VC and BA investment decision making:

Deal origination and screening from the perspective of the entrepreneur

Master's thesis

Martijn Lentz

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I – ABSTRACT

This Master's thesis documents how the decision making of investors to screen and invest in entrepreneurial firms is affected by the delivery channel of a proposal, a fit between the proposal and an investor's investment profile, and the awareness of the entrepreneur on the investor's investment profile. Entrepreneurs find it difficult to find financing for their ventures. Especially now banks mostly refuse to invest since the 2007-2010 credit crunch and Euro crisis. Entrepreneurs are therefore more and more dependent on Business Angels (BAs) and Venture Capitalists (VCs) for their investment needs (Kleijn, M., AWT, 2011). Consequently BAs and VCs are contacted by large numbers of entrepreneurs in search of finance. This requires them to bring the large number of proposals down to a manageable quantity. In this study the screening decisions of BAs and VCs in the 'investment decision process' were analyzed. It was expected that the selection of investment proposals of entrepreneurs was manifested by a screening decision which is affected by 1. the delivery channel – originating via a cold call, referral or active search – 2. the fit between the investment proposal of the entrepreneur and the investment profile of the investor, and 3. the awareness of the entrepreneur of this investment proposition fit. After testing the hypotheses that corresponded to the expectations above the following can be concluded: First, the investment proposition fit proved to be the dominant predictor of a screen-in. It mediates the effect of an entrepreneur's awareness on the screening decision. For the investment decision both effects were smaller. Second, a referral as the delivery channel compared to a cold call leads to more investments. And third, VCs make use of a more strict screening than BAs. On the basis of this study the researcher pleas for three things to establish a more effective marketplace of entrepreneurial finance: 1. Entrepreneurs and investors should make more use of their network to find more suitable opportunities for investment. 2. There should be more focus on reaching a fit between the investment proposal of the entrepreneur and the investment profile of the investor. And 3. The transparency of what kind of investment entrepreneurs and investors are looking for should be increased by persuading them to publicly disclose and exchange the general characteristics of their investment proposals and investment profiles.

Key concepts: Investment decision process, Venture capital, Business angel, Deal origination, Screening, Investment proposition fit, Entrepreneurial awareness, Investment readiness.

II – PREFACE

The document that is lying before you is my Master's thesis for the Extended Master Organisation Studies at Tilburg University. I have researched one of the great unknowns for entrepreneurs seeking finance in the Netherlands; what is the most effective way to find an investment? By combining the deal origination and screening phases of the investment decision process of investors with the perspective of an entrepreneur, this report gives entrepreneurs and investors great insights in how to be more effective in the entrepreneurial finance market.

This research would not have taken place without the opportunity I was given. I would like to thank Syntens Innovatiecentrum for offering me a junior traineeship in which I have combined this research with a number of projects for the company on entrepreneurial finance, one of the frontiers of this moment in consultancy for SMEs. My thanks especially go out to my professional supervisors Willo Eurlings and Murk Peutz who have not only supervised and contributed to my progress, but also helped me greatly in developing my personal goals and inspired me to go all the way.

A second word of thanks goes out to Tilburg University. I would like to thank my academic supervisors dr. Joerg Raab, drs. Stefan Cloudt, and dr. Wilco Emons for critically and thoroughly reading and examining my progress and guarding the academic value.

Third, I would like to thank the entrepreneurs who were so willing to participate in an interview, during which on more than one occasion they told their life story. Finally, many thanks go out to my family and friends who have supported me throughout the whole period and respected the time and effort I devoted to this study.

Addressing my readers, I hope that this report can bring you as much insights and knowledge as it has brought me.

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III – CONTENT

1. INTRODUCTION

This introduction consists of two chapters. The first chapter describes the problem that was addressed in this study followed by the research questions by which the problem was approached. In the second chapter the relevance of this study has been described.

1.1. Problem Statement

A lot of entrepreneurial firms are experiencing difficulties in finding finance. As a result of the financial crisis from 2007 to 2011 and now the Euro crisis, it has become even harder for Small and Medium Enterprises (SMEs) to find investments for the development of their innovations (EIM Financieringsmonitor, 2011). The obvious starting point for an entrepreneur is to use personal resources to advance his project to a point where outside financing in feasible (Smith, Smith and Bliss, 2011). As the venture takes off, more financing will be needed (Rodriguez, 2011). Therefore, starting entrepreneurs often turn to friends and family or banks (Fraser, 2004). However, only a small fraction of entrepreneurs has access to wealthy family and friends who are also willing to invest. Banks require a track record which is not present in starting firms and generally the risks are too high (Berger and Udell, 1998; Mason and Stark, 2004). Consequently, many SMEs turn to Business Angels (BAs) and Venture Capitalists (VCs) with their financing request. Hence, BAs and VCs receive hundreds of proposals every year. However, BAs and VCs generally only decide to invest in 2-3% of the SMEs they come into contact with (BAN Nederland, 2012; NVP, 2012). Accordingly, many entrepreneurs apply for capital at numerous investors, but their requests are consecutively turned down. Mostly because entrepreneurs lack the knowledge to contact investors effectively and clearly present their proposal.

In the investment decision process (figure 1), investors make use of an initial and a thorough selection to screen and evaluate which ventures have the highest potential (Tyebjee and Bruno, 1984). The large number of proposals comes to investors via three different delivery channels: cold calls, referrals and active search. To bring this number down to a manageable quantity, it is expected that investors screen the ventures by comparing the proposals of entrepreneurs with their own investment profile on a small number of easily verifiable criteria. These criteria are: (1) the size of the investment request, (2) the technology and market sector of the venture, (3) the geographical location of the venture, and (4) the stage of the venture (Tyebjee and Bruno, 1984). It is expected that when the proposal fits the profile of the investor this positively influences the investor's screening decision.
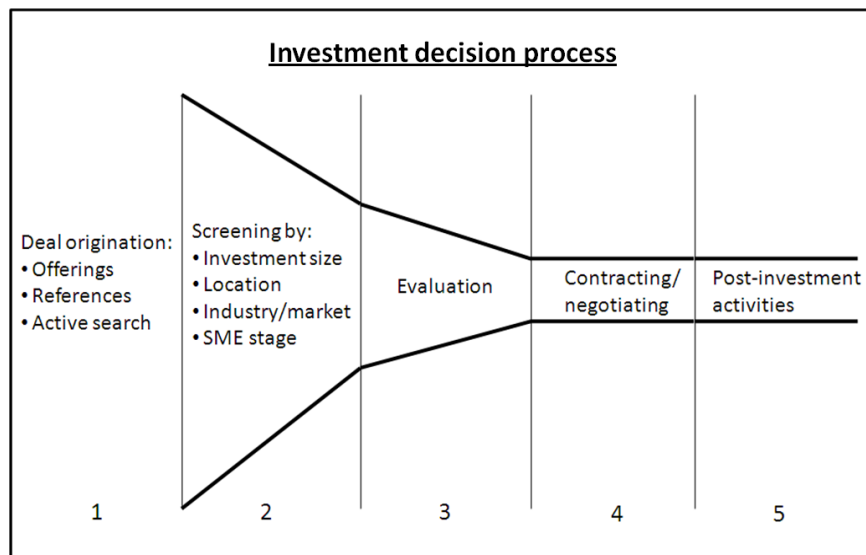
Figure 1: The Investment Decision Process. From Tyebjee and Bruno, 1984.

Many business proposals are filtered out on the basis of this simple and objective screening. In this study it is expected that many entrepreneurs are unaware of the screening criteria of investors, thereby contacting investors who do not match. These investors then screen-out their proposals, because the desired requirements are not present. If entrepreneurs would contact investors who are in search for ventures with the requirements to which their proposal fits instead of using a shotgun approach, they would have a higher chance of passing the screening phase. Thereby it would require entrepreneurs less attempts, and therefore less time to find financing. This would also have a positive effect on investors, because they would save the time and the costs of turning down these numerous unattractive proposals.

To summarize, this research has looked at the deal origination and screening phases in the investment decision process of VCs and BAs. The other phases in the investment decision process: evaluation, contracting/negotiating, and post-investment activities, have not been addressed in this study, because these phases are already discussed more extensively by other research. The first goal of this study has been to find out whether the delivery channel of a proposal affects an investor's screening decision. Moreover the goal has been to provide evidence that the fit between the proposal of an entrepreneur and the investment profile of an investor, from now on addressed as investment proposition fit, determines whether investors screen-out a proposal or continue the investment decision process beyond the screening phase. Third it is assumed in this study that entrepreneurs who are aware of the screening criteria send their proposals towards better matching investors, and therefore have a higher investment proposition fit. Hence the research questions have been:

Deal origination:

> *To what extent is an investor's screening decision affected by the delivery channel of the proposal of the entrepreneur?*

Screening:

> *To what extent is an investor's screening decision affected by the investment proposition fit?*

> *To what extent is the investment proposition fit affected by the entrepreneur's awareness of the investment profile of an investor?*

1.2. <u>Relevance</u>

In discussing entrepreneurial finance thoughts do not immediately go towards social sciences and soft characteristics. Both in the academic world and in practice, when someone's opinion is asked about what is important to find an investment the obvious answer is a good business plan based on a good idea of a very capable entrepreneur. This underlines that economical and financial foundations are the norm for the analysis of investments towards entrepreneurial firms. However, the investment proposals are presented by entrepreneurs and reviewed by investors. These entrepreneurs and investors are people, who make personal choices and who communicate and interact with other individuals. They can also be approached from cognitive and behavioral perspectives, such as decision making theories. Similarly, the relational aspect of entrepreneurial finance is underestimated. Hence, the interaction effects of finding finance deserve more attention. This study helps in substantiating that there is much more to entrepreneurial finance, especially stressing the importance of decision making theories and processes, the way of approaching and conscious matchmaking.

The academic value of this research lies in the contribution to the literature on venture financing and the empirical evidence that supports or rejects the hypotheses in this study. The scientific relevance of this research comes from the development and expansion of the theoretical framework on investment decision making. In their investment decision model Tyebjee and Bruno (1984) concentrated on the evaluation with less attention paid to other steps in the process. By focusing on the deal origination and screening this study adds much value to the deepening of their investment decision process model and expands the process-based view on investment decision making. Earlier research has already indicated that screening criteria are very important. Hall and Hofer (1993) argued that the criteria used by investors to make their venture decisions are of interest for several reasons. First, VCs have been conspicuously successful in their investment decisions. The success rate

of venture capital-backed ventures has been significantly higher than the success rate of new ventures generally (Dorsey 1979; Davis and Stetson 1984). More information about the criteria used to select the most promising ventures could lead to a better understanding of the reasons for this success. Second, a better understanding of the criteria for successful new ventures could lead to an improvement in the success rate of new ventures. Although there has been no clear agreement on the precise rate, the failure rate among new ventures is generally viewed as significantly higher than the average failure rate (Dun and Bradstreet, 1984; Van de Ven, 1980; Shapero, 1981). Finally, investment criteria have been of enormous importance to entrepreneurs seeking venture funding. Such entrepreneurs require a significant infusion of capital in order to grow their businesses, and knowledge of the criteria sought by banks, BAs and VCs can aid entrepreneurs in gaining the necessary financing. This study has uniquely contributed to the literature on screening criteria in such a way that the experiences of entrepreneurs about the screening phase have been structured. The focus was not on the internal cognitive processes of investors themselves, but the perceptions of entrepreneurs about the investor's decisions. Furthermore, the study contributed to the literature by presenting new findings on the deal origination phase concerning the way entrepreneurs approach investors and to what extent they are aware of the characteristics of the investor.

The practical relevance of this study is of more significance. Its contribution to the society is threefold. First, the importance of BAs and VCs as a source of entrepreneurial finance has increased. Second, it contributes to the knowledge of entrepreneurs about entrepreneurial finance, increasing their investment readiness. Third, investors can use this study to gain a better understanding of the perceptions of entrepreneurs about the deal origination and their investment decisions. Fourth, this study can inform policy makers about the difficulties entrepreneurs perceive in finding finance for their ventures.

Because banks are much more reluctant to invest in entrepreneurial firms since the credit crunch of 2007-2010 and now the Euro crisis, entrepreneurs are obliged to search for finance at other sources. The decrease in governmental subsidiaries and fiscal deductions further increased the need for alternative sources of finance. Two of the most prominent alternatives are BA and VC investments, hence the growing importance of these financing sources. Accordingly, the importance of this study grew alongside the increased importance of BAs and VCs.

There are many differences in the degree of knowledge about entrepreneurial finance. Professionals in the Netherlands who are daily screening and evaluating proposals or advise entrepreneurs on their business plan and financing strategies might be well aware of the findings of this study. This knowledge can also be found by entrepreneurs who were educated in

entrepreneurship or gained a lot of experience in previous entrepreneurial firms. However, the majority of entrepreneurs in the Netherlands are low on knowledge about finding an investment. Thereby they have a low investment readiness. Many entrepreneurs lack insights in the total spectrum of financiers and which investor types are suitable for their venture. They are not familiar with decision processes of investors. Therefore they are not aware of the importance of the screening criteria investors use to screen-out proposals that do not fit. Moreover, entrepreneurs hardly consider these criteria in their decision which investors to contact for their financing needs. They are unaware about whether their proposal is suited for a specific investor. Hence, the practical value of this research comes from the recommendations towards individual entrepreneurs to stress the importance of accounting for the selection criteria by which they are reviewed, so that they are better prepared and approach the right investors. It is better to focus on a small number of better fitting investors than to use a shotgun approach. Furthermore, this study provided insights in the effects of the delivery channel of the proposal on the likelihood of ventures passing the screening process. It provided individual entrepreneurs insights about the best way to contact an investor, thereby raising the probability to pass the screening process and to find an investment. This also has advantages for investors because the general quality of the deal flow of investors will increase.

Investors can profit from this study by the empirical knowledge it provided about the way entrepreneurs perceive and experience searching for an investing and contacting investors and by what underlying thoughts and arguments they justify their actions. More specifically, investors can better understand how entrepreneurs experience their venture decisions and the underlying criteria.

This study can inform policy makers about the difficulties entrepreneurs perceive in finding finance for their ventures. Thereby they can form a good impression of what matching difficulties there are at ground level in the financing market for young and innovative companies. This study provides new insights in the differences between entrepreneurial firms that are able to find an investor and firms that lack this expertise or are not interesting for BAs or VCs to invest in. Policy makers can use this to detect the limits of the market and base their decision to interfere by aiding and financially assisting a certain scope of promising ventures in the total population of entrepreneurial firms. Hence, they can better focus their instruments on the groups of entrepreneurial firms that are in need of assistance but still have potential.

2. THEORETICAL FRAMEWORK

The theoretical framework of this study consists of four chapters. The first chapter describes the aspects of entrepreneurial finance from the viewpoint of the entrepreneur. Chapter two looks at the characteristics of venture financing for the investor. The third chapter discusses the investment decision process which is at the basis for investment decisions made by BA and VC investors. In the fourth and final chapter of the theoretical framework the hypotheses that were tested in this study have been described in detail.

2.1. <u>Entrepreneurial finance</u>

This chapter looks at the aspects of entrepreneurial finance from the viewpoint of the entrepreneur. In the first paragraph the main characteristics of an entrepreneurial firm are described. The second paragraph describes the sources of finance firms can turn to in different stages of their life cycle. It is essential that this information is included in this study, because it explains the issues of finding finance entrepreneurial firms in different stages of growth.

2.1.1. <u>Entrepreneurial firm</u>

Gartner (1985) argued that an entrepreneur is a person who started a new business where there was none before. This new business is what can be called an entrepreneurial firm. An entrepreneurial firm pursues a certain business model, which is often novel and innovative, to get turnover and reach profits. As argued by Silver (1984) entrepreneurial firms must solve coordination problems in a world of novelty and systemic change. In VC and BA literature these entrepreneurial firms are better known as start-up companies or growth companies, further distinguished to the specific firm stages. These are discussed in the next paragraph.

Entrepreneurial finance can be seen as the financing of entrepreneurial firms. Entrepreneurial finance is generally associated with high-risk and large revenues. Entrepreneurial finance is applicable to new firms, but also to ventures that start within corporations. Both for entrepreneurial firms and ventures the required investments can be seen as project financing; however for entrepreneurial firms the project is the whole firm.

Syntens (2011) made a distinction between four categories of firms, which can be displayed in a two by two matrix. On the vertical axis the variable is based on the age of the firm. When a firm existed five years or younger it was considered as a starting company. Firms older than five years were considered as an existing firm. On the horizontal axis, the variable is based on whether the firm

is engaged in innovation or growth. Innovation exists from the moment the venture starts with a business plan to the generation of the first revenues. Innovation investments can thereby be characterized as investments in new or improved products and processes. Growth is characterized from the moment of first revenues to the realization of profits and further turnover growth. Growth investments can be seen as investments in existing products and processes (Syntens, 2011).

2.1.1.1. Entrepreneurial firm stages

A large body of literature describes the developmental process for new businesses in terms of sequential stages (Haire, 1959; Greiner, 1972; Hofer and Schendel, 1978; Kimberly and Miles, 1980; and Churchill and Lewis, 1983). New ventures develop in a fairly predictable chronological process by evolving through various functional and strategic developmental stages. These different sequential stage models have been summarized by Smith et. al. (2011). Their model is presented below in figure 2. It consists of six sequential stages: I) opportunity; 2) research and development; 3) start-up; 4) early growth; 5) rapid growth: and 6) exit (Smith, et al., 2011).
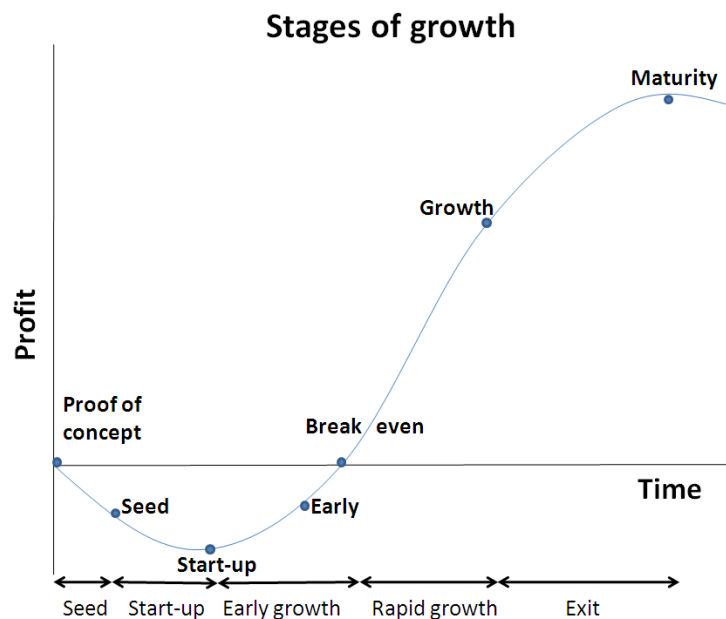
Figure 2: **Stages of New Venture Growth. From Smith, Smith and Bliss, 2011.**

The opportunity stage involves all activities addressed to the preparation of a business plan and before incurring significant expense. The R&D stage consists of all research and development activity that must be completed before revenue generation can commence. Together these stages have been bundled by the name 'seed' since the investment in these companies is called seed capital. The start-up stage involves all activities related to the start of production and marketing and the initiation of revenue-generating activities. The early growth stage encompasses all activities during the period

before the venture reaches a level of sales sufficient for cash-flow breakeven. The rapid growth stage involves all activities during the period after break-even and before sustainable viability is established. In the exit stage all activities are focused on establishing continuing financing and enabling early investors to harvest (Smith, et al. 2011).

2.1.2. Sources of finance

One main critical task facing entrepreneurs is to acquire and manage the resources needed to start the firm, especially financial capital resources (Greene and Brown, 1977). There are many sources for financing, however, not all sources are available to entrepreneurial firms, and especially not when these firms are in an early stage. As accumulated by Smith et al. (2011) and as seen below in table 1, there are a large number of financing sources. For each firm stage there are some that are most suited. The financing sources described in this study are (1) the entrepreneur himself, (2) friends and family, (3) banks, (4) BAs, and (5) VCs.

Sources of New Venture Financing	Seed	Start-up	Early Growth	Rapid Growth	Exit
Entrepreneur	■	▓			
Friends and Family	■	▓			
Angel Investors	■	■	▓	▓	
Corporate Strategic Partner		■	■	■	
Venture Capital	▓	■	■	■	
Asset-Based Lender		■	■	■	
Venture Leasing		■	■	■	
Government Programs		▓	■	■	
Trade Credit/Vendor Financing			■	■	
Factoring			■	■	
Franchising			■	■	
Commercial Bank Lending				■	
Mezzanine Lender				■	
Public Debt				■	■
IPO					■
Acquisition, LBO, MBO					■

Table 1: Sources of New Venture Financing, From Smith, Smith and Bliss, 2011.

