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Conflict between business angels and venture capitalists

An exploratory study on the relationship between business angels and venture capitalists

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DECLARATION

By submitting this assignment to the supervisor appointed by the University of Twente, I declare that this submission is my own work and does not involve plagiarism or collusion.

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Abstract

This research is an exploratory one into conflicts experienced by business angels and venture capitalists, *between* business angels and venture capitalists in early-stage start-ups in the Netherlands. It aims to expand upon recent research regarding the relationship between business angels and venture capitalists through building the framework upon existing academic research regarding the differences between the two investor types. Through the use of semi-structured interviews with business angels, venture capitalists and experts, the following research question is answered in this paper: *"What drives conflicts experienced between business angels and venture capitalists, that negatively impact their relationship/investments when investing in early-stage start-ups? (taking the Netherlands as an example)"* By doing so, this thesis both confirms and expands upon existing literature regarding differences between investors which can lead to conflict situations. Divided into pre-investment of a VC and post-investment, it shows that 5 conflict themes are experienced by business angels and VCs. Almost all of these conflicts seem to be partially influenced by a lack of knowledge, stemming from both business angels and VCs. The lack of knowledge seems to be the most significant conflict theme for VCs and experts towards business angels, while business angels seem to experience the most conflicts regarding contracts with VCs. This research goes on to explain why this seems to be the case. Furthermore, it offers preliminary steps into possible solutions to decrease the creation of these conflicts based on what participants think is desirable. Afterwards, this research offers some interesting theoretical contributions regarding the relationship between both investors and what leads to conflict, while also offering some practical implications into what can be taken from this study to help business angels, VCs and other parties to be more knowledgeable and in turn reduce conflicts. Lastly, this study offers up some avenues for future research to strengthen the reliability of these exploratory results, and also expand upon the interesting findings mentioned in this research paper.

Keywords: business angels, venture capital, conflicts, co-investing, start-ups, funding trajectory of start-ups, relationship between investors

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Introduction

Imagine you are a retired entrepreneur. You have recently sold your company for a nice return and now have a lot of money set aside which can be invested. Since sitting idly handed at home doesn't suit you as an entrepreneur, yet you do not want to start up an entirely new company from scratch. Instead, you think that your entrepreneurial experience, network and recently acquired fortune can be of use to others and decide to mentor and invest in other entrepreneurs who were just like you when your journey started(Aernoudt, 1999). You think your experience best suits entrepreneurs who are just starting thus you start looking into early-stage start-ups, just like many other ex-entrepreneurs who decided to do the same and so became to be known as business angels(C. M. Mason & Harrison, 2008; White & Dumay, 2017).

After searching for a while, you find a start-up in which you see great potential for the future. Thinking that this is what you have been searching for up to now you invest your capital in the start-up, and in return, you receive a stake in the company. The entrepreneurs behind the company are incredibly happy to have someone like you on board who can mentor them and help their growth. Additionally, they recognize that they are lucky to have a business angel investing in their risky start-up company. Not many other investor types invest at this stage due to the high risk involved because of the high failure rate of start-ups (Bonnet & Wirtz, 2012; Bonnet, Wirtz, & Haon, 2013). The business angel is thus forming a crucial step in the growth of start-ups which are classified as high risk/high potential reward investments.

Through your help and experience, the start-up starts to grow rapidly. The needs of the start-up start to increase, and to further the growth, it needs more funding. You can however no longer provide this funding due to a large amount of money involved or the increased risk of putting all your eggs in one basket (Pandher, 2019). At this stage, there is another type of investor which can invest all the required money and take the start-up to a next level, namely the venture capitalist. You might have no influence on a VC investment depending on the stake you have taken and the rights. You might not have rights like veto powers, since you do business based on a handshake and a small contract(Bessière, Stéphany, & Wirtz, 2020; Burchardt, Hommel, Kamuriwo, & Billitteri, 2016). The two of you seem to be very different from each other and do not see eye to eye on everything. These differences in characteristics, thoughts and way of operating eventually lead to different types of conflict situations, which can originate due to different aspects like characteristics, valuation, venture governance, contracts and more. These conflicts can negatively impact your investment, as well as your relationship with the other investor. Through knowledge of what conflicts happen frequently and what drives the conflict, this could have maybe been avoided

This was of course a quite simple explanatory story, yet it aims to give some important background information behind the topic of this research. This research aims to research what drives conflicts experienced by business angels and venture capitalists, between business angels and venture capitalists investing in early-stage start-ups. It is an exploratory study on business angels and venture capitalists in the Netherlands. The reasoning behind this research is that the researcher felt that there was a gap in knowledge concerning the relationship between business angels and venture capitalists investing in early-stage start-ups. While there is a lot known about the differences in characteristics, way of operating, use of contracts and so on which could lead to conflicts between both investors, there seems to be a lack of knowledge towards what conflicts are experienced by these investors in practice and the effect it has on their relationship/investment as well as their drivers. Since academic research concerning these topics are often scarce and based on recent research, the researcher aimed to expand and confirm existing academic literature and offer some theoretical and practical implications based on this exploratory study.

The research aimed to achieve these theoretical and practical implications through a qualitative exploratory study where information is gathered through the use of interviews with Dutch business angels and venture capitalists. The focus on the Netherlands is merely by convenience, not with intent to compare the Netherlands to another country. Carrying on, because of the uncertainty regarding the match between theory and practical experiences, exploratory research based upon existing research was deemed to be a good fit. It would allow the above-mentioned aspects to be researched more extensively and in-depth than one normally would through other research methods. Accordingly, the following central research question was created for this study:

"What drives conflicts experienced between business angels and venture capitalists, that negatively impact their relationship/investments when investing in early-stage start-ups?" (taking the Netherlands as an example)

It should be noted that the above-mentioned central research question is quite broad and thus can, and should be taken apart, into smaller sub-questions namely: what conflicts are experienced, what drives these conflicts, what is the effect of these conflicts and could these situations be avoided? Through answering these sub-questions, it was thought that the central research question could be answered concretely as well. By answering the central research question, the researcher aimed to contribute to existing theory surrounding the relationship between business angels and venture capitalists, especially surrounding the effect of certain conflict situations on the relationship and investments of both investors.

However, this study does not only aim to provide an exploratory contribution towards theoretic implications but also aims to contribute practical implications. Not only does this study provide insight into what conflict situations are experienced and their drivers, but participants were also asked how their mentioned conflict situations could be lessened/avoided. The thought was that this could prove to be very useful information for both investors in avoiding certain conflict situations which can harm their investments and thus allow for a better relationship and maybe even financial returns due to the avoidance of negatively impacting conflicts.

Concluding the introduction section of this research, it will continue in the next section with the theoretical framework forming the theoretical basis of the research. Thereafter, the methodology for the research will be discussed which is followed by the results and findings of the research. Then, the results and findings will be discussed and a conclusion of the research is stated. Lastly, the theoretical and practical implications are discussed, and the limitations of the research are stated.

1. Theoretical framework

2.1 Business angels

To start, it is important to describe what is meant by business angels due to the different applications of the term in academic literature. For this research, a business angel is defined as explained by C. M. Mason and Harrison (2008, p. 309) and used by White and Dumay (2017) as a high net worth individual, acting alone or in a formal or informal syndicate, who invests his or her own money directly in an unquoted business in which there is no family connection and who, after investing, generally takes an active involvement in the business, for example, as an advisor or member of board of directors. This description best matches the essence of business angels, but it also captures the recent trend in the market of business angels acting in a syndicate as described by C. Mason, Botelho, and Harrison (2019). It should be taken into account that they also state that there are more undergoing changes with business angels that would redefine the whole aspect of business angels, which challenges existing literature on business angels (Harrison, Bock, & Gregson, 2020).

Additionally, one can look at the explanation of business angels by Aernoudt (1999) which explains a bit more about the nuances of business angels, making it a good addition to the previous definition. Aernoudt (1999) describes business angels as people who have an enterprise background and most have entrepreneurial or managerial experience. They are aged between 35 and 65 years, and generally not older. Furthermore, they have sold their enterprise under advantageous conditions in the past. As for investments, they invest for a minority stake and they make an amount lesser than 25% of their total assets available for investments. This definition shows that business angels are (ex)entrepreneurs as well, which is an important difference which will be explained further on in this paper.

2.2 Venture capitalists

To shortly describe venture capitalists, the characteristics of venture capitalists as explained by Metrick and Yasuda (2010) will be used. As described, venture capitalists are financial intermediaries, meaning that they take investors' capital and invest it directly into portfolio companies, which only consist of private companies. Furthermore, they take an active role in monitoring their portfolio companies, due to their primary goal of maximizing their financial return by exiting investments through a sale or initial public offering (Van Osnabrugge, 2000). To get there, venture capitalists invest to fund the internal growth of their portfolio companies. It is believed that this definition shortly but concretely covers different characteristics of venture capitalists. Further sections of this chapter will provide a more in-depth look into how venture capitalists operate.

2.3 Funding trajectory

It is important to describe the funding trajectory that start-ups go through, as a large part of this research is based on an explicit investment order. The investment order that this research uses is that business angels invest in an earlier stage than venture capitalists. This investment order is based on academic literature on the topic of start-up funding trajectory. Funding trajectory has been a “hot” topic in academic literature since it’s been researched and discussed for decades, yet new research by the likes of for example Bessière et al. (2020) on the concept of funding trajectory still expands upon the existing literature.

As observed by many, business angels tend to invest at the seed, start-up and early stages of growth (Bessière et al., 2020; Van Osnabrugge, 2000; White & Dumay, 2017). On the other hand, venture capitalists tend to invest larger amounts in larger stages (Bessière et al., 2020; C. Mason & Stark, 2004). Thus, often a start-up gets its initial funding from business angels, whereafter later-stage funding is mostly financed by venture capital firms once a business angel cannot provide the required extra funding or the funding falls out of the risk appetite of the business angel (Bonnet & Wirtz, 2012; Bonnet et al., 2013; Pandher, 2019). Contrary to this, recent research by C. Mason et al. (2019) is highly critical of existing literature due to the changes that business angels have gone through in the meantime according to his research. It should thus be noted that conventional wisdom and older literature might not be fully applicable anymore in all cases.

Furthermore, the relationship between business angels and venture capitalists investing in the same start-up is explored by Hellmann, Schure, and Vo (2013); Hellmann and Thiele (2015) as well as (Bessière et al., 2020). In the papers of Hellmann, it is argued that there is a sense of co-dependency on each other investments, which would make them "friends", yet both parties see each other as "foes". The prospect of both parties seeing each other as foes is partially because of the agency problem as described by Leavitt (2005). The agency problem describes that problems can arrive due to different parties acting in their own interest, resulting in multiple parties working against each other. Hellman and Thiele (2015) further state that both parties need each other to fulfil different purposes. Therein, it is described that business angels invest in start-ups before venture capitalist does, however, once venture capitalists invest, they no longer need the business angels, since they only act as a "foe" from that point on due to their conflicting interests and way of operating. Hellman proposes a controversial viewpoint on the relationship between the two parties, aimed at showing that they are friends since they need to rely on each other, but the relationship can turn sour once a VC sees no use in the angel.

