual way to get capital.

In the United Kingdom, AIM has a bad reputation amongst investors. By better explaining why individual businesses underperformed in the market and how this is not the case for all businesses, this reputation could improve. This is in relation to the first and second guideline that there needs to be enhanced communication and a better understanding about stock markets in general.

Finally, due to the special standing of German Mittelstand, marketing activities should address its specific values of family firms, innovation, tradition and quality. For potential investors, it could also be highlighted that Mittelstand firms are “considered a secure investment” (I_DE_2). Thus, an emphasis should be put on matched marketing and communication.

The remaining four guidelines focus more on internal processes and products instead of external communication. As such, it is advised to improve the IPO processes. More specifically, this guideline refers to making the going public processes less resource intensive. They should be kept as easy, cost efficient and fast as possible. Options to achieve this are for instance to have reporting closely leaned on national reporting standards. That way, information could be transferred easily and quickly. It is important to have simple and easy to understand processes and platforms, which is why all communications and processes should be in an easy-to-understand informal language. “The average Mittelstand business owner has no idea about finance. They are normal people who are experts in the field of the business, but don’t know about how to finance it.” (I_DE_1). For that reason, it is essential to keep everything as clearly and simple as possible in addition to increased communication and training as mentioned in the previous guidelines.

Moreover, entrepreneurs have expressed the wish for more independency through online processes. By not having to be somewhere in person, they can use as much time as they want on the process to follow and understand it. By introducing 100% online processes and platforms, more flexibility and customer protection could be achieved. However, these processes need to be secure. In addition, since communication is so important, there should be the possibility to call, online-chat or meet with an experienced and trained process advisor at all times. As mentioned above, similar to all other communication and processes, trust is an important value that needs to be incorporated in those online processes as trust has been found to support user interest (Raeside, Peisl & Canduela, 2019).

Furthermore, many complained about high IPO costs. By following the advice of having transparent processes and cost structures, as outline in guideline 1, trust levels increase. That way, interested entrepreneurs know why the processes are that costly and where the money goes, and they would be more willing to consider an IPO.

The sixth suggested guideline is to increase individually tailored support. Entrepreneurs have complained about the lack of personalised support from

IPO advisors and stock exchanges, including SME specific stock exchange platforms. As already mentioned in guideline 1, it is advised to have fewer contact persons but those should be better trained and experienced and have more decision-making authority. The contact needs to be more intensive, which is to say more time needs to be spent with the interested business. That way, the company's individual history and distinct specifics can be taken into account when selecting the best financing option. Thus, instead of following a one-size-fits-all approach, individually tailored support is key. This is a measure catering more for PEUAI and PELTO, which are cultural variables that are particularly high in a public equity context in both, the United Kingdom and Germany.

In addition, some entrepreneurs have expressed the need for industry specific stock exchanges. Some industries are more seasonal than others or have different characteristics that distinguish them from other industries, such as intensified regulation, government dependency etc. Therefore, in all-industry stock platforms, these specific industries stand out (positively or negatively) and are not catered for directly. By introducing industry specific platforms, industry insiders and experts could better care for their distinct characteristics.

The next guideline suggests to better respect cultural differences. This research has identified that PELTO and PEUAI carry the biggest weight in the IPO decision. Those values are high in both countries. Thus, in particular the United Kingdom, which is usually relatively open to risk and more short-term oriented, but businesses in both countries are more risk averse and long-term planning regarding their going public decision. Therefore, an emphasis should be taken to cater more for those cultural aspects, i.e. through the guidelines mentioned in this section. Communication, training, legislation, marketing, processes, individual support and new products should be oriented around the values that are most important to the countries. As for that, British policymakers should emphasise on profit, growth, results and competition and German policymakers should focus on ethics, caution, control, planning and tradition. In both countries, trusty people, transparent processes and good communication are important.

Finally, the last guideline refers to evolving the product range. In addition to introducing industry specific platforms as suggested in guideline 6, it is advised to introduce further instruments. As such, current investment trends such as ethical investments (i.e. green businesses or businesses with fair working conditions) have potential to attract both, new businesses getting listed and new investors trading shares. Moreover, by going with technical trends, stock trading could become more interesting for the general public. Mobile applications enabling to trade small sums in an interactive and modern design could introduce many people to the stock markets. In addition, new products could include a platform linked to crowdfunding campaigns. Crowdfunding platforms have been identified as a new financing trend with much potential (Green et al., 2015). Furthermore, an international platform, not only like the CMU but also around the world, could enhance listings and trades, as well. That way, more international investors could be attracted. With a focus on moving everything online, as suggested in guideline 5, communication across the globe could be facilitated. However, regulations and legislation need to be agreed between all participating countries, which significantly complicates this suggestion. In order to further incentivise public equity for SMEs, the government could launch tax relief programmes for both, SMEs getting listed and investors. This has been proven to be “a quick and efficient way to induce participation in small equity markets” (Wehinger & Kaousar Nassr, 2016, p. 52). Finally, the introduction of new instruments which could decrease the risk and responsibility of businesses going public could enhance their willingness to consider public equity. As such, the introduction of a security cushion in exchange for a prepaid and defined charge could serve as a kind of insurance against financial distress in case the share price falls below a certain threshold. Alternatively, in order to cater more for high PELTO values, time-limited share emissions to shareholders could be considered. By having a predetermined payback date, enterprises could better plan ahead long-term.

Appendix 5 contains handouts for the relevant policymakers in both countries which have been communicated in July 2020. The legislative organs have been contacted online through contact forms on the governmental websites and the stock exchanges have been contacted directly via email based on the contact

information gathered during the interview sampling processes. The handouts visually summarise the guidelines above in a clear way. The German handouts have not been translated due to the fact that both, legislation and stock exchanges, have regular international business operations and are therefore used to communication in English.

The above guidelines show the aspects that can actively be approached by the policymakers in order to change the financing gap situation. In addition to these political suggestions, there are also other external aspects which influence the decision to go public. Following the PEST analysis as done in chapter 3.1, also economic, socio-cultural and technological aspects play a role. While the political aspects above are controllable, the other PEST variables are less controllable and dependent on many external influences.

Regarding the economic development, the survey results have shown that circumstances increasing economic stability are fostering the going public decision. Unfortunately, both, Brexit and the Corona crisis, are increasing uncertainty in the markets amongst entrepreneurs and economic analysts (i.e. Deutsche Bank, 2020a & 2020b; HSBC, 2020). The current situation is consistent with the results from Serrasqueiro et al. (2018), who found that economic recessions and crises particularly hit SMEs. With this increased uncertainty, the financial distress caused by the Corona crisis especially for SMEs, increased unemployment and the underperformance of stock markets worldwide, the likelihood of currently going public is very low. There cannot be much done about it during the crisis. However, as outlined in chapter 3.1, stock markets have recovered relatively quickly from the Corona crisis. This stable and sustainable aspect of the financing option needs to be communicated and marketed accordingly, so that the high UAI and LTO levels regarding the IPO decision are satisfied. In addition, governments need to be prepared to react when the situation relaxes. Then, they should put the above guidelines in place to foster stock market activity which will eventually boost the macroeconomic performance, as well.

Furthermore, the research has shown that an increase in socio-cultural awareness has a positive impact on the decision to go public. The guidelines above already support this finding. By focussing more on the defined culture-specific values, services and products can be adapted accordingly. The same applies for the investor side. By better training the general public, facilitating processes and making trading more accessible, socio-cultural awareness of public equity financing increases.

Nonetheless, it needs to be kept in mind, that culture does not change quickly and needs decades to transform. The interviews have shown that younger entrepreneurs are much more open towards trying out new ways of running the business, but banks will always remain important. Public equity should not be seen as a financing solution completely displacing traditional bank financing. This will always remain important for SMEs in both countries, despite exacerbated lending conditions (Wehinger & Kaousar Nassr, 2016). However, banks need to rethink their approaches and follow some of the guidelines from above. They need to become more trustworthy in the future i.e. by having more skilled and experienced advisors, by enhancing transparency and communication or by introducing newer fintech products and platforms. In any case, additional financing to traditional bank lending will become inevitable and public equity is a sustainable alternative.

Finally, this study has found that increasing technological processes foster the decision to go public. This is also already reflected in the guidelines above. By moving processes online and by having easy to use platforms, technological trends are incorporated. These accommodate for the trends of the whole population being able to access the internet and being connected online (Initiative D21, 2020; Office for National Statistics, 2019a).

7.3 Revised conceptual framework

Referring back to the conceptual framework, the findings of this study support the Pecking-Order Theory and Satisficing Theory of Rationality, which this research is based on. Hofstede's Cultural Dimension Theory, however, is

partially disproved. An impact of national culture on the decision to go public was verified, and thus the impact of behavioural aspects to the Pecking-Order Theory. Nonetheless, this aspect of national culture is very specific and is therefore different to the very generic approach from Hofstede. The existence of different financial systems for medium-sized enterprises in the two countries has been confirmed. Figure 47 summarises the research results with regards to the conceptual framework established in chapters 2 and 3.

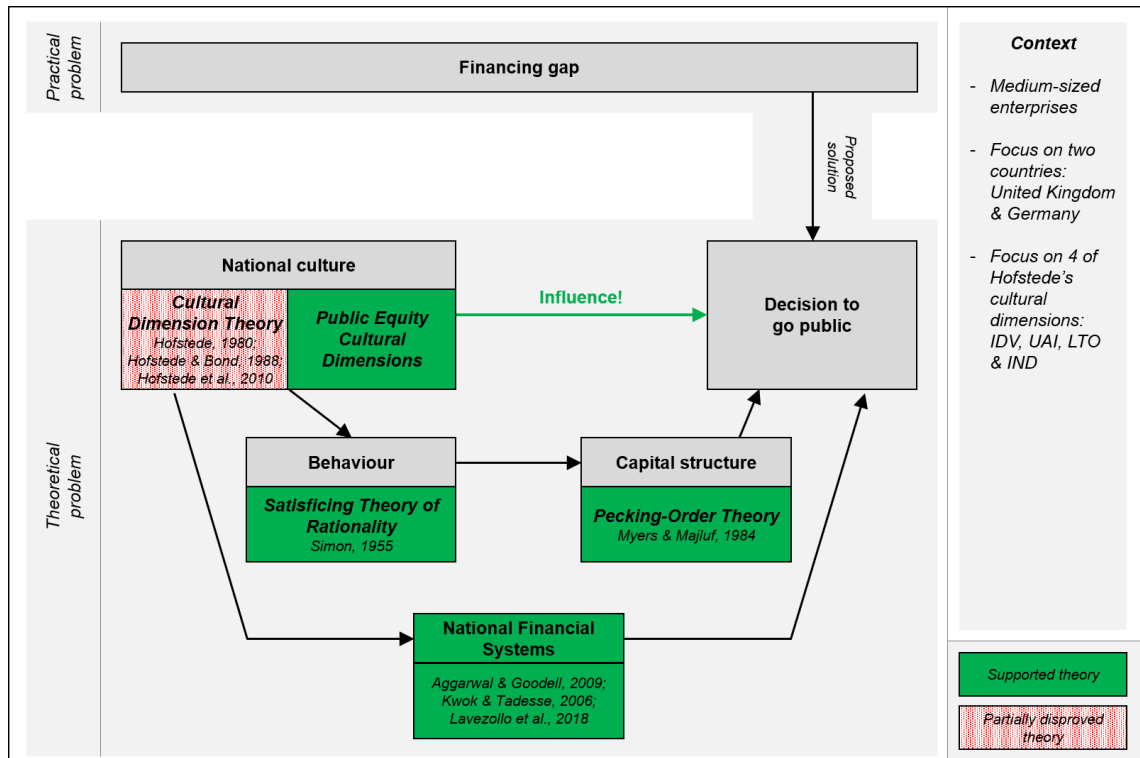


Figure 47: Revised conceptual framework of this research

7.4 Chapter conclusion

This chapter has brought together the individual sections of the research. The results discussion has shown that the United Kingdom has a more positive attitude than Germany towards public equity and is, thus, generally more likely to go public. In addition, it was shown that the public equity cultural variables (except for PEIDV which needs to be revised) have an impact on the decision to go public. Nonetheless, those variables are not reflected in Hofstede’s cultural variables. Finally, it has been shown that circumstances catering more for high PEUAI or PELTO and for low PEIND values, as well as circumstances

decreasing political burdens and increasing economic stability, socio-cultural awareness and technological processes increase the likelihood of going public.

The findings of this study support the Pecking-Order Theory and Satisficing Theory of Rationality as well as the applicability of national financial systems research for medium-sized enterprises, and partially disprove Hofstede's Cultural Dimension Theory. Although the impact of national culture on the decision to go public has been proven, this aspect of national culture is very specific and can therefore not be fully reflected by Hofstede's variables which consider all aspects of national culture.

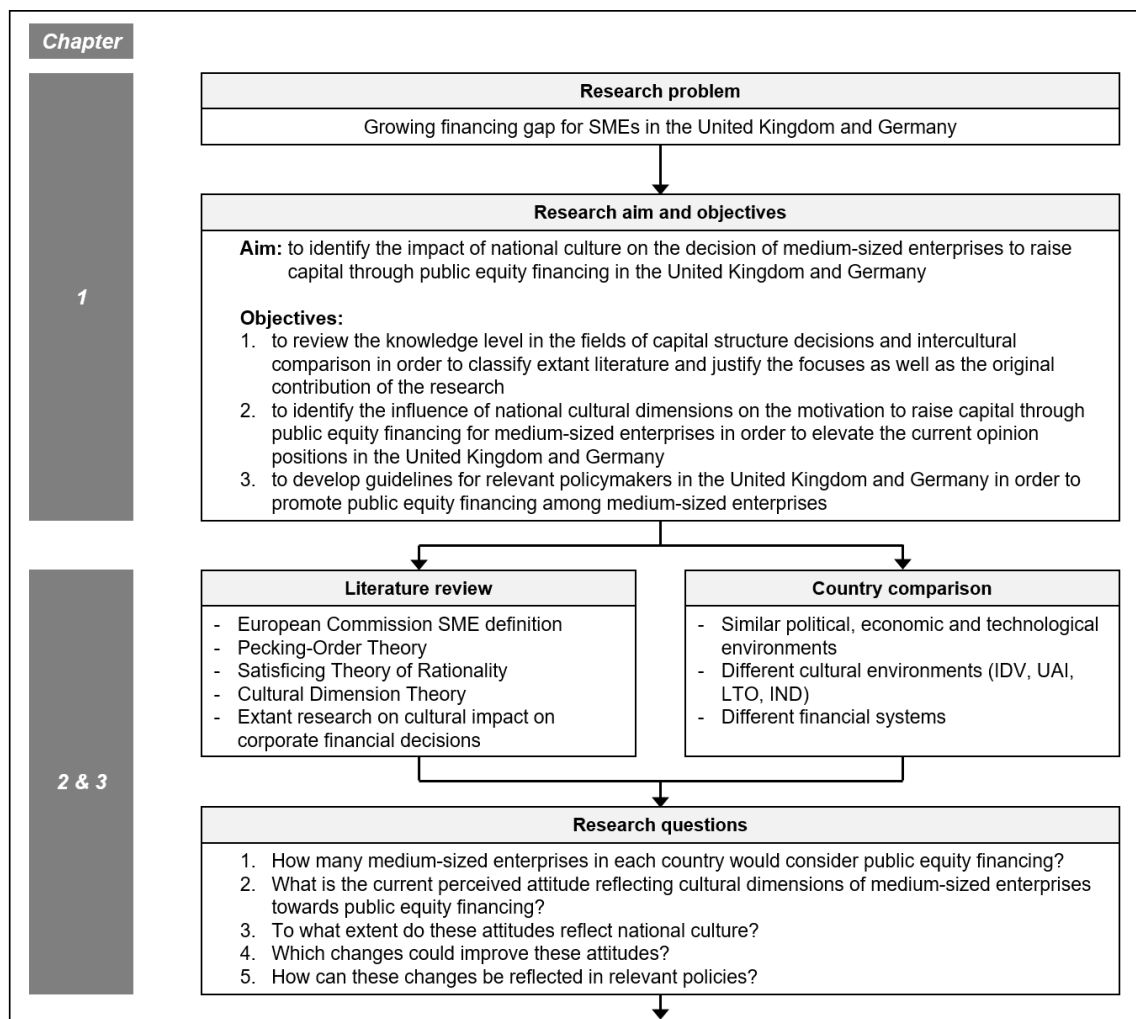
Based on the results, eight policy guidelines have been developed and communicated. In summary, communication, training, product and process development, expert advisors, flexibility, clarity and trust are essential aspects policymakers need to address in order to make public equity more attractive for SMEs. A number of external influences also impact the decision to go public and have been addressed in the guidelines, reflecting cultural characteristics and technological advancements. Economic developments and their impact on the going public decision are currently difficult to predict due to the high uncertainty of Brexit and the Corona crisis.