The obvious starting point for an entrepreneur is to use personal resources to advance his project to a point where outside financing in feasible (Smith, et al., 2011). As the venture takes off, more financing will be needed (Rodriguez, 2011).The research by Kim, et al. (2003) provided information about the funding sources of nascent entrepreneurs. Nascent entrepreneurs are active in the earliest stages – seed and start-up – of a venture. They found that nascent entrepreneurs used their own

fund or credit cards in more that 50% of the cases. Also, they turned to friends and family as a funding source in 15% of the cases (N=104). This is in accordance with the EIM Financieringsmonitor (2011), in which 20 percent of the Dutch SMEs found equity or debt financing from friends and family. Generally they want you to succeed and want to profit from your success too (Sander and Lambert, 2007). Whether funding from friends and family is useful depends on the relationship and their financial objectives, whether they want an equity stake or to make loan, or just give you the funds. Family members might be willing to offer loans, for little or no interest, in return for their option to 'call in the favor' at later time (Basu, and Parker, 2001). To boost financing from family and friends, many governments provide fiscal advantages for these small investments.

Next to bootstrap financing Kim, et al. (2003) found that for 13% and 4% entrepreneurs used bank loans and SBA loans. A bank loan is a form of a debt investment. Banks are one of the cheapest sources of finance; they calculate a low interest rate as compared to other investors. Furthermore, they do not require some form of dividend or profit shares. Also, possibly even more important for an entrepreneur, banks do not interfere with the decisions made by the entrepreneur or require ownership of the venture. Thereby the entrepreneur can collect capital while maintaining his independence. However banks are only willing to invest in businesses with very low risk, which is most times not the case for SMEs. They may wish to have less exposure to SMEs or desire to charge SMEs higher fees and interest rates as compared with larger firms (Beck, et al., 2009). Traditionally, banks see themselves purely as lenders against security and aim to minimize risks, whereas entrepreneurs usually incur risk in starting ventures. This results in a mismatch between the objectives and orientations of banks and the objectives and orientations of entrepreneurs (Fletcher, 1995).

The Taskforce Kredietverlening (2010) reported that from the start of the financial crisis banks have tightened their acceptance criteria for business loans. These tightened criteria fit within a declining economy because of the increased risks for their clients. Thereby, entrepreneurs are faced with more difficult conditions. As it was in the 1990s, for entrepreneurs this means that it is now harder to successfully receive financing from banks, therefore they might need to turn to other sources of finance. Unlike firms that find their way by governmental research and development instruments such as SBIR, Innovatiekrediet, governmental fiscal instruments such as WBSO or RDA (Agentschap NL, 2012), supplier, vendor or customer financing, factoring, leasing, or stretching payables, the most common path is to find outside investors like BAs and VCs to fulfill their financing needs. These will be discussed in the following paragraphs.

2.1.2.1. Private equity investments

Private equity is the money invested in companies that are not public (Thornton, 2007). There is a fundamental distinction in the private equity world between those who invest in funds and those who then manage the capital invested in those funds by making investments into companies. This distinction is sometimes defined by the terms fund investing and direct investing (Fraser-Sampson, 2010). A private equity investment will generally be made by a BA, VC or a private equity firm. The paragraphs below take a closer look into BAs and VCs. An investment made by a private equity firm involves millions of Euros which is out of the range of entrepreneurial firms.

2.1.2.2. Business Angels

Business Angels, or Angel Investors, are equity investors who directly invest into ventures. BAs generally are freelancers who are interested in investing relative small amounts of money (€ 50.000 - € 750.000, BAN Netherlands, 2011) in early-stage projects. Because of higher risks of early-stage investments, BAs require a high profit rate and more influence in the company. BAs will often provide seed capital to develop an idea to the point where formal outside financing becomes feasible (Smith, Smith, and Bliss, 2011). The funding that BAs provide come from three types of angel investing (Rodriguez, 2011).

The first type is an individual angel, in which a BA is investing on his own behalf. BAs like these are wealthy individuals who tend to regularly invest in entrepreneurial ventures with their own money in sums typically ranging from at least $25,000 to over $1 million, and sometimes much more (Conway 2011).

The second type is when BAs invest as part of an angel network. Like a BA investing on his own, BAs that are part of an angel network can invest individually. However, they have the added advantage of working collectively in the screening process and reviewing deals, and having the option of investing together in new ventures (Rodriguez, 2011). In the Netherlands there are a number of angel networks that are united through the networking organization Business Angels Networks (BAN) Netherlands. It is common for BAs which are a part of an angel network to invest between $25,000 and $50,000 in a company. The total investment from the members of an angel network who decide to invest typically averages around $250,000 to $750,000 (Smith, et al., 2011).

The third and last type of angel investing is called an Angel Fund. In an Angel Fund, BAs pull their resources together but act as one investor. This means they decide as a whole on each investment and no individual investments are made. By doing so, each venture that receives funding will receive

a much larger sum. Being able to pull capital resources together is beneficial because it prevents the entrepreneur from needing to seek further outside financing from other sources such as venture capitalists. This ensures that angel investors will reap a greater return on their investment (Rodriguez, 2011).

2.1.2.3. Venture Capitalists

Venture Capital is a part of Private Equity financing, focusing on start-ups or fast growing companies, often in innovative sectors like IT and Life Sciences (NVP, 2012). VC firms differ from BAs by investing in funds. Each fund is appointed a professional fund management which acts on behalf of the investors of the fund. The main difference between VCs and other financial institutes is seen in the combination of infusing capital and exerting management support. In this way, VCs can provide financing to young businesses that otherwise would not receive external funds (Bhattacharya and Thakor, 1993). Due to board membership, supporting and controlling the management team, recruiting key personnel, building contracts to customers and suppliers, providing access to business contacts, providing general business knowledge, and ensuring financial and strategic discipline they can affect the profits of their portfolio firms (Barry, Muscarella, and Peavy 1994; Fried and Hisrich, 1992, 1994, 1995; Gorman and Sahlman, 1989). VCs appear to be more efficient than BAs in the deal origination and screening phases (Van Osnabrugge, 2000). They generate and maintain a greater deal flow than BAs and are more selective in their screening, because they tend to specialize more in certain industry sectors than BAs.

2.2. **Venture financing**

Where the previous chapter provided an understanding of the issues in finding finance for entrepreneurial firms in different stages of growth, this chapter describes entrepreneurial finance from the viewpoint of investors. This is essential for this study to gain an understanding in the decision making of investors and its underlying considerations. The first paragraph describes the risks for investors in financing entrepreneurial firms from an agency theory perspective. The second paragraph stresses the differences between debt and equity financing. For both paragraphs arguments are provided why BA and VC investing are especially suited for venture financing.

2.2.1. Risks of venture financing

This paragraph describes the risk of venture financing. For investors, financing an entrepreneurial firm might seem as a good opportunity because of the possibility of reaching very high returns. On the other hand, young and innovative SMEs are also more risky to invest in because of higher failure

rates (Dun and Bradstreet, 1984; Van de Ven, 1980; Shapero, 1981). Furthermore, these new businesses come with a number of difficulties from agency theory regarding the availability of information about the firm. New businesses are the most informationally opaque on account of their lack of track record (Berger and Udell, 1998). Because so much of their value lies in their potential for future growth and so little in their current, tangible assets, it is hard to determine whether a firm will be successful. The information required to assess the competence and commitment of the entrepreneur and the prospects for the business is either unavailable, uneconomic to obtain or difficult to interpret. Therefore, the entrepreneur possesses more knowledge about the venture than a possible investor. These information asymmetries create two types of risk for the investor: adverse selection and moral hazard problems (Parker, 2002).

First, there is the risk of adverse selection, which specifically plays a role in the screening and evaluation phases. In adverse selection, there are two types of errors that can be made: (1) investors might invest in a company that subsequently fails, or, (2) investors might decide not to invest in a company that becomes successful or has the potential to become successful (Mason and Stark, 2004). Of course, a large part of the possible success or failure cannot be explained beforehand. This is information opacity for both the investor and the entrepreneur. Nevertheless, some parts of both errors are based on insufficient or ineffective screening and evaluation mechanisms. A type one error occurs when the selection process of an investor fails to screen-out a venture that will not become successful. Thereby, the selection criteria might not have been strict enough. A type one error has negative implications for an investor in such a way that the decision to act and thereby to invest in the venture comes with a financial loss. The venture can go bankrupt and only a part of the investment can be retrieved through the assets of the company, the venture might need additional rounds of investments before the investor finally finds an exit, or the venture can be sold to another investor with a loss. A type two error occurs when an investor had a chance to make profits by investing in a venture that he rejected. Compared to a type one error, this does not have direct negative financial implications for the investor. However, this might still be frustrating, because of missed profits. Thereby the selection criteria of the investment decision may have been too strict. Furthermore, if you add the fact that an investor has only a limited amount of money to be invested, and that he wants to maximize his profits from the investments he makes, type two of the adverse selection problem can also be understood as not investing in a venture that would have brought more profits than the ventures that did make it into the portfolio of the investor.

Second there is the moral hazard problem, which plays an important role in the contracting and post-investment phases. The moral hazard problem concerns with the idea that an investor might

not be fully aware of the actions of the entrepreneur, nor his underlying intentions. Then, the entrepreneur has an incentive to act out of self interest, even if such actions impose high costs on the other party. For example, an investor in an entrepreneurial firm might not be able to observe whether the entrepreneur is working hard and making sensible decisions, or whether the entrepreneur is planning to take the money and run (Amit, et al., 1998).

Moral hazard and adverse selection create a market failure in entrepreneurial financing, which might lead many worthwhile projects to be unfunded or underfunded. BAs and VCs exist because they are better in coping with these information asymmetries than unspecialized investors (Amit, et al., 1998). According to Amit, et al. (1998) 'VCs operate in environments where their relative efficiency in selecting and monitoring investments gives them a comparative advantage over other investors. Therefore VCs should invest in industries in which informational concerns are important and stay away from other industries that can be easily monitored by other financial intermediaries.' Consequently, by drawing up elaborate contracts based on monitoring and incentives, BAs and VCs try to limit entrepreneurs to act opportunistically (Amit, et. al., 1998). Thereby investors exert efforts to reduce some of the risks of venture financing.

2.2.2. Debt vs. Equity financing

This chapter describes the differences between debt and equity financing in entrepreneurial finance. Gartner, et al. (2004) and Van Auken and Carter (1989) studied the proportion of debt and equity based financing for entrepreneurial start-up firms, in which they found that 60% of the financing consisted of debt, versus 40% of equity.

The amount of risk is one of the major determinants whether debt or equity finance is suitable for an investment. In general risk and debt financing do not go hand in hand. The high liquidity of deposits requires that loans be made only to businesses likely to repay within a relatively short period and with high probability (Thornton, 2007). Debt financers also rely heavily on a firm's tangible assets for collateral, but the assets of entrepreneurial start-ups are in large part intangible, like marketing knowledge or technology (Botazzi & Da Rin, 2001). Common debt financers include banks, finance companies, credit unions, credit companies and private corporations. From the perspective of the entrepreneur, debt financing is typically cheaper than equity financing because you owe only principal, interest, and fees, and retain your full ownership stake in your company. However, monthly payments are needed to pay down the loan from the start, and if the company fails there is still a debt to pay. Thus debt financing might not be the most suitable financing type for innovation.

Equity finance comes from an investor who provides the entrepreneurial firm with capital. In return the investor requires a share of the company and accountability from the entrepreneur. Many entrepreneurs turn to their friends and family to raise equity for their venture (Smith, et al., 2011). However, only a fraction of the entrepreneurs are lucky to find friends and family who are able or willing to invest the large amounts of capital needed by the ventures to complete the whole development and commercialization process. Therefore entrepreneurs turn to other types of equity investors: BAs and VCs. These equity financers do not expect an immediate return on investments during the first phase of the business, but want to see the venture profitable in three to seven years. Thereby, for entrepreneurial firms that are in search of finance for projects that require a lot of research and development, equity financing seems to be most suitable.

2.3. The investment decision process

This chapter described the investment decision process that is essential for BA and VC investors to gain access to the most promising investment opportunities. This is of high value to this research because it sets the framework in which the screening decision is embedded. First the range of literature with a process perspective on the decision making of investors was described. Then, for the leading study, each individual phase of the investment decision process is explained.

There have been a number of researchers that took a process perspective in looking at the investment decision making process of investors. This literature differs in addressing different types of investors, being either banks (Altman, 1980), VCs (Wells, 1974; Tyebjee and Bruno, 1984; Silver, 1985; Hall, 1989; Hall and Hofer, 1993; Van Osnabrugge, 2000; and Robinson, 2000), or BAs (Van Osnabrugge, and Robinson, 2000; Haines, et al., 2003; Amatucci and Sohl, 2004; Paul, Wyper, and Wittam, 2007). All studies resembled in such a way that they signal a pre-deal, deal and post-deal period as can be seen in table 2. Hall and Hofer (1993) indicated that each of these periods consisted of one or more phases, depending on the investor type and the detail of the phase. The pre-deal period generally consists of two to four phases in which the investor comes into contact with an entrepreneurial firm and makes an evaluation of the investment request of the firm. As pointed out by Hall and Hofer (1993) the venture evaluation consisted of at least two distinct phases: screening and evaluation. They found that VCs screened and assessed business proposals very rapidly. The initial screening of a proposal was conducted within six minutes, while the proposal assessment in the evaluation step took less than 21 minutes. The deal phase consists of contracting and negotiations leading to the decision of the investor to provide financing or not. After the deal, in the

post-deal period, the phases involve monitoring, eventually followed by the cashing out of the investor.

Investment decision process models by leading studies									
Author	**Pre-deal**					**Deal**		**Post-deal**	
	Banks								
Altman (1980)	Loan Application					Lending Decision		Loan Review	Repayment performance
	VCs								
Wells (1974)	Search	Screening		Evaluation				Venture board meetings	Venture operations / Cashing out
Silver (1985)	Search	Initial screen		Due diligence		Deal structuring		Monitor progress	Cashing out
Hall (1989)	Proposal screening	Proposal assessment	Project evaluation	Due diligence		Deal structuring		Venture operations	Cashing out
Tyebjee and Bruno (1987)	Deal origination	Screening		Evaluation		Contracting	Negotiations	Post-investment activities	
	VCs and BAs								
Van Osnabrugge and Robinson (2000)	Investment motivations	Investment criteria	Finding deals	Initial screening	Due diligence	Negotiations/Actual investment		Post-investment monitoring	Exiting/Realizing returns

Table 2: Investment decisions process models from leading studies (Lentz, 2012).

  The leading research for this study has been that of Tyebjee and Bruno (1984) in which they describe the venture capital investment activity in five steps: (1) Deal origination, (2) screening, (3) evaluation, (4) structuring, (5) post-investment activities. These steps have been discussed in depth in the remainder of this chapter. The model was already included in the introduction of this study (see Figure 1). Their 'Decision process model of VC investment activity' has been used in this research to describe the investment decision process of investors. However, while they found that the activities could be described as an orderly process involving five sequential steps, their research concentrated on the evaluation criteria of venture capitalists with less attention paid to other steps in the process. By focusing on the deal origination and screening this study adds much value to the deepening of their investment decision process model and expands the process-based view on investment decision making.

 2.3.1.1. Deal origination

  The deal origination phase consists of the first contact between the entrepreneur and an investor. In this phase potential deals come to the attention of investors from three sources: cold calls, referrals and active search. Cold calls are cases in which the entrepreneur takes the initiative to directly make contact with an investor (Tyebjee and Bruno, 1984). This happens in 25% of the cases. Referrals are the second type of deal originations. These account for 65% of all investment proposals. The remaining 10% come via the active search of investors. They monitor the environment for possible candidates and attend conferences in specific sectors or matchmaking conventions (Tyebjee and Bruno, 1984).

2.3.1.2. Screening

In the second step, deal screening, the investor reduces the overabundance of investment opportunities to a manageable quantity (Kollman and Kuckertz, 2009). Investors receive a large number of proposals; far more than they can possibly fund with the size of their staff and specific portfolio. Investors invest in only a fraction of the deals which come to their attention (Tyebjee and Bruno, 1984). Broad objective screening criteria are used to reduce this set to a more manageable number for more in-depth evaluation. These initial screening criteria differ for different types of investors. For VCs, their initial screening criteria reflect a tendency to limit investments to areas with which the VC is familiar, particularly in terms of the technology, product and market scope of the venture (Tyebjee and Bruno, 1984). Also, the investor screens proposals for the size and stage of the investment, and the geographical location. These initial screening criteria are explained in depth in the third theoretical chapter.

2.3.1.3. Evaluation

In comparison with the deal origination and screening phases which can be observed more objectively, the evaluation phase consists of a subjective analysis that differs for each individual investor. Although the evaluation phase is no part of the hypotheses of this study, it is important to shortly mention because of the differences with the screening phase. In the third step, deal evaluation, investors carefully analyze the potential portfolio company (Kollmann and Kuckertz, 2009). As compared to the objective assessment in the screening phase, BAs and VCs have to rely on a subjective assessment procedure based upon the business plan presented by the venture's management in the evaluation phase (Tyebjee and Bruno, 1984). Most VCs have evolved their evaluations as discussed by more recent studies (Hall, 1989; Fried and Hisrich, 1994) which propose a more sophisticated analysis of the deal evaluation step, differentiating it into a first and second phase evaluation with a cursory/project evaluation followed by a more formal due diligence. In the evaluation phase the characteristics of the entrepreneur and management team are most important (Wells, 1974; Poindexter, 1976; Tyebjee and Bruno, 1984; MacMillan et al., 1987, Muzyka, et al, 1996; Shepherd, 1999; Zutshi, et al., 2003; Mason and Stark, 2004; Franke, et al., 2006; Kollmann and Kuckertz, 2009). These studies further stressed the importance of the quality of management, the market potential of the product and the financial information.

2.3.1.4. Structuring

The structuring phase is not analyzed in this study, because this is not the phase where 80 percent of all proposals are rejected. However, it is needed to briefly mention this phase to understand the total process the entrepreneur and the investor have to undergo. In the structuring phase the investor and entrepreneur try to find an agreement to which they both can commit. First, it establishes the price of the deal, which is the equity share the entrepreneur will give up in exchange for the venture capital (Golden, 1981). Second, the contract records the compensation of the entrepreneur (Baker and Gompers, 1999), and the type of financing, whether convertible securities are used (Cornelli and Yosha, 1997; Gompers, 1997; Marx, 1998; Schmidt, 1999), and whether this is staged or not (Sahlman, 1990; Gompers, 1995; Cornelli and Yosha, 1997; Bergeman and Hege, 1998; Neher, 1999). Third, it establishes protective covenants to solve potential agency problems between investors and entrepreneurs (Admati and Pfleiderer, 1994; Lerner, 1995; Hellmann, 1998; Kaplan and Strömberg, 2001, 2002, 2003), and thereby it lowers potential agency costs (Gompers, 1995).

Van Osnabrugge (2000) argues based on his qualitative data that VCs conduct more rigorous and more lengthy negotiations than BAs and gain more authority though their more thorough contract formulation processes with the entrepreneur (i.e. they form better contracts, spend more on transaction costs proportionately, invest larger amounts, have greater equity stakes, and more often exercise the authority to replace entrepreneurs). The following three mechanisms are used by especially VCs to ensure that their investments are protected from information asymmetry and moral hazard problems: (1) cash-flow allocations and convertible securities, (2) staging of capital infusion, and (3) control and board rights (Gompers, 1995; Schertler, 2010).

2.3.1.5. Post investment activities

The final phase of the investment decision process consists of the activities after the deal. This phase is not analyzed in this study because all denials of proposals occur before this stage. These are important to mention because they are often part of the discussion in the evaluation and negotiations. The most important post investment activities of the investor are to monitor the entrepreneur and management team so that its interests are protected. However, investors do not only affect the SME in such a way that they provide finance, monitoring, control and decision influence (Sapienza, 1992). Some of the ways that investors are directly involved in the venture are: 1) assistance in finding and selecting key management team personnel; 2) solicitation of essential suppliers and customers; 3) strategic planning; 4) assistance in obtaining additional financing; 5)

operational planning; and 6) replacement of management personnel when appropriate (MacMillan, et al., 1988).

2.4. <u>Hypotheses</u>

In the previous chapters the context surrounding the interactions of entrepreneurs and investors has been described. From these chapters it has been made clear how entrepreneurs try to find an investment for their venture and by which decision process investors exert effort to determine in which firms to invest. In this fourth and final chapter of the theoretical framework the hypotheses of this study are discussed. For this research it is critical to describe these hypotheses and assumptions to be able to analyze them in a structured fashion in the remainder of this study.

