The Role of Trust in the Context of Initial Coin Offerings

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JOÃO MARIA APOLINÁRIO JORGE | DEPARTMENT OF BUSINESS ADMINISTRATION

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The Role of Trust in the Context of Initial Coin Offerings

João Maria Apolinário Jorge

LUND
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DOCTORAL DISSERTATION

Doctoral dissertation for the degree of Doctor of Philosophy (PhD) by due permission of the Department of Business Administration, School of Economics and Management, Lund University, Sweden.

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Abstract:

This thesis investigates the role of trust in the context of decentralised finance (DeFi). Representing a new paradigm shift in finance, DeFi emerge from the technological developments that we have witnessing in the last decades, particularly decentralised ledger technologies (DLTs) of which Blockchain is perhaps the most popular. DeFi is changing the way that firms raise financial capital and a clear example is Initial Coin Offerings (ICOs) – a financing mechanism in which new ventures issue tokens in exchange for established cryptocurrencies through a decentralised and desintermediated process.

Despite the several benefits associated to ICOs, such as no intermediation costs, absence of geographical limitations, and the possibility of smaller investors and innovative firms to be included in the financial markets, the fact is that this financial source entails significant risks. For instance, the lack of information available about the firm, the absence of a central entity to coordinate the financial transactions, and the digital nature of the business, might represent a threat for prospective investors.

While the existing literature suggests that trust has a significant role in mitigating information asymmetries between investors and firms and that entrepreneurs can send trustworthiness signals to propsective investors in order to earn their trust and consequently experience easier access to financial capital, it primarily focuses on traditional finance. In this thesis I ivestigate the influence of signalling the two dimensions of trust – goodwill trust and competence-based trust – on the fundraising success of token offerings. Thus, this thesis aims to test the previous knowledge from trust literature in a novel and distinct context: decentralised finance.

The analysis employs a quantitative approach, using a cross-sectional dataset and diverse quantitative methodologies in order to enhance our understanding of how signals of trustworthiness sent out by the top management teams of new ventures influences the probability of reaching the soft cap during ICOs.

Key words: Initial Coin Offerings, Decentralised Finance, Tust, Human Capital, Social Capital, Behavioural Finance, Entrepreneurial Finance

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To my parents Américo and Virgínia, my siblings Joana and Miguel, and my nephews and niece Tomás, Teresa, Francisco, and António

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1. Introduction

This introductory chapter sets the background to the topic of research in this thesis, presenting the motivation of the thesis and reflecting on the theoretical problem that it addresses. In addition, this chapter introduces the context of the research and the developments that culminated into a new paradigm in finance: Decentralised Finance. The chapter ends with the overall research question that guides the thesis, as well as the three specific research questions that are addressed in each of the papers compiled in this thesis.

Preface

In recent years, the entrepreneurial finance landscape has been marked by disruptive transformation, with the emergence of innovative financing mechanisms for entrepreneurial ventures (Bogusz et al., 2020; Haddad & Hornuf, 2019). Such mechanisms are characterised by decentralised and disintermediated transactions, representing a paradigm shift in finance referred to as Decentralised Finance (DeFi) (Harvey & Rabetti, 2024; Piñeiro-Chousa et al., 2023). Proponents of this financial innovation argue that the benefits associated with DeFi have the potential to reshape the financial world as it was known until only a few years ago (Harvey & Rabetti, 2024). Accordingly, DeFi is changing the way firms, especially entrepreneurial firms, raise financial capital and conduct financial transactions (Urquhart & Yarovaya, 2024). This thesis focuses on one outcome of DeFi – Initial Coin Offerings (ICOs) – and, specifically, on the firms that use this funding source: token-based new ventures.

The rise of ICOs is closely linked to the technological developments of the past decades (Bogusz et al., 2020). In particular, the emergence of Web 3.0 and the associated decentralised ledger technologies (DLTs) – of which blockchain technology is perhaps the most prominent example – revolutionised the fundraising process for new ventures (Bertoni et al., 2022; Momtaz, 2020). This paradigm shift in finance is also characterised by new actors in the financing process of entrepreneurial ventures, namely, a type of investors that is different from the typical profile that we can find in traditional finance. For instance, in DeFi, investors do not invest only based on their expectations about the profits of the firm. In fact, the hype around certain businesses might be an important factor influencing investors' decisions (Yousaf & Yarovaya, 2022). Such differences between DeFi and traditional finance may, thus, challenge knowledge that has been consolidated in the research field of finance. The relationship of trust between entrepreneurs and prospective investors is one example of the differences between traditional finance and DeFi. While the role of trust on the financing success of firms gathers consensus in the previous literature, in the sense that trust is found to contribute for lower interest rates and easier access to financial capital by firms (Howorth & Moro, 2006), in the context of DeFi, this relationship might not be so linear. In fact, the technological nature of these firms, the lack of proximity between ventures and investors as well as the lack of physical premises of these ventures, and their innovative nature, may change the importance of trust on the financing process of new ventures.

This thesis investigates the influence of trust signals on the financing process of new ventures that are financed through decentralised mechanisms, in order to understand how signals related to the two dimensions of trust – goodwill trust and competence-based trust – contribute to the success of the fundraising in such ventures. Thus, I will focus on one of these decentralised financing mechanisms – ICOs. Also known as token offerings, ICOs are a financing mechanism in which token-based new ventures raise capital by issuing and selling tokens in exchange for established cryptocurrencies (e.g. Ethereum), which may then be exchanged for fiat currencies in the money market and integrated into the capital structure of the venture (Adhami, Giudici & Martinazzi, 2018; Fisch, 2019). The first ICO took place in 2013 with

Mastercoin, and the number of token offerings grew exponentially until 2018, fuelled in part by crypto-market hype and momentum (Momtaz, 2020). In a token offering, investors receive a token that may either secure access to a product or service once it is launched, or grant a stake in the venture, similar to a share (Hu et al., 2024). The fundraising process is mediated by a smart contract – a protocol based on blockchain that executes buying and selling orders directly between buyers (investors) and sellers (ventures) (Howell et al., 2020). Moreover, all transactions are cryptographically recorded and executed automatically, without intermediation and independently of a central entity (Benedetti & Kostovetsky, 2021). Before launching the token offering, firms may publish a white paper disclosing some information about the offering (Bourveau et al., 2022). Although there are no formal requirements for its content, the white paper often outlines the business idea, relevant offering dates, the minimum amount of funds required for a successful fundraising campaign (soft cap), the maximum amount of capital the venture intends to raise (hard cap), and details about the entrepreneurial team (Fisch, 2019). In other words, the white paper is one of the few information sources available to investors about the venture and its team.

There are several advantages associated with ICOs. They involve no intermediation costs; they enable ventures in remote locations to raise funds without geographical restrictions; and they allow smaller investors to contribute, opening up the entrepreneurial ecosystem to those who traditionally lacked access (Howell et al., 2020; Momtaz, 2021a). Furthermore, ICOs enabled the emergence of businesses that might otherwise not have secured financing (Fisch et al., 2022). Because token-based new ventures (and often their teams) often lack track records, they face difficulties in accessing debt financing (e.g. bank loans or trade credit). In addition, given that many of these projects are at the seed stage, sometimes no more than a business idea, they are not typically attractive to business angels and venture capitalists (Fisch et al., 2022). For many ventures, this makes ICOs the only viable source of finance. Notwithstanding these advantages, there are also significant concerns associated with ICOs. The early-stage nature of these ventures implies high uncertainty regarding business potential and the success of the product or services offered. This uncertainty, coupled with the lack of familiarity between

investors and ventures, as well as the digital and cryptographic nature of ICOs, makes this an inherently risky form of investment (Chod & Lyandres, 2021; Momtaz, 2021c).

Despite the decline in the number of ICOs since 2018, following the scams associated with previous offerings whose effects were exacerbated by lack of regulation, ICO activity now seems to be recovering. This recovery is suggested by increasing regulatory efforts across many countries, as well as by the development of digital currencies – regarded as government-backed versions of cryptocurrencies – by central banks (e.g. the European Central Bank) (Keister & Sanches, 2023). As a result, growth and normalisation of the crypto economy are expected in the coming years, with token-based financing methods comprising an important component as the fuel for disruptive, technology-driven ventures. In the thesis, I approach the phenomenon of token offerings as the first stage of decentralised finance – a stage which, due to its inherent innovation and novelty – lacked regulation and posed substantial risks, especially for investors. Nevertheless, token offerings are expected to evolve into a subsequent stage impacting both the public and governmental spheres, through the development and implementation of central bank digital currencies (CBDCs), and the private sphere, through regulated token offerings. Understanding the mechanisms of ICOs, as well as investor behaviour in the decentralised context, is therefore crucial for developing appropriate and effective policies in future stages of this phenomenon.

Despite increasing scholarly attention to ICOs in recent years, major gaps in the literature still exist. One such gap concerns the trust that investors place in token-based new ventures and in their entrepreneurial teams. Given the singular characteristics of these ventures (Drobetz et al., 2024) and the context of ICOs (Momtaz, 2020), both of which will be discussed later, this thesis aims to understand how trust signals influence the fundraising success of token-based new ventures.

Problematisation: Trust in the Context of Decentralised Finance

One of the aims of DeFi is to facilitate financial transactions between different agents (Harvey & Rabetti, 2024). Accordingly, a major aspect of traditional finance that DeFi seeks to improve is the relationship of trust between the parties involved in a financial transaction, namely entrepreneurial ventures (entrepreneurs) and investors. Indeed, prior literature extensively investigates the critical role of trust when firms try to attract financial capital, for instance in bank loans (e.g., Howorth & Moro, 2012; Palazuelos et al., 2018; Wijaya et al., 2023), venture capital (e.g., Capizzi et al., 2022), business angels (e.g., Maxwell et al., 2011) and crowdfunding (e.g., Lukkarinen et al., 2016). However, in the context of DeFi, and ICOs in particular, research on the influence of trust on the fundraising success of token-based new ventures is scarce. This gap in knowledge is intriguing, given the significant uncertainty around token-based new ventures and the process of token offerings (Momtaz, 2021). Despite the revolutionary potential of ICOs, with their substantial impact on the creation and funding of new ventures, this disruptive financing mechanism entails a severe problem of asymmetric information between investors and ventures (Momtaz, 2021c). This problem stems from two factors: one related to the characteristics of the ventures that participate in ICOs, and the other to the financing process itself.

Token-based new ventures are often at a very early stage of their lifecycle, in most cases no more than a business idea (Benedetti & Kostovetsky, 2021). This situation makes it difficult for investors to assess investment risk, since there is no financial information available about the firm, forecasting future performance is challenging, and uncertainty about the feasibility of the product or service is high. Additionally, such ventures tend to rely on advanced technologies that require specialist knowledge to understand, which most investors lack (Boreiko & Risteski, 2021; Drobetz et al., 2024). Therefore, there is a substantial knowledge gap between investors and the entrepreneurial team. The second factor concerns the nature of token offerings: the entire process occurs digitally, without any physical presence of the firm (e.g. offices or premises) (Fisch, 2019). Investors must thus rely solely on information

disclosed in the firm's white paper or its social media channels, which heightens uncertainty about the entrepreneurial team behind the firm. Indeed, several cases of ICO-related fraud have emerged in recent years, exacerbated by the absence of regulation and the lack of meaningful consequences for those behind fraudulent ventures. Examples include "ghost" ventures, in which a token offering was not backed by any business, or cases in which the token issuer simply collected funds and disappeared. These represent a considerable percentage of ICOs.