8 Conclusion

This final chapter will sum up the research. First, the key results as well as the contributions and impact of the study will be outlined, referring back to the research problem, aim and objectives. The second section will cover limitations of this study and suggest opportunities for further research. Finally, a concluding comment and recommendations will wrap up this dissertation.

8.1 Key results and contributions

This section will go through each chapter of the dissertation outlining their specific contributions to the research aim and objectives. Figure 48 summarises these in the chapter structure overview of this dissertation.



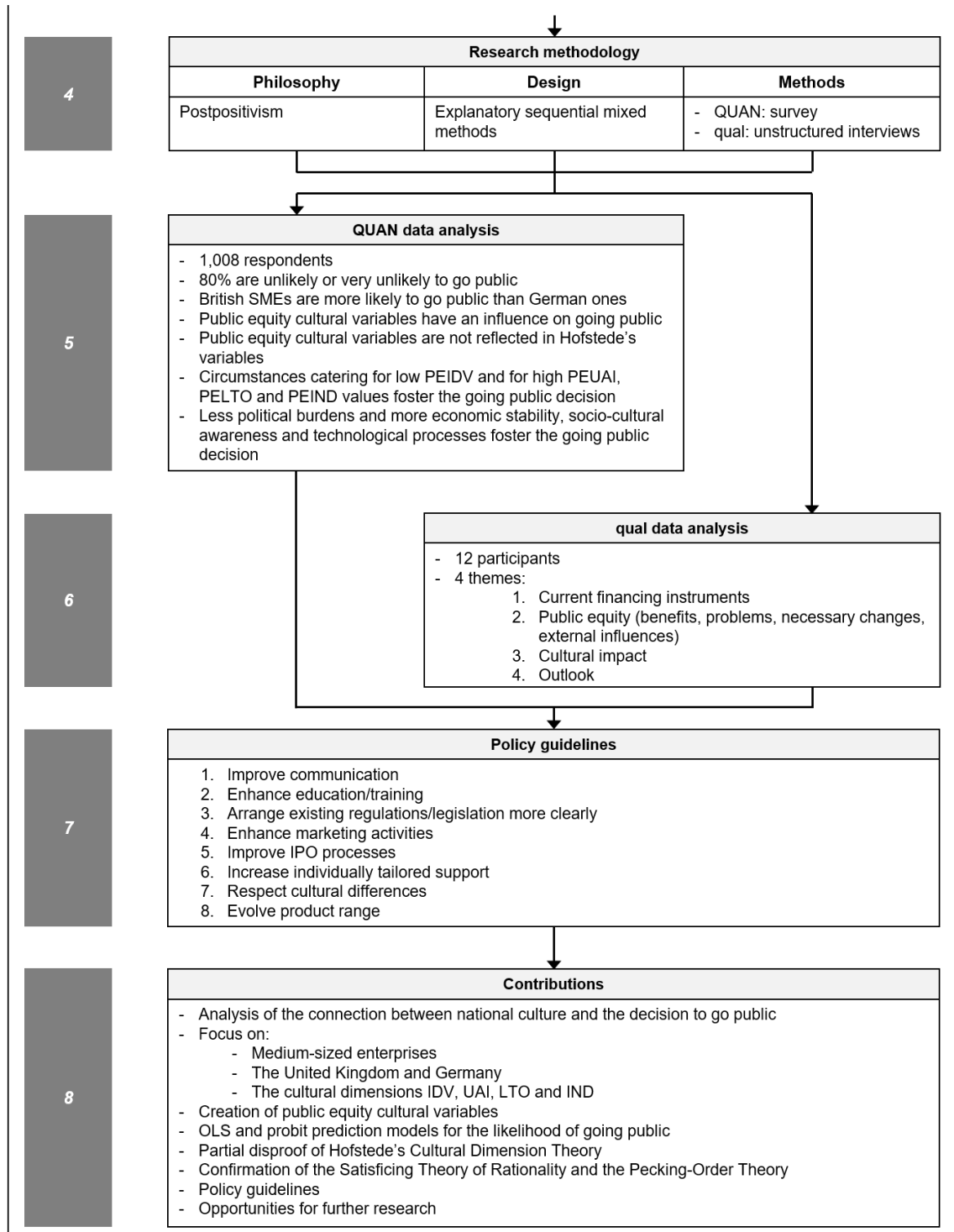


Figure 48: Key results and contributions per chapter

The first chapter has presented the research problem as well as the general approach to solving the problem in the scope of this research. The research problem is the existing and growing financing gap which SMEs are experiencing. Especially since the financial crisis, access to finance was

significantly exacerbated, but in order to persist and grow sustainably, sufficient access to finance is indispensable. The solution proposed in this research is public equity financing. However, although Europe's biggest stock exchanges are in London and Frankfurt, the acceptance of public equity differs strongly between the United Kingdom and Germany. Therefore, the aim of the research was to identify the impact of national culture on the decision of medium-sized enterprises to raise capital through public equity financing in the United Kingdom and Germany. Three objectives supporting this aim comprised of reviewing the current knowledge, identifying the influence of national culture on the going public decision and developing policy guidelines to support public equity financing amongst medium-sized enterprises. Key stakeholders have been identified in medium-sized enterprises, intermediaries such as banks, advisors and lobbies, as well as policymakers including stock exchanges and legislative organs.

After having outlined the purpose and pathway of the research, chapters 2 and 3 were concerned with research objective one, reviewing the literature. Chapter 2 has defined SMEs according to the definition of the European Commission. Looking into capital structure decisions, a combination of the Pecking-Order Theory and the Satisficing Theory of Rationality has been adopted. This research therefore assumed that capital structure follows a pecking order from internal financing over debt financing to equity financing. However, this pecking order is not always rational due to personal preferences and missing knowledge of alternatives. Thus, a major assumption of this research is that not only rational hard factors influence the going public decision, but also irrational soft factors such as national culture. Following a large culture approach respecting cultural relativism, Hofstede's Cultural Dimension Theory has informed this research. Previous research has identified a connection between national culture and financing behaviour, but the influence on the decision to go public is an original contribution, as well as the application of the theories to medium-sized enterprises.

Chapter 3 has outlined the two strata of observation. A PEST analysis has compared the environmental situations of the United Kingdom and Germany. It could be observed that the countries are very similar in their political, economic and technological environments. This, and the fact that they are among the

biggest economies in the world, makes them relevant and significant countries for comparison. Their biggest difference occurs in their cultural environment as well as in stock market participation, which supports the main assumption of this thesis that culture influences the IPO decision. The countries are based on two opposing financial systems, with the United Kingdom being rather market-based and Germany being very bank-based. Applying Hofstede's model, cultural differences mostly occur in IDV, UAI, LTO and IND, justifying the focus on these four variables. The detailed comparison of these two countries and the focus on the four cultural variables also constitute an original contribution. Based on the literature analysis and the research objectives, five research questions have been deduced.

Research objective 2 was covered in all subsequent chapters where chapter 4 was concerned with the methodological approach. By applying a postpositivist philosophy, mixed methods have been used, which is relatively unusual and original in the research area. By combining the quantitative aspects of financing with rather qualitative influences of national culture, both types of data are relevant and important for this research. Therefore, explanatory sequential mixed methods have been used in a cross-sectional design. The priority quantitative data has been collected from a simple random sample of entrepreneurs through a web-based standardised questionnaire. The sequence qualitative data was collected through unstructured in-depth interviews with selected entrepreneurs, intermediaries and policymakers. At all times, the rigorous and ethical treatment of the data has been ensured.

Chapter 5 covered the priority quantitative data collection informed by the five research questions. The sample consisting of just over 1,000 respondents had relatively similar characteristics to the population and is therefore largely representative, resulting in a high explanatory power of the results. The results show that only 10% of the participants would consider public equity financing, 7% are uncertain, 80% would not consider it and 3% are already listed. In addition, British businesses are significantly more likely to go public than German ones. Computing cultural variables specific to the decision to go public is another original contribution of this thesis. The cultural variables of PEIDV, PEUAI and PELTO have shown to have a negative impact on the decision to go public, while to opposite applies for the PEIND cultural variable. Furthermore,

Hofstede's cultural variables have been identified not to reflect the public equity cultural variables. Moreover, a number of potential changing circumstances have been identified to positively impact the going public decision, such as catering for lower PEIDV and PEIND and for higher PEUAI and PELTO levels, as well as less political burdens, increased economic stability, increased stock market awareness and improved technological processes.

Chapter 6 analysed the sequence qualitative data on the basis of thematic analysis with a sample of 12 participants. The in-depth data resulted in four main themes. The first theme outlines current financing instruments where internal and bank financing were mentioned as the most important sources of finance. The second theme evolved around public equity distinguishing between the known benefits and problems of public equity financing as well as necessary changes. In addition, external influences on the decision to go public have been discussed. The third theme focussed on cultural influences subdivided by the four cultural variables this research is observing. National differences could be observed with British participants valuing profit, growth, result and competition and German participants focussing more on ethics, caution, control, planning and tradition. In both countries, trusty people, transparent processes and good communication are important. The final theme was about an outlook. To this end, the future of public equity and the importance of banks have been discussed as well as the influence of Brexit.

Chapter 7 has brought together the two sets of results and has put them in relation with literature. The quantitative results have been mostly validated by the qualitative results as well as previous research. The only exception is the PEIDV variable. Contrary to the survey data, interview data and literature have indicated a positive impact of that variable to the going public decision. Thus, the valid results of this research exclude PEIDV and focus on the remaining three cultural variables. Subsequent to discussing the results, specific guidelines have been developed for policymakers in both economies, which is in line with the third research objective. These shall promote public equity financing for medium-sized enterprises and help closing the financing gap. The guideline handouts are another original contribution of this research. Table 37 summarises the results in reference to the research questions.

Table 37: Research questions answered

Research question	Findings
1. How many medium-sized enterprises in each country would consider public equity financing?	<ul style="list-style-type: none"> - Around 10-17% - More in the United Kingdom than in Germany
2. What is the current perceived attitude reflecting cultural dimensions of medium-sized enterprises towards public equity financing?	<ul style="list-style-type: none"> - PEUAI and PELTO have a negative impact on the decision to go public - PEIND has a positive impact on it
3. To what extent do these attitudes reflect national culture?	They do not reflect national culture directly as they observe a too specific context
4. Which changes could improve these attitudes?	<ul style="list-style-type: none"> - Cater for high PEUAI or PELTO values - Cater for low PEIND values - Decrease political burdens regarding going public - Increase economic stability, socio-cultural awareness or technological processes
5. How can these changes be reflected in relevant policies?	<ul style="list-style-type: none"> - Improve communication - Enhance education/training - Arrange existing regulations/legislation more clearly - Enhance marketing activities - Improve IPO processes - Increase individually tailored support - Respect cultural differences - Evolve product range

Thus, the research adds both, theoretical and practical contributions. Theoretical contributions include new knowledge on the limited generalisability of Hofstede's cultural dimension model, as well as improved understanding of social phenomena supporting financial decision making in SMEs. The

Satisficing Theory of Rationality as well as the Pecking-Order Theory have been confirmed, as well as the impact of behavioural aspects on the latter. Thus, capital structure decisions are not always rational and maximise utility, but are also dependent of other unconscious aspects. The impact of cultural variables on the national financial system has been confirmed in this study and the context of medium-sized enterprises to this adds an original contribution. In addition, opportunities for further research were created and will be outlined in more detail in the following section. Practical contributions include the policy guidelines which support closing the financing gap for SMEs. By ensuring more sustainable funding, on a microeconomic level, this research contributes solving the problem of the financing gap for medium-sized enterprises by opening the opportunity to more sustainable long-term capital on the stock markets. This would promote development and growth not only on the organisational level but also, in the long-run, on a national, macroeconomic level. Thus, it could lead to an increase in national production and therefore to higher economic growth, better employment rates, more stable prices, improved foreign trades as well as to bigger and better functioning capital markets.

8.2 Limitations and suggestions for further research

Similar to any other research, this study is limited due to the theoretical and methodological decisions made. Although every decision has been reasonably justified with the goal to increase reliability and validity of this research, some limitations need to be accepted. However, each limitation simultaneously provides an opportunity for further research.

By applying a postpositivist approach with a critical realist ontology in this research, its results are impossible to reflect a holistic picture of social phenomena since the truth cannot be forced into a concept. Reality was aimed to be reflected as closely as possible. However, the results are considered real but potentially incomplete since parts of reality are indiscernible and it is impossible to evaluate a holistic opinion. Therefore, none of the accepted hypotheses can be understood to be completely accepted. Type I and II errors are still possible to exist. These might i.e. be due to the applied definition of

national culture in this research. It accepts the possible interference of corporate or personal culture. Despite following a large-culture approach which focusses on national culture, personality and corporate influences can influence the results, which is impossible to measure and therefore included in the error allowances as specified in chapter 5.2. In addition, the study results are also limited to the moment of time in which the data has been collected. Since reality is emerging, its general applicability is restricted. Therefore, a potential starting point for future research could be to apply a different philosophical underpinning. In reference to this, a different methodological approach with other sampling and data collection and analysis methods would also be possible.

Furthermore, the research objectives could be revised in further research. In particular the third research objective only focusses on policymakers and changes to policies to better promote public equity financing for SMEs. However, stock markets, like any other markets, are controlled by supply and demand. Thus, not only the SME's point of view towards public equity needs to change, but also the investors' viewpoint. If there is no investor, there is no demand, hence, a shifted market equilibrium. Therefore, public equity financing also needs to be appropriately promoted among private and institutional investors.

In addition, this research only focusses on the European Commission SME definition. By applying it to other definitions, results may vary.

