



Master Thesis

Angels or Crowds?

The entrepreneurial dilemma of obtaining investments in the seed stage of new venturing: an exploratory study on successful matchmaking between entrepreneurs and informal investor typologies of business angels (BAs) and crowdfunding platforms (CFPs).

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Table of Contents

GLOSSARY	3
1. INTRODUCTION	4
1.1 BACKGROUND.....	4
1.2 DEFINING INFORMAL INVESTORS	6
1.2.1 <i>Business Angels</i>	7
1.2.2 <i>Crowdfunding</i>	8
1.3 DEFINING ENTREPRENEURS	9
2. RESEARCH OBJECTIVES	11
2.1 GOAL.....	11
2.2 RELEVANCE	13
2.3 RESEARCH QUESTIONS	15
2.4 METHODOLOGY	15
2.5 MATERIALS	17
3. LITERATURE REVIEW	18
3.1 CHARACTERISTICS	18
3.1.1 <i>Informal Investors</i>	19
3.1.2 <i>Entrepreneurs</i>	23
3.2 TYPOLOGIES	24
4. THEORETICAL PROPOSITIONS	27
5. EMPIRICAL RESEARCH STRATEGY	33
5.1 DATA COLLECTION.....	33
5.2 DATA ANALYSIS.....	35
6. RESULTS	37
6.1 TYPOLOGIES.....	37
6.2 KEY THEMES	39
6.2.1 <i>Initial Propositions</i>	39
6.2.2 <i>Revised Propositions</i>	47
6.2.3 <i>Newly Derived Propositions</i>	48
7. DISCUSSION	59
8. CONCLUSION	63
REFERENCES	66
APPENDIX A – DETAILED INFORMATION PARTICIPANTS	70
APPENDIX B – INTERVIEW QUESTIONS	73
APPENDIX C – TRANSCRIPT INTERVIEWS (SUMMARIZED)	76

Glossary

ABBREVIATIONS

BA	Business Angel
BAN	Business Angel Network
BGI	Born Global Investor
CFP	Crowdfunding Platform
EBAN	European Business Angel Network
TA	Technology Angel
VC	Venture Capitalist

1. Introduction

1.1 Background

For many years, the importance and value of entrepreneurship to economic growth and development has been recognized by various researchers (Parker, 2004; Van Praag & Versloot, 2007). Beside its scholarly recognition, a solid increase in entrepreneurial ventures and start-ups has reshaped several economies in the past years (Marcotte, 2013). However, the creation of such ventures is not a process without hurdles and several challenges exist. One of the main challenges for entrepreneurs is the acquirement of resources and funding in the early stage (start-up) of the venture creation process (Brush, Greene & Hart, 2001). Entrepreneurial start-ups often lack internal resources to commercialize their creative ideas, inventions and new product developments (Schneider & Veugelers, 2010). In times of economic recession or uncertainty, the challenge to acquire funds is even greater for innovative start-ups, since access to funding decreases even further (Lee, et al., 2015). For instance, Block & Sandner (2009) even found that the recent recession has led to a decrease of 20% per funding round. Therefore, entrepreneurs should carefully review their investment decisions in order to acquire the necessary funds.

Funding can be obtained in different ways and various options are open to entrepreneurs. Nowadays, the most common options are the use of venture capitalists (VCs), business angels (BAs) or crowdfunding platforms (CFPs) (Ordanini et al., 2011; Dutta & Folta, 2016). The latter is one of the newer funding alternatives and refers to collective decision-making via a social media platform in order to obtain funding for innovations (Bruton et al., 2015). Crowdfunding took off after the global financial crisis when more traditional sources, such as bank loans and venture capitalists, dried up (Bruton et al., 2015). It originates from the term ‘crowdsourcing’, which refers to the act of delegating a job or task to a large group of unknown people, and is mainly performed on online websites (Kleemann et al. 2008). Early 2012, crowdfunding has been legalized within the US and expectations are that the number of online platforms will increase distinctively in the future (Higgins, Stephan & Thursby, 2011).

A difference can be recognized in the purpose, timing and methodology of the various funding alternatives. Contrary to crowdfunding platforms and business angels, the conventional financing method of venture capitalists relies on indirect investments and large involvement in the company (Ordanini et al., 2011). VCs are structured to generate returns within a given time frame and they incur high transaction costs (Ho & Wong, 2007). Since VCs are intensively involved in the development of the new venture, the independence of the entrepreneur is lowered. This is also why VCs are often referred to as ‘formal investors’ (Aernoudt, 1999). This differs from business angels who tend to maintain a flexible mentality, and use informal control mechanisms to monitor the performance of the companies they have invested in (Dutta & Folta, 2016; Wong et al., 2009).

This informality and allowance for independence is also what online crowdfunding provides to entrepreneurs (Bruton et al., 2015; Drover et al., 2015). With crowdfunding, the investments are mainly anonymous and the investors do not have a stake in the company. The only reward they receive is merely the commercialization of the product, a pre-order once the product is finished, or a share in the profit (Macht & Weatherston, 2014; Belleflamme et al., 2014).

Another difference can be recognized in the timing of both informal and formal investors. Sohl (2003) has simplified the funding process in four different stages, namely: the pre-seed, seed, early and later stage. In the pre-seed stage, the so-called ‘bootstrapping methods’ are explored by obtaining small amounts of money from family and friends. After this stage, larger amounts of money are needed in order to start product development. This seed stage is often where informal investors such as business angels and crowdfunding platforms step in (Harrison & Mason, 2000; Tomczak & Brem, 2013).

Whereas informal investors such as business angels and crowdfunding platforms are mainly sought in the seed stage of the invention, VCs are often reached in the early and later phases when seed money has been provided and the product has been commercialized (Ibrahim, 2008; Paul et al., 2007; Van Osnabrugge, 2000; Bruton et al., 2015). Therefore, if the entrepreneur is in the seed stage of new venture creation but wants to maintain a certain level of decision power and control, he or she should opt for either a business angel or a crowdfunding platform (Drover et al., 2015). However, the acquisition of such funds is not guaranteed since many entrepreneurs do not know how to convince investors of their capabilities and their business potential (Mason & Kwok, 2010). The informal capital market encounters many inefficiencies, on both the side of the entrepreneur and the investor. Sohl (2007) investigated such inefficiencies and found out that they mainly occur due to the high search costs for both parties. A better understanding and possible improvement of this matchmaking process is much needed. A simplified version of the investment stage and investment amount is given in figure 1 below.

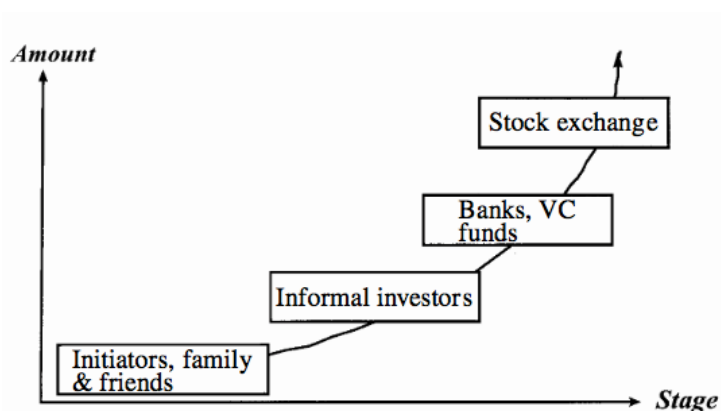


Figure 1. Investor types at various stages of new venture creation (adapted from: van Osnabrugge, 1998)

In the process of acquiring funds, the entrepreneur controls mainly three factors based on which funding decisions are made. Two of them are the *invention* and his *personal capabilities*. The third factor they have control over is the *presentation of their business plan* to different investors (Venkatamaran, 1997). The invention, the entrepreneur, and the presentation of the business plan are eventually the factors based on which investors decide to invest their money (MacMillan et al., 1986). However, informal investors operate according to different processes before they grant their funds. In order to increase the chances of success it is important for the entrepreneur to know which factors are prevailing and regarded fundamental in the funding decision. Currently, it is unknown which factors precisely influence the funding decision of informal investors and how and whether entrepreneurial traits should be matched.

Both types of informal investors, BAs and CFPs, have been researched independently. These studies aimed to derive factors that predict the success of gaining funds (Mollick, 2014; Parhankangas & Ehrlich, 2014). For crowdfunding, this has especially been revealed by Moritz & Block (2016), who established a list of different studies aiming to determine influential factors in the CFP investment process. However, research that also includes entrepreneurial characteristics and aim to predict the probability of funding influenced by characteristics of both BAs and CFPs is still limited. Moreover, apart from independent research on the types of informal investors, to the best of our knowledge no studies exist that have included both business angels and crowdfunding platforms (Schwienbacher, 2014). Especially when it comes to a more in-depth study on the different typologies that can be distinguished for both BAs and CFPs. Comparative analyses between different funding alternatives have only been conducted for bank loans, business angels and venture capitalists (De Bettignies & Brander, 2007; Elitzur & Gaviols, 2003; Ueda, 2000), thus neglecting crowdfunding. This reveals the opportunity to derive new insights, since as said multiple studies have indicated that the motivations of crowdfunding investors and business angels are rather similar (Agrawal, Catalini & Goldfarb, 2011; Mollick, 2013; Kuppaswamy & Bayus, 2015). These similarities might even be more evident than those of formal investors. Additionally, both types represent situations where individuals transfer liquidity outside of formal financial institutions (Freear et al., 1994). Still, anecdotal evidence indicates that different typologies of entrepreneurs do access either BAs or CFPs as source of informal investments. This is suggesting a sample selection mechanism in the way entrepreneurs and informal investors are able to match. Therefore, it seems relevant to further explore these factors and discover whether certain characteristics more likely lead to matchmaking of entrepreneurs with business angels or crowdfunding sources.

1.2 Defining Informal Investors

As mentioned, different stages usually require different types of investments. At the time the investor decides he is willing to invest in a new venture, a relationship is formed and an agreement is set-up. Since the different stages of the innovation attract different types of investors, these

agreements vary in content and formality. The content and formality determine how much decision making power is left for the entrepreneur and in which ways the investors are involved in the new venture. Venture capitalists often provide financial, administrative and strategic advice and establish a support network with lawyers and accountants (Cumming & Johan, 2013). The investments usually last over a period of 10-13 years, completed by an equity stake in the firms they invest in. In order to maintain control over all these aspects, formal control mechanisms like contracts need to be set-up and signed. The nature of these contracts tends to be more formal, since they specify the ownership and control and enforce them by law (Cumming & Johan, 2013).

The agreements made with informal investors are more relational based and contain less formalities. Business angels (or 'angel investors') are the most prevailing example of such informal agreements (Bygrave et al., 2003). Just like venture capitalists, BAs invest to gain capital and often buy shares in the business they invest in (Mason & Stark, 2004). However, they work with more flexible control mechanisms. This is also the case for CFPs that use none, or otherwise very informal agreements, to close the investment deal. A closer look at both informal investors is provided in the following subsections starting with a description of business angels.

1.2.1 Business Angels

In order to classify the business angels, it is important to provide some information on who they precisely are. Mason (2006) described business angels as "high net worth individuals who invest their own money, along with their time and expertise, directly in unquoted companies in which they have no family connection, in the hope of financial gain". It has been found that they comprise the largest source of external finance for entrepreneurs (Wetzel, 1983; Kelly & Hay, 2003). However, it is hard to determine exact numbers on their overall share of investments. This is mainly due to the fact that they are not part of directories and their investments are not publicly recorded (Mason & Harrison, 2002). Recently, the European Business Angel Network (EBAN) has published a research paper which describes the different figures of BAs and investments for every European country. Here was stated that angel investments in Europe in 2015 approached 6,1 billion Euros (EBAN, 2016). The Netherlands come in 16th place (out of 31 countries) with a total number of 1024 BAs, 81 investments and 12.2 million invested euros (EBAN, 2016). But apart from these numbers, there is no complete fact-based information on the amount of money they spend.

This is different when it comes to depict business angels personality traits, which are facts more easily derived through personal interviews and surveys. Mason (2006) tried to create a stereotype of business angels and noted that they are often males, are between the ages of 45-65, have been entrepreneurs themselves and are highly educated. The difference with the formal venture capital market (venture capitalists) is that they invest their own money (Mason, 2006). Moreover, besides the financial gain, or so-called 'monetary trigger', BAs also get satisfaction and enjoyment from the

involvement in the entrepreneurial process (Mason & Stark, 2004). They also contribute to the entrepreneurial process with non-financial support such as access to further capital and knowledge (Macht & Robinson, 2009).

Another difference between formal investors and BAs can be found in the relationship with the entrepreneur. Venture capitalists often add a provision to their contract which ensures that in case the entrepreneur underperforms, someone else can replace him or her. BAs take a different approach and do not use formal contractual provisions, but rely on their gut feeling to determine whether an entrepreneur is capable of managing the new venture (Mason & Stark, 2004). It is therefore that they usually highly value the ‘chemistry’ with the entrepreneur. This chemistry is about trust and monitoring in a situation of information asymmetries between two parties (BAs and entrepreneurs).

1.2.2 Crowdfunding

Next to business angels, a newer type of informal investor is the so-called crowdfunding platforms. To put it simple, crowdfunding is the funding of a project or new venture by a group of individuals that occurs without intermediaries and often uses the Internet as communication mode (Schwienbacher & Larralde, 2010). It originates from the term ‘crowdsourcing’, which referred to the act of delegating a job or task to a large group of unknown people (Kleemann et al. 2008). It is often seen as an ‘open call’ for financial resources, provided in the form of a donation or in exchange of a reward such as the right to vote for initiatives (Kleemann et al. 2008). A study by Lambert and Schwienbacher (2010) indicated that the market is still relatively young and has high growth potential.

One of the main benefits of crowdfunding is that it could signal the popularity of a project in the early stages, providing a framework for the potential demand to purchase the product or service that the new venture is trying to develop (Schwienbacher & Larralde, 2010). This is done through the monitoring of the amount of money and comments the project receives during the campaign. As already mentioned in the introduction, crowdfunding has similarities with business angels concerning the informality of the process and the new venture stage at which both types of investors are used. However, several differences exist, such as the risk level of the investment, the involvement of the source (the investor) and the sector the new venture will be operating on. The level of risk creates a difference is due to the fact that the cost per investor, and therefore the associated risk, is much lower at CFPs due to the large number of investors per project (Ordanini et al., 2011). The involvement of the source also differs, since CFPs are often online platforms where the physical distance between the investor and entrepreneur can be large.

Since crowdfunding often does not involve any type of contract between the investors and the entrepreneur, one might wonder what motivates or stimulates the investor. According to

Kleemann et al. (2008) motivations could either be intrinsic or extrinsic. The intrinsic motivation refers to the personal gain or pleasure that can be reached, the extrinsic motivation to rewards or monetary goods that can be obtained. Crowdfunding investors often experience intrinsic motivations such as dissatisfaction with existing solutions. Through the investment they have the possibility to create a product that will lead to a solution for their problems or needs (Kleemann et al., 2008).

1.3 Defining entrepreneurs

Historically, entrepreneurship has been described as ‘self-employment with an uncertain return’ (MCMullan & Long, 1990). Gartner (1990) has further developed the concept of entrepreneurship by highlighting eight different themes involved. These are summarized in table 1 below.

THEMES	DESCRIPTION
<i>ENTREPRENEUR</i>	Entrepreneurship is performed by individuals with unique personal characteristics.
<i>INNOVATION</i>	Entrepreneurship involves the creation of something new.
<i>ORGANIZATION CREATION</i>	One of the outcomes could be the creation of a new organization that commercializes the new idea.
<i>CREATING VALUE</i>	Entrepreneurship is closely linked to the creation of value, in either monetary or non-monetary terms.
<i>PROFIT OR NONPROFIT</i>	Entrepreneurship can be performed for profit or nonprofit purposes.
<i>GROWTH</i>	Growth is of vital importance for entrepreneurship and is what the entrepreneur aims for.
<i>UNIQUENESS</i>	It is suggested that entrepreneurship must involve uniqueness.
<i>THE OWNER- MANAGER</i>	Entrepreneurs are both owners and managers of their business.

Table 1. Explanation of entrepreneurship through the use of themes (adapted from Gartner, 1990).

It is hard to provide a general definition of entrepreneurship, and many scholars have attempted to do so (Sharma & Chrisman, 2007). Therefore, the definition as provided by Gartner (1990) in table 1 is not exhaustive but it summarizes the main features that are important to understand for the distinguishing of classifications later on. Furthermore, it can be argued that the creation of a new organization should not be included in the definition, since entrepreneurship could also be

performed within existing organizations (Sharma & Chrisman, 2007). However, this article mainly focuses on entrepreneurs that set up new ventures and need investments to expand. Therefore, the growth and innovation elements are vital decision factors, as well as the creation of value. Besides, the entrepreneur is responsible for the creation of growth and value and therefore his personal capabilities could be decisive in the decision of investors.

2. Research Objectives

This section will highlight the purpose of the research. In section 2.1 the main goal is outlined, based on various objectives. Section 2.2 goes on to discuss the theoretical and practical relevance of the research. In addition, the main research question is formulated, built upon by several sub questions. Section 2.4 describes the methodology and section 2.5 defines the materials that have been used.

