# Master Thesis

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***How entrepreneurs decide on the type of financing for their ventures: A comparative analysis of factors influencing the choice between business angels and other funding options.***


Author:

Emmy Thuis

1st supervisor: prof.dr.ir. A. Bruggink

2nd supervisor: H. Kroon

# Abstract

In the ever-changing start-up environment, business angels can be used to bridge the equity gap. Despite their funding, approximately 95% of entrepreneurs seeking funding from business angels are rejected. To understand why entrepreneurs continue to seek funding from business angels despite these high rejection rates, this study addresses the following research question: “Why do entrepreneurs choose business angels instead of other types of funding?”.

This research employs a mixed-methods approach, including a literature review and semi-structured interviews. A total of 11 semi-structured interviews were conducted with entrepreneurs, business angels and funding experts and analysed using the Gioia method. Both the literature and the interviews indicate that entrepreneurs choose business angels because alternative options for bridging the equity gap are limited and business angels offer 'smart money' rather than just financial support.

Given the small sample size and reliance on semi-structured interviews, which may not fully represent broader perspectives, future research should use diverse recruitment methods and include both interviews and surveys to deepen the understanding of the relationship between business angels and entrepreneurs and to assess the long-term impact on start-up success.


Keywords: business angels, entrepreneurs and start-ups.

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# 1. Introduction

In the ever-changing start-up environment, business angels play a financial role in driving innovation and economic growth. According to Mason and Harrison (2008) a business angel is a wealthy individual who personally invests in unquoted business ventures that are unrelated to their family connections. Business angels provide early-stage companies with not only financial support, but also knowledge, networking opportunities and mentorship. They play a role in bridging the gap between entrepreneurs' aspirations and actual success, by driving innovation, providing support, and helping to finance the project (C. M. Mason & Harrison, 2008).

Finding a business angel may seem straightforward, but the reality is very different. In Canada, over 95% of entrepreneurs who seek funding from business angels are rejected (Haines et al., 2003). According to Haines et al. (2003), the rejection rate for entrepreneurs seeking funding from business angels is similar in the United States and the United Kingdom. To understand why entrepreneurs persist in seeking funding from business angels despite the high rejection rate, it's interesting to examine the different funding options available and the reasons why entrepreneurs prefer business angels to other forms of funding. These alternatives include contributions from the '3Fs' (friends, family and fools), bank loans and venture capital.

Although business angels are relevant for the success of early stage companies, there is little research on the dynamics of their relationships with entrepreneurs. (White & Dumay, 2017). In addition, White & Dumay (2017) raise relevant questions about entrepreneurs' preferences for business angels in their funding decisions, highlighting the need for further research into this aspect.

## 1.1 Research question

As mentioned above, this gap in the literature highlights the need to better understand the relationship between business angels and entrepreneurs and the preferences of entrepreneurs when choosing funding for their start-up. Understanding why entrepreneurs choose business angels over alternative funding is interesting for the following reasons. Firstly, it gives a better insight into the decision of entrepreneurs to choose business angels, despite the high rejection rate mentioned in the introduction. Secondly, it provides insight into the factors that determine the funding preferences of entrepreneurs. Therefore, the research question is formulated as follows:

RQ: *"Why do entrepreneurs choose business angels instead of other types of funding?"*

Subsequently, this study aims to inform investors and entrepreneurs about the pros and cons of business angels compared to alternative sources of finance. To support the main question, three sub-questions were formulated for better structure and clarity. The sub-questions are:

- Which criteria do entrepreneurs consider when evaluating different financing options for their venture?
- What factors prevent entrepreneurs from choosing business angels as a funding option over other alternatives?
- What motivates entrepreneurs to choose business angels over other sources of funding?

The first sub-question is used to get a better overview of what criteria an entrepreneur considers relevant and eventually link this to the other sub-questions to see if there is a correlation between the entrepreneur's criteria and the reasons for choosing or not choosing a business angel. The second and third sub-questions are more in-depth questions about business angel funding. Answering these sub-questions provide a better overview of the advantages and disadvantages of business angels. By answering these questions through interviews, the research question can be clarified.

## 1.2 Definitions of key concepts

The main theoretical concepts relevant for this study include business angels, angel groups, entrepreneurs and start-ups. The key concepts are defined below.

**Business angels (BAs)**

Business angels are wealthy individuals who personally invest in unquoted business ventures that are unrelated to their family connections (C. M. Mason & Harrison, 2008).

**Entrepreneurs**

Entrepreneurs are creative, driven individuals who change current markets and sectors of the economy by launching innovative products, services, or business strategies (Mehmood & Al-Gasaymeh, 2019).

**Start-ups**

According to Steve Blank (2020) a start-up is an organization established to search for a scalable business model. It is a label for a company that is still in the early stages of development.

## 1.3 Structure of the thesis

This study is structured as follows: literature review, methodology, findings, conclusion, and discussion. The literature review examines the relevant literature on business angels and other forms of funding. The next section is the methodology, which explains the methods used for this research to collect data. The findings derived from the data analysis are then presented. The study ends with a conclusion, a discussion, theoretical and practical implications, limitations and recommendations for future research.

# 2. Literature review

This chapter provides a literature review on several topics. A considerable amount of literature has already been written on the topic of business angels. In addition, a lot of research has been done on related topics such as venture capital and crowdfunding (Bessière et al., 2018). In this part, the literature on business angels and other sources of funding will be reviewed. The other sources of funding will cover the following topics: bootstrapping, incubators, accelerators, crowdfunding, venture capitalists, private equity, equity market, bank loans, and the 3Fs. This literature was used to answer the research questions.

## 2.1 Business angels

Using business angels is one way to secure more equity for your business. Other options for securing more equity include private equity investment, venture capital firms or accessing the stock market. These options are discussed later. Business angels typically invest through equity, providing entrepreneurs with a certain amount of funding in exchange for a percentage of the equity in the business (Shane, 2012). Besides taking a percentage of equity, many business angels invest in startups because they want to participate in local businesses and give back to their communities (Geenen, 2013).

Following their investment, business angels typically take an active role in the business, using their entrepreneurial background and bringing in valuable knowledge. These angels often invest in areas where they have expertise, drawing on their previous managerial or entrepreneurial experience. They also use their networks to provide support and validate the profitability of the projects they fund. Multiple articles mention several types of business angels. According to one article, Ramadani (2009) mentions the following three basic types of business angels.

- The active angel, active angels have experience in investing and are looking for more investment opportunities.
- The latent angel, latent angels are passive investors who have invested in the past but not in the last three years.
- The virgin angel, virgin angels have not yet made their first investment.

Besides these several types of business angels, the literature has also identified different characteristics of business angels. First, business angels tend to invest in their local and regional economies, where the investor can closely monitor the new venture (Cumming & Dai, 2010; Lerner, 1995). This means that the majority of their investments are in firms located within 50-100 miles of their home (Harrison et al., 2010). Secondly, business angels are the largest external source of early-stage risk capital (Mason & Harrison, 2001). And thirdly, unlike venture capital firms (VCFMs), business angels avoid the transaction costs associated with venture capital, allowing them to make smaller investments at the seed and start-up stages (Mason & Harrison, 1997). The seed stage is the earliest stage of a company's development. The seed stage is followed by the start-up stage, which involves the early operations of the company. Another difference compared to VCFMs is that VCFMs are more concerned with market risk, while business angels will be more concerned with agency risk (Mason & Stark, 2004). This risk is caused by the different and possibly conflicting interests of entrepreneurs (agents) and investors (principals). In addition to the difference in the stage of financing, there are some other differences mentioned according to Politis (2008). These differences are summarised in Figure 1.