Furthermore, the theoretical framework could be reviewed under different focal points. As such, a focus on another capital structure theory (i.e. Trade-off Theory or Agency Theory) or another cultural comparison framework (i.e. Schwartz, 1994 or House et al., 2004) would be possible. Alternatively, this research could be expanded to also include the two remaining cultural variables of the applied Hofstede model: PDI and MAS.

In addition to changing the theoretical approach, the geographical focus could also be adopted or widened. Possible approaches could be to first focus on European countries, or on market-based or bank-based economies, or on those countries where the biggest stock exchanges are located. Having more diverse

country data would enhance the validity of the results and particularly give more significance to the OLS and probit equations.

Based on this, a major point for further research is to generate rules to derive public equity cultural variables from Hofstede's values based on the approach explained in chapter 7.1.3. That way, the models of this research would become more usable and easier to apply. However, since this research is based on just two countries, and therefore not very generalisable for other economies, these rules need to be established based on more country data. Then, the OLS and probit estimation of this study gain more generalisability, as the Hofstede variables can be easily inserted and converted to public equity cultural variables.

In relation to this, the PEIDV variable has been shown not to have a high validity. Therefore, the survey needs to be changed and conducted accordingly, in order to generate more valid results for this variable.

In addition, as there is generally very little research on the influence of Hofstede's newest cultural variable, IND, there is a need to conduct more research on it in order to close this gap in literature and test the validity of this study's IND results.

Finally, the implications of Brexit and the Corona crisis provide a new field for further research. The impact of those events on both, national culture as well as on stock market behaviour, are difficult to predict and are therefore of interest to the research topic and its long-term applicability.

8.3 Concluding remarks and recommendations

This research has aimed to identify the impact of national culture on the decision of medium-sized enterprises to raise capital through public equity financing in the United Kingdom and Germany. That impact has been significantly proven and the influence of specific cultural variables on the decision to go public has been demonstrated. Based on these results, policy guidelines have been defined which aim to promote public equity financing as an alternative source of finance for medium-sized enterprises. These focus on

an improvement of communication, training, product and process development, expert advisors, culture-specific focus and technological advancements. In brief, the main recommendation is to enhance communication and processes to be more flexible, clear and trustworthy. By applying these guidelines, this sustainable source of finance for medium-sized enterprises will be better positioned, which will eventually help closing the financing gap. Especially in times of economic and social crises, a sustainable and stable source of finance is important. However, with the high level of uncertainty and low level of long-term planning these years due to Brexit and the Corona crisis, national culture can predict how different countries deal with these circumstances. Thus, these results are not only of relevance to SME entrepreneurs, but also to intermediary institutions such as banks, advisors, lobbies as well as to policymakers. In addition, not only the researched economies are relevant to the results of this study, but also other economies interested in closing their financing gap and growing their capital markets. Finally, although public equity financing is a reasonable and sustainable alternative for suitable medium-sized enterprises, traditional bank financing will always remain important.

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VI Appendix

Appendix 1:	Quantitative data collection	XIV
1.1:	Invitation email	XIV
1.1.1:	English version.....	XIV
1.1.2:	German version	XV
1.2:	Survey with information and informed consent forms....	XVI
1.2.1:	English version.....	XVI
1.2.2:	German version	XIX
Appendix 2:	Qualitative data collection.....	XXIII
2.1:	Invitation email	XXIII
2.1.1:	Group: medium-sized enterprises	XXIII
2.1.1.1:	English version	XXIII
2.1.1.2:	German version	XXIV
2.1.2:	Group: intermediaries & policymakers	XXV
2.1.2.1:	English version	XXV
2.1.2.2:	German version	XXVI
2.2:	Information form	XXVII
2.2.1:	English version.....	XXVII
2.2.2:	German version	XXVIII
2.3:	Informed consent form	XXIX
2.3.1:	English version.....	XXIX
2.3.2:	German version	XXX
2.4:	Interview guide	XXXI
Appendix 3:	Survey results.....	XXXIII
3.1:	Country respondent descriptive statistics	XXXIII
3.2:	Analysis subgroup compositions	XXXIV
3.3:	Hypothesis test results	XXXVI
Appendix 4:	Interview results – detailed code structure	LII
Appendix 5:	Visual summaries for policymakers	LIX
5.1:	Legislative organs	LIX
5.1.1:	British legislative organs	LIX
5.1.2:	German legislative organs	LX
5.2:	Stock exchanges.....	LXI
5.2.1:	British stock exchange	LXI
5.2.2:	German stock exchanges	LXII

Appendix 1: Quantitative data collection

1.1: Invitation email

1.1.1: English version

Invitation to answer a brief survey for my PhD project

Dear Sir or Madam,

My name is Lisa Koch, a research student at Edinburgh Napier University. As part of my PhD research I am investigating influences on financing decisions in medium-sized enterprises. By completing the online questionnaire, which will take you **less than 5 minutes**, you would support my research greatly.

The questionnaire is available [here](#). (Alternatively, you can copy and paste this link: <https://survey.napier.ac.uk/n/SurveyUK.aspx>).

Please feel free to forward the questionnaire to a manager in a financial position within your company.

By completing the questionnaire, you will support my research aim to improve the financing situation for medium-sized enterprises and, if you are interested, you will get the opportunity to talk about your point of view in a personal interview.

I guarantee that all information will be treated confidentially. Your help is highly appreciated. Without it, it would be impossible to complete my PhD project.

Please do not hesitate to contact me in case of any comments or questions.

Kind regards

Lisa Koch

PhD candidate

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1.1.2: German version

Kurze Umfrage für mein Dissertationsprojekt

Sehr geehrte Damen und Herren,

mein Name ist Lisa Koch. Ich bin Doktorandin an der Edinburgh Napier University in Schottland. Im Rahmen meiner Promotion untersuche ich Einflüsse auf Finanzierungsentscheidungen in mittelständischen Unternehmen. Sie würden meine Forschung stark unterstützen, wenn Sie den folgenden online Fragebogen ausfüllen, was **weniger als 5 Minuten** in Anspruch nehmen sollte.

Der Fragebogen ist [hier](#) erreichbar. (Alternativ können Sie den folgenden Link in Ihr Browserfenster kopieren: <https://survey.napier.ac.uk/n/SurveyDE.aspx>).

Sie können die Umfrage gerne an einen Mitarbeiter in Ihrer Finanzabteilung weiterleiten.

Mit dem Ausfüllen des Fragebogens unterstützen Sie mein Forschungsziel, die Finanzsituation für mittelständische Unternehmen zu verbessern. Bei Interesse bietet sich darüber hinaus die Möglichkeit, Ihren Standpunkt bei einem persönlichen Gespräch zu erörtern.

Ich versichere, dass alle Informationen vertraulich behandelt werden. Ich danke Ihnen sehr für Ihre Unterstützung. Ohne Ihre Hilfe wäre mein Promotionsprojekt nicht möglich.

Bei Fragen oder Kommentaren können Sie mich gerne kontaktieren.

Mit freundlichen Grüßen

Lisa Koch

Doktorandin
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Vereinigtes Königreich



1.2: Survey with information and informed consent forms

1.2.1: English version

Financing medium-sized enterprises in the United Kingdom

Edinburgh Napier UNIVERSITY



Information Form

My name is Lisa Koch and I am a PhD student from the Business School at Edinburgh Napier University. As part of my degree course, I am undertaking a research project for my dissertation.
 The title of my project is: Public equity financing for medium-sized enterprises in the United Kingdom and Germany.
 This study will investigate the influences on financing decisions in medium-sized enterprises.
 The findings of the project will be valuable because they are aiming to ensure more sustainable financing.
 I am looking for volunteers from medium-sized enterprises to participate in the project. There are no criteria for being included or excluded – everyone is welcome to take part. If you agree to participate in the study, you will be asked to complete the following questionnaire. The whole procedure should take no longer than 5 minutes. You will be free to withdraw from the study at any stage until submission of the questionnaire, you do not have to give a reason.
 All data will be anonymised as much as possible. Your name will be replaced with a participant number, and it will not be possible for you to be identified in any reporting of the data gathered. All data collected will be kept in a secure place (stored on a university pc that is password protected) to which only the researcher has access. These will be kept till the end of the examination process, following which all data that could identify you will be destroyed.

If you have read and understood this information sheet, any of your questions have been answered, and you would like to be a participant in the study, please now see the consent form.

In case of any questions, please contact me at lisa.koch@napier.ac.uk

Next

Informed Consent Form

Edinburgh Napier University Research Consent Form

Edinburgh Napier University requires that all persons who participate in research studies give their written consent to do so. Please read the following and agree if you do so.

- I freely and voluntarily consent to be a participant in the research project on the topic of public equity financing for medium-sized enterprises to be conducted by Lisa Koch, who is a postgraduate student at Edinburgh Napier University.
- The broad goal of this research study is to explore the influences of medium-sized enterprises on the decision to go public. Specifically, I have been asked to complete a questionnaire, which should take no longer than 5 minutes to complete.
- I have been told that my responses will be anonymised. My name will not be linked with the research materials, and I will not be identified or identifiable in any report subsequently produced by the researcher.
- I also understand that if at any time during the survey until its submission I feel unable or unwilling to continue, I am free to leave. That is, my participation in this study is completely voluntary, and I may withdraw from it without negative consequences. However, after data has been anonymised or after publication of results it will not be possible for my data to be removed as it would be untraceable at this point.
- In addition, should I not wish to answer any particular question or questions, I am free to decline.
- I have been given the opportunity to ask questions regarding the survey and my questions have been answered to my satisfaction.
- I have read and understand the above and consent to participate in this study. My agreement is not a waiver of any legal rights. Furthermore, I understand that I will be able to keep a copy of the informed consent form for my records.

1. Do you agree to the above terms and conditions?

I agree

Previous Next

Q1: answer required

Public equity financing describes the procurement of capital by getting listed on a public stock exchange such as London Stock Exchange and selling shares of the company to the public in exchange for capital.

2. How likely would you consider public equity as a financing source for your business?

Very likely Likely Undecided Unlikely Very unlikely We are already listed on a public stock exchange

3. Where do you want your business to be in the long term?

We want to grow the size of our business
 We want to maintain our current size
 We want to reduce the size of our business

Previous Next

Q2: if answer is “we are already listed on a public stock exchange”, forward to Q12 (submission)

4. Do you agree with the following statements?

	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
Public equity financing does not provide any benefits to our company.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Public equity financing does not provide any benefits to the economy.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The development of share price movements is too unpredictable and risky.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We would like to try out new forms of financing.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have a well-defined and agreed corporate strategy for our future development. There is little room for amendments such as including public equity.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We prefer to stick to our established methods of financing as they have proven to work.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We want the best for the financial success of our company, no matter how the financing method is accepted by society.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We don't consider public equity financing as it is not a common method for medium-sized enterprises to raise capital.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Previous

Next

5. If the following circumstances would occur, would you consider public equity financing as an option for your enterprise?

	Public equity financing would become...				
	...much more attractive	...more attractive	No change	...less attractive	...much less attractive
Most businesses are public and the whole economy benefits and is more efficient.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Stock prices cannot fall below a certain threshold, generating a security cushion to not lose everything.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Public equity financing has proven to be a sustainable success for one of your competitors over the last decade.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
No other medium-sized enterprise has gone public. We would be the first.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Going public involves less bureaucracy with clear and easy legislation.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The economy is performing really well with no outlook for a slowdown or potential crisis.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
More people are being active on the stock markets investing in shares.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The process of getting and remaining publicly listed is 100% online, with no need to be somewhere in person.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6. Are there any other aspects that could improve your willingness to procure capital on the stock markets?

0 / 2000

Previous

Next

7. There are specialised platforms for small and medium-sized enterprises at the stock exchanges (i.e. AIM at London Stock Exchange). Did you know that?

- Yes
 No

Previous

Next

Q7: if answer is “yes”, forward to Q8; if answer is “no” or no answer, forward to Q10

8. Do you think the services provided from these specialised stock exchange platforms satisfy the demands of your company?

Strongly agree Agree Undecided Disagree Strongly disagree

9. What do these platforms need to incorporate in order for you to consider public equity financing?

0 / 2000

10. Now that you know about the existence of specialised stock exchange platforms for smaller businesses, would you rather consider public equity financing?

Public equity financing would become...

...much more attractive ...more attractive No change ...less attractive ...much less attractive

11. What do these platforms need to incorporate in order for you to consider public equity financing?

0 / 2000

Submission

12. What is the name of the business you are working for?

This information is needed to allocate openly accessible data such as firm size and location to the dataset. After the inclusion of these information, the dataset will be completely anonymised. The confidential treatment of your data is guaranteed at all times.

13. Please enter your email address in case you are available for a follow-up interview on the topic.

14. By selecting the "Submit" button, you will submit your answers and will no longer have the opportunity to withdraw from this survey.

I confirm my consent to the usage of my provided answers for the scope of this research.

Q12 & Q14: answer required

Thank you for responding to this survey and supporting my research!

If you have any comments, questions or want further information on the topic, please contact me.

Lisa Koch

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1.2.2: German version

Mittelstandsfinanzierung in
Deutschland

Edinburgh Napier
UNIVERSITY

Fortschritt: 11%

Informationen zur Studie

Mein Name ist Lisa Koch und ich bin Doktorandin an der Business School der Edinburgh Napier University in Schottland. Als Teil meiner Promotion führe ich ein Forschungsprojekt zum Thema "börsengestützte Beteiligungsfinanzierung für mittelständige Unternehmen in Großbritannien und Deutschland" durch.

Die Studie untersucht Einflussfaktoren auf Finanzierungsentscheidungen im Mittelstand.

Die Ergebnisse des Projekts sind von Bedeutung bei der Entwicklung von nachhaltigeren Finanzierungsmöglichkeiten.

Ich suche Freiwillige von mittelständischen Unternehmen, die an dem Projekt teilnehmen möchten. Es gibt keine Ein- oder Ausschlusskriterien zur Teilnahme – jeder ist herzlich willkommen mitzumachen.

Wenn Sie mit der Teilnahme an dem Projekt einverstanden sind, möchte ich Sie bitten, den nachfolgenden Fragebogen auszufüllen. Das Ganze sollte nicht länger als 5 Minuten dauern. Sie können jederzeit bis zum Einreichen des Fragebogens die Teilnahme ohne Angabe von Gründen abbrechen.

Alle Daten werden anonymisiert. Ihr Name wird mit einer Teilnehmernummer ausgetauscht und es wird sichergestellt, dass keine Teilnehmer in der Berichterstattung der Ergebnisse identifizierbar sind. Alle Daten werden an einem sicheren Ort gespeichert (passwortgesicherter PC der Universität), zu dem ausschließlich ich Zugriff habe. Sie werden bis zum Ende meiner Promotion gespeichert und anschließend auf sicherem Wege gelöscht.

Wenn Sie diese Informationen gelesen und verstanden haben, keine Fragen mehr haben und gerne an der Umfrage teilnehmen möchten, lesen Sie bitte als Nächstes die Einverständniserklärung.

Bei Fragen können Sie mich gerne unter lisa.koch@napier.ac.uk kontaktieren.

Weiter

Einverständniserklärung

Die Edinburgh Napier University verlangt ein schriftliches Einverständnis von allen Personen, die an einer Umfrage teilnehmen. Bitte lesen Sie dazu die folgenden Punkte durch und stimmen Sie zu, wenn Sie mit ihnen einverstanden sind.