This situation of information asymmetries leads to what is commonly referred to in the management literature as the agency problem. Agency theory, based on the seminal works of Jensen & Meckling (1976) and Ross (1973), discusses principal-agent relationships, in which the principal delegates a determined responsibility to the agent. This theory assumes information asymmetry between both parties, potentially leading to adverse selection and moral hazard (Miller et al., 2011; Sapienza & Gupta, 1994). Moral hazard arises when an entrepreneur's actions may harm investors, whereas adverse selection occurs when investors cannot distinguish between good-quality and poor-quality ventures. As a result, good-quality firms receive less funding than they would if investors knew their true value, or they must pay a higher price to obtain funding, known as the risk premium, to account for the high uncertainty of such investments (Mirrlees, 1999; Momtaz, 2021b). To mitigate these problems, principals may monitor agents and offer incentives to align the interests of both parties, which generates agency costs (Audretsch et al., 2009). Nevertheless, this market distortion has a substantial impact on new ventures, since they are often prevented from receiving the funding essential for survival, growth and market efficiency (Drobetz et al., 2024). Thus, the agency problem has severe consequences for both investors and entrepreneurial firms. Specifically in the case of ICOs, the lack of certified information about the firm, technological novelty, and the disintermediated and decentralised nature of the financing process create difficulties for investors. They cannot know whether the token-based new ventures they are considering are good-quality firms likely to perform well and increase investors' capital, or poor-quality firms, or even scams that could cause them to lose their investment (Momtaz, 2021). Thus, investors are more likely to demand a higher risk premium to finance those firms or to invest in fewer firms. This, in turn, negatively affects

entrepreneurial firms and their founders, who may have to concede a larger share of the firm, and ultimately prevents many good-quality firms from being financed.

It is in this context of the agency problem that trust is expected to play a significant role, particularly through its cognitive and affective dimensions. Trust relates to the willingness of the trustor to be vulnerable to the trustee's actions, based on the trustor's belief and expectation that the trustee will act in a certain manner (Kakatkar et al., 2024; Mayer et al., 1995). Accordingly, for investors to finance token-based new ventures, they must accept the vulnerability inherent in the actions taken by entrepreneurs during the venturing process. In other words, investors must trust that entrepreneurs have both the competence and goodwill to manage the firm effectively, ensuring good performance and ultimately generating returns on the capital invested.

To mitigate the agency problem between entrepreneurs and prospective investors caused by information asymmetries, signalling and screening theories (Connelly et al., 2011; Spence, 1973; Stiglitz, 1975) suggest that entrepreneurs can communicate and demonstrate the quality and potential of their ventures, while investors look for such information (signals) disclosed by entrepreneurs. Accordingly, investors use such signals to assess the value of a venture and to decide whether to invest (Connelly et al., 2011). This thesis adopts the perspective of signalling and screening, investigating the effect of such signals on the fundraising success of token-based new ventures, rather than whether the firm or entrepreneurial team actually possesses the characteristics represented by the signals.

Despite contributions from prior literature, some shortcomings in the study of trust remain. The first concerns the lack of research on how trust related to the values and intentions of the entrepreneurial team influences the fundraising success of token-based new ventures. Specifically, little is known about the effect of signalling goodwill trust by the entrepreneurial team on a firm's ability to raise funds. While previous research suggests that the values and personality traits of entrepreneurs can facilitate access to bank loans (Howorth & Moro, 2012; Moro & Fink, 2013), this relationship has not been examined in the context of decentralised finance and token-based new ventures. This gap is especially relevant in such contexts, given the high uncertainty surrounding ventures and the limited information available to prospective investors.

A second shortcoming involves the influence of trust in the competencies of the entrepreneurial team on fundraising during token offerings. Although some research has examined the effect of human capital on fundraising success (e.g., Bourveau et al., 2022; Colombo et al., 2022), prior findings are inconsistent. Such inconsistencies may stem from a distinction in the literature between the generic and specific skills of individual team members. In the context of token-based new ventures, which are typically innovative and technology-driven (Momtaz, 2020), this research gap is particularly relevant, since prospective investors may place different weight on skills depending on their relevance to the firm's operations.

A third shortcoming concerns the perceived quality of signals related to the rhetoric of goodwill trust. Such signals are easily faked, and prospective investors may find it difficult to assess whether the rhetoric of goodwill trust used by entrepreneurs reflects reality. Consequently, these signals may have effects contrary to what the entrepreneur expects (Colombo, 2021; Steigenberger & Wilhelm, 2018). Thus, it is important to investigate whether entrepreneurs use a rhetoric of goodwill trust to conceal a firm's problems and mislead investors. These research gaps are further developed in the following subsection, which introduces the research questions addressed in this thesis.

Aim of the Thesis Project and Research Questions

The overall aim of this dissertation is to investigate the role of trust and its inherent dimensions in the context of decentralised finance, particularly in the financing of token-based new ventures. As argued above, despite the advances and innovation that blockchain technology introduced into ICO financing – such as increased security, faster transactions and improved tracking of invested capital – blockchain technology relaxes the need for trust, at best, only at the level of the financial transaction (Kowalski et al., 2021; Prasad, 2021, p.160; Shin & Bianco, 2020). In other words, it only ensures that funds are transferred from the investor's digital wallet to the firm's capital structure. On the other hand, the need to trust in the abilities and character of the entrepreneurial team to successfully develop the venture and deliver returns remains. Indeed, given the lack of verifiable information about the ventures

(since they are usually at the seed stage), the lack of proximity between investors and firms or entrepreneurs (since token-based new ventures typically exist online, without physical premises), and the decentralised and disintermediated nature of the financing process (Fuchs & Momtaz, 2025), the uncertainty is heightened. As a result, investors' willingness to be vulnerable to entrepreneurs' actions and behaviour is even more pronounced than in traditional finance. Nevertheless, the literature concerning the role of trust in the financing success of token offerings is underdeveloped, and knowledge on the topic is limited. Against this background, the overall research question I aim to investigate in this dissertation is the following:

Overall research question: How does trust impact the fundraising success of new ventures using token-based financing mechanisms?

This general research question emerged from my review of the ICO literature, which I began at the start of this doctoral project and which culminated in a systematic literature review – the first paper of this dissertation. From this initial review, I observed that the ISO research field was fragmented and required both a mapping of the literature and an integration of previous findings. Accordingly, the aim of the systematic literature review (Paper I) was to understand the main topics studied in the ICO literature, to provide an overview of the state-of-the-art, to organise and cluster findings from the extant literature, and to identify both areas of consensus and persisting ambiguities. Thus, this article served as the starting point for the subsequent empirical studies included in the dissertation, since one of the outcomes from Paper I was the identification of the underexplored role of trust as a success factor in the fundraising of token-based new ventures.

In particular, and following the two dimensions of trust established in previous literature (Mayer et al., 1995) – goodwill trust and competence-based trust – the influence of goodwill trust on the fundraising success of token offerings was absent in the literature. While research on organisational trust suggests that investors' perceptions of entrepreneurs' ethical values and intentions are relevant to financing decisions (Civardi et al., 2024; Maxwell et al., 2011), behavioural finance (Statman 1999; 2019) and prospect theory (Barberis, 2013; Kahneman & Tversky, 1979) suggest that, from a signalling

and screening perspective, investors may also take into account previous scams and cases where entrepreneurs' projected images did not reflect reality. Since goodwill trust signals are difficult to verify and represent low-cost signals (Colombo 2021), prospective investors may interpret them negatively. Thus, the first specific research question (SRQ) addressed in this dissertation is the following:

SRQ1: What is the impact of signalling goodwill trust on the fundraising success of new ventures using token-based financing mechanisms?

Another outcome from Paper I relates to the second dimension of trust: competence. Prior literature on ICOs is inconsistent and ambiguous regarding the effect of entrepreneurs' perceived skills and abilities on the success of token offerings. The competencies of the entrepreneurial team constitute the human capital of the firm. While some studies suggest that token-based new ventures led by entrepreneurial teams with high levels of human capital tend to be more successful in raising funds (e.g., Fronzetti et al., 2025; Gartner & Moro, 2024), other studies find no statistical evidence of such a relationship (Colombo et al., 2022), or even report a negative effect (Han et al., 2025). Nevertheless, given the innovation and technologically uncertain nature of these ventures, a more detailed analysis of the impact of human capital is required. In particular, it is necessary to distinguish between its two components – generic and specific human capital (Stucki, 2016) – and to consider the role within the team of the member who possesses each component. In addition, social capital (Baker, 1990; Shao & Sun, 2021) may also moderate the influence of human capital. Social capital promotes and gives visibility to the entrepreneurial team, particularly its human capital, and provides entrepreneurs with access to information and resources that are vital to the success of the firm (Santarelli & Tran, 2013; Smith et al., 2017). Thus, the second specific research question addressed in this dissertation is the following:

SRQ2: How does the top management team's generic and specific human capital influence the success of token offerings, and how does social capital moderate this relationship?

The third and final specific research question addressed in this dissertation builds on the first specific research question and emerged from the findings of the second paper included here. While substantive signals, such as patents and prototypes, are typically difficult to manipulate and easy to verify, that is not true for low-cost signals, such as goodwill trust rhetoric (Colombo, 2021; Steigenberger & Wilhelm, 2018). In fact, the narratives that entrepreneurs construct to persuade prospective investors of the quality of their venture, or to present themselves as honest, can be easily fabricated, conveying an image to stakeholders that may not reflect reality. Nevertheless, in the context of new ventures, where information about the firm is scarce and uncertainty about its performance is high, low-cost signals are often the only means by which stakeholders can assess the venture (Steigenberger & Wilhelm, 2018). Accordingly, it is important to investigate whether the entrepreneurial teams of token-based new ventures misuse goodwill trust signals to conceal the poor quality of the firm or their lack of competence. Thus, the third specific research question addressed in this dissertation is the following:

SRQ3: How accurate are the low-cost signals sent by the top management teams to communicate the value of their venture?

Together, the four papers compiled in this dissertation provide a complementary perspective on the overarching research question, contributing to a better understanding of the complexity around the importance of trust to the fundraising success of token-based new ventures. Paper I lays the foundation by thematically analysing and organising the extant literature on token offerings, revealing key ambiguities and inconsistencies, one of which becomes the focus of analysis in the subsequent papers: the success factors of token offerings, particularly trust. Paper II examines one of the two dimensions of trust – goodwill trust – by investigating the association between signalling benevolence and integrity by top management teams and the fundraising success of token-based new ventures. Paper III investigates the second dimension – competence-based trust – by exploring the relationship between signalling specific and generic human capital by the top management team, and the success of the token offering. Lastly, Paper IV builds on Paper II by

investigating the perceived quality of low-cost signals, such as rhetoric emphasising goodwill trust by the top management team.

