

# DEAL OR NO DEAL?

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A QUALITATIVE STUDY EXAMINING HOW THE ENTREPRENEUR'S GENDER AFFECTS  
BUSINESS ANGELS' WILLINGNESS TO INVEST DURING THE INITIAL INTERACTION

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## **Abstract**

Securing external equity financing from business angels (BAs) has been considered to be more difficult for female entrepreneurs in comparison to men and the underlying mechanisms for the disparity have been discussed. Some scholars argue that structural dissimilarities serve as one of the possible explanations, while others argue that female founders experience discrimination. Through a qualitative cross-sectional study, this thesis aims to answer how the entrepreneur's gender affects business angels' willingness to invest during the initial interaction. The sample includes 20 respondents, of whom 9 are entrepreneurs and 11 are business angels. By analyzing the collected data through the theoretical lenses of signaling theory and self-disclosure theory, the study reveals that business angels' interpretations explain more of the suggested gender differences than the actual self-disclosure and signaling by the entrepreneur. An affinity bias and business angels' initial attitude, along with social influences, appear to have an impact on these interpretations. The implications derived from the study therefore suggest that further research should emphasize BAs' interpretation of the entrepreneur's self-disclosure and signals, rather than differences between entrepreneurs.

## **Keywords**

business angel, equity financing, gender, self-disclosure, signaling

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Emma & Isabelle

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## Definitions

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### **Affinity Bias**

A behavior where humans subconsciously judge others as being either similar or dissimilar to themselves, manifesting as an unconscious preference, or affinity bias, for those who are perceived to be similar (Trainer et al., 2020).

### **Business Angel (BA)**

A business angel, also referred to as an angel investor, is a high-net-worth individual who provides financial backing for small startups or entrepreneurs (Investopedia, 2022).

### **Equity Financing**

Equity financing is the process of raising capital through the sale of company shares and can come from sources like family and friends, investors, or an initial public offering (Investopedia, 2022).

### **Gender**

Gender refers to the characteristics of women, men, girls, and boys that are socially constructed, including norms, behaviors, and roles (World Health Organization, n.d.).

### **Interaction**

An occasion when two or more people communicate with, or react to, each other (Cambridge Dictionary, 2022).

### **Start-up**

The term start-up refers to a company in the first stages of its operations, generally starting with high costs and limited revenue, which is why they often seek capital from a variety of sources (Investopedia, 2022).

### **Venture**

A venture is a new activity, usually in business, involving risk or uncertainty (Cambridge Dictionary, 2022).

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# 1. Introduction

## 1.1 Background

Early-stage financing plays a crucial role in successful start-ups (Mason & Harrison, 1992; Gaston & Bell, 1988) since the securement of sufficient funding is critical for new ventures' creation, development, and growth (Ding et al., 2015). Business angels (BAs) and venture capitalists are considered to be the most important sources of external equity financing, representing over 90% of the total early-stage investments (EBAN, 2021). Venture capitalists usually invest at later stages than BAs, where the levels of perceived risk are lower (Sapienza et al., 1996). At early stages, BAs have therefore been considered more important investors (Maxwell et al., 2011). BAs are private investors who provide risk capital for new and growing businesses (Mason & Harrison, 1995) and tend to be involved in less formal procedures than other forms of investments, emphasizing their intuition and gut feeling in their decision-making (Ding et al., 2015; Maxwell et al., 2011).

Securing equity financing is considered more difficult for women than men (Malmström et al., 2020; Alsos & Ljunggren, 2017) but the reasons remain contested (Kanze et al., 2018). One of the possible explanations has been presented as structural dissimilarities between male- and female-owned businesses, sometimes referred to as the indirect effects of gender differences (Verheul & Thurik, 2001). Regardless, indications reveal that female founders also experience discrimination, or direct effects of gender differences, when raising equity capital (ibid). For instance, female and male entrepreneurs seem to receive different types of questions from investors when pitching their ideas in startup competitions (Kanze et al., 2018). Although direct effects on gender differences have been explored, comparatively little, to the authors' knowledge, is known about how the entrepreneur's gender affects the BA's willingness to invest during their initial interaction. More specifically, during the initial meetings between entrepreneurs and BAs, when investment opportunities are being discussed and evaluated.

Since entrepreneurs and BAs interact under risky conditions (Maxwell et al., 2011), it seems essential for them to build trust (Harrison et al., 1997). Entrepreneurs can use signals to overcome venture-related factors (Murphy et al., 2007) and increase investors' willingness to invest by presenting their ventures more favorably (Cornelissen & Clarke, 2010). Consequently, it is of great interest to further examine the direct effects of gender differences by investigating

signals sent and perceived, along with trust-building behavior, in the initial interaction between entrepreneurs and BAs, in relation to BAs' willingness to invest. The authors, therefore, intend to examine the initial interaction between BAs and entrepreneurs using signaling- and self-disclosure theory. Signaling theory (Spence, 1973) is suited to explain BAs' willingness to invest based on the signals entrepreneurs send and how BAs perceive them. Moreover, the relevance of self-disclosure arises since entrepreneurs and investors meet, interact and work together under risk and interdependence where building trust is substantial (Maxwell & Levesque, 2014; Rousseau et al., 1998). With this background as a foundation, this study strives to examine the initial interaction between BAs and entrepreneurs to investigate whether tendencies concerning direct effects on gender differences can be revealed.

## 1.2 Prior Research and Research Gap

During the last decades scholars have investigated broad topics such as the decision-making process of BAs (eg., Riding et al., 1995), trust between entrepreneurs and BAs (e.g., Maxwell et al., 2014), and the characteristics of BAs (Landström & Sørheim, 2019). Recently, some scholars have studied the effectiveness of different signals that entrepreneurs send to explain why some entrepreneurs are more successful in obtaining early-stage equity financing (Svetek, 2022). Even though scholars have started to examine the interaction between entrepreneurs and BAs by studying signals' effectiveness, fewer studies have been conducted on how gender influences access to angel capital during these interactions (Meyer, 2018).

Alsos and Ljunggren (2017) investigated the gender relationship between venture capitalists and entrepreneurs. The study showed that gender plays a role, not only due to differences in entrepreneurial characteristics, but also in the interaction between entrepreneurs and investors. The way entrepreneurs signal venture quality and how investors interpret those signals seems to influence their relationship (Alsos & Ljunggren, 2017). Since BAs invest in early-stage companies after interacting with entrepreneurs, Alsos and Ljunggren's (2017) findings provide an exciting basis for comparison in the setting of this study. To the author's knowledge, a research gap thus emerges in understanding how the entrepreneur's gender affects business angels' willingness to invest during the initial interaction. This is a critical topic to investigate since scholars have argued that the suggested gender skewness in access to equity capital is holding back the expansion of female-owned businesses (Brush et al., 2004).



### 1.3 Purpose and Research Question

Given the importance of angel investment in the entrepreneurial business development process (Ding et al., 2015), a deeper investigation of the initial interaction can provide a better understanding of the dynamics between gender and access to equity capital. Therefore, the study aims to discover how the initial interaction between BAs and entrepreneurs affects BAs' willingness to invest based on the entrepreneur's gender. By understanding the initial interaction through a qualitative study with in-depth interviews, the authors want to contribute to the research on the direct effects of gender differences in access to equity financing.

The research question is:

*How does the entrepreneur's gender affect business angels' willingness to invest during the initial interaction?*

### 1.4 Main Focus and Delimitation

The business angels' investment decision process can be divided into stages, where the interaction between BAs and entrepreneurs includes two distinct stages; selection and post-selection (Maxwell et al., 2011). This thesis will focus on the selection stage, with a narrow target on the initial meetings, not including interactions during pitch competitions. The research is thus limited to investigating how the entrepreneur's gender affects the initial interaction with BAs and how this impacts BAs' willingness to invest. Sweden's extensive gender statistics for startup founders and investors are primarily based on males and females (Statistics Sweden, 2016). Hence, the research will be limited to binary genders. Sweden provides an interesting case to investigate based on the country's protruding results in gender equality. With a score 15.9 points above the EU's score, Sweden was ranked 1st in the EU on the Gender Equality Index in 2020 (EIGE, 2020). It is, therefore, surprising that women's and men's ventures seem to not have the same access to capital (Malmström, et al., 2020). Based on the formulated purpose and research question, the study will not be limited to one specific case study but rather investigate commonalities across the business community.