*Figure 1. Institutional venture capital compared to business angels (Politis, 2008)*

| **Key features** | **Institutional venture capitalists** | **Business angels** |
|---|---|---|
| Source of funds | Primarily institutional investors who act as limited partners invest others' money | Private individuals that invest their own money |
| Responsibility | Limited personal financial responsibility but responsibility to management and owners | Significant personal financial responsibility |
| Investment experience and capacity | Considerable investment experience and investment capacity | Little investment experience and limited investment capacity |
| Time for due diligence | Extensive time for due diligence | Limited time for due diligence |

### 2.1.1 Advantages and disadvantages

The main advantage why entrepreneurs turn to angel funding is because it provides critical funding during the seed or start-up phase. At this point, entrepreneurs typically have used up all their personal savings and the business lacks a proven track record to secure a bank loan or attract venture capitalists (Terjesen & Frederick, 2006). Angel funding fills this gap, providing the necessary capital to fuel initial growth and development. Most angels have owned businesses and have experience with starting and growing businesses. They have the experience needed to start, manage, and harvest a successful business (Alemany & Andreoli, 2018).

As well as the advantages, there are also disadvantages to choosing business angels. Building trust with angels is time consuming and may involve necessary expenses. In addition, when a business angel invests in a company, they usually expect a certain level of ownership, which can lead to control issues and create challenges when seeking additional funding in the future (Geenen, 2013). Often, business angels do not provide follow-on investments due to their diversified portfolio or limited capital (Terjesen & Frederick, 2006). In addition, angels may have either an excessive involvement in the business or insufficient knowledge of the industry, both of which can pose challenges for the entrepreneur.

*Table 1. Advantages and disadvantages of business angels according to the literature*

| Advantages | Disadvantages |
| --- | --- |
| Fill equity gap | Demand ownership and control |
| Bring expertise and contracts | Giving up equity |
| Located everywhere | Takes time and money |
| No additional fees | No follow up investments |
| Flexible agreements | |

### 2.1.2 Angel groups

In addition to business angels, there are also angel groups. Angel groups are made up of wealthy individuals who combine their resources to invest in early-stage start-ups (Croce et al., 2017). By working together, angel groups can reduce risk and identify promising investment opportunities more effectively. Compared to business angels, angel groups have some advantages such as reduced transaction cost because the due diligence is spread among several investors, diversified portfolios, and access to expertise (Croce et al., 2017). Because angels share the investment risk with other group members, they are able to participate in a wider range of investment opportunities and invest smaller amounts in individual companies (Croce et al., 2017).

An angel group is also similar to a venture capital (VC), but differs mainly in its investment stage, structure, and funding sources. Angel groups, like business angels, invest in early-stage start-ups, while venture capital groups often invest in more mature start-ups (Cavallo et al., 2019). The members of an angel group often have diverse backgrounds and expertise, and they use this expertise. VCs are professional investment organisations that manage pooled funds from institutional investors. VCs have dedicated teams that source deals, conduct due diligence and manage investments on behalf of investors.

### 2.1.3 Exit strategy

Angels typically invest in early-stage companies to achieve a financial return (Botelho et al., 2021). They use exits to achieve their financial returns. There are different ways for a business angel to exit: acquisition, initial public offer (IPO), buyout, secondary sale, and write-off. One option for business angels is to take the investee company public through an IPO. This allows them to sell their shares on the stock market (Ibbotson & Ritter, 1995). Another common exit route is a strategic acquisition (Bayar et al., 2006) by a larger company. This involves selling the investee company to a strategic buyer that sees value in integrating it into its operations. In some cases, the management team of the investee company may seek to buy out the business angel’s stake through a management buyout (MBO) or management buy-in (MBI). An MBO involves the existing management team buying the business, while an MBI involves an external management team taking over (Bruining et al., 2013). Business angels can also consider a secondary sale of their shares to another investor or private equity firm. The final option is a write-off; when a business angel writes off an investment, they essentially declare it as a loss on their balance sheet, reducing their taxable income. This is done when the investee company faces challenges or has failed to meet expected growth and profitability targets (Hisrich et al., 2016). According to Botelho et al. (2021), business angels often do not have an exit strategy at the time of investment and are relaxed about the timing of exits.

## 2.2 Other sources of financing

In addition to business angels, there are other sources of funding for entrepreneurs. There are internal sources such as retained earnings and bootstrapping (Söderblom et al., 2014). Also, there are external sources such as crowdfunding, private equity, venture capital firms, the stock market, bank loans, and 3F's. The last two are forms of debt, crowdfunding is an alternative and the other sources are a form of equity funding. All sources of finance are useful at various stages of growth. In the start-up phase, business angels, and crowdfunding are important while venture capital is more relevant for early growth. The stock market is only relevant from the maturity stage (Hisrich et al., 2016). According to Alemany & Andreoli (2018), a company can be in one of the following stages: seed stage, startup stage, growth stage or maturity stage. In order to provide an overview of the different stages and the relevant types of funding, the table below shows the types of funding for each stage. All these types of funding are discussed in this section.

*Table 2. Types of funding for each stage*

| Stage | Type of funding |
|---|---|
| Seed stage | Bootstrapping, 3F's, crowdfunding, grants, incubators/accelerators, business angels |
| Start-up stage | Business angels, crowdfunding, accelerator, venture capital |
| Growth stage | Venture capital, bank loans, private equity |
| Maturity stage | Private equity, bank loans, IPO |

### 2.2.1 Bootstrapping

As small businesses often face different challenges than large companies, such as limited access to credit, raising finance can be quite challenging (Schinck& Sarkar, n.d.). One possible solution for financing a small business is bootstrapping. Bootstrapping is the clever use of starting and growing a business without spending a lot of money or relying on credit. It involves using different methods, chosen by the founder, depending on the needs of the business. An example of bootstrapping is using personal funds to finance the business rather than relying on loans or investors. This can help small businesses perform better by ensuring that every cent is spent wisely (Schinck & Sarkar, n.d.). Freear et al. (1995) extended the idea of bootstrapping to stages beyond the initial start-up phase. They highlighted the importance of bootstrapping in the rapid growth phases of firms, enabling entrepreneurs to acquire resources in creative ways. Some advantages of bootstrapping identified by Auken (2005) are that it is relatively easy to access, and the entrepreneur retains control of the business. A disadvantage of bootstrapping is that the amount of money available to the entrepreneur may not match the needs of the project. Also, the entrepreneur may face personal financial problems if the business is not able to generate the cash flow needed to repay the personal loan (Sethi et al., 2020).

### 2.2.2 Early sources of funding: incubators, accelerators, and crowdfunding

In the early 2000s, three new sources of early finance emerged to help entrepreneurs build credibility and provide investors with more reliable indications of early success. These sources are crowdfunding, incubators, and accelerators. According to Mehmood & Al-Gasaymeh (2019) an incubator function as an organisation that not only provides start-ups with shared operational space, but also provides young businesses with networking opportunities, mentoring resources, and access to shared equipment. This supportive environment allows start-ups to grow and develop their ideas under the mentorship of experienced professionals. Many incubators are run directly by universities and work with local businesses to support spinouts (Bone et al., 2019). In addition, an accelerator operates as an organisation that offers start-ups intensive support services and funding opportunities through programmes lasting several months (Hisrich et al., 2016). These programmes typically include mentoring sessions, dedicated office space and access to capital and investment in exchange for start-up equity. Accelerators provide a structured framework for rapid growth and development, helping start-ups efficiently scale their operations.