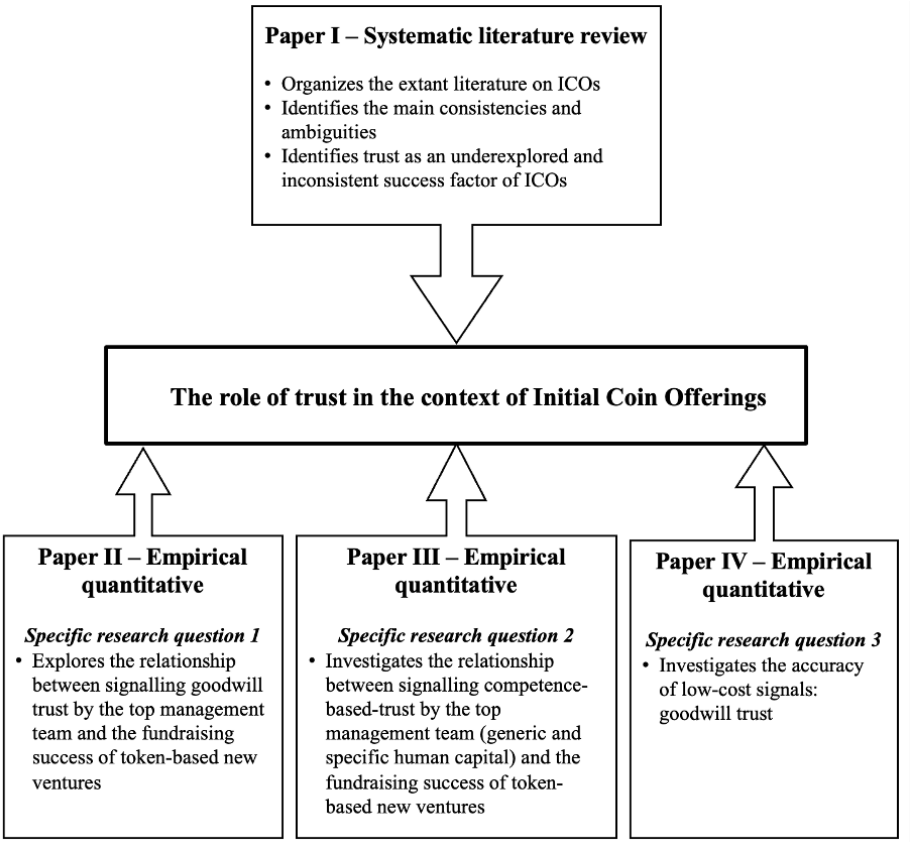

Figure 1 *Summary of the appended papers I relation to the aim of the thesis and the specific research questions of the thesis.*

Disposition of the Thesis

This thesis is a compilation of four independent although interconnected studies that investigate the phenomenon of Initial Coin Offerings, particularly the importance of signalling trust to the fundraising success of the firms participating in the token offerings. Each study contributes to the overarching

aim of the thesis. This manuscript includes a "Kappa", which is an introductory summary of the appended papers and provides an overview of the research that is conducted in the thesis and presents the thread that connects the four papers, discussing the findings from each paper in a holistic way.

Chapter 1 introduces the background of the thesis, presenting the topic of research, the theoretical problem that is addressed and the motivation of the thesis. Moreover, the chapter reflects on the developments that led to the emergence of this new paradigm in finance – decentralised finance – and one of its outputs – Initial Coin Offerings. The chapter ends with the research questions that are addressed in each paper of the thesis and how they contribute to its overarching aim.

Chapter 2 sets the theoretical foundations of the thesis, presenting the main theories that are discussed in the papers, and reflecting on how they allow to analyse and understand what is investigated in the thesis. In addition, the chapter discusses how each paper of the thesis contributes to the existing streams of literature.

Chapter 3 describes the methodological choices carried throughout the thesis. Particularly, the chapter begins with a reflection on the philosophy of science and its implications on the research design and methodology of the thesis. Then, the chapter describes the dataset that is employed in the papers of the dissertation and how the variables have been constructed. The chapter ends with the methods employed in order to analyse the data and with a discussion on the limitations associated to the methodology of the thesis.

Chapter 4 provides a summary of the four papers included in the thesis, highlighting the purpose, theoretical framework, the data and methodologies employed, and the main findings of each paper.

Chapter 5 gathers the main findings of each paper and relates them with the specific research questions addressed in the thesis. In addition, it discusses how such findings contribute to the theoretical problem that the thesis aims to address.

Chapter 6 presents the conclusions of the thesis from a holistic perspective of the four papers, discusses the theoretical contributions and implications for

both policy and practice, and reflects on the limitations of the thesis and consequent implications for the conclusions of the thesis.

2. Theoretical Framework

This chapter provides the theoretical foundations of the study, discussing the theories that are used in the thesis to analyse the research problem that it addresses and how such theories allow to perform such analysis. Moreover, this chapter compares the established literature, opening up for the theoretical contributions that are aimed with this thesis, and discusses how each paper of this work contributes to the established literature.

The introduction of this thesis identified a research gap concerning one of the factors that contributes to the fundraising success of token-based new ventures, which is the focus of the present work. This research gap stems from limited knowledge of how trust impacts the funding success of new ventures in a context of extreme uncertainty, high information asymmetry and, above all, decentralisation and the absence of intermediation, as exemplified by token offerings.

The theoretical foundations of this work draw on four well-established literatures: organisational trust theory (Mayer et al., 1995; Maxwell et al., 2011; Zhong et al., 2017), behavioural finance (Higgins, 2000; Kahneman & Tversky, 1979; Statman, 1999, 2019), human capital theory (Becker, 1993; Marvel et al., 2020) and social capital theory (Baker, 1990; Shao & Sun, 2021). These literatures provide the lens for analysing the phenomenon examined in this thesis. The literature on trust forms the background of this thesis, offering established knowledge on the topic and clarifying the complexities of its dimensions. On the one hand, goodwill trust theory explains why investors may prefer to invest in a firm led by an entrepreneurial team perceived as possessing acceptable values (Caldwell & Hansen, 2010; Mayer et al., 1995). On the other hand, behavioural finance literature provides alternative

explanations for investor scepticism when entrepreneurs promote themselves as embodying such acceptable values, particularly in a context of high uncertainty where there is a considerable mismatch between what firms and entrepreneurs (and their managers) claim and what they actually achieve (Burke et al., 2018; Zahra et al., 2006).

This thesis also links organisational trust theory with human capital theory (Becker, 1993; Marvel et al., 2020), recognising that competence-based trust is built upon the belief that the entrepreneurial team's skills and competencies will contribute to the firm's success, thereby influencing investors' decisions to invest (Mayer et al., 1995). Human capital theory thus explains how competence-based trust is established and the reasoning behind investors' trust in individuals who demonstrate certain skills and abilities. Importantly, this theory distinguishes between generic skills, such as leadership, and specific competencies, such as technological expertise (Barbi & Mattioli, 2019; Ko & McKelvie, 2018). In addition, social capital theory provides the theoretical foundations for understanding the mediating effect of social capital in the relationship between human capital and the fundraising success of token-based new ventures. Social capital can facilitate access to resources for more skilled entrepreneurs who can then leverage them to develop the business, enhance the visibility of the entrepreneurial team's capabilities and attract greater investor attention (Dudley, 2021; Santarelli & Tran, 2013). This is particularly relevant in the context of token offerings and token-based new ventures, given their digital and online nature.

Furthermore, connecting the four theories mentioned above is signalling and screening theories (Spence, 1973; Stiglitz, 1975). This thesis approaches the topic from the perspective of the signals sent by the entrepreneurial team (whether intentional or not), rather than the team's actual characteristics. Therefore, the focus is on the signal of benevolence and integrity conveyed by the entrepreneurial team, regardless of whether they truly possess these qualities, and on the signal of competence and "know-how" demonstrated through the firm's human capital, regardless of whether these skills are genuinely held. All in all, signalling and screening theories provide a framework for understanding how investors make use of such signals to

mitigate the problem of asymmetric information, as reflected in the fundraising success of different token-based new ventures.

The remainder of this section elaborates on how each of these theories informs the research presented in this dissertation, and how their interaction supports the overall argument. In addition, it discusses the shortcomings of these theories and the ways in which this dissertation addresses them.

What Is Trust?

The relevance of trust to any business is well established in the literature. Trust between stakeholders and a venture, particularly its entrepreneurial team, is important for multiple aspects of business performance. For instance, it affects sales, since consumers are more likely to purchase from firms they trust; it influences the supply chain, since stronger relationships with suppliers typically lead to more advantageous trading conditions; and it impacts financing, because investors are more likely to commit capital to ventures and entrepreneurial teams they trust (Cojoianu et al., 2021; Howorth & Moro, 2006; Scarbrough et al., 2013).

Trust has been defined in the literature as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the trustor's ability to monitor or control that other party" (Mayer et al., 1995: 712) or as a "psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another" (Rousseau et al., 1998: 395). In other words, trust entails believing that another person is trustworthy or will behave in a trustworthy manner. Indeed, trustworthiness is considered an antecedent of trust and a necessary condition for its establishment (Maxwell & Lévesque, 2014; Zhong et al., 2017). It is assessed through three dimensions: ability, benevolence and integrity (Connelly et al., 2025). Ability relates to the skills and knowledge that enable an individual to successfully perform a specific role. To be considered trustworthy, an individual must be perceived as competent and capable of executing required tasks. Benevolence pertains to the trustee's

intentions toward the trustor; to be trusted, an individual should be perceived as acting in the trustor's interests (Mayer et al., 1995; Fulmer & Gelfand, 2012). Integrity concerns the moral values and ethical principles of the trustee (Simons, 2002). Accordingly, trustworthiness requires believing that the trustee holds values considered ethical by the trustor. A similar framework proposes a distinction between competence-based trust, based on the belief that the trustee can fulfil promises, and goodwill trust, grounded in the trustee's moral values and intention to act according to these promises (Colquitt et al., 2007; Nooteboom, 2002).

Finance scholars agree that trust plays a substantial role in financial decision-making, since investors must believe that a firm's management team will manage their capital responsibly (Ang et al., 2015). Trust is found to significantly influence both lending decisions by banks (Howorth & Moro, 2012; Moro & Fink, 2013), including the amount and interest charged, and equity financing, such as investments by business angels, venture capitalists and equity crowdfunding participants (Capizzi et al., 2022; Lukkarinen et al., 2016; Maxwell et al., 2011). Consequently, the level of investor trust in a venture and its entrepreneurial team significantly affects the amount they are willing to invest and the risk premium they require.

In this dissertation, I investigate the importance of trust in the context of decentralised finance and token-based new ventures. When participating in a token offering, investors accept vulnerability regarding the entrepreneurs' actions and behaviours. When investors perceive the team, particularly top managers, as possessing good character and ethical values (goodwill trust), it can be argued that they are more likely to invest, since such trust mitigates information asymmetries and uncertainty about the firm. However, in contexts of extreme uncertainty and information asymmetries, trust relationships are a complex matter. Perceptions of trustworthiness, rather than objective characteristics, drive investor decisions (Cruz et al., 2010; Harrison et al., 2020), and narratives signalling trustworthiness may not always influence investors as intended. Similarly, if investors perceive the entrepreneurial team as competent (competence-based trust), it can be argued that they are more likely to invest. Nevertheless, given the particularities of token-based new ventures, different competencies associated with different roles in the top management team may have distinct impacts on fundraising outcomes.

Notwithstanding, the literature on trust allows us to define key concepts studied in this thesis, namely the conceptualisation of trust as multi-dimensional, encompassing competence-based trust and goodwill trust, while helping us to establish the boundaries of these concepts. In addition, the literature on trust provides insights and previous findings regarding its importance in the contexts in which it has been investigated, as well as the limitations and shortcomings of trust theory when applied to different settings. Thus, in this dissertation, I apply trust theory to a novel context – decentralised finance – to investigate whether findings from previous research are confirmed or challenged in this setting.

Signalling and Screening for Trust

Earning prospective investors' trust is a complex process, particularly in contexts characterised by high information asymmetry between the venture and investors, and significant uncertainty around the firm, as is common in entrepreneurial ventures. One key challenge is that investors often lack objective and verifiable information about the firm, making it difficult to distinguish between high-quality and poor-quality ventures. In such a scenario, signalling theory (Spence, 1973) suggests that ventures and entrepreneurs can communicate their value, sending signals about their potential and quality in order to differentiate themselves from poor-quality ventures (Connelly et al., 2011; Spence, 2002). Building on this, screening theory (Stiglitz, 1975) focuses on the receivers of these signals and how they interpret and make sense of the information being communicated.

Signalling and screening theories rely on certain premises that support their validity. First, the signal must be costly or difficult to create and imitate – substantive signals (Connelly et al., 2011) – which discourages poor-quality firms from faking the signals. Second, signals must be observable and easy to disseminate, ensuring that receivers can easily access the information. Third, signals must be verifiable, objective and unambiguous. Lastly, the dissemination of false signals that mislead the receiver must be penalised by structures with the authority to assess validity and implement penalties, making manipulation unprofitable (Connelly et al., 2011). Thus, these theories have

particular relevance when two agents have asymmetric knowledge and the signalling context satisfies the requirements described above (Plummer et al., 2016), as often occurs in traditional finance.