2.4.1. Screening decision

Whether an investor is willing to invest in an entrepreneurial firm depends on a number of decisions that are taken during the investment decision process. The first decision that is made by an investor is the screening decision. As argued by Simon (1957), the investment decision cannot be fully explained by the decision-making processes offered by economists. These models do not account for the fact that individuals have a very constrained cognitive capacity and thereby are characterized by bounded rationality (Simon, 1957). This means that decision makers have limited abilities to grasp all aspects of rationality, due to incompleteness and uncertainty of information. Furthermore, individuals are influenced by a finite amount of time and resources. More specifically, decision makers generally are not looking for the best or optimal, but for a satisfying solution of a decision task (March and Simon, 1993). Decision makers set a level of aspiration and choose an alternative that matches this aspiration (Simon, 1957). In this study the investment profile of the investor can be seen as an aspiration level set by the investor. By this investment profile an investor screens the investment proposal of an entrepreneur. This decision is the screening decision of an investor, which can either be a screen-in or a screen-out. This screen-out decision is made to separate the suitable proposals from the inappropriate. The screen-out decision is the decision to stop the assessment of inappropriate proposals and continue to assess the suitable proposals. When the investor decides to further assess the proposal, a screen-in is adopted.

2.4.2. Delivery channel

This paragraph describes the deal origination phase of the model by Tyebjee and Bruno (1984). VCs receive business proposals from entrepreneurs via three delivery channels: (1) cold calls, (2) referrals, and (3) active search by the investor (Tyebjee and Bruno, 1984). The source of the request

for funding is a conditioning factor in the manner in which investors look at the proposal during the screening phase (Sweeting, 1991). From the perspective of the entrepreneur the question arises how they could contact investors resulting in the highest chance of finding an investment. Previous studies have found in what ratios entrepreneurs contact investors, however it has not been discussed whether a cold call, referral or active search by the investor is the most promising deal origination to find an investment. This research has looked at this issue.

Tyebjee and Bruno (1984) found that about one in four deals were posed by entrepreneurs without an appointment. Entrepreneurs send these 'cold calls' which often consisted of a business plan to the investor on good luck. Because VCs are generally less informationally opaque than BAs, it can be expected that VCs are better accessible for cold calling than BAs (Tyebjee and Bruno, 1984).

Most ventures were referred to by third parties, for instance intermediaries, e.g. accountants, relatives, parent organizations, other entrepreneurs already in the portfolio or other investors. A third of the referrals came from within the venture capital community, 40% were referred by prior investees and personal acquaintances, 10% were referred by banks and the remainder involved an investment broker (Sweeting, 1991). Often referrals are made by VCs or BAs as invitations to join syndicates. Syndication is considered as a vehicle to acquire risk reducing information, which is possible through consolidating the information possessed by informants, often co-investors. Especially for large investments, VCs and BAs look for other investors who could be co-investors and hence share the risk amongst each other (Aram, 1989). Because BAs are engaged in syndications more than VCs (Van Osnabrugge, 2000), it can be expected that entrepreneurs received more syndication referrals from BA investors. Compared to their informal counterparts, formal VC investors have more structured networks of referrers to render them a greater deal flow that is also of a higher quality. Thus, VCs have more and better proposals to choose from compared to BAs (Van Osnabrugge, 2000).

Tyebjee and Bruno (1984) also argue that most VCs do not act proactively to seek out deals; however about one in ten deals came from active search. A proactive stand means that the VC sets out to search for entrepreneurs or business combinations, often through contacts with consultants, the industry, universities, etc, or finding potential ventures at events. Also some VCs take a proactive stance by putting together managements and business ventures themselves. Generally, the source of the request for funding was a conditioning factor in the manner in which it was subsequently processed by venture funds (Sweeting, 1991).

It can be expected that proposals coming to the investor through active search and referrals pass the screening process more often than cold calls. In these hypotheses the screening decision is the adoption (or rejection) of the proposal:

H1a: A proposal coming via a cold call has a negative effect on the investor's screening decision.

H1b: A proposal coming via a referral has a positive effect on the investor's screening decision.

H1c: A proposal coming via active search has a positive effect on the investor's screening decision.

2.4.3. Investment proposition fit

As argued in the paragraph about the screen-out decision, this study argues that investors set minimum requirements for firms that they are willing to invest in. These requirements can be seen as an investment profile. If the proposal of an entrepreneur does not meet these requirements, it is likely that the investor will not continue to process this proposal beyond the screening phase. Amongst others, the study by Tyebjee and Bruno (1984) was one of the first to prove that investors determine their investment profile on the basis of the size, stage, sector and site.

2.4.3.1. Size of investment and investment policy

Investors are only willing to consider investing in a firm if the request exceeds a certain amount. First of all, investors need to get back the costs of the search process and the expenses made to invest. For smaller investments, the returns do not weigh against these agency costs (Gompers, 1995). On the other hand, investors have access to a limited amount capital from funds or personal wealth. Thereby investors have been known to invest in a certain range consisting of a minimum and maximum investment amount. This range differs for different types of investors and within these types. BAs are generally willing to invest if the amount of the investment lies between € 50.000 and € 500.000 (BAN, 2011). The minimum amount for VCs is much higher compared to BAs; they are generally willing to invest from € 250.000 (NVP, 2011). Nevertheless, there are many different BA and VC investors with access to larger and smaller amounts of capital. Hence no absolute indicators exist.

2.4.3.2. Stage of SME

As discussed in the first two chapters of the theoretical framework, the stage of an SME is an important factor in determining which type of investor may be suitable. Most investors focus specifically on firms which are in a certain stage, and select out firms that are not in this stage (Tyebjee and Bruno, 1984). This takes place because the risk preferences of investors differ. As a

result, some investors will commit capital to later stage rounds only. Others will not commit to later stage rounds unless they have already invested in the venture in the prior rounds (Tyebjee and Bruno, 1984).

2.4.3.3. Sector of technology and market

When an investor puts his money into an entrepreneurial firm in a certain sector, he is investing in more than a company. Implicitly, he is investing in the future of a particular technology or market (Tyebjee and Bruno, 1984). Investors reduce risk by investing in familiar technologies or markets (Shane, 2009). Accordingly, the investor most likely has more experience in these familiar sectors. Thereby, the investor can make a better estimation of the probability of success and the value he can add to the venture will be higher. Also, some industries are more suitable for a certain type of investor than others. For example the biotech industry would be better suited for investments by VCs than BAs, because of the high R&D spenditure, and thereby the high initial costs of the investment. Such a large investment size is often not feasible for a BA (Gompers, 1995).

2.4.3.4. Site

The site concerns with the geographical location and the geographical focus of the firm. BAs and VCs limit their investment activity to certain regions and within a maximum distance to maintain travel time and expenses at manageable levels (Fritsch and Schilder, 2006). Thereby the geographical proximity and the region in which the entrepreneurial firm is located are important factors. However, their study found that spatial proximity was relatively unimportant for VC investments in Germany. Similarly it can be expected that the geographical location might be of less importance in the Netherlands, since all VCs invest nationally or internationally. However for regional development companies (Regionale Ontwikkelingsmaatschappijen - ROMs) which are bounded to provincial borders, this characteristic might be most essential in their screening.

The investment profile of an investor consists of the four requirements that have been described above: size, stage, sector and site. When an investor receives an entrepreneur's investment proposal, a comparison is made with the investment profile. This study argues that when the investment proposal of the entrepreneur does not fit all the requirements in the investment profile of the investor, the investor screens out the proposal. Thereby the following hypotheses can be formulated:

H2: An investor's screening decision is positively affected by investment proposition fit.

2.4.4. Entreprencur's awareness

This paragraph describes the awareness of an entrepreneur on the investment profile of an investor. This awareness can be linked closely to the literature on Investment readiness. Entrepreneurs, especially those running enterprises with growth potential and who are willing to grow, need greater understanding of venture capital and specialist advice on how to structure business plans to secure external equity finance (Aernoudt, 2005). Entrepreneurs do not know about the role of equity finance, are unaware of what is involved in raising finance, what is required to attract equity investors, nor how to convincingly articulate their investment proposal to investors. Entrepreneurs need information and advice on the advantages of raising equity finance, what it means to be investment ready and how to become investment ready (Mason and Kwok, 2010). As explained by Mason and Kwok (2010) investment readiness consists of the three dimensions equity aversion, investability and presentation failings. The awareness of an entrepreneur can be closely linked to the investability of the firm.

When an entrepreneur has a certain amount of information on the investment profile of an investor, a comparison can be made with the characteristics of the proposal of the entrepreneur. Thereby, an entrepreneur can to a certain extent beforehand determine the goodness of fit. The awareness of an entrepreneur is characterized by the availability of information and whether the information affected the entrepreneur to make a proposal towards a certain investor (Woo and Lochovsky, 1992). This information is better available for VCs than for BAs. VCs are very transparent about their fund portfolio and investment profile. Admittedly, given the anonymity of most BAs it is much harder to identify their interests in advance of approaching them (Mason and Kwok, 2010).Partly due to a lack of information or failure to seek out the information that does exist it can be explained why entrepreneurs make approaches to inappropriate investors (Mason and Kwok, 2010). Hence, the following hypothesis can be formed:

H3a: The entrepreneur's awareness of the investment profile of an investor has a positive effect on investment proposition fit.

2.4.5. Control variables

To ensure that the hypotheses were not only tested on their own but also remained standing in more extensive conditions, the following variables were added as control variables: (1) entrepreneurial firm age, (2) entrepreneurial education, (3) entrepreneurial experience, (4) number

of previous proposals, and (5) investment round. These have been explained in the following paragraphs.

2.4.5.1. Firm age

Age is a proxy often used to measure experience (Taylor, 1975; Hitt and Tyler, 1991). For firms, the older they get, the more can previous performance be considered as a measure for performance in the future. Thereby, the risks of investing in more mature firms are lower (Gompers, 1995). In the Netherlands, firm age is an important measure for the availability of certain governmental subsidiary programs, which provide investors with incentives to invest. Thereby, the government provides a guarantee system for investors. For example the Seed-fund – previously known as the Technopartner fund (Agentschap NL, 2012) – is only available for firms that did not pass their sixth year of life. These firms are defined by Syntens and the Chamber of Commerce as innovative firms. Firms older than five years are defined as growing firms. It can be argued that for firms younger than five years that the governmental incentives provided, make it fruitful for investors to invest.

2.4.5.2. Education of the entrepreneur

The level of education of the entrepreneur can have an effect on the knowledge structures and the way in which information is processed (Mitchel et al., 2002). Education is another variable often associated with experience, cognitive complexity and decision-making effectiveness. Highly educated individuals are expected to develop more-complex representations about a decision situation than individuals with al lower level of education (Hitt and Tyler, 1991).

2.4.5.3. Entrepreneurial experience

When an entrepreneur has previously gained experience as an entrepreneur, experience in making proposals towards investors or learned about entrepreneurial finance through a crash course or master class, they are better able to find financing from a source that fits their firm (Mason and Harrison, 2010). Therefore, the entrepreneurial experience should be controlled for.

2.4.5.4. Amount of previous proposals

A large number of previous proposals can be seen as a learning curve in which for rejected proposals feedback from investors has improved the proposal or the entrepreneur and the way the entrepreneur contacts an investor (Fraser, 2005). Thus the amount of proposals an entrepreneur has sent prior to the current proposal should be taken into account.

2.4.5.5. Investment round

The investment round is characterized by the amount of times an entrepreneurial firm has received financing. On the one hand, when an entrepreneur is still searching for his first investment, investors may wait and see because there has not been a fiat by another investor. This is in accordance with Bruno and Tyebjee (1985) who found that the time spent in search of funds, defined as the amount of time until financing was obtained or the search abandoned, differs for the first round of financing. On the other hand, for later stage investments when there are numerous shareholders an investor might hesitate to invest because it is hard to align his and all other interests. Nonetheless Bruno and Tyebjee (1985) found that the first round took nearly 68% longer than other rounds. Hence the investment round of the entrepreneur's investment search should be controlled for.

2.4.6. Conceptual Model

On the basis of the previous paragraphs and the hypotheses the following conceptual model in figure 3 can be formed. By testing the hypotheses that are aggregated in this model, the analysis of the underlying assumptions can be organized in a structured manner. All hypotheses were grouped together to make it easier to aggregate them in the conceptual model:

H1a: A proposal coming via a cold call has a negative effect on the investor's screening decision.
H1b: A proposal coming via a referral has a positive effect on the investor's screening decision.
H1c: A proposal coming via active search has a positive effect on the investor's screening decision.

H2: An investor's screening decision is positively affected by investment proposition fit.

H3a: The entrepreneur's awareness of the investment profile of an investor has a positive effect on investment proposition fit.
H3b: Investment proposition fit acts as a mediator between the entrepreneur's awareness and the screening decision.

Conceptual Model
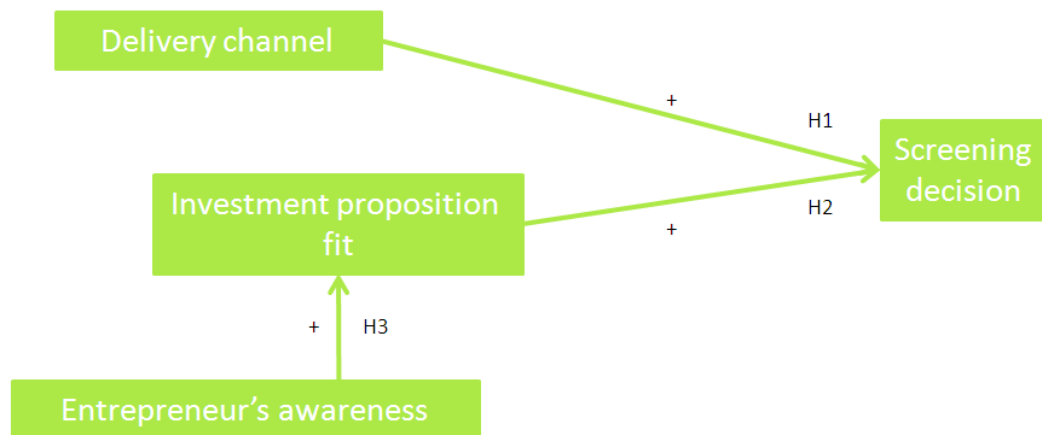
Figure 3: Conceptual model.

3. METHODOLOGICAL FRAMEWORK

In the previous section the context of the study and all relevant concepts have been discussed in depth. This section entails all methodological aspects of the study. In the first chapter the research design is described. The second chapter thoroughly contains the data collection of the study. In the third chapter the sample strategy was outlined, followed by the fourth chapter which explained how each of the variables was measured. The fifth chapter discussed the data analysis of the study. The sixth and final chapter described the quality indicators of the research.

3.1. Research Design

The main aim has been to test the hypotheses which were derived from the literature on VC investment activity regarding the deal origination and screening phases of VC and BA investment decisions. Hence, this research has been characterized as a deductive quantitative study. The study involved a comparative research in which the data has been gathered cross-sectional. However, because the data is gathered through interviews the quantitative study was complemented with some outstanding qualitative substantiations.

3.2. Data collection

Prior to this study exploratory interviews were held with several entrepreneurs, professional investors, informal investors, policymakers and a small number of other prominent people in entrepreneurial finance. Also, a number of matchmaking conventions were attended which act as a platform where entrepreneurs and investors can make first contact. The main goal of these exploratory interviews has been to gain an understanding of the multiple perspectives that are present in entrepreneurial finance, to recognize problems perceived by either entrepreneurs or investors, and to find matchmaking issues that are at hand in the marketplace of possible investors and possible investees. One other goal of these conversations and conventions was to ensure that the theoretical foundations from entrepreneurial finance literature were applicable to the Dutch formal and informal investor markets.

The main study has been based on interviews with twenty three entrepreneurs who have found a VC or BA investment. These entrepreneurs were the unit of observation. Together these interviews have resulted in 189 cases, which means that an average of 8.2 cases was described by each entrepreneur. Each case consisted of the interactions between an entrepreneur and an investor on an investment proposal, and the perceptions of the entrepreneur about the decision making of the

investor. Hence, the investment proposal has been the unit of analysis. Every entrepreneur has been personally interviewed. All interviews have been recorded. Based on previous interviews with entrepreneurs these interviews were expected to last approximately one hour. Afterwards this proved to be a good estimation. An interview was chosen as the method of research, because the subjects of the study required the entrepreneurs to share financial and relational information, which is often considered as confidential. This was also the reason why face-to-face interviews were preferred above telephone interviews. Because the interviews were regarding sensitive information, it was likely to receive more complete information in a face-to-face interview. It was expected in advance that entrepreneurs would be reluctant to provide financial information in a questionnaire or via the phone. However, four entrepreneurs were not able to participate in a face-to-face interview, because they were outside the country (1), they were unable to make a physical appointment (1), or the distance was too great (2) to physically meet. These entrepreneurs were interviewed via the phone.

Beforehand all entrepreneurs were notified that the study required some preparation from the side of the entrepreneurs to recall these specific contact moments in the past. The entrepreneurs were asked to check their records in advance of the interview. The subjects of the interview have been addressed on the basis of a semi-structured questions list, accompanied by an entry form that was used to tick the answers. Furthermore, the interviews were built up in such a way that the respondents were well aware of the specific framework of the investment process for each question. The topic list for the interviews can be found in Appendix II.

The interviews took place in 2012 from August to October of which the majority in the first two months. In this study the investment proposal of an entrepreneur towards an investor that was either screened in or screened out has been the unit of analysis. In each interview the entrepreneurs were asked about multiple investment proposals towards investors. They were questioned about three types of screening decisions: the screen-in decision of the actual investor(s), the screen-in decision of the investor(s) who invited them for a meeting, and the screen-out decision of investor(s) who denied a follow up meeting. The goal of the main study was to find thirty entrepreneurs to participate in the interviews, or to find at least 150 underlying cases. At first the goal was to get information from each interview on at least five investment decisions, to reach the total of 150 investment decisions. In practice, some entrepreneurs could only provide information about one or two investment proposals, others provided information about more than ten cases. The target of thirty entrepreneurs has not been reached, because it was harder to persuade the entrepreneurs to participate than was expected initially. However, the target of 150 cases has been reached, thereby

reaching the desired the sample size. Hereby, the average number of cases per entrepreneur came to seven.

Because the information was gathered via interviews, it consisted not only of quantifiable data but also of very rich qualitative data. This qualitative data was used in a separate part of the findings to provide conceptual body to the findings. Also, the qualitative information from the interviews was used in the discussion section to provide entrepreneurs and investors with possible explanations for their problems and to inform policy makers about what matters are most prominently present between entrepreneurs and investors.

3.3. Sample strategy

The sample strategy of this study has been based on a number of steps to ensure that: 1. the sample showed enough diversity as it is the case in the population of entrepreneurial firms in the Netherlands, 2. the recollection of the entrepreneur was not hindered too much by memory problems and 3. the entrepreneur's desire to participate was high.

To ensure the sample was diverse, the following actions were taken. First it is important to indicate that the sampling of VCs and BAs required a different approach, since the VC market – the formal investors market – is much less informationally opaque than the BA market – informal investors market. In fact, most investments made in the VC market are registered by the Dutch association of investment companies (Nederlandse Vereniging van Participatiemaatschappijen – NVP). This association has posted publicly all investments of all sixty to eighty connected VCs in the Netherlands since the 1950's. From this database all investments of 2009 to 2012 formed the first list of entrepreneurial firms to be contacted for interviews in this study. However, this list still consisted of both SME's and large companies. Therefore, all companies with more than 250 employees were selected out of the database. The third step of sampling VC invested entrepreneurial firms consisted of comparing the list with the Syntens customer database, which contains more than 70.000 entrepreneurial firms in the Netherlands (Syntens, 2012). Only the companies that were part of the customer database were included in the list. For BAs there are no existing databases of investments that took place in the Netherlands. Therefore the search for BA invested entrepreneurial firms required a different approach. BAs are in general more informationally opaque than VCs. For instance, every acquaintance could be an informal investor. For BA invested firms, this study relied much more on the referrals of Syntens advisors. Also, the majority of VC backed firms have contacted at least one BA. Thereby the inclusion of sufficient BA cases was ensured. Since Syntens ministers innovative and growing firms in the spectrum of start-up to established firms, in all sectors and

industries, and with employee numbers ranging from 2 to 250, the diversity of entrepreneurial firms can be considered sufficient. The firms that eventually participated in the study were divided over a broad range of industry sectors, namely consumer goods, IT, health, utilities, food, gaming, aviation, chemicals, agriculture, and banking. The age of the firms that participated varied from one to fifteen years, with an average of four.