While incubators and accelerators share similarities, such as providing early-stage support and access to a network of mentors, they also have differences. For example, accelerators typically offer intensive, time-bound programmes lasting usually 3 till 12 months (Bone et al., 2019), while incubators may offer a more flexible and long-term support structure. In addition, accelerators often offer funding opportunities in exchange for equity, while incubators focus primarily on providing shared workspace and resources without seeking equity from the start-ups they support. While most accelerators invest in return for equity, some may offer alternative forms of funding such as grants, loans, or convertible bonds (Bone et al., 2017). Figure 2 outlines these differences.

*Figure 2. Differences between an incubator and accelerator (Alemany & Andreoli, 2018)*

| | Incubator | Accelerator |
|---|---|---|
| Specialization | Horizontal | Vertical(s) / Theme(s) |
| Target | Individuals | Teams |
| Entrance | Restricted | Open |
| Support | Organic growth | Boost growth |
| Programme | None | Generic |
| Duration | Months – Years – No limit | 3–6 months |
| Financial contribution | None – Small amount | Larger amount (€10,000 – up) |
| Compensation | None – Small fee (e.g. rent) | Equity stake (5–10%) |

Another possible source of early-stage funding is crowdfunding, which is the financing of businesses through the crowd (Moritz & Block, 2016). If funding cannot be provided by the founders themselves, their friends and family, or even business angels, then the company faces a funding gap. This gap can be filled by crowdfunding. Crowdfunding is usually used in the early stages of a new business, while funding from venture capitalists and banks is usually available in the later stages of development (Moritz & Block, 2016). A disadvantage of crowdfunding is that you may not raise enough money to meet your needs, despite the considerable effort involved in managing these campaigns (Garg & Shivam, 2017).

### 2.2.3 Venture capital

A venture capital firm (VC) is an investment company that raises money from institutional and individual investors to fund companies in exchange for equity. Venture capitalists invest money, along with their time and expertise, directly in unquoted companies with which they have no family connection, in the hope of making a financial profit (Alemany & Andreoli, 2018). Rather than focusing on mature companies, as private equity does, VCs tend to focus on companies in growth phases. This is riskier because success is more uncertain. One advantage of venture capital funding for entrepreneurs is their network and knowledge. VCs actively monitor the investment (Bessière et al., 2018). A disadvantage is the loss of control as the VC may appoint a director or senior manager and there may be potential conflicts of interest between the entrepreneur and the appointed director or manager. Given their responsibility for managing external funds, they are held to high standards of accountability and are expected to deliver positive returns. To manage agency conflicts, VCs typically use incentive and control measures such as due diligence procedures and contractual clauses (Bessière et al., 2018).

### 2.2.4 Private equity

Private equity firms link the financial world and real businesses. They invest in companies around the world, beyond the regular stock markets. These firms are managed by small teams of financial experts who exert a great deal of influence in the global economy (Robertson, 2009). Private equity firms are often confused with venture capitalists, as both invest in companies and typically exit their investments either through IPOs or when the companies they invest in are acquired by larger companies (Owers & Sergi, 2019). Private equity firms differ from VCs in the types and sizes of companies they invest in. Moreover, private equity firms tend to provide larger amounts of capital to more established companies than venture capitalists.

### 2.2.5 Equity market

Equity market funding, also known as stock market funding, is the process by which companies raise capital by issuing ownership shares to investors in public markets (Black & Gilson, 1998). Investors are given the opportunity to participate in the ownership and growth of the company, while the company receives funding. The company may raise capital through an IPO. An IPO is when a company offers its shares to the public for the first time to raise funds for expansion, research and development, acquisitions, or other initiatives (Draho, 2004). Going public is only relevant for companies that are in a growth or mature phase.

### 2.2.6 Bank loan

Bank loans are a well-known source for the funding of companies. Banks are financial institutions that lend money to companies of all kinds, regardless of size. This can apply to mature companies as well as start-ups (Tariq et al., 2013). In a business bank loan, a sum of money is borrowed from the bank. This loan is then repaid in partial amounts over an agreed period of time, with interest (Duqi et al., 2019). As a result, the total repayment exceeds the amount borrowed.

# 3. Methodology

In this chapter, the methodology of this study is being described. The following subsections are included, research design, data collection, sample size and data analysis.

## 3.1 Research design

This study aimed to identify the critical factors influencing entrepreneurs' choice of business angels over other types of funding. In order to gain a better understanding of entrepreneurs and their decision-making criteria, this study used various qualitative research methods during a case study. According to Mohajan (2018), qualitative research involves the exploration of complex phenomena through methods such as interviews, observations, and analysis of textual or visual data, with a focus on understanding subjective experiences and meanings attributed by individuals or groups. Qualitative research is appropriate for the research question mentioned in the introduction because it concerns the experience of entrepreneurs, which cannot be quantified. The type of research used is a case study, a case study is an in-depth investigation of a particular individual, group, or phenomenon in a real-life context, with the aim of providing detailed insights into the complexity of the subject under study (Yin, 2009). The remaining sections describe in more detail how the interviews were conducted, how the sample was selected and how the data were analysed.

## 3.2 Data collection

As mentioned above, there are various techniques for collecting data (Saunders et al., 2009a) and the best method for this type of research is semi-structured interviews. The interviews had a combination of open and closed questions, including follow-up questions. Asking follow-up questions was one of the reasons for choosing semi-structured interviews, as it allows the interviewer to gain a better understanding and more detailed information (Adams, 2015). For example, a deeper understanding was gained regarding the different reasons why an entrepreneur might choose angel funding over other forms of funding. In addition, semi-structured interviews are also relevant for exploring values, beliefs, attitudes, and motives relevant to the research question. The interviews were conducted with various entrepreneurs, business angels and others involved in business angels and fundraising (referred to as funding experts). These interviews took place either online to allow for distance, or in person at one of the KPMG's offices in the Netherlands. Both virtual and face-to-face interviews were recorded for accuracy and transcribed for later analysis.

## 3.3 Sample size

The interviews were conducted with entrepreneurs, business angels and funding experts to gain a comprehensive understanding of the motivations of all parties. The interviews with entrepreneurs included those who were using business angels as well as those who were using alternative sources of funding. This approach aimed to highlight the differences and the reasons behind entrepreneurs' decisions to engage with business angels or to avoid them. Additionally, an interview was conducted with a funding expert who specialises in advising and assisting start-ups in the selection of suitable funding options. In total, eleven interviews were conducted: four with business angels who had previously been entrepreneurs, four with entrepreneurs and three with a funding expert. According to Saunders et al. (2009b), the recommended minimum non-probability sample size for semi-structured interviews is between 5 and 25 participants. In the table below, the different respondents are listed. The title and the years as entrepreneur and business angel are also listed.