However, in the case of entrepreneurial firms, and token-based new ventures in particular, the four conditions on which signalling and screening theories are based are not necessarily met (Colombo, 2021). For instance, it is difficult for such ventures to send signals that are costly and hard to fake. Early-stage token-based ventures typically lack a track record, patents or previous funding from reputable investors (Drobetz et al., 2024), leaving them with scarce substantive signals to communicate their value. Consequently, they rely on low-cost signals, such as positive rhetoric and narratives about the firm and entrepreneurial team (Steigenberger & Wilhelm, 2018). Furthermore, in the context of token-based new ventures, dissemination of signals is limited because these firms are young and often unknown (Drobetz et al., 2024), with communication channels largely restricted to social media and white papers (Momtaz, 2020). Additionally, given their early stage, their lack of reputation reduces the costs of being caught sending false signals (Drobetz et al., 2024). Moreover, no independent entity verifies or ensures the validity of the content of the signals, which is exacerbated by the lack of intermediaries. In addition, decentralisation and limited regulation make enforcement extremely difficult, allowing token-based ventures more leeway to mislead investors.

More recent literature suggests that the strict conditions of traditional signalling and screening theories can be relaxed under certain circumstances. According to Colombo (2021), when (i) the targeted audience is less sophisticated; (ii) objective and verifiable information about the venture is scarce; (iii) and explicit behavioural norms are absent, low-cost signals might be the only source of information available to investors. In such high-noise environments (Connelly et al., 2011; Edelman et al., 2021), low-cost signals can play a significant role in mitigating information asymmetries between agents, although they must be interpreted with caution.

In this thesis, signalling and screening theories are used to analyse the role of trust in the fundraising success of token-based new ventures from a signalling perspective. This approach highlights investors' perceptions of the entrepreneurial team's character (based on the signals that entrepreneurs disclose through channels like social media), rather than their actual character

(Paper II). These perceptions ultimately influence investors' decisions about whether to invest in the venture. Paper III focuses on how investors perceive human capital in terms of the potential benefits that a skilled entrepreneurial team has on the venture, and how such perceptions shape investment decisions, rather than on the actual effect of human capital on the venture's development.

Behavioural Finance and the Complexities of Signalling Goodwill Trust

In high-noise environments (Connely et al., 2011), low-cost signals may be the only source of information available for investors to decide whether to invest in a determined venture (Steigenberger & Wilhelm, 2018). Indeed, previous research found that the narratives used by entrepreneurs, such as positive capital language, and positive rhetoric, influence the amount of funding their venture is able to secure (Anglin et al., 2018; Steigenberger & Wilhelm, 2018). Following the literature on trust and the distinction between competence-based trust and goodwill trust, another low-cost signal is the benevolence and integrity (which comprise goodwill trust) showed by the entrepreneurial team in order to convince investors that they will properly make use of the funds invested in the firm. Using a rhetoric related to goodwill trust and promoting themselves as individuals with benevolence and integrity, may be regarded positively by prospective investors and lead them to invest in the firm. The reasoning behind it is that investors may believe that entrepreneurs have good values and will act on investors' behalf when running the firm.

Notwithstanding, it is important to note that narratives of benevolence and integrity are considered low-cost signals in that they amount to little more than the entrepreneur's words – what the literature refers to as "cheap talk" (Farrell & Rabin, 1996; Kleinert & Hildebrand, 2024) – and their veracity is difficult to assess. Thus, while emphasising benevolence and integrity may suggest that entrepreneurs are honest and have good intentions towards the venture and investors' funds (Bi et al., 2019; Simons, 2002; Welter & Smallbone, 2006), such rhetoric can equally be interpreted as a front designed to mask the true quality of the venture, or even the entrepreneurs' true intentions. Moreover,

since what ultimately matters is investors' perception of the venture or its entrepreneurial team, contexts where scams and frauds have proliferated – such as the corporate world – can foster scepticism towards low-cost signals like benevolence and integrity. In such a context, behavioural finance literature (Burke et al., 2018; Statman, 1999, 2019) offers valuable insights to understand how prospective investors' beliefs influence their decisions under uncertainty (Higgins, 2000; Tversky & Kahneman, 1979). This stream of literature suggests that investors take into consideration not only information about the firm they are assessing, but also what has occurred in the same sector or industry in previous years. Therefore, given the considerable mismatch between what organisations claim and what they actually do (e.g., greenwashing), investors may become sceptical when faced with rhetoric emphasising benevolence and integrity – particularly when such claims cannot easily be verified.

The influence of signalling benevolence and integrity on the mitigation of information asymmetries, and consequently on investors' willingness to fund ventures in the context of decentralised finance, has not yet been addressed in the literature. Paper II of this dissertation therefore investigates the relationship between entrepreneurial teams' signalling of goodwill trust and the probability that token-based new ventures secure the level of funding they seek.

Competence-based Trust: Human Capital and the Moderating Role of Social Capital

The other dimension of trust relates to the abilities of the trustee, since individuals with the knowledge and skills to perform a particular task are more likely to succeed in carrying it out (Piva & Rossi-Lamastra, 2018; Svetek, 2023). This is known as competence-based trust and is closely linked to human capital. Indeed, human capital theory supports the view that investors are more likely to trust ventures led by qualified entrepreneurs than those managed by less qualified ones.

Human capital theory posits that human capital is a fundamental component of any venture, playing a crucial role in its development and growth (Hsu,

2007; Marvel, Wolfe & Kuratko, 2020). The literature refers to human capital as the set of competencies and knowledge possessed by members of an organisation, typically acquired through education and work experience (Becker, 1993; Gimmon & Levie, 2010). Highly qualified employees and managers are a source of competitive advantage for the venture, since their expertise represents an asset that is difficult for competitors to replicate. Accordingly, past research suggests that ventures with competent teams tend to perform better than those with weaker human capital, particularly in knowledge-intensive industries such as high technology (Colombo & Grilli, 2010; Hsu, 2007). In other words, individuals with stronger scientific, technical or managerial skills are generally better prepared to address the challenges inherent in developing a product or service and effectively manage the venture.

To understand how education and work experience positively influence firm outcomes, it is important to distinguish between general and specific human capital. General human capital refers to competencies that are relevant for any firm (Dimov & Shepherd, 2005; Stucki, 2016). For instance, individuals with a university degree, regardless of their field of specialisation, are expected to have developed stronger analytical and critical thinking skills, enabling them to solve workplace challenges more effectively than those without higher education. Similarly, individuals with work experience, irrespective of industry, are more familiar with the dynamics of the corporate world, accustomed to team collaboration and aware of organisational expectations, whereas newcomers often lack such expertise. By contrast, specific human capital concerns competencies that matter for a particular industry, business or organisational role. Such competencies are often acquired through specialised education – for instance, a computer science degree for a software development position – or through previous work experience in a relevant function, such as in a financial department as preparation for the role of CFO (Behrens et al., 2012; Certo, 2003; Marvel et al., 2020).

The human capital of a venture therefore plays an important role in shaping the trust relationship between ventures and stakeholders, particularly investors (Ko & McKelvie, 2018; Piva & Rossi-Lamastra, 2018). If a venture is led by a competent entrepreneurial team capable of developing products or services and managing the business effectively, it is more likely to survive and grow,

thereby increasing investors' willingness to provide financing. Human capital is essential for technological and innovative new ventures (Antonelli & Fassio, 2016), with its impact observable along three dimensions. First, these ventures involve complex and technologically advanced products or services that demand thorough technical or scientific expertise (Edeh & Prévot, 2024; McGuirk, Lenihan & Hart, 2015; Vandenbroucke, Knockaert & Ucbasaran, 2014). Highly qualified entrepreneurs are therefore more likely to successfully develop the business than less qualified counterparts. Second, higher education and previous work experience generate network effects. Entrepreneurs with university degrees or prior professional experience tend to have broader networks, since higher education fosters connections with other qualified people who often end up working in similar fields (Higgins et al., 2011). Likewise, the greater the number of firms a person has worked for, the wider their professional network is likely to be. Third, and closely related to the first two points, is access to external financing. Human capital is one of the primary features of a venture that investors usually consider when assessing whether to fund a venture (Esen et al, 2023; Hoenig & Henkel, 2015; Zimmerman, 2008). Additionally, broader networks often facilitate access to investors.

However, in the context of decentralised finance and token-based new ventures, the existing literature presents inconsistencies. While some studies suggest that the previous experience and education of entrepreneurs are factors that investors take into consideration before committing funds, other studies indicate a non-significant effect of human capital on fundraising success. A more thorough understanding is therefore needed of the role of the two components of human capital – generic and specific – in mitigating the asymmetric information between investors and entrepreneurs, and in contributing to the fundraising success of ICOs. In addition, given the innovation inherent in token-based new ventures and the technological specificities associated with such ventures (e.g., DLTs and the use of smart contracts), it also seems important to understand whether the influence of the different types of human capital is conditional on the role of the individual within the entrepreneurial team. For instance, the technological specificities of token-based new ventures may require that the individual responsible for technological development – the CTO – possesses not only specific knowledge on crypto or blockchain technology, but also generic skills (e.g., negotiation,

communication, sales), since they may be involved in communicating with suppliers and customers. Conversely, the individual responsible for the venture's general management – the CEO – must have strong generic skills, since in a context of high uncertainty and extreme information asymmetries, a CEO who is perceived as competent may be a decisive factor for investors when deciding to trust their funds to the venture. Developing this distinction between generic and specific human capital, Paper III of this dissertation investigates how different skills across different roles within top management teams relate to the fundraising success of token-based new ventures.

The fact that token-based new ventures are primarily developed online, in most cases operating with no physical premises and no intermediary between investors and entrepreneurs (Drobetz et al., 2024), may make the firm's social capital an important moderator of the relationship between human capital and fundraising success. According to social capital theory, a broad network of contacts facilitates entrepreneurs' access to resources (e.g., new technologies), since they gain access to more information (Santarelli & Tran, 2013). Thus, skilled entrepreneurs are expected to leverage such resources more efficiently than less skilled entrepreneurs, leading their firms to achieve better results. This may have a positive impact on investors' expectations about the firm's prospects, encouraging them to invest. At the same time, social capital theory suggests that a broader network increases the visibility of entrepreneurs' skills, attracting investors' attention and potentially contributing to the fundraising success of the firm (Dudley, 2021). Paper III also investigates this moderating effect of social capital on human capital.

The Perceived Quality of Low-cost Signals

Previously in this section, I discussed the importance of low-cost signals, particularly when there is little available information about the firm. Although these signals are often the only source of information available to investors and thus help them in deciding whether to invest, low-cost signals may produce perverse effects (Farrell & Rabin, 1996; Kleinert & Hildebrand, 2025). For example, consider an honest entrepreneur who wants to secure financial capital to develop a venture. To stand out from other entrepreneurs competing for

funds in terms of character and moral integrity, this individual adopts a rhetoric of benevolence and integrity when communicating with prospective investors, aiming to earn their trust. Despite the entrepreneur's honesty, investors may interpret these signals as an attempt to conceal potential problems of the firm or even dishonest intentions (e.g., fraud).

The literature on signalling and screening suggests the existence of a "self-promoter paradox" (Bolino et al., 2016), in which investors become sceptical when entrepreneurs promote themselves as possessing certain qualities. Such self-promoting behaviour may be perceived as an attempt to disguise poor firm quality, or even fraudulent intentions on the part of the entrepreneurial team. As a result, investors may refrain from investing in such firms, leading to lower fundraising success. Since investors cannot know a priori whether entrepreneurs who use a rhetoric of benevolence and integrity are genuinely honest or are trying to mislead with false claims, low-cost signals may undermine a firm's fundraising process. Paper IV therefore investigates whether entrepreneurial teams in token-based new ventures with a higher likelihood of being scams are associated with a higher probability of signalling goodwill trust.