To ensure that the recollection of the entrepreneur was not hindered in such a way that no sufficient information could be reproduced, only cases of entrepreneurs who found an investment in the last three years before the study were included. Thereby this study has maximally coped with memory problems while finding enough entrepreneurs to participate.

To ensure that the participation rate was as high as possible the following actions were taken. First, the corresponding Syntens advisor of each firm was contacted to confirm the entrepreneur was fit to participate in the study. The advisor was asked whether he knew the entrepreneur had found an investment. Also, the advisor was asked whether the current situation of the firm was suitable for the entrepreneur to make time for this study, and whether the entrepreneur was open to participate in these kinds of studies.

  The database that rested consisted of around 150 firms, of which around 50 were used as a subordinate firm because the Syntens advisor either did not respond or advised negatively. The 100 firms with primary focus were contacted to participate either via their Syntens advisor, by a letter signed by one of the professional supervisors, followed by a phone call by the researcher or a direct call or e-mail from the researcher. The following contacting schema in figure 4 was used to contact the advisors and entrepreneurs:
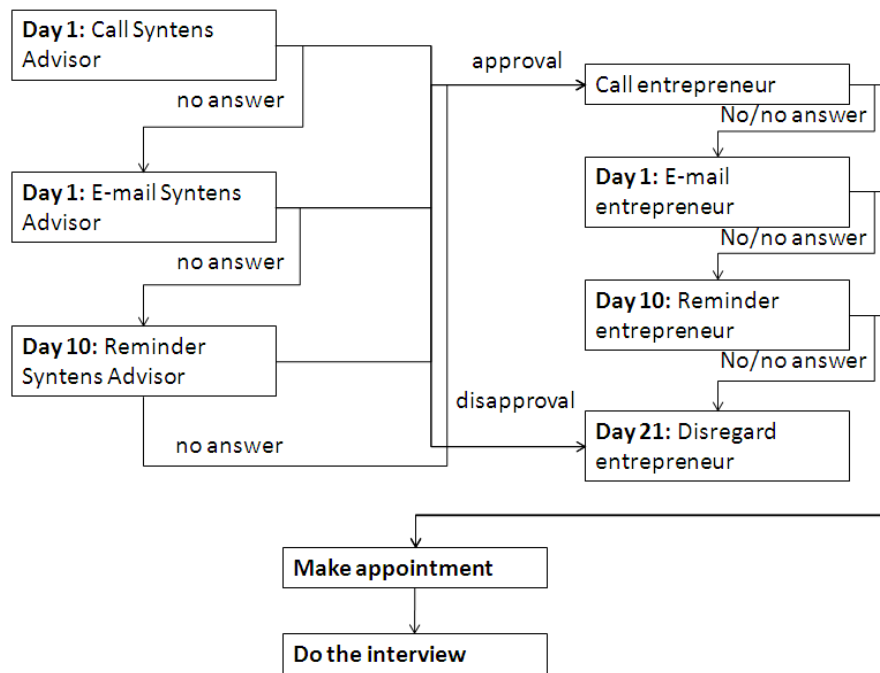
Figure 4: Contacting schema.

A total of thirty entrepreneurs committed to participate in the study, of which three broke their commitment because of planning difficulties in their agendas and two entrepreneurs did not show up at the meeting and the subsequent replacement meeting. The last two interviews were canceled by the researcher, because the entrepreneurial firms eventually did not fit within the sample strategy. When an entrepreneur was willing to cooperate, an appointment was made for August, September or October 2012. In general entrepreneurs are less occupied in August and the first part of September because of the holidays. Beforehand it was expected that entrepreneurs could free up time more easily for an interview. This idea was partly true; many entrepreneurs indicated that they were still too busy for an interview. Fortunately, still twenty five entrepreneurs were found to participate in this study.

3.4. **Measurements**

In this chapter the operationalization of all variables in the research has been provided. It has been discussed in depth how each of the variables was measured and how it was translated into condensed information that was manageable and verifiable.

3.4.1.   Variables

3.4.1.1. Dependent variable: Screening decision

The screening decision of an investor was measured by asking the entrepreneur to what extent his proposal was evaluated by the investor. When the proposal lead to an investment a screen-in was appointed. Also, when the entrepreneur indicated he had been in negotiations with an investor or when he had one or more individual appointments, the contact was considered as beyond the screening phase and therefore a screen-in decision. When the entrepreneur's proposal was rejected by the investor without making an appointment or when the entrepreneur did not get an answer, this was considered as a screen-out decision in the screening phase.

Concept	Definition	Dimension	Indicator	Calculation
Dependent variable 1: Investor's screening decision	The screen-out decision is the decision to stop the assessment of inappropriate proposals in the screening phase and continue to assess the suitable proposals beyond the screening phase.	The decision of the investor to either screen-in or screen-out the proposal of the entrepreneur	The entrepreneur was asked whether the contact between him and the investor reached the following stages: 1. screening, 2. evaluation, 3. negotiations, 4. post-investment. When the interactions took place beyond the screening phase, the screening decision was considered as screen-in. When the entrepreneur's proposal was rejected by the investor without making an appointment or when the entrepreneur did not get an answer, this was considered as a screen-out decision in the screening phase.	Answers are coded as a dichotomous variable: YES (1) = screen-in decision, NO (0) = screen-out decision

Table 3: Operationalization of Screening decision.

3.4.1.2. Dependent variable: Investment decision

The investment decision of an investor was measured by asking the entrepreneur whether the investor he contacted with his proposal invested in the entrepreneurial firm. This decision consisted of two possibilities, either a decision to investment or a non-investment decision.

Concept	Definition	Dimension	Indicator	Calculation
Dependent variable 2: Investor's investment decision	The investment decision is the decision of an investor to provide the entrepreneurial firm with financing.	The decision of the investor to either invest or not invest in the entrepreneurial firm	The entrepreneur was asked for each specific proposal whether he received an investment from the investor he contacted	Answers are coded as a dichotomous variable: YES (1) = investment decision, NO (0) = non-investment decision

Table 4: Operationalization of Investment decision.

3.4.1.3. Independent variable: Delivery channel

The delivery channel is measured by asking the respondents for each specific situation whether they came into contact through (1) a cold call, (2) a referral or (3) via active search of the investor. A cold call was appointed when the entrepreneur took the initiative to contact an investor who was not referred to by someone. Three types of cold calls were subdivided: cold telephone calls, cold e-mails or a face-2-face meeting on a convention. A referral was appointed when the entrepreneur came into contact with an investor out of his direct or indirect network. A proposal was considered as active search when the investor made contact with the entrepreneur.

Concept	Definition	Dimension	Indicator	Calculation
Independent variable: Delivery Channel	The delivery channel is the way the proposal of the entrepreneur reaches the investor, either through a cold call, referral or active search.	The delivery channel of the proposal of the entrepreneur	The entrepreneur is asked about the way the first contact with the investor took place	Answers are calculated as nominal variables: 1. cold call = the entrepreneur contacted the investor directly, 2. referral = the entrepreneur contacted the investor via a referral, 3. active search = the investor contacted the entrepreneur. These are translated in two dummy variables

Table 5: Operationalization of Delivery channel.

3.4.1.4. Moderator variable: Investor type

The investor type is measured by asking the entrepreneurs for each specific proposal whether the investor they contacted with the investment proposal was either a BA or VC.

Concept	Definition	Dimension	Indicator	Calculation
Moderator: Investor type	The investor type is the category of investor, either BA or VC, that was contacted with the investment proposal	Investor type	The entrepreneur is asked which type of investor they contacted for each specific proposal	Answers are coded as a nominal variable with two categories: 1. VC, 0. BA.

Table 6: Operationalization of Investor type.

3.4.1.5. Independent variable: Entrepreneur's awareness

The entrepreneur's awareness of the investment profile of the investor is measured by asking the entrepreneurs for each specific proposal whether they knew the characteristics of the investment profile of the investment, and whether this affected their decision to contact the investor. At the side of the investor an internet search will be conducted to find out whether the investor publicly disclosed his investment profile, therefore making it possible for an entrepreneur to be aware of the profile of the investor. However, the information from the side of the entrepreneur is leading for this variable.

Concept	Definition	Dimension	Indicator	Calculation
Independent variable: Entrepreneur's awareness	The entrepreneur's awareness of the investment profile of the investor is defined as whether the entrepreneur was informed about the investment profile of the investor before the first contact was made.	Awareness of the entrepreneur of the investment profile of the investor	The entrepreneur is asked whether he was aware of the investment profile of the investor before the first contact	Answers are coded as a dichotomous variable, indicating the absence or presence of entrepreneur's awareness: YES (1) = aware of investment profile, NO (0) = not aware of investment profile

Table 7: Operationalization of Entrepreneur's awareness.

3.4.1.6. Mediator variable: Investment proposition fit

The fit between the investment proposal and the investment profile of an investor is dependent on: the deal size of the investment, the firm stage, the industry/product, and the geographical location of the firm. For each characteristic, the proposal of the entrepreneur and the investment profile are compared. There is a fit when all individual characteristics of the proposal fit the investment profile

of the investor. When one or more of the individual characteristics do not match the profile, there is no investment proposition fit.

Concept	Definition	Dimension	Indicator	Calculation
Mediator: Investment proposition fit	The fit between the investment proposal and the investment profile of an investor is dependent on: the deal size of the investment, the firm stage, the industry/product, and the geographical location of the firm. There is a fit when all characteristics of the proposal fit the investment profile of the investor.	Deal size fit	The desired investment of the entrepreneur corresponds with the desired investment size of the investor	Answers are coded as a dichotomous variable indicating the absence or presence of: (A) the desired investment size: YES (1) = within desired investment size, NO (0) = above or below the desired investment size. (B) the desired firm stage: YES (1) = desired firm size, NO (0) = outside desired firm stage. (C) the desired sectors: YES (1) = in desired sectors, NO (0) = outside desired sectors. (D) the desired distance and region: YES (1) = within maximum distance AND region, NO (0) = outside maximum distance OR region.

Investment proposition fit is only present when all of the dimensions show a fit (1) |
		Firm stage fit	The firm stage of the entrepreneurial firm corresponds with the desired firm stage of the investor	
		Industry/market fit	The sector of the entrepreneurial firm corresponds with the desired sector of the investor	
		Geographical location fit	The location of the entrepreneur corresponds with the desired distance of the investor	
			The location of the entrepreneur corresponds with the desired region of the investor	

Table 8: Operationalization of Investment proposition fit.

3.4.1.7. Control variables

Firm age is measured by asking the entrepreneur about the foundation date of the firm. This is transformed into the firm age in years. In this study, a distinction is made between innovative firms, firms that are younger than six years, and existing or growing firms which are older than six years. It is assumed that this has an effect on the investment decision of an investor, and thereby also on the screening decision. The conceptualization and coding of firm age can be summarized in the following table:

Concept	Definition	Dimension	Indicator	Calculation
Firm age	The lenght of time that a firm has existed in years	Firm age	The entrepreneur is asked about the foundation date of the firm, this is transformed into the firm age in years.	Answers are coded as a dichotomous ordinal variable: High (1) = firm age ≤ 5 years, Low (0) = firm age < 5 years.

Table 9: Operationalization of Firm age.

This research has controlled for the education level of the entrepreneur because it is assumed to have an influence on the screening decision or interacts with the other variables. The conceptualization and coding of the education level of the entrepreneur can be summarized in the following table:

Concept	Definition	Dimension	Indicator	Calculation
Education of the entrepreneur	The education of the entrepreneur is the highest level of education completed by the entrepreneur	Education level	The entrepreneur is asked about his education level.	Answers are categorized as ordinal variables: 0. Primary education, 1. Secondary education, 3. Vocational education, 4. Academic or higher education. These categories are coded into dummy variable

Table 10: Operationalization of Entrepreneur's education.

Because it is expected that previous experience with making investment proposals towards investors influences the success rate of finding an investment, entrepreneurial experience has been controlled for in this study. The conceptualization and coding of the entrepreneurial experience of the entrepreneur can be summarized in the following table:

Concept	Definition	Dimension	Indicator	Calculation
Control variable: Entrepreneurial experience	Entrepreneurial experience is defined as to what extent the entrepreneur has experienced making proposals towards investors in the past.	Entrepreneurial experience	The entrepreneur is asked about his experience with finding finance, investment readiness education and the number of previous found investments. When an entrepreneur has sought finance for other projects or found earlier investments, an entrepreneur has either medium or high entrepreneurial experience. When he had education he has high entrepreneurial experience.	Answers are coded as categorical ordinal variables: 0. No or low experience, 1. Medium entrepreneurial experience, 2. High entrepreneurial experience

Table 11: Operationalization of Entrepreneurial experience.

The amount of previous proposals has been controlled for because it is expected that it has an effect on the quality of the proposal, because of feedback on rejected proposals. The conceptualization and coding of the investment round can be summarized in the following table:

Concept	Definition	Dimension	Indicator	Calculation
Control variable: Previous proposals	The amount of proposals the entrepreneur has sent before the current proposal.	Amount of previous proposals	The entrepreneur is asked how many proposals he sent before the proposal that was then discussed.	Answers are coded as a dichotomous ordinal variable: 0. less than 10 proposals, 1. ten or more proposals

Table 12: Operationalization of Previous proposals.

In this study it is assumed that the investment round has an influence on the investment decision of investors and thereby also on the screening phase. The conceptualization and coding of the investment round can be summarized in the following table:

Concept	Definition	Dimension	Indicator	Calculation
Control variable: Investment round	The investment round is characterized by the amount of times an entrepreneurial firm has received financing.	Investment round	The entrepreneur is asked about the amount of investment rounds there have been for the entrepreneurial firm. An investment round is considered as an investment of one or more investors at the same time.	Answers are coded as a dichotomous ordinal variable: 0. First round investment, 1. Subsequent round investment.

Table 13: Operationalization of Investment round.

3.5. Data analysis

This chapter described the analysis of the data in this study. In this thesis a total of 189 cases of interactions between entrepreneurs and investors have been analyzed. These cases have been found in 23 interviews with entrepreneurs. All interviews have been analyzed in the following manner. First, during the interviews notes were made from the explanations of the entrepreneur. The researcher wrote up all variables per case in a schema that was prepared in advance. These notes were seen as the general description of each case. Besides these notes, each whole interview was transcribed following the recordings of the interview. This took approximately six to eight hours for each interview. After the transcriptions, all interviews were textually analyzed and placed into tables. The transcripts were labeled and coded on the basis of the operationalization of the concepts in Appendix I. This analysis took two hours per interview. All important text fragments were marked and copied into an analysis table. This table consisted of four columns in which subsequently the variable, the key words, a short summary of the selection, and the whole selected section of the interview were included. The order of analysis was the following. First, all subjects of the study were noted in the table. Second, the complete text fragments were added and categorized to the corresponding subject. Third, the complete text fragments were translated into a short summary. Fourth, all short summaries for each variable were translated into a few key concepts. In this way, it was ensured that all important answers in the interviews were included in the textual analysis. These textual analyses of all interviews were then coded into numerical, almost exclusively logistic variables on the basis of the variables and gathered into one table. This table was then uploaded into the SPSS Statistics program for statistical analyses.

First all the data was checked for outliers and missing values. For the outliers, the scores were checked for truth and in the subsequent analyses their exceptional effects were accounted for. The missing values were checked whether only one value was missing, or there were multiple missing

values in one case. When it was possible, the cases with missing values were only partially excluded for the analyses. That is, only for the regressions where the missing value would play a role. Second, the correlations between all variables were produced to find out which relations were to be expected and to check for multicollinearity. The correlations between the independent and control variables were examined for high correlations. When there are two independent or control variables that correlate highly, a judgment is made to see whether it is better to leave one of the two variables out of the model. Third, the variables were individually tested with binary logistic regressions on the other variables for which a relation was expected. Fourth, the individual regressions were extended with multiple regressions on the dependent variables, in which multiple direct effects were tested, first without and then with control variables. Also, interaction variables were computed so that possible moderation effects could be tested. Similarly, the mediation effects were added to the multiple regressions. Since the research took place as a Master's thesis, the optimal methods needed to demonstrate mediation were not at hand and a proxy was used. The individual relationships between the expected independent and mediator variables on each other and on the dependent variable were investigated. When the independent variable had a direct effect on the mediator and on the dependent variable, but the direct effect of the independent variable diminished when the mediator was added, mediation was expected. Fifth, The found and absent relationships were substantiated. This was done by a number of cluster analyses, in which the maximum number of clusters was set to the presumed amount of clusters, e.g. for investment type on screening decision, four clusters were asked. The relationships were also reasoned with qualitative information from the interviews.

4. RESULTS

The previous methodological section included an explanation of the data analysis in this study. In this section the results of the study have been discussed. First, the results of the quantitative studies were given, in which all hypotheses of the theoretical framework were tested. Additionally the effect of the investor type, either BA or VC, on the delivery channel was explored. Because this only provided limited results, a second chapter was added in which all effects that were tested on the screening decision have also been tested on the investment decision. This has lead to an expanded conceptual model which is presented at the end. As an addition to the quantitative analysis, qualitative substantiations have been added to grasp some of the underlying assumptions behind the demonstrated relations and effects. These can be found at the bottom of most paragraphs. Because the data in this study was gathered via interviews, this provided the opportunity to make a substantiated reasoning with rich information from the entrepreneurs. The results are wrapped up with a summary of both chapters at the end.

4.1.1.   Screening Decision

In the following paragraphs the effects of the delivery channel, the investor type, investment proposition fit and entrepreneur's awareness have been tested on the screening decision of an investor. First the correlations of all variables have been checked to ensure there is no multicollinearity. Since all correlations between independent and control variables are below |0,6| it can be expected that this is not the case. This can be seen in the correlations table (I) in appendix 8.2 (table 21).

Then all independent variables were individually regressed on the dependent variable and on each other (appendix 8.3, table 23). This resulted in the significance of seven regressions. The individual regressions of the screening decision on the investor type, the investment proposition fit, and awareness (1,2 and 3), the regressions of investment proposition fit on the investor type (4 and 5) and awareness, the regressions of awareness on the delivery channel and the investor type (6 and 7). The effects of the delivery channel on the screening decision, on the investment proposition fit, and on the investor type were not significant.

 4.1.1.1. Delivery channel

  The delivery channel of the proposal, either via a cold call, referral or active search by the investor, was assumed to have an effect on the screening decision. It was hypothesized that proposals that came to an investor via a referral or active search would result into an investment more often than a

cold call. First, an assessment of the quantities in the deal origination phase was made. As can be seen in table 14 below, in this study most proposals originate via a referral (47,1% of all cases), then via a cold call (44,4% of all cases). It stood out that the screen-in percentage is higher for referrals with 85,4% of all referrals, than for cold calls with a screen-in of 83,3% of all cold calls. Only sixteen proposals originated via active search of the investor (8,5% of all cases). The number of cases with active search proved to be too small to present significant explanations. However, all these cases passed beyond the screening phase. Therefore it can be argued that for active search an entrepreneur is only contacted by an investor when there is a fit between the investment proposal of the entrepreneurial firm and the investment profile of the investor. However, a significant result has to come from the regressions for these differences to be confidently demonstrated.

				Screening Decision			
		Total	%	No	%	Yes	%
Delivery	Cold Call	84	44,4%	14	16,7%	70	83,3%
channel	Referral	89	47,1%	13	14,6%	76	85,4%
	Active search	16	8,5%	0	0,0%	16	100,0%
	Total	189	100,0%	27	14,3%	162	85,7%

Table 14: Quantities of Delivery channel and Screening decision.

The table below represents the regressions of the screening decision on the delivery channel, the investor type and their interaction without any control variables. This shows that the delivery channel does not have a significant effect (Sig.≤0,05). When the control variables were added, the effects were even less. Therefore the hypotheses H1a, H1b and H1c are **rejected**:

H1a: A proposal coming via a cold call has a negative effect on the investor's screening decision.

H1b: A proposal coming via a referral has a positive effect on the investor's screening decision.

H1c: A proposal coming via active search has a positive effect on the investor's screening decision.

In practice, this would mean that an investor's screening decision is not affected by the type of delivery channel by which a proposal comes to his attention.

4.1.1.2. Investor type

On the basis of the theoretical foundations by Van Osnabrugge (2000) and the interviews during the study, it was presumed that the investor type would act as a moderator on the effect of the delivery channel on the screening decision. However, this could not be proven. The interaction between the investor type and the delivery channel did not prove to be significant (Sig>0,05).