*Table 3. Respondents*

| **Respondent number** | **Title** | **Years as an entrepreneur** | **Years as a business angel** |
|---|---|---|---|
| Respondent 1 | Funding expert | - | - |
| Respondent 2 | Entrepreneur | 2 years | - |
| Respondent 3 | Business angel | 6 years | 6 years |
| Respondent 4 | Business angel | 28 years | 3 years |
| Respondent 5 | Entrepreneur | 7 years | - |
| Respondent 6 | Business angel | 17 years | 23 years |
| Respondent 7 | Funding expert | - | - |
| Respondent 8 | Funding expert | - | - |
| Respondent 9 | Entrepreneur | 4 years | |
| Respondent 10 | Business angel | 29 years | 7 years |
| Respondent 11 | Funding expert | - | - |

## 3.4 Data analysis

The interviews were recorded, transcribed, and coded in order to make a detailed analysis of the collected data. Transcription was the first step in organising and analysing verbal data (Puji Widodo, n.d.). The transcription was conducted by the use of amberscript software and was checked by the interviewer to detect errors and ensure reliability. There were several advantages to transcribing the collected data. Firstly, it allowed the interviewer to pay close attention to and reflect on the recorded data (Matheson, 2007). Secondly, after transcribing, the interviewer could critique his/her own work and possibly improve his/her interviewing technique. Thirdly, by listening to the recording and transcribing it, the interviewer could already analyse the themes that should be explored further. In order to gain a deeper understanding of the transcriptions, they were coded thematically using the method of Gioia et al. (2012). The coding was done through open coding. In open coding, codes were emergent rather than predefined, based on the exact expressions (Bryant & Charmaz, 2007).

# 4. Results

This section presents the findings of the qualitative research. Once the interviews were transcribed and understood, the qualitative data was analysed inductively. This process involved the identification of various concepts and themes, which were then organised into different themes that emerged from the data analysis. The table below describes all the respondents, detailing their current professions and previous roles. This information enhances the clarity of the quotes and findings from the interviews.

*Table 4. Description of respondents*

| | |
|---|---|
| Funding expert 1 (FE1) | Respondent 1 is employed by an accelerator as a funding expert. In this role, the respondent helps start-ups to identify and select optimal funding solutions. Start-ups can benefit from the expertise of the funding expert throughout the funding process. |
| Entrepreneur 1 (E1) | Respondent 2 has been running a start-up for over 2 years. So far, the respondent has relied only on personal savings and has not pursued external funding. However, additional funding will be required in September. In particular, the respondent has ruled out business angels as a potential source of funding. |
| Business angel 1 (BA1) | The third respondent belongs to an angel group and is also a business angel within this group. The respondent started with the angel group, which currently consists of about 100 business angels. Within the angel group, the respondent evaluates different start-ups and decides which ones receive funding. Before taking on the role of business angel, the respondent was employed by a venture capital firm. |
| Business angel 2 (BA2) | Respondent 4 has been running a business for 28 years. Initially the business was funded by various business angels. At a certain stage, the shares held by the business angels were sold to a venture capital firm. After 27 years, the entrepreneur sold half of the company, followed by the other half a year later. Following the sale of the company, respondent 4 decided to move into a business angel role. The respondent has been active as a business angel for over 3 years and have invested in 2 companies. |
| Entrepreneur 2 (E2) | Respondent 5 is an entrepreneur who launched a start-up in 2017. The respondent registered with the KVK in 2019. In November 2022, the company secured funding from a business angel. Prior to this, the respondent utilized several grants, but required more substantial funding for their pilot project. The company connected with a business angel and this was the only investor they initially engaged with. Additionally, a company within the same sector invested in them, providing valuable connections and tools. As the respondent prepares for another round of funding, they consider business angels as a viable option, but plan to compare different angels this time. |

| | |
|---|---|
| Business angel 3 (BA3) | Respondent 6 was first an entrepreneur and then became a business angel. During the time as a business angel, respondent 6 started other businesses. The respondent has made several investments, some of which have been written off.. In addition to investing on their own, the respondent is also associated with an angel group. Through this angel group they also invest in start-ups. |
| Funding expert 2 (FE2) | The seventh respondent is employed at a bank, dealing with various investors. With these investors, the respondent looks at all the investment options they could choose from. The respondent also connects the business angels with start-ups that need funding. |
| Funding expert 3 (FE3) | Respondent number eight works for a company where they are responsible for selecting start-ups to pitch to various investors. In addition to selecting the right start-ups during the selection phase, the respondent also helps the start-ups to prepare the right pitch and to select the right investors. |
| Entrepreneur 3 (E3) | The next respondent is an entrepreneur who started their business a few years ago. The respondent used a business angel for the company and the business angels also made a follow up investment. In addition to this follow-on investment, the entrepreneur is currently negotiating with other business angels for the funding round. |
| Business angel 4 (BA4) | Respondent 10 had a company that they sold at a certain point. The company was not funded by a business angel because it didn't need that much funding. Since the sale of the company, the respondent has started to invest in start-ups. The business angel has been a business angel for 6/7 years and has invested in about 20 start-ups. The start-ups are all in different sectors. |
| Funding expert 4 (FE4) | The last respondent acts as an intermediary between business angels and start-ups, connecting around 160 business angels with various start-ups. In addition to connecting business angels and start-ups, the respondent also selects which start-ups are worth introducing to the business angels. |

## 4.1 Funding of a start-up

All start-ups will at some point need finance for various purposes, such as product development, operational costs, salaries, supplies and business expansion. While the literature suggests several funding options for entrepreneurs, not all options are available to everyone. Grants or subsidies, for example, are highly sought after as they provide free funding. However, they are not always available and the application process can be time consuming. Interviewees emphasised that, although time consuming, seeking funding through grants is often prioritised as one of the first options. The following quote illustrates this:

> *"You try to get as many grants as you can, of course, and then it's like, what else do we need and where can I get it from?". (BA3)*

Similarly, another respondent emphasised the importance of grants and expressed hesitation about choosing business angels for their start-up:

> *"If there is free money like grants, why would you give your equity to a business angel?". (E1)*

When looking at potential options for funding their start-up, entrepreneurs want the cheapest option, such as a grant. If there are no grants available or they don't get enough money from the grants, they look for other possible sources. Financing through 3Fs or bank loans was also considered by the entrepreneurs in the interviews. As mentioned in the quote below:

> *"Many funding options are often not available to start-ups. Loans from family and friends require you to have family and friends with money, otherwise it doesn't work. And you have to be willing to ask for it. That's another issue. Bank loans are another option. Rabobank has an innovation loan that's often used when people have access to it. Other bank loans are not suitable for new entrepreneurs; they can't qualify for them yet". (BA1)*

As mentioned above, another respondent also mentions that bank loans aren't always accessible.
Banks aren't willing to take the risk that business angels are prepared to take.

> *"If it's possible with a loan at the well-known 8/9 percent rate, well, that's much more convenient than equity financing. But yes, sometimes you can't avoid equity financing because you can't borrow the money". (BA3)*

> *"I don't really like loans. Just because I think it's very risky money. You might get 8% or 9% and you think, yeah, that sounds good. But you could also just lose the money if things don't go well. So I think it is inherently very risky money and I just want to take the downside if things go wrong, I also want to take the upside, so obviously I want shares". (BA3)*

Another option mentioned in the interviews is to get funding from family or friends. However, not only is this not always feasible for the entrepreneur, it's also not always desirable. One respondent said the following about asking his family:

> *"My parents said many times that they wanted to invest, but I just didn't want them to". (E3)*

Another option for funding, according to the literature, is through venture capitalists. According to the interviews, venture capital isn't an option because the start-ups are too small for them. As a result, business angels tend to be the last option for entrepreneurs at this stage.

## 4.2 Factors to consider when selecting start-ups

According to the business angels, several key factors are considered when selecting a start-up to invest in. While each business angel had their own specific factors, many of these factors were quite similar. One factor is whether the business angel can realistically support the start-up's funding needs and what the valuation terms are. This includes assessing the amount requested and whether it is in line with what the business angel is prepared to invest.