2.1 Goal

The objective of this research is to enhance the understanding of entrepreneurial decision-making for the acquirement of funds in the seed stage of the new venturing process, by deriving knowledge and shedding light on the factors that influence the matchmaking between different typologies of entrepreneurs and informal investors (BAs and CFPs). Subsequently, this knowledge can be used to inform practitioners on how to make the best informal investor choice. General socio-economic conditions in society may constitute the main driver for funding and funding decisions in start-ups and innovative ventures. However, additional factors can potentially lead to a mismatch between the funding strategy of the entrepreneurial venture and the types of funding and investors. The nature of the research will be exploratory, since the topic has not yet been touched upon extensively and needs to be studied in greater detail.

It has been highlighted in the introduction that in general terms, entrepreneurs often face several hurdles and bottlenecks during the acquirement of funds. Particularly in the early stages of the venturing process, which has been further complicated by the recent economic recession (Brush, Greene & Hart, 2001; Lee et al., 2015). Moreover, besides the economic recession and other periods of uncertainty, other challenges can be recognized such as information asymmetries and high search costs (San José et al., 2005; Aernoudt, 2005). In order to avoid untimely and inefficient funding processes, it makes sense for the entrepreneur to be aware of the characteristics and factors that the informal investors deem important.

A previous study by Sohl (2003) has distinguished the following four stages in the funding process:

1. Pre-Seed
2. Seed / Start-Up
3. Early
4. Later

Whereas in the 'pre-seed stage' family and friends often fill in the smaller capital requirements, these are no longer sufficient in the second 'seed stage' (Van Osnabrugge & Robinson, 2000). In this seed stage, a significant amount of money is needed in order to move towards product development and market research (Shimasaki, 2009). This is often the stage where informal investors are approached, such as business angels and crowdfunding platforms (Harrison & Mason,

2000; Tomczak & Brem, 2013). Accordingly, this stage will be the subject of analysis within this research. In the early and later stage, venture capitalists step in to issue shares and cover for commercial manufacturing and sales (Shimasaki, 2009; Cumming & Johan, 2013). From the simplification into four different stages, it can thus be concluded that BAs and CFPs are used or approached in the same stage of the new venturing process. However, it is still unclear which type will create the best match with the entrepreneurial venture. Besides, many studies tend to use generalized forms of BAs and CFPs, whereas it is important to distinguish between different characteristics (Sørheim & Landström, 2001).

Even though the topic has gained increased attention over the years, there is still a lack of research into typologies of BAs and CFPs and how they might interact with different characteristics of the entrepreneurial venture. Meanwhile, research has pointed out several independent factors that influence funding decisions of both types. Whereas the entrepreneur could be characterized by his personal capabilities and the presentation of the business plan, the informal investors make decisions based on other factors. Examples of such factors are personal characteristics, level of risk and purpose. These are shortly discussed in the following paragraphs.

Concerning the personal characteristics, Mason & Stark (2004) found that business angels are often more interested in the capabilities of the entrepreneur than the business plan. This could be due to the fact that they have been entrepreneurs themselves and know how important personal characteristics favor the successful management of a new venture (Mason, 2006). Therefore, as a starting entrepreneur being convinced of your personal capabilities and persuasion power, pitching for a BA seems to provide you with a better deal than using a CFP. At CFPs the personal characteristics seem to be valued less. In this case the business plan is considered the main driver of their decision. This is due to the fact that CFPs often lack prior knowledge of the firm and entrepreneur. BAs and VCs are able to have more interpersonal interaction because they are the only investor involved (Rossi, 2014). Because CFPs often attract many investors per project who might not all be able to have direct contact with the entrepreneur, they have to limit their review to the potential of the business plan that is presented.

Other independent researchers have emphasized the influence of the risk level of the new venture on the investor decision. After investments from BAs have declined due to the recent economic recession, some signs indicated that BAs tend to focus their investments more and more to larger and established firms opposed to start-up ventures (Mason & Harrison, 2015). This may shift the focus from BAs to less risky investments, and therefore more secure screening of the new venture and entrepreneur. Entrepreneurial ventures that have previously been successfully funded by BAs might now have to opt for other sources of funding such as CFPs. This shift in focus from BAs based on risk, could be linked to certain product, market or entrepreneurial characteristics that do not deem fit. It has, in example, been found that BAs perceive high-technology firms with a higher

risk level (Mason & Harrison, 2004). This risk tends to be lower at CFPs, where the risk is shared among much more investors and their evaluation can be based on their own future use of the product (Rossi, 2014).

The last factor that is discussed here is the purpose of the creative idea, invention and product/service development. . Crowdfunding is mainly conducted on online platforms where the reward is often the pre-ordering of the product for investors. This might indicate that products, which are created for commercial use and the mass crowd, are more suited to this informal investment method. More specifically, Gerber & Hui (2013) found that crowdfunding creates the desire to collect rewards, either intangible (i.e. receiving compliments) or tangible (i.e. obtaining a gift). Therefore, many supporters compare the process to 'buying' or 'getting', which implicates the relation with the consumer experience (Gerber & Hui, 2013). Moreover, Rossi (2014) found that the most important funding category on CFPs are social causes. Gerber & Hui (2013) explain this occurrence by emphasizing that through crowdfunding, the ability arises to express your beliefs through exchange of financial resources and the possibility opens up to become part of a community. Here, the philanthropic behavior of 'giving' seems highly anticipated. Additionally, by making the donation publicly known on the webpage, the goodwill of the investor will be publicly displayed.

Recognizing these factors, complemented by the fact that both BAs and CFPs prefer to invest in the seed stage, it can be concluded that both are relevant subjects for analysis. Especially given the fact that the inclusion of both types or their different typologies has never been done in previous studies. Therefore, previous studies should be reviewed and detract relevant factors that are involved in the funding decision. Examples of the personal characteristics, risk and purpose are already presented but there might be many more with a significant influence. Based on previous studies on success factors, complemented by empirical evidence from actors in the field, more informed decisions for informal investors and entrepreneurs in the seed stage could be given.

2.2 Relevance

Theoretical Relevance

This research aims at contributing to several fields of knowledge based on the insights that are expected to be derived. Currently there is a lack of detailed research on the influential factors of the decision making process. The new value that is aimed to create, is based on the fact that the informal investors have been studied up close without using the existing generalized classifications. Based on all previous independent studies that have been conducted in order to try to describe the different characteristics of the investors as well as the elements that influence their decisions, this study aims to go even further. By sorting them to different typologies that are based on different dimensions, a more detailed description of the investors could be given. Furthermore this study

aims to include both types of informal investors, since they appear to have many common characteristics and prefer to use the same timings for their investments. Moreover, the newness is attributed by the inclusion of entrepreneurial characteristics. The study includes characteristics of both the investors and entrepreneurs, since previous studies limited the characteristics to only one type and made generalized assumptions about the other. The empirical research focuses on the derivation of insights on the matchmaking process by using both internal and external characteristics. These insights can serve as a starting point for other comparable studies on similar or other investor typologies. The adjusted propositions, based on theoretical evidence, could be tested in future research as well as the newly derived propositions. More specifically, the factors that are also detracted from previous independent studies can try to predict the outcome of future projects.

Practical Relevance

Although the concept of informal investors has been acknowledged and studied for many years, the funding decision process is subject to many cultural and economic changes. Given the fact that new ventures are ought to stimulate and enhance the growth of national and international economies, it seems rather logical to support their creation. The EBAN has additionally pointed out that BAs and CFPs comprise the largest source for early stage investments, and their numbers are growing (EBAN, 2016).

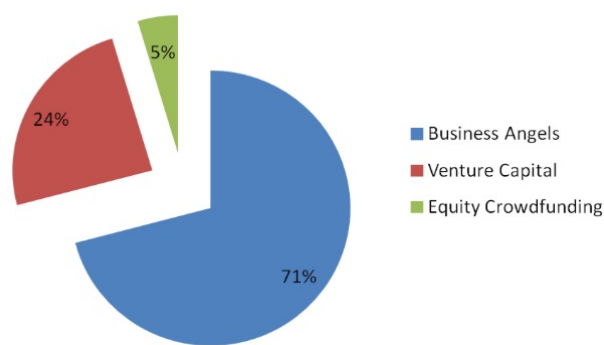


Figure 2. Investor types in early stage of new venture (adapted from: EBAN, 2016)

If success factors on matchmaking can be recognized for both funding decision processes related to business angels and crowdfunding platforms, it is possible to contribute to a more informed decision making process of the entrepreneur finding the right investor. In the light of the recent economic recession, where investors tend to be less eager to grant funds, creating the perfect match with an entrepreneur could overcome disappointments in the acquirement of funds. Furthermore, if the success factors for ideal matches between informal investors and the entrepreneur are known, this might even create the opportunity to set-up policies and guidelines that will guide the entrepreneurial investor decision.

2.3 Research Questions

As mentioned previously, the aim is to better understand what characteristics of the entrepreneurial venture influence the successful matchmaking with certain types of informal investors. More specifically, the goal is to provide a framework for the entrepreneur based on which he could take the most optimal informal investor decision in the seed stage. Therefore, the main research question is formulated as follows:

'What characteristics will create a successful match between different types of entrepreneurs and informal investors in the seed stage of the new venture?'

In order to answer the main research question, sub-questions will address specific issues. A conclusive list of these questions is presented below:

- SQ1: What does the current investment process look like for entrepreneurial ventures and which types of informal investors exist?
- SQ2: Which dimensions determine typical characteristics of informal investors and entrepreneurs?
- SQ3: How can these dimensional characteristics be translated into various typologies of entrepreneurs and informal investors?

2.4 Methodology

The methodology of the research has been developed into four different steps, in which is tried to provide an answer to the research questions. The first step will provide an answer to SQ1, the second step aims to answer SQ2 and the third step will cover elements of SQ3. The final step provides an answer to the main research question.

At first, a literature study is conducted in which the current investment process is analyzed and reviewed. This current investment process focuses on the actors involved and all the steps that need to be taken to eventually derive money from informal investor sources. In order to compare the funding typologies, the different factors that are subject of comparison should be defined. This is done with a content analysis of the literature and reviews of websites of intermediary organizations. The actors involved, the processes and the underlying values are highlighted, with a special emphasis on the role of informal investments.

In the second step, the informal investors that are the subject of analysis (BAs and CFPs) are investigated in closer detail, as well as the entrepreneurs. Based on several dimensions, various typologies are established. The factors that are investigated in previous studies are detracted and translated into characteristics that can be measured for all typologies. They have been distinguished based on sector, product and personal characteristics. Their current investment mechanisms are

studied and previous researches on independent success factors are used in preparation of the empirical research. Additionally, several actors, such as intermediary organizations who try to match entrepreneurs to (informal) investors, are asked about the different investor typologies. An example of such an intermediary organization is a so-called incubator. Incubators offer various services for new venture development, such as accommodation, management, access to finance (i.e. by linking them to business angels) and legal advice (Aernoudt, 2014). The BANs and incubators work in the same manner as match making websites, where supply and demand are matched based on a couple of factors they believe are important for a successful relationship (San José et al., 2005). Hence, theoretical propositions are established that can be tested in the analysis.

In the third step, empirical research is conducted based on qualitative data from semi-structured interviews. These are derived from two different perspectives: the informal investor and the entrepreneur. Due to the exploratory nature of the study, a qualitative data collection method has been used to derive insights that have not been discovered in literature thus far (Yin, 2003). The questions serve to aid theory development, since the central themes have not been strongly developed as of yet (Eisenhardt, 1989). The interview questions are conducted face-to-face and via Skype, providing the opportunity to observe verbal as well as non-verbal insights. First, the actors involved (business angels, entrepreneurs, crowdfunding platform founders and intermediary organizations) are questioned on the different propositions that have been derived from the literature study. After the adjustment of those, a series of open-ended questions is posed on the different preferential factors of successful matchmaking. Through the use of these open questions they will be able to share the factors they experience as successful in real life. A framework is created with different influential factors, based on the literature study and interviews with the actors involved (e.g. BAs, entrepreneurs, CFPs and intermediary organizations).

In the final step the results of the empirical analysis are provided and a clearer and more informed framework of the matchmaking process is created. The results are discussed, the limitations are described, and recommendations for future research are given. Figure 3 below provides an overview of the different steps taken.

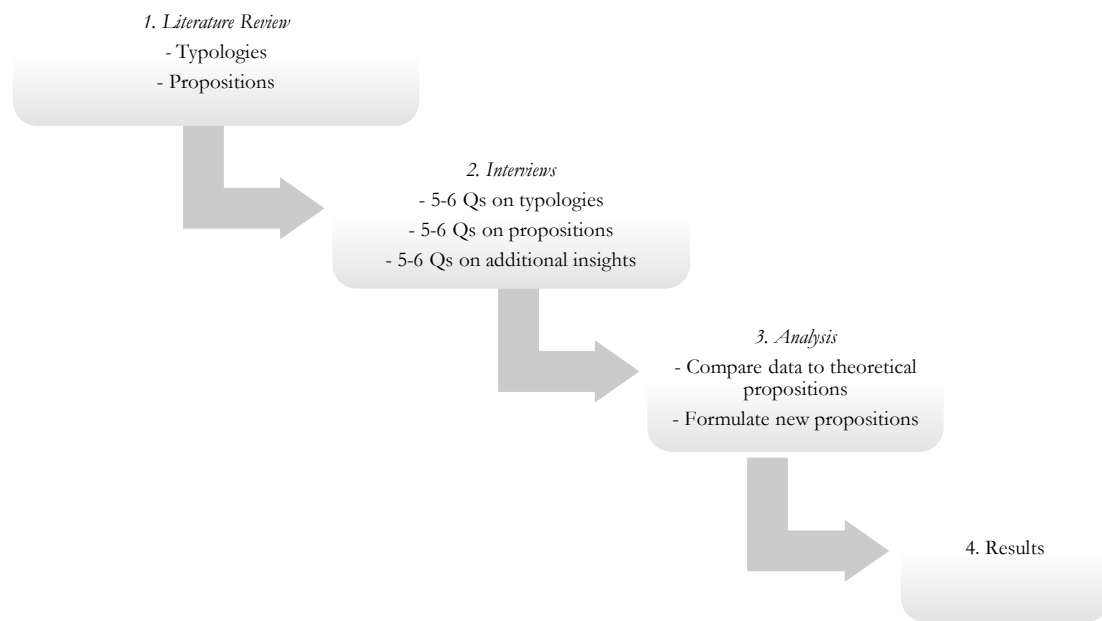


Figure 3. Overview of research steps (Source: Own elaboration)

2.5 Materials

Several materials and data sources are used throughout the research. For the literature study, online databases such as Google Scholar and SCOPUS have been used. Literature and journals on the decision making of informal investors are explored to provide the concrete theoretical background. In order to find relevant literature, key words such as ‘informal investors’, ‘funding decisions’, ‘success factors of funding’, ‘business angels’, ‘online crowdfunding platforms’ are used.

For the qualitative analysis, data sources such as business angels, entrepreneurs and founders of crowdfunding platforms are explored. These sources are able to highlight influential matching factors and background information on why they value certain factors. Concurrently, members of intermediary organizations such as investor networks and incubators are interviewed, since it is their job to create the perfect match.

3. Literature Review

In order to systematically compare the successful factors related to the matchmaking between entrepreneurs and informal investors it is useful to further investigate their different typologies. Section 3.1 describes different features (characteristics) of informal investors and entrepreneurs based on which they could be distinguished. The characteristics described have been used in the subsequent empirical analysis and in section 3.2 have been translated into main typologies. It is important to note that it is possible to identify typologies on a large number of characteristics, and therefore the characteristics used may not be exhaustive.

3.1 Characteristics

Many previous scholars tend to classify BAs by using general characteristics such as gender, age, level of education and wealth (Ramadani, 2009). For example, it has been found that BAs have; an average portfolio of two to five investments per year, invest locally and in unquoted companies, are mainly investing in the in seed/start-up phase, and invest in fields where they have knowledge (Ramadani, 2009). In addition, the average period from the start of their contract with the new venture to the final investment contract lies somewhere between 21 and 60 days (Stedler & Peters, 2003). However, many differences exist and so therefore more characteristics must be included since no investor is exactly same. The following paragraphs will try to categorize BAs, entrepreneurs and CFPs in less general terms based on several characteristics. The informal investors characteristics have been mainly derived from a study by Sørheim & Landström (2001), complemented by other studies that have touched upon their characteristics. The study of Sørheim & Landström (2001) was chosen due to its large sample size of 425 informal investors as well as the fact that they have derived their characteristics from many other studies. The characteristics of the entrepreneurs have been taken from a set of different studies and refer to both *internal* characteristics, referring to the entrepreneur, and *external* characteristics, related to the sector. The experience has been studied by Wright et al. (1997) and is used as a basis for the distinction between serial and novel entrepreneurs. The background of the entrepreneur refers to his scientific and academic knowledge, a topic that has been touched upon by Jones-Evans (1995), Samson & Gurdon (1993) and Harrison et al. (2010). These studies have been summarized into two simple classifications; technical and non-technical entrepreneurs. The target market is a characteristic that is created by the researcher based on studies that compared global vs. non-global operations and complex vs. non-assembled products. The characteristics that have been chosen all refer to studies that have already successfully shown a certain relationship or influence of these factors. Other characteristics such as age, race, gender and demographics have never appeared to establish a significant relationship with the funding decision and are therefore not subject of analysis (Pope & Sydnor, 2011; Marom et al., 2015; Mollick, 2014). All of the chosen characteristics aim to facilitate the creation of the typologies and classifications later on in section 3.2.