3. Research Design and Methodology

This chapter describes the methodology employed in this thesis, beginning with a discussion on the philosophy of science, and the methodological implications of the philosophical stance followed in this thesis. In addition, the chapter explains the data sources used in the thesis, describes how the variables are created, and the method used to analyse the data. The chapter ends with a reflection on the limitations of the study related to the methodological choices carried out during this thesis.

A Brief Reflection on the Philosophy of Science

Given the influence of assumptions regarding ontology, epistemology and methodology on the procedures of data collection and analysis during research, and consequently on both the research process and its final outputs (Bunge, 1967), it is important to dedicate a few lines of this thesis to discuss the philosophy of science and the scientific method. According to Klemke, Hollinger & Rudge (1998, p. 34), science is defined as "(…) the knowledge obtained by (1) making observations as accurate and definite as possible; (2) recording them intelligibly; (3) classifying them according to the subject matter being studied; (4) extracting them, by induction, general statements (laws) which assert regularities; (5) deducing other statements from these; (6) verifying those statements by further observation; and (7) propounding theories which connect and so account for the largest possible number of laws." In other words, science is the accumulation of knowledge through a scientific method – generating, developing and testing theory – requiring data to prove

or disprove testable hypotheses. This method is based on a set of assumptions and procedures that guide the process of knowledge acquisition and is consistent with scientific norms (Morais, 2010).

Scientific knowledge comprises two dimensions: depth – related to content and process – and breadth – referring to the context in which knowledge is applied. Their sequence suggests that qualitative identification should precede quantitative control (Morais, 2010). Thus, scientific research requires the establishment of assumptions concerning the nature of reality (ontology), whether the focus is on the objective or the subjective side of reality; the nature of knowledge (epistemology), whether centred on facts or meanings; and the nature of research (methodology), whether rooted in deep description for theory development and subsequent testing, or in broad measurement for theory testing and eventual development (Hausman, 1991). These assumptions represent a philosophical stance that has a substantial impact on the procedure of data collection and analysis, shaping the research strategy to be followed.

Navigating the ambiguity of philosophical stances, my research adopts a positivistic ontological and epistemological position. In this sense, the focus of my research is on investigating "what is", rather than "what should be", and on considering facts in isolation from their context (Friedman, 1966). Furthermore, the aim is to build generalisations that allow for accurate predictions about a phenomenon in different circumstances, subject to evaluation in terms of precision, scope and conformity with experience. Therefore, the studies presented in this thesis focus on the objective side of reality and on fact-centric knowledge, with the results intended to be generalisable. Employing the same methodology, other researchers should be able to obtain similar results. The choice of this philosophical positioning is justified by the fact that previous conceptual and deductive studies have been conducted on the subject analysed in the thesis, but these have lacked theory confirmation and statistical generalisation. Additionally, well-established theories in other domains of finance now require empirical testing within the emerging paradigm of decentralised finance.

The Methodological Implications of Positivism and Research Design

As argued above, philosophical positioning influences the research strategy and methodological choices of any research endeavour. Positivism implies the use of quantitative methodologies, which are objective and based on statistical analysis (Friedman, 1966). Furthermore, the methodology employed in this thesis follows Popper's reasoning that scientific theories transcend the data and are subject to empirical falsification rather than empirical verification (Hausman, 1991). In other words, when testing theory through hypotheses and statistical inference, statements are not accepted as true; rather, the null hypothesis is rejected when enough evidence is found.

The research strategy adopted in this thesis reflects these considerations. Specifically, the thesis is a compilation of four articles addressing different facets of the same problem: the role of trustworthiness in mitigating the negative consequences of asymmetric information between investors and entrepreneurs in decentralised sources of finance such as ICOs. The first article employs a systematic literature review and thematic analysis to map the literature on ICOs, identifying both areas of consensus and areas of inconsistency. This article thus provides the foundation for the subsequent three empirical studies, which apply statistical analysis to test hypotheses formulated based on extant theory.

Empirical Data

Since the subject of this thesis concerns the characteristics of the entrepreneurial team leading each venture, as well as the fundraising success of each ICO, it was necessary to collect data on both the top management team and the financial aspects of the token offering. For this purpose, we used an existing dataset of 3,643 Initial Coin Offerings (ICOs), collected between January and July 2021. The data was collected from the websites and white papers of each ICO, as well as from their social media channels. In addition, the dataset was complemented with information from the LinkedIn profiles of

each member of the top management team – CEO, CFO and CTO – of the respective token-based new venture. Overall, the dataset provides information at three levels. At the venture level, we have data on the amount of funds raised, the minimum amount of funds required (soft cap), whether the venture issued a white paper, whether it had a minimum viable product (MVP), whether it implemented a "know your customer" (KYC) policy, whether it offered a bonus for early investors and the number of social media followers (Twitter, Telegram and Facebook). At the top management team level, we have information about the educational background of each member, their previous work experience and biographic details derived from their LinkedIn profiles. Lastly, at the contextual level, we have data on the year of the ICO, the country where it was launched and the industry in which the venture operates.

Variables

The variables included in each paper were built according to the specific purpose and focus of each study in order to properly address the corresponding research question. In Papers II and III, the dependent variable is the success of the fundraising campaign, measured as a binary variable that takes the value 1 if the amount of funding raised during the ICO reaches the soft cap, and 0 otherwise. Prior literature uses a few proxies for the success of a token offering, such as reaching the soft cap or the total amount of funds raised. The reasoning for adopting the first option in this dissertation is that the soft cap represents the amount that allows a venture to initiate operations and develop the product. In other words, if this threshold is not reached, the venture does not have enough funds to proceed. Thus, the key concern of this research is whether the venture secured the minimum level of funding required, rather than the total amount it raised. In addition, ventures requiring larger sums are expected to raise more funds than those requiring smaller amounts. Thus, by focusing on whether the soft cap is reached, we control for such variation.

In Paper IV, the focus shifts to investigating the propensity of teams to signal benevolence and integrity. Given the difficulty of objectively measuring such a construct, it is used a proxy based on text analysis of the biographic descriptions in the LinkedIn profiles of each CEO, CTO and CFO. The

rationale for using LinkedIn data lies in the fact that investors can access information about the team initially via the token-based new venture's website and then by exploring each member's social media profile (Kleinert, 2024). Moreover, entrepreneurs who disclose more personal information on social media are more exposed and therefore have stronger incentives to remain committed to the firm's success, given the major reputational costs associated with adverse outcomes (Domingo et al., 2020).

It began by developing a dictionary of synonyms for benevolence and integrity, which involved several stages. First, ChatGPT has been used to generate a list of words related to "benevolence" and "integrity" by submitting the following prompt: "Generate a list of words of synonyms of the word benevolence by relying on the Oxford English Dictionary" and then repeating the same prompt but for integrity. Second, the same two prompts have been submitted but for synonyms of the words obtained in the first step. This iterative approach was repeated until saturation was reached. In this way, it has been obtained an exhaustive list of words potentially synonymous with benevolence and integrity. Third, each word has been manually verified by consulting the Oxford English Dictionary, to ensure its primary meaning was related to benevolence or integrity. Fourth, as a robustness check of validity, ChatGPT4 has been asked to assess the semantic overlap between each word in our list and the concepts of benevolence and integrity, using the following prompt: "For each one of the following words, assess the percentage of overlapping in terms of meaning with the word benevolence or integrity". The final outcome was a dictionary of 75 words, including words with semantic overlap as high as 90%; 75.09% of the words in the list displayed an overlap greater than 50%. This approach was designed to avoid including words vulnerable to misleading interpretations (Cerchiello, Tasca, & Toma, 2019; Ko & McKelvie, 2018; Majumdar & Bose, 2018; McKenny, Short, & Payne, 2013).

To further validate the dictionary of words described above, it has been compared with the dictionary created by Payne, Moore, Bell, & Zachary (2013) for measuring integrity and benevolence, and by Li, Mai, Shen, & Yan (2025) for measuring integrity. From these two sources, 77 additional words that were identified as synonyms of benevolence and integrity according to both studies have been included in the final dictionary of words, comprising

152 synonyms of benevolence and integrity (Table A1 in appendix). Following a similar word-counting approach to Bao, Han, Lau, & Xu (2024) and Parhankangas & Renko (2017), each dependent variable represents a binary variable that assume the value 1 when the CEO, CFO, and CTO, respectively, used in their LinkedIn biographic descriptions at least one of the words from the dictionary of words related to benevolence or integrity described above, and 0 otherwise.

Regarding the independent variables, Paper II examines the influence of signalling goodwill trust on the success of the token offering. Thus, we used the proxy variables for signalling benevolence and integrity described above. In Paper III, the focus is on the influence of generic and specific human capital on the success of the ICO. To capture generic human capital, we used the level of education (whether the individual holds a university degree) and the number of years of previous experience reported on LinkedIn. For specific human capital, we constructed a dummy variable equal to 1 if the individual reported having experience or knowledge in crypto or blockchain on their LinkedIn profile, and 0 otherwise. In Paper IV, the independent variable reflects the quality of the firm, for which we used the existence of a minimum viable product (prototype) as a proxy.

Empirical Method

The three studies compiled in this thesis begin with a descriptive overview of the data in order to examine the magnitude of the variables used, such as their mean, standard deviation, and maximum and minimum values, as well as to detect outliers that could distort the results. A correlation analysis was then conducted to assess the level and direction of correlations between variables, providing some intuition for the results expected from the regression analysis. Subsequently a test of differences (t-test) was conducted to determine whether the dependent variables assumed different values across different values of the independent variables, and if so, if such differences were statistically significant. While such tests provide evidence of the single effect of an independent variable on the dependent variable, they do not account for the influence of other factors. To control for such factors, as suggested by previous

literature, regression analyses were performed, allowing the effect of the independent variables on the dependent variables to be estimated ceteris paribus.

Since the dependent variables in all three studies are binary, the econometric approach employed was the probit model. Regarding endogeneity issues that could bias the estimators, several considerations are necessary. One potential source of endogeneity that could be argued is reverse causality, which occurs when the association of the variables is different than what was expected. Due to the temporal sequencing of occurrence of the variables in this thesis, reverse causality is not likely to pose a problem. In Papers II and III, the information on LinkedIn regarding the biographic descriptions of the entrepreneurial team (rhetoric of benevolence and integrity), as well as their education and work experience, respectively, was available before the token offering. Therefore, it is implausible such disclosures were influenced by whether the venture reached its soft cap. Similarly, in Paper IV, it is implausible that the existence of a minimum viable product was determined by the information disclosed on LinkedIn. If anything, the causality is more likely to run in the opposite direction: whether or not a venture has an MVP may influence the extent to which entrepreneurs signal benevolence and integrity in their biographic descriptions. A second potential source of endogeneity that could be argued is simultaneity, in which the independent variable is jointly determined with the independent variable. However, due to the temporal sequencing of occurrence of the variables that has been described above, simultaneity is not likely to represent a problem in this thesis.

A third source of endogeneity relates to model misspecification, specifically omitted variable bias. This occurs when potential unobserved factors affect both the dependent and independent variables, creating what is known as spurious relationships. As a result, depending on whether the unobserved variables are positively or negatively correlated with the independent variable, the bias may lead to overestimation or underestimation of the true effect. To address this problem, we estimated an Instrumental Variables (IV) model using a two-stage least squares (2SLS) regression and compared the results with those previously obtained.

Another important aspect to discuss is multicollinearity, which arises when independent variables are highly (but not perfectly) correlated. When the

correlation between the independent variables approaches one, a considerable portion of the sample variation in one independent variable can be explained by another independent variable. In such cases, depending on the relative magnitude of the estimators to their standard errors, the variance of the estimators can become excessively large for the inference to be reliable (Wooldridge, 2016 :84). To address this, we computed variance inflation factors (VIFs) for all the independent variables and controls used in each model.