> *"I once received a request for half a million even though I had explained that I wouldn't invest more than 250,000". (BA2)*

> *" Under what conditions we invest. So, what terms do we have, what is the valuation, and what is the investment amount". (BA1)*

The interviews also highlighted a common mistake made by entrepreneurs during the funding process. Many entrepreneurs think it's easy to get funding and usually start looking when it's too late, as evidenced by the following quote:

> *"A common mistake is to start too late. You really need to start raising money six months before you need it. Three months to find the people, three months to close, that's kind of the rule. That's why we've turned down entrepreneurs who only have three months of money left, because then you can't give the investor a fair due diligence period". (FE3)*

Another factor for business angels is whether they believe in the entrepreneur and in the team of the start-up. This judgement is based on intuition and the team's ability to present their vision convincingly.

> *"If they can't convince me, how will they convince their customers and stakeholders?" (BA2)*

> *"I think self-criticism is also very important. Yes, I can enjoy it when people are self-critical. For me, that's the key to success. But the really important thing is: are you able to take a very critical look at what you are doing from time to time?" (BA4)*

According to several business angels, entrepreneurs can also make mistakes by being overconfident, which can lead angels in the opposite direction. In addition, one respondent pointed out that entrepreneurs often do not spend enough time with investors and do not give them the attention they deserve. The mistakes mentioned above are illustrated by the following quotes:

> *"The entrepreneur is obviously the most important thing anyway, and the entrepreneur has to tell his own story. But when the business plans get too thick and the forecasts are all too nice and I don't know what, I start to show disengagement behaviour". (BA3)*

*"Why bring in a stranger when you have a brilliant, 100%, definitely brilliant idea? So I take that with a pinch of salt. In fact, I skip it, I don't even look at it". (BA4)*

*"Your investors are going to ask questions. You want to be able to answer them. I have a company now that I am in contact with. The investor who asked his question a month and a half ago still hasn't got an answer because they're too busy. You just can't do that, then the investor drops out". (FE2)*

The third factor is the business angels' belief in the product itself, which can be assessed through data analysis. This involves looking at the market, determining whether the product is innovative or already exists, and assessing its potential. One respondent pointed out that it's important to have a clear problem fit. There has to be a problem that your product fits into. A product where the problem has yet to be found is not a good product. The following quotes refer to the importance of the product:

*"Uniqueness in the market. How big is the market itself? Large markets are more attractive, and with small markets it's about uniqueness. It has to do with distribution and positioning to achieve that". (BA1)*

Another important consideration for some business angels is the potential to make the world a better place and serve a social purpose. The following quotes illustrate this:

*"I think it should have a social purpose. And look, if someone says they're going to create a new brand of beer, for example, I'm not going to get involved. It has to add value to society, and so most of my time and effort goes into companies that meet that criterion." (BA4)*

*"What we find important is that all teams want to make the world a better place. It may sound a bit strange, but when we interview teams for the specific company we are investing in, we focus on whether they all have the mindset of wanting to leave the world better than they found it". (BA1)*

Finally, the business angel considers the exit strategy, assessing whether it is feasible to exit the investment within 5 to 10 years. This long-term perspective is crucial to ensure that the investment is in line with the business angel's financial objectives.

## 4.3 Advantages and disadvantages of business angels

One of the most mentioned advantages in the interviews was the additional expertise that the entrepreneur gets on board. This could be expertise about the market and the product, but also expertise about how to run the business as an entrepreneur, as the following quotes show:

*"Business angels are seen as 'smart money' because they not only provide capital but also bring valuable expertise and support". (BA2)*

*"The main advantage is that you get a very entrepreneurial investor on board, someone who has built a business before and understands what founders go through. They can also help you with their relevant networks and even help you build a strong sales team". (FE4)*

Unlike traditional funding methods such as grants, which can be time-consuming, business angels can often make quick decisions. This speed is particularly beneficial for start-ups, which may struggle to secure bank loans due to the high-risk nature of their ventures. Business angels are willing to take on these risks and provide a viable funding solution. Another advantage mentioned was the autonomy of business angels as they invest their own money.

*"Angels work with their own money, so they can make quick decisions if they want to".(FA3)*

For one respondent, dealing with business angels was quite easy, there were low barriers and not much to negotiate. According to this respondent, business angels approve a lot of things (E3). For this respondent this was an advantage, but other respondents mentioned that it could also be the other way round. For example, business angels may not be able to approve things easily, which could lead to problems between the business angel and the entrepreneur. There are also other disadvantages. Entrepreneurs may not fully understand the terms and conditions and may agree to unfavourable terms, as mentioned in the quote below:

*"I have seen some very strange things with angels, especially in terms of conditions. Sometimes there are strange terms or excessive equity giveaways that aren't good for the entrepreneur." (BA1)*

A major disadvantage, according to both the literature and the interviews, is giving up equity. However, as mentioned above, giving up equity is unavoidable.

*"It's the most expensive form of funding you can imagine, because if you are successful, the value of those shares goes up and then, yes, if you give away 10% for a few tonnes, you are suddenly worth a few million. Yeah, then look at what you've given away, you know? So it's a very expensive way of financing. But sometimes there is no other way because there is no other way to get the money you need" (BA3)*

The process of securing investment from business angels can be challenging, with a very low success rate.

*"It's hard to get through to business angels, with a success rate of only about 5%". (BA1)*

In the literature, it's also possible that there are problems between the business angel and the entrepreneur. This may be the case if the business angel sits on the board. To mitigate this, the respondent suggested that funding through an angel group may be preferable, allowing for the replacement of an angel if necessary. The respondents pointed out that, to reduce this problem, it's wise to have everything in the contract and to negotiate enough.

*"One disadvantage of angels is that some tend to micromanage. They find it hard not to take control, especially when things aren't going well. This can be a challenge to manage" (FE4)*

*"It is also wise to negotiate hard during the investment phase to assess how well both parties can work together". (E2)*

In addition, certain sectors require larger investment before they can become operational, which can be a limitation for individual angels.

*"Sometimes sectors need a lot of money to get started, up to two to five million. While angels are helpful initially, most can only invest up to half a million". (FE4)*

*"One disadvantage is that an informal investor's wallet does not stretch indefinitely. They can't keep investing. So, while start-ups often need a lot of money, an informal can and we say do 100,000 euros. He can do that again and maybe even one more time, but then he stops somewhere". (FE3)*

The following table lists the advantages and disadvantages according to the interviews.

*Table 5. Advantages and disadvantages according to the interviews*

| **Advantages** | **Disadvantages** |
|---|---|
| Fill the funding gap | Business angels can invest up to a certain amount |
| Smart money (because of the knowledge and expertise that the business angel has) | Giving up equity |
| Less time consuming | Can be challenging to convince a business angel |
| Low barriers | Conflicts between the business angel and entrepreneur |
| Most of the times only available option | |

## 4.4 Interpretation of the results

From the results outlined above, key findings are highlighted to address the following sub-questions:

- What criteria do entrepreneurs consider when evaluating different financing options for their ventures?
- What factors prevent entrepreneurs from choosing business angels as a funding option over other alternatives?
- What motivates entrepreneurs to choose business angels over other sources of funding?