Another viewpoint on funding trajectory is the influence of different early investors on the follow-up funding path and exit potential. As noted by Hellmann et al. (2013), companies that obtain angel funding are less likely to receive venture capital funding and vice versa. Furthermore, Cumming and Zhang (2019) state that businesses mainly funded by angels are less likely to successfully exit through IPO or acquisition. To add to that, They find no evidence that angels are a "stepping stone" to VC funding, which is contrary to common knowledge in the field. Dutta and Folta (2016) also find that business angels are not a stepping stone to venture capital funding, instead stating that they are parallel tracks. The decision for a certain investor type is thus crucial for the future growth of a company, which is also a conclusion of the research of Bessière et al. (2020).

Many aspects of venture governance have been researched and mentioned in academic literature. A very strong building stone for venture governance is the research of Van Osnabrugge (2000), wherein he compares the investment criteria and procedures of business angels and venture capitalists. Combined with more recent literature that builds and add to (Van Osnabrugge, 2000) and his work on the agency theory, this chapter aims to show how business angels and venture capitalist differentiate on certain key aspects which might lead to conflict.

2.4 Venture governance

Venture governance consists of is the structure of rules, practices and processes used to manage a venture. Investors use venture governance to govern the behaviour of their portfolios. In practice, this is done through either the use of contractual mechanisms like shareholder agreements as mentioned in the previous chapter (Bessière et al., 2020; Burchardt et al., 2016; Kaplan, 2003) or organizational mechanisms such as the board of directors (Bessière et al., 2020).

There is quite a difference between how different investor types make use of venture governance, which is due to multiple factors. To repeat, angel investors rely more heavily on relational governance than contractual governance (Van Osnabrugge, 2000). A summary on angel governance by Dutta and Folta (2016) further states that angels tend to have more flexible control mechanisms and prefer to adapt an informal hands-on approach. Angels tend to engage in a sort of mentor role with the companies that they invest in, guiding them forward and helping them formulate strategies. One should keep in mind that this can change when not one angel invests, but multiple angels invest in a syndicate, leading to their governance looking more similar to that of venture capitalists (Shane, 2009). Such a difference in behaviour is important to note since C. Mason et al. (2019) states that angels tend to operate in angel syndicates more often, for which the way of acting bears more resemblance to the acting of VCs than business angels.

Lastly, venture capitalist govern their portfolio companies through the use of financial incentives as well, rewarding their portfolio companies for reaching certain goals and thereby lessening agency-related problems as well as fuelling growth (Chemmanur & Chen, 2014). Entrepreneurs are more likely to work hard towards certain goals that prove to be fruitful to them, which positively affects growth and therefore lessens agency-related problems, which decreases the duration towards the IPO or overtake that VCs are concerned about. Therefore, we presume that due to the difference in governance used by the investor types, there can be issues between both parties as well as the entrepreneur which leads to conflict situations, either from a too sizeable involvement or no involvement at all.

2.5 Contracts

When it comes to the way of doing business, contracts are important legal documents that have to be considered carefully before investing. When it comes to contracts, business angels and venture capitalist firms seem to behave very differently. To start off, business angels seem to act in a less formal way than venture capitalists. Their processes and actions are more based on intuition and closeness to the entrepreneur since they rely more on relational governance than contractual governance (Van Osnabrugge, 2000). Their contracts can be considered to be more entrepreneurial friendly. However, as mentioned by Bessière et al. (2020); (Burchardt et al., 2016); Kaplan (2003) contracts tend to be incomplete for all possible needs. This is especially the case for business angels, as their incomplete contract approach is previously mentioned in the research of Van Osnabrugge (2000).

On the contrary, venture capitalists are much more professional and formal investors who aim to lessen the risk of conflict between themselves and the entrepreneur through the formation of strict contracts wherein everything related to their working relationship is clearly stated (Bessière et al., 2020). Furthermore, their contracts tend to cover three aspects of the investment process: entry conditions for investing in the company's capital, coordinating the relationship between the different actors and ascertaining the exit method from the first evaluation phase (Bessière et al., 2020). Kaplan (2003) states that they tend to do so in order to guard against conflicts with the entrepreneur. Lastly, contracts help venture capitalists to manage their venture investment through the use of control mechanisms. Examples of this are incentive-based rewards and board membership outlined in contracts with their ventures (Dutta & Folta, 2016).

Thus, business angels seem to act in a lesser professional way with incomplete contracts which seem to be more entrepreneur friendly. On the contrary, venture capitalists act professionally with as complete contracts as possible. Based on this, we presume that a conflict situation can arise between the two parties due to the VC being confronted with an incomplete, less professional contract between the angel and entrepreneur which might hinder the formation of a contract when the VC wants to invest.

2.6 Valuation

Valuation is an important part of investing and the funding trajectory of start-ups. Throughout different funding stages, investors provide funding based on their valuation of the company, taking many factors into account. Based on the funding trajectory, business angels tend to invest in an earlier stage when there is less funding required by start-ups (Bessière et al., 2020; Van Osnabrugge, 2000; White & Dumay, 2017). Once a start-up has grown through funding and mentoring by the business angel, it enters a new stage of growth and often requires follow-up funding. At this new funding stage, business angels can often no longer provide the funding required since the investment required exceeds the business angels' funding or additional risk exceeds the business angels' risk appetite(C. Mason & Stark, 2004; Van Osnabrugge, 2000).

Thus, other investor types like venture capitalists are more interested in such a stage. They will then value the start-up before investing, basing their terms on the valuation and future growth potential. It is however not always in the best interest of venture capitalists to value the start-up to its true worth, or in another case, the valuation does not match the valuation of the entrepreneur or the business angel(Hellmann & Thiele, 2015). As described by Leavitt (2005), this is a common occurrence described as the burned angels problem. Angels tend to expect low valuations in later funding stages, and due to that expectancy, they invest less or not at all.

Lastly, there are multiple methods used to value companies. There are even more valuation methods when it comes to early-stage start-ups since traditional valuation methods like the discounted cash flow method aren't of much use when a start-up does not have any revenue yet. Financials are thus considered less important at this stage (Silva, 2004). Thus, more qualitative aspects are taken into account when considering the valuation of a start-up like the founders, management team and industry attractiveness, which are considered to positively impact the valuation given by VCs (Miloud, Aspelund, & Cabrol, 2012). However, as mentioned in the funding trajectory section, business angels tend to invest before VCs. They thus encounter these start-ups at an earlier stage and thus more often encounter the aforementioned situations where they have to rely on more qualitative aspects of valuation(Maxwell, Jeffrey, & Lévesque, 2011). Once a start-up has grown more mature and is steadily growing and obtaining revenue, more quantitative approaches can be used to value start-ups. Combining this with the characteristic that business angels tend to decide more on their gut feeling (Levie & Gimmon, 2008), one can imagine that conflicts might take place when two different approaches are used to value start-ups, being based on many possible determents like seen in the paper of (Köhn, 2018).

2.7 Assumptions

Based on the theoretic framework, we expect that the difference in characteristics and ways of doing business between the two types of investors lead to conflict situations. We especially think a few factors will lead to different conflict situations, either pre- or post-investment of a VC. To state which factors, the following conceptual model has been created, showing that we expect that these 4 factors will positively influence conflicts between BA & VC:

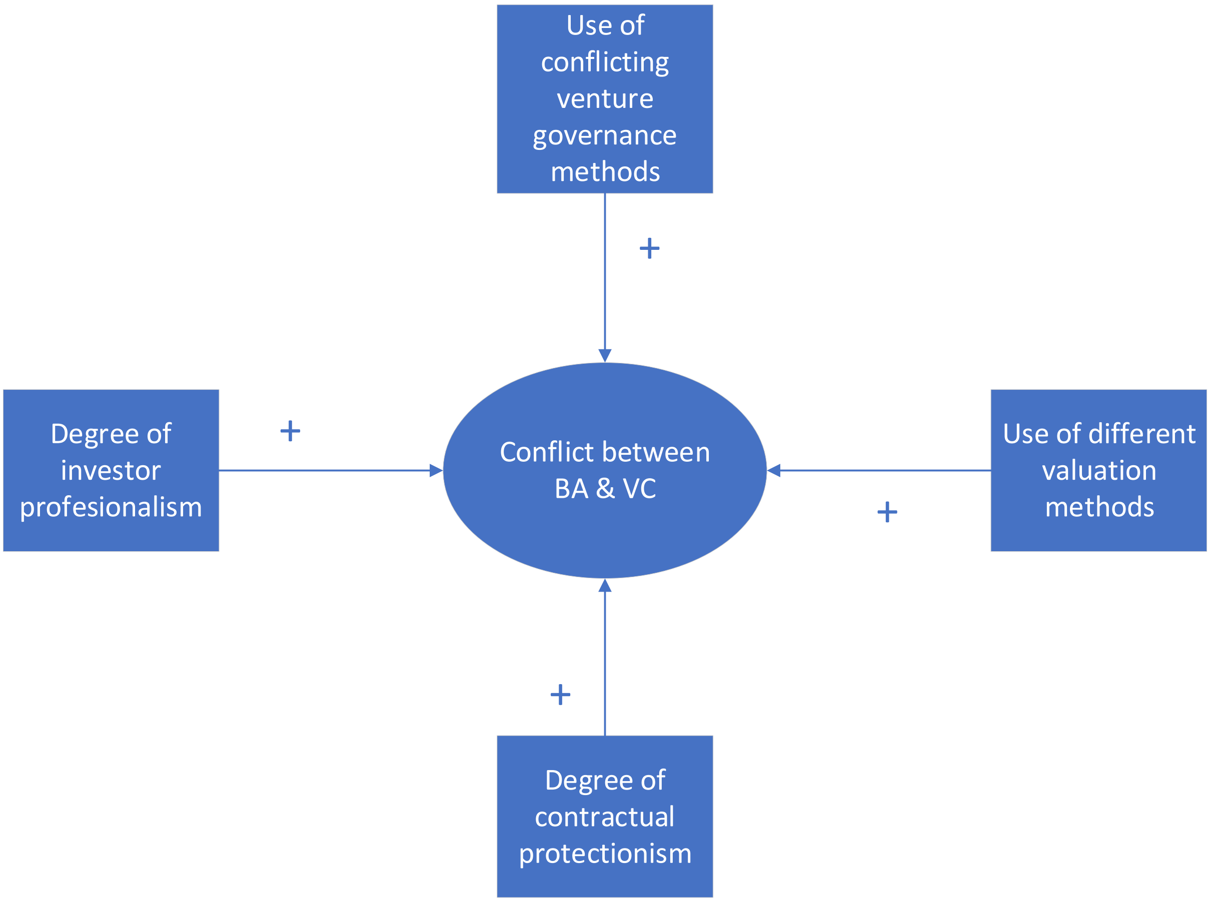

Figure 1 Conceptual Model Conflict

It shows that we assume that, based on the theoretical framework, we assume that the degree of investor professionalism, the use of different venture governance methods, the degree of contractual protectionism and lastly the different opinions on the value of the start-up will lead influence the creation of conflicts between these two investors.