## 2. Literature Review & Theoretical Framework

This section describes the thesis' theoretical framework and includes a literature review split into three major categories. Continuing, the theoretical framework further describes the theories used in the thesis, namely signaling theory and self-disclosure theory.

### 2.1 Literature Review

#### 2.1.1 Business Angels

Business angels emerged as a financial vehicle during the 1980s to provide capital for new ventures (Landström & Sørheim, 2019). BAs have been defined as high net worth individuals who make equity investments in non-quoted ventures with no family relationship (Mason, 1999). In the first generation of BA studies, researchers mainly discussed the size of the BA market and the characteristics of BAs (Landström & Sørheim, 2019). Research increasingly started to deepen the understanding of BAs and in the second generation of studies, the main issues covered were the investment decision-making process of BAs (e.g., Riding et al., 1995; Mason & Rogers, 1997) and policy issues to improve the BA market (Mason, 2009). The third generation of BA studies emerged in the 2000s. A considerable amount of research continued to investigate investment decision-making but by narrowing it down, such as focusing on the trust between the entrepreneurs and BAs (e.g., Mitteness et al., 2012; Maxwell et al., 2011, 2014).

More recently, the effectiveness of different signals that entrepreneurs send to investors has been studied (Sveteck, 2022). In the early phases of the investment-decision process, scholars have argued that investors rely heavily on objective, easily observable, and comparable signals, where subjective signals such as entrepreneurial passion and trustworthiness become more salient (Brush et al., 2012; Mitteness et al., 2012). However, repeated investment criteria for investors seem to be personality traits such as perseverance, commitment, passion, trustworthiness, likeability, and coachability (e.g., Van Osnabrugge, 1998; Sudek, 2006). Predictors of investors' willingness to invest at an early stage seem to stem from perceived entrepreneurial passion (Mitteness et al., 2012), in particular when combined with coachability (Warnick et al., 2018), as well as perceived competence and preparedness (Ciuchta et al., 2018). In general, the research on business angels has increased in recent years (Sveteck, 2022). Nevertheless, the underlying

mechanisms for why female entrepreneurs tend to not have the same ability to secure angel capital (Sohl & Hill, 2007) remain contested (Kanze et al., 2018).

### 2.1.2 Female Entrepreneurs

In early studies on differences between genders, Greene et al. (2001) found indications that female entrepreneurs face a more significant hurdle in securing angel capital. Possible explanations have been referred to as indirect and direct effects of gender differences (Verheul & Thurik, 2001). Some scholars argue that women's start-ups tend to be smaller, risk-averse, locally-based, and operating where growth may be limited (Leitch et al., 2018). Other scholars argue that female entrepreneurs are reaching out to business angels less often, and that they tend to seek investors of their own gender, often referred to as homophily (Becker-Blease & Sohl, 2007). Verheul and Thurik (2001) state that the structural dissimilarities, referred to as indirect effects, between male and female entrepreneurs affects their likelihood of obtaining equity financing. For instance, lack of prior experience in a corporate setting and the less likeliness of participating in networks with high net-worth individuals (Verhuil & Thurik, 2001). They argue that these factors, rather than gender, underlie the observed differences in men's and women's propensity.

On the contrary, the lack of work experience, level of education, and lack of social networks has been argued to be a foundation for discrimination, according to others (Giglio, 2021). Harrison and Mason (2007) argue that even though female entrepreneurs engage in the same networks and establish contact, they need to build a strong case for their capabilities and commitment, often without the benefit of an established relationship. The indications revealing that female founders experience discrimination when raising equity capital are referred to as the direct effects of gender differences (Verheul & Thurik, 2001). These contradictory findings provide a problematic stance. Therefore, it is of great interest to further investigate the interaction between BAs and entrepreneurs to examine if there are any tendencies concerning the direct effects of gender differences in access to equity financing.

### 2.1.3 The Initial Interaction

The initial interaction between BAs and entrepreneurs involves degrees of risk and uncertainty (Storey & Tether, 1998). One of the main challenges entrepreneurs face is presenting their start-up in a favorable light to increase the investors' willingness to invest

(Cornelissen & Clarke, 2010; O'Connor, 2002). Early-stage investments often involve unproven technologies, unverified market demand, and sometimes unfinished products (Murray & Marriott, 1998), which means that factual evidence about the new venture and the quality is often unavailable. The impressions of a new venture might therefore be more or less based on subjective, non-verifiable claims made by the entrepreneur (Maxwell et al., 2011).

The discussion about the uncertainty regarding assessing an entrepreneur's future potential success has also been given some attention in previous literature (e.g., Klabunde, 2013; Tomy & Pardede, 2018). From an entrepreneur's perspective, it is difficult to assess one's chances of success since innovation creates a new market with no data available. In addition to the uncertainty about the demand for the new product, investors are confronted with uncertainty regarding the entrepreneur's characteristics, which may impact market success. Consequently this can ease or complicate the investment relationship. In general, it appears difficult for business angels to fully assess the intentions and competence of the entrepreneur and vice versa (van Osnabrugge, 2000). Due to the risky conditions (Maxwell et al., 2011), trust seems to be an essential element in the interaction (Harrison et al., 1997). BAs are not close family or friends with the entrepreneur and tend to enjoy informal relationships based on trust and empathy (Fairchild, 2011; Mason & Harrison, 1995). Previous research indicates that BAs make judgments based on how trustworthy the entrepreneur is (Maxwell & Levesque, 2014; Harrison et al., 1997), and some scholars argue that trust formation is influenced by an affinity bias, which can lead to discrimination in decisions related to selections (Trainer et al., 2020). To deal with the risk, it has been stated that BAs look for certain behaviors or expressions that the entrepreneur uses to communicate the investment opportunity (Martens et al., 2007; Maxwell et al., 2011). Therefore, business angels have to trust the signals sent by entrepreneurs, which might influence their willingness to invest.

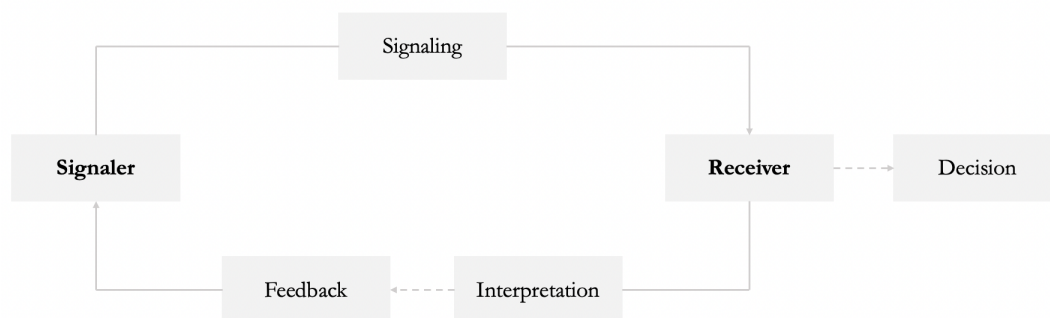
In summary, it has been stated that female entrepreneurs face more difficulties when raising equity capital due to indirect and direct effects (Verheul & Thurik, 2001). With the emphasis on informal relationships, trust and sent and perceived signals, this study will examine a more narrowed target and investigate how the initial interaction between BAs and entrepreneurs affects BAs' willingness to invest based on the entrepreneur's gender by using signaling- and self-disclosure theory.

## 2.2 Theoretical Framework

With the support from signaling theory and self-disclosure theory, the authors intend to answer how the entrepreneur's gender impacts the BAs' willingness to invest during the initial interaction. The signaling theory has been used when investigating investor-entrepreneur relationships (e.g., Busenitz et al., 2005; Davila et al., 2003), and has shown great potential in explaining early-stage equity financing decisions (Bernstein et al., 2017; Payne et al., 2009). The authors chose the theory to examine male and female entrepreneurs' signals during the initial interaction with BAs, and if differences in signaling affect the BA's willingness to invest. Moreover, the self-disclosure theory has been used when investigating the interaction between different parties (e.g., Archer, 1979), and was chosen to examine how entrepreneurs build trust with BAs.

### 2.2.1 Signaling Theory

The signaling theory focuses on the credible communication of information to convey positive organizational attributes in situations with asymmetric information (Spence, 2002), with the aim to explain signal senders' behaviors and signal receivers' decisions (Spence, 1973). Connelly et al. (2011) identified four key constructs of signaling theory, see Figure 2.1. Signalers are the ones who have information that others cannot directly access (Elitzur & Gavious, 2003). Receivers lack information that they would like to obtain (Prasad et al., 2000). Signals are information sent from the signaler to the receiver. Feedback is the response given by the receiver, indicating the effectiveness of the signal. Signaling can be viewed as a process through which signals are sent, received, and responded to, leading to new signals and interpretations. The sender must choose whether and how to communicate, and the receiver must choose how to interpret the signals (Connelly et al., 2011).