When entrepreneurs choose their type of funding, they usually do not start with business angels. They explore other options first. According to the interviews, all entrepreneurs first tried to secure funding through grants. However, grants are often not enough and can be time-consuming. When more money is needed, entrepreneurs look at other options, with loans being the most common next step. Some loans, such as the innovation loan, are available for start-ups, but most traditional loans are not applicable because banks consider start-ups to be too risky. Another option is to borrow from one of the 3Fs (friends, family and fools), but the entrepreneurs interviewed were either unable or unwilling to risk their loved ones' money. While venture capitalists are mentioned in the literature as an option, both the literature review and the interviews indicate that venture capitalists are typically not interested in start-ups due to their small size and lack of immediate appeal. As a result, entrepreneurs often turn to business angels for funding. This choice is often made because other options have been exhausted.

When assessing the criteria for entrepreneurs, two standout factors are cost-effectiveness and time efficiency in selecting funding options. According to the interviews it typically takes around six months from the first meeting with a business angel to receiving funding, although this can vary depending on how quickly a business angel is found and the length of the due diligence process. This contrasts with findings from the literature, which suggests that a disadvantage of business angels is the time-consuming process of finding one. However, in the interviews conducted, entrepreneurs did not report this as a problem. Another notable difference between the interviews and the literature was that while the literature suggests that business angels typically do not make follow-up investments, all the business angels interviewed were positive about follow-up investments and had even made some. The only limitation mentioned was that they were only able to invest up to a certain amount, after which the entrepreneur would have to look for additional sources of funding. Some disadvantages were consistent across the literature and interviews, such as conflicts that can arise between business angels and entrepreneurs. To avoid this, it is important to negotiate thoroughly and set clear terms. Through tough negotiations, entrepreneurs can gain a deeper understanding of the business angel. A key disadvantage highlighted in both the literature and interviews is that funding from business angels is often one of the most expensive options due to equity considerations. This explains why many entrepreneurs initially explore other funding alternatives.

Another interesting point that emerged from the interviews is that entrepreneurs often give away equity too quickly and sometimes lack an understanding of what they are doing. This is because they are relieved to have found some form of funding and do not fully understand how much they are giving away. As mentioned earlier, entrepreneurs sometimes do not understand the terms and conditions and end up making unwise deals. They often realise this mistake when they are looking for additional funding. Both business angels and entrepreneurs highlighted this issue and noted that it is something that entrepreneurs should consider when selecting business angels. The table below outlines these differences in the drawbacks between literature and interviews.

*Table 6. Differences in disadvantages: literature vs. interviews*

| **Disadvantages literature** | **Disadvantages interviews** |
|---|---|
| Demand ownership and control | Conflicts between the business angel and entrepreneur |
| Giving up equity | Giving up equity |
| Takes time and money | Can be challenging to convince a business angel |
| No follow up investments | Business angels can invest up to a certain amount |

In addition to the negative aspects, there are also motivating reasons for entrepreneurs to choose business angels. Firstly, they can gain valuable experience along with the funding. Many business angels have run businesses before and can help entrepreneurs with similar challenges. Entrepreneurs may also choose a business angel with industry knowledge who can provide useful contacts. This advantage was noted both in the literature and during the interviews. Table 7 illustrates the differences in advantages mentioned. Finally, having a business angel on board can send a positive signal to others that someone is already willing to invest a certain amount of money in the business.

*Table 7. Differences in advantages: literature vs. interviews*

| **Advantages literature** | **Advantages interviews** |
|---|---|
| Fill equity gap | Fill the funding gap |
| Bring expertise and contracts | Smart money (because of the knowledge and expertise that the business angel has) |
| Located everywhere | Less time consuming |
| No additional fees | Low barriers |
| Flexible agreements | Most of the times only available option |

# 5. Conclusion

This research aimed to identify the critical factors influencing entrepreneurs' choice of business angels over other types of funding. Through qualitative research, the study addressed sub-questions and ultimately answered the main research question.

The results of the literature and interviews indicate that business angels are a crucial part of the start-up ecosystem, offering more than just funding to start-ups. They bring valuable expertise, industry knowledge, and networking opportunities. By investing their personal wealth in start-ups, business angels not only fill the funding gap, but also provide strategic advice and mentorship that is often as valuable as financial capital.

The decision-making process for entrepreneurs in choosing business angels over other sources of finance reveals two key factors. The first key factor that emerged from the interviews is the limitation and availability of alternatives such as grants, loans and investments from family and friends. Business angels become a preferred choice when other options are limited or considered inappropriate due to high risks or limited scalability. The second key factor in choosing business angels is the attraction of having an experienced person on board who brings "smart money" to the table.

While business angels offer a few benefits, such as rapid decision-making and access to entrepreneurial expertise, challenges remain. These include potential conflicts over control and equity terms, and the relatively high cost of funding. Nevertheless, for many start-ups, the benefits of business angels generally outweigh these barriers, as it is the only option available. In conclusion, despite these challenges, business angels play a crucial role in supporting innovative ventures and driving economic growth. Their investment and early stage expertise reduces risk and promotes entrepreneurial success.

# 6. Discussion

This study addresses gaps identified in the literature on entrepreneurs' financing choices, with a particular focus on business angels. Previous research has typically examined either business angels or entrepreneurial finance separately, without exploring their interrelationship. Therefore, this research aims to fill this gap by investigating why start-ups choose business angels over other sources of funding. The primary research question addressed in this study is: *"Why do entrepreneurs choose business angels over other types of funding?".*

The discussion section addresses two types of implications. Firstly, the theoretical implications are examined, highlighting the contribution of this thesis to the existing literature. This section also compares and contrasts this research with previous studies. Secondly, the practical implications are explored, providing actionable insights for both entrepreneurs and business angels.

## 6.1 Theoretical implications

This study adds to the existing literature on business angels and start-ups by investigating why start-ups choose business angels over other sources of funding. While previous research has primarily focused on defining business angels, there is a notable gap in understanding the motivations behind entrepreneurs' choices and the dynamics of their relationships with these investors (White & Dumay, 2017). Previous studies have suggested that business angels are often chosen to bridge the funding gap. Similarly, the results of this research suggest that entrepreneurs choose business angels because they see them as the only funding option available, which is consistent with previous research (Alemany & Andreoli, 2018; Terjesen & Frederick, 2006). There are also differences between the findings of the existing literature and actual observations. Previous studies report a significant rejection rate of entrepreneurs by business angels, estimated at 95% (Haines et al., 2003). However, evidence from interviews with business angels suggest that these rejection rates vary. Only the interview with the business angel from the angel group confirmed this finding.

## 6.2 Practical implications

First of all, this study provides an insight into the financing options available to entrepreneurs, with a particular focus on business angels as a source of finance. This knowledge enables them to make more informed and nuanced decisions about business angels. In addition, the research outlines key considerations for business angels when selecting start-ups, which entrepreneurs can use to prepare for potential discussions with these investors. By understanding what is expected of them, start-ups can better meet investors' expectations. Thirdly, the study is also relevant for business angels. It provides insights into the expectations of entrepreneurs and the perspectives of business angels, enabling investors to better align themselves with the needs and views of entrepreneurs. This mutual understanding can increase the effectiveness of their partnerships.

# 7. Limitations and future research

While this research design aims to provide in-depth insights into this topic, it is relevant to acknowledge the limitations that may affect the study's findings. A number of limitations were encountered in the conduct of this study. These include the number of respondents, the method used to select them, and the need for future research to gain a deeper understanding of the relationship between business angels and entrepreneurs.

Firstly, this study was conducted with 11 respondents, not all of whom were entrepreneurs or business angels. As a result, the results do not represent a larger population, making it difficult to determine whether the results would be consistent on a larger scale. Future research is needed to verify whether these findings hold true in a larger study.