2. Methodology

3.1 Research Methods

The research question: venture capitalists and experts, the following research question is answered in this paper: *What drives conflicts experienced between business angels and venture capitalists, that negatively impact their relationship/investments when investing in early-stage start-ups? (taking the Netherlands as an example)"* is exploratory in nature, meaning that there is not yet enough research to say so. However, based on previous literature mentioned in the theoretical framework, presumptions can be made on what conflict situations can arise and why. Thus, in order to solve the research question and to explore what exactly causes conflict, the choice fell upon a qualitative study through the use of interviews. Even though most studies in this field are of a quantitative nature (White & Dumay, 2017), it is believed that a qualitative study will allow for a broader and more explorative study than a quantitative study, since there are many unknowns and more information is required to find the underlying reasons for conflict than might be possible with a quantitative study.

Therefore, the choice fell on semi-structured interviews which allow for a two-fold exchange of information and give the possibility to ask further in-depth questions in an exploratory way (Bryman, 2012), which was believed to provide the most useful information for this study. It would be difficult to determine what causes conflict and the underlying reasons for conflict through sheer numbers, thus interviews were the most appropriate option to discover the underlying causes. An interview format has been developed, structured in such a way that there is freedom to withhold or ask extra questions based on the given answers, in order to get to the bottom of the conflicts at hand. Gaining more insight on the conflicts that are experienced, the reasons for conflict and possible solutions to the found conflicts was deemed most crucial and thus this study focuses more on general themes and overarching themes than individual answers.

3.2 Population

Participants of the study can be divided into 3 groups, those being Dutch angel investors, managing partners/founders/investment managers of Dutch VC firms and individuals with no direct investment participation, but with an excellent outside expert view of the situation and can be considered experts. Those individuals are directors of research agencies, business angel networks and other such organisations. They have thus not experienced conflict situations first-hand as investors, but have great market knowledge and outside perspective, allowing for triangulation between the 3 types of respondents. That is because this study aims to research conflict situations, which inherently is between two or more parties and for which the answers are given by participants only provide a one-sided viewpoint. By interviewing the 3 groups, the aim was to drastically lower said bias and allow for a fair view of the conflict situations at hand. The 3 groups were all interviewed in a semi-structured manner, with questions following the general themes as can be seen in the interview format, but with the possibility and freedom to the researcher to withhold or add certain questions that allow for a better insight on the underlying issues (Bryman, 2012). Follow-up questions have also been asked in order to get a more concrete look at the underlying issues. The average interview length was around 30/35minutes, with the smallest one being 22 minutes and the longest 45 minutes.

3.3 Sample

The aim of this study was to research the Dutch market, thus only Dutch angels and Dutch VCs have been interviewed. Two of the other participants interviewed belonging to the expert group were not Dutch but had more than sufficient knowledge of the Dutch market in order to answer the questions and as such have not been excluded. As mentioned before, business angels are incredibly hard to reach out to (White & Dumay, 2017). Since this research also requires quite substantial experience in start-up investing from participants, this leads to difficulties in acquiring the right sample. As a solution, convenience sampling was used, with angels being selected on their investment experience and VCs on their investment stage tendencies. Through the business angel network of Oost NL, a Dutch development agency, angels fitting the selecting criteria were contacted and asked to participate. Some of these angels were active in angel syndicates as well, and one of the VCs could be better stated as being a large angel syndicate fully conforming to the characteristics of a venture capital firm as mentioned by (Mason, 2019).

Furthermore, VC firms were contacted through individual connections as well as a connection through Oost NL it's capital division, selected on the same criteria as business angels, those being extensive experience in investing in early-stage start-ups wherein business angels have invested before the VC firm. While a large majority of participants in this study thus have been found through a business angel network of a Dutch development agency, business angel networks are the source of most data in this field as shown by White & Dumay (2017), meaning that the way of collecting data confirms to the norms of research in this field. Since business angels and VCs might only invest in certain sectors and certain investment stages, these investment sectors and stages have been considered before contacting said VCs. A late-stage business angel investor might not come into contact with a VC or in a differing position, the same applies to VCs but in the opposite way. This can be seen in appendix 1.

Continuing, the last group of individuals was selected for their extensive knowledge on the research topic, either due to extensive research done by the participant and the organisation, or the function of the organisation, that being information focusing on better informing angels or VCs while investing. They have an umbrella view of the market and thus of both business angels and VCs, meaning they have as neutral of a view as possible on conflict situations and possible solutions to conflict situations.

Lastly, the results stemming from the 15 interviews might not be representative of the whole Dutch population nor business angels or VCs in other environments. Due to differences in cultures, laws and regulations, certain conflict situations might not take place in different countries or regions, which is something that should be noted when looking at the results from an international perspective(C. Mason et al., 2019; White & Dumay, 2017). Yet, the researcher believes that due to all 3 groups often mentioning the same conflicts, underlying problems and possible solutions, the answers given by the sample are at least a good enough representation to be able to state something about the Dutch market.

3.4 Data analysis

The interviews have been recorded for transcription purposes. In order to analyse the data, transcripts were made with the help of online transcription software and then inserted into Word. Thereafter, Word and Excel were used to structure the qualitative data, putting each interview in an individual sheet. Additional sheets were made to store the codes and themes. This was partially accomplished through the use of a guide by (Ose, 2016). While the interview format was semi-structured, meaning that questions may differ from interview to interview, they all fall into the themes as can be seen in the interview format. To analyse the information, a certain process had to be followed. This process started with open coding all the interviews, then putting the codes into categories and themes. Many of these themes were closely related to the set-out themes in which the questions were divided in the interview format, which one could expect as the first themes to be found. However, in many interviews some topics were discussed that were not in any way, shape or form related to the research question or topic, thus those sentences were excluded. Only a small part thus was left out of open coding, thus still allowing the essence of open coding to be followed. Thereafter, through the use of axial coding, overarching themes were made. Lastly, only the codes and themes that are relevant to the research and research questions were kept by the use of selective coding (Bryman, 2012). The interviews contained a lot of information and thus different codes, yet the researcher had to be critical to only keep the most relevant codes and themes. By doing so, the researcher believes that the overarching themes and the codes among them allow for a so-called red line throughout all the interviews, which has been found through the use of thematic analysis.

3.5 Reliability & Validity

The concept of validity in qualitative research might have different meanings than in quantitative research, thus it is important to consider the criteria that are used to evaluate the reliability and validity of this qualitative research. Multiple researchers have developed different criteria for reliability in qualitative research like Lincoln YS (1985) with their focus on trustworthiness, Eisner (1991) with multiple constructed standards like structural collaboration and Lather (2005) who identifies four types of validation. Instead of using these, this research is evaluated based on the 4 primary criteria as found by Whittemore, Chase, and Mandle (2001). Through analysing 13 writings about valuation, they classified 4 primary criteria which are credibility, authenticity, criticality and integrity. The researcher believes that by reviewing the research with these 4 criteria, one can best determine if the research is reliable and valid.

Starting with credibility: do the results of the research reflect the experience of participants or the context in a believable way? Through the use of triangulation of data, saturation of answers and validation of the respondents, the researcher believes that the results are an accurate reflection of the experience of participants and the context in a believable way. Three participant groups were asked questions allowing for 3 views on the situation, giving an as accurate view of the situation as possible. Interviews were held till saturation of answers occurred and participants were asked to validate if certain conclusions made by the researcher were an accurate representation of their answers in the interview. Thus, it can be concluded that the results can be considered credible.

Secondly, authenticity can be assessed by asking the question: does a representation of the emic perspective exhibit awareness of the subtle differences in the voices of all participants? Through the use of coding, subtle differences in answers concerning an overarching topic can be distinguished from each other. Since participants are divided into 3 groups, which differ greatly in characteristics from each other, subtle differences in the emic perspective are already mentioned partly in the theoretical framework and secondly in the sub-chapter population of the research. Furthermore, the researcher has been very cautious while interviewing to not influence the answers given by participants, since such influence can negatively influence the authenticity of answers given by participants. As such, it is believed that the answers given by participants are authentic, as it portrays an accurate representation of the emic perspective and exhibits awareness to the subtle differences in the voices of all participants.

Thirdly, criticality can be assessed by asking the questions: does the research process demonstrate evidence of critical appraisal? Through being open-minded, being critical of alternative hypotheses, exploring negative instances and keeping in mind potential biases throughout the whole research process, the researcher believes that at all stages of the research critical viewpoints stood central in the research process. The researcher was critical of questions asked, minimized his biases in questioning and took a critical view on potential themes and overarching themes, not keeping in mind the expected answers based on the hypothesis made beforehand, but based on the answers and connections in front of the researcher. As such, the research can be considered to have been done while critically looking at all aspects of the research.

Lastly, the integrity of the researcher can be assessed by looking at the way the whole research has been conducted. Data analysis has been conducted with the potential for biases in mind, carefully paying attention to discrepant data and other possible alternative understandings and findings. Furthermore, the research has been conducted in an ethical, integer manner as is expected of researchers. Since participants highly value their anonymity, interview transcripts are not included in the appendix, which decreases the integrity of the research. However, interview transcripts can be made available upon request for scientific purposes if the integrity of the research is taken into question. The interview format and themes are however available and can be found in the appendix.

4. Results

Through analysing the data from the interviews, interesting themes and findings came to light. These findings will be discussed following the hypothesis set out which is based on the theoretical framework. Starting, conflict situations will be discussed, which are divided into pre-investment and post-investment. Initially, the expectation was that most conflicts would be post-investment, yet the results of this research show that many respondents deemed that pre-investment of VCs a lot of conflict situations also arise. These conflict situations are interconnected with the post-investment issues, thus are taken into consideration and show some interesting insights. After this, the impact of these conflicts will be discussed and lastly the proposed solutions to these conflicts from participants. To tie everything up, overarching themes will be discussed that can be considered the red line throughout the results, thus the conclusion of the results. These findings lead to several conclusions that tie into existing literature but also extend it through a better understanding of actually experienced situations by different investors and their proposed solution to these issues, which can be taken as practical implications of the research.