**Figure 2.1** *Signaling Theory (Connelly et al., 2011), edited by Dubo & Norberg, 2022*

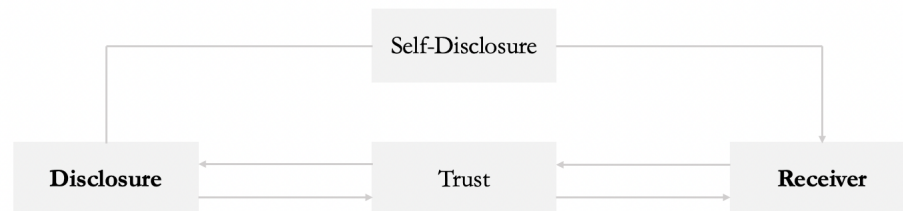
In early-stage equity financing, entrepreneurs (signalers) convey information about underlying, unobservable qualities and intentions through signals sent to investors (receivers), who in turn interpret and use the information in deciding if they should invest (Svetek, 2022). When investing in a new venture, signals provide information about the potential performance (quality signals) and potential hazards resulting from the entrepreneur's behavior (intent signals). Entrepreneurs can signal their quality and intentions using two main types of signals; information and interpersonal signals (Huang & Knight, 2017). Information signals are signals that provide insight into the quality of the entrepreneur or venture, while interpersonal signals provide insight into how the entrepreneur might interact with others.

Since entrepreneurs have more information about their venture and its economic potential, in relation to potential investors (Leland & Pyle, 1977), the information asymmetry leads potential investors to lack information (Downes & Heinkel, 1982). Consequently, investors demand reliable signals to reduce uncertainty in investment decisions. Entrepreneurs can deliberately use signals of quality to overcome venture-related factors that they expect investors to consider as disadvantageous, such as an industry that the investor is less familiar with or the general lack of legitimacy related to female business owners (Murphy et al., 2007). The theory will examine if there could be differences in how male and female entrepreneurs send signals to BAs in their initial interaction and how investors perceive, interpret and value these signals.

### 2.2.2 Self-Disclosure Theory

Self-disclosure describes the communication of personal information to others who would otherwise not know it (Worthy et al., 1969) and the topics of disclosure range from superficial details to very private and sensitive information (Masaviru, 2016). Scholars have argued that self-disclosure usually refers to an interaction between at least two individuals where one intends to deliberately divulge something personal to another (Greene et al., 2006). Self-disclosure may be especially important during the initial interaction because it likely will determine whether two people will desire to interact again and develop a relationship (Derlega et al., 2008). Sharing personal information with an interaction partner encourages the receiver to trust the disclosure, which facilitates the development of a positive relationship between the two, see Figure 2.2 (Archer & Cook, 1986; Archer & Jones, 1976). After being disclosed to, the receiver's trust in the

disclosure increases. The receiver tends to reciprocate this trust by being more open and by revealing vulnerabilities and personal information to the disclosure (Archer, 1979; Derlega et al., 1973; Goodstein & Reinecker, 1974). Research indicates that when an interaction partner disclosed reciprocally greater liking, closeness, perceived similarity, and enjoyment of the initial interaction was reported than for participants who disclosed non-reciprocally (Sprecher et al., 2013).

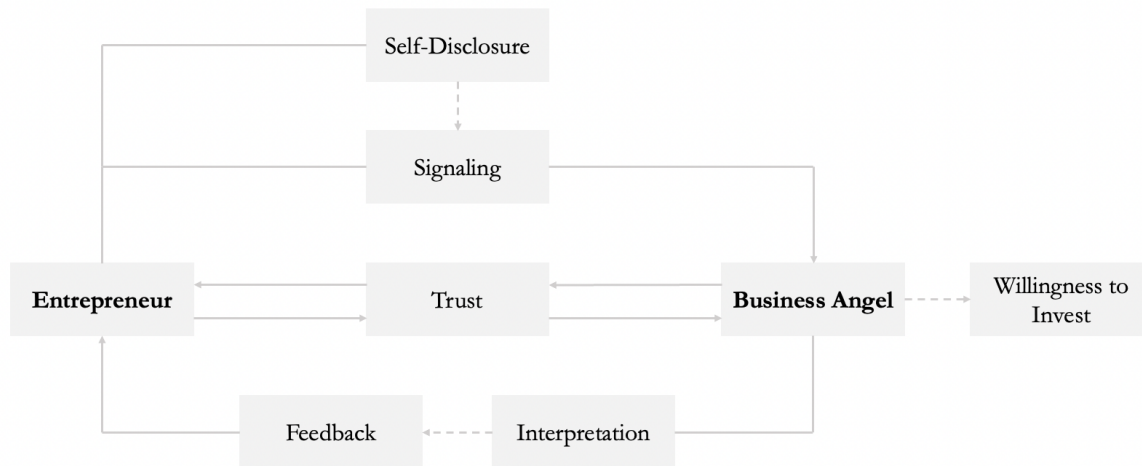


**Figure 2.2** *Self-Disclosure Theory* (Archer & Jones, 1976), edited by Dubo & Norberg, 2022

The relationship between self-disclosure and gender has gained some attention in previous research (e.g., Jourard, 1971). Females have been found to self-disclose more than males and to be disclosed to more than males (Balswick & Balkwell, 1977). In addition, females seem to be posited as having personality characteristics that predispose them to self-disclose and elicit self-disclosure from others (ibid). Since business angels tend to enjoy more informal relationships, based on trust and empathy (Fairchild, 2011; Mason & Harrison, 1995), the self-disclosure theory will explain how entrepreneurs disclose information about themselves and how this builds trust with the BAs.

## 2.3 Theory Summary

The interaction could be explained by signaling and self-disclosure, which builds trust between the two parties. Therefore, the entrepreneur must be aware of the signals they send and their engagement in trust-building behaviors, as well as how this is interpreted by the BA. The signaling and self-disclosure theories combined, see Figure 2.3, will be used as a framework to explain the initial interaction between entrepreneurs and BAs. In the merged model, self-disclosure is added to the signals sent by the entrepreneur, which in turn can affect the perception of trust between the entrepreneur and BA. The signaling, in combination with self-disclosure and trust building, thereupon influences the outcome in BAs' willingness to invest. The study will examine how the entrepreneur's gender affects BA's willingness to invest by identifying potential differences between genders in self-disclosure and signaling during the initial interaction.



**Figure 2.3** *Summary of the Theoretical Framework (Dubo& Norberg, 2022)*

## 2.4 Theory Discussion

Even though both theories are based on an interaction between two or more parties, there could be aspects in the interaction between BAs and entrepreneurs that are not covered by the framework. The signaling theory is based on conveying positive organizational attributes in situations with asymmetric information (Spence, 2002), which might vary depending on the setting. Hence, the theory may explain how one entrepreneur and one BA in particular signal and give feedback but not capture the interaction of BAs and entrepreneurs in general. In regards to the self-disclosure theory, sharing too much information about oneself in an early-stage interaction can be perceived as an insecurity and thus have adverse effects (Steinberg, 2007). Consequently, self-disclosure could potentially result in rejection due to a lack of liking or acceptance. However, since the self-disclosure theory enables analysis of the suggested informal relationship evolved in the decision-making process (Fairchild, 2011; Mason & Harrison, 1995) and the fact that the signaling theory has been applied in previous studies on entrepreneur-investor relationships (e.g., Alsos & Ljunggren, 2017), the self-disclosure theory in combination with the signaling theory should provide a solid foundation for the study.



## 3. Method

### 3.1 Research Approach

#### 3.1.1 Research Strategy

The study adopts the subjectivist ontological position, assuming that social actors continually accomplish social phenomena and their meanings. It is, therefore, the authors' ambition to understand each individual's subjective experience of social reality (Bell et al., 2019). This position challenges the suggestion that categories, such as organization and culture, are objective phenomena that confront social actors as external. Consequently, this perspective enables the study to consider subjective perceptions of human relations and appropriately answer the research question from the subjects' point of view. Moreover, the study is based on an interpretive approach, which is concerned with understanding the why and how of human behavior (Bell et al., 2019). This epistemology is chosen firstly since a significant part of the thesis' theoretical framework concerns how the interaction takes place between BAs and entrepreneurs in equity financing, involving human behavior. Secondly, the chosen theories require interpretations of empirical facts, such as actions, attitudes, beliefs, and perceptions, to gain a thorough understanding of the interaction.