1. Ich stimme aus freiem Willen zu, Teilnehmer an dem Forschungsprojekt zu sein. Das Thema des Projekts ist börsengestützte Beteiligungsfinanzierung im Mittelstand und es wird von Lisa Koch, einer Promotionsstudentin an der Edinburgh Napier University, durchgeführt.
2. Das grobe Ziel der Forschung ist es, herauszufinden, welche Einflussfaktoren auf die Entscheidung einwirken, mittelständische Unternehmen an der Börse zu listen. Ich wurde gefragt, einen Fragebogen auszufüllen, was nicht länger als 5 Minuten dauern sollte.
3. Ich wurde informiert, dass meine Antworten anonymisiert werden. Mein Name wird in den Forschungsdokumentationen nicht genannt oder identifizierbar sein.
4. Darüber hinaus ist mir bewusst, dass ich jederzeit während des Ausfüllens des Fragebogens die Umfrage verlassen kann, sollte ich mich nicht im Stande fühlen oder bereit sein, weiterzumachen. Meine Teilnahme an der Studie ist komplett freiwillig und ich kann sie jederzeit ohne negative Konsequenzen abbrechen. Nachdem meine Daten anonymisiert wurden, ist es allerdings unmöglich, meine Daten noch zu entfernen, da sie nicht mehr zugeordnet werden können.
5. Sollte ich eine bestimmte Frage oder mehrere Fragen nicht beantworten wollen, kann ich sie überspringen.
6. Mir wurde die Möglichkeit gegeben, Fragen zu stellen und meine Fragen wurden zufriedenstellend geklärt.
7. Ich habe die obenstehenden Punkte gelesen und verstanden und bin damit einverstanden, an dieser Studie teilzunehmen. Mein Einverständnis ist kein Verzicht auf gesetzliche Rechtsansprüche. Darüber hinaus ist mir bewusst, dass ich eine Kopie dieser Einverständniserklärung für meine Unterlagen aufbewahren darf.

1. Stimmen Sie den obengenannten Konditionen zu?

Ich stimme zu

Zurück

Weiter

Q1: answer required

Börsengestützte Beteiligungsfinanzierung beschreibt die Beschaffung von Kapital durch die Börse (z.B. Börse Frankfurt, Stuttgart usw.), indem Unternehmensanteile öffentlich zugänglich gegen Kapital eingetauscht werden.

2. Wie wahrscheinlich würden Sie börsengestützte Beteiligungsfinanzierung als Finanzierungsquelle für Ihr Unternehmen in Betracht ziehen?

Sehr wahrscheinlich Wahrscheinlich Unentschieden Unwahrscheinlich Sehr unwahrscheinlich Wir sind bereits an der Börse gelistet

3. Wo möchten Sie sich mit Ihrem Unternehmen langfristig positionieren?

Wir möchten wachsen
 Wir möchten unsere aktuelle Größe beibehalten
 Wir möchten uns verkleinern

Zurück

Weiter

Q2: if answer is "Wir sind bereits an der Börse gelistet", forward to Q12 (submission)

4. Stimmen Sie den folgenden Aussagen zu?

	Stimme voll zu	Stimme zu	Unentschieden	Stimme nicht zu	Stimme gar nicht zu
Börsengestützte Beteiligungsfinanzierung hat keine Vorteile für unser Unternehmen.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Börsengestützte Beteiligungsfinanzierung hat keine Vorteile für unsere Wirtschaft.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Die Entwicklung von Aktienkursen ist zu unvorhersehbar und unsicher.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Wir sind offen, neue Finanzierungsformen auszuprobieren.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Wir haben eine klar definierte und beschlossene Unternehmensstrategie für unsere Zukunft. Diese lässt wenig Raum für Veränderungen, wie z.B. die Entscheidung, an die Börse zu gehen.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Wir bevorzugen es, bei unseren bewährten Finanzierungsmethoden zu bleiben, da sie bewiesen haben, dass sie funktionieren.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Wir möchten für den finanziellen Erfolg unserer Firma nur das Beste, egal wie sehr die Finanzierungsart gesellschaftlich anerkannt ist.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Wir ziehen börsengestützte Beteiligungsfinanzierung nicht in Betracht, da es keine etablierte Finanzierungsart für mittelständische Unternehmen ist.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Zurück Weiter

5. Würden Sie börsengestützte Beteiligungsfinanzierung für Ihr Unternehmen in Betracht ziehen, wenn die folgenden Umstände eintreten würden?

	Börsengestützte Beteiligungsfinanzierung wäre...				
	...wesentlich attraktiver	...attraktiver	Keine Veränderung	...unattraktiver	...wesentlich unattraktiver
Die meisten Unternehmen sind börsennotiert und die ganze Wirtschaft profitiert davon und ist effizienter.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Aktienkurse können nicht unter einen gewissen Schwellenwert fallen. So gäbe es ein Sicherheitspolster und man könnte nicht alles auf einen Schlag verlieren.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Börsengestützte Beteiligungsfinanzierung hat sich für einen Ihrer Wettbewerber im Laufe der letzten 10 Jahre als nachhaltig erfolgreich bewiesen.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Kein anderes mittelständisches Unternehmen ist an der Börse. Wir wären die Ersten.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
An der Börse gelistet zu werden, ist mit wenig Bürokratie verbunden und die Gesetzeslage ist verständlich und einfach zu verfolgen.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Die Wirtschaft performt sehr gut mit keiner Aussicht auf eine konjunkturelle Abschwächung oder potenzielle Krise.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mehr Menschen sind auf den Aktienmärkten aktiv und investieren in Aktien.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Der Prozess, an der Börse notiert zu werden und zu bleiben, ist 100% online möglich, ohne, dass man persönlich irgendwo sein muss.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6. Gibt es noch weitere Punkte, die die Wahrscheinlichkeiten erhöhen würden, dass Sie börsengestützte Beteiligungsfinanzierung in Betracht ziehen?

0 / 2000

Zurück Weiter

7. An den Börsen gibt es spezialisierte Plattformen für kleine und mittelständische Unternehmen (z.B. das Scale Segment an der Deutschen Börse). Wussten Sie das?

- Ja
- Nein

Zurück Weiter

Q7: if answer is "Ja", forward to Q8; if answer is "Nein" or no answer, forward to Q10

8. Denken Sie, dass die angebotenen Dienstleistungen dieser Mittelstand-spezialisierten Börsenplattformen die Bedürfnisse Ihrer Firma befriedigen?

Stimme voll zu Stimme zu Unentschlossen Stimme nicht zu Stimme gar nicht zu

9. Was müssten diese Plattformen beinhalten, um die Wahrscheinlichkeit zu erhöhen, dass Sie börsengestützte Beteiligungsfinanzierung in Betracht ziehen würden?

0 / 2000

Zurück

Weiter

10. Jetzt, wo Sie wissen, dass es Mittelstand-spezialisierte Börsenplattformen gibt, würden Sie börsengestützte Beteiligungsfinanzierung in Betracht ziehen?

Börsengestützte Beteiligungsfinanzierung wäre...

...wesentlich attraktiver ...attraktiver Keine Veränderung ...unattraktiver ...wesentlich unattraktiver

11. Was müssten diese Plattformen beinhalten, um die Wahrscheinlichkeit zu erhöhen, dass Sie börsengestützte Beteiligungsfinanzierung in Betracht ziehen würden?

0 / 2000

Zurück

Weiter

Absenden der Umfragedaten

12. Für welches Unternehmen arbeiten Sie?

Diese Angabe wird gebraucht, um öffentlich zugängliche Informationen, wie Firmengröße und Ort dem Datensatz hinzuzufügen. Anschließend werden alle Daten komplett anonymisiert. Der vertrauliche Umgang mit Ihren Daten wird zu jedem Zeitpunkt garantiert.

13. Bitte geben Sie Ihre Email-Adresse an, falls Sie für ein Gespräch zu dem Thema zur Verfügung stehen.

14. Wenn Sie auf "Absenden" drücken, werden Ihre Antworten übersendet und Sie können nicht mehr von dieser Umfrage zurücktreten.

Hiermit bestätige ich mein Einverständnis, dass meine Antworten im Rahmen dieser Umfrage für den Umfang des Forschungsprojekt benutzt werden dürfen.

Zurück

Absenden

Q12 & Q14: answer required

Vielen Dank für Ihre Teilnahme an der Umfrage!

Sollten Sie Kommentare oder Fragen haben, oder mehr über das Thema erfahren wollen, können Sie mich gerne kontaktieren.

Lisa Koch

lisa.koch@napier.ac.uk

Edinburgh Napier University

Craiglockhart Campus

219 Colinton Road

Edinburgh

EH14 1DJ



Browserfenster schließen

Appendix 2: Qualitative data collection

2.1: Invitation email

2.1.1: Group: medium-sized enterprises

2.1.1.1: English version

Dear Sir or Madam,

Thank you for completing the online questionnaire I have sent you a couple of months ago. I appreciate your support very much.

At the end of this survey you have indicated an interest to be available for a follow-up interview regarding the topic of public equity financing for medium-sized enterprises. Are you still available for this? I would love to hear your opinion on the topic.

In case you are still interested in giving me an interview, could you please provide me with a time and place in late November or December that would suit you best for me to come and talk to you? I will then come back to you confirming the date and giving you further information on the process.

Your help is highly appreciated.

Please do not hesitate to contact me in case of any comments or questions.

Kind regards

Lisa Koch

PhD candidate

lisa.koch@napier.ac.uk

Edinburgh Napier University
Craiglockhart Campus
219 Colinton Road
Edinburgh
EH14 1DJ



2.1.1.2: German version

Sehr geehrte Damen und Herren,

vielen Dank für Ihre Teilnahme an meinem online Fragebogen zum Thema börsengestützte Beteiligungsfinanzierung für mittelständige Unternehmen im Juni. Ich habe mich sehr darüber gefreut.

Am Ende des Fragebogens haben Sie angegeben, für ein persönliches Gespräch zum Thema zur Verfügung zu stehen. Sind Sie noch daran interessiert? Ich würde gerne Ihre Meinung dazu hören.

Falls Sie noch an einem Gespräch interessiert sind, würde ich mich freuen, wenn Sie mir einen Termin im Dezember bzw. Januar vorschlagen könnten. Ich würde dann zu Ihnen kommen und wir können uns vor Ort zum Thema austauschen.

Ich würde mich sehr über ein Gespräch mit Ihnen freuen.

Bei Fragen oder Anmerkungen können Sie mich gerne kontaktieren.

Mit freundlichen Grüßen

Lisa Koch

Doktorandin
lisa.koch@napier.ac.uk

Edinburgh Napier University
Craiglockhart Campus
219 Colinton Road
Edinburgh
EH14 1DJ
Vereinigtes Königreich



2.1.2: Group: intermediaries & policymakers

2.1.2.1: English version

Dear Sir or Madam,

My name is Lisa Koch, a research student at Edinburgh Napier University. As part of my PhD research I am investigating influences on the decision to go public for medium-sized enterprises.

[Institution name] is an important stakeholder of my research. Therefore, your opinion is highly relevant for my project. This is why I would like to ask you if you are available for an interview to share your opinion.

In case you are interested in joining me for an interview, could you please provide me with a time and place in late November or December that would suit you best for me to come and talk to you? I will then come back to you confirming the date and giving you further information on my project and the process.

Your help is highly appreciated.

Please do not hesitate to contact me in case of any comments or questions.

Kind regards

Lisa Koch

PhD candidate

lisa.koch@napier.ac.uk

Edinburgh Napier University
Craiglockhart Campus
219 Colinton Road
Edinburgh
EH14 1DJ



2.1.2.2: German version

Sehr geehrte Damen und Herren,

mein Name ist Lisa Koch und ich bin Doktorandin an der Business School der Edinburgh Napier University in Schottland. Als Teil meiner Promotion führe ich ein Forschungsprojekt über Einflussfaktoren auf Finanzierungsentscheidungen (mit Fokus auf Kapitalmärkte) für mittelständige Unternehmen durch.

[Institution name] ist somit ein wichtiger Stakeholder meiner Studie. Deshalb ist Ihre Meinung sehr relevant für meine Forschung. Aus diesem Grund möchte ich Sie fragen, ob Sie zu einem persönlichen Gespräch zum Thema bereit wären.

Falls Sie an einem Gespräch interessiert sind, würde ich mich freuen, wenn Sie mir einen Termin im Dezember bzw. Januar vorschlagen könnten. Ich würde dann zu Ihnen kommen und wir können uns vor Ort zum Thema austauschen.

Ich würde mich sehr über ein Gespräch mit Ihnen freuen.

Bei Fragen oder Anmerkungen können Sie mich gerne kontaktieren.

Mit freundlichen Grüßen

Lisa Koch

Doktorandin

lisa.koch@napier.ac.uk

Edinburgh Napier University

Craiglockhart Campus

219 Colinton Road

Edinburgh

EH14 1DJ

Vereinigtes Königreich



2.2: Information form

2.2.1: English version



Information Form

My name is Lisa Koch and I am a PhD student from the Business School at Edinburgh Napier University. As part of my degree course, I am undertaking a research project for my dissertation. The title of my project is: Public equity financing for medium-sized enterprises in the United Kingdom and Germany.

This study will investigate the influences on financing decisions in medium-sized enterprises.

The findings of the project will be valuable because they are aiming to ensure more sustainable financing.

I am looking for volunteers from medium-sized enterprises, SME research institutes and stock exchanges to participate in the project.

If you agree to participate in the study, you will be asked to participate in an interview. The whole procedure should take no longer than one hour. You will be free to withdraw from the interview at any stage, you do not have to give a reason.

All data will be anonymised as much as possible. Your name will be replaced with a participant number, and it will not be possible for you to be identified in any reporting of the data gathered. All data collected will be kept in a secure place (stored on a university pc that is password protected) to which only the researcher has access. These will be kept till the end of the examination process, following which all data that could identify you will be destroyed.

If you have read and understood this information sheet, any of your questions have been answered, and you would like to be a participant in the study, please now see the consent form.

In case of any questions, please contact me at lisa.koch@napier.ac.uk.

2.2.2: German version



Informationen zur Studie

Mein Name ist Lisa Koch und ich bin Doktorandin an der Business School der Edinburgh Napier University in Schottland. Als Teil meiner Promotion führe ich ein Forschungsprojekt zum Thema "börsengestützte Beteiligungsfinanzierung für mittelständige Unternehmen in Großbritannien und Deutschland" durch.

Die Studie untersucht Einflussfaktoren auf Finanzierungsentscheidungen im Mittelstand.

Die Ergebnisse des Projekts sind von Bedeutung bei der Entwicklung von nachhaltigeren Finanzierungsmöglichkeiten.

Ich suche Freiwillige von mittelständischen Unternehmen, KMU Forschungsinstituten sowie von Börsen, die an dem Projekt teilnehmen möchten.

Wenn Sie mit der Teilnahme an dem Projekt einverstanden sind, möchte ich Sie bitten, an einem Interview teilzunehmen. Das Ganze sollte nicht länger als eine Stunde dauern. Sie können jederzeit bis zum Ende des Interviews die Teilnahme ohne Angabe von Gründen abbrechen.

Alle Daten werden anonymisiert. Ihr Name wird mit einer Nummer ausgetauscht und es wird sichergestellt, dass keine Teilnehmer in der Berichterstattung der Ergebnisse identifizierbar sind. Alle Daten werden an einem sicheren Ort gespeichert (passwortgesicherter PC der Universität), zu dem ausschließlich ich Zugriff habe. Sie werden bis zum Ende meiner Promotion gespeichert und anschließend auf sicherem Wege gelöscht.