Therefore no moderation effect could be found. Hence the hypothesis that there was a moderation effect of the investor type on the relation between the delivery channel and the screening decision was **rejected.**

When the screening decision was individually regressed on the investor type it had a significant effect (Sig.≤0,05). Thereby a screen-in decision would be more likely for proposals towards BAs than proposals towards VCs. When the control variables were introduced into the regressions, no significant effects were found (Sig.>0,05). Thereby, it can be assumed that there are some differences in screening decisions for proposals towards BAs or VCs, but these are not very prominent. All in all, a significant difference could only be found in a direct regression, therefore the direct effect was only **partly recognized.** Hereby, the differences between BAs and VCs that are demonstrated in table 15 can only be cautiously assumed. Of all proposals, 56,6% was sent to BAs and 43,4% to VCs. For the proposals towards BAs, 92,5% was screened in, compared to 76,6% for VCs. This is in congruence with the findings from Van Osnabrugge (2000) who stated that VCs are more selective in their screening.

				Screening decision			
		Total	%	Out	%	In	%
	BA	107	56,6%	8	7,5%	99	92,5%
	VC	82	43,4%	19	23,2%	63	76,8%
Investor type	Total	189	100,0%	27	14,3%	162	85,7%

Table 15: Quantities of Investor type and Screening decision.

4.1.1.3. Investment proposition fit

As discussed in the theoretical framework, it is assumed that the investment proposition fit has a positive influence on the screening decision of an investor. When the proposal of an entrepreneur fits the profile of an investor a screen-in decision can be expected. This was supported further by a correlation of 0,715 (Sig.=0,000). As can be seen in the corresponding tables (appendix 8.3, tables 27 and 28), the investment proposition fit was also significant (Sig.≤0,05) in all regressions both without and with control variables. Moreover, the large positive effect size indicates that the investment proposition fit is a large determinant of the screening decision. Thereby, the following hypothesis is **adopted:**

H2: An investor's screening decision is positively affected by investment proposition fit.

The following table (table 16) shows the quantities in the study of the proposals that fit the investment profile of the investor as it was perceived by the entrepreneur. This fit was present for 82,3% of all cases. Of these cases, only 3,9% was screened out, compared to 72,7% when there was

no fit, thereby the investment proposition fit is a very good predictor of the screening decision of an investor.

				Screening Decision			
		Total	%	No	%	Yes	%
Investment proposition fit	Sizefit	116		13	11,2%	103	88,8%
	Stagefit	121		20	16,5%	101	83,5%
	Sectorfit	111		10	9,0%	101	91,0%
	Sitefit	124		20	16,1%	104	83,9%
	Totalfit	**102**	**82,3%**	**4**	**3,9%**	**98**	**96,1%**
	No totalfit	**22**	**17,7%**	**16**	**72,7%**	**6**	**27,3%**
	Total	124	100,0%	20	16,1%	104	83,9%

Table 16: Quantities of Investment proposition fit and Screening decision

4.1.1.4. Entrepreneur's awareness

In the theoretical framework the entrepreneur's awareness was assumed to have an effect on both the screening decision and the investment proposition fit, where the investment proposition fit acted as a mediator between the awareness of the entrepreneur and the screening decision. As was mentioned above and presented in table 21. The individual regressions of awareness has a significant effect (Sig. ≤0,05) on the investment proposition fit and on the screening decision (Sig. ≤0,05). Thereby the direct effect of the entrepreneur's awareness on the screening decision was **recognized.** The direct effect of the entrepreneur's awareness on the investment proposition fit was also **recognized**. When the independent variable, screening decision, was regressed on both investment proposition fit and awareness, only the effect of the investment proposition fit was significant. Hereby it can be said that the investment proposition fit acts as a mediator between the entrepreneur's awareness and the screening decision. The effect of the entrepreneur's awareness on the screening decision is greatly reduced from 1,434 to 0,184. To exclude the possibility of a moderation effect this was also tested, but this did not prove to be significant (Sig.>0,05). Thereby the following hypotheses were **adopted:**

H3a: The entrepreneur's awareness of the investment profile of an investor has a positive effect on investment proposition fit.

H3b: Investment proposition fit acts as a mediator between the entrepreneur's awareness and the screening decision.

In table 17 below, the quantities of the cases are shown in which the entrepreneur was either aware (65,6%) or unaware (34,4%) of the investment profile of the investor. For the cases in which the entrepreneur was aware of the investment profile of the investor, the proposal was screened-in

in 89,5% of the cases. When the entrepreneur was unaware, only 78,5% of the cases were screened in. Because the direct effect of the entrepreneur's awareness on the screening decision that was found has only been partially recognized, these differences that were distinguished concerning the screening decision should be used with caution.

| | | Total | % | Screening decision | | | |
				Out	%	In	%
Awareness of the entrepreneur	Aware	124	65,6%	13	10,5%	111	89,5%
	Unaware	65	34,4%	14	21,5%	51	78,5%
	Total	189	100,0%	27	14,3%	162	85,7%

Table 17: Quantities of awareness and screening decision

As was discussed above, the effect of the entrepreneur's awareness of the investment profile of the investor on the investment proposition fit could only be found when no control variables were added. Nonetheless, it is assumed that entrepreneurs who are unaware send their proposals anyway, because they do not know whether it will fit. However, for most entrepreneurs that were aware that their proposal did not fit the profile of the investor it was expected they would desist from making contact. A possible explanation for this phenomenon is the 'nothing ventured, nothing gained' saying. Applied to this situation, it means that it is very likely that some entrepreneurs simply sent their proposals anyway, hoping for a screen-in against better judgment. This reasoning is supported by the figures in the table below. 13,7% of the entrepreneurs that were aware of the investment profile were screened out. These entrepreneurs are either wrongfully convinced that their proposals fit the investment profile of the investor, or the 'nothing ventured, nothing gained' saying is applicable.

| | | Total | % | Investment proposition fit | | | |
				Misfit	%	Fit	%
Awareness of the entrepreneur	Aware	124	65,6%	17	13,7%	107	86,3%
	Unaware	65	34,4%	26	40,0%	39	60,0%
	Total	189	100,0%	43	22,8%	146	77,2%

Table 18: Quantities of Entrepreneur's awareness and Screening decision

4.1.1.5. Control variables

Because it was expected that these variables would influence the effects on the dependent variable in this study, the following control variables were added: C1. entrepreneurial firm age, C2. entrepreneurial education, C3. entrepreneurial experience, C4. number of previous proposals, and C5. investment round.

In the regression of the screening decision on the control variables, for firm age, entrepreneur's education, the amount of previous proposals and the investment round no significant effects were

found (Sig.>0,05). In the same regression of the screening decision on the control variables, entrepreneurial experience did have a significant effect (Sig.>0,05). The group of entrepreneurs with medium or high experience found an investment more often than the group of entrepreneurs with no or low entrepreneurial experience.

4.1.1.6. Conceptual model

On the basis of the results of the tested hypotheses the following values and effects can be added to the conceptual model as it was presented in the theoretical framework. First, a significant direct effect of the delivery channel could not be found. The moderation effect of the investor type was not present, but the investor type did have a direct effect on the screening decision. The mediation of investment proposition fit between the entrepreneur's awareness and the screening decision was found, but only when they were regressed without control variables. All in all, the following hypotheses were **rejected**:

H1a: A proposal coming via a cold call has a negative effect on the investor's screening decision.
H1b: A proposal coming via a referral has a positive effect on the investor's screening decision.
H1c: A proposal coming via active search has a positive effect on the investor's screening decision.

The following hypotheses were **adopted:**

H2: There is a moderation effect of the investor type on the relation between the delivery channel and the screening decision.

H3a: The entrepreneur's awareness of the investment profile of an investor has a positive effect on investment proposition fit.
H3b: Investment proposition fit acts as a mediator between the entrepreneur's awareness and the screening decision.

Because the investment proposition fit was the major explanatory variable of the screening decision in this study, it can be argued that the screening decision is very professional and almost purely based on hard objective criteria. Therefore the role of the soft criterion of how the investor came into contact with the entrepreneur and whether they were aware of the investment profile of the investor might not have been as imported in the screening as was expected. All in all this results in the following conceptual model:

Conceptual Model
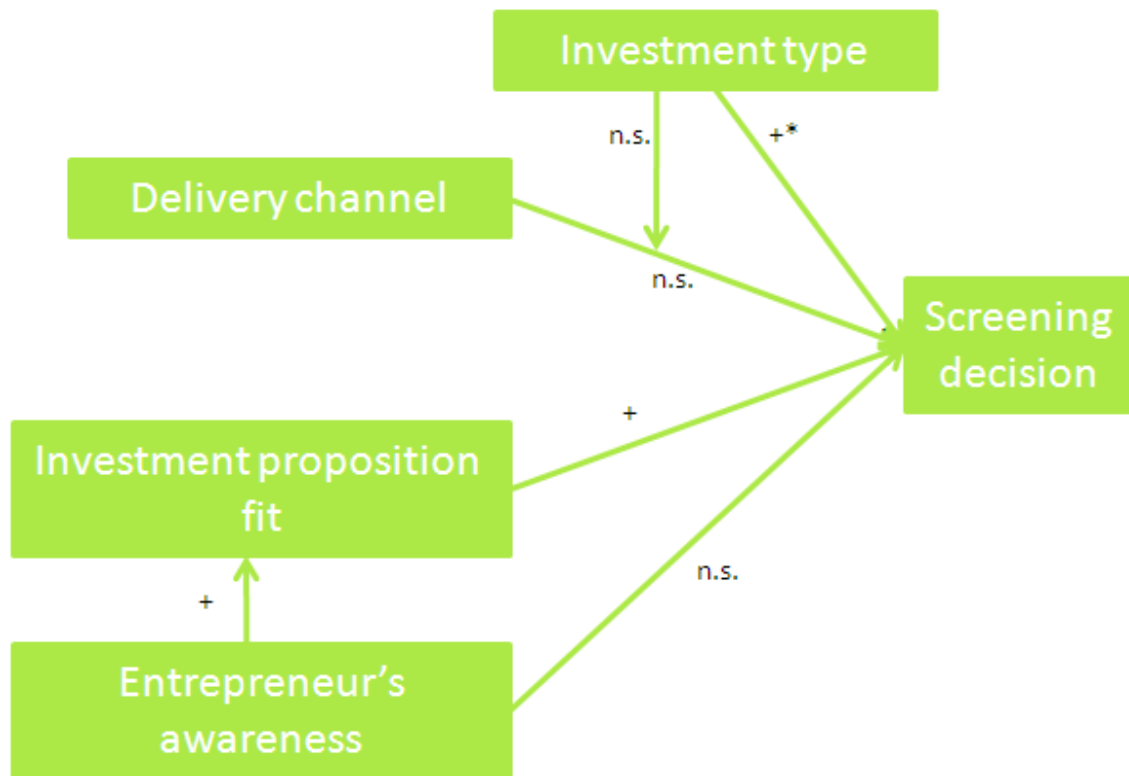
*. Only significant for the individual regression without control variables.

Figure 5: Conceptual model with effects.

4.1.2. Investment Decision

The following paragraphs go beyond the conceptual model that has been presented at the end of the theoretical framework. Because the effects that were found on the screening decision only provided limited results, the variables have also been tested on the investment decision of an investor. Hereby, a more complete understanding can be gained about which effects occur in the screening phase and which effects have an influence on the investment decision.

First the correlations of all variables have been checked to ensure there is no multicollinearity. Since all correlations between independent and control variables are below |0,6| this is not the case. This can be seen in the correlation table in appendix 8.2 (table 22):

Again all independent variables were individually regressed on the dependent variable and each other (table 29). For the regressions including the investment decision this resulted in the

significance of five regressions. The individual regressions of the investment decision on the delivery channel, investment proposition fit and the awareness of the entrepreneur (1, 2 and 3), the regressions of investment proposition fit on the investor type and awareness (4 and 5) and the regressions of awareness on the delivery channel and the investor type (4 and 5). The effect of the investor type on the investment decision and the effects of the delivery channel on the investment proposition fit and the investment type were not significant.

4.1.2.1. Delivery channel

As was reasoned for the effect on the screening decision, for the investment decision it was also expected that a referral or active search had a positive influence. It was hypothesized that proposals coming to an investor via a referral or active search would more often result into an investment than a cold call. The tables that represent the regressions of the investment decision on the delivery channel, the investor type and their interaction can be found in appendix 8.3. The first table (table 30) shows the regressions without control variables, the second table (table 31) includes the control variables. The delivery channel has a partial significant effect (Sig.≤0,05) in all regressions below, both with and without control variables. This effect is only significant for referrals compared to cold calls. Significant differences between cold calls and active search could not be found (Sig.≤0,05). Thereby it can be stated that the deal origination via a referral as the delivery channel compared to a cold call has a positive effect on the investment decision of the investor.

Because significant differences for finding an investment were found between cold calls and referrals as a delivery channel, some more attention went to this relation. In table 19 below, the differences are presented between cold calls, referrals and active search. For all cases in which the proposal came via a cold call, a success rate of 21% was reached. For all proposals that came to the investor's attention via a referral, 39,0% was invested in. The proposals that originated via active search resulted in 100% screen-in but only lead to an investment in only 2 of the 16 cases. However, it should be noted that in seven out of the eleven cases in which the proposal originated via active search, the entrepreneur postponed the investment and in 3 of these 16 cases the proposals were still under negotiations.

				Investment Decision					
		Total	%	No	%	Yes	%	Missing	%
Delivery channel	Cold Call	84	44,4%	64	76,2%	17	20,2%	3	3,6%
	Referral	89	47,1%	50	56,2%	32	36,0%	7	7,9%
	Active search	16	8,5%	11	68,8%	2	12,5%	3	18,8%
	Total	189	100,0%	125	66,1%	51	27,0%	13	6,9%

Table 19: Quantities of the Delivery channel and Investment decision.

4.1.2.2. Investor type

The hypothesis of investor type as a moderator variable on the relation between the delivery channel and the screening decision was also applied to the relation between the delivery channel and the investment decision. First, the direct effect of the investor type on the investment decision was tested. As can be seen in tables 30 and 31 in appendix 8.3, the regression of the investment decision on the investor type did not prove any significant results (Sig.>0,05). Second, the interaction between the delivery channel and the investor type was also not significant (Sig.>0,05). Therefore the hypothesis was **rejected** that the investor type has a moderation effect on the relation between the delivery channel and the investment decision. Different from the model with the screening decision the direct effect of the delivery channel on the investment decision was present, but no significant direct effect of the investor type was found.

4.1.2.3. Investment proposition fit

As was hypothesized in the theoretical framework for the effect of investment proposition fit, the same effect can be expected for the investment decision. When the proposal of an entrepreneur fits the profile of an investor this has a positive influence on the investment decision of an investor. As can be seen in the corresponding tables (appendix 8.3, tables 32 and 33), the direct effect of investment proposition fit on the investment decision was significant (Sig.≤0,05) in all regressions, both without and with control variables. Thereby, the following additional hypothesis was **adopted**: an investor's investment decision is positively affected by investment proposition fit.

The significant effect of the investment total fit on the investment decision deserves some more attention. As the underlying table 20 shows, a clear distinction can be made between proposals that fit the profile of the investor and firms that did not. From the latter 90,7% did not find an investment. For the proposals that did fit, an investment was made in 32,2% of the entrepreneurial firms.

				Investment decision					
		Total	%	No	%	Yes	%	Missing	%
Investment profile fit	Sizefit	165		102	61,8%	50	30,3%		
	Stagefit	181		117	64,6%	51	28,2%		
	Sectorfit	158		98	62,0%	47	29,7%		
	Sitefit	189		125	66,1%	51	27,0%		
	Totalfit	146	77,2%	86	58,9%	47	32,2%	13	8,9%
	No totalfit	43	22,8%	39	90,7%	4	9,3%	0	0,0%
	Total	189	100,0%	125	66,1%	51	27,0%	13	6,9%

Table 20: Quantities of Investment proposition fit and Investment decision.

4.1.2.4. Entrepreneur's awareness

The entrepreneur's awareness had a significant effect on the investment proposition fit, with and without control variables. Both the entrepreneur's awareness and the investment proposition fit had a significant effect on the investment decision of the investor, both with and without control variables. However, when the variables were added simultaneously in the model, the previously significant effect of the awareness fell out. Thereby, it can be assumed that investment proposition fit acts as a mediator between the awareness of an entrepreneur and the investment decision of an investor. To exclude the possibility of a moderation effect this was also tested, but this did not prove to be significant (Sig.>0,05). In both cases mediation was found, thereby the following additional hypothesis was **adopted:** The effect of the awareness of an entrepreneur on the investment decision of an investor is mediated by investment proposition fit.

The availability of information on the investment profiles of investors should be improved to increase the awareness of entrepreneurs. In table 17 the quantities of the cases were shown in which the entrepreneur was either aware (65,6%) or unaware (34,4%) of the investment profile of the investor. This means that 34,4% of the entrepreneurs were either not willing or not able to become aware. For the group that would not be willing to become aware not many actions can be undertaken. At best, there are some entrepreneurs in this group who can be convinced that becoming aware of the investment profile of the investor is beneficial. However, for the group of entrepreneurs who is willing but currently not able, some progress could be made. First, there are entrepreneurs who don't know how to find this information about the investor. Second, there are entrepreneurs who have sought information, and this information would have been available, but they were not able to find it. For both these types of entrepreneurs knowledge about how to find the information about investors and where to find it would be beneficial. Investors could improve the searchability of their investment profile on their website or social media. Third, there is the group of entrepreneurs who are searching for information that is not there. For this group it is essential that investors improve the availability of information about their investment profile. This is also beneficial to these investors, because they may receive fewer proposals of entrepreneurs who were not aware that their investment profile did not fit. This has implication for entrepreneurs, investors and policy makers. Entrepreneurs should recognize the importance of being aware of the investment proposal of investors. When they are not able to find this information, they should improve their knowledge on finding it. For policy makers, this includes that when there is a lack of public parties that provide this knowledge, they should take the lead in demonstrating the benefits of being aware and accommodate the improvement of the knowledge of entrepreneurs on becoming aware. Investors

should recognize that publicly disclosing their investment profile is beneficial for their proposal rate and proposal quality, because the largest part of the entrepreneurs they are contacted with have compared their proposal with its investment profile. As was stated in the theory the availability of information for VCs is higher than for BAs. This is substantiated by this study: for VCs the awareness (78,5%) is higher than for BAs (48,8%), presumably because there was more information publicly available about VCs.

4.1.2.5. Control variables

Because it was expected that these variables would influence the effects of the variables in this study, the following control variables were added: entrepreneurial firm age, entrepreneurial education, entrepreneurial experience, number of previous proposals, and investment round.

Firm age

In the regression of the investment decision on the control variables, firm age had a significant effect (Sig≤0,05). This was not present for the screening decision.

Entrepreneur's Education

In the regression of the investment decision on the control variables, entrepreneurial education did not have a significant effect (Sig. ≤0,05). This was also not present for the screening decision.

Entrepreneurial experience

In the regression of the investment decision on the control variables, entrepreneurial experience did not have a significant effect (Sig. ≤0,05). This was significant for the screening decision.

Amount of previous proposals

In the regression of the investment decision on the control variables, the amount of previous proposals had a significant effect (Sig.>0,05). This was not present for the screening decision.

Investment round

In the regression of the investment decision on the control variables, the investment round did not have a significant effect (Sig. ≤0,05). This was also not present for the screening decision.

All in all, for the investment decision only the amount of previous proposals was found to have a significant effect. The entrepreneurial experience that was significant for the screening decision did not have a significant effect on the investment decision. Firm age, entrepreneur's education and the

investment round did not have a significant effect in both models. However it was still valuable to add all these controls into the model, because they accounted for a large part of the unexplained part of the model. This was the major reason that such a high percentage of the total effects on the screening decision (95,2%) and the investment decision (79,3%) could be explained. The control variables accounted for the majority of the total effects (89,4% and 71,6%), hence this part of the explained model was accounted for in the testing of the independent variables in this study. On the contrary, this also caused that almost no significant effects were found in the regressions where the control variables were added first and the independent variables second.

4.1.2.6. Expanded conceptual model

Previously the conceptual model has been presented in the theoretical framework. Then in the first chapter of the results the strengths and directions of the effects were added. Here the model is completed with the effects of the additional hypotheses on the investment decision. Thereby an expanded conceptual model (figure 6) can be formed. This was based on the results that:

1. Again, no moderation effect of the investor type was found. The direct effect of the investor type that was present for the screening decision could not be found for the investment decision.

2. The effect of the delivery channel for referrals on the investment decision that could not be found for the screening decision can now be found and is positive under all circumstances. As for the screening decision, the effect of active search as the delivery channel could also not be demonstrated for the investment decision.