Furthermore, the study adopts a qualitative approach, where the more subjective and symbolic aspects become relevant in providing a richer understanding, sensemaking, and emerging theory. The study was carried out using an abductive approach, in which empirical and theoretical ideas were gathered in tandem and adapted one after the other. Empirical data was used to concentrate the study to only the relevant aspects of the chosen theories, which would not have been achievable through a strictly inductive or deductive approach. As a result, the method is based on sensemaking through in-depth interviews in order to let meanings emerge.

#### 3.1.2 Research Design

The study focuses on examining how the entrepreneur's gender affects BAs' willingness to invest during the initial interaction. As each interaction might be unique, the empirical data have been collected through qualitative semi-structured in-depth interviews, with an

adaptation of a cross-sectional design. The chosen interview method enables the researcher to keep an open perspective about the subject and allows for follow-up questions (Bell et al., 2019). Even though the comparability between the different interviews may vary with this method, such nuances would have been more challenging to capture through fully structured interviews. The design, therefore, enables a deeper understanding of more general findings, with little regard to the unique contexts of each of the cases. One single case study is disregarded for the same reason. Even though it might provide a richer account of a particular situation, considering the research question and purpose of examining empirical phenomena on the individual level, the authors consider the comparison between different cases and individuals to strengthen the study's transferability.

## 3.2 Data Collection

### 3.2.1 Sample

The selection of interviewees was based on the intention to obtain varied data in terms of potentially visible differences such as gender, age, and ethnicity, but also education, previous work experience, and size of venture. Furthermore, both entrepreneurs and BAs needed to be represented for a comprehensible and nuanced understanding. Before collecting the interviewees, inclusion criterias were defined (see Appendix 1). In order to receive as neutral answers as possible, no specific interview subject was predetermined for the study, nor do the BAs and entrepreneurs necessarily have a relation to each other.

Accordingly, the study is based on interviews with 20 individuals. In total, 19 entrepreneurs and 19 business angels were contacted, of whom 9 entrepreneurs and 11 BAs responded. The interviewees were primarily contacted through email and LinkedIn (see Appendix 2 and 3). After conducting a few interviews, the snowball technique was used where interviewees recommended new interview subjects for the study (Bell et al., 2019). However, after 20 interviews the authors concluded that saturation was achieved, meaning that additional data is unlikely to yield any new insights (Bell et al., 2019). An overview of the sample is summarized in Table 3.1 and Appendix 4.

*Table 3.1. Overview of respondents*

<b>Gender</b>	<b>Role</b>	<b>Industry</b>	<b>Code name</b>
Male	Entrepreneur	Insurance	ME1
Male	Entrepreneur	Applications	ME2
Male	Entrepreneur	Clothing	ME3
Male	Entrepreneur	Social Impact	ME4
Male	Entrepreneur	Renewable Energy	ME5
Female	Entrepreneur	Real Estate	FE1
Female	Entrepreneur	Wellness	FE2
Female	Entrepreneur	Sustainability	FE3
Female	Entrepreneur	MedTech	FE4
Male	Business Angel	MedTech	MI1
Male	Business Angel	Impact	MI2
Male	Business Angel	Various	MI3
Male	Business Angel	Various	MI4
Male	Business Angel	Digital Tools	MI5
Male	Business Angel	Various	MI6
Male	Business Angel	Various	MI7
Female	Business Angel	Various	FI1
Female	Business Angel	Impact	FI2
Female	Business Angel	MedTech	FI3
Female	Business Angel	Sustainability	FI4

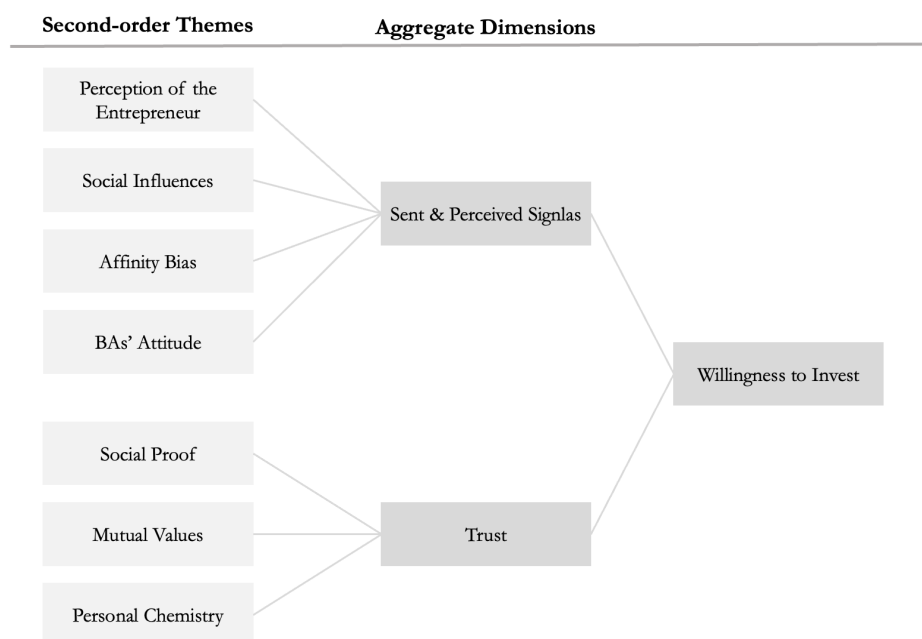
### 3.2.2 Interview Process

Consistent with the qualitative semi-structured outline of the conducted interviews, an interview guide was developed in line with elements emerging from the conduct of the literature review and the theoretical framework. The interview guide was first tested in pilot interviews with one entrepreneur and two BAs. Through an abductive method, the first collection of theories was accumulated. This material, along with information compiled from the pilot interviews, formed the original interview guide with the purpose to examine the empirical phenomena on an individual level (see Appendix 5 and 6). With the choice of qualitative semi-structured in-depth interviews, the possibility to deviate from the interview guide enabled flexibility, follow-up questions, and clarification of the

interpretation of responses. The interviews were held in Swedish and the quotes presented in the empirics section have been carefully translated into English, with the aim to present the correct meaning. Both of the authors participated in the interviews and took turns in asking questions and taking notes. This allowed for a more detailed observation of non-verbatim data and the note keeper could focus on follow-up questions, enabling a deeper understanding. In order to process the empirical data, all interviews were recorded and transcribed, where both authors listened to the recordings and transcribed the interviews separately.

### 3.3 Data Analysis

The analysis followed the process of a thematic approach, where themes were identified by found patterns, such as repetitions, similarities, and common concepts (Bell et al., 2019). The themes were then subsequently coded and constructed into first-order concepts, by identifying similarities and differences in the data. This process was initially done individually by the two authors to avoid potential confirmation bias. The overall coding of the empirics generated around 40 first-order concepts (see Appendix 7 for example of coding). After merging the individually coded first-order concepts, a theoretical lens was applied and 7 second-order themes were constructed. This eventually resulted in 2 aggregated dimensions, which provided a holistic view of the empirical material collected, see Figure 3.1.



**Figure 3.1** *Overview of Coded Empirical Findings (Duboc & Norberg, 2022)*

### 3.4 Ethical Considerations and Implications

Ethical issues have been taken into consideration when conducting the study. The four areas of ethical principles; (1) minimizing harm to participants, (2) ensuring informed consent, (3) privacy, and (4) preventing deception, suggested by Diener and Crandall (1978), have been considered throughout the whole process when collecting, processing, analyzing and presenting empirical data. Hence, all interviewees and organizations have been anonymized. Furthermore, the interviewees were given the option to leave the interview or drop out of the study at any point, without having to state the reason. Moreover, all interviewees were informed about the aim and format of the study as well as the terms and conditions prior to participation, where they also could ask clarifying questions. All interviewees signed a consent form in accordance with GDPR regulations, serving as a confirmation of approval. In addition, they were also offered to read, comment and approve their citations used in the study before publication, which according to Bell et al. (2019) characterizes respondent validation.