It is important to note that the results stem from interviews with 3 different populations, thus it is important to consider all outlooks and thus also differing views. A business angel might look different in a certain situation than a VC does, and the non-investor might take a more umbrella view or have the same opinions as a certain party. This does not negate the viewpoint of the other party, yet only gives a wide and better view of the situation when explained and portrayed carefully. A thematic viewpoint is thus important, while also reporting on the subtle differences in findings.

4.1 Conflicts situations experienced

To get an accurate view of conflict situations between business angels and VCs, it is important to know which conflict situations are experienced often by both parties. Through analysing all interviews, 5 different conflict situation themes can be found to be experienced. These conflict situations stem from the characteristics differences between the two investor types, a lack of knowledge from business angels, venture governance tendencies that result in conflict, issues with contracts and lastly differences regarding the valuation of the start-up. In almost all of these themes, multiple different instances can lead to conflict, yet still fit within the conflict situation theme. To carefully examine these topics further, all aspects will be discussed in depth separately, starting with conflict situations stemming from characteristic differences.

4.1.1 Characteristic differences

Both investor types have different characteristics, which in some situations lead to conflict. Where the angel invests with his own hard-earned money from selling his business, the VC invests with money from investors. This leads to a different emotional attachment to the money used for investments and as such tends to lead to smaller conflicts quite often, which can also partially influence other conflict situations. To get a better understanding, some quotes from VCs and experts will be showcased

- “Angels seems to be too emotionally involved in their investments.”
- “The opinion of angels cannot be changed; they are often too emotionally involved in their investments.”
- “The classical problem is of course that angels tend to be too emotionally involved, totally agreeing with the story of the entrepreneur and thus also basing their investment on their emotions. Later on, when a VC wants to invest and sees the valuation of the company as set by the angel, they won’t invest according to this in their eyes too high value based on emotions.”
- “Angels invest with their own money, VCs with the money of others, thus different motivation.”

While this might seem to pinpoint the viewpoint of other parties and not the angels themselves, angels were also quoted saying:

- “VCs act with the money of others, angels with their own money, which makes them act differently”
- “There were times where I made mistakes because I was too close, too emotionally involved with the company. I kept investing money which I never say a return on because I blindly trusted my business partner without doing proper research.”

This showcases that a too emotionally evolved angel, not making rational decisions based on the facts before him, not only endangers the relationship between themselves and a VC when they have both invested in a company, but also the chances of a VC investing in their start-up. However, a too emotionally involved angel does not fully cover the conflicts derived from valuation, which will be discussed next. It should be noted that characteristics play a larger role in the decisions made by both parties, which ultimately lead to different conflict situations. While the specific characteristics results might fit into the category above, others play part in what ultimately leads to conflicts regarding contracts, corporate governance, etc.

4.1.2 Valuation

A re-occurring conflict theme mentioned in almost every interview is valuation. To keep a focus on the research at hand, valuation differences due to a difference in natural power positions or negotiations will not be discussed, since they form an inherent part of all aspects related to business and thus are not specific or abnormal for the situation at hand. Valuation is a key aspect concerning investing in start-ups. As already mentioned, a too emotionally evolved angel, basing their decisions on emotions and not hard facts or numbers can look differently at a company than when the angel would not be emotionally involved. One of the VCs beautifully describes this situation as: “where expectation and reality collide, conflict emerges”. This can lead to overvaluation of the company, leading to VCs not investing at a later stage when VC funding is required. However, this overvaluation of a start-up by angels is not always caused by emotions, nor merely by the angel. It seems to be common that the viewpoint of angels and VCs regarding the valuation of a start-up are too far apart, the spread of what is considered a normal valuation is too far apart:

- “Big valuation differences between business angels and venture capitalists lead to conflicts. Angel puts a too-high valuation on a company, leading to a VC not investing.”

- “VCs tend to behave and think differently than angels regarding valuation and potential, which can sometimes lead to conflict.”
- “One thing all angels do is to make sure that their start-up cannot receive future financing.”

Especially the last statement made by a VC is very interesting. This ties a bridge to the following aspect regarding valuation, where there seem to be some very interesting finds regarding the influence of future financing rounds and the actions of angels. It seems that there is a big difference between angels who keep future financing rounds in mind, value their investment and company accordingly and search for the right partner for future investments. On the other hand, angels who do not keep future financing rounds in mind might take a large share in a start-up at a too low valuation or overvalue the potential of a start-up without consideration for the effects on the possibility of future financing by VCs. It should be noted that VCs tend to “lowball” valuation at the point of investing since this would allow them to gain a larger stake if the company is lower valued. This is however more part of bargaining and a position of power, and as such, will not be further discussed.

Angels who keep future financing in mind seem to not have experienced such conflict situations, while VCs and experts seem to agree that angels who do not keep future financing in mind while initially valuing a company and their stake experience this conflict more often. This is especially the case for one angel who tries to “match their start-up investment company with a VC with similar DNA”. At the moment of investing, the angel already looks toward future investing rounds, adjusts their valuation and stake accordingly and works towards finding the right VC fit. When questioned if this is could be why the angel does not experience this type of conflict, the angel fully agreed and explained that this should be standard practice, yet many angels do not focus on future financing rounds and finding the right partner.

It does however seem that this is not an intentional conflict, but one created by a lack of knowledge of the future financing trajectory by some angels, which could be because angels either lack experience in angel investing or do not actively know what is expected and not expected in regard to valuation. This could also potentially partially explain the widespread in what is considered a normal valuation by angels and VCs as well. However, in both cases, it seems to be that knowledge is an important factor in the creation of these conflict situations. Thus, in order to better understand the situation, it will now be discussed how knowledge is an impacting factor and a lead cause of conflict.

4.1.3 Knowledge

Knowledge, or a lack thereof, seems to be a big factor in the creation of experienced conflicts stemming from angels as perceived by VCs and experts. This viewpoint will thus be more from the eyes of VCs and experts, and less from the viewpoint of angels, however, it ties in with other conflicts mentioned previously regarding valuation and characteristics. Starting off with the widespread valuation, it seems that a factor in overvaluing of start-ups by angels stems from a lack of knowledge of either what is considered normal or what is considered to be reality. Angels are per characteristics more focused on the potential of start-ups, seeing potential where others might see failure. On the other hand, through taking a too high stake, overvaluing the start-up, or not knowing which financing methods are considered normal, the angel severely negatively impacts their chances of obtaining a VC investment at a later stage. Valuations are too far apart; angels don't work in a standardized manner since there is not one angel and sometimes financing methods are obscure or unwanted. To take a few examples from VCs and experts:

- "Angels need more education on financing options like convertible loans, too many convertible loans on the balance sheet led to no investment"
- "More knowledge from angels regarding standard aspects would lessen the number of conflicts from arising"
- "The missing of investment going through due to widely varying valuations is a structuring issue. Informal investors do not know how to calculate risk hedging terms like the preferred options. They do this by gut, not knowledge. This in my opinion is an educational issue. Other factors determine the valuation of course, but the biggest part is the lack of knowledge."

The difficult aspect of this conflict situation is that it differs completely from angel to angel. As mentioned in every interview by participants, there is no "one" angel. Business angels differ extremely from person to person. One angel might have much business experience, sold his own company, knows how angel investing works and has some years of experience in doing so. The other angel might have had a great salary, set aside money for years, thinks angel investing sounds fun and rewarding to do and starts investing with almost no experience nor knowledge of what angel investing entails. Some might even invest just for fun, while others want to obtain a financial return as the main reasoning behind investing. It might be correct on most occasions to take the average business angel characteristics as an example for all angels and how they act, but there are most likely many differences in background, experiences, personality, etc. However, at the essence, most parties seem to have the same opinion that a lack of knowledge by angels leads to conflict situations. However, as is the case for many of the conflict situations, the aspect of not one angel fits well into the conflict theme venture governance as well.

4.1.4 Venture governance

Venture governance consists of the structure of rules, practices and processes used to manage a venture. Investors use venture governance to govern the behaviour of their portfolio company. As can be found in the theory section, there are differences between how both investor types use venture governance to govern the behaviour of their portfolio company. After investing, angels tend to take a sort of mentor role, guiding the entrepreneurs and the start-up company in their journey. However, as mentioned, there is not one angel. There is a huge difference according to VCs in the way angels govern their investments, concerning their guidance, presence, use of contracts (discussed in depth in the next chapter) and involvement. It can be considered, based on the interview with all populations, that venture governance is the biggest reason for conflict after both parties have invested in a start-up. It is a two-sided issue but in different aspects. Starting with conflicts deriving from business angels, one could say that the biggest issue for VC is an overinvolved angel or a non-involved angel with a large stake. They're not being "one" angel and thus the extremely different way of acting by different angels only seems to strengthen this conflict situation.

- "The differences between informal investors are very large. Yes, also in the way they act, with venture capital you know how we act. We always want to meet somewhere between once and 6 times a year and you have some that want to meet once a month. It's always somewhere in between. VCs want to have a meeting each week or once a year just does not happen. With angels, it can happen. Some angels truly only come to shareholder meetings once a year, while others might be in the office every week. The spread is very high as well as the amount of involvement.”

- “I remember that once with a business angel, the company required financing and the angel was just… unreachable. We tried to contact him again and again with no answers. We needed to come into contact with him since the company required financing, but to no avail, leading to a business without money (he meekly added to this that it was not purely the angels’ fault, since he was running a big business as well and just had no time to commit). This resulted in the VC needing to sell the firm later on at a huge discount.

Even though the VCs say the angel is not to blame entirely, it shows the differences between involvement from VCs and angels. Managing portfolio companies is a huge part of the responsibilities of a VC week in and out, while for an angel it might just be a side project, leading to less involvement and thus in this example to a very negative ending. On the other hand, plenty of angels like to be involved, even after a VC invests. Numerous angels have run into a certain problem due to VCs, that problem being side-lined once a VC invests. They have experienced this situation first hand, but VCs and experts were also aware of this conflict. This diminishing role of the angel once a VC invests is mostly considered to be affecting angels negatively, except for one angel who doesn’t deem it to be bad since it opens up time for other investments. In order to dive further into how angels are side-lined and why they consider it to be a negative conflict situation, one must look at what precedes this situation. What precedes this situation, and allows this situation to happen, is the contract signed by the parties involved. In the contract, all matters regarding legal aspects, rules, regulations, involvement, terms, etc are set in writing. Contracts are part of venture governance yet form such a sole conflict theme that it will be discussed separately starting off with why angels find their diminishing role to impact them so negatively.