The second limitation is the reliance of this research on semi-structured interviews. Future research could improve its methodological approach by incorporating both semi-structured interviews and qualitative surveys. This combination would allow for a broader range of data collection, capturing not only in-depth personal insights, but also a wider variety of perspectives and experiences. This approach can increase the reliability and validity of the findings

Third, the respondents were recruited through referrals from previously interviewed participants, resulting in a snowball sampling effect. For future research, it is recommended to employ a different recruitment strategy to ensure a more diverse and representative sample.

Finally, there is a need for further research to improve the understanding of the evolving dynamics between business angels and entrepreneurs, especially with regard to their long-term impact on start-up success. By investigating these aspects, future research can provide practical insights that can benefit both investors and entrepreneurs.

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# Appendix A. Interview questions entrepreneur

**Introduction questions**

1. Could you introduce yourself?
    a. What motivated you to start your own business?
    b. How did you start with your own business?
    c. How long have you been involved in entrepreneurship? Did you have businesses before?
2. What is your professional background?
    a. Have you had any previous experience with finance or fundraising?

**Funding experience**

3. Can you share the type of finance you use or used to have for your business?
    a. What specific factors influenced your decision to pursue this type of funding?
    b. How did you research and evaluate different funding options before making a decision?
    c. What are the most important criteria for you for funding?
4. Are there other types of funding that you have used before?
    a. What were advantages of this type of funding?
    b. What were disadvantages of this type of funding?
    c. Why did you decide to use angel investment after this?
    d. How did your experiences with previous funding sources shape your approach to financing your current venture?

**Initial considerations for angel investment**

5. What criteria did you consider when selecting angel investors for your venture?
6. Can you share any experiences or insights from the angel investment process that influenced your decision?
7. How did you establish relationships with potential angel investors?
8. How did you contact angel investors?

**Role of angel investors in start-up success**

9. What role do you think angel investors play in the success of start-up's beyond providing capital?
    a. Can you share any examples of mentorship or strategic guidance you received from angel investors?

b. How do you maintain effective communication and collaboration with your angel investor?

**Considerations and challenges in angel investment**

10. Accelerators advise entrepreneurs to not get funding through business angel, why do you think they strongly advise not to use business angels?
11. Why do you believe that approximately 95% of entrepreneurs seeking funding from business angels face rejection? What factors contribute to this high rate of rejection?
12. How do external factors, such as market conditions and economic trends, influence your decision on funding sources?
13. Did you consider timing to be a critical factor when deciding whether to pursue angel investment or other funding options? If so, how did you determine the optimal timing?
14. What exit strategy considerations have you taken into account when deciding on funding sources, particularly angel investment?

**Managing investor expectations and relationships**

15. How do you manage the expectations of angel investors alongside your long-term goals for the business?
16. How do you maintain transparency and communication to foster a strong relationship with angel investors throughout the lifecycle of your venture?
17. Establishing a strong relationship between an entrepreneur and a business angel is crucial. What strategies do you employ to build and nurture this relationship, and how do you address any associated risks while maintaining transparency?

**Closing questions**

18. Looking back, is there anything you would have done differently in terms of funding your business?
19. Are there any lessons you have learned from you experiences with funding that you would like to share with aspiring entrepreneurs?
20. What advice would you give to entrepreneurs who are considering angel investment or other funding options for their ventures?
21. What are your future plans regarding your company and the funding sources?
22. Is there anything else you would like to share or discuss regarding your experiences with funding and entrepreneurship?

# Appendix B. Interview vragen ondernemer

**Introductievragen**

1. Kun je jezelf voorstellen?
    a. Wat motiveerde je om je eigen bedrijf te starten?
    b. Hoe lang ben je al betrokken bij ondernemerschap?
2. Wat is je professionele achtergrond?
    a. Heb je eerder ervaring gehad met financiën of fondsenwerving?

**Verdieping in verschillende financieringsvormen**

3. Welk type financiering heb je gebruikt voor je bedrijf?
    a. Welke specifieke factoren hebben je beslissing beïnvloed om voor deze financieringsvorm te kiezen?
    b. Hoe heb je verschillende financieringsopties onderzocht en geëvalueerd voordat je een beslissing nam?
4. Heb je eerder andere financieringsvormen gebruikt?
    a. Wat waren de voordelen van deze financieringsvorm?
    b. Wat waren de nadelen van deze financieringsvorm?
    c. Waarom heb je na dit type financiering besloten om Angel-investeringen te gebruiken?
    d. Hoe hebben je ervaringen met eerdere financieringsbronnen je aanpak van de financiering van je huidige onderneming beïnvloed?

**Verdieping in angel-investeringen**

5. Welke criteria heb je overwogen bij het selecteren van angel-investeerders voor je onderneming?
6. Kun je ervaringen of inzichten delen uit het proces van angel-investeringen die je beslissing hebben beïnvloed?
7. Hoe heb je relaties opgebouwd met potentiële angel-investeerders?
8. Welke rol denk je dat angel-investeerders spelen in het succes van startups, naast het verstrekken van kapitaal?
    a. Kun je voorbeelden delen van mentorschap of strategische begeleiding die je hebt ontvangen van angel-investeerders?
    b. Hoe onderhoud je effectieve communicatie en samenwerking met je angel-investeerder?
9. Accelerators adviseren ondernemers om geen financiering te krijgen via business angels, waarom denk je dat ze sterk adviseren om geen business angels te gebruiken?

10. Hoe beïnvloeden externe factoren, zoals marktomstandigheden en economische trends, je beslissing over financieringsbronnen?
11. Heb je timing beschouwd als een cruciale factor bij het beslissen over angel-investeringen of andere financieringsopties? Zo ja, hoe heb je de optimale timing bepaald?
12. Welke exit strategie overwegingen heb je in aanmerking genomen bij het beslissen over financieringsbronnen, met name angel-investeringen?
13. Hoe balanceer je de belangen van angel-investeerders met je langetermijnvisie voor het bedrijf?
14. Hoe behoud je transparantie en communicatie om een sterke relatie met angel-investeerders gedurende de levenscyclus van je onderneming te bevorderen?

**Afsluitende vragen**

15. Als je terugkijkt, zou je dan iets anders hebben gedaan qua financiering van je bedrijf?
16. Zijn er lessen die je hebt geleerd uit je ervaringen met financiering die je zou willen delen met aspirant-ondernemers?
17. Welk advies zou je geven aan ondernemers die angel-investeringen of andere financieringsopties overwegen voor hun ondernemingen?
18. Wat zijn je toekomstplannen met betrekking tot je bedrijf en de financieringsbronnen?
19. Is er nog iets anders dat je zou willen delen of bespreken over je ervaringen met financiering en ondernemerschap?

# Appendix C. Interview questions business angel

**Introduction questions**

1. Can you introduce yourself and give some background on your experience as a business angel?
    a. Did you have businesses yourself in the past?
        a. What type of funding did you used for that business?
        b. Why did you step away from actively running the business?
        c. How long did you have a business
        d. How Long are you a business angel
        e. In which sector are you a business angel?
    b. Wat motivated you to become a business angel?
        a. Do you also want to make a positive impact on the society as a business angel?
    c. How long have you been involved in angel investing?
    d. Do you invest in multiple businesses or focus your investments on a single venture?
    e. Could you share some examples of the businesses you are currently investing in?
2. When you invest in a company, do you contribute not only financially but also with your expertise?
    a. And how important is it for you that you can share your knowledge and play an important role in the development of the company?
3. Do you believe that your assistance can contribute to the success of the company?