### 3.5 Method Criticism

The interpretive paradigm's credibility, transferability, confirmability and dependability affect the study's trustworthiness (Lincoln & Guba, 1985) and was taken into consideration. Firstly, participant bias may have occurred when conducting interviews, questioning the credibility (Bell et al., 2019). The empirical data is based on in-depth interviews and the study does not include external observation of the live interaction between entrepreneurs and BAs. Hence, there could be some disparity between the participants' answers and their actual behaviors in the given situation, which could threaten the validity of the responses. Although, since the entrepreneurs and BAs, to the authors' knowledge, are not influenced by an authoritarian management style or employment insecurity, the risk of participant bias is reduced in general (Bell et al., 2019). Furthermore, interviewing a sample of 20 respondents with the interpretive paradigm could potentially threaten the transferability and confirmability of the study, as it is apparent that contextual factors affect the respondents' answers (Bell et al., 2019). To reduce the risk, industry and job position, were captured and included in the study. In order to strengthen the study's dependability, all research material has been saved and documented along the process. In addition, a supervisor along with members of a supervisor group regularly reviewed the different phases of the research. Lastly, the interviews were conducted in Swedish and later translated to English and there is a possibility that the translation citations carry minor misinterpretations from the original meanings of the subjects.

## 4. Empirics

This section presents the empirical data, which serves as a foundation to answer how the entrepreneur's gender affects business angels' willingness to invest during the initial interaction. The empirics are presented in accordance with the constructed themes and aggregate dimensions, shown in Figure 3.1.

### 4.1 Sent and Perceived Signals

In the initial interaction with BAs, the empirical findings reveal that the entrepreneurs want to mediate specific characteristics of traits and behaviors to the BAs. However, how these aspects are perceived and interpreted by the BAs seem to be influenced by society, the attitude of the BAs, as well as an affinity bias.

#### 4.1.1 Perception of the Entrepreneur

Entrepreneurs and BAs highlight the importance of the entrepreneur behind the company more than the company itself. What and how the entrepreneur communicates about themselves seems to impact how the BAs assess the entrepreneur's suitability to manage a company.

*“The earlier you invest, the more important the founder becomes of course (...) the founder is always a key enabler, and if you do not believe in the founder, you will never invest. It is really the founder you bet on this early. There is nothing else to invest in really.”* **MI3**

Many subjects expressed the risk of investing in startups and that BAs therefore search for signals in the interaction that can reduce uncertainties.

*“What you do [as an investor] is quite risky, so you look for the few things that still contribute to some form of security. And then I believe that you start looking for personality traits and other things in those you invest in, and the first thing most obvious is, unfortunately then, boys and girls.”* **ME3**

One aspect that the BAs seem to be assessing is the perceived attributes of the entrepreneur. For instance, they tend to look for signals that show drive, resilience, coachability and passion for their work.

*“You want to see grit. Grit and resilience. A person who does not give up but sticks along (...) you look for intellectual flexibility where you try to understand if the founder is a quick learner, they are going to make a lot of mistakes in the beginning when you are building [their company] so that this founder is open for feedback.”* **MI3**

*“The passion and the drive, and what we wanted to achieve, that I would say was the most important.”*  
**FE2**

In addition, self-confidence has been extensively discussed by the subjects. Several male respondents agreed that they perceive men as more confident in themselves and that this influences their decisions of which company to invest in.

*“Now there is a bit of a gut feeling in the game, but guys have a tendency to oversell, connected to this, so on the same theme as the gut feeling, a strange self-confidence. Perhaps it is easier too, without actual foundations, to demand things when you also have other perceptions about your own abilities. So I think that there is a signal that is interpreted on something and sought after by investors. That they are looking for a Steve Jobs-type that “I will go out and do this completely crazy thing and it will work”. They look for those traits and I think that guys are possibly a bit, they might highlight those traits in a slightly more natural way. That it is in the nature of guys to slap themselves on the chest and say “I will build this now” as well. And if they are, perhaps the relative lack of those [signals], if they exist, is interpreted as a negative signal.”* **MI3**

Apart from self-confidence, another way for entrepreneurs to send signals could be through their appearance during the initial interaction. Some entrepreneurs wanted to dress formally to be perceived as more professional. In contrast, others focused on the group dynamics, showing that they had a broad spectrum of competence and therefore dressed according to stereotypical roles.

*“I always used to have a blue shirt and glasses in meetings just because it was like that. But [name of co-founder] for example, he is supposed to always wear a black t-shirt and have long hair and a beard. He is supposed to be this visionary and yeah, the one who thinks big and crazy, and “what we are going to do”, taking over the world. And then I am the more serious CEO and COO and more like “this is how we are going to do it” and structure up everything.”* **ME2**

FI2 adds to this by saying that appearance is the means of power for women, while men instead use money, power, and status as theirs.

*“... there I also experience that there are more guys who have a huge drive to make them look masculine. If you talk about means of power. Men’s [means of power] are money, status, and networks. Women’s power is appearance.” FI2*

Some female entrepreneurs said they recognize that dressing up or dressing formally might be the norm when representing a business. However, they still wear what they want to and do not necessarily focus on dressing up.

*“...there were some journalists who wrote that male entrepreneurs can wear jeans and sneakers, while the females must dress up (...) and I do not recognize myself in that. If I want to wear sneakers or a t-shirt, then I will do that. With that said, I do not blame girls who feel like that (...) I can recognize that it is like that, but I could not recognize myself as a part of that narrative.” FE2*

#### 4.1.2 Social Influences

The subjects in the study discussed gender norms and roles in society. They identified societal influences in the initial interaction that seems to impact BAs willingness to invest.

*“[It] is somewhere in the back of my mind that if a female entrepreneur comes to me who is 30 years old, married, and they are also two more female founders who are also the same age and who just bought a house, I think something like this; here is someone who will have to work triple.” FI2*

In addition, the masculine stereotyping of entrepreneurs was brought up by FE1. She discussed having tried to overshadow her stereotypical feminine behaviors in order to be portrayed as a more successful entrepreneur.

*“But I still felt, in the role, I needed to take, that was super, I can not come into the meeting and be a girl, or I can not come in and be a good girl who started a company.” FE1*



### 4.1.3 Affinity Bias

Several interviewees discussed perceived similarities with the other party, concerning everything from the background to personality traits, and how this helped them better understand each other in the initial interaction. This phenomenon aligns with the general concept of affinity bias, where BAs seem to search for entrepreneurs who share the same professional qualifications or have worked in similar industries as themselves.

*“If there will be a founder who is like from the suburbs that I can relate to, then it will be a bias for me. Then I will want to support this person more (...) it will be a bit like that if you can reflect yourself in the experience they have.” MI1*

Several male respondents also stated that it is easier for them to build a connection with another male because they experience more similarities which hence makes it easier to understand each other and get along.

*“It is to a very large extent that active angels invest depending on whether they are friends and people who are very similar to themselves because that is how groups of friends usually look (...) that male investors choose their male friends.” MI3*

*“And it is a bit close that if I have a lot in common with a guy, then maybe it is easier to understand how to think because it is not as far away as with a girl, in general.” ME1*

### 4.1.4 Business Angels' Attitude

Business angels' attitude towards the entrepreneur, when the interaction is initiated, seems to affect how the interaction between them plays out later on. The interviewees discussed the BA's attitude toward the entrepreneur based on their gender. Some entrepreneurs felt like they were questioned differently because of their gender and some BAs stated that their attitudes varied depending on the founder's gender. Some BAs were friendlier towards female founders and others perceived female entrepreneurs as stronger.

*“For a woman, it becomes “but how to avoid this from happening” while for men it becomes more “how to achieve your vision”. A little more positive.” FE1*

*“... I am friendlier when I meet female entrepreneurs, because I know they are already in a tough situation and when I meet men, I ask tougher questions.” FI2*

*“It is more likely that I invest if there is a female founder, I would probably say. Unconsciously or semi-consciously. Because I think it is interesting and I also think that those who stand out through that noise are often stronger actually than a male founder because it is harder for girls.” MI2*

## 4.2 Trust

Many interviewees expressed the importance of building trust and confiding in each other in order to confidently move on with the interaction. Three themes that all can be linked to building trust were social proof, mutual values, and personal chemistry.

### 4.2.1 Social Proof

The entrepreneurs and business angels discussed social proof as an essential factor in order to gain trust during the initial interaction. As exemplified by FI3 and ME2, a BA's willingness to invest can increase if he or she knows that other people agree with their view of the entrepreneur.