Wenn Sie diese Informationen gelesen und verstanden haben, keine Fragen mehr haben und gerne an einem Interview teilnehmen möchten, lesen Sie bitte als Nächstes die Einverständniserklärung.

Bei Fragen können Sie mich gerne unter lisa.koch@napier.ac.uk kontaktieren.

2.3: Informed consent form

2.3.1: English version



Informed Consent Form

Edinburgh Napier University requires that all persons who participate in research studies give their written consent to do so. Please read the following and agree if you do so.

1. I freely and voluntarily consent to be a participant in the research project on the topic of public equity financing for medium-sized enterprises to be conducted by Lisa Koch, who is a postgraduate student at Edinburgh Napier University.
2. The broad goal of this research study is to explore the influences of medium-sized enterprises on the decision to go public. Specifically, I have been asked to participate in an interview, which should take no longer than one hour to complete.
3. I have been told that my responses will be anonymised. My name will not be linked with the research materials, and I will not be identified or identifiable in any report subsequently produced by the researcher.
4. I also understand that if at any time during the interview I feel unable or unwilling to continue, I am free to leave. That is, my participation in this study is completely voluntary, and I may withdraw from it without negative consequences.
5. In addition, should I not wish to answer any particular question or questions, I am free to decline.
6. I have been given the opportunity to ask questions regarding the interview and my questions have been answered to my satisfaction.

I have read and understand the above and consent to participate in this study. My agreement is not a waiver of any legal rights. Furthermore, I understand that I will be able to keep a copy of the informed consent form for my records.

Place and date

Signature

2.3.2: German version



Einverständniserklärung

Die Edinburgh Napier University verlangt ein schriftliches Einverständnis von allen Personen, die an einem Interview teilnehmen. Bitte lesen Sie dazu die folgenden Punkte durch und stimmen Sie zu, wenn Sie mit ihnen einverstanden sind.

1. Ich stimme aus freiem Willen zu, Teilnehmer an dem Forschungsprojekt zu sein. Das Thema des Projekts ist börsengestützte Beteiligungsfinanzierung im Mittelstand und es wird von Lisa Koch, einer Promotionsstudentin an der Edinburgh Napier University, durchgeführt.
2. Das grobe Ziel der Forschung ist es, herauszufinden, welche Einflussfaktoren auf die Entscheidung einwirken, mittelständische Unternehmen an der Börse zu listen. Ich wurde gefragt, ein Interview zu geben, was nicht länger als eine Stunde dauern sollte.
3. Ich wurde informiert, dass meine Antworten anonymisiert werden. Mein Name wird in den Forschungsdokumentationen nicht genannt oder identifizierbar sein.
4. Darüber hinaus ist mir bewusst, dass ich jederzeit vor und während des Interviews abbrechen kann, sollte ich mich nicht im Stande fühlen oder bereit sein, weiterzumachen. Meine Teilnahme an der Studie ist komplett freiwillig und ich kann sie jederzeit ohne negative Konsequenzen abbrechen.
5. Sollte ich eine bestimmte Frage oder mehrere Fragen nicht beantworten wollen, kann ich sie überspringen.
6. Mir wurde die Möglichkeit gegeben, Fragen zu stellen und meine Fragen wurden zufriedenstellend geklärt.

Ich habe die obenstehenden Punkte gelesen und verstanden und bin damit einverstanden, an dieser Studie teilzunehmen. Mein Einverständnis ist kein Verzicht auf gesetzliche Rechtsansprüche. Darüber hinaus ist mir bewusst, dass ich eine Kopie dieser Einverständniserklärung für meine Unterlagen aufbewahren darf.

Ort und Datum

Unterschrift

XXX

2.4: Interview guide

Themes:

1. Current financing instruments
2. General attitude towards public equity
3. Cultural impact
4. Necessary changes
5. Outlook

Example questions:

Theme 1 - Current financing instruments:

- How do you currently finance yourself?
- If you need a big amount of capital, whom would you approach?
- Do you get the funding you ask for?
- How do you make financial decisions in your company?/What is the process?

Theme 2 - General attitude towards public equity:

- What do you think of public equity as a financing form for your business?
- Why do most SMEs not go public?
- Do you consider public equity as a “safe” form of finance?
- What other forms of financing would you consider?
- Would you personally invest in a SME listed on a stock exchange?

Theme 3 - Cultural impact:

- Do you believe that national culture has an impact on financing decisions?
- Would you say that your cultural background influences your decision making?
- What is more important to you, your own profit or the profit of the business?
- Are you more risk averse in your everyday life than in corporate financing decisions?
- Do you plan your finances ahead long-term? Is public equity too fast moving?
- Would you say you don't consider public equity only because it's considered an unusual form of finance for SMEs?
- Countries such as Germany are very long-term oriented and avoid taking risk. Do you think they would ever accept public equity as a form of finance?
- DE: How important is the Mittelstand?

Theme 4 - Necessary changes:

- Do you know about the AIM/Scale? (Now that you know about them) Would you consider getting listed there?
- Do you feel like you need more information/training on principles of public equity?
- Do you think the society in general needs to know more about public equity?
- If anything was possible, what would you wish for, for you to be more likely to get listed?
- If public equity was a more accepted/common financing instrument, would you rather consider it?
- What needs to be changed in the regulatory framework?
- Would you appreciate more support from the government/stock exchange/intermediaries?
- If you could remain more independent, would you consider public equity?
- UK: Would you prefer more local stock exchanges?

Theme 5 - Outlook:

- Do you think bank financing will still be a trustworthy option in 10 years from now?
- Do you think that SMEs will remain as important to our economy in the future?
- Do you think that in 10 years time, more SMEs will be listed?
- Where do you want your business to be in 10 years from now?
- Which impact do you think Brexit might have?

Appendix 3: Survey results

3.1: Country respondent descriptive statistics

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Number of employees 2017	945	199	50	249	110,72	51,920	,814	,080	-,349	,159
Turnover 2017 [EUR]	943	392457248	500000	392957248	24081679,64	36385497,73	5,380	,080	37,405	,159
Balance Sheet Total 2017 [EUR]	936	607181651	202011	607383662	17361083,12	36230397,35	9,034	,080	109,356	,160
Valid N (listwise)	934									

Country of the business			Statistic	Std. Error			
Number of employees 2017	DE	Mean	101,32	2,766			
		95% Confidence Interval for Mean	Lower Bound	95,88			
			Upper Bound	106,76			
		5% Trimmed Mean	97,10				
		Median	80,00				
		Variance	2761,986				
		Std. Deviation	52,555				
		Minimum	50				
		Maximum	247				
		Range	197				
		Interquartile Range	75				
		Skewness	1,060	,128			
		Kurtosis	,001	,256			
		UK	UK	Mean	115,75	2,085	
				95% Confidence Interval for Mean	Lower Bound	111,66	
					Upper Bound	119,85	
5% Trimmed Mean	112,89						
Median	104,00						
Variance	2491,078						
Std. Deviation	49,911						
Minimum	50						
Maximum	249						
Range	199						
Interquartile Range	75						
Skewness	,724			,102			
Kurtosis	-,372			,204			

Turnover 2017 [EUR]	DE	Mean	32766268,55	2936773,216		
		95% Confidence Interval for Mean	Lower Bound	26990882,41		
			Upper Bound	38541654,69		
		5% Trimmed Mean	23458596,97			
		Median	7500000,00			
		Variance	3,113E+15			
		Std. Deviation	55798691,11			
		Minimum	500000			
		Maximum	392957248			
		Range	392457248			
		Interquartile Range	41803622			
		Skewness	3,425	,128		
		Kurtosis	13,939	,256		
		UK	UK	Mean	18439565,20	485619,566
	95% Confidence Interval for Mean			Lower Bound	17485750,12	
				Upper Bound	19393380,27	
	5% Trimmed Mean			17492335,41		
	Median			18898344,00		
	Variance			1,351E+14		
	Std. Deviation			11624478,73		
	Minimum			1029094		
	Maximum			122628810		
	Range			121599716		
	Interquartile Range			13527479		
	Skewness			2,773	,102	
	Kurtosis	17,397	,204			

Balance Sheet Total 2017 [EUR]	DE	Mean	16979390,69	1974467,349
		95% Confidence Interval for Mean	Lower Bound	13096451,65
		Upper Bound	20862329,72	
		5% Trimmed Mean	11327628,38	
		Median	4391663,00	
		Variance	1,407E+15	
		Std. Deviation	37514879,63	
		Minimum	202011	
		Maximum	397330154	
		Range	397128143	
		Interquartile Range	20629150	
		Skewness	6,225	,128
		Kurtosis	48,368	,256
	UK	Mean	17639582,57	1482487,206
		95% Confidence Interval for Mean	Lower Bound	14727799,87
			Upper Bound	20551365,27
		5% Trimmed Mean	13208651,20	
		Median	10989749,00	
		Variance	1,259E+15	
		Std. Deviation	35486916,54	
		Minimum	677289	
		Maximum	607383662	
		Range	606706373	
		Interquartile Range	9656342	
		Skewness	11,117	,102
		Kurtosis	157,056	,204

3.2: Analysis subgroup compositions

Industry distribution*

	n (responses)			
	UK	DE	Σ	
Business Services	153	84	237	
Wholesale	50	47	97	
Public Administration, Education, Health Social Services	55	25	80	
Construction	47	18	65	
Grouped as "other" industries	Travel, Personal & Leisure	39	20	59
	Transport, Freight & Storage	21	30	51
	Industrial, Electric & Electronic Machinery	28	21	49
	Retail	20	24	44
	Metals & Metal Products	19	19	38
	Food & Tobacco Manufacturing	16	15	31
	Chemicals, Petroleum, Rubber & Plastic	20	7	27
	Computer Software	4	21	25
	Miscellaneous Manufacturing	15	4	19
	Wood, Furniture & Paper Manufacturing	17	1	18
	Banking, Insurance & Financial Services	11	4	15
	Printing & Publishing	10	4	14
	Property Services	8	6	14
	Agriculture, Horticulture & Livestock	6	2	8
	Transport Manufacturing	4	4	8
	Utilities	1	7	8
	Communications	5	1	6
	Mining & Extraction	5	1	6
	Leather, Stone, Clay & Glass products	4	2	6
	Waste Management & Treatment	3	1	4
Media & Broadcasting	3	0	3	
Textiles & Clothing Manufacturing	2	0	2	
Biotechnology and Life Sciences	0	1	1	

*Based on Bureau van Dijk main sectors (Bureau van Dijk, 2020a & 2020b)

NUTS1 distributions***United Kingdom***

	n (responses)	Accumulated % of responses	
London	127	23%	
South East	81	37%	
North West	53	47%	
Scotland	46	55%	
East of England	45	63%	
Grouped as "other" regions	Yorkshire and The Humber	42	70%
	South West	38	77%
	East Midlands	37	84%
	West Midlands	37	90%
	North East	20	94%
	Northern Ireland	18	97%
	Wales	17	100%

Germany

	n (responses)	Accumulated % of responses	
North Rhine-Westphalia	82	22%	
Bavaria	62	39%	
Baden-Württemberg	55	54%	
Lower Saxony	36	64%	
Grouped as "other" regions	Hesse	23	70%
	Rhineland-Palatinate	19	75%
	Schleswig-Holstein	18	80%
	Berlin	16	84%
	Saxony	15	88%
	Hamburg	11	91%
	Brandenburg	7	93%
	Saxony-Anhalt	7	95%
	Thuringia	6	96%
	Mecklenburg-West Pomerania	5	98%
	Saarland	5	99%
Bremen	3	100%	

3.3: Hypothesis test results

H₁ – Results

Independent sample *t*-test

$H_0: \mu_{Attitude_UK} = \mu_{Attitude_DE}$ (the British attitude mean equals the German attitude mean)

$H_1: \mu_{Attitude_UK} \neq \mu_{Attitude_DE}$ (the British attitude mean does not equal the German attitude mean)

$\alpha = .01$

General

Hypothesis	<i>t</i> -value	<i>p</i> -value	df	Cohen's <i>d</i>	Decision	Effect direction
H ₁	-5.944	<.001	1,005.19	.29	Reject H ₀	As predicted

Growth aspiration

Test of Homogeneity of Variances

How likely would you consider public equity as a financing source for your business?

Levene Statistic	df1	df2	Sig.
13.703	2	1005	,000

Robust Tests of Equality of Means

How likely would you consider public equity as a financing source for your business?

	Statistic ^a	df1	df2	Sig.
Welch	12.404	2	30,380	,000

a. Asymptotically F distributed.

(I) SectorGroup	(J) SectorGroup	Mean Difference (I-J)	Std. Error	Sig.	99% Confidence Interval	
					Lower Bound	Upper Bound
Games-Howell	We want to grow the size of our business	-.275*	,082	,003	-.52	-.03
	We want to reduce our current size	-.551*	,129	,003	-1,01	-.09
	We want to maintain our current size	,275*	,082	,003	,03	,52
	We want to reduce our current size	-.276	,141	,152	-.75	,19
	We want to grow the size of our business	,551*	,129	,003	,09	1,01
	We want to maintain our current size	,276	,141	,152	-.19	,75

*. The mean difference is significant at the 0.01 level.

Grow size

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	99% Confidence Interval of the Difference	
									Lower	Upper
Grow	Equal variances assumed	41,359	,000	-5,090	818	,000	-.441	,087	-.665	-.217
	Equal variances not assumed			-5,545	779,122	,000	-.441	,080	-.646	-.236

Maintain size

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	99% Confidence Interval of the Difference	
									Lower	Upper
Maintain	Equal variances assumed	6,213	,014	-1,155	175	,250	-,165	,143	-,537	,207
	Equal variances not assumed			-1,096	123,739	,275	-,165	,151	-,559	,229

Reduce size

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	99% Confidence Interval of the Difference	
									Lower	Upper
Reduce	Equal variances assumed	,066	,802	,129	9	,900	,033	,258	-,805	,872
	Equal variances not assumed			,128	8,287	,901	,033	,260	-,831	,898

Employment size

Test of Homogeneity of Variances

How likely would you consider public equity as a financing source for your business?

Levene Statistic	df1	df2	Sig.
,739	3	941	,529

ANOVA

How likely would you consider public equity as a financing source for your business?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7,725	3	2,575	1,842	,138
Within Groups	1315,185	941	1,398		
Total	1322,910	944			

50-99 employees

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	99% Confidence Interval of the Difference	
									Lower	Upper
50-99	Equal variances assumed	48,470	,000	-5,777	504	,000	-,572	,099	-,828	-,316
	Equal variances not assumed			-6,017	479,419	,000	-,572	,095	-,817	-,326

100-149 employees

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	99% Confidence Interval of the Difference	
									Lower	Upper
100-149	Equal variances assumed	6,885	,009	-1,766	216	,079	-,336	,190	-,831	,158
	Equal variances not assumed			-1,976	145,090	,050	-,336	,170	-,780	,108

150-199 employees

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	99% Confidence Interval of the Difference	
									Lower	Upper
150-199	Equal variances assumed	,634	,427	,336	140	,737	,071	,210	-,478	,619
	Equal variances not assumed			,331	85,194	,742	,071	,214	-,492	,633

200-249 employees

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	99% Confidence Interval of the Difference	
									Lower	Upper
200-249	Equal variances assumed	5,033	,028	-,689	77	,493	-,188	,272	-,907	,532
	Equal variances not assumed			-,719	76,912	,474	-,188	,261	-,877	,501

Industry

Test of Homogeneity of Variances

How likely would you consider public equity as a financing source for your business?