3.1.1 Informal Investors

Investment Size

BAs and CFPs are willing to invest different amounts of money to new ventures, varying from one-dollar to billions of dollars. The average investment conducted by BAs is between €60.000 to €100.000 (Aernoudt, 2005). Based on these numbers a distinction is made between low investment BAs (€0-€60.000), medium investment BAs (€60.000-€100.000) and high investment BAs (above €100.000). The average numbers closely relate to CFPs, where the average total investment approaches €80.000 (Best et al., 2013). It is difficult to determine the average figures per investor as it strongly depends on the type of project that is in need of funding. However, the project average can be calculated by dividing the total investment by the number of investors. Van Wingerden & Ryan (2015) aimed to do so on a number of projects and concluded that the average investment was between €4 and €55, which could lead to the same classifications of low CFP investors (€0-€4), medium CFP investors (€4-€55) and high CFP investors (above €55).

Investment Activity

Investing can be practiced as a routine-wise manner or as a one-time try-out. Some BAs are more experienced than others and spread their risk over a number of projects, while others who are new to the concept of investing are more likely to invest their money on one (lucky) project. Generally speaking, three different types of investors can be identified: the investor with experience, the interested potential investor with no experience and the uninterested potential investor (Freear et al., 1994). The experienced investors are willing to invest large sums of money and invest in multiple projects. The experienced investor will most likely invest in over 7 companies during a three-year period (Sørheim & Landström, 2001). As already mentioned, the interested potential investors are willing to invest but often lack the experience. These investors often need assistance in monitoring and start off with smaller amounts. It has also been found that investors with experience, sometimes known as 'serial angels', limit their investments to industries in which they have experience themselves (Van Osnabrugge, 1998).

Entrepreneurial Experience

It has frequently been argued that BAs are often former entrepreneurs (Mason, 2006). They possess previous entrepreneurial experience which the money they are currently investing has been acquired from. BAs who have set up one or more successful companies can be defined as experienced entrepreneurs. Another term to describe these types of BAs is 'cashed-out entrepreneurs', since they are highly likely to have sold their company for a large amount of money (Wong et al., 2009). The money that has been derived by selling the company, could now be used to invest in new ventures. They have more resources available, as well as knowledge on the new

venture process (Sørheim, 2005). The knowledge they possess of a certain industry in which they themselves have experience is often the reason why they invest in those industries. If they want to deliver additional support and to help the start-up grow by connecting several resources within their network, the BA must have close ties to the specific industry (Mason & Stark, 2004). Additionally, it helps them to realistically value the company that they are looking to invest in. Due to the fact that they have experience with managing a company themselves, the personality of the entrepreneur plays a big part in their investment decision (Mason & Stark, 2004). They are aware of the time and effort required with starting up a venture and how vital a capable manager is for the success of that process. For CFPs, it is not as common for the investors to have entrepreneurial experience. Besides, information on these facts is hard to derive and is therefore not included in the classification of typologies.

Motivation

Both BAs and investors at CFPs have different intrinsic and extrinsic motivations for their investments. Sullivan & Miller (1996) conducted research into the motivations of BAs and found three underlying typologies. The first is the economic investor, one who is focused on the maximization of wealth and financial gain. The economic investor is often willing to take higher risks if this might result in higher returns on the investment. The second type is the hedonistic investor that has non-economic reasons for investing. His motivations are often non-monetary rewards such as personal pleasure. The third typology is the altruistic investor that wants to help the entrepreneur and/or society. He will most likely invest small amounts with a long term focus in mind. Potential reasons for his investment could be the creation of jobs or the stimulation of the economy within a country (Sullivan & Miller, 1990).

These different motivations also apply to CFPs, since they can either adopt an equity-based or reward-based model (Mitra, 2012). The equity-based model offers the opportunity to buy a stake in the new firm and provides interest to the investors, creating a financial gain. The reward-based model provides incentives such as pre-orders and other types of non-monetary gifts. The reward-based model is the most common form of CFPs, however the equity-based model has received the greatest growth in the past couple of years (Mitra, 2012). Some argue that a mixture of reward-based and equity-based models should be established in order to fully adhere to the investors motivations (Cholakova & Clarisse, 2015). Additional insights show that the equity-based model works best for digital and technological projects, whereas the reward-based model seems to work best with projects tackling a social cause or those providing a societal benefit (Mitra, 2012). This might imply that people investing in a project on a CFP that offers non-monetary rewards are less triggered by financial incentives and like to support a social cause.

Involvement

Many studies have previously highlighted how BAs are focused on their relationship with the entrepreneur, in order to provide guidance and mentoring throughout the process. BAs that merely provide money have a transactional relationship with the entrepreneur and their involvement is considered very low (Mason & Stark, 2004). They will only provide money that they are willing to invest in exchange of financial returns in the future (hence 'transactional'). Other BAs are more active and will become board members and offer strategical and directional advice (Politis, 2008). They involve themselves in the daily management of the new company and assign themselves a certain extent of decision power. This way they are more able to control the money they have invested. Finally, some BAs prefer to take on the role of mentor and will have weekly meetings with the entrepreneur in order to discuss progress. They will deliver additional resources and help the entrepreneur wherever needed (Van Osnabrugge, 2000). This high level of involvement is often visible when the BA has entrepreneurial experience himself. However, some argue that serial BAs are often less involved (Van Osnabrugge, 1998). This could be due to the fact that they invest in multiple companies at the same time, limiting the available time they are able to give to each individual company. This means therefore it also depends on the personal characteristics of the BA as well as whether or not he or she will experience personal pleasure from taking on a leading role.

At CFPs, the psychological distance between the investor and the entrepreneur is greater. Sometimes, if the entrepreneur has shared his personal details, investors will be able to ask questions. However, they are never involved in active ways (Rossi, 2014). For CFPs the involvement will therefore always be considered as 'low'.

Single/Multi Investments

Investments can take place through one or a group of investors. For CFPs, this is not the case since the collective nature is already indicated in the name ('*crowdfunding*'). In the previous sections it has already been mentioned that serial angels often make use of collaborative investments (Van Osnabrugge, 1998). These collaborative investments are often established through BANs and investor groups (Aernoudt, 2005). The positive decision to invest made by another business angel with certain experience or knowledge of a company or industry, might provide an imperative for others to co-invest. In this way the risk can be shared amongst multiple investors and different BAs are able to deliver value to the new venture in many ways (Werth & Boert, 2013). Furthermore, the entrepreneur has access to more resources, facilitating a smooth start-up process and faster investment returns.

Due to the collective nature of *crowdfunding* the investments conducted on CFPs will always be considered 'multi-investments' (Schwienbacher & Larralde, 2010).

Source

Different sources are exploited by the investors in order to fund new ventures. The search process is different for any type of BA. Some are informed by people close by, such as family and friends, with whom they have a personal connection. These sources can be referred to as 'informal sources'. Others use search accelerators such as incubators, BA platforms and BA networks (Werth & Boeert, 2013). On the other hand, the BA may not actively be searching for new ventures, but through the media sees an opportunity.

Market risk can potentially offer an explanation for the difference. It has been found that the more the investor is concerned with the market, the less likely he or she is to make use of informal network sources (Fiet, 1995). For CFPs, their sources are hard to derive and will vary for many different investors across one project funding. Therefore, this characteristic is not used in the classification of their typologies.

Length of Investment

There is a difference between a quick reward, and a timely investment that will have a timelier estimation on returns. The average period in which a BA invests is three years (Sørheim & Landström, 2001). If the duration of investment is less than this, it is considered 'short-term' and anything greater than 3 years is considered as 'long-term'.

CFPs are often reward-based, providing a non-financial incentive to the investor. Therefore, we would expect these investors to be expecting a reward on the short term as they are waiting for their product to be developed (Belleflamme et al., 2014). Concerning the equity-based investors, these tend to expect financial gain and will invest for the mid-term or long-term, depending on the industry and type of venture.

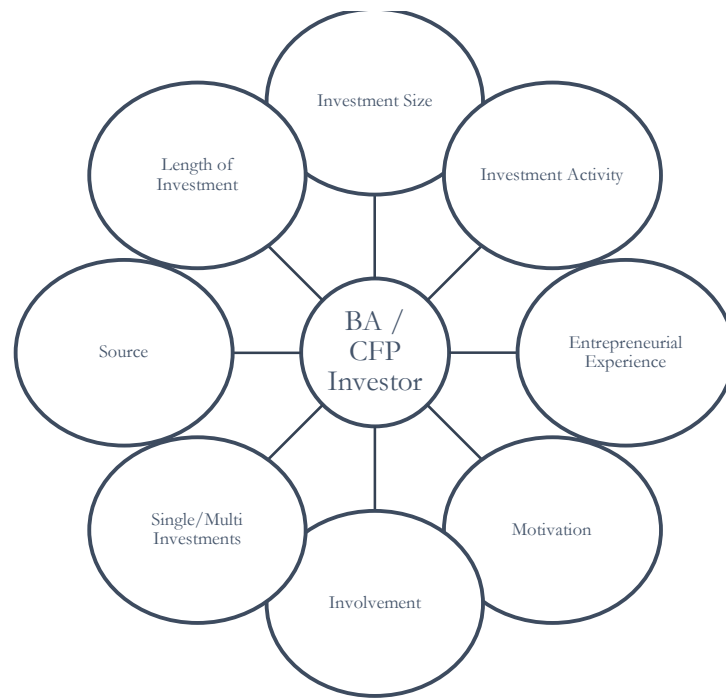


Figure 4. Overview of the characteristics for BAs, and CFPs (Source: Own elaboration of field study).

3.1.2 Entrepreneurs

Experience

As for the entrepreneur, different types can be distinguished based on their previous experiences. They can either be new to the phenomenon of venture creation, or have (limited) experience with setting up their own company. If the entrepreneur has experience based on the start-up of a previous company or companies, he or she can be considered a serial entrepreneur (Wright et al., 1997). No distinction is made between different types of serial entrepreneurs, solely the creation of one or more companies is sufficient. If the entrepreneur is going through the process for the first time, he or she is referred to as a novel entrepreneur. The BA is dependent on the skills and ability of the entrepreneur, who performs a service on his or her behalf (Kelly & Hay, 2003). This is the reason why BAs will extensively screen the entrepreneurial character and their experience.

Additionally, it appears that BAs are very interested in the characteristics of the management team. The entrepreneur is not always working alone and may potentially have a support team in place. Besides entrepreneur competency, the commitment (based on the will to survive and proceed in times to difficulties) of the team is regarded as a critical choice factor for BAs (Sudek, 2006).

Background

In addition to the experience of the entrepreneur, his background may also have a significant influence. Many scholars have attempted to distinguish between many different types of entrepreneurs and personal traits. For this research the background of the entrepreneur will be

simplified into two different types: technical or non-technical. Technical entrepreneurs are often referred to as entrepreneurs with an academic or scientific background (Jones-Evans, 1995). They come from a research-based environment such as universities and research institutes. It is often found that, due to this academic background, they lack experience and skills in managing a business (Samson & Gurdon, 1993). Entrepreneurs without an academic or scientific background will be considered non-technical. Interesting to note is that Harrison et al. (2010) found that technological firms in particular tend to receive more local investments.

Target Market

The target market that the entrepreneur is aiming at could determine its potential to different investors. Some ventures are created in order to apply to the mass market. They have commercialized an idea into a product or service that appeals to all sorts of customers. They could eventually start operating globally since the venture does not require a need for a specific industry. Marketing and multimedia tools are used to create awareness for the product, and even create a product demand. Due to the fact that they will operate internationally, it is likely that they will need to call upon a lot of resources (Heirman & Clarysse, 2004). This is different for ventures that are focused on a specific industry or a small niche market. The entrepreneur might have encountered an inefficiency or problem from a very specific market. These types of venture might not depend on mass multimedia tools, but instead solely on the communication with people within the industry network.

3.2 Typologies

The previous section has outlined the essential characteristics for BAs, CFPs and entrepreneurs. The mix of these characteristics make up the persona of the investor or entrepreneur in question. In order to simplify these different personalities, they are classified into different typologies. Previous studies have aimed to create typologies for BAs, based on all these different characteristics and competences. Sørheim & Landström (2001) distinguished four different types: *lotto angels*, *trader angels*, *analyst angels* and *real angels*. The *lotto angels* gamble with a small amount of money in a single investment and hope this will result in a quick and high reward. The *trader angels* invest more often with higher amounts. The *analyst angels* invest less often but due to their entrepreneurial experience engage actively with the companies they invest in. The same applies to *real angels*, although they tend to invest more often than analyst angels. The typologies and their related characteristics (as discussed in section 3.1 and previewed on the y-as) are presented in table 2 below.

	LOTTO ANGEL	TRADER ANGEL	ANALYST ANGEL / TECHNOLOGICAL ANGEL	REAL ANGEL / BORN GLOBAL INVESTOR
AMOUNT	Low	Moderate	High	High
INVESTMENT ACTIVITY	Low	High	Low	High
ENTREPRENEURIAL EXPERIENCE	Low	Low	High	High
FINANCIAL MOTIVATION	Low	High	High	High
INVOLVEMENT IN COMPANY	Low	Low- Moderate	Moderate	High
SINGLE/MULTI INVESTMENT	Single	x	Multi	Multi
SOURCE	Media	x	Friends / Colleagues	Business Networks
LENGTH OF INVESTMENT	Short- Term	Short- Term	Mid-Term (3 years)	Long-Term

Table 2. Characteristics of business angel typologies (Sørheim & Landström 2001).

Additional research has pointed out the differences between so-called ‘born global investors’ (BGIs) and other informal investor types (Moen et al., 2008). These BGIs are interested in start-ups that can easily operate on international markets and expand rapidly. It was found that they invest in a large number of projects, are very experienced and their investments tend to be large. For these reasons, BGIs can easily be related to the ‘real angels’ as indicated in table 2. Other research aimed to compare technology angels (TAs) with other types of informal investors (Erikson & Sørheim, 2005). Opposed to the BGIs, technology angels are not attracted to the global potential of the company but are merely interested in the fact that they operate in the technological industry. The study pointed out that TAs use social networks as their main source and are very actively involved in the company they invest in. When looking at the typologies of table 2 these TAs could easily be classified under the ‘analyst angels’.

When applying the same characteristics to the two different types of CFPs based on previous studies and a generalization of previous findings, one could come up with the categorizations indicated in table 3. Entrepreneurial experience is left out, since it is unknown and impossible to find out whether all the investors operating on CFPs have entrepreneurial experience. The same

applies to the source, since it is very difficult to determine how all the investors got to know the project or CFP. What is striking is that the equity-based CFP investors have very close connotations to the ‘real angels’. Looking further, the reward-based CFP investors are very much related to the ‘lotto angels’.

	EQUITY-BASED CFP INVESTORS	REWARD-BASED CFP INVESTORS
AMOUNT	Moderate-High	Low-Moderate
INVESTMENT ACTIVITY	High	Low
FINANCIAL MOTIVATION	High	Low
INVOLVEMENT IN COMPANY	Low	Low
SINGLE/MULTI INVESTMENTS	Multi	Multi
LENGTH OF INVESTMENT	Mid-Term/Long-Term	Short-Term

Table 3. Characteristics of CFPs typologies (Source: Own elaboration on literature review)

Based on the characteristics provided in section 3.1.2, one could create six types of entrepreneurs. These are indicated in table 4 below.

Experience	Serial	Novel
Background	Technical	Non-technical
Target Market	Mass Market	Specific Industry

Table 4. Entrepreneurial characteristics (Source: Own elaboration on literature review)

4. Theoretical Propositions

Even though the different informal investor typologies have not been studied on the detailed level of their typologies so far, many scholars have touched upon the different concepts involved in the matchmaking process. This was also evident in the characteristics that could be derived independently for the BAs and CFPs. After the desk analysis in chapter 3, this chapter aims to conceptually connect the traits and typologies of investors and entrepreneurs. This is done to make sense of potential and ideal-typical match-making conditions. These are represented in theoretical propositions and divided into three different themes that distinguish the entrepreneurs and connects the characteristics of informal investors to these features. These will serve as a main starting point for the empirical analysis presented later on in this research.

Experience

The very fact that BAs are usually former entrepreneurs, indicates that they are experienced with venture creation and have market and market potential knowledge. Therefore, business angels tend to look more critically at the entrepreneurial characteristics (Aernoudt, 1999). This is even more the case when they have experience in a certain sector and therefore able to identify the risks of the market themselves. This is also what Ibrahim (2008) highlighted, concluding that BAs investment decisions are often relationship-driven and will be determined by either of knowledge of the entrepreneur or the specific industry. It might be beneficial if the entrepreneur is a serial entrepreneur, opposed to someone who is setting up a venture for the first time. Zhang (2011) researched this concept in detail and found that serial entrepreneurs, in general, are more likely to receive funding opposed to novel entrepreneurs. The experience of managing a start-up and the learning process is attractive to business angels.