4.1.5 Contracts

As said before, not every angel experiences the diminishing role of an angel when a VC invests as something negative. One of the angels thought it was positive since it meant that the angel had more time for their other investments. It seems, however, that it is more based on the way it happens and the differences between both parties concerning contracts. As stated in the theoretical framework, angels use more entrepreneurial friendly contracts and are more reliant on relational governance than contractual governance. A VC operates differently when it comes to contracts, ensuring that all that can be written down is written down in order to decrease their risk and protect their investment. They commonly incorporate control mechanisms, veto rights and seats on the oversight board. Even more so, they want to control their investment, and thus in turn the start-up company, in order to minimize their risk. If they deem the angel to have "done their job" by bringing the start-up to the next investment stage, the VC stage, they sometimes consider the angel to be redundant or no longer adding value. Instead, the angel becomes a risk factor due for example its involvement, influence on the entrepreneur and its team or other factors that the VC might consider to not be beneficial for its growth in the way that the VC sees it going forward. Thus, through the use of contracts, the VC tries to minimize the role of the angel for the future. It could be beneficial to look at how different angels experience this:

- "When a VC enters the stage, the role of angels (syndicates) diminishes" (negatively).
- "I have the feeling that VCs always try to outsmart you in some way, be it either through a low valuation or conditions in the contract".
- (The angel was asked if he ever experienced that his role diminished once a VC enters and if this negatively impacted him, leading to conflict.) Yes, yes yes, I often see it happening! Then you can say very clearly what you think of it, but well… when that happens you feel left out and treated unfairly, seeing others making decisions going against your investment for their gain".

Experts with a neutral view state the following:

- "Yes, I think contracts can lead to conflicts. In this phase business angels often have loose contracts or even non-existent contracts. When a VC enters the stage who throws loads of conditions at you intending to migrate risk, I think that this can very well cause conflict situations. I thus think that conflicts can and do happen due to contracts"

- "That is due to the different clauses that some VCs tend to put in when they invest in companies. Usually, the types of shares that VCs request are not so great for other earlier investors because they can give more preferential treatment to the voices, for example. Now it's happening with more of a priority towards them. Or they can put a series of other clauses that are ultimately very difficult for the earlier investors to not find themselves ultimately kind of on the side-line and completely diluted out of the company.
- "Angels often do not hire lawyers or make use of professional contracts, thus not defending themselves contractually. On the other hand, some angels protect themselves so much unbeknown to the entrepreneur, which leads to a VC not investing."

The issue can thus be turned around as can be seen in the last statement. Angels may sometimes not protect themselves well enough contractually, allowing a VC to take advantage of that. To add to this, angels are investors, not lawyers. They might not have sufficient knowledge of which conditions and terms are normal for a VC to want and which ones are not normal. They seem too often not to hire lawyers or lack sufficient legal knowledge to determine if the contracts presented to them by VCs are sound or not. This might explain why angels feel that they intentionally get side-lined or feel that VCs try to trick them to sign their contracts which in their opinion would negatively impact them.

By not only looking at what goes wrong but also looking at what goes right with angels and VCs, other results might explain why they experience conflicts that others might not. VCs that work with standardized contracts and angels that have sufficient knowledge of what contracts can be considered normal seems to not experience contractual conflicts. Through using standard contracts available to read by anybody who wants to on their sites these VCs act in a trustworthy and open manner. Angels do not have to be afraid that they are tricked by having to sign contracts with weird and negatively impacting conditions since these contracts are always standard and used for each investment. This explanation builds towards the next section of the results, namely the proposed "solutions" to the mentioned conflicts.

4.2 How can the conflicts be avoided?

Since participants mentioned which conflicts they experienced and how these conflicts were created, participants were also asked how their situations could have been avoided or diminished. It was thought that this could offer some preliminary insights into what can be done to decrease conflict situations from being created and thus avoiding the negative aspects that these conflicts sometimes bring to them. It should be noted that the results of conflict are not always negative, sometimes conflict might be required and cannot be avoided. However, the possibilities to diminish conflict situations from coming into existence are based on avoiding these negative situations based on what the participants think would help. It seems that although every conflict theme, as well as the conflicts within the themes, differ, some overarching issues can already be subtly spotted from theme to theme. Knowledge, or the lack thereof, is one of these themes that can be seen to impact multiple conflict themes, without being the main cause entirely. It thus comes as no surprise that participants belonging to each group saw the gaining of knowledge as a possible solution which will be discussed below.

4.2.1 Knowledge

Many of the conflicts mentioned above are partially created through a lack of knowledge. Knowledge, in this case, can be about a wide variety of aspects; valuation, types of way to invest in a company, future financing rounds, characteristics of the other investor, normality and so on. It seems that many times VCs experience conflict with angels which stems from a lack of knowledge regarding these aspects. There is no "one" angel and the spread between how angels act and what they regard as normal is considered to be too high according to VCs and experts. Angels themselves also think that they have made a lot of mistakes when they started with investing as an angel due to a lack of knowledge.

- "I think that the issue regarding convertible loans is one of education. If angels knew how this would impact them and the possibility of an investment that would be much better."
- "A lot of things are new to angels. They will for example say: oh… I did not think of that, what is take along? And responsibility?

- "The missing of investments due to widely varying valuations is a structuring issue. It is one that can be resolved through better education.
- I can relate to the lack of knowledge. I have made a lot of mistakes in the past as an angel which could have been avoided. Knowledge sessions for angels organized by for example business angel networks could in my opinion help with this.

When asked if organizations, like for example a business angel network could help, many thoughts so. Education to angels regarding these topics would be helpful. It could reduce the wide spread between angels and professionalise them more. Especially participants that either have direct involvement with organisations that already work on offering more education to angels, or have participated in these knowledge meetings in the past, saw this in a very positive light. They believe that this could reduce the conflicts that stem from a lack of knowledge.

Additionally, angels seem too often lack knowledge regarding the financing trajectory of a start-up, and thus, are unaware of the impacts of their valuation and stake on future rounds. Through for example taking a too high stake, valuing the start-up too high based on their emotions and hopes instead of what is realistic and factual, as well as making use of too extreme anti-share dilution in their contracts, it seems to lead to a lot of missed VC investments. Finding the right VC partner in advance for a future round could already lessen this issue as said by participants, but if those connections or knowledge of such opportunities are unknown by the business angel, then this will likely still lead to conflicts. Again, the aforementioned organisations are believed by participants to be a possible solution for lessening this conflict. Through making angels more knowledgeable about these aspects that can lead to conflict, through for example knowledge sessions on certain topics, it is believed to be a suitable additional solution to the conflicts stemming from different themes, while all being able to be lessened or solved through more knowledge.

4.2.2 Contracts

The other large point that is key to a lot of these conflicts seem to stem from contracts. It is thus again not that strange to see that participants think that conflicts stemming from contracts can be decreased in their opinion. Starting off, angels should make use of contracts when investing and where possible hire a lawyer to create a contract for them. This not only defends the angel later on when a VC enters the stage but also makes sure that everything is written down well and there are no strange situations or clauses added that could hurt them or the potential of a VC investing later on. On the other hand, angels experience that VCs tend to have extreme conditions and clauses in their contracts, which sometimes lead to the angel being side-lined. Angels are wary of VCs and have experienced this first hand in the past, thus have trust issues and are not likely to believe that VCs act in good faith. Through the use of standardized contracts, such as the online term sheets that the Dutch organisation Capital Waters promotes, these conflict situations could be partially avoided. That is because VCs that make use of standardized contracts do not seem to experience this type of conflict. Angels that work together with VCs using standardized contracts neither seem to experience these problems. They are able to examine the term sheet in advance, and if they are not positive about it, they can search for another VC instead of spending a lot of time in negotiations with a VC, ending with no investment. Transparency in the process, as well as the use of standardized contracts, are believed to lessen conflicts stemming from contracts and venture governance.

4.3 Summary

Based on the conceptual model stated in the theoretic framework, a new conceptual model has been created based on the results mentioned above. The new conceptual model shows that 5 factors are leading to more conflict, while 2 solution themes could lessen conflict. It does not contain each conflict situation as mentioned in the results, but the goal is to most accurately describe the factors within the larger conflict themes which lead to conflict between BA & VC.

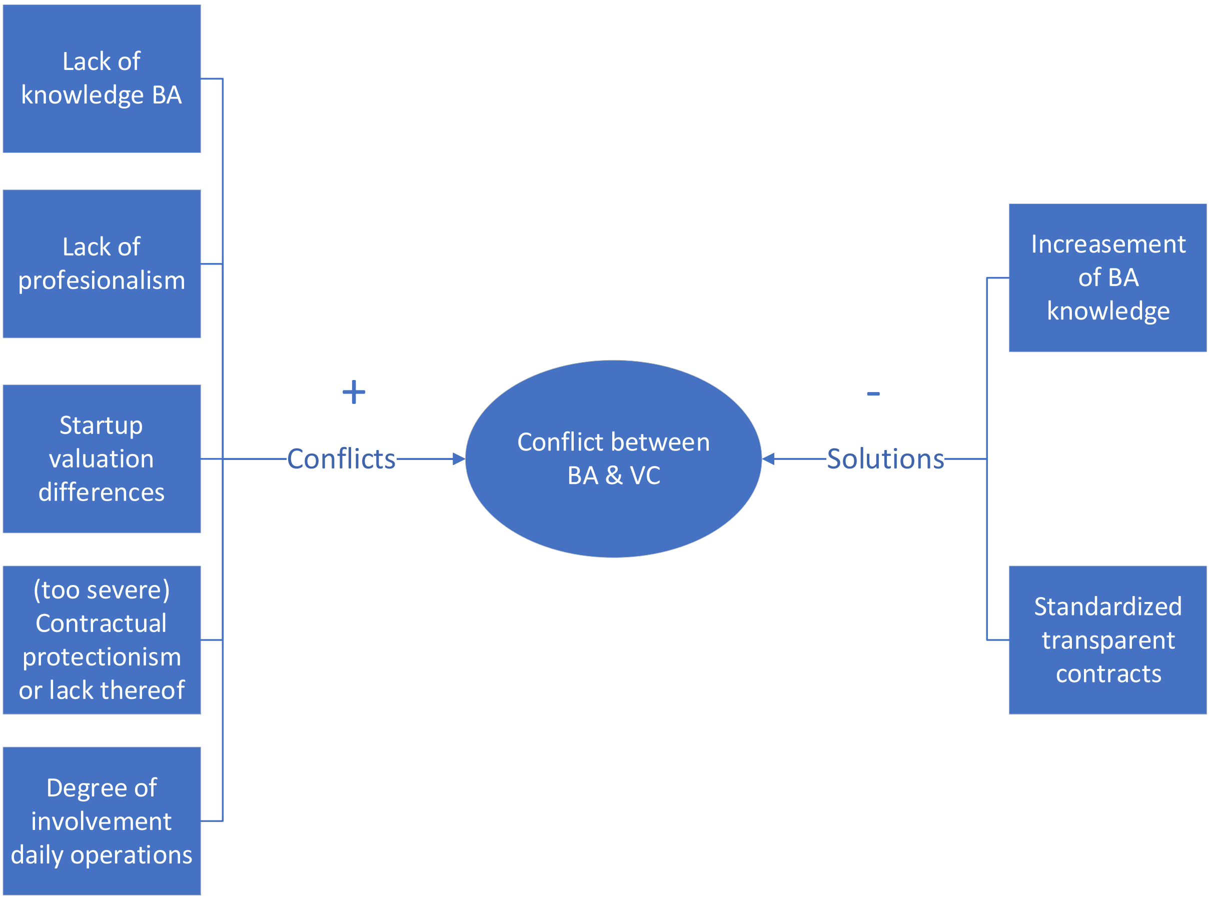

Figure 2 Conceptual model conflict based on results

On the left side, the conflicts can be seen which lead to conflicts between BA & VC, while on the right side 2 solutions can be seen which can lessen conflict between BA & VC. It can be considered a short representation of the results found based on the conceptual model created for the section theoretic framework. It should however not be taken on its own, but with the results of this research in mind.