Levene Statistic	df1	df2	Sig.
15,049	4	1003	,000

Robust Tests of Equality of Means

How likely would you consider public equity as a financing source for your business?

	Statistic ^a	df1	df2	Sig.
Weich	10,316	4	237,024	,000

a. Asymptotically F distributed.

(I) SectorGroup	(J) SectorGroup	Mean Difference (I-J)	Std. Error	Sig.	99% Confidence Interval		
					Lower Bound	Upper Bound	
Games-Howell	Business Services	Wholesale	-,608 [*]	,131	,000	-1,04	-,18
		Public Administration, Education, Health Social Services	-,100	,162	,972	-,64	,44
		Construction	-,708 [*]	,126	,000	-1,12	-,29
		Other	-,399 [*]	,103	,001	-,74	-,06
	Wholesale	Business Services	,608 [*]	,131	,000	,18	1,04
		Public Administration, Education, Health Social Services	,508	,164	,019	-,03	1,05
		Construction	-,099	,128	,938	-,52	,33
		Other	,209	,106	,281	-,14	,56
	Public Administration, Education, Health Social Services	Business Services	,100	,162	,972	-,44	,64
		Wholesale	-,508	,164	,019	-1,05	,03
		Construction	-,608 [*]	,160	,002	-1,14	-,08
		Other	-,299	,142	,226	-,77	,18
Construction	Business Services	,708 [*]	,126	,000	,29	1,12	
	Wholesale	,099	,128	,938	-,33	,52	
	Public Administration, Education, Health Social Services	,608 [*]	,160	,002	,08	1,14	
	Other	,309	,099	,019	-,02	,64	
Other	Business Services	,399 [*]	,103	,001	,06	,74	
	Wholesale	-,209	,106	,281	-,56	,14	
	Public Administration, Education, Health Social Services	,299	,142	,226	-,18	,77	
	Construction	-,309	,099	,019	-,64	,02	

*. The mean difference is significant at the 0.01 level.

Business services

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	99% Confidence Interval of the Difference	
									Lower	Upper
BusinessServices	Equal variances assumed	21,190	,000	-3,564	235	,000	-,664	,186	-1,148	-,180
	Equal variances not assumed			-3,932	220,488	,000	-,664	,169	-1,103	-,225

Wholesale

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	99% Confidence Interval of the Difference	
									Lower	Upper
Wholesale	Equal variances assumed	,962	,329	,345	95	,731	,066	,190	-,434	,565
	Equal variances not assumed			,342	85,657	,733	,066	,192	-,439	,570

Public administration, education, health social services

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	99% Confidence Interval of the Difference	
									Lower	Upper
Public Administration, Education, Health Social Services	Equal variances assumed	4,318	,041	-1,734	78	,087	-,495	,285	-,1247	,258
	Equal variances not assumed			-1,923	60,256	,059	-,495	,257	-,1179	,190

Construction

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	99% Confidence Interval of the Difference	
									Lower	Upper
Construction	Equal variances assumed	,698	,407	,290	63	,773	,057	,196	-,463	,577
	Equal variances not assumed			,233	21,799	,818	,057	,244	-,631	,744

Region

UK

Test of Homogeneity of Variances

GeneralAttitude

Levene Statistic	df1	df2	Sig.
,532	5	592	,752

ANOVA

GeneralAttitude

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5,769	5	1,154	,691	,630
Within Groups	988,077	592	1,669		
Total	993,846	597			

DE

Test of Homogeneity of Variances

GeneralAttitude

Levene Statistic	df1	df2	Sig.
1,175	4	405	,321

ANOVA

GeneralAttitude

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2,083	4	,521	,626	,644
Within Groups	336,639	405	,831		
Total	338,722	409			

H_{2a-d} – Results

Pearson correlation analysis

i.e. $H_0: \rho_{PEIDV|GoPublic} = 0$ (there is no correlation between the PEIDV value and the general attitude of going public)

$H_1: \rho_{PEIDV|GoPublic} \neq 0$ (there is a correlation between the PEIDV value and the general attitude of going public)

$\alpha = .01$

Hypothesis	r-value	p-value	df	Decision	Effect direction
Both countries					
H _{2a}	.212	<.001	926	Reject H₀	Not as predicted
H _{2b}	.370	<.001	910	Reject H₀	As predicted
H _{2c}	.485	<.001	917	Reject H₀	As predicted
H _{2d}	-.329	<.001	913	Reject H₀	As predicted
UK					
H _{2a}	.177	<.001	568	Reject H₀	Not as predicted
H _{2b}	.425	<.001	565	Reject H₀	As predicted
H _{2c}	.525	<.001	567	Reject H₀	As predicted
H _{2d}	-.445	<.001	564	Reject H₀	As predicted
DE					
H _{2a}	.214	<.001	356	Reject H₀	Not as predicted
H _{2b}	.227	<.001	343	Reject H₀	As predicted
H _{2c}	.346	<.001	348	Reject H₀	As predicted
H _{2d}	-.042	.432	347	Accept H ₀	As predicted

Variance inflation factors testing for multicollinearity

Model		Collinearity Statistics	
		Tolerance	VIF
1	PEUAI	.804	1,244
	PELTO	.761	1,315
	PEIND	.907	1,103

a. Dependent Variable: PEIDV

Model		Collinearity Statistics	
		Tolerance	VIF
1	PEIDV	.936	1,069
	PELTO	.885	1,130
	PEIND	.895	1,117

a. Dependent Variable: PEUAI

Model		Collinearity Statistics	
		Tolerance	VIF
1	PEIDV	.926	1,080
	PEUAI	.925	1,082
	PEIND	.914	1,094

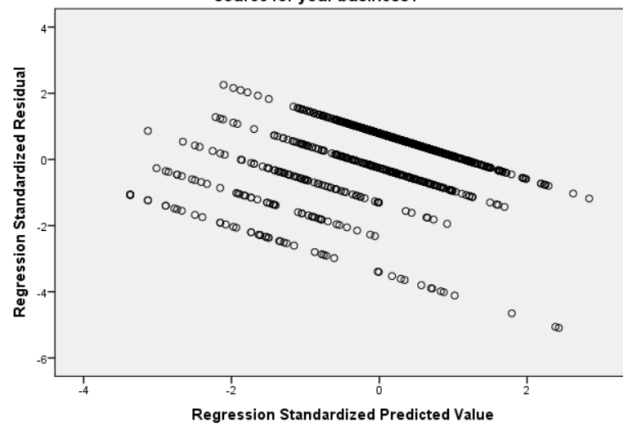
a. Dependent Variable: PELTO

Model		Collinearity Statistics	
		Tolerance	VIF
1	PEIDV	.874	1,144
	PEUAI	.741	1,350
	PELTO	.724	1,382

a. Dependent Variable: PEIND

Scatter plot testing for homoscedasticity

Dependent Variable: How likely would you consider public equity as a financing source for your business?



Results of OLS linear multiple regression analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,571 ^a	,326	,323	,953

a. Predictors: (Constant), PEIDV, PEUAI, PELTO, PEIND

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	389,246	4	97,312	107,066	,000 ^b
	Residual	804,372	885	,909		
	Total	1193,618	889			

a. Dependent Variable: How likely would you consider public equity as a financing source for your business?

b. Predictors: (Constant), PEIDV, PEUAI, PELTO, PEIND

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,646	,312		5,278	,000
	PEIDV	,014	,003	,154	5,165	,000
	PEUAI	,016	,002	,244	7,557	,000
	PELTO	,019	,002	,301	9,109	,000
	PEIND	-,012	,002	-,162	-5,520	,000

a. Dependent Variable: How likely would you consider public equity as a financing source for your business?

Controls**Country:****Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,577 ^a	,333	,329	,949

a. Predictors: (Constant), Country, PEIDV, PEUAI, PELTO, PEIND

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	397,178	5	79,436	88,169	,000 ^b
	Residual	796,440	884	,901		
	Total	1193,618	889			

a. Dependent Variable: How likely would you consider public equity as a financing source for your business?

b. Predictors: (Constant), Country, PEIDV, PEUAI, PELTO, PEIND

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,688	,311		5,429	,000
	PEIDV	,013	,003	,143	4,743	,000
	PEUAI	,016	,002	,243	7,565	,000
	PELTO	,018	,002	,290	8,792	,000
	PEIND	-,012	,002	-,161	-5,491	,000
	Country	,200	,067	,083	2,967	,003

Growth aspiration:**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,571 ^a	,326	,323	,954

a. Predictors: (Constant), Where do you want your business to be in the long term?, PEIDV, PEUAI, PELTO, PEIND

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	389,612	5	77,922	85,675	,000 ^b
	Residual	804,006	884	,910		
	Total	1193,618	889			

a. Dependent Variable: How likely would you consider public equity as a financing source for your business?

b. Predictors: (Constant), Where do you want your business to be in the long term?, PEIDV, PEUAI, PELTO, PEIND

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,614	,316		5,101	,000
	PEIDV	,014	,003	,152	5,012	,000
	PEUAI	,016	,002	,241	7,374	,000
	PELTO	,019	,002	,301	9,105	,000
	PEIND	-,012	,002	-,161	-5,480	,000
	Where do you want your business to be in the long term?	,051	,080	,018	,634	,526

Number of employees:**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,576 ^a	,332	,328	,961

a. Predictors: (Constant), Number of employees 2017, PEIDV, PEUAI, PELTO, PEIND

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	381,017	5	76,203	82,598	,000 ^b
	Residual	766,670	831	,923		
	Total	1147,687	836			

a. Dependent Variable: How likely would you consider public equity as a financing source for your business?

b. Predictors: (Constant), Number of employees 2017, PEIDV, PEUAI, PELTO, PEIND

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,454	,336		4,323	,000
	PEIDV	,015	,003	,163	5,294	,000
	PEUAI	,017	,002	,261	7,762	,000
	PELTO	,018	,002	,294	8,561	,000
	PEIND	-,011	,002	-,144	-4,745	,000
	Number of employees 2017	,000	,001	-,013	-,464	,643

Turnover:**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,584 ^a	,341	,337	,955

a. Predictors: (Constant), Turnover 2017 [EUR], PEIDV, PEUAI, PELTO, PEIND

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	390,799	5	78,160	85,716	,000 ^b
	Residual	756,831	830	,912		
	Total	1147,630	835			

a. Dependent Variable: How likely would you consider public equity as a financing source for your business?

b. Predictors: (Constant), Turnover 2017 [EUR], PEIDV, PEUAI, PELTO, PEIND

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,428	,327		4,373	,000
	PEIDV	,015	,003	,162	5,303	,000
	PEUAI	,018	,002	,275	8,141	,000
	PELTO	,018	,002	,296	8,687	,000
	PEIND	-,011	,002	-,145	-4,815	,000
	Turnover 2017 [EUR]	,000	,000	-,091	-3,183	,002

Balance sheet total:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,577 ^a	,333	,329	,957

a. Predictors: (Constant), Balance Sheet Total 2017 [EUR], PEIDV, PEUAI, PELTO, PEIND

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	378,576	5	75,715	82,636	,000 ^b
	Residual	756,827	826	,916		
	Total	1135,403	831			

a. Dependent Variable: How likely would you consider public equity as a financing source for your business?

b. Predictors: (Constant), Balance Sheet Total 2017 [EUR], PEIDV, PEUAI, PELTO, PEIND

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,525	,330		4,624	,000
	PEIDV	,015	,003	,161	5,213	,000
	PEUAI	,017	,002	,254	7,511	,000
	PELTO	,018	,002	,295	8,585	,000
	PEIND	-,011	,002	-,153	-5,026	,000
	Balance Sheet Total 2017 [EUR]	,000	,000	-,025	-,891	,373

Results of probit estimation

Case Processing Summary

		N	Marginal Percentage
GeneralAttitude_Binary_Undecided1	Don't consider going public	724	81,3%
	Consider going public	166	18,7%
Valid		890	100,0%
Missing		118	
Total		1008	

Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	775,965			
Final	487,955	288,010	4	,000

Link function: Probit.

Pseudo R-Square

Cox and Snell	,276
Nagelkerke	,447
McFadden	,336

Link function: Probit.

Parameter Estimates

		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[GeneralAttitude_Binary_ Undecided1 = 0]	-2,755	,598	21,201	1	,000	-3,928	-1,582
Location	PEIDV	-,028	,006	23,868	1	,000	-,039	-,017
	PEUAI	-,023	,004	37,167	1	,000	-,031	-,016
	PELTO	-,023	,004	41,693	1	,000	-,031	-,016
	PEIND	,018	,004	21,907	1	,000	,011	,026

Link function: Probit.

Controls

Country:

Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	807,237			
Final	506,735	300,502	5	,000

Link function: Probit.

Pseudo R-Square

Cox and Snell	,287
Nagelkerke	,464
McFadden	,351

Link function: Probit.

Parameter Estimates

		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[GeneralAttitude_Binary_ Undecided1 = 0]	-2,766	,610	20,578	1	,000	-3,961	-1,571
Location	PEIDV	-,025	,006	19,278	1	,000	-,036	-,014
	PEUAI	-,024	,004	38,479	1	,000	-,032	-,016
	PELTO	-,023	,004	38,143	1	,000	-,030	-,015
	PEIND	,018	,004	19,298	1	,000	,010	,026
	Country	-,465	,135	11,939	1	,001	-,729	-,201

Link function: Probit.

Growth aspiration:

Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	792,092			
Final	504,081	288,010	5	,000

Link function: Probit.

Pseudo R-Square

Cox and Snell	,276
Nagelkerke	,447
McFadden	,336

Link function: Probit.

Parameter Estimates

		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[GeneralAttitude_Binary_ Undecided1 = 0]	-2,757	,610	20,449	1	,000	-3,951	-1,562
Location	PEIDV	-,028	,006	23,486	1	,000	-,039	-,016
	PEUAI	-,023	,004	36,488	1	,000	-,031	-,016
	PELTO	-,023	,004	41,681	1	,000	-,031	-,016
	PEIND	,018	,004	21,819	1	,000	,011	,026
	GrowthAspiration	-,002	,159	,000	1	,990	-,315	,310

Link function: Probit.

Number of employees:

Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	813,850			
Final	535,768	278,082	5	,000

Link function: Probit.

Pseudo R-Square

Cox and Snell	,283
Nagelkerke	,455
McFadden	,342

Link function: Probit.

Parameter Estimates

		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[GeneralAttitude_Binary_ Undecided1 = 0]	-3,043	,634	23,066	1	,000	-4,285	-1,801
Location	PEIDV	-,029	,006	24,045	1	,000	-,040	-,017
	PEUAI	-,026	,004	41,541	1	,000	-,034	-,018
	PELTO	-,023	,004	35,850	1	,000	-,030	-,015
	PEIND	,016	,004	15,653	1	,000	,008	,024
	Employees	,001	,001	,215	1	,643	-,002	,003

Link function: Probit.

Turnover:**Model Fitting Information**

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	813,429			
Final	535,934	277,495	5	,000

Link function: Probit.