The main competence that BAs are looking for when screening the entrepreneur is the ability to lead a firm (Aernoudt, 1999). This becomes evident from the capacity to demonstrate and use leadership to influence internal and external stakeholders and drive action. This is especially the case for the *Lotto Angels* and *Trader Angels* who are not actively involved in the company. Serial entrepreneurs might have this leading experience in favor over novel entrepreneurs. Additionally, the *Lotto Angels* and *Trader Angels* tend to opt for short-term investments. They want to see a quick return on investment, which could be generated by previous experience of a serial entrepreneur. The exact same applies to the *Reward-based CFPs* who tend to have these characteristics in common with *Lotto Angels* and *Trader Angels*.

Another element highlighted was that BAs are very interested in the characteristics of the management team (Mason & Stark, 2004). If the entrepreneur already has a team in place exhibiting some of these choice factors, it is expected that this will positively influence the funding decision of the BA. The presence of a team is more likely at serial entrepreneurs compared to novel

entrepreneurs. The experience with previous ventures might have attracted employees or other human resources and established an organized team. For CFPs, this topic has never been researched in detail. The interest of CFP investors overall seems, to be more focused on the project quality rather than the entrepreneur or the entrepreneurial team (Mollick, 2014). Moreover, with Kickstarter, the most well-known and sophisticated CFP¹, it is not even possible to select the presence of a team in the selection criterion of either the entrepreneur or investor.

Based on the characteristics mentioned above, the first proposition that could therefore be created is:

Proposition 1: Lotto Angels, Trader Angel and Reward-based CFPs are more likely to create a match with serial entrepreneurs due to their lack of involvement in the company, which can be compensated by the entrepreneurial experience.

A novel entrepreneur is new to the start-up process and will therefore be more interested with the level of involvement. Serial entrepreneurs know how the process works and have obtained finance before. Novel entrepreneurs are not and have a more profound need of guidance, which can be better established when the investments come from a group of investors that are willing to play a role in the process. These competences can be recognized at *Analyst Angels* and *Real Angels*. They are to a large extent involved in the companies and also co-invest with other investors. This might also accelerate the process of the obtaining the necessary resources, since novel entrepreneurs might have limited access to those. The second proposition that could therefore be created is:

Proposition 2: Analyst Angels and Real Angels are more likely to create a successful match with novel entrepreneurs due to their involvement in the company and the fact that they often conduct co-investments.

Background

The fact that technological firms often receive more local investments could be because of their complex nature, which requires close monitoring and the need for a strict organization of sources. Often, investors of technological companies are exposed to high systematic risks. Technical entrepreneurs are often considered less experienced and less able to manage a company. They might benefit from the knowledge and experience of BAs in this regard and will, next to their

¹ www.kickstarter.com

financial needs, also be looking for guidance (Erikson & Sørheim, 2005). *Analyst Angels* and *Real Angels* will be especially interested in financing technical entrepreneurs setting up a venture. Investing, just like any other types of financing methods, is always subject to a certain level of risk. BAs in particular have the desire to minimize this risk (Harrison et al., 2010). By taking part in the entrepreneurial team, *Analyst Angels* and *Real Angels* reduce the “liability of newness” by using their knowledge and previous entrepreneurial experience (Sørheim, 2005). Especially in light of the recent economic crisis, they tend to use more secure risk screening techniques since their own capital might be constrained. This screening is also important because their investment amount is higher. Technical entrepreneurs are often involved in technological ventures. Often, these ventures need to develop prototypes in order to convince investors and potential customers of the company or product potential. Hence the large sums that Analyst Angels and Real Angels are able to provide seem to create a perfect match.

Proposition 3: Analyst Angels and Real Angels are likely to create a match with technical entrepreneurs.

Target Market

If the entrepreneur is operating in a complex industry, the need for a supporting role of the BA is more profound due to the possible need for advice and greater sums of money. Examples of complex industries are high value capital goods and high tech industries, where many different stakeholders are involved and the value chain consists of many cycles and linkages (Davies & Hobday, 2005). Mason & Stark (2004) also found that the market and its growth potential are especially relevant for business angels. The same will apply to *Equity-based CFPs* who also expect a return on investment. Even though business angels are not as much in it for the return on investment as formal investors, they still expect an average 20% ROI (Aernoudt, 1999). This is not the case at *Reward-based CFPs* where the benefit for the investor, derived from non-monetary gifts such as the pre-ordering of the project, is considered the main driver (Tomczak & Brem, 2013). The BAs who are highly focused on financial rewards will in particular be keen on the growth potential of the market that the new venture belongs to, namely the *Trader Angels*, *Analyst Angels*, and *Real Angels*. In addition to this, the *Real Angels* can be compared to the *Born Global Investors*, who invest mainly in companies that will operate in an international environment. Besides the entrepreneurial characteristics, limited growth potential and unrealistic equity pricing are the main reasons for rejection (Prowse, 1998). BAs are an important financial source in the seed stage of the new venture, but over time the venture will grow and proceed to further stages. Eventually, in the latter stages, VCs step in and fill other equity gaps. Therefore, BAs are often seen as the facilitators

for further finance (Sørheim 2005). In order to establish an exit and attract further financing, there is a need for high growth potential in the market. One way to establish growth is when the venture can operate in the mass market. These ventures will be of specific interest to the *Trader Angels*, *Analyst Angels* and *Real Angels*.

Reward-based CFPs are less dependent on market growth due to the use of other incentive structures. The most common reward system enables investors to receive the product first, once it is finished, creating an incentive for early adaptors of innovations (Gerber & Hui, 2013). The completion of the project therefore plays a more crucial role compared to the limits and potentials of the market. However, the reward needs to be interesting for a large group of investors, already the case when the project is aimed at the mass market. *Reward-based CFPs* give an overview of the popularity of the product before it has been manufactured and could forecast demand and cover production costs (Tomczak & Brem, 2013). The creation of demand in such early stages of venture creation also rises the level of impatience based on the promised reward. *Reward-based CFP* investors often experience intrinsic motivations such as dissatisfaction with existing solutions. Through the investment they have the ability to create a product that will lead to a better solution (Kleemann et al., 2008). The only way in which this can be beneficial for the entrepreneur is when he is able to meet the expectations and can use this wish for a better solution as a stimulus for buying. This way, a crowdfunding campaign indirectly serves as a marketing tool, promoting the the project even before it is finished (Agrawal et al., 2013). The efficient use of these marketing techniques, can only be exploited when the project adheres to the needs of a large crowd. This is mainly the case with projects that generate community benefits through the consumption of goods (Belleflamme et al., 2014).

Based on the characteristics highlighted above, one could create the following proposition:

Proposition 4: *Trader Angels*, *Analyst Angels*, *Real Angels* and *Reward-based CFPs* are more likely to create a match with projects aiming for the mass market.

It has already been argued that BAs are not recorded in public databases and exact numbers concerning their investment levels are difficult to determine. However, Kelly (2007) argues that this discrete and invisible nature could also have its advantages for entrepreneurs. It provides an incentive to entrepreneurs who wish to remain and retain some elements of secrecy and do not want others to know the exact level and details of the funding and/or the investor. Additionally, entrepreneurs can proceed with the creation and structuring of the new venture without the involvement of potential customers. This will be the case when the venture will be operating on a specific market. Through consulting his network, he is able to generate additional resources needed

to overcome product or industry complexities (Politis, 2008). The expertise they provide, either by themselves or through the use of their network, will make it easier for the new venture to successfully operate in a specific market.

If we compare these complementarities with CFPs, taking into account the purpose of serving a customer experience need, the average investor will not have access to additional resources, nor are they aware of product value that could deliver in such industries. Through this generalization, the following proposition can be proposed:

Proposition 5: Ventures operating in a specific market will be more likely found a match with BAs than CFPs.

The following table briefly summarizes the propositions (column 1) and the typologies of investors and entrepreneurs that are likely to create a match based on these propositions (column 1 and 2).

Propositions	Informal Investor Typologies	Entrepreneurial Typologies
<i>1: Lotto Angels, Trader Angels and Reward-based CFPs are more likely to create a match with serial entrepreneurs due to their lack of involvement in the company which could be compensated by the entrepreneurial experience.</i>	Lotto Angels, Trader Angel, Reward-based CFPs	Serial Entrepreneurs
<i>2: Analyst Angels and Real Angels are more likely to create a successful match with novel entrepreneurs due to their involvement in the company and the fact that they often conduct co-investments.</i>	Analyst Angels, Real Angels	Novel Entrepreneurs
<i>3: Analyst Angels and Real Angels are likely to create a match with technical entrepreneurs.</i>	Analyst Angels, Real Angels	Technical Entrepreneurs
<i>4: Trader Angels, Analyst Angels, Real Angels and Reward-based CFPs are more likely to create a match with projects aiming for the mass market.</i>	Trader Angels, Analyst Angels, Real Angels, Reward-based CFPs	Mass Market
<i>5: Ventures operating in a specific market will be more likely found a match with BAs than CFPs.</i>	BAs	Specific Industry

Table 5. Overview of propositions on matches between investors and entrepreneurs (Source: Own elaboration on fieldwork data)

5. Empirical Research Strategy

This chapter explains the specific research strategy and methods for the data collection used for our analysis. These are discussed in section 5.1 and 5.2 respectively.

5.1 Data Collection

In order to ensure reliability and validity throughout the analysis, experts who have observed matchmaking processes, were interviewed and approached. The sources and actors in the field were found through the personal network of the researcher and by filling out contact forms on websites or social platforms such as LinkedIn² and Facebook³. Members of several Dutch intermediary organizations such as Collin Crowdfund⁴ and Kplusv⁵ were asked if they were willing to conduct an interview or set-up an interview with one of the BAs or entrepreneurs from within their network. Additionally, Dutch BAs were interviewed that were not members of a national BAN, but who were introduced to the researcher by word-of-mouth. The same applies to the entrepreneurs and crowdfunding platforms. Through search engines, and (Dutch) websites of companies, contact information that was publicly available was found. These included The Investment Network⁶, Droomzaken⁷, Wsf Financial Engineering & Coaching⁸, De Breed & Partners⁹ and Present Your Startup¹⁰. An interview request letter was subsequently sent to the contacts researched. The letters were frequently dealt with by the organization's secretaries who then directed the request to the right persons. These were either contacted via e-mail or telephone by the researcher in order to find out whether they would be interested in a face-to-face interview. In general, several selection criteria were used upfront in order to determine whether the interviewee was a suitable subject for the research. During the initial contact (via e-mail exchange and phone calls) the interviewees were asked to summarize their investing experience and possible position within their firm. Here, it was important that they had *invested themselves* (regardless of the amount of money and number of times) in *start-ups or entrepreneurial ventures* or that they could indicate they had a *function within the investment process* in which they *worked closely with entrepreneurs, BAs and/or CFPs*. They were asked from when and in which position and perspective was their experience. This criterion was important in order to apply to the characteristics of the typologies and to derive conclusions on the propositions. For the entrepreneurs it was only necessary that they were, or had previously been, in *need of external finance* and that the finance was needed to *expand*

² <https://www.linkedin.com>

³ <https://www.facebook.com>

⁴ <https://www.collincrowdfund.nl>

⁵ <http://www.kplusv.nl>

⁶ <https://www.angelinvestmentnetwork.nl/>

⁷ <http://www.droomzaken.nl/>

⁸ <http://www.wfs-fd.nl/>

⁹ <https://www.debreed.nl/>

¹⁰ <http://www.presentyourstartup.nl/>

their new venture. If this was not the case, the characteristics could not be linked to the influential characteristics for the BA and CFP typologies. Once it was clear that the selection criteria had been met, an appointment was scheduled for a face-to-face interview. Concerning the BAs, only a limited number of them were willing to be interviewed and share personal information on their investments. Due to the fact that they prefer to remain anonymous and refrain from public or private research, a sampling error could occur. Therefore, a sample from different sources was attempted (Mason & Harrison, 1996). Here, BAs with different backgrounds and linked to various types of BANs have been chosen to allow for a more realistic representation of the BAs in the market. In total, 10 participants were interviewed, who have referred to numerous matchmaking experiences they were part of or able to observe from up close.

The interviewees were able to indicate whether they preferred to remain anonymous. Every participant was given a reference number. Concurrently, an indication of the typology, their industry and their real names are presented. These were created in chronological order, based on the timing of the interviews. According to their wishes, some of them are displayed in an anonymized form. A summary of the interviewees and their typologies can be found in Appendix A.

All the interviews and data collection was conducted directly by the researcher. We claim to have adopted any approach to ensure objectivity in order to ensure data credibility (Patton, 2002). The interviewees were able to answer the open-ended questions without being interrupted (Marshall & Rossman, 2011). A list containing the questions was shared upfront with the interviewees in order to allow them to prepare their answers. The interviews were recorded with the permission of every interviewee and subsequently translated and transcoded. They were carried out in various locations. All of them were performed during a three-month time period (June - August) in 2016. If the person was not available for a face-to-face interview, they were interviewed through Skype. This was the case for one interviewee. The interview usually started off with a personal introduction of the interviewee and a short description of his or her career in the field. After this, around 5 or 6 questions were asked in order to determine the specific typology of the interviewee. These questions all referred to the specific characteristics belonging to the various typologies of entrepreneurs, BAs and CFPs. They were classified according to their investment size, investment activity, entrepreneurial experience, reward, involvement, single/multi investments, source and period. An example of such a question was: 'How many ventures do you invest in, on average per year (low/moderate/high)?' The questions enabled classification of the interviewee into one of the six different types of informal investors. For the instances that the interviewee did not want to answer any of the questions, he or she was still classified based on the remaining answers that he or she gave.

After the factual questions, a series of open ended questions was asked in order to gain insights about the perceptions and opinions of the interviewee. These could either be derived from personal experiences, or from market observations. These were important to recognize the intentions or reasons for certain matchmaking factors. All the open questions referred to the propositions that were established upfront, in order to analyze whether these propositions were based on true observations from the field. An example of such an open ended question was: ‘Does the experience of the entrepreneur play a big role in the investment decision?’. Based on this question, it could be determined whether they had a preference for a serial or a novel entrepreneur. Additionally, every interviewee was asked to link their answer to a previous investment they had done or received.

In the final step they were granted the opportunity to add any additional comments or insights on influential factors. This allowed for the opportunity to investigate characteristics and typologies that might not have been included in the propositions. A simplified version of the questions asked during the interviews is provided in Appendix B.

The interview transcripts are summarized in Appendix C. These include only the relevant excerpts. Table 6 summarizes the number of participants in each category.

Interviewee	Interviews
Business Angels	3
Entrepreneurs	3
Crowdfunding Founders	2
Intermediary Organization	2

Table 6. Descriptive summary of participants

5.2 Data Analysis

For the data analysis, the commonly used qualitative research techniques were carried out. These included (re)reading the transcripts, coding the data into comprehensive themes related to existing or non-existing propositions.

The analysis was proceeded in a step-wise manner, allowing for a structured comparison. First, based on a series of 5-10 questions it was determined what typology the interviewee belonged to. These characteristics were derived from the study of Sørheim & Landström (2001) and have further been elaborated on in section 3.2. The interviewee was classified into one of the four BA typologies, one of the two CFP typologies or one of the six entrepreneurial typologies. After this categorization, questions were asked as related to the theoretical propositions. The goal of these

questions was to determine whether certain typologies were more likely to create a match with each other. All of the answers were compared in order to find similarities and dissimilarities. Additionally, they have been contrasted against the theoretical propositions. Based on the answers and factual data, it could be determined which propositions were likely to be 'true'. In the final step, open questions on influential factors were used to establish additional propositions that had not been covered in the literature study. Hence, these new insights were codified into new characteristics.

6. Results

This chapter describes the results that were discovered from the different interviews. First, the structured questions are discussed that are meant to sort the interviewees into different typologies. This can be found in section 6.1. In the next section, the open questions are discussed and linked to the propositions. In case necessary, the traditional propositions were adjusted based on the answers that were given. Additionally, newly derived propositions were formed based on different answers that could not be linked to the existing propositions. These newly derived propositions could be divided into four different themes. These four new propositions are summarized in section 6.2.2.