*“It was interesting because even though she was our first advisor and had been with us all the way and so on, she only invested when she had heard that we had talked to other contacts.” ME2*

*“You see that these [people] are here, everyone is still in the top-management, they [the entrepreneurs] invest a little more than the other investors and they believe in this, then we follow suit.” FI3*

However, one of the female entrepreneurs expressed that social proof did not help her when she was raising equity capital and it was not until investors saw her pitch that they got interested in her business.

*“[Name of person] did extremely many intros (...) I actually do not think that any of the contacts that [name of person] gave us, i.e. the intros [name of person] did, it became something. But then we got a lot of spins from demo day. So those who had heard the pitch themselves contacted us and there was a lot of money if you say so.” FE1*

#### 4.2.2 Mutual Values

Several interviewees expressed the importance of recognizing mutual values in the initial interaction. According to FE2 mutual values help foster better communication.

*“They [business angels] share our vision and passion and which you feel have similar values, and with which you can have exciting but interesting, perhaps challenging, conversations.” FE2*

One of the business angels emphasized the importance of mutual values, by enhancing the fact that they, as investors, should be able to support the entrepreneurs’ vision with something more than money.

*“...then the most important thing then. I, who come in as investors, how can I support them with their vision? If I can not do that, then it is just money and money is everywhere.” MI1*

ME4 and MI5 state that if the core values are not aligned between the entrepreneur and the BA during the initial interaction, there is no purpose in continuing the process.

*“And then I learned that if you have different opinions from the beginning and in certain cornerstones, then in meeting 3 or 4 and that is still the problem. Then you have just wasted time.” ME4*

*“I think what makes it so personal is that you have 100 percent aligned incentives (...) that they know that I want them to succeed big and they also want to succeed big. So there are like no hidden agendas in this.” MI5*

#### 4.2.3 Personal Chemistry

Recognizing if personal chemistry exists during the initial interaction appears necessary for the entrepreneurs and BAs. Several interview subjects wanted to personally get along and work well with the other party.

*“For my part, at least, I think it is important that this is personal for the reason that I want to invest in people. There are so many investment opportunities, so for me, it is important that it is a person you go along with. It will become better investments over time as well.” MI2*

Finding an investor that believes in the entrepreneurs for who they are, was one important factor mentioned by ME4. He stated that it was better to go separate ways than have an investor invest in them whom they were not reasoning with.

*“We thought we had to dare to show who we are in our personalities and if they are reasoning with it, then they were also the right people. So for us, it was more worth to collide and go separate ways than to adapt to them [the investors] for them to give us money.” ME4*

Some of the entrepreneurs compared the initial interaction with a BA to dating, and said that you have to be able to build a connection in order to move the interaction further.

*“It is a bit like when you’re dating, that with some you connect with and with others you don’t. And it can be a little different. I think there must be some kind of chemistry.” FE2*

Some of the female respondents expressed that they even change their behaviors in meetings with BAs to increase the likelihood of getting a connection.

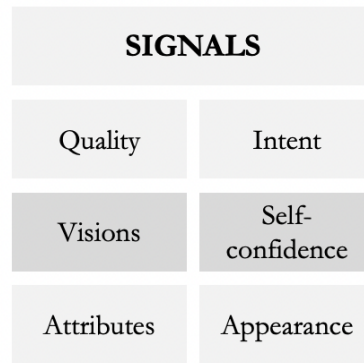
*“...so I used a lot of tricks, such as taking the same position. So if the man sits like this [gesture], I also sit like this to get some connection. I think that because you go into a situation where investors may not be used to seeing a woman in this position, it becomes even more important that you behave in a certain way.” FE1*

## 5. Analysis

In this section the empirical data is analyzed with the aim to answer the research question; how the entrepreneur's gender affects BAs' willingness to invest during the initial interaction. The empirics indicate that trust influences the BAs' willingness to invest, which aligns with Maxwell and Levasque's (2014) research suggesting that BAs make judgments based on how trustworthy the entrepreneur is. What builds this trust seems to not only be an outcome of the sharing of personal information, as suggested by Archer and Jones (1976), but also from the signals sent by entrepreneurs as well as social and internal influences, which consequently affects the interpretation of the entrepreneur and the feedback sent.

### 5.1 Signal Quality & Signal Intent in the Initial Interaction

Compared with previous studies stating that investors rely on objective and easy observable signals during early phases of equity financing (e.g. Brush et al., 2012; Mitteness et al., 2012), the empirical data implies that the entrepreneur is more important than the business itself in relation to BAs' willingness to invest. As a result, entrepreneurs want to send certain signals to the BAs. Common signals sent by entrepreneurs about their own attributes seems to go in line with what most of the BA's search for, such as drive, resilience, coachability and passion, which also has been stated amongst the most repeatedly investment criterias for investors (e.g., Sudek, 2006; Mitteness et al., 2012; Warnick et al., 2018). The empirics reveals that it is not only what the entrepreneur signals (signal quality) but also how they signal (signal intent) that matters, which goes in line with the findings of Huang and Knight (2017). When investigating how the entrepreneurs signal, some entrepreneurs discussed how they dressed for the initial interaction. A number of entrepreneurs wanted to be perceived as professional by wearing more formal clothing while others focused on dressing according to stereotypical roles in the company. However, no conclusions can be drawn regarding gender differences in how they dress in order to signal certain messages. Nevertheless, one aspect where there seemed to be a gender difference was self-confidence. Both in regards to signal quality, such as having big visions for the company, but also by signal intent, expressing confidence and belief in their statements. It seems to be a perception, mostly by men, that male entrepreneurs signal self-confidence more than female entrepreneurs. Ciuchta et al. (2018) argued that perceived competence is one predictor of investors' willingness to invest at an early stage, and the ability to be perceived as self-confident could thus influence the willingness to invest.



**Figure 5.1.** *Signal Quality and Signal Intent in the Initial Interaction (Dubo & Norberg, 2022)*

*Sub-conclusion:* The importance of the entrepreneur in turn emphasizes the importance of the signals sent by the entrepreneur. Apart from the signal quality, such as signaling attributes and visions for the company, the signal intent that the entrepreneur sends seems also to be vital. Signal intent can be sent through appearance and by expressed self-confidence. In regards to gender, tendencies for direct effects of gender differences in the initial interaction may occur from the perception that male entrepreneurs have more self-confidence and that they express higher-reaching company visions.

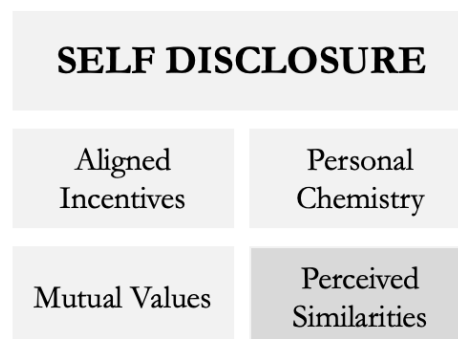
## 5.2 Self-Disclosure in the Initial Interaction

Since the entrepreneur-investor relationship is concerned with reducing information asymmetry (Alsos & Ljunggren, 2017), scholars suggest that entrepreneurs can reduce the uncertainty in investment decisions by sending adequate signals (e.g. Murphy et al., 2007). However, something that appeared to be of even greater importance was to recognize personal chemistry, built by sharing personal information. In accordance with Archer and Cook's (1986) suggestions, it appeared that as the entrepreneur was being personal, the BAs' trust in the entrepreneur increased, which facilitated the development of a positive relationship between the two. This was highlighted by ME5, who stated that it is better to go separate ways if there is a lack of personal connection. Several respondents also expressed the importance of recognizing mutual values and aligned incentives, which helped them foster a relationship. By sending signals that the BA perceives as positive, in tandem with sensing some sort of personal chemistry, the BA's trust in the entrepreneur seems to increase.

Moreover, the BAs seems to reciprocate this trust by being more open. Research suggests that when disclosure is reciprocal, liking, closeness, enjoyment of the interaction, and perceived

similarity increase (Sprecher et al., 2013). Several of the respondents state that they value the perceived similarities with the other party, helping them better understand each other in the initial interaction. This was partly explained by ME1 and MI3 who said that for them, as men, it is easier to build a connection with a man because they experience more similarities. The amplified connection and perceived similarity between males would therefore imply that males also disclose and reciprocate more. As revealed in the empirical data, the feeling of relatedness, by having the same gender as the other party, could reduce the feeling of risk when investing. However, in another setting, Balswick and Balkwell (1977) found that females self-disclose more than males, as well as being disclosed to more than males.