Pseudo R-Square

Cox and Snell	,282
Nagelkerke	,454
McFadden	,341

Link function: Probit.

Parameter Estimates

	Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval		
						Lower Bound	Upper Bound	
Threshold [GeneralAttitude_Binary_ Undecided1 = 0]	-3,100	,624	24,701	1	,000	-4,322	-1,877	
Location	PEIDV	-,029	,006	23,990	1	,000	-,040	-,017
	PEUAI	-,026	,004	40,729	1	,000	-,034	-,018
	PELTO	-,023	,004	35,982	1	,000	-,030	-,015
	PEIND	,016	,004	15,589	1	,000	,008	,024
Turnover	-9,599E-11	1,968E-9	,002	1	,961	-3,954E-9	3,762E-9	

Link function: Probit.

Balance sheet total:**Model Fitting Information**

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	808,843			
Final	532,345	276,498	5	,000

Link function: Probit.

Pseudo R-Square

Cox and Snell	,283
Nagelkerke	,455
McFadden	,342

Link function: Probit.

Parameter Estimates

	Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval		
						Lower Bound	Upper Bound	
Threshold [GeneralAttitude_Binary_ Undecided1 = 0]	-2,978	,627	22,578	1	,000	-4,207	-1,750	
Location	PEIDV	-,029	,006	23,551	1	,000	-,040	-,017
	PEUAI	-,026	,004	39,356	1	,000	-,033	-,018
	PELTO	-,023	,004	35,413	1	,000	-,030	-,015
	PEIND	,017	,004	16,818	1	,000	,009	,025
BalanceSheetTotal	8,086E-10	1,943E-9	,173	1	,677	-3,000E-9	4,617E-9	

Link function: Probit.

Results of logit estimation**Model Fitting Information**

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	775,965			
Final	470,280	305,686	4	,000

Link function: Logit.

Pseudo R-Square

Cox and Snell	,291
Nagelkerke	,470
McFadden	,357

Link function: Logit.

Parameter Estimates

		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[GeneralAttitude_Binary_ Undecided1 = 0]	-5,108	1,155	19,568	1	,000	-7,372	-2,845
Location	PEIDV	-,056	,011	25,031	1	,000	-,078	-,034
	PEUAI	-,044	,007	35,700	1	,000	-,058	-,030
	PELTO	-,045	,007	41,628	1	,000	-,058	-,031
	PEIND	,041	,008	29,001	1	,000	,026	,056

Link function: Logit.

H_{3a-d} – ResultsOne-sample *t*-testi.e. $H_0: \mu_{IDV} = \mu_{PEIDV}$ (the mean of Hofstede's IDV value equals the mean of the PEIDV value) $H_1: \mu_{IDV} \neq \mu_{PEIDV}$ (the mean of Hofstede's IDV value does not equal the mean of the PEIDV value) $\alpha = .01$

UK					
Hypothesis	<i>t</i> -value	<i>p</i> -value	df	\bar{x}	Decision
H _{3a}	-42.055	<.001	569	66.67	Reject H ₀
H _{3b}	40.320	<.001	566	66.24	Reject H ₀
H _{3c}	21.528	<.001	568	68.22	Reject H ₀
H _{3d}	-7.338	<.001	565	64.03	Reject H ₀
DE					
H _{3a}	6.800	<.001	357	71.20	Reject H ₀
H _{3b}	3.285	.001	344	67.91	Reject H ₀
H _{3c}	-9.132	<.001	349	74.43	Reject H ₀
H _{3d}	25.660	<.001	348	61.46	Reject H ₀

H_{4a-h} – ResultsPaired-sample *t*-test

i.e. $H_0: \mu_{IDV\text{ChangedAttitude}} = \mu_{GoPublic}$ (the mean of the changed attitude of going public equals the mean of the general attitude of going public)

$H_1: \mu_{IDV\text{ChangedAttitude}} \neq \mu_{GoPublic}$ (the mean of the changed attitude of going public does not equal the mean of the general attitude of going public)

 $\alpha = .01$ $\mu_{GoPublic} = 4.25$

Both countries							
Hypothesis	<i>t</i> -value	<i>p</i> -value	df	\bar{x}	Cohen's <i>d</i>	Decision	Effect direction
H _{4a}	-7.400	< .001	827	4.07	.15	Reject H ₀	As predicted
H _{4b}	-20.443	< .001	827	3.69	.42	Reject H ₀	As predicted
H _{4c}	-13.004	< .001	824	3.96	.22	Reject H ₀	As predicted
H _{4d}	-10.245	< .001	826	3.99	.20	Reject H ₀	As predicted
H _{4e}	-17.364	< .001	823	3.80	.34	Reject H ₀	As predicted
H _{4f}	-11.184	< .001	815	4.01	.19	Reject H ₀	As predicted
H _{4g}	-16.873	< .001	819	3.82	.32	Reject H ₀	As predicted
H _{4h}	-10.835	< .001	817	3.98	.20	Reject H ₀	As predicted

Research question 5 – Results

Platform awareness

Independent sample *t*-test

$H_0: \mu_{PlatformAwareness_UK} = \mu_{PlatformAwareness_DE}$ (the British platform awareness mean equals the German mean)

$H_1: \mu_{PlatformAwareness_UK} \neq \mu_{PlatformAwareness_DE}$ (the British platform awareness mean does not equal the German mean)

$\alpha = .01$

<i>t</i> -value	<i>p</i> -value	df	Cohen's <i>d</i>	Decision
-7.085	<.001	767.78	.49	Reject H₀

Platform awareness improvement to the attitude of going public

Paired-sample *t*-test

$H_0: \mu_{ChangedAttitudePlatformAwareness} = \mu_{GoPublic}$ (the mean of the changed attitude of going public equals the mean of the general attitude of going public)

$H_1: \mu_{ChangedAttitudePlatformAwareness} \neq \mu_{GoPublic}$ (the mean of the changed attitude of going public does not equal the mean of the general attitude of going public)

$\alpha = .01$

$\mu_{GoPublic} = 4.25$

<i>t</i> -value	<i>p</i> -value	df	\bar{x}	Cohen's <i>d</i>	Decision
-6.879	< .001	547	4.130	.29	Reject H₀

Appendix 4: Interview results – detailed code structure

Code	Files	References
Current financing instruments	9	46
Bank financing	9	32
First point of contact for external funding	5	8
Good relationship with the bank advisor	4	8
Trust in their recommendations	1	2
At the moment very cheap conditions	3	3
Awareness that bank managers need to make profit, too	3	4
Access to huge amount of capital is limited	1	1
Internal financing	6	9
First source of finance	6	9
Privat equity	2	2
Local government funding	1	3

Code	Files	References
Public equity	12	317
Benefits and motivation of going public	9	114
Capital procurement	8	60
To increase business capacity	8	26
To start new subsidiaries	4	4
To buy expensive machinery	3	3
To buy new buildings	2	2
To recruit new employees	2	2
To expand nationally and internationally	6	8
To diversify the risk	1	1
To buy competitors	5	10
Risk of failing post-acquisition integration	2	2
Profile will get darker	1	1
For R&D	2	2
To expand the service or product line	2	5
To avoid business through third parties	1	1
SMEs and investors need to find an opportunity promising moment	5	8
Investors are willing to invest if businesses present a good scheme	2	2
Strategic change	5	7
Solution to the third generation problem	4	8
Improved company profile	4	7
SME stock exchange platforms are very supportive	2	6
DE - Entry standards are adapted to the characteristics of German SMEs	1	1
DE - Many additional services around Scale segment to support businesses	1	4
Direct Place - Privat investors can invest during IPO phase	1	3
Increases liquidity	1	1
Increases free float	1	1
Research report	1	1
Increases transparency	1	1
UK - Good help & support	1	1
Better equity ratio	2	2
Listed SMEs mostly perform well	1	2
Some get uplisted on the main market	1	1
Smaller risk premium payments	1	2
Problems of public equity	12	203
Missing knowledge	11	39
Missing knowledge on SME specific platforms	10	24
SMEs don't know about the platforms	7	18
No consideration of public equity due to small size	4	6
No consideration of public equity because they are not known well enough	1	3
Lack of specific training for SMEs	1	1
Businesses do not receive invitations to stock exchange information days	1	3

Might be due to GDPR that info emails end up as spam	1	1
Might be due to limited business database to whom info mails get sent out	1	1
Intermediaries don't know about the platforms	5	5
Missing knowledge on public equity	4	12
Public equity is not of interest to most because they don't understand it	2	3
Business & tax advisors don't have enough knowledge either	1	1
Missing knowledge on basic economic principles	3	3
Dilution of control	8	46
Especially hard for family businesses	6	24
Problem of no succession	3	8
Hard to share control because they have built it from scratch	3	3
Younger generations are more open towards trying out new things	2	6
They don't want to give out roles to outsiders	2	3
They don't want the new generation to change things	1	1
Often results in new directors or in M&As	3	6
New people bring in different sets of expertise but don't understand the company's traditions	2	4
Less focus on tradition	1	1
Stronger focus on numbers	1	1
Owners are attached to their business	2	3
Missing knowledge that this risk can be reduced	1	4
Not 100% of the business needs to be made public	1	2
Minimum free float requirements	1	2
Dishonest people	7	28
Their personal benefit is more important than the company's benefit	3	4
No ethics	3	3
Base of capitalism	2	3
People find (moral & amoral) ways around processes & regulations	2	4
Banks want more control	2	2
Unfair bonus system	2	3
Their personal benefit is more important than the country's benefit	1	1
It's impossible to run a business sustainably with those people	1	1
Negative attitude towards public equity	7	28
DE - Bad experience with Neuer Markt	4	16
Was a hype at the turn of the millennium	1	4
Massively supported by the media (TV & newspapers)	1	2
Exaggerated business appraisals	1	4
Bubble burst in the 2000s	1	2
Too many IPOs	1	1
Businesses and investors knew too little about what they were doing	1	2
Is considered too risky	3	4
AIM has a bad reputation	2	5
Due to some underperforming businesses	1	1
AIM is too much focussed on short-term profits rather than long-term developments	1	2
Is considered gambling	1	1
Is considered old-school	1	1
Too resource intensive	6	20
Too time consuming	6	8
Especially if analysts are no industry insiders	1	1
Too expensive	6	12
Ongoing costs	2	3
IPO costs	1	1
Too difficult processes	5	11
Too many processes	2	3
Too much reporting	2	2
Difficult to expand on AIM	1	2
Requires more reporting & processes	1	1
Not enough individually tailored support	4	12
Missing knowledge of intermediaries on industry and company specifics	2	8
But good advisors are key	1	2
Not enough individual support	1	1
They don't know about the history of the individual businesses	1	1

Too little time spent on support	0	0
No industry focus	1	1
Not enough flexibility on AIM	1	3
Difficult to relax the listing for a while	1	2
Too much responsibility towards shareholders	4	6
They expect growth	2	2
They sue you in case of minor mistakes	1	1
Can lead to psychological issues	1	1
Liability concerning information contained in brochures	1	1
Too much regulation	3	9
No flexibility to change the regulations to suit individual needs	2	2
But it is needed due to the dishonest people	1	2
Too much transparency	2	3

Code	Files	References
Necessary changes	10	130
Need for (more) training for SMEs	6	53
From trustable sources only	5	33
From banks (play a key role)	5	10
DE - Sparkasse offers funding information afternoons	2	4
Usually not much uptake	1	1
Don't include public equity	1	1
Are more accepted in small communities where everybody does what is considered the latest trend	1	1
Brochures	1	1
Smaller banks are more relevant for SME IPOs	1	1
From tax advisors	2	2
From other experienced businesses	2	3
From stock exchanges	2	9
DE - stock exchange offers trainings for both, SMEs and intermediaries	2	9
Free of charge	1	1
Located at the stock exchange	1	1
Very hands-on with successful testimonials	1	2
Positive feedback	1	1
From the government	1	1
From universities	1	1
From Industry & Commerce chamber (IHK)	1	1
From business advisors	1	1
The businesses need to be approached, they don't actively look for training	3	3
Training would be accepted	3	7
In the long-term it's more about accepting change	1	1
For businesses	1	1
DE - through so-called meet-ups	1	1
For intermediaries	1	1
For businesses and advisors	1	1
DE - No training offered for banks or lawyers, only for businesses	1	1
Better communication	6	38
With intermediaries	4	30
More intensive care	4	15
Industry specifics tailored	3	6
History of the business tailored	2	3
Fewer contact persons, but those need more decision-making authority	2	5
Training of bank advisors needs to be longer and more intensive to pass on experience	2	2
Trust, honesty, independence and transparency are important	2	13
No biased advisor who is commission based	1	1
With the government	1	1
With customers	1	1
Business internal	1	1
Longer-term communication	1	1
With stock exchanges	1	1

DE - need for a general rethinking about public equity	5	23
Start in school age	2	8
Start small and incrementally build up over the years	2	3
Basics need to be a compulsory component of school	1	3
Simple information afternoons for teenagers would not be accepted	1	1
Stock exchange offers guided tours	1	1
Need another incentive for people to come	1	4
Free movie, merchandise...	1	1
Make it an event	1	3
Raises the profile of the event organiser	1	1
DE - 'Planspiel Börse'	1	5
Industry specific stock exchanges	3	4
Non-voting shares to keep more control	2	2
Easier processes	1	4
Online platforms for the complete process	1	1
Simple reporting to 'copy and paste' existing reports	1	1
Less reporting	1	1
A stock exchange for Europe with no boundaries of capital or people	1	1
Lower IPO costs	1	1

Code	Files	References
External influences	12	155
Investment trends	9	38
Micro investments, i.e. crowdfunding	5	25
Only relevant for publicly interesting industries	4	7
Only for B2C markets	1	1
Better for producing businesses, not service businesses	1	1
More relevant for smaller & younger firms	3	5
Uncertainty about the success of a crowdfunding campaign	1	1
Good way of marketing & raising profile	1	1
Good way of getting quick money	1	4
Simple to use	1	3
No long-term financing instrument	1	2
Trend towards ethical investments	3	4
Environmentally friendly businesses	2	2
Businesses with fair working conditions	1	1
Less focus on national financing	2	7
UK - Common language of English makes that easier	1	1
Industry specifics	8	53
Change of traditional industries	5	27
IT industry is growing	4	9
Big profit margins	1	3
More reasonable for a public listing	1	2
Long development times	1	2
Need for sufficient capital	1	1
Fast moving	1	3
Need capital to stay up to date	1	1
Mining & steel industry is regressive	3	15
Very low wages	1	1
Bad reputation	1	2
Environmental awareness	1	1
Dishonest people	1	5
Competent person's report	1	2
Unpredictable business cycles	1	2
Seasonality of industries	2	6
Temporary employment industry	1	4
Dependent on the macroeconomic situation	1	2
Only have long-term growth, but not necessarily short-term	1	1
Infrastructure industry	1	1
Dependent on government spending	1	1
B2B industries are less known in the public	1	1
More difficult to find investors	1	1
More regulation of industries	1	2