6.1 Typologies

The questions asked at the beginning of the interview process were used to classify the interviewees into certain typologies. A shortened (descriptive) version of their answers including the characteristics that were key for the classification into typologies are listed in table 7 below:

Label	Background	Typology
Interviewee 1	A business angel who has previous experience in entrepreneurship. He invests usually over €100.000, - in more than five companies per year. He is very much focused on the financial reward, but also takes great pleasure in guiding young ventures. The companies are mainly found in his personal network and he is not afraid of investments that might take 5-10 years.	Business Angel (Real Angel)
Interviewee 2	An entrepreneur who has had multiple companies in the software industry. He has an academic and technical background from which he derived his expertise in the industry. His companies are not operating on the mass market but rather in specific markets focused on software applications within certain sectors.	Entrepreneur (Serial, Technical, Specific Industry)
Interviewee 3	An entrepreneur who is currently running her first company. She recently received her first investment for this sophisticated clothing shop. She has no background in fashion or service industries. Her product is focused on the mass (female) market and might have the potential to go abroad.	Entrepreneur (Novel, Non-Technical, Mass Market)
Interviewee 4	An entrepreneur with multiple companies, who currently also manages some funds for start-ups. She has a background in internet applications and mobile apps, also the focus of her	Entrepreneur (Serial, Technical, Mass Market)

	companies. They are focused on the mass consumer market.	
Interviewee 5	A former entrepreneur and founder of the biggest Dutch crowdfunding platform called ‘Geld Voor Elkaar’ ¹¹ (free translation: Money for Each Other). It is up to the founder of the project that is seeking finance, to provide an additional incentive next to interest on their investment. Even though he invests through CFPs himself, he frantically believes that the projects should be supported by the market and not by institutional investment banks and companies.	Founder of crowdfunding platform (Reward-based and Equity-based)
Interviewee 6	Advisor at an intermediary organization. His specific role is to create a match with informal investors through platforms and start-up events with BAs. The BAs invest over €100.000 on companies and often conduct multi-investments. The financial gain is the main focus, since they always work towards an exit-strategy within their five to seven-year horizon.	Advisor at intermediary organization (multiple typologies)
Interviewee 7	The CEO of a crowdfunding platform for serial entrepreneurs called Kapitaal Op Maat. It is an equity-based CFP with a high focus on financial rewards. The investor involvement in the company is low, and is not organized through the platform itself. The investment period varies between four months to approximately ten years, with an average of four years.	Founder of crowdfunding platform (Equity-based)
Interviewee 8	A connector between entrepreneurs and investors at the intermediary organization Collin Crowdfund. He operates as a so-called ‘crowdfunding coach’ where he tries to connect entrepreneurs to investors from his personal network. These contacts are often derived from his previous experience in offering financial services. The investments start at €500, - and both financial support and expertise can be offered. The relationships that are formed are meant to last for the long term.	Crowdfunding coach at intermediary organization (multiple typologies)

¹¹ www.geldvoorelkaar.nl

Interviewee 9	Business angel who is also owner of the Dutch company called 'Droomzaken'. He invests in start-ups with a social purpose. Besides his personal investments he also conducts multi-investments through the network called Investeerdclub. The investments could lead up to €600.000, -. Yearly, he funds around 20 companies, with investments lasting between 1-7 years.	Business Angel (Analyst Angel / Technological Angel)
Interviewee 10	Business angel with distinctive entrepreneurial experience. Actively involved at 'The Investor Network', a Dutch company which organizes meetings in order for entrepreneurs and investors to meet. He is actively involved in the companies he invests in, and prefers to invest for a period of 3-4 years.	Business Angel (Real Angel)

Table 7. Interviewee Typologies

6.2 Key Themes

This section will highlight the findings that were derived from the open ended questions. First, sub section 6.2.1 will discuss the findings that can be linked to the initial propositions that have been created in chapter 4. These needed to be revised based on the qualitative and preliminary evidence from the interviews, which has been done in sub section 6.2.2. Sub section 6.2.3 discusses additional findings and the newly derived propositions that were mentioned by the interviewees but could not relate to the characteristics of the initial propositions.

6.2.1 Initial Propositions

This section discusses the findings that relate to the initial propositions. These are shortly presented below in table 8 and thereafter discussed according to the established themes.

Entrepreneurial Characteristics	Initial propositions
Experience	<ol style="list-style-type: none"> 1. Lotto Angels, Trader Angel and Reward-based CFPs are more likely to create a match with serial entrepreneurs due to their lack of involvement in the company which could be compensated by the entrepreneurial experience. 2. Analyst Angels and Real Angels are more likely to create a successful match with novel entrepreneurs due to their involvement in the company and the fact that they often conduct co-investments.
Background	<ol style="list-style-type: none"> 3. Analyst Angels and Real Angels are likely to create a match with technical entrepreneurs.
Target Market	<ol style="list-style-type: none"> 4. Trader Angels, Analyst Angels, Real Angels and Reward-based CFPs are more likely to create a match with projects aiming for the mass market. 5. Ventures operating in a specific market will be more likely found a match with BAs than CFPs.

Table 8. Overview of initial propositions and their themes

Serial/Novel Entrepreneurs

To determine the preference for novel and serial entrepreneurs, the interviewees have been questioned on their preference for experience. Only interviewee 5 briefly indicated the specific preference to invest in the venture of a serial entrepreneur. This founder of the biggest Dutch CFP mentioned that even an extra non-financial incentive would not create a motivation to engage in other ways with the new company.

“Nowadays, investing on CFPs is something that everyone can do. You, me and everybody with a little bit of money available is now able to ‘invest’ in the projects they like. It is even possible to go completely anonymous and besides interest and some additional non-financial incentives I do not think people like to engage in other ways. Additionally, I do not think that that is the reason that attracts entrepreneurs. CFPs are for funding and they will turn to other resources for support on managing a business.”
(Interviewee 5)

The specific interest in serial entrepreneurs is also visible in the guidelines of the CFP from interviewee 7. Only ventures that can be reviewed on financial indicators are able to apply for a

spot on his platform. The reason for this is mainly risk management. Investors are currently much more interested in projects with a low-risk profile due to the economic crises.

“We know that 5% of all start-ups fail. It is therefore that we think that novel entrepreneurs are better off using other financing methods. We want to guarantee a successful investment for our investors, for which we analyze historic data of companies and entrepreneurs. A successful portfolio is promising for future rewards.” (Interviewee 7)

On the contrary, interviewee 9 (*Analyst / Technical Angel*) mentioned, when asked about his preferential characteristics, that he did prefer entrepreneurial experience. Since investing involves a lot of money it is better to be safe than sorry. In order to secure this safety, factual successful experiences of the past can be helpful.

“The entrepreneur should have proven him or herself already. The main focus is on getting return for the investment.” (Interviewee 9)

This statement does not fully comply with proposition 1, since interviewee 9 can be characterized as an *Analyst Angel / Technological Angel*. According to proposition 2, these kinds of BAs are more likely to create a successful match with novel entrepreneurs due to their active involvement in the company. It could be that the preference for a serial entrepreneur depends on the person in question and not on the type of BA.

When analyzing proposition 2, a preference for a novel entrepreneur was especially highlighted by interviewee 1. This *Real Angel* indicated that the opportunity to provide some coaching and guidance from the side-line was often considered more important than the financial potential and rewards.

“Throughout many years I have been rewarded with large returns on investments. The financial gain has always been a result but not a goal in itself. The goal has been to deliver or fill a gap in the market based on a certain need and make sure that product, pricing and support is sufficiently conducted.” (Interviewee 1)

According to him, novel entrepreneurs do not always need immediate financial support. It is best to start off with guidance and creating the right business model, after which many ventures find out that they can thrive on their own feet. If they still need monetary support, even after this special guidance, they are always able to obtain this. The fact that they are able to survive without financial support might also be stimulated by the fact that they have the option to receive money within arms-length reach. Unconsciously, the certainty of monetary support whenever this is needed, might give an impulse to the independence and assurance of the entrepreneur.

Interviewee 10, also a *Real Angel* indicated that he does not even consider investing in start-ups if they do not need additional support.

“I only invest in initiatives if I can be part of the organization and deliver added value in that way.”
(Interviewee 10)

This is also the reason why he usually invests for a period of 3-4 years. After this period, start-ups can thrive on their own and do no longer need managerial support.

Interviewee 2, a novel entrepreneur, also seemed to value the extra guidance and support from his first investor. However the meeting occurred by chance and he was not specifically looking for a BA with the intention to fulfill a role as a mentor.

“I have met my first investor on a congress at which multiple companies operating within the same industry were present. The fact that they had knowledge of this industry did contribute to the fact that I was willing to sell a stake of my company to them. However, I was not specifically looking for this added value.”
(Interviewee 2)

The preference for either a serial or novel entrepreneur was also highlighted by Interviewee 3, a novel entrepreneur. She acknowledged that she was specifically looking for investors with some experience and also the availability to get in contact with additional nonfinancial resources.

“The investor that approached me had many experience, obtained when working for a venture capitalist company. Also his educational background in finance and the fact that he was the same age as I was made me decide to go for it.” (Interviewee 3)

Not only the experience and guidance of an investor was mentioned, also the opportunity to get in contact with other investors in later stages of the venturing process. The BAs can make use of their network in order to make sure the company can proceed to other financing methods.

“Business angels often fulfill the gap of around €100.000-200.000 in the pre-seed or seed stage of the new venture, after a year or so when the company grows they might be eligible for other investors and larger amounts from i.e. venture capitalist companies.” (Interviewee 4)

Interviewee 6 used the term ‘smart capital’ to refer to the interlinked network of investors. Along with their investment, BAs are able to provide knowledge and access to their network and resources.

The only interviewee who did not seem to be interested in the distinction of a serial or novel entrepreneur was interviewee 8, a crowdfunding coach at an intermediary organization. For him, the personal capabilities seemed to prevail and these could be recognized by either serial as well as novel entrepreneurs.

In general, it can be found that both proposition 1 and proposition 2 contain essential and realistic elements based on true observations in the market. Proposition 1 was supported by three interviewees and only one diverging comment was made by interviewee 9. Especially reward-based CFPs seem to be less interested in providing additional guidance and support and will therefore prefer a serial entrepreneur. It was mentioned that the need for funding and money is the main reason that CFPs exist. Additional guidance and support can be obtained in other ways. Next to that, some CFPs only allow projects after severe screening on financial indicators. This is not possible for a novel entrepreneur, since they have no track record or financial history as of yet. The only contrary point was made by interviewee 9, an analyst / technological angel, who seemed to prefer a serial entrepreneur due to the fact that he could perform this screening as well. Even though he did deliver additional support, he still wanted the entrepreneur to have 'proven' himself in the past by successful creation of new ventures.

Proposition 2 was supported by six interviewees who all acknowledged the value of additional support from analyst / real angels. Only interviewee 8 mentioned that he did not have a clear preference for a novel or serial entrepreneur and did not care about distinguishing them. For him, the personal capabilities were most important, regardless of whether he or she has entrepreneurial experience.

Background

To determine the preference for a technical or non-technical entrepreneur as mentioned in proposition 3, the interviewees have been questioned on the personal value they attributed to background and education. For interviewee 1 (*Real Angel*), the background of the entrepreneur was perceived as highly important for his investment decision.

"The education and the background of the entrepreneur, as well as his overall impression during a pitch, determines for approximately 75% my decision to invest." (Interviewee 1)

This is also the investor behavior that interviewee 7 observes on this CFP, noting that background and education are vital elements for the investors.

From the perspective of the entrepreneurs, the background seemed to be slightly less important. Interviewee 4 highlighted that an educational or academic background might be beneficial for the first impression.

"Investors may perceive people with an educational diploma as being 'smart' and therefore better able to manage a new venture." (Interviewee 4)

Interviewee 5, the founder of a CFP, mentioned that many investors on his platform are highly educated. Therefore, it might be that there is a slight preference for entrepreneurs with a similar

background. This is also what Interviewee 6 has indicated. This advisor at an intermediary platform pointed out that generally speaking, the technical entrepreneurs are harder to screen and select.

“The pitch of technical entrepreneurs is often very hard to follow due to the technological nature of the venture. This requires some expertise or understanding from the side of the investor in order to see the potential.” (Interviewee 6)

This point was explicitly underlined by Interviewee 10 when he was asked about his preference for a certain industry.

“I only invest in projects operating in the ICT industry. I have a lot of experience in this industry and will therefore be better able to help the entrepreneurs.” (Interviewee 10)

Interviewee 8, also operating at an intermediary organization, pointed out that it is more about the personal approach that the entrepreneur used in previous attempts to set up a company. Their reaction to failures and the learning curve they have gone through is highly important for his judgment and valuation of the new venture potential.

“For me the transparency of the person is vital for my decision to link him or her to any investors within my network. He or she should be able to present a consistent few of their strengths and weaknesses. These could include disappointments from the pasts and how they have turned those around in next opportunities.” (Interviewee 8)

This closely relates to Interviewee 9, the analyst / technological angel, who mentioned that he did look at the type of education but that it did not matter in the end. For him, previous experience with entrepreneurship and managing a company or team is deemed more important.

“I do look at education but it does not play a big role. You could have studies everything, from history to science, in order to be a successful entrepreneur.” (Interviewee 9)

This comment is striking since it goes against the expectations of proposition 3, which proposes that technical entrepreneurs are more likely to match with, among others, analyst angels. He specifically mentioned the incapability of technical entrepreneurs to value their company in realistic terms.

“Technical entrepreneurs seem to love their product just as much, or even more, than the desire or need on the side of the potential customer. This is dangerous since the potential customer is the one who should eventually buy the product.” (Interviewee 9)

Another contrasting opinion was given by interviewee 10, who did not mind education at all.

“The only thing I am looking for is the willingness to learn and cooperate, regardless of what education or background they have.” (Interviewee 10)

But even though 4 out of 10 interviewees highlighted that the academic background might have a positive influence, it does not completely comply with the proposition that they will form a better match with *Real Angels* and *Analyst Angels*. There seemed to be agreement on the fact that this was not seen as a prerequisite to obtain an investment. It is important that the company could establish growth and return on investments and this could not always be guaranteed by a research background.

Target Market

To determine the influence of a new venture, the interviewees have been questioned on their market preferences. They were either aiming to operate on the mass market or a specific industry.

Interviewee 3 mentioned that, while she was not financially aided by CFP investors, her visibility in magazines and on television led to the first contact with her investor.

“Our contact was not initiated through a CFP but had many similarities. My company was very much out in the open and was promoted through various media channels. This, in the same manner as a project on a website might have done, attracted the attention of an investor who saw potential in my company.”
(Interviewee 3)

The new venture of interviewee 3 is focused on the mass market. When investors saw that she had been advertised on several media channels, investors could have been triggered to step in.

Interviewee 8 also shortly mentioned the benefit of additional marketing.

“Business-to-consumer products might more easily reach the customer through CFPs than business-to-business products. However, do not underestimate the size of the business-to-business market.” (Interviewee 8)

This additional marketing support was also acknowledged by interviewee 5. Besides the visibility of the venture in the early stage, he addressed other beneficial elements. Among these were the ‘wisdom of the crowd’ and signaling market potential. However, he clearly indicated that the additional marketing support comes in at second place for the entrepreneur. First, he wants to obtain the necessary funds for the realization of his idea. The visibility on a CFP is a pleasant addition but not a prerequisite for his investor decision. Moreover, he pointed out that his CFP included projects operating in specific markets as well as on the mass market.

“My CFP includes all types of projects. The extra marketing that is obtained during the funding period can be beneficial to all sorts of industries. Maybe the specific industries even need the visibility more to

attract specific investors that would otherwise never recognize a project within a specific industry sector.”
(Interviewee 5)

This closely related to the CFP of interviewee 7 who mentions that investors like to spread risks. They trust the platform on which they invest and are therefore also interested in projects that are not operating on the mass market.

“Investors are aware of the risks that are involved when ‘borrowing’ money to new ventures. This is also why we advice the investors to invest in multiple projects.” (Interviewee 7)

This final element is different from what interviewee 6 has noticed within the market. According to him, the CFPs are mainly focused on new technologies and products aiming for the mass market. He also mentioned the signaling of market potential and the creation of early ambassadors way before the start of product development.

“Through crowdfunding it is possible to create a fan base before you have even started the development of your product. This is of course beneficial to the attraction of investors and generates an open communication channel for feedback.” (Interviewee 6)

Proposition 5, stating that new ventures operating in a specific industry would more likely create a match with BAs than CFPs was confirmed by 2 of the 10 interviewees.

Interviewee 1 indicated that the fact that he also wanted to provide guidance and nonfinancial support led him to search for ventures within the same industry he used to operate in. His industry was mainly focused on software, internet and data programs that had a business-to-business focus.

This was also the case for interviewee 9, an analyst / technological angel who had a personal interest in companies that included a social perspective.

“I do not merely want to earn money from other people. For me it is important that a company helps society in a certain way. Therefore, I also look across borders in countries with societal challenges. These companies are very specific and my willingness to invest in them is for personal reasons.” (Interviewee 9)

These statements closely align with proposition 5, since both business angels agree to have interest in specific industries due to their own experience and knowledge of those markets. Next, it is interesting to find out whether investors on CFPs prefer products operating on the mass market. The same interviewee was under the impression that mass market products do prevail on CFPs because of the emotional element.

“I once had a company with a man who later set up one of the first reward-based CFPs in the Netherlands. With crowdfunding you create a fan base and the emotional element is vital. Products that appear to be ‘cool’ will accelerate in terms of funding and success.” (Interviewee 9)

In a concluding remark, one could say that the initial proposition 4 is supported and challenged by many interviewees. Some agreed that CFPs deliver additional marketing support and might therefore be more suitable to projects operating on the mass market, while others challenged this opinion highlighting that it is the projects within specific industries that have more need for these marketing tools. Only CFPs have been mentioned by the interviewees, making it hard to derive any conclusions on the other types of angels.

Concerning the preference of BAs in general for specific industries as stated by proposition 5, it seems that this statement is widely supported by the business angels who were interviewed.

The results on the propositions and the question whether these should be confirmed or rejected is summarized in table 9 below.

Propositions	Confirmed/Rejected
Proposition 1 <i>(Lotto Angels, Trader Angels, Reward-Based CFPs – serial entrepreneurs)</i>	Partly Confirmed
Proposition 2 <i>(Analyst Angels, Real Angels – novel entrepreneurs)</i>	Confirmed
Proposition 3 <i>(Analyst Angels, Real Angels – technical entrepreneurs)</i>	Rejected
Proposition 4 <i>(Trader Angels, Analyst Angels, Real Angels and Reward-based CFPs – mass market)</i>	Partly Confirmed
Proposition 5 <i>(BAs – specific market)</i>	Confirmed

Table 9. Results of evidence on theoretical propositions

6.2.2 Revised Propositions

Based on the evidence presented in section 6.2.1, the initial propositions could be revised based on qualitative and empirical evidence derived from the field work. These revised propositions are presented in table 10 below.