Methodological Limitations and Future Analysis

The method employed in this dissertation presents some limitations that are important to reflect on. First, the three empirical papers that are part of this thesis use the same data source, which has implications for the generalisation of the results of the whole thesis. Thus, the findings presented in this thesis must be considered with caution, and different data sets to perform replication studies could be used by future studies.

The second limitation is related to the variables used to capture goodwill trust and human capital. Although they are based on previous studies, in future research different proxies could be used, such as other communication channels of entrepreneurs to measure goodwill trust, or additional indicators capturing the skills and competencies of top management teams.

A third limitation is due to the nature of the data used in this thesis. Since it is based on cross-sectional data, it is difficult to establish relationships of causality. Although the temporal sequence of variables helps to mitigate some concerns – signals of goodwill trust and human capital precede fundraising decisions, implying that the signal of goodwill trust occur before the investor's funding decision – it cannot be assumed with certainty that investors considered these factors when they made their investment choices. Therefore, it should be emphasised the association between explanatory and explained variables rather than a causal effect. Nevertheless, future research could benefit from longitudinal datasets, which would allow for the integration of a temporal dimension and strengthen inferences regarding causal effects.

4.Extended Summaries

This chapter provides a summary of the papers that integrate this thesis, highlighting the purpose, theoretical background, data and methods, and findings presented in each paper.

Paper I – Initial Coin Offerings: A Systematic Review and Research Agenda

Purpose

Research on Initial Coin Offerings (ICOs) has expanded rapidly in recent years, following the emergence and development of this phenomenon. However, the literature on the topic remains fragmented and focused on isolated themes. In other words, the extant research lacks a holistic approach that establishes a connection between the themes under the umbrella of token offerings into a coherent framework. For instance, different terms referring to the same concept are used across studies, such as initial coin offering, token offering or security token offering (Allen et al., 2022; Hu et al., 2019; Lambert et al., 2022). While these terms represent the same phenomenon, the distinction lies in the type of token being traded. Such inconsistency has led to a body of literature that develops in a non-coherent way, since new research does not necessarily build on established findings. Consequently, the literature becomes redundant or even ambiguous. Instead of building on prior research and making sense of its findings, new studies often fail to take earlier work into consideration (since they appear to focus on different themes), resulting in disconnected conclusions and missed opportunities to address the research gaps raised in previous studies.

To address this problem, the purpose of this paper is to map the research field of token offerings by synthesising existing findings and integrating them into a coherent thematic framework. In addition, the paper aims to identify areas in which the ICO literature presents the greatest inconsistencies and ambiguities, and to highlight themes requiring further research. The outcome is a research agenda for future work on ICOs.

Theoretical background

This paper focuses on the research topic of token offerings. A token offering – also referred to as an initial coin offering or security token offering – is defined as an innovative financing mechanism through which entrepreneurial firms (token-based new ventures) issue and sell cryptographically protected tokens to a crowd of online investors in order to raise capital (Adhami et al., 2018; Fisch, 2019). This paper adopts this definition, which helps to delineate the conceptual boundaries of the topic – and, consequently, informs the selection of keywords for the systematic review.

Data and methods

This paper analyses 135 peer-reviewed articles published between 2018 and 2025. The selection of articles followed the methodology for systematic literature reviews proposed by Tranfield et al. (2003) and drew on contemporary guidelines for designing and conducting systematic literature reviews suggested by Bacq et al. (2021) and Kunisch et al. (2023). Accordingly, this review was conducted through a set of protocols designed to identify and analyse the relevant literature in a replicable and systematic manner. The process involved two distinct phases: data collection and data analysis. Data collection followed five main steps based on the PRISMA framework (Liberati et all., 2009): scoping, planning, identification/searching, screening and eligibility, as recommended by Siddaway et al (2019). Articles were selected according to pre-established inclusion and exclusion criteria suggested by Hiebl (2023) and Palmatier et al. (2018), ensuring that only double-blind, peer-reviewed, English-language publications were included.

The final articles selected were analysed through an interpretative and thematic approach (Rousseau et al., 2008; Patriotta, 2020 Short, 2009). Each article was read in full and its findings coded into first-order concepts, based on identified patterns and conclusions (Salvi et al., 2023). These first-order concepts were then synthesised into second-order themes, according to their thematic similarity. Lastly, the second-order themes were clustered into three overarching aggregate categories. This iterative process involved going back and forth between first-order concepts, second-order themes and aggregate categories, while continuously comparing findings across the selected articles, as suggested by Hoon & Baluch (2020) and Simsek et al. (2023).

Findings

The thematic analysis conducted in this paper yielded three aggregate categories: introductory insights, stakeholders and success factors. These categories represent the main overarching themes around which the literature on the topic has evolved. The first category, introductory insights, encompasses topics addressed primarily (though not exclusively) by the seminal literature on token offerings. It is divided into two second-order themes: conceptualisation, which is related to definitions of ICOs, the features involved in the fundraising process and the related mechanisms; and market, geography and regulation, which includes studies on market evolution, the industries in which most token offerings take place, the development of regulatory frameworks and the impact of different regulations. The second category, stakeholders, is divided into two second-order themes: demand, which focuses on firms that raise funds through token offerings (token-based new ventures), the entrepreneurs that found such firms, and the advantages and challenges they may face when participating in ICOs; and supply, which relates to the investors financing these ventures, as well as the benefits and risks they encounter. The third category, success factors, also comprises two second-order themes: the fundraising phase, which concerns factors that contribute to the success of fundraising campaigns, and the post-ICO phase, which relates to factors influencing the subsequent performance and success of the entrepreneurial firm.

In addition, this systematic review identified areas of inconsistency, ambiguity and under-research. In such cases, this paper either points to the more widely accepted view in the literature or highlights the need for further research. Three issues stood out as particularly problematic: (1) Token categorisation. Some authors distinguish only between security and utility tokens, excluding cryptocurrency tokens from the scope of ICOs, while others recognise all three categories. Some studies even treat security tokens as a separate phenomenon – security token offerings (STOs). This paper contributes by connecting these streams of literature and suggesting a unified definition of token offerings and token categories. (2) Investor participation. Accessing investor data is challenging, resulting in a scarcity of research on the characteristics and motivations of ICO investors. (3) Determinants of success. Considerable inconsistency exists regarding the factors that influence the success of fundraising campaigns, particularly the elements that drive prospective investors to trust certain token-based new ventures over others. Different studies point to divergent conclusions.

Paper II – Is This Trust or Trust Washing? Goodwill Trust Signals and Investors' Decisions in Decentralised Finance

Purpose

This paper aims to investigate the impact of signalling goodwill trust on the financing success of token-based new ventures during ICOs. Previous research suggests that goodwill trust plays an important role in reducing the agency problem that often arises between entrepreneurs and investors, lowering the costs of credit in bank lending (Howorth & Moro, 2012) and facilitating access to equity financing (Maxwell et al., 2011). However, this relationship has not yet been explored in the specific context of token offerings. Moreover, token-based new ventures are often highly innovative, blockchain-based, and at a very early stage of development. Together with the decentralised and

disintermediated nature of the fundraising process (Drobetz et al., 2024), these characteristics may challenge the conventional view of goodwill trust as a positive driver of funding success. Thus, this paper investigates the importance of goodwill trust in the novel context of decentralised finance by exploring how signals of benevolence and integrity by the top management team – chief executive officer (CEO), chief financial officer (CFO) and chief technology officer (CTO) – influence the likelihood that token-based new ventures will reach their soft cap during the token offering.

Theoretical background

The theoretical foundation of this paper lies in the literature on trust (Mayer et al., 1995), which conceptualises trust as the vulnerability of one party to the actions of another, based on the belief that the latter is trustworthy (Mayer et al., 1995; Nooteboom, 2002). Indeed, according to this literature, trustworthiness is the antecedent of trust (Zhong et al., 2017) and rests on two dimensions: competence-based trust and goodwill trust (Mayer et al., 1995). Competence-based trust relates to the belief that an individual is capable of performing a certain action, based on their skills and expertise. Goodwill trust, in contrast, reflects the belief that an individual has the will to perform the action or to behave in a certain way. Goodwill trust is thus grounded in assessments of character and ethical values, referred to in the literature as benevolence – the belief that the trustee will act on the best interest of the trustor – and integrity – the belief that the trustee will act according to acceptable principles. This paper focuses on the dimension of goodwill trust and investigates how signals of benevolence and integrity from the top management team are associated with the success of token offerings.

Moreover, this paper discusses the findings from the data using signalling and screening theories (Spence, 1973; Stiglitz, 1975), as well as behavioural finance literature (Barberis, 2013; Kahneman & Tversky, 1979). Signalling and screening theories help illuminate how goodwill trust may act as a signal to prospective investors, while prior findings from behavioural finance help explain how investors perceive and interpret such signals.

Data and Methods

This paper draws on an existing dataset of 3,643 ICOs collected between January and July 2021 from each venture's website, white paper and social media channels. Additional information was extracted from the LinkedIn profiles of each member of the top management team – CEO, CFO and CTO. These data provided the basis for constructing the variables used in the study. The dependent variable measures the success of the token offering. It is a binary variable that takes the value 1 if the firm reached the minimum amount of funding it targeted during the token offering, and 0 otherwise. The independent variables reflect goodwill trust signals from the top management team. To build these variables, the biographic description on the LinkedIn profiles of the CEO, CFO and CTO of each firm were analysed. Three binary variables were then created, each taking the value 1 if the respective executive included at least one word associated with benevolence or integrity (from a list of words validated by previous research), and 0 otherwise. An additional independent variable was created at the top management team level, taking the value 1 if at least one the executives used such words in their profile, and 0 otherwise. The study also controls for other factors identified in previous literature as potential determinants of ICO success.

The analysis began with descriptive statistics to provide an overview of the sample, including mean values, standard deviations, and minimum and maximum values. Pairwise correlations were then examined to assess relationships between the variables and to identify potential multicollinearity issues. To confirm the correlations identified before and draw inferences from the sample, regression analysis with probit specifications was employed, enabling a test of whether the results remain robust when we control for other variables. Lastly, to test for endogeneity issues, an Instrumental Variables (IV) approach was implemented, ensuring the robustness of the findings.

Findings

The analysis suggests a negative signalling effect of goodwill trust on the likelihood of success in token offerings. At the team level, our data indicate that ventures led by top management teams signalling benevolence and

integrity have a higher probability of reaching the soft cap than those whose teams do not signal benevolence and integrity. However, when examined in more detail, the negative signalling effect of goodwill trust is statistically significant only for the CEO. These findings remain robust across different variables for goodwill trust (built using a narrower list of words related to benevolence and integrity), and also when employing the IV approach to account for endogeneity.

We interpret these findings through the lens of behavioural finance (Barberis, 2013; Kahneman & Tversky, 1979), alongside signalling and screening theories (Spence, 1973; Stiglitz, 1975). Behavioural finance literature suggests that investment decisions are shaped by bounded rationality and cognitive emotional biases, anchored in past investment decisions, prior asset performance and news – commonly known as the halo effect. We interpret our results as an evaluation bias from investors, since they perceive goodwill trust as trust washing, particularly given the history of scandals in the industry. In addition, signalling and screening theories underscore that outcomes depend not on the intention behind the signal or even the actual quality of the entrepreneur, but rather on how investors perceive and interpret the signal itself.