3. The investment proposition fit is the most important explainer of the screening decision and the investment decision.

4. The mediation of the awareness of the entrepreneur by the investment proposition fit on the investment decision was demonstrated for the screening decision. For the investment decision this effect was also found but weaker compared to the effect on the screening decision.

All in all, these results can be combined into the following expanded conceptual model:

Expanded Conceptual Model

*. Only significant for the individual regression without control variables.
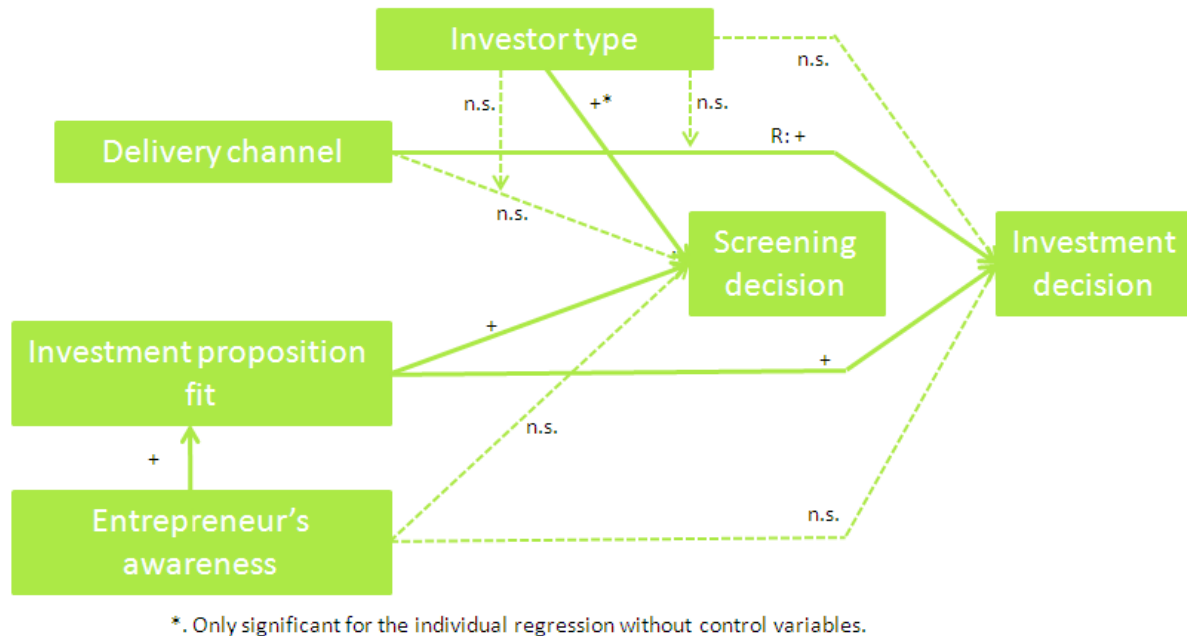
Figure 6: Expanded conceptual model with effects.

4.1.3. Summary of results

This paragraph consists of a summary of all results. Both the effects on the screening decision and the investment decision are brought together here. For both these dependent variables, the effects are discussed in the following order: delivery channel, investor type, investment proposition fit, entrepreneur's awareness.

4.1.3.1. General findings

First, it was found for the delivery channel that a referral compared to a cold call has a large effect on the investment decision. On the screening decision the same effect was expected, but this could not be statistically demonstrated. Also the effect of active search compared to a cold call could not be found. Nonetheless, it seems that an investor would only contact SMEs that fit their investment profile; thereby active search would always result in a screen-in, as it was the case in this study. However, because most of the active search cases were still under negotiations or delayed by the entrepreneur, only two cases with active search lead to an investment. It can therefore be expected that active search leads to a higher percentage of investments than cold calls, but more data has to

be gathered to demonstrate this statistically. In total, this study could only find a significant result for a referral compared to a cold call as the delivery channel of a proposal. All in all, it was clearly demonstrated that entrepreneurs who contact investors via a referral have a higher chance of finding an investment than via a cold call. This emphasizes the importance for entrepreneurs and investors to make contact via their network.

Second, the differences in contacting either BAs or VCs have only partially been found in this study. No moderations of the investor type on the influence of the delivery channel on the screening decision were found. Also no significant effect on the investment decision could be found. For the screening decision, the investor type only lead to a higher screen-in for VCs without control variables. Although indisputable evidence was not found, this direct individual effect on the screening decision can be seen as a substantiation of the statement by Van Osnabrugge (2000) that VCs are more selective in the screening phase than BAs.

Third, the fit between the proposal of an entrepreneur and the investment profile of an investor had a large share in the achievement of a screen-in. Thereby, the importance of the investment profile fit in the screening phase was emphasized. The investment proposition fit also explained a large part of the investment decision, despite the fact that this was a bit less than for the screening decision. Hence it is important for entrepreneurs who try to find an investment to contact investors with an investment profile that fits their proposal, because this results in a higher screen-in opportunity and a higher chance of finding an investment.

Fourth, a mediation effect of the investment proposition fit between the awareness of the entrepreneur and the screening decision was found. Hence entrepreneurs who are aware of the investment profile of the investor have a higher chance of finding investment proposition fit and thereby a higher chance of being screened-in and finding an investment. Accordingly, awareness contributes to the investment readiness of entrepreneurs. This is in congruence with the argument of Mason and Kwok (2010) that entrepreneurs contact the wrong investors partly due to a lack of information or failure to seek out the information that does exist. This also has a practical consequence for investors, especially for BAs. They should be more transparent in what type of entrepreneurial firm they are looking for, so that entrepreneurs themselves can assess whether their firm would fit the investor's profile. Some entrepreneurs who were aware of the investment profile of the investor, but did not find investment proposition fit, contacted the investor anyway. A possible explanation for this phenomenon is that entrepreneurs, who are aware that their proposals do not fit, try it anyway against better judgment following the 'nothing ventured, nothing gained' saying. However, this was not very fruitful. From this reasoning, it is recommended for entrepreneurs to be

aware of the investment profile of an investor they want to contact because it provides a better understanding of the screening decision of the investor.

Based on these results it can be reasoned that the decision of an investor in the screening phase is mainly based on an objective evaluation of the fit between the investment proposal of the entrepreneur and the investment profile of the investor. A screen-in is more likely when an entrepreneur is aware of the investor's investment profile. The investor type also influences the screening decision, since VCs perform a screening based on a stricter model than BAs. The delivery channel of the proposal does not directly affect the screening but plays a more important role in a later stage when the final investment decision has to be made. Then a proposal that originated via a referral or to a lesser extent via active search has a higher chance of resulting in an investment.

5. DISCUSSION

In this section a reflection on the research process is given. The limitations of the research are discussed and followed up by recommendations for future research where possible. First, the issues concerning the methodology are presented. Second, the most important issues concerning the content are discussed. Thereby the weaknesses and strengths of this study are brought out.

5.1. Methodological issues

5.1.1. Dependent variable selection

A large proportion of the cases have been found on the basis of the dependent variable: the entrepreneurial firms have found an investment in the past three years according to the NVP database. Thereby the proportion of firms that found an investment versus firms that did not found an investment in the sample lacks some resemblance with the total population of finance seeking SMEs.

5.1.1.1. Deal origination proportions

In this paragraph the results of the study concerning the delivery channel were broadly compared to the statements of Tyebjee and Bruno (1984). They have examined mostly VC investments in entrepreneurial firms. To make an equivalent comparison, only the cases that resulted in an investment can be compared. Tyebjee and Bruno (1984) argued from 41 interviews with investors that 65% of all investments originate via a referral, 25% originates through a cold call and only 10% of all investments occur via active search. A cluster analysis showed that in this research from a total of 189 cases 51 resulted in an investment. From these investment cases 17 (33,3%) originated via cold calls, 32 (62,7%) via a referral and 2 (3,9%) via active search. This is very similar to the results found by Tyebjee and Bruno (1984). However, a remark should be made for the active search cases. This amount was too small to make any substantiated statements. Therefore for the study to become even more valuable, the amount of active search cases could be raised. This can either be done by increasing the total amount of cases or searching specifically for active search cases and apply a weighing. Nonetheless, this would add greatly to the value of the study.

5.1.2. Amount of screen-outs

As discussed by Sweeting (1991), 80% of all investment proposals are selected out in the screening stage. However, in this research 27 out of 189 cases were screened out, which only results in a

screen-out percentage of 14,3%. This does not even come close to the 80% as discussed by Sweeting (1991). Similarly the amount of investments is higher than expected. Normally, VCs invest in 2-4% and BAs between 5-10% of the proposals that come to them. In this study the total number of invested firms was 51 out of 189, which is 27% of the cases in the sample. Thereby it seems that the screen-out cases and unfunded firms are under-represented in this study. Possible causes for this small number of screened out and unfunded proposals can lay either in issues with the case selection and memory biases of the entrepreneurs. These are the following:

5.1.2.1. Case selection issues

Because the majority of the entrepreneurs who participated in the study found an investment, the quality of these entrepreneurs could be higher than average. Thereby the number of screen-outs in the study would be lower than in the whole population of financed and non-financed firms. Another explanation for the high number of screen-ins may be related to the adverse selection problem. Perhaps the investors in this study were afraid that they would make a type II error, namely by deciding to screen-out a company that becomes successful or has the potential to become successful (Mason and Stark, 2004).

5.1.2.2. Memory bias issues

History and Maturation

By selecting only entrepreneurs who were in contact with investors recently the effects of time on the entrepreneur's memory were reduced. Since the data points are in the past and spread out over a certain amount of time, maturation and history effects influence the internal validity of the study. To account for these effects, only entrepreneurs who found an investment no more than three years before the interview were selected. Thereby the investment proposals lied relatively fresh in the memory of the entrepreneurs so that the recollection of the event would not cause major memory problems.

Time spent together

The time entrepreneurs and investors spent together in a screen-out case is far less than for screen-in cases. An investor's screen-out decision is often made without even having face-to-face contact, whereas in the case of a screen-in decision the entrepreneur and investor take part in a number of meetings. During these meetings a stronger connection can be built as compared to a screen-out. Hence during the interviews the entrepreneurs may have had a better recollection of screen-in cases

than screen-out cases. This may have caused an underrepresentation of screen-out cases in the sample.

No reply is also a screen-out

In accordance with the previous argument, an entrepreneur who contacts an investor but never receives an answer can also be considered as a proposal screened-out. From the viewpoint of the entrepreneur, these attempts might be hardly worth mentioning in the interview. Moreover, these attempts are very easily forgotten.

Screen-outs all resemble

As came forth from the interviews, the total number of screen-outs for an entrepreneur has been much larger than the number of screen-ins. In addition to the previous arguments, because of this large amount of screen-outs and the short or even no period of contact, the resemblance of these screen-outs is high. The entrepreneurs seldom found out what was reason behind a screen-out. Most screen-outs occurred without a message from the investor. When the investor clarified the screen-out the underlying reason rarely came to light. Thereby it was harder for the entrepreneurs to recall the specific aspects of each individual screen-out case and remember the differences between screen-out cases. The total amount of screen-out cases in the sample may have been reduced because of this effect.

Multiple founders

A last argument can be found in the organization of entrepreneurial firms that are in search of finance. When there is a group of founders the proposals are usually sent by only one of them. Hence, for a screen-out only one of the founders has detailed information about the denial. However, when the proposal has been screened in, the visits are usually done by more than one of the founders. Because only one of the founders was interviewed, it could be very well possible that he was aware of most screen-ins and participated in the subsequent meetings with investors, but he was unaware of all screen-outs, since the first contact was made by one of his co-founders. This may have reduced the total amount of screen-out cases in the sample.

5.1.3. Repeatability

The research methodology was described in detailed to ensure that the methods were verifiable and repeatable. The relatively large number of 189 cases ensures that the findings of the study were confidently reliable. The data gathering was conducted within the shortest period possible to ensure

that as little intermediate events took place. However the results could be different if the study was repeated over time. If they then prove to be different it would be because of external influences. The data was partly dependent on the issues entrepreneurs and investors are facing in current times of the financial crisis and the Euro crisis. The conditions entrepreneurs have to face to find financing are turbulent and changing. When the financial situation would become more stable, more alternative sources of finance might be available or investors might be more willing to invest. Regardless of the results, since the methods and the analysis of this research have been thoroughly described, the study is repeatable by the researcher or another in the future or in another context.

5.2. <u>Content issues</u>

5.2.1. <u>Same model for BAs and VCs</u>

In their study Tyebjee and Bruno (1984) analyzed the decision making of VCs. Thereby their investment decision model focused mainly on VC investment decisions. In this study, their model was used for the analysis of both the decision making of VCs and BAs. There are many other models that could have been used, however as was discussed in chapter 2.3, the model by Tyebjee and Bruno (1984) was most suitable for this study. However, amongst others Paul, Wyper, and Wittam (2007) argue that there are fundamental differences in the decision making between BAs and VCs.

For instance, BAs have to take into account a different time frame. It takes them longer to reach an exit than VCs (Paul, Wyper, and Wittam, 2007). A second argument, which was also supported by a large number of entrepreneurs in this study, is that BAs emphasize the importance of the early activities of the investment decision model; the impact made by the entrepreneur at the first meeting with the angel is a key factor in determining whether the process goes on any further. Third, whereas venture capitalists concentrate on competent screening, due diligence and contract formulation during the investment process as a risk reduction strategy, angels are more likely to focus on an active post-involvement role in the business (Van Osnabrugge, 2000). This relationship-based approach to risk reduction results in angels placing a greater emphasis on softer factors throughout the investment process compared to venture capitalists (Paul, Wyper, and Wittam, 2007). All in all, they stress that a separate model should be used for BA investment decisions that differs from the models that are used to describe VC investment decisions. Perhaps, more insights in BA investment decision making can be gained from a specific model that completely focuses on BAs. However, in this study only one model was used to make a comparison between VCs and BAs under the same circumstances.

5.2.2. Delivery channel and awareness

Because this research focused on an in depth analysis of the main hypotheses, some of the less prominent thoughts have not been studied. Further research of these thoughts might perhaps prove additional valuable insights. The data set of this study provides enough input to execute these analyses. One of these thoughts is that there is an effect of the delivery channel on the awareness of the entrepreneur. It can be reasoned for active search that the entrepreneur probably was not aware of the investment profile of the investor, because the screening took place before the investor made contact. Hereby the screening phase was passed before the entrepreneur ever came into contact with the investor. Hence it can be presumed that entrepreneurs are unaware of the investment profile of investors when active search is the delivery channel of the proposal.

For referrals two things can be reasoned. First, it could be expected that the referrer is aware of the profile of the investor and shares this information with the entrepreneur. Hence, entrepreneurs should have a high awareness for referrals. Second, it could be expected that the referrer is aware of the profile of the investor, but does not share this information with the entrepreneur. Because the entrepreneur is ensured by the referrer that the screening phase will be passed, he is unaware of the investment profile of the investor. Hence, entrepreneurs should have low awareness when the contact is made via a referral. Whether the awareness of the entrepreneur is either higher or lower for referrals compared to cold calls requires further investigation in the future.

5.2.3. Socially desirable answers

The entrepreneurs in this study may have responded to the question about their awareness with socially desirable answers. They were asked how they prepared themselves before they contacted an investor with their proposal. In general, it can be expected that someone makes good preparations before doing something. Similarly an entrepreneur should prepare himself to a certain degree before he makes contact with an investor. Thereby the 'thinking before doing' saying is applicable for contacting an investor with an investment proposal. However, it is highly probable that some entrepreneurs in this study did not prepare themselves. An unprepared entrepreneur might feel normative pressures that instigate him to give socially desirable answers. Hence, in some cases where the entrepreneur was labeled as aware, he might in fact have been unaware of the investment profile of the investor. Similarly it can be assumed for these cases that some of the entrepreneurs provided socially desirable answers concerning the investment proposition fit. On the other hand, as described in the methods the researcher created a safe situation in which the entrepreneur was encouraged to provide honest answers. Thereby the effects of socially desirable answers were reduced to a minimum.

6. CONCLUSIONS

This study has demonstrated that the screening and investment decisions on proposals made by investors can be explained for a large part by a number of identifiable determinants. As it was demonstrated by a large number of studies (Tyebjee and Bruno, 1984, and others, see paragraph 2.3) the investment decision making of investors consists of a process with a number of phases, in which for each phase other criteria play an important role. However, most authors did not assess each phase as a specific situation in which BAs and VCs need to decide to continue with or reject the proposal. This was where the added value of this study came to its full right. Especially because BAs and VCs are becoming a more important source for venture financing, as banks are much more reluctant to invest in entrepreneurial firms since the credit crunch and Euro crisis.

The focus of this study was on the deal origination and screening phases of the investment decision process. The goal was to find out whether the screening decision of investors concerning the investment proposals of entrepreneurs was influenced by the assumed effects of the delivery channel, the investment proposition fit and the awareness of the entrepreneur. Thereby an understanding could be gained about under which circumstances an investment proposal would be screened out. By gathering information at the side of entrepreneurs about the decision making of investors on their investment proposals, a unique but highly valuable dataset was formed. In this way cognitive aspects of the entrepreneur could be combined with the decisions of investors without the need to question both sides.

Based on the results it can be concluded that the decision of an investor in the screening phase is mainly based on an objective evaluation of the fit between the investment proposal of the entrepreneur and the investment profile of the investor. A higher investment proposition fit was found for cases in which the entrepreneur was aware of the investment profile of the investor. Accordingly, a screen-in and also an investment are more likely when an entrepreneur is aware of the investor's investment profile. Thereby, an entrepreneur's awareness contributes to his investment readiness. The investor type also influences the screening decision, since VCs perform their screening based on a stricter model than BAs. Finally, the delivery channel of the proposal does not directly affect the screening but plays a more important role in a later stage when the final investment decision has to be made. Then a proposal that originated via a referral or via active search has a higher chance of resulting in an investment.

All in all, this study has presented a framework that expanded the existing research on entrepreneurial finance. By applying theories from social sciences more attention was paid to the

relational aspects of entrepreneurial finance that were previously underestimated. Accordingly, the decision making of investors and the interactions effects of finding finance earned more attention. This study has helped in substantiating that there is much more to entrepreneurial finance, especially stressing the importance of decision making theories and processes, the way of approaching and conscious matchmaking. Where Tyebjee and Bruno (1984) focused mostly on the evaluation of investment proposals, this study has expanded the insights in the deal origination and screening phases of the investment decision model. The determinants of the screening decisions of investors which were vague and mainly hidden have now been brought to the surface. Still, there are many things that require more attention and further improvement, as has been described in the discussion chapter above. For instance, there are some burning questions about the effect of the delivery channel on the awareness of the entrepreneur. Nonetheless, this study has provided entrepreneurs, VC and BA investors and policy makers with new insights in the first contact between entrepreneurs and investors regarding an investment proposal. On the basis of this study the researcher pleas for three things to establish a more effective marketplace of entrepreneurial finance:

1. Entrepreneurs and investors should make more use of their relations and network to find more suitable opportunities for investment.

2. More attention should go to finding cases in which a fit between the investment proposal of the entrepreneur and the investment profile of the investor is present. This should be actively supported and expressed by prominent entrepreneurs, investors, and policy makers.

3. The transparency of what kind of investment entrepreneurs and investors are looking for should be increased by (a) convincing them of the importance of this transparency, (b) by persuading them to publicly disclose these aspects of the investment proposals of entrepreneurs and the investment profile of investors, and (c) by providing and stimulating platforms where these investment proposals and investment profiles can be exchanged.