Entrepreneurial Characteristics	Initial propositions	Revised Propositions
Experience	<ol style="list-style-type: none"> 1. Lotto Angels, Trader Angel and Reward-based CFPs are more likely to create a match with serial entrepreneurs due to their lack of involvement in the company which could be compensated by the entrepreneurial experience. 2. Analyst Angels and Real Angels are more likely to create a successful match with novel entrepreneurs due to their involvement in the company and the fact that they often conduct co-investments. 	<p>Lotto Angels, Trader Angel, <i>Analyst Angels</i> and Reward-based CFPs are more likely to create a match with serial entrepreneurs due to their lack of involvement in the company which could be compensated by the entrepreneurial experience.</p> <p><i>Confirmed</i></p>
Background	<ol style="list-style-type: none"> 3. Analyst Angels and Real Angels are likely to create a match with technical entrepreneurs. 	<p>BAs in general are not influenced by the technical or non-technical background of the entrepreneur.</p>
Target Market	<ol style="list-style-type: none"> 4. Trader Angels, Analyst Angels, Real Angels and Reward-based CFPs are more likely to create a match with projects aiming for the mass market. 5. Ventures operating in a specific market will be more likely found a match with BAs than CFPs. 	<p>Reward-based CFPs are more likely to create a match with projects aiming for the mass market.</p> <p><i>Confirmed</i></p>

Table 10. Overview of the revised propositions (Source: Own elaboration)

6.2.3 Newly Derived Propositions

Growth Potential

When questions about the target market of the new venture were asked, interviewees did not seem to distinguish the mass market from specific markets. They rather reviewed the market on its growth potential. Both BAs and members of intermediary organizations have mentioned this topic

multiple times when asked about the factors they deemed most important in matchmaking between investors and entrepreneurs. This has, for example, been mentioned by interviewee 4 who highlighted that the growth potential also increased the likelihood of obtaining future investments from larger companies. This growth potential should therefore not be underestimated and preferably be included within the business plan or pitch that is presented.

“The growth potential of the new venture is highly important since it provides for follow-up investments. Only companies with a high growth potential and promising rates of return will be attractive to business angels and other types of investors.” (Interviewee 4)

Interviewee 1 did not explicitly mention the growth potential but emphasized the matter of ‘scalability’. According to him, the investment in the seed stage should allow for a rapid increase in scale. It should be able to duplicate its services shortly after the first seed money is provided by a business angel. This again closely relates to the interest of interviewee 9, stating:

“Besides the entrepreneur in person, I immediately review the scalability. What are the chances for a rapid increase in scale?” (Interviewee 9)

This ‘scalability’ was framed differently by interviewee 8, who referred to ‘scale of interest’. No matter in which stage the company was, the potential to deliver returns on investments was what mattered. This concerned a specific explanation of the period in which the entrepreneur expected to deliver this return and by what means. Usually this scale of interest is closely related to the growth potential of the company.

“I strive for long-term relationships between the entrepreneur and investor. This means they should be credit worthy. I often conduct checkups at credit companies and review their ratings. Based on this classification, I provide him an advice for the amount of interest he can ask through crowdfunding.” (Interviewee 8)

The topic of growth seems highly relevant for the investor’s decision. This is somewhat logical, if you take into account that the ultimate goal is to generate a certain rate on the investment. Based on these findings the following proposition could be created:

New Proposition 1: Trader Angels, Analyst Angels and Real Angels are more likely to create a match with entrepreneurial ventures that operate on a market with high growth potential.

Entrepreneurial Motivation

Especially the business angels who are also involved in coaching and guiding (Interviewee 1) share the opinion that entrepreneurs should not only focus on increasing revenue through new venturing. They often ask the entrepreneur during the pitch about his underlying motivation to start the company. It is important that they do not only focus on earning money. They should be eager to fulfill a gap in the market or deliver a product or service that will serve a certain need. This should be the starting point after which the financial rewards will follow.

“I always ask the entrepreneur: why do you want to start your own company? People who say: ‘for the money’ are not in it with the right motivation. Money should be a result of hard work and doing everything else right.” (Interviewee 1)

This personal interest also concerns interviewee 8 when matching the entrepreneur to one of the investors of his personal network. He is one of the interviewees who highly values the personal capabilities and motivation of the entrepreneur.

“As a crowdfunding coach I look closely to the person in question. Therefore, I visit him in person and try to create a vision on his expectations of the future and with what personal capabilities he is going to realize them. If the person in question does not ‘feel good’ the party cannot go on. I expect people to be transparent on their previous experiences, good or bad, and how they have tackled issues if they had any.” (Interviewee 8)

However, it could be that this interest in entrepreneurial motivation is merely visible when it concerns a BA with an active involvement in the entrepreneur and his or her company. This is the case for *Analyst Angels* and *Real Angels*. More specifically, interviewee 7 mentioned that they do not engage face-to-face with the entrepreneur on his CFP. They use numerical data and tools to trace his performance with former and current companies.

New Proposition 2: Analyst Angels and Real Angels are more likely to create a match with entrepreneurs that have other than financial motivations for managing their venture.

Sustainable Businesses

Another element that was highlighted by interviewee 5 was the preference for sustainable businesses. New ventures that aim to solve a societal problem by operating responsible and sustainable appear to attract more investors at crowdfunding platforms.

“At CFPs you see many early adopters and the combination with their highly educated background, could possibly lead to conscious choice-making also in their investments. They want to contribute to the creation of a more sustainable society.” (Interviewee 5)

Based on the earlier proposition that (reward-based) CFPs more likely match with new ventures operating on the mass market, a more detailed proposition could be formed on projects with sustainable elements. They might have a bigger likelihood to be funded through CFPs, especially when the company is aiming for the mass market. The marketing element that is often seen as beneficial to CFP-projects could signal and reach investors that are looking for sustainable and responsible business plans.

The topic of sustainability is 'hot' and is already reviewed in the early stages when screening the entrepreneur. Interviewee 8, a crowdfunding coach concerned with the matching of entrepreneurs and investors, actively analyzes the sustainable considerations of new ventures.

“Next to fairness, loyalty and transparency I question the main drivers of the new company. Do these involve sustainable business plans and why is this a concern for the entrepreneur?” (Interviewee 8)

This is also the case for interviewee 9, who only invests in social companies. They should serve a social element and deliver additional benefits and value to society.

“The social element for me is almost the most important element I look at; it could sometimes even be more important than the financial returns. I want to help the world and not only invest in companies to fill my own pockets.” (Interviewee 9)

Sustainability not only seems to be a 'hot topic' in society in general, but also to investors and entrepreneurs. Start-ups involve creative ideas, inventions and new product developments. If people share the opinion that certain changes are needed in the national and international economies, they can do so by supporting sustainable start-ups. This will often be the case for *Lotto Angels*, whose financial motivation is considerably lower than those of the other BAs.

New Proposition 3: Reward-Based CFPs and Lotto Angels are more likely to create a match with entrepreneurial ventures that include sustainable elements and fulfills societal needs.

Generation Gap

When talking about the technological background of the entrepreneur, interviewee 6 mentioned another aspect that might create a lack of interest in technical companies. He mentioned the generation gap that fails to persuade investors of high age of the value of the invention or new product development.. Interviewee 6 specifically referred to the 'Internet of Things', which is growing substantially in popularity and attracts many new ventures these days. Even though this industry has high growth potential, older generations might not see the value of these businesses.

They might have a conservative perspective and are not able to adapt quickly to changing environments.

“Older investors often question the use of these new ventures that, by using Internet of Things, have found quick and efficient solutions for day-to-day problems. I often see their inability to value these companies the right way.” (Interviewee 6)

The fact that age and generation could play a pivotal role in the matchmaking process is (unconsciously) proven by the profiles of investors and entrepreneurs on the CFP of interviewee 7. The average age of the entrepreneur on his CFP is 44, which closely relates to the average age of the investors (43). Interviewee 8 also invests through a BAN in the Netherlands. Here, he mentioned a difference in age. Although, he could not explain whether this problem was caused by a lack of knowledge on the subject.

“The average age of the entrepreneurs is often between 20-30, while the investors I co-invest with are all above 40. It could be an interesting subject to see whether age difference plays a pivotal role.” (Interviewee 9)

Based on these interviews, age seems to be an intervening factor in the successful matchmaking between investors and entrepreneurs. Since entrepreneurs tend to be significantly younger in age than investors, this dimension should not be neglected.

New Proposition 4: Informal investors in general are more likely to create a match with entrepreneurs that belong to the same generation.

All the newly derived propositions are summarized in table 11 below.

Entrepreneurial Characteristics	Newly Derived Propositions
Growth Potential	Trader Angels, Analyst Angels and Real Angels are more likely to create a match with entrepreneurial ventures that operate on a market with high growth potential.
Entrepreneurial Motivation	Analyst Angels and Real Angels are more likely to create a match with entrepreneurs that have other than financial motivations for managing their venture.
Sustainable Business	Reward-Based CFPs and Lotto Angels are more likely to create a match with entrepreneurial ventures that include sustainable elements and fulfills societal needs.
Generation Gap	Informal investors in general are more likely to create a match with entrepreneurs that belong to the same generation.

Table 11. Summary of newly derived propositions (source: Own elaboration)

A summary of all the raw data and most important statements relating to the initial propositions and responsible for the creation of newly derived propositions is summarized in table 12 below.

Initial Propositions	Adjusted Propositions	Raw Data		
<p>1. Lotto Angels, Trader Angels and Reward-based CFPs are more likely to match with serial entrepreneurs.</p>	<p>Lotto Angels, Trader Angel, Analyst Angels and Reward-based CFPs are more likely to create a match with serial entrepreneurs due to their lack of involvement in the company which could be compensated by the entrepreneurial experience.</p>	<p><i>“Nowadays, investing on CFPs is something that everyone can do. You, me and everybody with a little bit of money available is now able to ‘invest’ in the projects they like. It is even possible to go completely anonymous and besides interest and some additional non-financial incentives I do not think people like to engage in other ways. Additionally, I do not think that that is the reason that attracts entrepreneurs. CFPs are for funding and they will turn to other resources for support on managing a business.” (Interviewee 5)</i></p>	<p><i>“We know that 5% of all start-ups fail. It is therefore that we think that novel entrepreneurs are better off using other financing methods. We want to guarantee a successful investment for our investors, for which we analyze historic data of companies and entrepreneurs. A successful portfolio is promising for future rewards.” (Interviewee 7)</i></p>	<p><i>“The entrepreneur should have proven him or herself already. The main focus is on getting return for the investment.” (Interviewee 9)</i></p>
<p>2. Analyst Angels and Real Angels are more likely to match with novel entrepreneurs.</p>	<p>Confirmed</p>	<p><i>“Throughout many years I have been rewarded with large returns on investments. The financial gain has always been a result but not a goal in itself. The goal has been to deliver or fill a gap in the market based on a certain need and make sure that product, pricing and support is sufficiently conducted.” (Interviewee 1)</i></p>	<p><i>“The investor that approached me had many experience, obtained when working for a venture capitalist company. Also his educational background in finance and the fact that he was the same age as I was made me decide to go for it”. (Interviewee 3)</i></p>	<p><i>“I only invest in initiatives if I can be part of the organization and deliver added value in that way.” (Interviewee 10)</i></p>

<p>3. Analyst Angels and Real Angels are more likely to match with technical entrepreneurs.</p>	<p>BAs in general are not influenced by the technical or non-technical background of the entrepreneur.</p>	<p><i>“Investors may perceive people with an educational diploma as being ‘smart’ and therefore better able to manage a new venture.” (Interviewee 4)</i></p> <p><i>“The pitch of technical entrepreneurs is often very hard to follow due to the technological nature of the venture. This requires some expertise or understanding from the side of the investor in order to see the potential.” (Interviewee 6)</i></p>	<p><i>“I only invest in projects operating in the ICT industry. I have a lot of experience in this industry and will therefore be better able to help the entrepreneurs.” (Interviewee 10)</i></p> <p><i>“For me the transparency of the person is vital for my decision to link him or her to any investors within my network. He or she should be able to present a consistent few of their strengths and weaknesses. These could include disappointments from the pasts and how they have turned those around in next opportunities.” (Interviewee 8)</i></p>	<p><i>“I do look at education but it does not play a big role. You could have studies everything, from history to science, in order to be a successful entrepreneur.” (Interviewee 9)</i></p> <p><i>“Technical entrepreneurs seem to love their product just as much, or even more, than the desire or need on the side of the potential customer. This is dangerous since the potential customer is the one who should eventually buy the product.” (Interviewee 9)</i></p> <p><i>“The only thing I am looking for is the willingness to learn and cooperate, regardless of what education or background they have.” (Interviewee 10)</i></p>
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<p>4. Trader Angels, Analyst Angels, Real Angels and Reward-based CFPs are more likely to match ventures operating on the mass market.</p>	<p>Reward-based CFPs are more likely to create a match with projects aiming for the mass market.</p>	<p><i>“Through crowdfunding it is possible to create a fan base before you have even started the development of your product. This is of course beneficial to the attraction of investors and generates an open communication channel for feedback.” (Interviewee 6)</i></p>	<p><i>“Business-to-consumer might be more easy to reach the customer through CFPs than business-to-business products. However, do not underestimate the size of the business-to-business market.” (Interviewee 8)</i></p>	<p><i>“I once had a company with a man who later set up one of the first reward-based CFPs in the Netherlands. With crowdfunding you create a fan base and the emotional element is vital. Products that appear to be ‘cool’ will accelerate in terms of funding and success.” (Interviewee 9)</i></p>
<p>5. Ventures operating in a specific market will be more likely found a match with BAs than CFPs.</p>	<p>Confirmed</p>	<p><i>“My CFP includes all types of projects. The extra marketing that is obtained during the funding period can be beneficial to all sorts of industries. Maybe the specific industries even need the visibility more to attract specific investors that would otherwise never recognize a project within a specific industry sector.” (Interviewee 5)</i></p>	<p><i>“Investors are aware of the risks that are involved when ‘borrowing’ money to new ventures. This is also why we advice the investors to invest in multiple projects.” (Interviewee 7)</i></p>	<p><i>“I do not merely want to earn money from other people. For me it is important that a company helps society in a certain way. Therefore, I also look across borders in countries with societal challenges. These companies are very specific and my willingness to invest in them is for personal reasons.” (Interviewee 9)</i></p>
<p>Newly Derived Propositions</p>				

<p>Trader Angels, Analyst Angels and Real Angels are more likely to create a match with entrepreneurial ventures that operate on a market with high growth potential.</p>	<p><i>“The growth potential of the new venture is highly important since it provides for follow-up investments. Only companies with a high growth potential and promising rates of return will be attractive to business angels and other types of investors.” (Interviewee 4)</i></p>	<p><i>“Besides the entrepreneur in person, I immediately review the scalability. What are the chances for a rapid increase in scale?” (Interviewee 9)</i></p>	<p><i>“I strive for long-term relationships between the entrepreneur and investor. This means they should be credit worthy. I often conduct checkups at credit companies and review their ratings. Based on this classification I provide him an advice for the amount of interest he can ask through crowdfunding.” (Interviewee 8)</i></p>
<p>Analyst Angels and Real Angels are more likely to create a match with entrepreneurs that have other than financial motivations for managing their venture.</p>	<p><i>“I always ask the entrepreneur: why do you want to start your own company? People who say: ‘for the money’ are not in it with the right motivation. Money should be a result of hard work and doing everything else right.” (Interviewee 1)</i></p>	<p><i>“As a crowdfund coach I look closely to the person in question. Therefore, I visit him in person and try to create a vision on his expectations of the future and with what personal capabilities he is going to realize them. If the person in question does not ‘feel good’ the party cannot go on. I expect people to be transparent on their previous experiences, good or bad, and how they have tackled issues if they had any.” (Interviewee 8)</i></p>	

<p>Reward-Based CFPs and Lotto Angels are more likely to create a match with entrepreneurial ventures that include sustainable elements and fulfills societal needs.</p>	<p><i>“At CFPs you see many early adopters and the combination with their highly educated background, could possibly lead to conscious choice-making also in their investments. They want to contribute to the creation of a more sustainable society.” (Interviewee 5)</i></p>	<p><i>“Next to fairness, loyalty and transparency I question the main drivers of the new company. Do these involve sustainable business plans and why is this a concern for the entrepreneur?” (Interviewee 8)</i></p>	<p><i>“The social element for me is almost the most important element I look at; it could sometimes even be more important than the financial returns. I want to help the world and not only invest in companies to fill my own pockets.” (Interviewee 9)</i></p>
<p>Informal investors in general are more likely to create a match with entrepreneurs that belong to the same generation.</p>	<p><i>“Older investors often question the use of these new ventures that, by using Internet of Things, have found quick and efficient solutions for day-to-day problems. I often see their inability to value these companies the right way.” (Interviewee 6)</i></p>	<p><i>“The average age of the entrepreneurs is often between 20-30, while the investors I co-invest with are all above 40. It could be an interesting subject to see whether age difference plays a pivotal role.” (Interviewee 9)</i></p>	

Table 12. Summary of raw data related to key findings

7. Discussion

This chapter discusses the results that have been described in chapter 6. First, the propositions are discussed in chronological order. Secondly, the additional findings and newly derived propositions are discussed and reviewed on their potential for future researches.