Paper III – The Role of Generic and Specific Human Capital on the Financing of Token-based New Ventures

Purpose

This paper investigates the signalling effect of the generic and specific human capital (Becker 1964; Stucki, 2016) of the top management team on the fundraising success of token-based new ventures during token offerings. Human capital theory posits that the skills and competencies of the top management team positively influence firm performance and success, thereby shaping investors' perception of the venture's quality (Cassar, 2014; Hoening

& Henkel, 2015; Linder et al., 2020). However, recent literature on token offerings presents mixed findings. Some studies report that token-based new ventures led by entrepreneurs with higher human capital are more likely to secure financial capital (e.g., Fronzetti et al., 2025; Gartner & Moro, 2024), while others find no statistical evidence (Colombo et al., 2022) or even a negative relationship between the top management team's human capital and the fundraising outcomes (Han et al., 2025). Given the innovative nature of token-based new ventures and the uncertainty surrounding their operational success (Fuchs & Momtaz, 2025), a more nuanced analysis of human capital is relevant to understand its role as a signal of venture quality. Accordingly, this paper examines how the distinct skills and competencies associated with generic and specific human capital – linked to the roles of CEO and CTO – influence the probability that token-based new ventures raise their intended funding during an ICO.

Theoretical Background

The theoretical foundation draws on human capital theory (Coleman, 1988; Dimov, 2010) in conjunction with signalling and screening theories (Spence, 1974; Stiglitz, 1975). Human capital theory, particularly the distinction between generic and specific human capital (Becker, 1964; Stucki, 2016), supports the argument that the skills and competencies of the top management team positively influence firm performance and success. Generic human capital (developed through education and previous work experience) equips top managers with transferable skills across industries and sectors, such as negotiation, communication, critical thinking and problem-solving (Colombo & Grilli, 2005; Linder et al., 2020). Thus, token-based new ventures led by top management teams with generic human capital may therefore be better positioned to communicate with potential customers, negotiate with suppliers and investors, manage internal relationships, and identify and leverage entrepreneurial opportunities. In contrast, specific human capital relates to the knowledge and competencies that are specific to a particular firm or industry, such as expertise in crypto and blockchain (Stucki, 2016; Wright et al., 2007). Therefore, token-based new ventures led by top managers with specific human capital are expected to benefit from their technical expertise skills in

developing and delivering products. According to signalling and screening theories, the positive influence of both generic and specific human capital on firm outcomes contributes to a favourable perception of its quality among prospective investors, serving as a quality signal (Svetek, 2023). In addition, this paper draws on upper echelons theory (Hambrick & Mason, 1984; Hambrick, 2007) to suggest that the signalling effects of generic and specific human capital may vary depending on the managerial role, for example between the CEO and CTO.

This paper also uses social capital theory (Baker, 1990; Shao & Sun, 2021) to explore whether social networks moderate the relationship between human capital and fundraising success. Social capital may enhance the visibility of the top management team's human capital by broadening the audience reached through networks. Is also enables individuals to access information and resources that can support the development and success of the venture.

Data and Methods

This paper uses an existing dataset of 3,643 ICOs collected between January and July 2021 from each venture's website, white paper and social media channels. Additional information was extracted from the LinkedIn profiles of each member of the top management team – CEO and CTO – and integrated in the dataset. Lastly, the dataset was further complemented with information on the ranking of the universities attended by each CEO and CTO, extracted from the Shanghai Ranking–Academic Ranking of the World Universities (ARWU 2018). These sources provided the basis for constructing the study variables. The dependent variable measures the success of the token offering. It is a binary variable that takes the value 1 if the firm reaches its minimum fundraising target during the token offering, and 0 otherwise. The independent variables are proxies for the generic and specific human capital of the CEO and CTO. Accordingly, for generic human capital, education assumes the value 1 if the CEO or CTO holds a university degree, and 0 otherwise, while previous work experience is measured as the natural logarithm of the number of years worked prior to the token offering. The variable for specific human capital is binary, taking the value 1 if the CEO or CTO has previous experience in crypto or blockchain, and 0 otherwise. Additionally, to capture the moderating effect

of social capital, the study uses a proxy based on the number of Twitter followers of the firm. The study also controls for other factors identified in previous literature as relevant to the likelihood of token offering success.

The data analysis begins with descriptive statistics to provide an overview of the sample, including mean values, standard deviations, and minimum and maximum values. Pairwise correlations and Variance Inflation Factors (VIFs) were then computed to examine relationships between the variables and to identify potential multicollinearity. To confirm these correlations and draw inferences, regression analysis with probit specifications was conducted, enabling results to be tested for robustness when we control for other variables.

Findings

The analysis suggests that generic and specific human capital have distinct signalling effects depending on the managerial role. Generic human capital seems to be more highly valued by investors when possessed by the CEO, since token-based new ventures led by CEOs with stronger generic human capital are more likely to reach the soft cap, while the effect is non-significant for CTOs. Additionally, the data show that the positive influence of generic human capital stems from education, rather than previous work experience. Regarding specific human capital, the opposite pattern emerges. Token-based new ventures led by CTOs with experience in crypto or blockchain have a higher probability of fundraising success, whereas no significant effect is observed in the case of CEOs.

The analysis also highlights the moderating role of social capital. Social media presence exerts a statistically significant moderating effect on the relationship between the CTO's human capital (both generic and specific) and the fundraising success of token offerings. However, the moderating effect is positive for education and crypto/blockchain experience but negative for previous work experience. By contrast, no statistically significant moderating effect of social capital is found for the CEO.

Paper IV – Low-cost Signals in Decentralised Finance: Perception *vs* Reality

Purpose

This paper investigates the perceived quality of low-cost signals (Connelly et al., 2011) sent out by top management teams. Low-cost signals, such as narratives and rhetoric, can be easily manipulated or falsified, which may lead signal receivers to be sceptical and interpret them as misleading (Crawford & Sobel, 1982; Nyilasy et al., 2025). This is particularly relevant in the context of decentralised finance and token offerings, where scams have proliferated in recent years. One example of such low-cost signals is the rhetoric of goodwill trust communicated by entrepreneurs through social media, since external agents (e.g., investors) cannot easily verify its authenticity. Consequently, investors may perceive expressions of goodwill trust as an attempt to conceal the entrepreneur's true intentions. To address this problem, this study investigates whether there is evidence that top managers who signal goodwill trust are more likely to be leading firms that ultimately become scams.

Theoretical Background

This paper draws on signalling and screening theories (Spence, 1974; Stiglitz, 1975), particularly on the literature about low-cost signals (Farrell & Rabin, 1996; Kleinert & Hildebrand, 2025). These theories help to define and classify signals and their required characteristics. However, as the theories have evolved, the definition of what constitutes a signal has become more flexible, adapting to environments with less explicit norms and extreme uncertainty (Connelly et al., 2011; Edelman et al., 2021; Steigenberger & Wilhelm, 2018) – high-noise environments (Connelly et al., 2011) – such as in entrepreneurial firms, namely token-based new ventures.

While prior literature suggests that low-cost signals can play an important role in reducing information asymmetries when objective and verifiable data about the firm are scarce, several studies emphasise their inherent risks. Since

these signals are easily manipulated and faked, signallers may exploit them to mislead and take advantage of their intended receivers.

Data and Methods

This paper draws on an existing dataset of 3,643 ICOs collected between January and July 2021 from each venture's website, white paper and social media channels. Additional information was extracted from the LinkedIn profiles of each member of the top management team – CEO, CFO and CTO. These sources enabled the construction of the study's variables. The dependent variables intend to capture the goodwill trust signals conveyed by the top management team. Specifically, the biographic descriptions on the LinkedIn profiles of the CEOs and CTOs were analysed. Two binary variables were then created, taking the value 1 if the CEO or CTO included at least one word related to benevolence and integrity (from a list of words validated by previous research), and 0 otherwise. The independent variable reflects whether the firm had a minimum viable product (MVP), used as a proxy for scam risk, under the assumption that ventures with a functioning prototype are less likely to be a scam. The study also controls for other factors that may influence the likelihood of signalling goodwill trust.

The data analysis begins with descriptive statistics to provide an overview of the sample, including the mean values, standard deviations, and minimum and maximum values. Pairwise correlations and their Variance Inflation Factors (VIF)s were then computed to examine relationships between the variables and to identify potential multicollinearity. Subsequently, mean-difference t-tests were conducted to compare the statistical significance of the difference in the means of the variables between CEOs who signal goodwill trust and those who do not, and between CTOs who signal goodwill trust and those who do not. Finally, regression analysis with probit specifications was conducted to test the hypotheses while controlling for other factors.

Findings

The results of this study find no statistical evidence that top managers misuse low-cost signals in token-based new ventures. Specifically, the analysis

demonstrates that leaders of ventures without a prototype are not significantly more likely to adopt a rhetoric of benevolence and integrity in their social media communications. Instead, the findings suggest that such top managers are more likely to hold a university degree and possess more years of prior work experience.

5. Discussion

This chapter presents the discussion of the findings from the papers that comprise this thesis, in light of its overriding aim. Thus, the chapter relates the findings from each paper to the specific research questions addressed in the thesis.

Returning to the Research Questions

As introduced in Section 1, the overarching aim of this dissertation is to enhance our understanding of the role of trust in shaping the fundraising success of token-based new ventures during token offerings. To address this aim, the dissertation compiles four interrelated, although distinct, papers. The first paper (a systematic literature review on token offerings) mapped the field of research and organised the extant literature into thematic categories, identifying areas of consensus as well as ambiguities and inconsistencies among previous findings. From Paper I arose the motivation for the two subsequent empirical studies, guided by two specific research questions:
SRQ1: What is the impact of signalling goodwill trust on the fundraising success of token-based new ventures during token offerings?
SRQ2: What is the influence of signalling competence-based trust on the success of token offerings, and does social capital moderate this effect?
These questions reflect the two dimensions of trust described in the literature (Mayer et al., 1995): goodwill trust, expressed through benevolence and integrity, and competence-based trust, expressed through generic and specific human capital. Papers II and III, respectively, examined these dimensions, assessing how such signals influence the likelihood of token-based new ventures reaching the minimum capital target during ICOs. The findings of Paper II led to the development of Paper IV, which investigates the perceived

quality of low-cost signals (Connelly et al., 2011), such as goodwill trust. More specifically, the paper asks whether there is evidence that top management teams misuse goodwill trust signals to conceal the poor quality of their ventures in the context of ICOs. Thus, this study was guided by a third research question:

SRQ3: In the context of token-based new ventures, how accurate are the low-cost signals sent by top management teams to communicate the value of their ventures?

The following subsections revisit these research questions and discuss how the dissertation addresses each of them, contributing to the dissertation's overarching purpose.

The Importance of Goodwill Trust on the Fundraising Success of Token Offerings

Regarding SQ1, this dissertation advances our understanding of the influence of goodwill trust on the fundraising success of token-based new ventures. In particular, the findings from Paper II suggest that signalling goodwill trust is associated with a lower likelihood of a firm reaching the soft cap during the token offering. More specifically, the negative association is evident when considering the top management team as a whole, and in particular, the CEO. In contrast, no statistical evidence was found in the cases of the CTO or CFO. These findings suggest that prospective investors may have a negative perception of top management teams that use a rhetoric of benevolence and integrity to promote themselves. Although the dataset used in this dissertation only permits cautious conclusions, as I will discuss later in the limitations section, the evidence nonetheless points towards a negative relationship between signalling goodwill trust and fundraising success. The findings may be interpreted in light of prospect theory (Barberis, 2013; Kahneman & Tversky, 1979) and behavioural finance (Statman, 1979; 2019), which argue that investors' decisions are constrained by both bounded rationality and emotional biases linked to past investment decisions and salient events (e.g., scandals) in the news. Such biases may give rise to the halo effect (Burke et

al., 2018; Cooper, 1981a,b). Thus, investors who participate in token offerings may suffer from evaluation bias, recalling previous public cases where managers' actions failed to match their rhetoric. As a result, when confronted with narratives of goodwill trust by the top managers of token-based new ventures, investors may interpret these as trust washing rather than trustworthiness.

Paper II thus provides initial insights into the importance of goodwill trust on the fundraising success of token-based new ventures, specifically revealing a negative association between the use of rhetoric from the top management team that promotes benevolence and integrity, and the likelihood of the firm reaching its soft cap during ICOs.