5. Discussion & Conclusion

The aforementioned findings will be discussed in this chapter, which will result in the drawing of a conclusion and the answer to the central research "*What drives conflicts experienced between business angels and venture capitalists, that negatively impact their relationship/investments when investing in early-stage start-ups? (taking the Netherlands as an example)"* Afterwards, the practical and theoretical implications will be discussed as well as the limitations of the study.

5.1 Discussion

This study was conducted based on a conceptual model created for this study created through comparing existing theory regarding differences between business angels and venture capitalists, which were thought to possibly negatively impact their relationship/investment in early-stage start-ups. To create such a conceptual model, the researcher had to make certain assumptions regarding the building of the theoretic framework that resulted in the conceptual model and the hypothesis. These assumptions will be discussed first concerning the link with the theoretic framework, then the results will be discussed to answer the research question and lay the link between the findings and the existing theory.

Starting off, this research builds upon many cornerstones of literature surrounding business angels and venture capitalists, old and new alike. It relies heavily on the differences between business angels and venture capitalists regarding distinctive characteristics, thought and operations. Additionally, it heavily builds upon the expected role of business angels and venture capitalists regarding the funding trajectory of start-ups as described by (Bonnet & Wirtz, 2012; Bonnet et al., 2013; Pandher, 2019). This study also confirms that angel investment precedes VC investment, meaning that the initial assumption regarding the funding trajectory roles of both investors was correctly assumed.

Furthermore, this study slightly contradicts the study Hellmann et al. (2013), showing that all 3 population groups find that business angels and VCs tend to have a fixed role, with BA financing still preceding VC financing regarding the funding trajectory of start-ups and are by many participants considered to be stepping stones. Business angels and VCs both perform a crucial role and are deemed to rely on each other to perform that role. However, it also confirms the results of later research by Hellmann and Thiele (2015), showing that indeed angels can experience VCs as foes when they no longer need angels as can be seen in the results regarding conflict situations stemming from venture governance and contracts.

However, not all assumptions were correct. The researcher expected that most of the conflicts would take place post-investment of VCs, yet it seems that participants experience many conflict pre-investments of VCs as well, leading to VCs not investing in a start-up where a business angel has invested in already. Regarding valuation, there seems to be a match with theory, showing that angels do experience the burned angel problem as described by Leavitt (2005) and shown by Hellmann and Thiele (2015). Yet, the perspective of VCs is not considered. VCs and experts seem to agree that the valuation range of angels is extremely wide which is accounted to there being no “one” angel. Additionally, there seems to be a lack of knowledge regarding the proper valuation of start-ups and the stakes angels take without thinking of future financing rounds which result in lower valuations or no investments from VCs. To the researcher, this does not seem to match the intentional lowering of valuations by VCs which lead to the burned angel problem nor agency-related issues as described by Chemmanur and Chen (2014); (Leavitt, 2005), but an unintentional effect stemming from a lack of knowledge or experience by angels.

Agency problems however do not only relate to valuation. It relates to venture governance and contracts as well (Chemmanur & Chen, 2014). As shown in the theoretic framework, there seem to be differences in the way that angels and VCs treat contracts. Angels tend to operate with more entrepreneurial-friendly contracts (Van Osnabrugge, 2000). However, these contracts are often incomplete for all required needs (Bessière et al., 2020; Burchardt et al., 2016; Kaplan, 2003). On the other hand, VCs make use of much more extensive professional contracts aimed at protecting their interests through the use of for example financial incentives, veto rights and seats on the board of a start-up (Bessière et al., 2020; Burchardt et al., 2016; Dutta & Folta, 2016). It was assumed that these differences could lead to conflict, which this study seems to prove.

The use of incomplete contracts seems to not only hurt the VC but the business angel itself as well later on. When the angel does not make use of proper contracts to protect their interests in regards to future financing rounds, they can be set aside once a VC invests and introduces all kinds of rules and rights in their contract which either greatly reduces or completely diminishes the role of an angel in the start-up, which can be seen to be often mentioned by angels and experts and is also mentioned to be the reason why angels might seem VCs as “foes” (Hellmann & Thiele, 2015).

Turning the situation around, it seems that angels have issues with the use of extensive contracts, especially through the use of certain rights and vetoes that diminish the influence of angels and increase their own. One of the participating angels had such a negative experience with VCs and their contracts that the angel referred to it as “VCs make use of contractual disgusts in order to side-line business angels”. It is important to make a distinction between contracts that are standard but extensive, and extensive contracts that contain clauses that can be considered not standard. The latter seems to be the actual problem, since angels that have experience with VCs that make use of standardized contracts, and VCs that use standardized contracts while investing, do not or not often experience this conflict.

What is standard and what isn’t standard is difficult for an angel to judge. Angels often work independently with no access to a legal team like a VC does. Their contracts are entrepreneurial friendly (Van Osnabrugge, 2000), yet often incomplete for the required purpose (Bessière et al., 2020; Burchardt et al., 2016; Kaplan, 2003). It thus comes to no surprise that participants think that angels need to make use of ways to gain this required knowledge to draw up good contracts for their own purpose, which also could decrease conflict with VCs. As for VCs, participants think that the use of standardized contracts available beforehand on for example the company website could lessen this conflict. If angels can see beforehand what is contained in such a contracted used by a VC, they can decide themselves if they want to pursue the VC for an investment in the future or find a different possible financing party for future rounds. If instead the VC comes to the angel, it can see what the party its contract looks like beforehand and determine if it is a good fit before negotiations. This according to participants, could also lessen this conflict from arriving.

While it seems that the aforementioned points in this section seem to closely match the theoretic framework, there is one aspect that seems to impact the creation of many of the mentioned conflicts in one way or another, which is not mentioned often in academic research to the researcher’s knowledge. This is the impact of knowledge, or better said, the lack of knowledge and the impact it has on the creation of many of the mentioned conflict situations. While at first glance it seems to subtly affect different conflict themes like characteristics, valuation, venture governance and contracts, it can be considered to be one, if not, the largest cause of many conflict situations found to be experienced between business angels and venture capitalists in this research. It is however difficult to state that all angels lack knowledge. While VCs tend to act in a matter that could be considered standard, the way angels act differs from angel to angel. There is no “one” angel to fit a standard (Harrison & Mason, 2000). One business angel might have extensive knowledge coming from years of experience, knows everything there is to know about valuation, contracts and how VCs work. The other business angel might have just sold his company and made his first investment in a start-up and thus has no experience in angel investing.

The difference between angels, and the spread between them being too large, is something that seems to be clear. Participants belonging to all populations think that an increase in general knowledge regarding certain aspects can decrease this spread, and thus in turn, decrease the conflicts arising from extreme differences between angels. Furthermore, they refer to existing organisations that already focus on such aspects as well as the possible role of governmental agencies or angel networks. They already aim to add knowledge to angels, playing a role in informing and professionalising angels(C. Mason, Botelho, & Harrison, 2016; San José, Roure, & Aernoudt, 2005). They could use the results of this research to increase the knowledge of angels regarding specific topics in order to decrease the widespread among angels and thus lessen conflict situations from arriving.

5.2 Conclusion

To conclude, taking the results and the discussion into account, an answer can be given to the central research question. Business angels and venture capitalists in the Netherlands seem to experience negative conflict situations which impact their relationship or investment regarding the following themes: characteristic differences between the two types of investors, differences in valuation of the start-up, conflict stemming from venture governance, conflicts stemming van contracts and conflicts stemming from a lack of knowledge. These conflicts can occur either pre-investment of a VC or post-investment from a VC. The found conflict situations seem to accurately match the conceptual model which was created to support the hypothesis which is based on the theoretical framework concerning differences between business angels and venture capitalists. It also matches the findings in recent research into the financing trajectory of start-ups and the relationship between business angels and VCs. Next to that, it also offers possible ways to avoid or lessen these conflict situations from happening by increasing the knowledge of business angels and making use of standardized contracts, stating points that existing organisations can use to increase knowledge of business angels and VCs which can decrease these conflict situations from arising.

It should be noted that this research was conducted in an exploratory manner, thus lacking a clear explicit indication of what conflict situations were experienced or how they are created. Yet, based on existing theory, presumptions were made by the researcher on what was expected to be found. While it seems like the theoretic framework matches the research results very well, this research should not be used in order to say so with complete certainty. The research results can however be used to offer some theoretical and practical implications as well as avenues for future research in order to expand upon the results of this research.

5.3 Theoretical implications

The goal of this study was to build upon the existing literature basis of the relationship between business angels and venture capitalists since there seemed to be a knowledge gap between theoretical aspects surrounding the relationship and practical experiences. This is especially the case for conflict situations, which can be found in existing literature through differences between both investor types yet could be expanded upon by researching which conflict situations derive from certain aspects of the relationship between business angels and VCs. There is some literature by the likes of (Bessière et al., 2020; Bonnet & Wirtz, 2012; Hellmann et al., 2013; Hellmann & Thiele, 2015; Van Osnabrugge, 2000) which works upon the practical basis of the relationship between both parties, showing that both parties have different characteristics, operate differently and have different end goals which can lead to them being "foes" of each other in a sense. However, it seems that instead of foes, they are dependent on each other. All participants mentioned in some sense the dependency of angels on VCs and VCs on angels. They both fulfil a crucial role in the growth of start-ups and the funding trajectory of start-ups, and thus in that sense, have an interdependency on each other like mentioned by Hellmann et al. (2013). Next to that, participants feel that BA and VC are stepping stones in the funding trajectory of start-ups and both fulfil a crucial part in the process, contradicting results of (Cumming & Zhang, 2019; Dutta & Folta, 2016).