Proposition 1 predicted that *Lotto Angels*, *Trader Angels* and *Reward-based CFPs* were more likely to create a match with serial entrepreneurs. Especially the interviewees who were working for CFPs seemed to agree with this proposition, be it for practical reasons. Many CFPs have been formalized and use various criteria before allowing a project to present itself on their platform. One of the criteria that is often used is the availability of a track record from previous set-ups of companies. Therefore, it is questionable whether the motivations of the CFPs to prefer serial entrepreneurs is related to the fact that they do not have to provide additional support. It seems more likely that is the case due to the fact that it simplifies the possibility of screening. Unfortunately, the group of respondents did not include and *Lotto* or *Trader Angels*, making it hard to derive any conclusions from those typologies. Future research should include these typologies to strengthen the validity of proposition 1.

Proposition 2 predicted that *Analyst Angels* and *Real Angels* would create a better match with novel entrepreneurs, since they like to involve themselves in the companies they invest in. This proposition was strongly supported by the interviewees and seems to have realistic implications. The strongest converging opinion was given by interviewee 1 who considered the possibility of providing extra guidance and support as more important than the financial return. However, his statement should be slightly tempered based on the fact that he is also a teacher on the subject. His preference for guiding could partly be explained by this second job. The other statements all seem to comply with the proposition, and also entrepreneurs (interviewee 2 and 3) highlighted the value of additional resources (besides guidance and expertise). Interviewee 6 mentioned the term 'smart capital', referring to the network, resources and other types of additional aid that investors could provide. For future researches it might be interested to look at these attributes in closer detail to determine whether it is the support, expertise, additional resources or possibilities for future investments that might interest the novel entrepreneurs.

The only contrasting perspective was presented by interviewee 8 who explicitly mentioned that he never distinguished novel from serial entrepreneurs. Part of the explanation for this could be that the propositions are also subject to specific personal interests, and do not necessarily relate to a specific typology. Besides, the dataset only contains a small number of 10 respondents and not every respondent might completely comply with all the characteristics of the typologies. Some BAs might be interested in the guiding possibilities but do not necessarily want to limit their guidance to novel entrepreneurs. Furthermore, the typologies of BAs that have been created in this research

were based on a case study conducted in Norway. Even though the development conditions for new venture creation are highly similar among other small European countries such as the Netherlands, minor differences with typologies in the Netherlands could exist (Sørheim, 2003).

Proposition 3 predicted that *Real Angels* and *Analyst Angels* were more likely to create a match with technical entrepreneurs. It was proposed that this was due to their lack of managing skills and need for large amounts of money in order to create prototypes for technical innovations. In general, the interviewees did seem to agree to a certain degree that education could be beneficial. Interviewee 4 mentioned it could make the entrepreneur seem 'smart' and interviewee 1 (*Real Angel*) acknowledged it determined for 75% his decision to invest. However, the proposition did not seem to apply specifically to *Real Angels* and *Analyst Angels*. Especially interviewee 9 and 10 shared the opinion that education did not play any role at all in the investment decision. Interviewee 6 made an important point where he mentioned that technical entrepreneurs are harder to screen and select and should therefore be reviewed by BAs from the same industry. This might emphasize that it is not the type of investor that will establish a certain likelihood of matching, but his own personal background. Interviewee 10 clearly acknowledged this point when he explained he only invests in projects similar to his own personal background. Additionally, interviewee 5 mentioned that investors are on his platform are often highly educated as well. These findings might indicate the need for research into the wider context of similar backgrounds. But even though this dimension seems likely to play a big role in the matchmaking process, one should include the presence of the willingness to support the venture in non-financial ways. The BAs who are actively looking for companies whom they could help by guidance and expertise, are more likely to search in industries similar to their background. Maybe not only technical entrepreneurs and technical BAs should be linked but also i.e. social entrepreneurs with social BAs. Regardless, the initial proposition clearly needs to be rejected and adjusted.

The interviewees who made statements diverging from proposition 3 both indicated that this was due to the fact that they preferred entrepreneurial experience over education or background. Therefore, it is hard to provide any evidence on the factual and probable likelihood of proposition 3. Especially the underlying motivations of lacking managing skills of the entrepreneur and the need for extra money for prototypes have not been mentioned by the respondents. However, they did provide several openings for future research.

Proposition 4 predicted that *Trader Angels*, *Analyst Angels*, *Real Angels* and *Reward-based CFPs* are more likely to create a match with projects aiming for the mass market. This statement was only partly supported, due to the lack of available interviews with *Trader Angels*. The proposition that CFPs are more likely to receive investments when they contain projects operating on the mass market was supported by several interviewees. They confirmed, according to the literature study, that CFP is able to create a fan base before the product was on the market. An additional statement

of interviewee 8 made a different distinction. Opposed to mass market and specific industry he referred to business-to-consumer market and business-to-business market. Though both terminologies relate somewhat to each other, his distinction into business-to-consumer and business-to-business markets could also be an interesting element to include in future research.

However, other interviewees shared diverging opinions on the topic. According to them the marketing element that comes with CFPs is not only the reason why mass market products will prevail. They discuss that reward-based CFPs are also essential for specific industries since they will find it more difficult to connect with interested investors. Therefore, specific industries could make much better use of these marketing elements to increase their popularity. Additionally, it was mentioned that investors like to spread risks and will therefore invest in both mass market products, as well as specific industries. Hence, it is hard to derive a solid conclusion on this proposition based on the opposing views from the market. Future research is needed in order to create a factual base concerning this topic. What should also be included are the different investor profiles from CFPs. Platforms that are mainly used by teenagers and younger investors might be more suited to projects that will operate on the mass market than CFPs working with different rules and criteria for approval.

Proposition 5, the final proposition, predicted that BAs in general are more likely to match with entrepreneurs operating on a specific market. The previous proposition already highlighted two converging views stating that CFPs are also very likely to deliver value for projects operating in a specific industry, thereby challenging the initial proposition. These statements shed light on a potential new study, which could potentially investigate the success of projects operating on mass markets versus projects operating in a specific industry. The three BAs that have been interviewed for this research all acknowledged their preference for a specific industry. All of them argued that this was due to the fact that they had experience in these industries and were specifically looking for investment projects in those markets. However, one should not neglect the fact that only *Real Angels* and *Analyst Angels* have been interviewed. The generalization of all BAs could therefore not be analyzed and future research should aim to include all typologies of BAs in order to support proposition 5. Part of the proposition is therefore based on factual observations from the market but needs to be further specified.

Besides the analysis on the five different propositions, new insights were derived from the interviews based on which new propositions could be created. These additional findings have been divided into four new characteristics that were mentioned more than once by the interviewees. One of the most interesting findings is the search for growth potential in the new companies. This seems rather logical, taking into account the main goal of financial return on investment. However, different drivers for growth were mentioned and they should be studied separately. Growth can be established through i.e. globalization, enhanced management, pricing strategies. The personal

preference and experience of the investor will determine which driver for growth will create a match with the right start-up.

Next, the entrepreneurial motivation was mentioned. Many interviewees agreed upon the fact that it was not education or background that would determine the investment decision, but rather the personal capabilities. The underlying reasons for setting up the new venture and the personal goals and views of the entrepreneur should therefore not be underestimated. Even more, they should be included in the business plan and pitch of the entrepreneur. The entrepreneurial motivation was followed by the need for sustainable businesses. This dimension was not included in the initial propositions but contains a topic which is currently studied by many scholars. The wish for sustainable businesses and projects with a social aim is widespread and in order to enhance the matchmaking process, CFPs could act upon this. Sustainable start-ups should be linked to sustainable-minded BAs and investors and this can perfectly be established through specific platforms.

The final dimension that was additionally discovered to play a role in the matchmaking process was the generation gap. It is striking that many entrepreneurs are much younger than their investors, let alone the fact that the technological landscape is changing at a rapid pace. These two developments need to be studied in closer detail since it was only briefly touched upon by two interviewees. The eventual solution could be to ensure a decrease in age on the side of the investors. Therefore, BAs and network organizations should actively select and trigger younger members.

8. Conclusion

This chapter will make some concluding remarks and provide an answer to the research question as defined in section 2.3. However, even though the research provides implications for practitioners and researchers, it is still subject to some limitations which will be mentioned at the end of this chapter. This research has aimed to determine whether certain typologies on the informal investor market are more likely to create a match with certain typologies of entrepreneurs. This was done according to the central question: *‘What characteristics will create a successful match between different types of entrepreneurs and informal investors in the seed stage of the new venture?’* Even though the informal market has been studied in close detail, the personal characteristics and attributes have hardly been subject of research in the past. The informal investor market was divided into six typologies of both business angels and crowdfunding platforms. Based on the theoretical review, propositions have been established on the experience of the entrepreneur, the background of the entrepreneur and the target market. According to this research, several factors play a vital role in the matchmaking between investors and entrepreneurs.

Looking at the entrepreneurial experience, it seems that especially CFPs prefer serial entrepreneurs over novel entrepreneurs. The interviewees mentioned the possibility of screening previous records and in general, CFPs do not provide additional non-financial support. No comments can be made on *Lotto Angels* and *Trader Angels* since they were not part of the dataset. A stronger case can be made for the novel entrepreneurs, since it was discovered that *Real Angels* and *Analyst Angels* seem to prefer the additional opportunity to deliver expertise and guidance. Besides, novel entrepreneurs seemed to be specifically looking for investors who could deliver those non-financial attributes.

Concerning the background of the entrepreneur, no hard evidence was found that technical entrepreneurs are more likely to create a match with *Real Angels* and *Analyst Angels*. The education seemed to be an element that was looked at now and then, but no interviewee could declare that these types of BAs were more likely to be interested in technical entrepreneurs. What did seem to be interesting is to dig further into the subject of similar backgrounds from the entrepreneur and investor. If the backgrounds are similar, they are more likely to understand what is at stake and what the underlying value of the new venture could be.

Regarding the target market, no clear evidence was found for both propositions. Investors and entrepreneurs do not seem to agree on the likelihood of funding from either projects operating on the mass market and projects operating in a specific industry. The additional value of CFPs concerning early marketing opportunities are valued, but it is unclear in which market they will prevail.

In general, the main point that can be concluded from this research is the relevance of the topic of different informal investor and entrepreneurial typologies. Matching attempts between these two

involve many aspects that play a crucial role in the success of the eventual matchmaking. This research has highlighted from scratch how aspects such as experience, background and target market are valued differently by informal investor types. One should not only distinguish between formal and informal investors but look more closely into the characteristics at stake. Additional characteristics such as growth potential, entrepreneurial motivation, sustainability and generation gaps were already found. However, the characteristics that were found and highlighted based on the theory and interviews are not exhaustive and many more could be recognized.

In order to ensure that these findings will contribute to the matchmaking process, it is important for business angels, entrepreneurs, crowdfunding platforms and intermediary organizations to pay special attention to influential characteristics. This can be done in different ways. At first, awareness can already increase the efficiency during the search process. Intermediary organizations should consider ways of including these factors within their search engines and matchmaking tools. It is important for entrepreneurs and investors to acknowledge that different characteristics could make a difference for the final investment decision and should be highlighted or neglected in the business plan or pitch. Some of these factors can be analyzed upfront and the informal investor with the biggest potential can be approached.

Secondly, entrepreneurs should carefully emphasize the different characteristics belonging to their start-up. By highlighting for example the level of experience and expertise, investors can decide whether they would like to step in or not. This can enhance the efficiency of the search process and avoid timely processes that occur due to miscommunications and revelations in a later stage.

Even though clear conclusions could be derived that could serve as a basis for onward research, the research has several limitations. A general limitation of this research is the fact that personal preferences are involved and therefore the linkage between typologies are not exhaustive. A larger dataset is needed with more respondents, in order to make sure that the typologies comply with their characteristics and did not happen by chance. Due to time limitations, the dataset only consisted of 10 respondents. Even though they gave a good representation of the market, many more subjects should be interviewed. This will also strengthen the likelihood of the role of the additional findings and could broaden and support the initial propositions. Further research is necessary, preferably with a larger sample, in order to improve the representativeness of this study and confirm the findings.

Besides, it could not be stated with certainty that all the business angels that have been questioned can be generalized and are representative for the Dutch BA population. The original typologies have been studied and established based on interviews in Norwegian, where the angel market slightly differ from other European countries. Another problem with this generalization is the fact that BAs tend to prefer anonymity. The BAs who were willing to participate in this research could

have different characteristics than the BAs who prefer to remain fully anonymous and not participate in any research. Again, this problem can partly be overcome by an increased dataset.

Another limitation can be found in the characteristics that were used to determine the typologies. Currently, they are limited to the experience, background and target market of the entrepreneur and his venture, but one could think of many more dimensions. Also within the current dimensions used are possibilities for optimization. For the sake of simplicity, they have been subdivided into two different types (i.e. serial and novel entrepreneurs). In future studies these should be divided further and in more detail to allow for more accurate insights in the matchmaking process.

The managers of intermediary organizations have been questioned on the matchmaking practices they use in their daily business. However, many of them have based these practices on gut feeling and standards in the market and differed largely between the interviewees. It could not be stated with certainty that they could provide answers with substantial impact since they do not actively change the way in which they create the matches. Besides, the BAs and entrepreneurs they work with might be attracted to certain possibilities and focus points that these organizations use and create a bias in our sample. Whenever an organization focuses strongly on the financial numbers of an investor or entrepreneur, they might attract investors and entrepreneurs with a specific focus that could not neutrally be assigned to a typology based on other characteristics. The financial focus might prevail over the characteristics that have been used within this research and therefore more extensive studies should be conducted that include more dimensions and characteristics of investors and entrepreneurs.

A final limitation could be the specific period in which the research has been conducted, incorporating a timeframe of nearly half a year. Even though the interviewees have been questioned on recent investments, the landscape might have changed over time allowing for differences. Typologies that are now relevant to connect with each other, might not have been relevant in the (recent) past. Vice versa, the likelihood of matching could change again in the future. Therefore, in order to guarantee for an up to date framework of matchmaking, one should limit the findings to a certain period in time.

This study did, however, highlight several elements that could open opportunities for future research. Every dimension in itself could be studied in closer detail and more specific datasets could be generated. It is even possible to create new typologies after analyzing specific behavior of BAs and CFPs. Furthermore, this market is very dynamic and based on supply and demand. Both sides of the market are subject to many changes and it would be interesting to see whether recurring patterns can be recognized in the behavior of investors and entrepreneurs.

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Appendix A – Detailed Information Participants

Label	Typology	Industry	Name, Company
Interviewee 1	Business Angel (Real Angel)	Software, Data.	Aart van Zandbergen
Interviewee 2	Entrepreneur (Serial, Technical, Specific Industry)	Internet, Applications	Anonymous
Interviewee 3	Entrepreneur (Novel, Non- Technical, Mass Market)	Clothing, Fashion	Berbel van Ass (B-dressed)
Interviewee 4	Entrepreneur (Serial, Technical, Mass Market)	Internet of Things, 3D Printing, Apps.	Melissa Oosterbroek (PresentYourStartup2016.nl)
Interviewee 5	Founder of crowdfunding platform (Reward- based and Equity- based)	Multiple	Edwin Adams (geldvoorelkaar.nl)
Interviewee 6	Advisor at intermediary organization (multiple typologies)	Multiple	Rick Mintjes (Kplusv)
Interviewee 7	Founder of crowdfunding platform (Equity- based)	Multiple	Pim van de Velde
Interviewee 8	Crowdfunding coach at intermediary organization	Multiple	Tom Willaert (Collin Crowdfund)

	(multiple typologies)		
Interviewee 9	Business Angel (Analyst Angel / Technological Angel)	Multiple	Gert van Veldhuisen (Droomzaken)
Interviewee 10	Business Angel (Real Angel)	ICT	Anonymous

Appendix B – Interview Questions

Business Angels

Typologies

What is the average amount you are investing in new ventures (low/moderate/high)?

How many ventures do you invest in, on average per year (low/moderate/high)?

What is the main purpose of your investment? (Low/moderate/high focus on financial reward)

To what extent are you involved in the companies you invest in?

What activities do you undertake when you involve yourself in the company?

How do you get to know/ get in contact with the new ventures you invest in?

On average, how long does the investment last?

What is the reason for this short-term/mid-term/long-term perspective?

Matchmaking

What is the reason for your low/moderate/high involvement in the new ventures?

Are you specifically looking for new ventures at which the need for this involvement is high/limited?

What are you looking for in the entrepreneurial venture?

Does the experience of the entrepreneur play a big role in the investment decision?

Are you ever concerned with the background of the entrepreneur, and if so what should his or her background preferably look like?

What sort of ventures interest you, and where does this interest come from?

Does your own background in new venturing play a role in the investment decision, if so why?

In your opinion, which factors influence the matchmaking between BAs and entrepreneurs?

Which of these factors have the greatest influence on your investment decision?

Crowdfunding Platforms

Typologies

What is the average amount you are investing in new ventures (low/moderate/high)?

How many ventures do you invest in, on average per year (low/moderate/high)?

What is the main purpose of your investment? (Low/moderate/high focus on financial reward)

To what extent are you involved in the companies you invest in?