The signs of these contradictory findings could be a result of the specific setting between BAs and entrepreneurs during the initial interaction. In addition, FE1 said that she adjusts her behavior during meetings with BAs to increase the likelihood of getting a connection, which also shows that the setting might influence the behaviors of the entrepreneurs. This aligns with Huang and Knight's (2017) findings, stating that an entrepreneur can use interpersonal signals on how the entrepreneur interacts with others, which might influence BAs who interpret and use the signals in deciding if they should invest (Svetek, 2022).



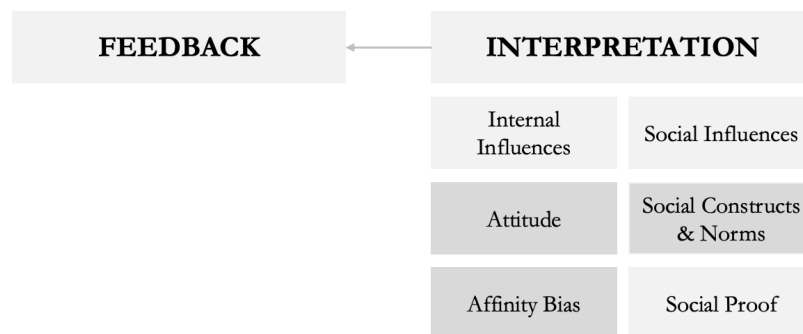
**Figure 5.2.** *Self-Disclosure in the Initial Interaction (Dubo & Norberg, 2022)*

*Sub-conclusion:* After the signals are sent by entrepreneurs, BAs and entrepreneurs tend to value how well their incentives align and how well they are able to build personal chemistry, where the personal chemistry seems to affect BAs' trust in the entrepreneur. However, since personal disclosure and reciprocity seems to be higher among men, which according to the self-disclosure theory also leads to increased perceived similarities, gender had an effect on the ability to build a connection. The personal connection and relatedness can, in turn, influence the initial interaction and BAs' willingness to invest.

### 5.3 BAs' Feedback in the Initial Interaction is Based on Interpretations

As suggested by Connelly et al. (2011), signaling can be viewed as a process through which signals are sent, received, and responded to, leading to new signals and interpretations. There are certain factors that seem to influence BAs' interpretations of the received signals. These influences stem partly from the BAs' affinity bias, which can affect their initial attitude toward the entrepreneur. This is supported by some scholars who claim that affinity bias influences trust creation which further can lead to discrimination in selection judgments (Trainer et al., 2020). There are also social influences, e.g., social norms and social proof, that influence BAs' signal interpretation. It appeared that the BA's attitude matters when initiating contact with an entrepreneur and can differ based on the entrepreneur's gender. A number of the investors were friendlier toward female entrepreneurs or perceived them as stronger, because they were active in a male-dominated profession. Entering the interaction with a more soft or convincing attitude could influence the way the BAs interpret the signals sent by the entrepreneur and possibly increase the BAs' willingness to invest in female entrepreneurs.

On the contrary, indications reveal that social influences also can reduce BAs' willingness to invest in female entrepreneurs. For instance, some interviewees expected a woman in her 30ths to get pregnant in the near future and spend a considerable amount of time with her child. This seems to affect the BAs' assessment of how dedicated the entrepreneur will be to the company, regardless of the signals sent. In addition, the acceptance from others, or social proof, seems to be of importance for the BAs when evaluating an entrepreneur. Social proof could be gained through different ways, for instance by having secured investments from other BAs or being introduced to the BA by another reference. One female entrepreneur, however, said that BAs initiated contact first after having seen their pitch and that the introduction itself did not help her. Nevertheless, no clear gender differences, in regards to social proof, could be seen after an interaction was initiated.



**Figure 5.3.** *BAs' Feedback in the Initial Interaction is Based on Interpretations (Dubo & Norberg, 2022)*



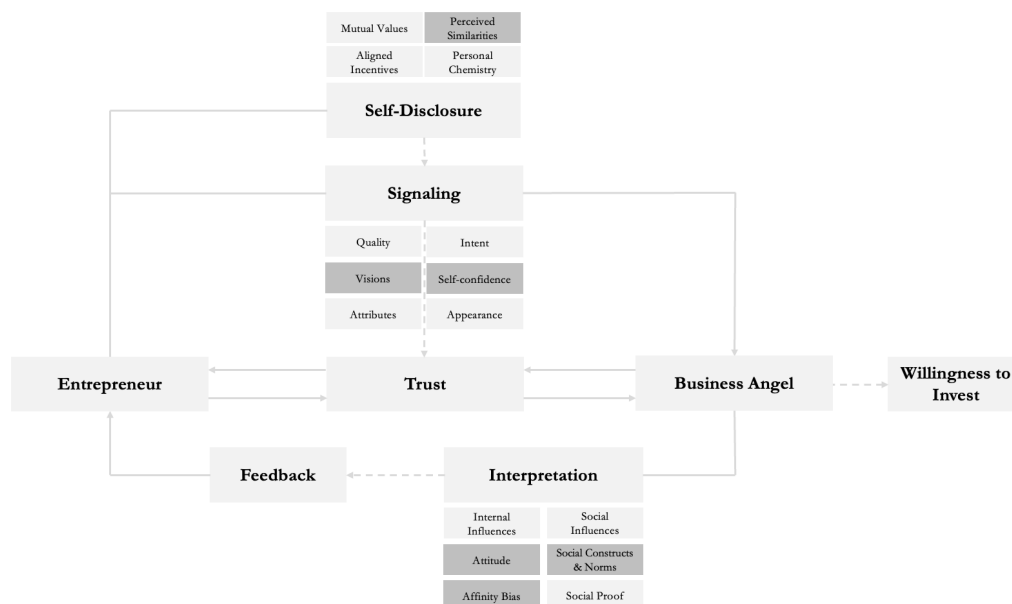
*Sub-conclusion:* The empirical data reveals that the interpretation of signals sent during the initial interaction can be influenced by both internal and social factors. The gender differences from internal influences could be seen in an affinity bias, where several male BAs found it easier to build a connection with an entrepreneur of the same gender, influencing their attitude in decision making. Although, in other cases the BAs instead had a friendlier attitude towards female entrepreneurs or perceived them as stronger than males. Consequently, BAs initial attitude based on the entrepreneur's gender, is in some cases favorable to females and in some cases favorable to males. In regards to the social influences, assumptions that women take on larger family and domestic responsibilities, seems to result in an increased perception of risk for some of the BAs, which therefore could reduce their willingness to invest.

## 6. Discussion and Conclusion

### 6.1 Answer to Research Question

Through a qualitative study, the authors have studied how the entrepreneur's gender affects BAs' willingness to invest during the initial interaction, see Figure 6.1. The empirical data have been analyzed through the lens of the study's theoretical framework, signaling theory and self-disclosure theory, with the aim to answer the study's research question, namely:

*How does the entrepreneur's gender affect business angels' willingness to invest during the initial interaction?*



**Figure 6.1.** *The Initial Interaction Between Entrepreneurs and Business Angels (Dubo & Norberg, 2022)*

The importance of the entrepreneur during the initial interaction, emphasizes the importance of the quality and intent signals sent and perceived, along with the personal connection between the BA and the entrepreneur. The perception that male entrepreneurs signal more self-confidence (signal intent) and higher-reaching visions for their companies (signal quality), are the most prominent gender differences in the signals sent by the entrepreneur. These signaling differences could result in higher trustworthiness for male entrepreneurs and thus increase BAs' willingness to invest. However, the empirical data reveals that the tendencies for direct effects of gender differences mostly derive from BAs' perception of the signals. Their perceptions of the signals received appear to mostly be influenced by perceived similarities and an affinity bias during

self-disclosure, along with initial attitudes and social influences. Consequently, the BAs interpretation seems to result in tendencies for direct effects of gender differences to a larger extent than the intent and quality signals sent by the entrepreneur.

### 6.1.1 Contributions

The findings provide several theoretical insights. Similar to the study of Alsos and Ljunggren (2017), this study shows that gender plays a role in the interaction between entrepreneurs and business angels as a result of signals and trust-building behaviors. Furthermore, compared with previous studies (e.g., Maxwell & Lévasque, 2014; Mitteness et al., 2012), business angels tend to base their judgements on the perceived entrepreneurial passion and trustworthiness, where the ability to build trust is based on the BAs' interpretations. The search for perceived similarities is likely to result in an affinity bias, which influences trust formation. According to Trainer et al. (2020), this can lead to discrimination in decisions related to selections.

