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Evaluating Trust and Recourse in Startup Success Prediction Models: A Comprehensive Review

Daniel J. Moses*, Hatim M. Barwahawala, Niraj D. Sharma, Shreya V. Mahajan, Rais A. H. Khan
(School of Computer Science and Engineering, Sandip University, Trimbak Road, Nashik, Maharashtra, 422213, India)
Email: danielmoses.cse@sandipuniversity.edu.in
*Corresponding author: Daniel J. Moses

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Abstract:

Predicting startup success is both vital and challenging for entrepreneurs, investors, and policymakers. The combination of high failure rates and limited resources significantly affects investors' ability to identify promising ventures early. This makes it difficult for early-stage ventures to secure funding, thus hampering innovation and novel ideas. Recently, there has been significant growth in the application of data-driven approaches such as supervised learning, ensemble methods, deep learning, and more recently, large language model fusion. Such methods utilize business information such as team size, funding stage, and industry in combination with digital signals obtained from social media, news, and online platforms.

Despite these advancements, certain limitations and issues remain. The digital signals used for predictions are often prone to being manipulated or artificially inflated, creating risks for both models and potential investors. Various datasets that are commonly used suffer from unwanted bias and coverage issues, often overrepresenting larger startups. Existing predictive models simply act as opaque black boxes that just predict a success score without providing any actionable insights or recourse. As a result, startups are left with mere probabilities rather than clear, practical steps to improve their success likelihood.

Keywords — **Machine Learning, Startup Success Prediction, Trust-Weighted Models, Feature Integrity, Counterfactual Recourse, Model Interpretability, Business Analytics.**

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I. INTRODUCTION

Startup success prediction has emerged as a critical and extremely relevant challenge in today's entrepreneurial and venture capital landscape. With failure rates approaching 90% [1] there remains substantial uncertainty among investors when deciding where to allocate their resources. Traditional methods often rely solely on financial indicators, industry knowledge, and business details.

Recent studies have applied machine learning algorithms to this problem, making use of combined sources such as structured firm data along with digital signals from social media, news, and other platforms. Such methods show promising scalability and objectivity, but unfortunately introduce new risks and challenges. Digital features such as Twitter followers, GitHub stars, or media exposure can all be faked and easily manipulated. This creates a false image of traction and engagement that models may treat as reliable data without proper validation, misleading potential investors along with the model itself.

This review surveys various current approaches that predict the success of startups, discussing their strengths, limitations and also highlighting any looming challenges. Particularly, the emphasis is laid on two research gaps: the lack of integrity-aware models that identify and account for manipulated signals, and the absence of actionable recourse that converts machine learning predictions into practical guidance for founders and entrepreneurs.

II. RELATED WORK AND EXISTING APPROACHES

A. Heuristic/VC-Based Methods.

Heuristic and economics-based approaches represent the earliest approaches to startup potential and success prediction. Reference [9] created a system that predicts outcomes by highlighting uncertainties in the pre-startup phase where opportunity-evaluation is the main focus. Using Danish firm registry data, [4] managed to portray that even basic information such as firm name and demographics can play a significant role in accurately predicting the growth and survival of businesses. These findings suggest that even simple signals can substantially contribute to business insights and forecasts.

B. Machine Learning Models.

More recently, supervised learning has emerged as the chief driving factor in making business forecasts by training models on large datasets. Reference [8] made use of data from Crunchbase comparing various classification algorithms. With up to 82% accuracy, Random Forest performed the best among Gradient Boosting, SVM and other models. Important features included social media metrics (LinkedIn/Twitter) and funding data such as last raised amount. Reference [5] trained six models on data from 218,207 Crunchbase firms (2011-2021). Feature importance analysis revealed that media exposure and industry convergence were the best at predicting success. Reference [2] applied dimension reduction in the form of Principal Component Analysis (PCA) before SVM classification. This improved model generalization scoring 90% accuracy as compared to 78% accuracy without PCA. Reference [7] focused on later-stage startups by applying deep learning to Crunchbase data of Series B/C firms. A novel neural model was built that predicted key milestones such as IPO, Unicorn Valuation, M&A. Through backtest simulation, a 14x portfolio growth was reported in combination with diverse features. These studies illustrate the transition from simple classification pipelines to more advanced neural models and the impact of feature engineering.

C. Digital Signals and Online Footprints.

Several other studies include the incorporation of web-based signals along with traditional objective data. Reference [3] applied a CatBoost ensemble on the combination of Crunchbase with Google, News, and Twitter. Future funding was predicted with strong F1 scores (approximately 0.74). Reference [6] made use of a transformer-based LLM, that fused various structured features along with the self-descriptions submitted by startups on Crunchbase. The findings showed that fused textual narratives have a higher predictive power than purely numerical data. Collectively, they indicate that subjective data, including social media activity and text-based business information can significantly enrich machine learning models. This represents a significant step toward recognizing the importance of using multiple data modalities to enhance prediction accuracy.

III. LIMITATIONS AND CHALLENGES

A. Lack of Robustness Against Manipulation.

Nearly all the studies place their trust in digital signals such as LinkedIn, Twitter, GitHub or web traffic. However, there is substantial possibility of manipulated and false information being received from these sources. While making predictions using such existing models, the data from these signals are treated as reliable features without any checks. There is no system in place to authenticate such signals thus allowing artificially skewed data to sway the outcome rather than genuine traction. This creates potential advantages for startups engaging in unethical digital practices.

B. Data Quality and Bias Issues.

A significant issue is the lack of consistency and coverage in the maintenance of common datasets such as Crunchbase. Larger or well-known startups are often given more representation as compared to smaller or newer ventures. Self-descriptions also tend to be highly inconsistent since they vary in length and detail, thus introducing additional noise in the textual analysis. Such issues highlight the possibility of survivorship bias and incomplete quality of data, causing distortion in machine learning outcomes.