What activities do you undertake when you involve yourself in the company?

On average, how long does the investment last?

What is the reason for this short-term/mid-term/long-term perspective?

Matchmaking

What is the reason for your low/moderate/high involvement in the new ventures?

Are you specifically looking for new ventures at which the need for this involvement is high/limited?

What are you looking for in the entrepreneurial venture?

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What sort of ventures interest you, and where does this interest come from?

Does your own background in new venturing play a role in the investment decision, if so why?

In your opinion, which factors influence the matchmaking between BAs and entrepreneurs?

Which of these factors have the greatest influence on your investment decision?

Entrepreneur

Typologies

Does your venture need (additional) finance from investors, or has this been the case for your current venture?

Did you already use additional finance from investors, if so what types of investments did you receive?

What is your previous experience in setting up new ventures?

Do you have an academic, technical or research background?

Will your venture be focused on the mass market or the specific industry?

Matchmaking

Are you familiar with BAs and CFPs and have you been involved with them, or would you consider obtaining investments of such investor types?

What would you expect from an investment from such types of investors?

Would you be interested in using their experience in setting up new ventures or make use of their additional resources?

What benefits do you think that investments from BAs/CFPs would give you?

What do you specifically look for in an investor and why?

Would you consider your background to play a role in the matchmaking with the investor?

Do you think that the market of your new venture plays a role in the investor decision?

In your opinion, which factors influence the matchmaking between BAs and entrepreneurs?

Which of these factors have the greatest influence on your investment decision?

Appendix C – Transcript Interviews (Summarized)

Interviewee 1: Aart van Zandbergen

Background and experience with entrepreneurship/investing

Former entrepreneur and business angel. Started with investing from age 40 when I had earned enough money by selling my former company. In total I have invested in 11 companies so far.

How do you get in contact with the entrepreneurs/companies you want to invest in?

Since I have been an active entrepreneur and also teach at Nyenrode University, people tend to know how to contact me. Besides, I am connected to multiple business angel networks. At first I let them work out a business plan, after which they have to perform a pitch. I often see that they have no clue as to how they must set-up a company. If that is the case, I first start helping them (before financing them).

Why do you invest?

Money is important, I am a material guy. Money is also the tool to measure your success. Even if your product is very sophisticated, if nobody wants to buy it it's nothing. You have to distinguish yourself with a nice product that serves a certain need. People prefer to take a test-ride instead of looking up close at the engine. Throughout many years I have been rewarded with large returns on investments. The financial gain has always been a result but not a goal in itself. The goal has been to deliver or fill a gap in the market based on a certain need and make sure that product, pricing and support is sufficiently conducted.

What is the average duration of your investment?

It may take a while, let's say 5 years. My only prerequisite is for them to realize growth. Before profit you deal with scalability. The entrepreneur should have a company that can quickly duplicate the investment.

What is the role of the background/education of the entrepreneur for your decision to invest?

The education and the background of the entrepreneur, as well as his overall impression during a pitch, determines for approximately 75% my decision to invest. I even look at non-verbal signs. I prefer to invest in a team, where the relationship between team members is very important. Usually, 9 out of 10 don't make it after screening their personal capabilities. I always ask the entrepreneur: why do you want to start your own company? People who say: 'for the money' are not in it with the right motivation. Money should be a result of hard work and doing everything else right. You should make a product based on a certain need in the market and if you do everything right, the money will come automatically.

Interviewee 2: Anonymous

Background and experience with entrepreneurship/investing

Wanted to start a company myself from 18 years old. Did an internship when I was 24 years old, which brought me onto a great idea. I started my own company in application software. I rapidly increased my customer base and proceeded with the company for 16 years. During that period, I have received multiple investments.

At what phase did you start looking for external investors?

At first I was able to survive with my own investments and support from family and friends. After 10 years I started looking for external finance (a business angel). I would not say I was not happy about it but neither very enthusiastic (about the investments). After a while I rebought my shares.

How did you get in contact with this business angel?

He operated in the same industry but in another country and at another company. We met during an industry event / congress. In the beginning I think you will need to have some luck and you meet investors by chance. After a while you can start relying on your own personal network. It is however a people-business based on trust.

Did the experience/industry of the entrepreneur play a role during the matchmaking?

I have met my first investor on a congress at which multiple companies operating within the same industry were present. The fact that they had knowledge of this industry did contribute to the fact that I was willing to sell a stake of my company to them. However, I was not specifically looking for this added value. He told me that he usually discovers opportunities in this market due to the fact that he has many experience himself. It is important to value a new company correctly based on factual knowledge.

Interviewee 3: Berbel van Ass

Background and experience with entrepreneurship/investing

Last year of May I have started my own company. I have taken 2-3 months to work out the plan and idea. I started off with the creation of a website, which went live at the end of May. In the first place it was my hobby next to a job but after receiving an investment, the company has my full priority since past June.

Amount of investment

€7000, -

How do did you get in contact with the investors?

Our contact was not initiated through a CFP but had many similarities. My company was very much out in the open and was promoted through various media channels. This, in the same manner as a project on a CFP might have done, attracted the attention of an investor who saw potential in my company. I have received a message over Linked-in. At first you have a telephone call in which they determine whether they are interested. If they see potential, you start discussing your needs in person and look at possible proceedings.

Are they in other ways involved, besides monetary support?

I have weekly contact with them. They have established a financial template where I can trace and update my numbers. They are possibly going to help me with future funding and we have a quarterly strategy session. They bought shares in my company at 25%.

What is the goal of the investment?

We have a forecast and goals for the upcoming years related to the number of sales. Since they are starting investors they do not exactly know the silver linings as of yet. Ultimately it is up to me to make decisions, however they are able to provide advice whenever possible.

Why choose for these investors?

They were about the same age and very easy in their approach. They have a lot of expertise in finance (through previous jobs) and contain a large network with additional sources. The investor that approached me had many experience from working for a venture capitalist company. Also his educational background in finance and the fact that he was of the same age as I, made me decide to go for it.

Interviewee 4: Melissa Oosterbroek

Background and experience with entrepreneurship/investing

I am originally an entrepreneur. Since one year I am also fund manager at Valley (a company closely related to Presentyourstartup2016).

What is the average duration of an investment?

About a year. After this, entrepreneurs go on and will seek other sources of (bigger) funding. Business angels often fulfill the gap of around €100.000-200.000 in the pre-seed or seed stage of the new venture, after a year or so when the company grows they might be eligible for other investors and larger amounts from i.e. venture capitalist companies.

How do you perceive the importance of the education of the entrepreneur?

Slightly important, through education people often think you are smart which can be helpful in the first meetings. Investors may perceive people with an educational diploma as being 'smart' and therefore better able to manage a new venture.

What is the reason for certain mismatches in your opinion?

I think market size and winner potential are vital elements for the success of a start-up. If you invest you want to be the best on that market. That way the return on investment will be larger and might come sooner.

Do you see certain interactions between entrepreneurs and business angels?

What I see is that the personal relationship is important. Crowdfunding is just throwing away some money (which is often not a problem since it concerns small amounts). In my company the business angels invest from €100.000, - and they are therefore much interested in the person of the entrepreneur.

Which factors are considered when matching entrepreneurs to business angels?

It should connect to future investments and the start-up should have a realistic value. Besides, the entrepreneur should be capable of managing the company. The growth potential of the new venture is highly important since it provides for follow-up investments. Only companies with a high growth potential and promising rates of return will be attractive to business angels and other types of investors.

Interviewee 5: Edwin Adams

Background and experience with entrepreneurship/investing

I have been an entrepreneur myself. When I graduated from the farmer school I wanted to become a farmer, however I did not succeed. This, for me, was the signal to start for myself in order to still maintain a large degree of freedom (like with farming). I quickly ended up in the financial industry.

I started as an intermediary for insurance and banking companies. For a period of time I was director of a franchise establishment of the Dutch bank called ING. However, after they decided to merge with the Postbank I had to resign. In 2009 I contacted my former working partner. We started brainstorming for quite some time (from child care to clothing import from China) and decided we wanted to do something with money. Here, the idea of a crowdfunding platform started. We started in 2010 and went live in 2011, then one of the first Dutch crowdfunding platforms. Until that moment I did not know what I had started. I have invested in some projects myself but believe that they should be supported from the market since that also involves the so-called 'wisdom of the crowd'. There, you can immediately see whether the concept is right.

What is the average profile of the investors?

They are not professionals, since we won't allow institutional investors and venture capital. They could charge every project by themselves and still there would be money leftover. CFP should be accessible for 'normal people'. Currently 95% are individuals. They are often highly educated and mainly male.

Are some projects more successful than others and could you think of any factors that are key to success?

I often see success when projects include a societal or sustainable element within their business. This can be traced back to the general trend of conscious choice-making. At CFPs you see many early adopters and the combination with their highly educated background, could possibly lead to conscious choice-making also in their investments. They want to contribute to the creation of a more sustainable society.

The projects you see, are they more eligible for the mass market or do they focus on specific industries?

My CFP includes all types of projects. The extra marketing that is obtained during the funding period can be beneficial to all sorts of industries. Maybe the specific industries even need the visibility more to attract specific investors that would otherwise never recognize a project within a specific industry sector. I know the concept of additional marketing at CFPs and many entrepreneurs might take advantage of this. However, I do think this comes in second place.

Why crowdfunding?

Nowadays, investing on CFPs is something that everyone can do. You, me and everybody with a little bit of money available is now able to 'invest' in the projects they like. It is even possible to go completely anonymous and besides interest and some additional non-financial incentives I do not think people like to engage in other ways. Additionally, I do not think that that is the reason that attracts entrepreneurs. CFPs are for funding and they will turn to other resources for support on managing a business.

Interviewee 6: Rick Mintjes

Background and experience with entrepreneurship/investing

I've been working at Kplusv since 3.5 years. My background is mainly financial. I have studied financial economics. After that I have worked at several banks. Quickly Kplusv came along (working with wealthy individuals and investors). Here, I review entrepreneurs and their potential.

What are the main criteria you look at when reviewing an entrepreneur?

The most important thing is the entrepreneur him or herself. After that we go through the business plan and analyze whether there is something in there that could distinguish the new venture from other companies. The investors on the platform are mainly looking for new technologies and innovative products.

What is the average amount that is invested?

Between 100.000 and 1.000.000 euros.

What is the main motivation for the investment?

The financial gain.

Do the investors deliver non-financial support as well?

They deliver so-called 'smart capital' with a network and background experience in a certain market or industry. The entrepreneurs are usually not very good at marketing.

What criteria do you incorporate when you match entrepreneurs and investors?

We look at background and experience on both sides. Also, the company should be right for informal investing. Some projects can better be linked to venture capitalists. Additionally, the element of growth is very important. Starting up one shop is not something our investors would like to invest in, this is different for a franchise.

Do you see market failures during the matchmaking?

Older investors often question the use of these new ventures that, by using Internet of Things, have found quick and efficient solutions for day-to-day problems. I often see their inability to value these companies the right way.

The pitch of technical entrepreneurs is often very hard to follow due to the technological nature of the venture. This requires some expertise or understanding from the side of the investor in order to see the potential.

What do you think of crowdfunding?

Through crowdfunding it is possible to create a fan base before you have even started the development of your product. This is of course beneficial to the attraction of investors and generates an open communication channel for feedback. The difference with business angels is that often you do not need to sell shares.

Interviewee 7: Pim van de Velde

Background and experience with entrepreneurship/investing

Working at company that is linked to Agium, where they wanted to solve the problem of long waiting lists before entrepreneurs could obtain money from banks. We are focused on serial entrepreneurs since we want to see a certain degree of experience.

We know that 5% of all start-ups fail. It is therefore that we think that novel entrepreneurs are better off using other financing methods. We want to guarantee a successful investment for our investors, for which we analyze historic data of companies and entrepreneurs. A successful portfolio is promising for future rewards.

What are you looking for in an entrepreneur?

We use our own tools to screen the entrepreneur. We often do not see the entrepreneur in person. We use everything in our power to check (financial) background.

How would you characterize the entrepreneurs and investors?

Both are around the same age (43), meaning they are in the middle of their career.

How important do you perceive the background of the entrepreneur?

Investors are aware of the risks that are involved when 'borrowing' money to new ventures. This is also why we advice the investors to invest in multiple projects.

Can you think of any vital factors for successful matchmaking?

What I often see is that the projects with a low risk tend to be more popular. This is also the case for the projects containing a physical good. Software is often too abstract.

Interviewee 8: Tom Willaert

Background and experience with entrepreneurship/investing

I make connections at Collin Crowdfund. These connections all come from my own personal network. Often it merely concerns the distribution of a lump sum of money, sometimes additional expertise is delivered.

What do you look for in an entrepreneur?

For me the transparency of the person is vital for my decision to link him or her to any investors within my network. He or she should be able to present a consistent few of their strengths and weaknesses. These could include disappointments from the pasts and how they have turned those around in next opportunities. If the person in question does not feel good, the process cannot proceed.

I strive for long-term relationships between the entrepreneur and investor. This means they should be credit worthy. I often conduct checkups at credit companies and review their ratings. Based on this classification, I provide him an advice for the amount of interest he can ask through crowdfunding. As a crowdfund coach I look closely to the person in question. Therefore, I visit him in person and try to create a vision on his expectations of the future and with what personal capabilities he is going to realize them. If the person in question does not 'feel good' the party cannot go on. I expect people to be transparent on their previous experiences, good or bad, and how they have tackled issues if they had any. Next to fairness, loyalty and transparency I question the main drivers of the new company. Do these involve sustainable business plans and why is this a concern for the entrepreneur?

How important is background and education?

It is important in that order. First background. I'd rather have someone who failed many times but has learnt from his mistakes than a very bright student who has not yet have any experience in managing a start-up. They can prove themselves by showing me a business plan.

What do you look for in investors?

Exactly the same. However, I do not actively search for characteristics. Often these 'just happen' and I stumble upon certain people. Then I naturally think of the link. I also look at their goals and expectations and their vision on life.

Do you see a common factor in the success of certain funding matches?

The higher the interest, the quicker it goes. Personally I do not conceive that as a good thing. I see a difference in entrepreneurs who successfully go through the campaign and people who want to go too fast. Entrepreneurs should regularly update the investors. Next, I see that people who start-up well with money from people close by often work out the best later. This is because people unfamiliar with the project might think: 'hey, if so many people surrounding him/her believe in the idea, it must be something?'

Interviewee 9: Gert van Veldhuisen

Background and experience with entrepreneurship/investing

I sold my company JongeHonden when I was very young and started investing with the money I received. After that I set up the 'Investeerdersclub' which is basically a business angel network that meets on a regular basis. In the mean time I also set up Droomzaken, my own company. Through Droomzaken I conduct my own investments.

What is the average amount that you invest in a company?

It depends but could go up to €600.000, -. I often start small and if it works I will do a follow-up investment.

In how many companies do you invest on a yearly basis?

Around 20.

What is the main motivation for your investments?

The social element for me is almost the most important element I look at, it could sometimes even be more important than the financial returns. I want to help the world and not only invest in companies to fill my own pockets. I want to help the world a little. Besides that, of course financial return. However, I do not merely want to earn money from other people. For me it is important that a company helps society in a certain way. Therefore, I also look across borders in countries with societal challenges. These companies are very specific and my willingness to invest in them is for personal reasons.

Do you also engage in non-financial support?

Yes, I have been an entrepreneur myself so it happens but is not specifically what I am looking for.

What is the duration of the investments?

They could last between 1-7 years. I opt for the long-term but sometimes due to circumstances or quick returns your investments last only a year.

What are you looking for when deciding to invest in a company?

The entrepreneur should have proven him or herself already. The main focus is on getting return for the investment. Besides the entrepreneur in person, I immediately review the scalability. What are the chances for a rapid increase in scale?

How important do you perceive the background or education of the entrepreneur?

I do look at education but it does not play a big role. You could have studies everything, from history to science, in order to be a successful entrepreneur. Technical entrepreneurs seem to love their product just as much, or even more, than the desire or need on the side of the potential customer. This is dangerous since the potential customer is the one who should eventually buy the product.

What is the average profile of entrepreneurs and investors you see in the market?

The average age of the entrepreneurs is often between 20-30, while the investors I co-invest with are all above 40. It could be an interesting subject to see whether age difference plays a pivotal role.

Do you think certain characteristics might prevail at BAs over CFPs in the decision to invest?

I once had a company with a man who later set up one of the first reward-based CFPs in the Netherlands. With crowdfunding you create a fan base and the emotional element is vital. Products that appear to be 'cool' will accelerate in terms of funding and success.

Interviewee 10: Anonymous

Background and experience with entrepreneurship/investing

Former entrepreneur and current business angel at The Investor Network. Here, I invest in projects related to my own industry (ICT)

What is the average duration of your investment?

Usually between 3-4 years. This is also the moment where they do not need additional support anymore. I only invest in initiatives if I can be part of the organization and deliver added value in that way.

What are you looking for in a new venture?

The only thing I am looking for is the willingness to learn and cooperate, regardless of what education or background they have.

Do you have a preference for a specific market when you invest?

I only invest in projects operating in the ICT industry. I have a lot of experience in this industry and will therefore be better able to help the entrepreneurs.

What are the main reasons for you to invest?

The scalability, technical company, team and interest in the company.