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8. APPENDICES

8.1. Appendix 1: Abbreviations

BA – Business Angel

BAN – Business Angels Network Netherlands

IPO – Initial Public Offering

LBO – Limited Buy-Out

MBO – Management Buy-Out

NVP – Nederlandse Vereniging van Participatiemaatschappijen/Dutch union of Private Equity firms

PE – Private Equity

RDA – Research and Development Aftrek / Research and Development tax deduction

SBIR – Small Business Innovation Research

SME – Small and Medium Enterprise

VC – Venture Capital(ist)

WBSO – Wet Bevordering Speur- en Ontwikkelingswerk/ Law stimulation of Research and Development

8.2. Appendix II: Correlation tables

Correlations		Screening Decision	Referral Delivery Channel	Active Search Delivery Channel	Investor type	Investment Total Fit	Entrepreneur Awareness	Control1 Firm Age	Control2 Entrepreneur Education	Control3 Entrepreneurial experience	Control4 Proposal Number	Control5 Investment Round
Screening Decision												
Screening Decision	Pearsons	1	-0,009	0,189	**0,222**	**0,572**	**0,150**	0,132	**-0,168**	**0,271**	-0,059	**-0,180**
	Sig. (2t)		0,906	0,089	**0,002**	**0,000**	**0,039**	0,069	**0,021**	**0,000**	0,417	**0,013**
	N	189	189	189	189	189	189	189	189	189	189	189
Referral Delivery Channel	Pearsons	-0,009	1	**-0,287**	-0,027	-0,089	**0,304**	0,019	**-0,161**	0,114	-0,070	0,092
	Sig. (2t)	0,906		**0,000**	0,322	0,261	**0,000**	0,796	**0,027**	0,120	0,337	0,208
	N	189	189	**189**	189	189	**189**	189	**189**	189	189	189
Active Search Delivery Channel	Pearsons	0,189	**-0,287**	1	-0,079	-0,107	**-0,380**	-0,099	-0,072	-0,105	0,064	**-0,178**
	Sig. (2t)	0,089	**0,000**		0,280	0,143	**0,000**	0,177	0,326	0,151	0,385	**0,014**
	N	189	**189**	189	189	189	**189**	189	189	189	189	**189**
Investor type	Pearsons	**0,222**	-0,027	-0,079	1	**0,340**	**0,310**	0,139	0,020	**0,336**	**0,108**	0,018
	Sig. (2t)	**0,002**	0,322	0,280		**0,000**	**0,000**	0,057	0,782	**0,000**	**0,141**	0,803
	N	**189**	189	189	189	**189**	**189**	189	189	**189**	**189**	189
Investment Total Fit	Pearsons	**0,572**	-0,089	-0,107	**0,340**	1	**0,298**	0,047	0,055	**0,276**	-0,012	0,096
	Sig. (2t)	**0,000**	0,261	0,143	**0,000**		**0,000**	0,520	0,455	**0,000**	0,873	0,189
	N	**189**	189	189	**189**	189	**189**	189	189	**189**	189	189
Entrepreneur Awareness	Pearsons	**0,150**	**0,304**	**-0,380**	**0,310**	**0,298**	1	**0,197**	**-0,153**	**0,251**	-0,023	**0,177**
	Sig. (2t)	**0,039**	**0,000**	**0,000**	**0,000**	**0,000**		**0,007**	**0,035**	**0,001**	0,750	**0,015**
	N	**189**	**189**	**189**	**189**	**189**	189	**189**	**189**	**189**	189	**189**
Control1 Firm Age	Pearsons	0,132	0,019	-0,099	0,139	0,047	**0,197**	1	**-0,391**	**0,211**	0,034	**0,167**
	Sig. (2t)	0,069	0,796	0,177	0,057	0,520	**0,007**		**0,000**	**0,004**	0,638	**0,021**
	N	189	189	189	189	189	**189**	189	**189**	**189**	189	**189**
Control2 Entrepreneur Education	Pearsons	**-0,168**	**-0,161**	-0,072	0,020	0,055	**-0,153**	**-0,391**	1	0,036	0,135	0,011
	Sig. (2t)	**0,021**	**0,027**	0,326	0,782	0,455	**0,035**	**0,000**		0,625	0,065	0,885
	N	**189**	**189**	189	189	**189**	**189**	**189**	189	189	189	189
Control3 Entrepreneurial experience	Pearsons	**0,271**	0,114	-0,105	**0,336**	**0,276**	0,251	0,211	0,036	1	**0,259**	0,011
	Sig. (2t)	**0,000**	0,120	0,151	**0,000**	**0,000**	0,001	0,004	0,625		**0,000**	0,885
	N	**189**	189	189	**189**	**189**	**189**	**189**	189	189	**189**	**189**
Control4 Proposal Number	Pearsons	-0,059	-0,070	0,064	**0,108**	-0,012	-0,023	0,034	0,135	**0,259**	1	**0,263**
	Sig. (2t)	0,417	0,337	0,385	**0,141**	0,873	0,750	0,638	0,065	**0,000**		**0,000**
	N	189	189	189	**189**	189	189	189	189	**189**	189	**189**
Control5 Investment Round	Pearsons	**-0,180**	0,092	**-0,178**	0,018	0,096	**0,177**	**0,167**	0,011	**0,011**	**0,263**	1
	Sig. (2t)	**0,013**	0,208	**0,014**	0,803	0,189	**0,015**	**0,021**	0,885	**0,885**	**0,000**	
	N	**189**	189	**189**	189	**189**	**189**	**189**	189	**189**	**189**	189

Table 21: Correlations (I).

Correlations		Investment	Referral Delivery Channel	Active Search Delivery Channel	Investor type	Investment Total Fit	Entrepreneur Awareness	Control1 Firm Age	Control2 Entrepreneur Education	Control3 Entrepreneurial experience	Control4 Proposal Number	Control5 Investment Round
Investment												
Investment	Pearsons	1	**0,207**	-0,085	-0,132	**0,247**	**0,156**	-0,060	-0,118	-0,093	**-0,208**	**-0,186**
	Sig. (2t)		**0,006**	0,264	0,082	**0,001**	**0,038**	0,426	0,119	0,220	**0,006**	**0,013**
	N	176	**176**	176	176	**176**	**176**	176	176	176	**176**	**176**
Referral Delivery Channel	Pearsons	**0,207**	1	**-0,287**	-0,027	-0,089	**0,304**	0,019	**-0,161**	0,114	-0,070	0,092
	Sig. (2t)	**0,006**		**0,000**	0,322	0,261	**0,000**	0,796	**0,027**	0,120	0,337	0,208
	N	**176**	189	**189**	189	189	**189**	189	**189**	189	189	189
Active Search Delivery Channel	Pearsons	-0,085	**-0,287**	1	-0,079	-0,107	**-0,380**	-0,099	-0,072	-0,105	0,064	**-0,178**
	Sig. (2t)	0,264	**0,000**		0,280	0,143	**0,000**	0,177	0,326	0,151	0,385	**0,014**
	N	176	**189**	189	189	189	**189**	189	189	189	189	**189**
Investor type	Pearsons	-0,132	-0,027	-0,079	1	**0,340**	**0,310**	0,139	0,020	**0,336**	**0,108**	0,018
	Sig. (2t)	0,082	0,322	0,280		**0,000**	**0,000**	0,057	0,782	**0,000**	**0,141**	0,803
	N	176	189	189	189	**189**	**189**	189	189	**189**	**189**	189
Investment Total Fit	Pearsons	**0,247**	-0,089	-0,107	**0,340**	1	**0,298**	0,047	0,055	**0,276**	-0,012	0,096
	Sig. (2t)	**0,001**	0,261	0,143	**0,000**		**0,000**	0,520	0,455	**0,000**	0,873	0,189
	N	**176**	189	189	**189**	189	**189**	189	189	**189**	189	189
Entrepreneur Awareness	Pearsons	**0,156**	**0,304**	**-0,380**	**0,310**	**0,298**	1	**0,197**	**-0,153**	**0,251**	-0,023	**0,177**
	Sig. (2t)	**0,038**	**0,000**	**0,000**	**0,000**	**0,000**		**0,007**	**0,035**	**0,001**	0,750	**0,015**
	N	**176**	**189**	**189**	**189**	**189**	189	**189**	**189**	**189**	189	**189**
Control1 Firm Age	Pearsons	-0,060	0,019	-0,099	0,139	0,047	**0,197**	1	**-0,391**	**0,211**	0,034	**0,167**
	Sig. (2t)	0,426	0,796	0,177	0,057	0,520	**0,007**		**0,000**	**0,004**	0,638	**0,021**
	N	176	189	189	189	189	**189**	189	**189**	**189**	189	**189**
Control2 Entrepreneur Education	Pearsons	-0,118	**-0,161**	-0,072	0,020	0,055	**-0,153**	**-0,391**	1	0,036	0,135	0,011
	Sig. (2t)	0,119	**0,027**	0,326	0,782	0,455	**0,035**	**0,000**		0,625	0,065	0,885
	N	176	**189**	189	189	**189**	**189**	**189**	189	189	189	189
Control3 Entrepreneurial experience	Pearsons	-0,093	0,114	-0,105	**0,336**	**0,276**	0,251	0,211	0,036	1	**0,259**	0,011
	Sig. (2t)	0,220	0,120	0,151	**0,000**	**0,000**	0,001	0,004	0,625		**0,000**	0,885
	N	176	189	189	**189**	**189**	**189**	**189**	189	189	**189**	**189**
Control4 Proposal Number	Pearsons	**-0,208**	-0,070	0,064	**0,108**	-0,012	-0,023	0,034	0,135	**0,259**	1	**0,263**
	Sig. (2t)	**0,006**	0,337	0,385	**0,141**	0,873	0,750	0,638	0,065	**0,000**		**0,000**
	N	**176**	189	189	**189**	189	189	189	189	**189**	189	**189**
Control5 Investment Round	Pearsons	**-0,186**	0,092	**-0,178**	0,018	0,096	**0,177**	**0,167**	0,011	**0,011**	**0,263**	1
	Sig. (2t)	**0,013**	0,208	**0,014**	0,803	0,189	**0,015**	**0,021**	0,885	**0,885**	**0,000**	
	N	**176**	189	**189**	189	189	**189**	**189**	189	**189**	**189**	189

Table 22: Correlations (II).

8.3. <u>Appendix III: Regression tables</u>

Individual binary regressions								
Dependent	**Independent**	**Categories**	**Pr. Block %**	**Block %**	**B**	**Wald**	**Sig**	**Exp(B)**
ScreeningDec (Out/In)	Delivery channel	Cold call	85,7	85,7	-	-	-	-
		Referral	85,7	85,7	0,156	0,139	0,709	1,169
		Active search	85,7	85,7	19,593	0,000	0,998	3,23E+08
ScreeningDec (Out/In)	**Investor type**	**BA**	**85,7**	**85,7**	-	-	-	-
		VC	**85,7**	**85,7**	**1,317**	**8,519**	**0,004**	**3,732**
ScreeningDec (Out/In)	**Investment proposition fit**	**No Fit**	**85,7**	**86,2**	-			
		Fit	**85,7**	**86,2**	**3,386**	**38,192**	**0,000**	**29,543**
ScreeningDec (Out/In)	**Awareness**	**Unaware**	**85,7**	**85,7**	-	-	-	-
		Aware	**85,7**	**85,7**	**0,852**	**4,100**	**0,043**	**2,344**
Investment proposition fit	Delivery channel	Cold call	77,2	77,2	-	-	-	-
		Referral	77,2	77,2	0,280	0,568	0,451	1,324
		Active search	77,2	77,2	-0,652	1,281	0,258	0,521
Investment proposition fit	**Investor type**	**BA**	**77,2**	**77,2**	-	-	-	-
		VC	**77,2**	**77,2**	**1,720**	**19,393**	**0,000**	**5,585**
Investment proposition fit	**Awareness**	**Unaware**	**77,2**	**77,2**	-	-	-	-
		Aware	**77,2**	**77,2**	**1,434**	**15,550**	**0,000**	**4,196**
Awareness	**Delivery channel**	**Cold call**	**65,6**	**73,0**	-	-	-	-
		Referral	**65,6**	**73,0**	**1,008**	**8,288**	**0,004**	**2,740**
		Active search	**65,6**	**73,0**	**-3,143**	**8,849**	**0,003**	**0,043**
Awareness	**Investor type**	**BA**	**65,6**	**66,7**	-	-	-	-
		VC	**65,6**	**66,7**	**1,344**	**17,339**	**0,000**	**3,835**
Investor type	Delivery channel	Cold call	56,6	57,7	-	-	-	-
		Referral	56,6	57,7	-0,424	1,876	0,154	0,455
		Active search	**56,6**	**57,7**	**-0,788**	**2,033**	**0,018**	**1,710**

Table 23: Individual binary regressions (I).

Top model without control								
Dependent	**Independent**	**Categories**	**Prev. bl. %**	**Block %**	**B**	**Wald**	**Sig**	**Exp(B)**
ScreeningDec (Out/In)	Delivery Channel	Cold call	85,7	85,7	-	-	-	-
		Referral	85,7	85,7	0,156	0,139	0,709	1,169
		Active search	85,7	85,7	19,535	0,000	0,998	3,23E+08
ScreeningDec (Out/In)	Delivery Channel	Cold call	85,7	85,7	-	-	-	-
		Referral	85,7	85,7	0,321	0,541	0,462	1,379
		Active search	85,7	85,7	19,871	0,000	0,998	4,26E+08
	Investor type	**BA**	**85,7**	**85,7**	-	-	-	-
		VC	**85,7**	**85,7**	**1,436**	**9,774**	**0,002**	**4,205**
ScreeningDec (Out/In)	Delivery Channel	Cold call	85,7	85,7	-	-	-	-
		Referral	85,7	85,7	0,269	0,252	0,616	1,309
		Active search	85,7	85,7	20,309	0,000	0,999	6,61E+08

	Categories	Prev. bl. %	Block %	B	Wald	Sig	Exp(B)
Investor type	BA	85,7	85,7	-	-	-	-
	VC	85,7	85,7	1,368	4,958	0,026	3,927
Delivery Ch. x Investor type		85,7	85,7	-	-	-	-
		85,7	85,7	-0,154	0,028	0,868	0,218
		85,7	85,7	-1,522	0,000	1,000	0,218

Table 24: Regressions on Delivery channel and Investment type (I).

Top model with control							
Dependent	**Control**	**Categories**	**Prev. bl. %**	**Block %**	**B**	**Wald**	**Sig**	**Exp(B)**

Dependent	Control	Categories	Prev. bl. %	Block %	B	Wald	Sig	Exp(B)
ScreeningDec (Out/In)	Firm Age	<6	85,7	89,4				
		>6	85,7	89,4	18,461	0,000	0,998	1,04E+08
	Entrepreneur Education	Primary	85,7	89,4			-	
		MBO	85,7	89,4	-2,810	0,049	0,825	0,755
		HBO/WO	85,7	89,4	0,713	0,315	0,575	0,490
		Post	85,7	89,4	-		-	
	Entrepreneurial experience	**No/Low**	**85,7**	**89,4**			-	
		Med	**85,7**	**89,4**	**1,484**	**4,372**	**0,037**	**4,411**
		High	**85,7**	**89,4**	**4,488**	**16,098**	**0,000**	**88,920**
	Proposal number	<10	85,7	89,4	-		-	
		>10	85,7	89,4	-1,015	3,105	0,078	0,362
	Investment round	First	85,7	89,4	-		-	
Block 1		Sequential	85,7	89,4	-2,129	12,095	0,258	4,724
Dependent	**Independent**	**Categories**	**Prev. bl. %**	**Block %**	**B**	**Wald**	**Sig**	**Exp(B)**
ScreeningDec (Out/In)	Delivery Channel	Cold call	89,4	89,4	-	-	-	-
		Referral	89,4	89,4	-0,098	0,031	0,861	0,907
Block 2		Active search	89,4	89,4	20,460	0,000	0,999	2,77E+08
ScreeningDec (Out/In)	Delivery Channel	Cold call	89,4	89,4	-	-	-	-
		Referral	89,4	89,4	-0,104	0,033	0,855	0,902
		Active search	89,4	89,4	19,426	0,000	0,998	2,73E+08
	Investor type	BA	89,4	89,4	-	-	-	-
Block 3		VC	89,4	89,4	-0,041	0,616	0,947	0,960
ScreeningDec (Out/In)	Delivery Channel	Cold call	89,4	88,9	-	-	-	-
		Referral	89,4	88,9	-0,449	0,326	0,568	0,638
		Active search	89,4	88,9	19,294	0,000	0,999	2,39E+08
	Investor type	BA	89,4	88,9	-	-	-	-
		VC	89,4	88,9	-0,416	0,240	0,624	0,660
	Delivery Ch. x Investor type		89,4	88,9	-	-	-	-
			89,4	88,9	0,730	0,416	0,519	2,074
Block 4			89,4	88,9	0,265	0,000	1,000	1,304

Table 25: Regressions on the Delivery channel and Investor type (I).

Bottom model entrepreneur's awareness with control							

Dependent	Control	Categories	Prev. bl. %	Block %	B	Wald	Sig	Exp(B)
ScreeningDec (Out/In)	Firm Age	<6	85,7	89,4				
		>6	85,7	89,4	18,461	0,000	0,998	1,04E+08
	Entrepreneur Education	Primary	85,7	89,4			-	
		MBO	85,7	89,4	-2,810	0,049	0,825	0,755
		HBO/WO	85,7	89,4	0,713	0,315	0,575	0,490
		Post	85,7	89,4	-		-	
	Entrepreneurial experience	**No/Low**	**85,7**	**89,4**			-	
		Med	**85,7**	**89,4**	**1,484**	**4,372**	**0,037**	**4,411**
		High	**85,7**	**89,4**	**4,488**	**16,098**	**0,000**	**88,920**
	Proposal number	<10	85,7	89,4	-		-	
		>10	85,7	89,4	-1,015	3,105	0,078	0,362
	Investment round	First	85,7	89,4	-		-	
Block 1		Sequential	85,7	89,4	-2,129	12,095	0,258	4,724

Dependent	Independent	Categories	Prev. bl. %	Block %	B	Wald	Sig	Exp(B)
ScreeningDec	**Awareness**							
(Out/In)		**No Fit**	89,4	89,4	-			
Block 2		**Fit**	89,4	89,4	0,419	0,568	0,451	1,521

Table 26: Regression on Awareness (I).

Bottom model entrepreneur's awareness without control								
Dependent	**Independent**	**Categories**	**Prev. bl. %**	**Block %**	**B**	**Wald**	**Sig**	**Exp(B)**
ScreeningDec	**Investment**	**No Fit**	85,7	86,2	-			
(Out/In)	**proposition fit**	**Fit**	85,7	86,2	3,386	38,192	0,000	29,543
ScreeningDec	**Investment**	**No Fit**	86,2	88,4	-			
(Out/In)	**proposition fit**	**Fit**	86,2	88,4	3,451	34,966	0,000	31,531
	Awareness	Unaware	86,2	88,4	-	-	-	-
		Aware	86,2	88,4	-0,184	0,116	0,734	0,832
ScreeningDec	**Investment**	**No Fit**	88,4	88,4	-			
(Out/In)	**proposition fit**	**Fit**	88,4	88,4	2,175	9,118	0,003	8,800
	Awareness	Unaware	88,4	88,4	-	-	-	-
		Aware	88,4	88,4	-0,916	2,022	0,155	0,400
	ITF_Eaware	**0**	**88,4**	**88,4**	-	-	-	-
		1	**88,4**	**88,4**	2,392	4,451	0,035	10,937

Table 27: Regressions on Investment proposition fit and awareness (I).

Bottom model entrepreneur's awareness with control								
Dependent	**Control**	**Categories**	**Prev. bl. %**	**Block %**	**B**	**Wald**	**Sig**	**Exp(B)**
ScreeningDec	Firm Age	<6	85,7	89,4				
(Out/In)		>6	85,7	89,4	18,461	0,000	0,998	1,04E+08
	Entrepreneur	Primary	85,7	89,4		-		
	Education	MBO	85,7	89,4	-2,810	0,049	0,825	0,755
		HBO/WO	85,7	89,4	0,713	0,315	0,575	0,490
		Post	85,7	89,4	-		-	
	Entrepreneurial	**No/Low**	**85,7**	**89,4**		-		
	experience	**Med**	**85,7**	**89,4**	1,484	4,372	0,037	4,411
		High	**85,7**	**89,4**	4,488	16,098	0,000	88,920
	Proposal number	<10	85,7	89,4	-		-	
		>10	85,7	89,4	-1,015	3,105	0,078	0,362
	Investment round	First	85,7	89,4	-		-	
Block 1		Sequential	85,7	89,4	-2,129	12,095	0,258	4,724
Dependent	**Independent**	**Categories**	**Prev. bl. %**	**Block %**	**B**	**Wald**	**Sig**	**Exp(B)**
ScreeningDec	**Investment**							
(Out/In)	**proposition fit**	**No Fit**	89,4	95,2	-			
Block 2		**Fit**	89,4	95,2	5,416	20,638	0,000	225,009
ScreeningDec	**Investment**	**No Fit**	95,2	95,2	-			
(Out/In)	**proposition fit**	**Fit**	95,2	95,2	5,424	20,469	0,000	226,819
	Awareness	Unaware	95,2	95,2	-	-	-	-
Block 3		Aware	95,2	95,2	0,100	0,014	0,905	1,105
ScreeningDec	**Investment**	**No Fit**	95,2	95,2	-			
(Out/In)	**proposition fit**	**Fit**	95,2	95,2	3,971	8,433	0,004	53,057
	Awareness	Unaware	95,2	95,2	-	-	-	-
		Aware	95,2	95,2	-1,043	0,888	0,346	0,353
	ITF_Eaware	0	95,2	95,2	-	-	-	-
Block 4		1	95,2	95,2	2,248	2,252	0,133	9,464

Table 28: Regressions on Investment proposition fit and awareness with control (I).