The Importance of Competence-based Trust on the Fundraising Process of Token Offerings

With respect to SRQ2, this dissertation advances our understanding of the second dimension of trust – competence-based trust – and its relevance in the fundraising process of token offerings. Paper III investigates how perceived competence, reflected in the human capital of the top management team, contributes to the fundraising success of token-based new ventures. The findings reveal that firms led by CEOs with generic human capital (education) are more likely to reach the soft cap during the token offering, while this association seems to be non-significant in the case of CTOs. Conversely, firms led by CTOs with specific human capital are more likely to raise their target funding, whereas this effect is not significant for CEOs.

The findings from Paper III enhance our understanding of how the competencies of top management teams shape prospective investors' trust in a firm, which is ultimately reflected in fundraising outcomes (Svetek, 2023). While our research design only permits conclusions about possibilities – a point discussed in the limitations section below – the results develop our understanding of how investors may perceive the relevance of generic versus specific human capital differently depending on managerial role. Since token-based new ventures are more likely to reach the soft cap when the CEO has a

university degree and when the CTO has experience in crypto and blockchain, these findings suggest that investors perceive such competencies as credible signals of quality and reliability. This interpretation is grounded in both human capital theory (Butticè et al., 2022; Coleman, 1988) and upper echelons theory (Hambrick & Mason, 1984; Hambrick, 2007), which emphasise that the competencies expected of different managerial team members vary by role and contribute to firm performance. Another noteworthy insight concerns the limited influence of prior work experience. While education emerges as a relevant signal of generic human capital for CEOs, years of professional experience do not significantly increase the likelihood of fundraising success. These findings align with some studies on human capital suggesting that extensive experience may restrict the entrepreneur's creativity and opportunity recognition due to knowledge corridors or ruts (Fiske & Taylor, 1991; Gruber et al., 2013; Marvel et al., 2020; Ronstad, 1988). Investors may therefore downplay the importance of previous work experience when assessing entrepreneurial ventures.

Finally, Paper III highlights the moderating role of social capital. The findings suggest that it moderates the relationship between a CTO's human capital and the likelihood of token-based new ventures reaching the soft cap. The firm's social networks amplify this human capital by providing visibility into their skills and access to more information and resources, strengthening the effectiveness of competence-based signals. By identifying social capital as a key moderator, this dissertation advances our understanding of how competence-based trust influences financing outcomes in token-based new ventures.

The Perceived Quality of Low-cost Signals (Goodwill Trust) in the Context of Decentralised Finance

In relation to SRQ3, this dissertation advances our understating of the importance of goodwill trust in the context of ICOs by investigating the perceived quality of goodwill trust signals and whether they are misused by

top management teams as a form of trust washing. This specific research question emerged from the findings presented in Paper II, which suggested that investors seem to negatively perceive rhetoric of goodwill trust by the top management teams of token-based new ventures. Paper IV therefore investigates whether this negative perception reflects reality – specifically, whether top managers who signal benevolence and integrity are more likely to lead firms with no minimum viable product and to possess lower levels of human capital (education and previous work experience).

This line of inquiry is based on signalling and screening theories (Spence, 1974; Stiglitz, 1975), particularly in more recent studies on low-cost signals (Connelly et al., 2011). Low-cost signals, such as rhetoric around goodwill trust, should be considered with caution since they are easily manipulated and difficult to verify. However, the results presented in Paper IV do not support this literature. Instead, they suggest that top managers who use a rhetoric of goodwill trust tend to be associated with firms that have an MVP – making them less likely to be scams – and also tend to have higher levels of human capital – and thus less likely to be attempting to disguise their lack of managerial competence.

6. Conclusion

This chapter summarises the theoretical contributions of the thesis for Decentralised Finance research, as well as the implications for both policy and practice. In addition, the chapter presents some limitations of the thesis, ending up with potential research avenues for future research.

Theoretical Contributions

The main theoretical contributions of this dissertation can be grouped into three domains. The first domain relates to the literature on entrepreneurial finance, particularly the financing of firms through decentralised mechanisms, such as token-based new ventures (Momtaz, 2021; Drobetz et al., 2024). This dissertation provides a thematic analysis of the literature on ICOs, integrating prior findings into a coherent framework and clarifying key concepts developed in earlier research. In addition, it identifies areas of consensus as well as themes characterised by inconsistencies and ambiguities and, based on this analysis, proposes a research agenda for future studies. Moreover, the dissertation contributes to the literature on token-based new ventures by exploring factors that impact their fundraising success, particularly regarding the relevance of trust and its constituent components.

The second domain of contribution concerns the literature on trust (Capizzi et al., 2022; Mayer et al., 1995; Moro & Fink, 2013). By applying trust theory to a new financing context – decentralised finance – this dissertation expands knowledge on the importance of both goodwill and competence-based trust in shaping the fundraising success of token-based new ventures. Specifically, it provides insights into how investors may perceive signals of goodwill trust communicated by the top management team, as well as the importance they

attribute to different competencies (components of human capital) depending on which member of the top management team possesses them.
The third domain relates to signalling and screening theories (Spence, 1974; Stiglitz, 1975). This dissertation explores the importance of low-cost signals in mitigating information asymmetries between investors and firms in high-noise contexts such as decentralised finance. Additionally, it contributes to a better understanding of the perceived quality of low-cost signals in the context of decentralised finance by investigating whether top managers misuse and manipulate their rhetoric of benevolence and integrity to conceal firm-level problems (e.g., scams and fraud), or to compensate for a lack of skills and competencies.

Practical Implications

In addition to its theoretical contributions, this dissertation offers several important practical implications for entrepreneurs, investors and policymakers. First, the findings provide guidance for entrepreneurs regarding the quality signals that they should emphasise – or avoid – when seeking funding. For instance, since signalling through a rhetoric of goodwill trust is associated with a lower probability of securing financing, entrepreneurs should be cautious when employing this form of communication. The dissertation also provides insights on team compositions: in the context of token offerings, CEOs are expected to possess skills related to generic human capital, particularly acquired through higher education, whereas CTOs are expected to have high specific human capital, such as experience in crypto and blockchain. Moreover, token-based new ventures led by CTOs with both a university degree and industry-specific experience benefit from larger social networks, which positively influence their fundraising success.
Second, the dissertation provides a key insight for investors regarding the reliability of low-cost signals. Evidence from this dissertation suggests that top managers who use rhetoric signalling goodwill trust typically lead firms that have a prototype and tend to possess higher levels of education and previous work experience. Lastly, the findings have implications for policymakers. Existing regulatory frameworks for ICOs should be reconsidered and

potentially revised to better accommodate the unique features of these financing mechanisms. Recognising the limitations of traditional signalling and screening theories could inform the development of more effective regulatory measures. Additionally, policymakers might also consider strengthening investor protection by implementing mechanisms to verify the perceived quality of information provided by ICO projects. This could help ensure that fraudulent entrepreneurs who exploit trust relationships are penalised, thereby discouraging attempts to manipulate and misuse goodwill trust signals.

Limitations and Future Research

As is the case with all research, this dissertation presents several limitations that are important to consider. Such limitations relate to the research design, measurement of concepts and variables, nature of the data and methods employed, among others. Acknowledging these limitations enables the identification of new opportunities for future research. First, the research design developed in this dissertation does not permit definitive conclusions about investor's perception of trust, since it is assumed that such perceptions are based on the narratives employed by entrepreneurs in the biographic description of their LinkedIn profile. In this dissertation, however, investors' trust or perceptions of trustworthiness are not directly measured; rather proxied. While this approach provides a preliminary understanding of trust in the context of decentralised finance, future research could investigate this issue more directly, for instance by surveying investors to capture their perceptions of trust and trustworthiness. Such research could benefit from alternative research designs, including surveys. In addition, conducting interviews to both entrepreneurs and investors who participate in token offerings might provide a deeper understanding beyond the signals in entrepreneurs' LinkedIn profiles and how investors perceive such signals. Another alternative methodology that might be useful to employ in future studies relates to netnography, by observing and interacting with entrepreneurs and investors interested in ICOs in online forums and platforms (e.g., Reddit).

Second, while the variables used to capture goodwill trust and human capital are based on previous studies, alternative measures could be considered. Future research could replicate this study using different proxies, such as other communication channels of entrepreneurs to measure goodwill trust, or additional indicators capturing the skills and competencies of top management teams.

A third limitation regards the nature of the data, which affects causality. The empirical analyses in this dissertation are based on cross-sectional data, making it difficult to establish relationships of causality. Although the temporal sequence of variables helps to mitigate some concerns – for example, signals of goodwill trust and human capital precede fundraising decisions (implying that the signal of goodwill trust occur before the investor's funding decision) – it cannot be assumed with certainty that investors considered these factors when they made their investment choices. Therefore, although I attempted to emphasise the association between explanatory and explained variables rather than a causal effect throughout this dissertation, future research could benefit from longitudinal datasets, which would allow for the integration of a temporal dimension and strengthen inferences regarding causal effects.

As a last remark, I want to emphasise that the perspective adopted in this dissertation is that of signalling and screening. The claims made throughout this thesis are based on the signals associated with the rhetoric of goodwill trust and the human capital of token-based new ventures. This means that the dissertation does not examine the actual integrity, benevolence, skills or competencies of entrepreneurs, but rather the signals they communicate to convey these characteristics.

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Appendix

Tabel A1. Dictionary of synonym words of benevolence and integrity.

accurate	humanism	accomplished	hardworking
altruistic	humanitarian	accountable	hospitable
charitable	humble	agreeable	humane
commitment	husband	aidful	ingenuous
committed	integrity	amiable	kind
conscientious	loyal	assuring	laudable
consciousness	loyalty	attentive	law abiding
decency	modest	authentic	lawful
dedicated	morality	believable	listening
dedicating	nobility	benevolent	merciful
dedication	noble	careful	mindful
empathic	philanthrope	caring	neighbourly
empathise	philanthropic	compassionate	neighborly
empathising	philanthropical	confident	objective
empathize	reliability	conscionable	open
encouraging	reliable	considerate	patient
ethical	reputable	cordial	pleasant
ethics	reputation	courteous	polite
fair	respectful	credible	principled
fairness	responsible	creditable	ready to help
family	responsibility	decent	receptive
father	serious	devoted	regardful
friendliness	seriousness	diligent	resolute
friendly	sincere	diplomatic	respectable

friends	sincerity	dutiful	scrupulous
generosity	Spouse	earnest	socially responsible
genuinely	supportive	empathetic	sympathetic
goodness	transparency	engaged	tender
help	transparent	equitable	thorough
helped	TRUE	even handed	thoughtful
helpful	trustworthy	fair faithful	tolerant
honest	truth	familiar	trusted
honesty	truthful	forgiving	understanding
honor	volunteer	forthright	unfailing
honorable	volunteered	generous	upright
honored	volunteering	genuine	upstanding
honoured	wife	gracious	values based
honoring	accepting	grateful	virtuous

The Role of Trust in the Context of Initial Coin Offerings

Initial Coin Offerings (ICOs) emerged as one of the outputs of a new paradigm shift in finance: decentralized finance. Based on decentralised ledger technologies (DLTs), of which Blockchain is perhaps the most popular, decentralised finance is changing the way that we make financial transactions, as well as the way entrepreneurial firms raise financial capital. Despite the advantages that are associated to ICOs, such as the democratisation of finance, less geographical restrictions, the promotion of innovative businesses, and the absence of intermediation costs, there are some risks associated to this financing mechanism that are important to consider. Particularly, the lack of information available about the firm, the digital and innovative nature of the business, and the absence of a central entity to coordinate the financial transactions, as well as the absence of a regulatory framework, make investing in ICOs significantly risky.

This thesis investigates how the signals related to the two dimensions of trust – goodwill trust and competence-based trust – sent out by the top managers influence the likelihood of new ventures to reach the soft cap during token offerings. In addition, this thesis investigates the perceived quality of low-cost signals (goodwill trust) in the context of decentralised finance.

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