**Understanding investment criteria**

4. What factors do you usually take into account when assessing potential investment opportunities?
    a. How has your investment criteria evolved over time, if at all? What factors have influenced any changes in your approach?
    b. Do you have a set of general criteria that you apply to all investment opportunities, and do you also consider specific criteria that are relevant to each industry or sector?
5. How do you assess the viability and potential of a start-up before making an investment decision?
6. What factors influence your decision to invest in a particular company?
7. Do you limit your investment focus to companies within your expertise sector, or are you open to exploring opportunities outside of your area of expertise?

**Comparing angels with other funding options**

8. What do you see as an advantage of angel investment compared to other funding options available to start-ups?
9. What do you see as a disadvantage of angel investment compared to other funding options available to start-ups?
10. Why do you think entrepreneurs choose angel investment instead of other funding options?

**Role of business angels in the success of start-ups**

11. Beyond the provision of capital, what role do you think business angels play in the success of start-ups?
    a. Can you provide examples of mentorship, guidance, or value-added support you have provided to the start-ups you have invested in?
12. How do you foster effective communication and collaboration with entrepreneurs you invest in?
13. How do you address the agent-principal problem as a business angel, and have you encountered challenges related to this issue in your previous experiences?

**Challenges of angel investing**

14. What challenges do you face as a business angel and how do you mitigate them?
15. How do external factors such as market conditions and economic trends influence your investment decisions?

**Entrepreneurs seeking angel investment**

16. What advice would you give to entrepreneurs seeking angel investment for their business?
17. Why do you believe that approximately 95% of entrepreneurs seeking funding from business angels face rejection? What factors contribute to this high rate of rejection?
18. Are there any common mistakes or misconceptions that entrepreneurs should be aware of when approaching business angels for funding?

**Long-term vision**

19. How do you approach portfolio management and diversification in your angel investment activities?
20. What Is your long-term vision for your investment portfolio and how do you adjust your strategy over time?

21. How do you make sure you and the entrepreneur have the same long-term vision?
22. What is your preferred exit strategy when investing in a company?

**Closing questions**

23. Looking back on your experience as a business angel, is there anything you would have done differently?
    a. Have you experienced failed investments in the past, and what do you believe were the reasons for their failure?
24. Are there any key lessons or insights from you journey as a business angel that you would like to share?
25. What are your future plans or aspirations as a business angel?
26. How do you see the landscape of angel investing evolving in the future?
27. Is there anything else you would like to share or discuss regarding your experiences with funding and entrepreneurship?

# Appendix D. Interview vragen business angel

**Introductie vragen**

1. Kunt u uzelf introduceren en uw achtergrond vertellen op business vlak
    a. Heeft u bedrijven gehad in het verleden?
        i. Wat voor financiering hadden deze bedrijven.
        ii. Waarom bent u gestopt met deze bedrijven?
        iii. Hoelang heb u zelf een bedrijf gehad?
        iv. Hoelang bent u al een business angel
        v. Ben u in een bepaalde sector aanwezig als business angels, zo ja welke?
    b. Wat heeft u gemotiveerd om een business angel te worden?
        i. Speelde het maatschappelijke effect ook een rol voor u?
    c. Hoe lang bent u al een business angel?
    d. Investeert u in meerdere bedrijven of focust u er op een?
    e. Kunt u wat bedrijven delen waar u nu in aan het investeren bent
2. Wanneer u in een bedrijf investeert, draagt u dan niet alleen financieel bij, maar ook met uw expertise?
    a. Hoe belangrijk is het voor u dat u uw ervaringen kan delen en een belangrijke rol heeft in het bedrijf?
3. Denk u dat uw hulp en kennis bijdrage leveren aan het succes van een bedrijf?

**Investment criteria**

4. Welke factoren zijn belangrijk wanneer u kijkt naar potentiële investment mogelijkheden?
    a. Hoe is uw investment criteria in de loop van de tijd veranderd, als dit veranderd is. Welke factoren hebben eventuele veranderingen in uw aanpak beïnvloed?
    b. . Heeft u een set algemene criteria die u toepast op alle investeringsmogelijkheden, en overweegt u ook specifieke criteria die relevant zijn voor elke branche of sector?
5. Hoe beoordeelt u de levensvatbaarheid en potentie van een start-up voordat u een investeringsbeslissing neemt?
6. Welke factoren beïnvloeden uw beslissing om in een bepaald bedrijf te investeren?
7. Beperkt u uw investeringsfocus tot bedrijven binnen uw expertisegebied, of staat u open voor het verkennen van kansen buiten uw expertisegebied?

**Vergelijking van angels met andere financieringsopties**

8. Wat ziet u als een voordeel van angel investing vergeleken met andere financieringsopties die beschikbaar zijn voor start-ups?
9. Wat ziet u als een nadeel van angel investing vergeleken met andere financieringsopties die beschikbaar zijn voor start-ups?
10. Waarom denkt u dat ondernemers kiezen voor angel investing in plaats van andere financieringsopties?

**Rol van business angels in het succes van start-ups**

Hall

11. Naast het verstrekken van kapitaal, welke rol denk u dat business angels spelen in het succes van start-ups?
    a. Kunt u voorbeelden geven van mentorship, begeleiding of toegevoegde waarde die u hebt geleverd aan de start-ups waarin u hebt geïnvesteerd?
12. Hoe bevordert u effectieve communicatie en samenwerking met ondernemers waarin u investeert?
13. Hoe gaat u om met het principal-agent probleem als een business angel, en bent u uitdagingen tegengekomen met betrekking tot dit probleem in uw eerdere ervaringen?

**Uitdagingen van angel investing**

14. Met welke uitdagingen wordt u geconfronteerd als een business angel en hoe gaat u hiermee om?
15. Hoe beïnvloeden externe factoren zoals marktomstandigheden en economische trends uw investeringsbeslissingen?

**Ondernemers op zoek naar angel investing**

16. Welk advies zou u geven aan ondernemers die op zoek zijn naar angel investing voor hun bedrijf?
17. Ongeveer 95% van de ondernemers die financiering zoeken bij business angels worden afgewezen? Waarom denkt u dat dit het geval is? Welke factoren dragen bij aan dit hoge afwijzingspercentage?
18. Zijn er veel gemaakte fouten of misvattingen waarvan ondernemers zich bewust moeten zijn bij het benaderen van business angels voor financiering?

**Lange termijn visie**

19. Hoe benadert u portefeuillebeheer en diversificatie in uw angel investment activiteiten?

20. Wat is uw langetermijnvisie voor uw investeringsportefeuille en hoe past u uw strategie in de loop van de tijd aan?
21. Hoe zorgt u ervoor dat u en de ondernemer dezelfde langetermijnvisie hebben?
22. Wat is uw voorkeursstrategie (exit strategie) voor het verlaten van een bedrijf wanneer u investeert?

**Afrondende vragen**

23. Terugkijkend op uw ervaring als een business angel, is er iets dat u anders zou hebben gedaan?
    a. Heeft u mislukte investeringen gehad in het verleden, en waar denkt u dat de redenen voor hun mislukking lagen?
24. Zijn er belangrijke lessen of inzichten als een business angel die u wilt delen?
25. Wat zijn uw toekomstplannen of ambities als een business angel?
26. Hoe ziet u business angels in de toekomst ontwikkelen?
27. Is er nog iets anders dat u zou willen delen of bespreken met betrekking tot uw ervaringen met financiering en ondernemerschap?