Continuing on the relationship between both parties, it becomes clear that many of the conflict situations found to be experienced can be linked to what one would expect from a theory standpoint. However, while existing theory mainly focuses on characteristic differences between both investor types which can lead to conflict, this research shows that something else has to be considered. Knowledge, or the lack thereof, seems to greatly influence the creation of many conflict situations. Knowledge plays a role in conflicts stemming from characteristic differences, valuation, venture governance and contracts. It is a crucial factor but yet it is not mentioned often in academic research in the context of conflict situations or the relationship between BA and VCs, since existing theory takes a more characteristic standpoint that leads to conflict.

It should be noted that this research is a preliminary one with a rather small sample from the Dutch population. It could thus be that in other countries angels and VCs have more knowledge and knowledge thus plays a smaller role. However, it does pose a possible avenue for future research. It would be interesting to see how large the role a lack of knowledge truly plays on a day-to-day basis. From this research, one could conclude that a lack of knowledge has a negative influence on many aspects of the relationship between business angels and VCs as well as the growth and financing trajectory of a start-up. New research could aim to find if this is true on a large scale as well, and if so, add to the practical contributions mentioned in the next heading as well.

5.4 Practical implications

There are some interesting practical contributions next to the theoretical contributions mentioned above. Through researching conflicts situations experienced by both parties, it can help business angels and venture capitalist understand each other better and also increase awareness concerning actions that can result in conflict situations. Next to that, it can also help other organisations that focus on bettering the start-up investment scene.

To start, this research has found 5 clear conflict themes wherefrom certain conflicts arise. Additionally, it is shown what conflicts are experienced in these themes and what the effects of these conflict situations are. It also shows the differing viewpoints of business angels, VCs and experts on these topics, allowing for insights which one would not normally have access to or knowledge of. Through increased awareness of these conflict situations and how they arise, both investor types can benefit if these conflict situations with negative impacts are experienced on a lesser scale or not experienced at all.

Additionally, this research has also considered what the possible solution is to diminish or completely decrease certain situations from happening. It showcases the viewpoint of all participants, again allowing for a neutral view of the situation instead of he says, she says, a situation where both sides point fingers at each other as the issue of conflict. It seems that both parties can benefit from the potential solutions mentioned by the experienced participants since they have first-hand experience with these conflicts, many years of experience in start-up investing, or a great market knowledge surrounding angels and VC investing.

However, this research is not only interesting to business angels and VCs but also governments, organisations and syndicates that aim to better the start-up investing scene. That is because it seems that a lot of conflicts stem from a lack of knowledge, which is not inherent to angels alone. It seems that there still are a lot of improvement points regarding the knowledge of angels concerning valuation, future financing rounds, the use of contracts and so on. It thus could be beneficial for organizations focusing on the training and bettering of angels, like angel networks or non-profits, to make use of this research and inform them of what can lead to conflict and also take a look at possible solutions offered by the participants of this research.

5.5 Limitations

Some limitations have to be considered when taking the results of this research into account. Starting, one should consider the sample size of this research and the population groups. For all 3 population groups, 5 semi-structured interviews were within each group. Even though the aim was to look at larger themes through the use of 3 viewpoints on certain situations and experiences, this could potentially lead to less accurate and reliable results in consideration with what is experienced by the entire Dutch population. It might thus be that if other participants were taken for the same groups, results might slightly vary. Additionally, due to the study being on the Dutch market and thus Dutch business angels and venture capitalists, the results might not be the same in other countries or environments with differing laws, rules, regulations or cultures. It thus is difficult to say that the results from this research would have been the same if the research was done elsewhere. Tied into this limitation is that transcripts of this research have to be treated in a confidential matter, meaning that it limits the accessibility, generalisability and repeatability of this study. While transcripts can be made public for scientific research purposes, this still proves to be a limitation of the research.

Secondly, the chosen research topic and the research being exploratory are accompanied by some limitations. Due to the research topic requiring a very broad view in order to understand the factors and reasoning behind conflict situations experienced, it was necessary to take an exploratory view of the situation. While the conceptual model and hypotheses based on the theoretic framework of this study proved to be a good match with the results, it should be considered that this was an exploratory study. Further research is required in order to completely prove that what was found is true. Since this research requires participants to go back and think about experiences that have already taken place, it also requires participants to accurately remember and describe these situations which might be difficult and less reliable due to the way memories are accessed, leading to a recall bias. While follow-up questions were asked in order to increase the accuracy and reliability, it could still be the case that certain aspects were not entirely correct or experienced slightly differently than said now by participants.

Lastly, due to the impact of the coronavirus, it was not possible to meet participants face-to-face. While interviews were held in a visual-auditory manner online, this led to a loss of signals that could normally be perceived from visual cues. This was only increased through often malfunctioning technology from participants, meaning that these signals could not often be considered. It was thus decided to fully focus on the audio aspects and transcriptions, leading to a loss of signals that would otherwise strengthen the results.

5.6 Avenues for future research

Starting off, it would be interesting to see how research results would differ if the research was held in a different environment than the Netherlands. It could prove to be useful to see if results can be considered the same for different environments, and thus angels and venture capitalists worldwide. Multi-variate research on conflict situations experienced between business angels and VCs focusing on different countries or environments would allow for this. It would especially be interesting to see if conflicts differ in different environments, which could then be used for future research into the influence of certain factors on negative conflict situations.

Another aspect that would be interesting to research is the impact of knowledge on conflict situations, which could be divided into pre-investment of a VC and post-investment of a VC. This research showcases that a lack of knowledge influences a multitude of different conflict themes and situations, which is why participants also considered an increase in knowledge to be a solution for less conflict. While this research already offers some practical and theoretical implications, it could be increased with concrete results on what exactly needs to change according to a wide range of business angels, VCs and experts through the use of for example a quantitative study.

Lastly, this research does not consider the viewpoint of entrepreneurs or the founders of start-ups. Their viewpoint on the entire situation could also be interesting to consider since they are involved in aspects like venture governance, valuation and contracts. Taking the entrepreneurs into consideration in a follow-up study would allow for the whole situation to be considered, which could lead to new insights and more reliability. This was not possible due to time constraints yet would strengthen the study results if implemented.

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Appendices

Appendices 1. Participant Characteristics

Table 1: Business Angel Characteristics

Business Angels	Experience angel investing (years)	Investment stage	Investment sector
Angel 1	10+	Start-up & Scale-up stage	Tech
Angel 2	10+	Seed stage	Tech
Angel 3	10+	Early stage	Any
Angel 4	3+	Early stage	Tech
Angel 5	10+	Market Introduction Stage	Any

Table 2: Venture Capitalists Characteristics

Firm	Role in VC firm	Investment stage	Investment sector
Cottonwood Technology Fund	General Partner	Start-up & Scale-up Stage	Tech
Innovations Industries	Co-Founder	Seed stage	Health
Arches Capital	Managing Partner	Early-stage	Any
NextGen Ventures	Managing Director	Early to Seed stage	Tech
Not to be mentioned VC	Partner	Start-up & Scale-up stage	Health

Table 3: Experts on the topic

Organisation	Role	Years of experience with business angels and venture capital
Oost-NL	Project Manager Tech	10+
Business Angels Research Institute	Founder	10+
European Business Angels Network	Managing Director	10+
MatchingWINGS	Co-Founder	10+
Business Angels Networks Netherlands	Director of Research	10+

Appendix 2. Interview format

1. Introduction to the research and practical questions

a. Introducing of researcher and the research

b. Asking for permission to record

c. Stating that the survey is anonymous, participants won't be named.

2. Introduction of the respondent (background information respondent/characteristics)

a. Can you tell me something about your position? (Investor type)

b. Can you tell me something about your background?

c. Can you tell me something about your experience?

3. Financing process

a. At what stage do you normally invest in start-ups?

B Do you invest alone or in collaboration? (co-investment, syndicate)

c. Has this always been the case? (Possible changes recently in the behaviour of BA/VC)

4. Relationship between different investors

a. Do you often deal with other types of investors (BA-VC-SYND-ORG)?

b. In general, how would you describe the relationship between different investors?

c. How do you view possible differences of interest between both parties, are interest aligned or? (Aiming at VC/BA)?

5. Conflict situations experiences

a) Have you ever had conflicts with VC / Angels?

b) Can you explain what kind of conflict situation(s) took place?

c) What prompted this conflict?

d) How did you experience this conflict?

e) What was the result of this conflict?

f) Was this conflict inevitable? (Yes? If so, why?)

g) Could this conflict have been avoided? What do you think could be done to avoid this conflict?

6. Conflict situations theory (ask why)

a. Besides your own experiences, are you aware of other conflict situations?

b. Which of the aforementioned conflicts do you think is the most common?

c. Which of the aforementioned conflicts do you think has the most negative impact?

d. Which of the aforementioned conflicts do you think has the least impact?

7. Conclusion

a. Do you want to add anything to your answers?

b. Do you have any questions for me?

c. Closing and thanking for the interview

Appendix 3. Codes and Themes

The most important themes and codes are included in this appendix as referenced in the methodology. It does not include all codes obtained, just those belonging to the most important themes for the purpose of answering this research question. Some codes were left out due to there being a too-small sample to reliably state something or the content being irrelevant to this research topic. Since this contains answers by 3 populations, the following colour codes are used to distinguish one from another:

- Venture Capitalist
- Business Angel
- Experts

Table 4: Codes & Themes

Codes	General Themes	Axial Themes
Early-late stage investor	Investment stage	Investment stage
Early-stage investor	Investment stage	Investment stage
Seed phase investor	Investment stage	Investment stage
Seed to scale-up stage investor	Investment stage	Investment stage
Seed phase investor	Investment stage	Investment stage
Invest in any start-up stage	Investment stage	Investment stage
Valuation differences due to FOMO and missing knowledge by BA	Business angel characteristics	
Every angel differs	Characteristics investors	No one angel
Angels emotionally invested with their money. Feel it's worth more than others	Characteristics investors	Emotional angel
Angels seem too emotionally involved with their investments	Characteristics investors	Emotional angel
Investing as lone angel or part of a syndicate	Characteristics investors	
Angels Invest in un-business-like terms for fun. Huge differences between venture governance among angels	Investor characteristics	No one angel/valuation differences
Angel not always involved; VC always fulltime.	Characteristics Investors	No one angel/Venture governance
Unable to change emotions angel	Investor characteristics/Venture governance	Emotional angel
No "one" angel	Investor characteristics	No one angel
Diminishing role when VC enters	Venture governance	VC takes over