Security industry	1	2
Less room for investments and growth	1	1
DE - Mittelstand	4	22
Many family firms	4	4
High level of innovation	2	3
Engine of German economy	2	2
High national and international standing	1	2
Values tradition	1	5
High quality	1	1
Short decision making ways	1	1
Big firm values	1	3
Is considered a secure investment	1	1
Legislation & government regulations	3	12
Supporting SME public equity	2	5
Government support	2	2
Capital Markets Union	1	2
SME Growth Market	1	1
Taxation is the main instrument	1	2
Difficult to find the right level of transparency regulations to save both, investors and businesses	1	4
Real estate market	3	8
DE - Renting is much more common than owning	3	3
UK - Owning housing is much more favourable than renting	2	5
Leads to more personal debt	1	1
More governmental subsidies for buying housing	1	1
Technical advancements	3	4
Easier communication	2	2
More online investment platforms	1	1
Macroeconomic development	2	16
Business cycles	1	10
Financial crisis	1	4
Caused strategic change	1	2

Code	Files	References
Cultural impact	12	132
UK	8	58
IDV	7	40
Individual benefits are more important than benefits for the country	4	11
Focus on making profits at all costs	2	6
UK is considered one of the worst homes of capitalism	2	4
Being less protective of old values and tradition for the greed for profit	2	5
Little focus on ethics	2	4
Individual benefits are more important than benefits for the business	2	3
Focus on standing alone rather than helping out	1	2
Nationalism	1	2
Think big and want to grow	1	2
Businesses do less to bind their employees	1	1
No company funded housing	1	1
Focus on negotiation rather than equal parity	1	1
Focus on trying to move up in the social class	1	1
LTO	6	7
Little planning ahead too much	3	3
Old values and traditions are losing importance	2	2
More short-term result oriented	1	1
UAI	4	7
Willing to take a risk for potential return	2	4
Willing to take risk, but often lacking expertise	2	2
IND	3	4
Less respect for family businesses	1	1
Open to try out new unusual things even with the risk of failure	1	1
Strong market competition allows for going unusual ways	1	1
DE	7	61
LTO	7	21

A lot is done to bind employees to the business	3	7
Company funded housing	1	1
Free company childcare	1	1
Free gym	1	1
Bigger investments in work safety	1	1
Tradition is important	3	4
Financial planning needs to be very precise and long-term	3	3
Want more control	2	3
More focus at the big picture	1	2
Not very open towards change	1	2
UAI	6	22
Do conservative and very comprehensive risk assessments	4	7
Don't want to take risk if there is another option	4	6
Want more control	3	5
Not very open towards change	2	2
Fear a repetition of Neuer Markt	1	1
Postpone decisions until all possible scenarios have been evaluated	1	1
IDV	4	7
Profit is not as important as good working conditions	2	3
Banks act more individualistic than businesses or individuals	1	1
Bigger focus on ethics	1	1
Focus on fair business contracts & equal parity	1	1
People are loyal to their business if they like it there	1	1
IND	4	11
Tradition is important	3	3
Fear of losing face in case of failure	1	2
Less open to be the first trying out new things	1	2
Big responsibility feeling towards their employees	1	1
Many family businesses	1	1
People are happy in the middle class	1	1
The role in society is important	1	1
Based on what we've learned & experienced growing up	4	4

Code	Files	References
Outlook	12	87
Public equity	11	18
Will gain in importance if...	10	14
...increased government awareness and support	1	2
...interest rates rise again	1	1
...it follows current investment trends	1	1
...it has better conditions	1	1
Depends on the situation of the business - individual decision	1	2
Bank financing will remain more important	1	1
Depends on the industry	1	1
Brexit	10	35
Reasons	3	7
People don't like the system	2	3
People don't want the EU to tell them what they have to do	2	2
People don't want change	1	2
Outcomes	9	25
Possible negative outcomes for the UK	7	17
Less movement of capital	7	10
Investors might invest less in the UK	4	4
International businesses might not go to the UK but rather to other EU countries	3	3
Less exports & imports	1	1
Less movement of labour	2	4
Fewer people might come to the UK for work	1	2
Fewer British people might go abroad for work	1	1
Lower UK economic output	1	1
The UK might break apart (separation of Scotland, Wales & Northern Ireland)	1	2
The EU might continue as before	2	3


Possible positive outcomes for the UK	2	3
Investors might see a new opportunity in the UK because they are not tied to the disadvantages of the EU	1	1
Opportunities for growth for national businesses	1	2
Support from government	1	1
Big insecurity about what is going to happen	1	1
Trust in banks	8	34
Banks will remain important	5	8
Mainstream banks are more trustworthy	3	4
Regulation needs to become stricter	1	1
Banks need to rethink their approaches	4	15
Banks need to stay on top of technology	2	3
Banks need to enhance transparency to prove ethical approaches	2	2
They need new sources of income	2	5
Getting SMEs listed might be a new source of income	1	2
Alternative investments will gain in importance	1	2
Blockchain & bitcoin	1	1
Crowdfunding	1	1
Banks need to focus more on specific needs for SMEs	1	1
Banks need to have knowledge about public equity and advise on that	1	1
Banks have problems	3	8
Banks reduce their staff	1	2
Bank managers are hesitant to suggest riskier investments to stay on the safe side	1	2
Financial crisis	1	1
Banks want to make profit	1	1
Trust is decreasing	1	1

Appendix 5: Visual summaries for policymakers

5.1: Legislative organs

5.1.1: British legislative organs

CLOSING THE FINANCING GAP FOR SMES WITH PUBLIC EQUITY



KEY RESULTS

Public equity is a financing alternative for SMEs to circumvent the financing gap

73% of British medium-sized enterprises have a (very) negative attitude towards public equity financing


National culture influences the IPO decision: SMEs are very risk avoidant and long-term oriented in relation to public equity

Some policy changes can significantly improve the likelihood to consider an IPO


METHODS

1. Web-based survey
May – Jun '19
>1,000 respondents
2. Interviews
Nov '19 – Jan '20
12 participants


WHAT CAN YOU DO?

 **IMPROVE COMMUNICATION**


- Maintain comprehensive and open communication with stock exchanges and financial intermediaries
 - Short and quick communication channels
 - Well trained and experienced contact persons

 **ARRANGE EXISTING LEGISLATION MORE CLEARLY**

- Quick & structured overview of relevant legislation
- Increase legislation against unfair bonus systems and commission based advisory

 **ENHANCE EDUCATION**

- Support nationwide SME meet-ups by inviting SMEs, presenters etc.
- Introduce a regulation against hyping risky investments in the media without outlining the associated risks

 **EVOLVE PUBLIC EQUITY PRODUCT RANGE**

- Support the EU Capital Markets Union plans
- Foster the development of an international public equity platform for SMEs
- Support SMEs going public and investors through tax relief programmes

5.1.2: German legislative organs

CLOSING THE FINANCING GAP FOR SMES WITH PUBLIC EQUITY


KEY RESULTS

Public equity is a financing alternative for SMEs to circumvent the financing gap

89% of German medium-sized enterprises have a (very) negative attitude towards public equity financing

National culture influences the IPO decision: SMEs are very risk avoidant and long-term oriented in relation to public equity

Some policy changes can significantly improve the likelihood to consider an IPO



METHODS

1. Web-based survey
May – Jun '19
>1,000 respondents
2. Interviews
Nov '19 – Jan '20
12 participants

WHAT CAN YOU DO?



IMPROVE COMMUNICATION

- Maintain comprehensive and open communication with stock exchanges and financial intermediaries
 - Short and quick communication channels
 - Well trained and experienced contact persons



ARRANGE EXISTING LEGISLATION MORE CLEARLY

- Quick & structured overview of relevant legislation
- Increase legislation against unfair bonus systems and commission based advisory



ENAHNCE EDUCATION

- Teach basic principles of money and market dynamics in school
- Support nationwide SME meet-ups by inviting SMEs, presenters etc.
- Introduce a regulation against hyping risky investments in the media without outlining the associated risks



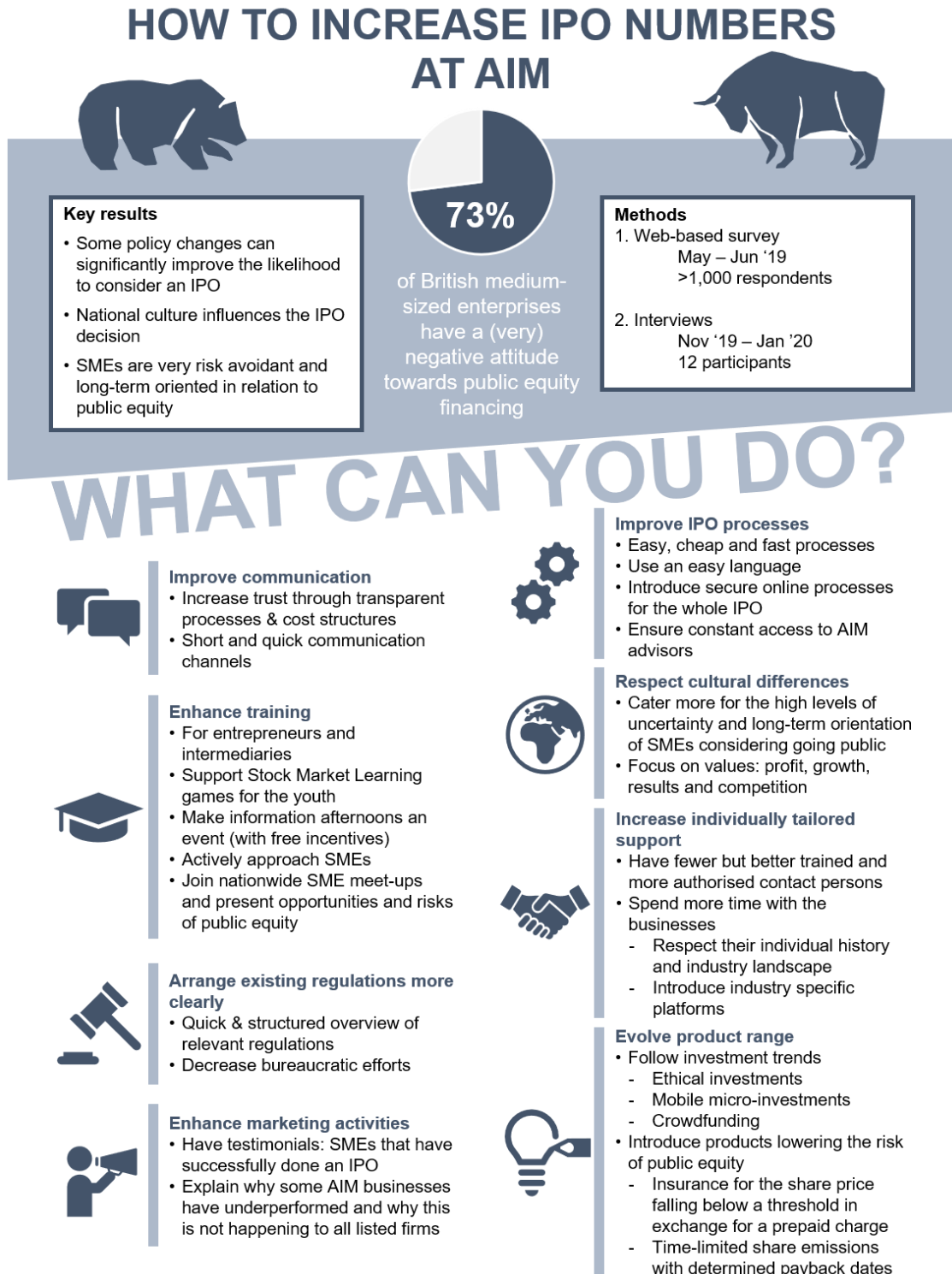
EVOLVE PUBLIC EQUITY PRODUCT RANGE

- Support the EU Capital Markets Union plans
- Foster the development of an international public equity platform for SMEs
- Support SMEs going public and investors through tax relief programmes

Based on the PhD research results from Lisa Paula Koch, Edinburgh Napier University. If you are interested in more details, please contact lisa.koch@napier.ac.uk.

5.2: Stock exchanges

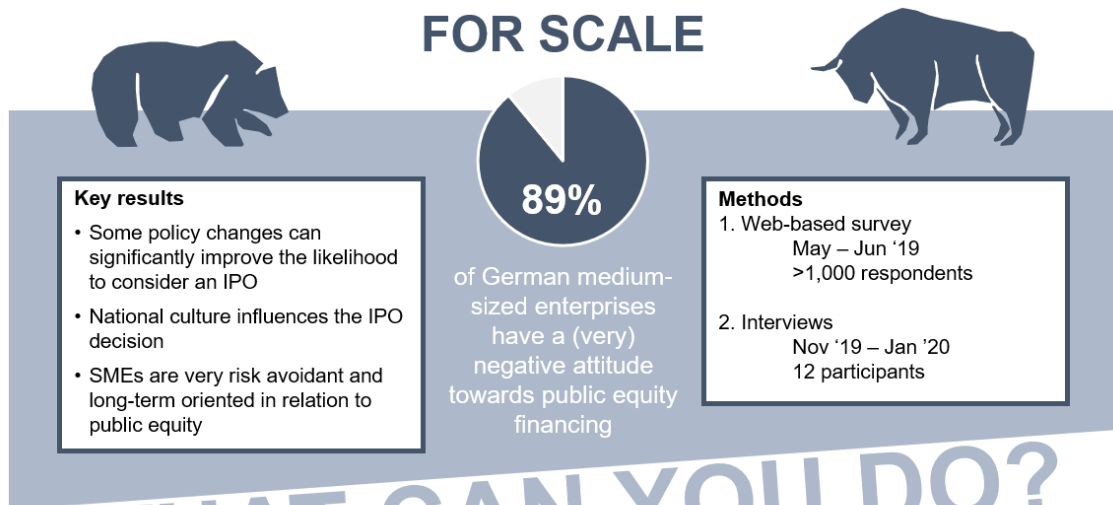
5.2.1: British stock exchange



Based on the PhD research results from Lisa Paula Koch, Edinburgh Napier University. If you are interested in more details, please contact lisa.koch@napier.ac.uk.

5.2.2: German stock exchanges

HOW TO INCREASE IPO NUMBERS FOR SCALE



WHAT CAN YOU DO?



Improve communication

- Increase trust through transparent processes & cost structures
- Short and quick communication channels



Improve IPO processes

- Easy, cheap and fast processes
- Use an easy language
- Introduce secure online processes for the whole IPO
- Ensure constant access to Scale advisors



Enhance training

- For entrepreneurs and intermediaries
- Support Stock Market Learning games for the youth
- Make information afternoons an event (with free incentives)
- Actively approach SMEs
- Join nationwide SME meet-ups and present opportunities and risks of public equity
- Explain why the failure of Neuer Markt won't be repeated



Respect cultural differences

- Cater more for the high levels of uncertainty and long-term orientation of SMEs considering going public
- Focus on values: ethics, caution, control, planning and tradition



Arrange existing regulations more clearly

- Quick & structured overview of relevant regulations
- Decrease bureaucratic efforts



Increase individually tailored support

- Have fewer but better trained and more authorised contact persons
- Spend more time with the businesses
 - Respect their individual history and industry landscape
 - Introduce industry specific platforms



Enhance marketing activities

- Have testimonials: SMEs that have successfully done an IPO
- Focus on Mittelstand values: family firms, innovation, tradition and quality



Evolve product range

- Follow investment trends
 - Ethical investments
 - Mobile micro-investments
 - Crowdfunding
- Introduce products lowering the risk of public equity
 - Insurance for the share price falling below a threshold in exchange for a prepaid charge
 - Time-limited share emissions with determined payback dates

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