C. Black-box Models with No Actionable Feedback.

A desirable characteristic of machine learning models is interpretability and human explainability. However, when using deep learning and LLM-based approaches the interpretability is highly reduced and there is no clear vision as to which features drive the actual results. With the absence of such insights, startups cannot be offered any practical guidance to improve their prospects. In essence, predicting startup success alone is insufficient; models should also provide actionable recourse that startups can realistically apply to improve their survival prospects.

IV. TOWARD TRUST-WEIGHTED AND INTEGRITY-AWARE MODELS

A. How Signals can be Gamed.

When considering digital indicators such as GitHub stars, Twitter mentions, or even online reviews, there is a high chance of manipulation and irregularity. Developers and startups may artificially boost their following and reputation by purchasing bots or fake reviewers. This increases their digital presence and engagement without actually having any social relevance or usefulness. Media visibility can also be faked by paying money to journalists or news agencies to falsely portray them. Articles and blogs can be sponsored by startups giving an unfair advantage to them. Such practices can significantly mislead both predictive models and investors.

B. Early Attempts at Anomaly Detection.

Although research is increasingly being done on bot detection and fake engagement in social media, there is limited systemic application of these methods on startup success prediction. Several techniques such as outlier scoring, burstiness analytics, and anomaly detection could play a vital role in flagging suspicious activity. However, existing startup-prediction models do not assess the trustworthiness of digital signals, treating all of them at face value. Therefore, a system capable of validating digital features before they influence model outcomes is needed to enhance model reliability and investor confidence.

C. Concept of Feature Trust Scores.

A straightforward approach to address the manipulation problem is to assign a “trust score” to each feature that can be potentially gamified. Thus, instead of blindly relying on raw data such as GitHub stars or Twitter followers, each individual feature can be multiplied with a weight between 0 and 1. This trust score acts as a barrier for gamified features. A higher score will be provided for more stable growth patterns, whereas sudden spikes or abnormal ratios would lower the score signifying potential manipulation. In general, the more balanced the data, the higher the trust score assigned.

D. Integrating Trust into Model Training.

Trust scores can be directly incorporated within the machine learning pipeline. A potential workflow could involve detecting suspicious patterns or anomalies by making use of methods such as Isolation Forest or Local Outlier Factor, generating individual trust weights for affected features, and passing these features through a model such as LightGBM or CatBoost. Various experiments can then be conducted to evaluate the accuracy and robustness of the model on both normal and artificially contaminated datasets. Such a system ensures that suspicious signals are given lower priority and have reduced influence on predictions, making the model more reliable and practical for real-world use.

V. ACTIONABLE RECOURSE AND PRESCRIPTIVE MACHINE LEARNING

A. What is Recourse in Prediction Models.

The output of most predictive models is simply a probability score, for example “a 30% chance of success”. However, recourse methods go much deeper suggesting specific, minimal changes that can be applied to the input features to improve the outcome. In machine learning, this is often done using counterfactual explanations which involves finding the smallest collection of changes that are required to flip a prediction from negative to positive. Existing libraries such as DiCE provide practical tools that can generate such counterfactuals in tabular data.

B. Example Methods.

Recourse is more focused on actionable variables, meaning those features that can actually be realistically controlled by the founders. For instance, a potential suggestion could be for the founder to increase the number of experienced members, improve user growth rates, or extend funding runway to raise the success probability. In contrast, immutable features such as the founding year obviously cannot be changed, and thus should not be a part of the recourse recommendations provided by the system.

C. Application to Startup Founders.

Recourse has the potential to make the model prescriptive rather than purely descriptive. Rather than straight up declaring a startup as "likely to fail", the system can propose constructive steps that may be in accordance to business niches, technical team, or simply demonstrating consistent traction. This bridges the gap between predictive analysis and actionable advice, potentially creating a strong synergy between machine learning outcomes and practical business decision-making.

VI. OPEN RESEARCH GAPS AND FUTURE DIRECTIONS

A. Lack of Integrity-Weighted Prediction Models.

Although recent studies have thoroughly explored various combinations of data sources along with machine learning algorithms, there is no explicit consideration of manipulated digital signals and their risk. Digital signals such as follower count, sentiment analysis, press coverage, and reputation are treated as reliable and trustworthy inputs even though they can easily be artificially inflated and manipulated. To date, there is no published model that integrates the detection of anomalies or trust weighting into the prediction of startup success.

B. Lack of Integrated Recourse Methods for Startups.

Another gap identified is the absence of practical recourse in current existing models. At present, research provides high accuracy but does not convert the output into actionable guidance that founders can implement. Without the provision of counterfactual explanations, startups are left with limited guidance and no practical steps to follow in order to actually improve their success probability.

C. Our Proposed Direction.

The combination of trust-weighted feature processing along with actionable recourse techniques is a promising advancement in the direction of startup success prediction. With the reduction of manipulated signals and the implementation of constructive improvement strategies, future models could provide a balanced combination of practicality and robustness. This duality has the potential of being the driving force behind tools that not only predict startup outcomes but also support them in making informed decisions along the way.

VII. CONCLUSION

Startup success prediction has become an important research-centric area, with approaches ranging from simple heuristic methods all the way to advanced neural networks and large language models. Studies conducted so far show promising accuracy and predictive power but they often rely on vulnerable digital signals. There remains a significant possibility of such features being manipulated or artificially skewed. Simultaneously, there exists a lack of practical actionable recourse that converts machine learning outputs into practical guidance. Future work should focus on the implementation and combination of these elements in order to create systems that are useful for real-world decision making by investors and entrepreneurs while remaining robust against manipulation.

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