Amateurish approach by almost all angels lead to no investments (regarding valuation)	Financing trajectory/ Valuation	Over or undervaluing of start-ups by angels, leading to no investment by VCs
Bad contracts & overvalued start-ups lead to VCs not investing.	Financing trajectory/ Valuation/Contracts	Over or undervaluing of start-ups by angels, leading to no investment by VCs/Contracts
Huge spread between angels regarding valuation	Valuation	Over or undervaluing of start-ups by angels, leading to no investment by VCs/No one angel
Spread can be solved through more knowledge, focus on role angel networks	Financing trajectory/ Point of improvement Business Angel Network	Over or undervaluing of start-ups by angels, leading to no investment by VCs/Solution knowledge
Role of Government funding/Professionalising by Oost NL/Business angels' important function to scout and screen start-ups/Angels sometimes support funds where there is no market	Financing trajectory/Relationship BA and VC/ Conflict valuation	Over or undervaluing of start-ups by angels, leading to no investment by VCs
Co-investing mix	Co-investors	Co-investment partner tendencies
Co-invests with other parties	Co-investors	Co-investment partner tendencies
Focuses on finding VCs with similar vision	Financing trajectory	Finding the right partners
Co-invest with anybody	Co-investors	Co-investment partner tendencies
Wide range of co-investor parties	Co-investors	Co-investment partner tendencies
Always co-invests as a rule	Co-investors	Co-investment partner tendencies
Likes to work with angels with the specific market knowledge	Relationship BA and VC	Finding the right partners
Informal investors too sloppy. Bad investments, bad contracts leading to a VC taking over	Relationship BA and VC/conflict contract	VC takes over
Good connection with others important	Relationship BA and VC	Finding the right partners
Big valuation differences between BA and VC. Finds angels to overvalue start-ups, leading to no VC	Conflict situation valuation	Conflict stemming from valuation differences

investment		
VC finds overinvolved angel difficult	Conflict situation venture governance	Conflict stemming from venture governance
Contract issues stem from BA not hiring lawyers and anti-pollution protection	Conflict situation contracts	Conflict stemming from contracts
Own money vs investors' money	Characteristics investors/conflict situation	Emotional angel
Contracting issues experienced by BA thanks to VC governance clauses	Conflict situation governance/contracts	Conflict stemming from contracts
Venture governance and valuation issues lead to conflict	Conflict situations	Conflict stemming from venture governance
Too emotionally involved angel	Conflict situation (stemming from characteristics)	Emotional angel
Convertible loans used by Angel lead to no investment. More knowledge angel considered solution.	Avoidable conflict situation through better knowledge	Conflict stemming from a lack of knowledge
Valuation differences due to FOMO and Lack of Knowledge	Avoidable conflict situation through better knowledge	Conflict stemming from a lack of knowledge
Too many convertible loans lead to no investment	Avoidable conflict situation through better knowledge	Conflict stemming from a lack of knowledge
The positive role of good contracts on the possibility of conflict	Conflict situation contracts	Conflict stemming from contracts
Professionalism	Conflict situations	Conflict stemming from a lack of knowledge
Valuation differences leading to no deal	Conflict situations	Conflict stemming from valuation differences
Angels and VC too far apart in expectations	Conflict situation/resolved through better knowledge?	Conflict stemming from a lack of knowledge
Angels are unknowing	Avoidable conflict situation through better knowledge	Conflict stemming from a lack of knowledge
Different expectations VC and Angel	Conflict situation valuation	Conflict stemming from valuation differences
Exit takes too long for informal	Conflict situation contracts	Conflict stemming from contracts
Mismatch hopes and reality Angel	Conflict situation Valuation	Conflict stemming from a lack of knowledge

Likes co-investors who "speak the same language" Careful of informal investors and their involvement regarding venture governance	Conflict situation governance/contracts	Conflict stemming from venture governance
	None	Investment Sector
	None	Investment Sector
	Tech	Investment Sector
	Tech	Investment Sector
	Health	Investment Sector
	Any	Investment Sector
	Any	Investment Sector
	None	Investment Sector
	Tech	Investment Sector
	Tech	Investment Sector
	Tech	Investment Sector
	Any	Investment Sector
	Health	Investment Sector
	Any	Investment Sector
Early-stage investor	Investment stage	Investment stage
Seed phase investor	Investment stage	Investment stage
Co-invest with anybody	Co-investors	Co-investment partner tendencies
Likes co-investors who "speak the same language"	Co-investors	Finding the right partners
Once VC enters, the angel role diminishes	Relationship between VC and BA	Diminishing role Angel once VC enters
Doesn't mind diminishing role, more time other investments	Relationship between VC and BA	Diminishing role Angel once VC enters
Searches for like-minded VCs	Future financing/Relationship between VC and BA	Finding the right partners
The difference in preferred type of shares BA/VC. A negative result for angel	Conflict situations valuation	Conflict stemming from valuation differences
Angels left behind by everyone	Characteristics Investors	Emotional angel
Invests seed to scale-up phase	Investment stage	Investment stage
Likes to invest with angel syndicates	Angel Syndicates	Angel syndicates VS Sole angel
Stronger position as syndicate vs solo	Angel Syndicates	Angel syndicates VS Sole angel
Angel considers VC as untrustworthy. Tries to outsmart angel with contracts through certain conditions	Relationship VC and BA/Conflict contracts	
VC have more legal power than BA	Relationship VC and BA/Conflict contracts	Conflict stemming from contracts
Standard legal documents VC can avoid conflicts	Relationship VC and BA/Conflict contracts	Solution Contracts
Like to see own money being invested	Characteristics Investors	Emotional angel

Distrusts VCs. VC makes use of "contractual abominations" in order to side-line angel	Relationship VC and BA/Conflict contracts	Conflict stemming from contracts
Has been too emotionally involved, leading to bad investment decisions	Characteristics Investors	Emotional angel
Would like to see angel network focus on expanding the reach of connection, offer additional knowledge sessions	Points of improvement Business angel network	Point of improvement Business Angel Networks
Seed phase	Investment stage	Investment stage
Describes financing trajectory as mentioned by Hellman.	Funding trajectory	Financing trajectory
Likes to work with VCs with specific market knowledge	Co-investors	Finding the right partners
Investors are dependent on each other. Describes funding trajectory as stepping stones as mentioned in academic research	Relationship BA and VC	Financing trajectory
Angel uses their own money, VC that of others. Makes emotional difference	Characteristics investor	Emotional angel
Impact of the founder on relationship BA and VC	Relationship BA and VC	Finding the right partners
VCs do not respect the money of angels	Relationship BA and VC/Conflict situation	Emotional angel
Angel needs other investors for future rounds	Relationship BA and VC/Funding trajectory	Financing trajectory
Recognizes that angels lack knowledge. Knowledge sessions could help	Conflict/professionalising angels	Solution Knowledge
Business angel networks should work cross borders.	Point of improvement Business Angel Network	Point of improvement Business Angel Networks
Founded company that focuses on increasing knowledge of angels	Professionalising of angels	Solution Knowledge
Angels bring specific market knowledge	Co-investors	Finding the right partners
Angel network invests in all sectors at the market entry stage	Investment stage/Investment solution	Investment stage
Angels experience less conflict when focus lays on finding a right future round investor	Conflict situation/conflict solution	Finding the right partners
Differences in characteristics and way of thinking between BA and VC surrounding valuation and potential results in conflict	Characteristics of investors/ Conflict situation Valuation	Conflict stemming from valuation differences/lack of knowledge

Transparency and clear rules are key to avoid conflict, start with a sound contract	Conflict solution	Solution Contracts
Business angel networks should work across borders.	Improvement points business angel networks	Point of improvement Business Angel Networks
Describes financing trajectory as mentioned by Hellman.	Funding Trajectory	Financing trajectory
Angel syndicates act as VC	Investor characteristics	Angel syndicates VS Sole angel
Business angels invest with own money, VC with that of others/Angel too emotionally involved in investments/Valuation too high compared to worth	Investor characteristics/Conflict situation valuation	Emotional angel/valuation differences leading to no investment
Conflict can be avoided through professionalising of angels	Conflict solution	Solution Knowledge
Angels' base valuation on emotions	Investor characteristics	Emotional angel/Solution knowledge
Angel too emotionally involved in investments/Valuation too high compared to worth	Investor characteristics/Conflict situation	emotional angel
VC more return focused than BA	Characteristics Investor	Venture governance (overinvolved angel)
Conflicts stemming from incomplete contracts angels and extensive contracts VCs	Conflict situation contracts	Conflict stemming from contracts
Use of dilution by BA leads to conflict, VC not investing	Conflict Contracts	Conflict stemming from contracts
Valuation leads to conflicts, as well as side-lining of angels	Conflict Valuation/contracts	Diminishing role Angel once VC enters
VC also side-lined once larger VC invests	Relationship BA and VC	Diminishing role Angel once VC enters
Business angel networks should work cross border.	Point of improvement Business Angel Network	Point of improvement Business Angel Networks
Describes financing trajectory as mentioned by Hellman.	Funding Trajectory	Future financing
Pooling of angels	Co-investors	Co-investment partner tendencies
Business angel network should join forces	Point of improvement Business Angel Network	Point of improvement Business Angel Networks

Business angel networks should work cross borders.	Point of improvement Business Angel Network	Point of improvement Business Angel Networks
Both BA and VC have a crucial role to play in start-up funding	Funding Trajectory	Future financing
Dependency of BA on VCs, VCs on angels	Relationship BA and VC	Relationship BA & VC
Own money vs other money	Investor Characteristics	Relationship BA & VC/Emotional angel
Clauses that are negative for BA set by VC lead to conflict. Dilution rights are important. Angels also side-lined due to contract	Conflict Contracts	Conflict stemming from contracts/angel side-lined
Conflict can be avoided by finding the right partner	Conflict solution	Future financing /finding the right partner
Founded organisation focused on angel research. Saw angels made many mistakes, required more knowledge	Conflict resolver	Solution Contracts
All stages of start-ups	Investment stage	Investment stage
Shouldn't matter with whom to invest. Relationship is key	Co-investors	Co-investment partner tendencies
Conflicts arising from the need for financing, shallow pockets or other factors lead to reduced bargaining position angels with VCs.	Funding Trajectory	Solution Knowledge
Angels should be happy to be bought out for a good IRR. Does not happen in practice, considers this to be a lack of knowledge	Investor Characteristics	Solution Knowledge
Angels' base valuation on gut, not knowledge. Do not know how to calculate certain things due to a lack of knowledge. Education is key	Conflict valuation	Solution Knowledge
The best thing business angel network can do is focus on educating angels	Point of improvement Business Angel Network	Solution Knowledge/Point of improvement business angel networks