Direct individual regression								
Dependent	**Independent**	**Categories**	**Prev. bl. %**	**Block %**	**B**	**Wald**	**Sig**	**Exp(B)**

Dependent	Independent	Categories	Prev. bl. %	Block %	B	Wald	Sig	Exp(B)
Investment Decision (N/Y)	**Delivery Channel**	**Cold call**	**71,0**	**71,0**	-	-	-	-
		Referral	**71,0**	**71,0**	**0,879**	**6,152**	**0,013**	**2,409**
		Active search	71,0	71,0	-0,379	0,216	0,642	0,684
Investment Decision (N/Y)	Investor type	BA	71,0	71,0	-	-	-	-
		VC	70,7	71,0	-5,830	3,102	0,083	0,558
Investment Decision (N/Y)	**Investment proposition fit**	**No Fit**	**71,0**	**71,0**	-			
		Fit	**71,0**	**71,0**	**1,673**	**9,072**	**0,003**	**5,328**
Investment Decision (N/Y)	**Awareness**	**Unaware**	**71,0**	**71,0**	-	-	-	-
		Aware	**71,0**	**71,0**	**0,773**	**4,201**	**0,040**	**2,167**
Investment proposition fit	Delivery channel	Cold call	77,2	77,2	-	-	-	-
		Referral	77,2	77,2	0,280	0,568	0,451	1,324
		Active search	77,2	77,2	-0,652	1,281	0,258	0,521
Investment proposition fit	**Investment type**	**BA**	**77,2**	**77,2**	-	-	-	-
		VC	**77,2**	**77,2**	**1,720**	**19,393**	**0,000**	**5,585**
Investment proposition fit	**Awareness**	**Unaware**	**77,2**	**77,2**	-	-	-	-
		Aware	**77,2**	**77,2**	**1,434**	**15,550**	**0,000**	**4,196**
Awareness	**Delivery channel**	**Cold call**	**65,6**	**73,0**	-	-	-	-
		Referral	**65,6**	**73,0**	**1,008**	**8,288**	**0,004**	**2,740**
		Active search	**65,6**	**73,0**	**-3,143**	**8,849**	**0,003**	**0,043**
Awareness	**Investment type**	**BA**	**65,6**	**66,7**	-	-	-	-
		VC	**65,6**	**66,7**	**1,344**	**17,339**	**0,000**	**3,835**
Investment type	Delivery channel	Cold call	56,6	57,7	-	-	-	-
		Referral	56,6	57,7	-0,424	1,876	0,154	0,455
		Active search	**56,6**	**57,7**	**-0,788**	**2,033**	**0,018**	**1,710**

Table 29: Direct individual regressions (II).

Top model without control								
Dependent	Independent	Categories	Prev. bl. %	Block %	B	Wald	Sig	Exp(B)
Investment Decision (N/Y)	**Delivery Channel**	**Cold call**	**71,0**	**71,0**	-	-	-	-
		Referral	**71,0**	**71,0**	**0,879**	**6,152**	**0,013**	**2,409**
		Active search	71,0	71,0	-0,379	0,216	0,642	0,684
Investment Decision (N/Y)	**Delivery Channel**	**Cold call**	**71,0**	**71,0**	-	-	-	-
		Referral	**71,0**	**71,0**	**0,820**	**5,228**	**0,022**	**2,270**
		Active search	71,0	71,0	-0,554	0,499	0,503	0,575
	Investor type	BA	71,0	71,0	-	-	-	-
		VC	71,0	71,0	-0,561	2,623	0,105	0,571
Investment Decision (N/Y)	Delivery Channel	Cold call	71,0	71,0	-	-	-	-
		Referral	71,0	71,0	0,927	3,273	0,070	2,528
		Active search	71,0	71,0	0,560	0,211	0,646	1,750
	Investor type	BA	71,0	71,0	-	-	-	-
		VC	71,0	71,0	-0,764	1,913	0,167	0,466
	Delivery Channel x Investor type		71,0	71,0	-	-	-	-
			71,0	71,0	1,745	1,102	0,294	5,727
			71,0	71,0	1,521	0,876	0,352	4,575

Table 30: Regressions on Delivery channel and Investment type (I).

Top model with control								
Dependent	Control	Categories	Prev. bl. %	Block %	B	Wald	Sig	Exp(B)
Investment Decision (N/Y)	Firm Age	<6	71,0	71,6				
		>6	71,0	71,6	-0,842	0,912	0,340	0,431
	Entrepreneur Education	Primary	71,0	71,6		-		
		MBO	71,0	71,6	-0,322	0,171	0,679	0,725
		HBO/WO	71,0	71,6	-1,095	1,586	0,208	0,335
		Post	71,0	71,6	-		-	
	Entrepreneurial	No/Low	71,0	71,6		-		

Dependent	Independent	Categories	Prev. bl. %	Block %	B	Wald	Sig	Exp(B)
	experience	Med	71,0	71,6	0,157	0,083	0,773	1,107
		High	71,0	71,6	0,193	0,109	0,741	1,213
	Proposal number	**<10**	**71,0**	**71,6**	-		-	
		>10	**71,0**	**71,6**	**-0,902**	**4,087**	**0,043**	**0,406**
	Investment round	First	71,0	71,6	-		-	
Block 1		Sequential	71	71,6	-0,646	2,601	0,107	0,524
Dependent	**Independent**	**Categories**	**Prev. bl. %**	**Block %**	**B**	**Wald**	**Sig**	**Exp(B)**
Investment Decision (N/Y)	**Delivery Channel**	**Cold call**	**71,6**	**74,4**	-	-	-	-
		Referral	**71,6**	**74,4**	**0,909**	**5,233**	**0,022**	**2,482**
Block 2		Active search	71,6	74,4	-0,943	1,237	0,266	0,390
Investment Decision (N/Y)	**Delivery Channel**	**Cold call**	**74,4**	**74,4**	-	-	-	-
		Referral	**74,4**	**74,4**	**0,818**	**4,024**	**0,045**	**2,266**
		Active search	74,4	74,4	-1,083	1,591	0,207	0,338
	Investor type	BA	74,4	74,4	-	-	-	-
Block 3		VC	74,4	74,4	-0,460	1,389	0,239	0,631
Investment Decision (N/Y)	**Delivery Channel**	**Cold call**	**79,3**	**79,3**	-	-	-	-
		Referral	**79,3**	**79,3**	**1,171**	**4,499**	**0,034**	**3,226**
		Active search	79,3	79,3	0,342	0,071	0,790	1,408
	Investor type	BA	79,3	79,3	-	-	-	-
		VC	79,3	79,3	-1,009	2,696	0,101	0,365
	Delivery Channel x Investor type		79,3	79,3	-	-	-	-
			79,3	79,3	2,311	1,795	0,180	10,081
Block 4			79,3	79,3	1,507	0,799	0,371	4,513

Table 31: Regressions on Delivery channel and Investment type with control (II).

Bottom model entrepreneur's awareness without control								
Dependent	**Independent**	**Categories**	**Prev. bl. %**	**Block %**	**B**	**Wald**	**Sig**	**Exp(B)**
Investment Decision (N/Y)	**Investment proposition fit**	**No Fit**	**71,0**	**71,0**	-			
		Fit	**71,0**	**71,0**	**1,673**	**9,072**	**0,003**	**5,328**
Investment Decision (N/Y)	**Investment proposition fit**	**No Fit**	**70,7**	**71,0**	-			
		Fit	**70,7**	**70,7**	**1,530**	**7,282**	**0,007**	**4,620**
	Awareness	Unaware	70,7	70,7	-	-	-	-
		Aware	70,7	70,7	0,472	1,432	0,233	1,603
Investment Decision (N/Y)	Investment proposition fit	No Fit	70,7	70,7	-			
		Fit	70,7	70,7	0,938	1,677	0,195	2,556
	Awareness	Unaware	70,7	70,7	-	-	-	-
		Aware	70,7	70,7	-0,736	0,376	0,540	0,479
	ITF_Eaware		70,7	70,7	-	-	-	-
			70,7	70,7	1,394	1,192	0,275	4,032

Table 32: Regressions on Investment proposition fit and awareness (II).

Bottom model entrepreneur's awareness with control								
Dependent	**Control**	**Categories**	**Prev. bl. %**	**Block %**	**B**	**Wald**	**Sig**	**Exp(B)**
Investment Decision (N/Y)	Firm Age	<6	71,0	71,6				
		>6	71,0	71,6	-0,842	0,912	0,340	0,431
	Entrepreneur Education	Primary	71,0	71,6			-	
		MBO	71,0	71,6	-0,322	0,171	0,679	0,725
		HBO/WO	71,0	71,6	-1,095	1,586	0,208	0,335
		Post	71,0	71,6	-		-	
	Entrepreneurial experience	No/Low	71,0	71,6			-	
		Med	71,0	71,6	0,157	0,083	0,773	1,107
		High	71,0	71,6	0,193	0,109	0,741	1,213
	Proposal number	**<10**	**71,0**	**71,6**	-		-	
		>10	**71,0**	**71,6**	**-0,902**	**4,087**	**0,043**	**0,406**
	Investment round	First	71,0	71,6	-		-	
Block 1		Sequential	71	71,6	-0,646	2,601	0,107	0,524

Dependent	Independent	Categories	Prev. bl. %	Block %	B	Wald	Sig	Exp(B)
Investment Decision (N/Y)	**Investment proposition fit**	**No Fit**	**71,6**	**75,0**	-			
Block 2		**Fit**	**71,6**	**75,0**	**2,213**	**13,484**	**0,000**	**9,141**
Investment Decision (N/Y)	**Investment proposition fit**	**No Fit**	**75,0**	**76,1**	-			
		Fit	**75,0**	**76,1**	**2,052**	**11,362**	**0,001**	**7,783**
	Awareness	Unaware	75,0	76,1	-	-	-	-
Block 3		Aware	75,0	76,1	0,860	3,592	0,058	2,364
Investment Decision (N/Y)	Investment proposition fit	No Fit	76,1	77,8	-			
		Fit	76,1	77,8	1,438	3,490	0,062	4,212
	Awareness	Unaware	76,1	77,8	-	-	-	-
		Aware	76,1	77,8	-0,396	0,100	0,751	0,673
	Inv. prop. fit x Awareness		76,1	77,8	-	-	-	-
Block 4			76,1	77,8	1,450	1,214	0,270	4,264

Table 33: Regressions on Investment proposition fit and awareness with control (II).

8.4. Appendix IV: E-mail towards advisor

Beste [naam adviseur],

Namens Syntens voer ik mijn afstudeeronderzoek uit naar de selectiecriteria die investeerders gebruiken om voorstellen van ondernemers te beoordelen. In het kort komt het er op neer dat Syntens inzicht wil krijgen in de factoren die van belang zijn gedurende de eerste selectie van investeerders. Daarmee kan Syntens ondernemers beter helpen met het vinden van financiering.

Op dit moment ben ik op zoek naar ondernemers die mee willen werken aan mijn onderzoek. Voor mijn dataverzameling wil ik in totaal 30 interviews afnemen met ondernemers die voldoen aan de volgende eigenschappen:

- MKB-bedrijf (minder dan 250 werknemers).
- Klant van Syntens.
- Geïnvesteerd in 2010, 2011 of 2012 door:
    - of een investeringsmaatschappij aangesloten bij de Nederlandse Vereniging van Participatiemaatschappijen (NVP),
    - of een informele investeerder.
- Anderhalf uur beschikbaar voor het interview ergens tussen 13 augustus en 30 september.

Via de database van de NVP en Sage gaat mijn interesse uit naar de volgende onderneming(en) die onder jouw relaties vallen:

- [onderneming]

Zou je de ondernemer kunnen vragen of hij aan mijn afstudeeronderzoek mee zou willen werken? Zo ja, dan zou ik graag contact op willen nemen voor het inplannen van een afspraak. Daarnaast wil ik je vragen of je nog andere ondernemingen kent die ik voor mijn onderzoek zou kunnen benaderen. Hartelijk dank.

Met vriendelijke groet,

Martijn Lentz
Trainee bij Syntens Innovatiecentrum, en
Masterstudent Organisatiewetenschappen, UvT
W: www.syntens.nl

8.5. Appendix V: First e-mail towards entrepreneur

Geachte [naam ondernemer],

Namens Syntens Innovatiecentrum voer ik mijn afstudeeronderzoek uit naar de selectiecriteria die investeerders gebruiken om voorstellen van ondernemers te beoordelen. In het kort komt het er op neer dat Syntens inzicht wil krijgen in de factoren die van belang zijn gedurende de eerste selectie van investeerders. Daarmee kan Syntens ondernemers beter helpen met het vinden van financiering.

Via [naam adviseur], uw Syntensadviseur ben ik op [naam onderneming] gewezen. In het kader van dit onderzoek wil ik u hierbij benaderen voor een interview over uw ervaringen met deze eerste selectie door investeerders. Hierbij staat de vergelijking van investeerders waarmee geen samenwerking is ontstaan en de uiteindelijke investeerder centraal. Voor het interview kom ik graag een keer een uurtje bij u langs in de tweede helft van augustus of in september. Kort voor mijn bezoek kunt u nog een e-mail verwachten met de opzet van het interview.
Als u aan dit onderzoek mee wilt werken kunt u een paar voorkeursmomenten doorgeven. Het is ook mogelijk dat ik telefonisch contact opneem om een afspraak te plannen. Kunt u mij een reactie sturen met uw voorkeur?
Als er nog zaken onduidelijk zijn of u graag een toelichting wilt, schroom dan niet om contact op te nemen. Bij voorbaat dank.

Met vriendelijke groet,

Martijn Lentz
Trainee Syntens Innovatiecentrum, en
Masterstudent Organisatiewetenschappen, UvT
W: www.syntens.nl

8.6. Appendix VI: Second e-mail towards entrepreneur

Beste [naam ondernemer],

Enige tijd geleden heb ik u benaderd met de vraag of u mee wilt werken aan mijn onderzoek namens Syntens Innovatiecentrum over de selectiecriteria die investeerders gebruiken om voorstellen van ondernemers te beoordelen. Hierop heeft u positief geantwoord.
Onze afspraak staat gepland op [datum, tijd en plaats]. Om tot waardevolle informatie te komen, is het van belang dat u zich voorbereid op het gesprek. Om die reden stuur ik u hierbij de topic list van het interview.

Ik zou u willen vragen om voor het interview goed na te denken over vijf investeerders die u heeft benaderd om financiering te vinden. Bij voorkeur zijn dit:
A. De investeerder door wie u gefinancierd bent;
B. Twee investeerders waarbij u succesvol de eerste (globale) selectie bent gepasseerd, maar in de grondige evaluatiefase/due diligence bent gestrand;
C. Twee investeerders waarbij u niet door de eerste selectie bent gekomen en voor enige verdere evaluatie bent afgewezen.
Het zou kunnen zijn dat u minder dan twee investeerders hebt gesproken die u in enerzijds de evaluatiefase of gedurende de eerste selectie hebben afgewezen, toch zou ik u dan willen spreken. Uw bijdrage aan het onderzoek kan dan juist heel waardevol zijn.

De belangrijkste vragen van het interview zijn moeilijk te beantwoorden zonder goed terug te denken, of het contact met de investeerders nogmaals terug in te zien. Per investeerder zou ik u willen vragen nog eens na te denken over op welke manier het eerste contact is gelegd. Daarnaast zou ik u willen vragen na te denken over zijn investeringsprofiel en of dit u bekend was voor het interview. Met het investeringsprofiel bedoel ik de gewenste eigenschappen van een onderneming voor een investeerder met betrekking tot:
1.   De investeringsgrootte;
2.   De ondernemingsfase;
3.   De sector;
4.   De locatie/regio en de afstand.

Als er nog zaken onduidelijk zijn of u graag een toelichting wilt, schroom dan niet om contact op te nemen. Bij voorbaat dank.

Met vriendelijke groet,

Martijn Lentz

8.7. <u>Appendix VII: Explanations preceding the interview</u>

Dit interview is een onderdeel van mijn afstudeeronderzoek welke ik uitvoer voor Syntens Innovatiecentrum naar de toegang tot financiering van ondernemers. Het onderzoek gaat over de investeringsbeslissing van business angels (informele investeerders) en venture capitalists (investeringsmaatschappijen). Het uiteindelijke doel van dit onderzoek is het verbeteren van de kennis van Syntens om ondernemers te helpen met het vinden van financiering.

Meer specifiek kijk ik naar de eerste selectie van investeerders en waarop deze is gebaseerd. Het onderzoek gaat dus over de fase vanaf het eerste contact tot het moment dat de investeerder aangeeft interesse te hebben op basis van een eerste indruk en aangeeft verder te willen praten met de ondernemer en uitgebreider te willen kijken naar het business plan. Is het hiermee voldoende duidelijk over welk deel van het investeringsproces dit onderzoek gaat?

Vooraf zal het volgende worden vermeld:

- Martijn Lentz, afstudeerder bij Syntens als onderdeel van XMOS op het gebied van innovatiefinanciering.
- Enerzijds afstuderen, anderzijds voor Syntens om te laten zien wat het voor ondernemers lastig maakt om financiering te vinden via private equity. Het grootste gedeelte van het interview zal dus over het vinden van financiering gaan.
- De lengte van het interview zelf zal ongeveer anderhalf uur zijn, afhankelijk van het aantal investeerders die zijn benaderd en waarover informatie kan worden gegeven.
- Toestemming tot opname van gesprek ter uitwerking.
- (Alleen op initiatief van ondernemer: geheimhouding tot goedkeuring van uitwerking en beslissing met naam of anoniem.)

8.8.   Appendix VIII: Topic list

1. **Uitleg voorafgaand aan het interview (± 5 minuten)**
2. **Informatie over de organisatie (± 5 minuten)**
   2.1 Oprichting
   2.2 Product/Service
   2.3 Markt/Industrie
   2.4 Innovatie
3. **Informatie over de ondernemer en het team (± 5 minuten)**
   3.1 Achtergrond ondernemer (en management team)
       3.1.1   Persoonlijkheid
       3.1.2   Opleiding
       3.1.3   Werkervaring
       3.1.4   Kwaliteiten
           3.1.4.1 Technologische kennis
           3.1.4.2 Sales/Marketing
           3.1.4.3 Financiële kennis
       3.1.5   Netwerk/contacten in financieringswereld
4. **Financieringsbehoefte (± 5 minuten)**
   4.1 Waarom behoefte
   4.2 Gewenst bedrag
   4.3 Fase van de onderneming
   4.4 Sector
       4.4.1   Belang van technologie
   4.5 Locatie
       4.5.1   Regio
       4.5.2   Afstand
5. **Voorstel aan investeerder 1: verkregen financiering (± 8 minuten)**
   5.1 Type investeerder (BA/VC)
   5.2 Aantal investeerders benaderd voor deze benadering?
   5.3 Aantal maanden bezig met zoeken voor deze benadering?
   5.4 Aantal investeerders benaderd na deze benadering?
   5.5 Aantal maanden bezig met zoeken na deze benadering?
   5.6 Benaderingswijze eerste benadering (cold call, referral, active search)
   5.7 Selectiecriteria investeerder vooraf bekend
       5.7.1   Zo ja: wat waren deze?
           5.7.1.1 Investeringsgrootte
           5.7.1.2 Fase van de onderneming
           5.7.1.3 Sector (en belang van technologie)
           5.7.1.4 Locatie (regio en afstand)
           5.7.1.5 Andere screeningcriteria?
       5.7.2   Zo nee, selectiecriteria achteraf bekend: wat waren deze?
   5.8 Uitgenodigd voor een gesprek?

       5.8.1   Zo ja, klopte alle criteria met het investeringsprofiel van de investeerder?

       5.8.2   Zo nee, wat was de reden? Welke criteria waren onvoldoende?

    5.9 Uiteindelijk financiering verkregen?

6. **Voorstel aan investeerder 2: evaluatiefase bereikt, geen financiering (± 8 minuten)**

    6.1 Idem als bij investeerder 1

7. **Voorstel aan investeerder 3: evaluatiefase bereikt, geen financiering (± 8 minuten)**

    7.1 Idem als bij investeerder 1

8. **Voorstel aan investeerder 4: evaluatiefase niet bereikt, geen financiering (± 8 minuten)**

    8.1 Idem als bij investeerder 1

9. **Voorstel aan investeerder 5: evaluatiefase niet bereikt, geen financiering (± 8 minuten)**

    9.1 Idem als bij investeerder 1

10. **Afsluiting (± 10 minuten)**

    10.1   Ondernemer bedanken

    10.2   Contactgegevens vragen

    10.3   Wensen van de ondernemer m.b.t. onderzoek en onderzoeksresultaten