In regards to the direct effects on gender differences, Verhuil & Thurik (2001) suggested that female entrepreneurs may face a hurdle in the interaction with business angels. However, compared with previous studies examining the gender relationship between entrepreneurs and investors (e.g., Alsos & Ljunggren, 2017; Huang & Knight, 2017), this study reveals the relevance of examining BAs' interpretations of the signals sent. Since business angels' interpretations of the signals sent by the entrepreneur serve as a foundation for their willingness to invest (Svetek, 2022), their interpretations therefore have a great influence in their decision-making.

### 6.1.2 Implications

The findings from the study have implications that are of importance for both entrepreneurs and business angels. For entrepreneurs, it is essential to have knowledge on how they are perceived by business angels and what business angels value in order to show themselves and their venture in a favorable light, thus increasing the likelihood of obtaining equity financing. However, in order to reduce the suggested gender differences in startup equity financing, business angels need to be aware of aspects that influence their willingness to invest. For BAs it is thus crucial to understand the social and internal influences that can affect their perception of the entrepreneur, and hence their

willingness to invest. Consequently, the study's findings can support a more objective and nuanced process in BAs' investment decision-making.

### 6.1.3 Discussion of Limitations

Despite the fact that this study presents several interesting findings, a number of limitations should also be noted. Firstly, an interpretive approach has been used, which makes the presentation of the empirical data influenced by the authors' interpretations. The authors' perception and biases might therefore affect the fairness of the empirical data presented. Secondly, a larger sample size could be used to improve the reliability. Since the 20 interview subjects were divided into four groups, FE, ME, FI, and MI, each group was relatively small. Including a larger sample could lead to new discoveries and nuanced comparisons. Thirdly, the subjectivist ontological position, with the aim to understand individual subjective experience, makes the sample non-objective and the answer to the research question might not be representable for all entrepreneurs and business angels. Lastly, the study investigates a narrow part of the process of securing equity financing, i.e. the initial interaction between a BA and entrepreneur. While providing a comprehensive understanding of the initial interaction, the study does not include the processes of entrepreneurs initiating contact with BAs nor the interaction post the investment decision-making.

### 6.1.4 Recommendations for Future Research

The authors suggest that further research should emphasize BAs' interpretations of self-disclosure and signals received. Although several influences on BAs' perception were identified in this study, additional factors could still exist. Consequently, to further understand how gender affects BAs willingness to invest, BAs interpretations and feedback should be given additional attention in future studies. Moreover, future research should investigate how self-disclosure and signaling, based on gender, affects the interaction between BAs and entrepreneurs during other parts of the investment process, such as after the investment decision. Lastly, no gender differences between the interpretation of male and female BAs could be concluded in this study, which hence is an aspect future research could examine further.

## 6.2 Conclusion

This study has developed the discussion regarding direct effects of gender differences in access to equity financing by investigating how the entrepreneur's gender affects BAs' willingness to invest during the initial interaction. The study reveals that male entrepreneurs are perceived as signaling more self-confidence and higher-reaching visions for their companies than female entrepreneurs, which therefore could increase their trustworthiness and BAs willingness to invest. Regardless, business angels' interpretations of the signals received by the entrepreneurs seem to explain more of the suggested direct effects on gender differences in regards to BAs willingness to invest. An affinity bias and business angels' initial attitude, along with social influences appear to have an impact on these interpretations.

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# Appendices

## Appendix 1. Inclusion Criteria for Entrepreneurs and Investors

### **Inclusion Criteria for Entrepreneurs**

---

Active company today  
Based in Sweden  
Founder and of a startup  
Part of the top management  
Raised angel capital in the past 1-3 years (for the same company that they have founded)

---

### **Inclusion Criteria for Investors**

---

Based in Sweden  
Business Angel  
Invested in a startup in the past 1-3 years

---

## Appendix 2. Email to Prospective Interview Subjects (BAs)

*To legitimize the thesis and keep the correspondence formal, all emails were sent from the email addresses provided to us by the Stockholm School of Economics.*

Hi [Name],

Our names are Emma Dubo and Isabelle Norberg, and we are currently writing our bachelor thesis in management at the Stockholm School of Economics. We are studying the interaction that takes place between an angel investor and an entrepreneur, and we want to examine if gender somehow is embedded in the interaction. Our hope is that our study can contribute with insights to the academic discussion, as well as to those within the industry. In light of this, we are contacting you since you have experience from investing in startup companies and we believe that you would provide valuable insights into our study.

With the background that previous studies have investigated how gender is embedded in venture capital funding, we have chosen to instead focus on angel capital to explore the traits of the initial interaction. This will be done by examining the process and interaction between the entrepreneur and angel investor before an investment decision is made.

With an interest in entrepreneurs and the existing gender debate within startups, in tandem with curiosity over the interaction between the investor and the entrepreneur, we find it very exciting to come in contact with you in order to understand how the relationship is built and what factors that are perceived as important in the first initial interactions.

We wish to meet you for an interview, preferably as early as possible during the period w. 9-12. The study is of course anonymous for both the interviewee and your company. We are flexible regarding the time and place for the meeting.

We look forward to hearing from you and booking an interview.

Kind regards,

Emma Dubo | 24549@student.hhs.se | 073 326 07 05

Isabelle Norberg | 24477@student.hhs.se | 070 391 82 07

### Appendix 3. Email to Prospective Interview Subjects (Entrepreneurs)

*To legitimize the thesis and keep the correspondence formal, all emails were sent from the email addresses provided to us by the Stockholm School of Economics.*

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With the background that previous studies have investigated how gender is embedded in venture capital funding, we have chosen to focus on angel capital to explore the traits of the initial interaction. This will be done by examining the process and interaction between the entrepreneur and angel investor before an investment decision is made.

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We wish to meet you for an interview, preferably as early as possible during the period w. 8-11. The study is of course anonymous for both the interviewee and your company. We are flexible regarding the time and place for the meeting.

We look forward to hearing from you to book an interview,

Kind regards,

Emma Dubo | 24549@student.hhs.se | 073 326 07 05

Isabelle Norberg | 24477@student.hhs.se | 070 391 82 07

## Appendix 4. Information About the Interviews

No.	Code name	Time	Date	Place
1	ME1	39,12	2022-02-23	Office
2	ME2	45,06	2022-02-23	Video Conference
3	MI1	33,36	2022-02-24	Video Conference
4	ME3	54,34	2022-02-25	Office
5	FE1	29,45	2022-03-01	Video Conference
6	MI2	30,05	2022-03-01	Video Conference
7	MI3	41,17	2022-03-01	Video Conference
8	ME4	31,27	2022-03-02	Office
9	MI4	32,16	2022-03-04	Video Conference
10	MI5	43,30	2022-03-07	Video Conference
11	MI6	36,58	2022-03-09	Office
12	FI1	39,08	2022-03-10	Video Conference
13	FE2	31,11	2022-03-10	Video Conference
14	FE3	35,10	2022-03-14	Video Conference
15	FI2	40,09	2022-03-14	Video Conference
16	FI3	54,11	2022-03-18	Video Conference
17	MI7	41,40	2022-03-22	Video Conference
18	ME5	32,40	2022-03-23	Video Conference
19	FI4	51,19	2022-03-24	Video Conference
20	FE4	28,30	2022-04-01	Video Conference

<b>Minimum</b>	28,30
<b>Maximum</b>	54,34
<b>Average</b>	38,43

### Explanations for Coded Names

ME = Male Entrepreneur

FE = Female Entrepreneur

MI = Male Investor

FI = Female Investor

## Appendix 5. Interview Guide for BAs, Translated to English

### **Ethics**

1. Participation in this study is voluntary.
2. In our study, which is our Bachelor's thesis in management at Stockholm School of Economics, you as a participant and your employer will be anonymous.
3. Also, we will not disclose any other participants in the study, neither to the employer nor to other participants.
4. You may interrupt and/or leave the interview at any time and without disclosing the cause to us.
5. We would like to ask whether we have permission to record the interview, so we can transcribe it afterward?
6. Before we start, do you have any questions for us?

### **Background**

- Can you tell us a little about yourself and your journey to where you are today?
- What is your position/title?
  - How long have you been working here now?
- What have you done before?

### **The Role as an Business Angel**

- When did you start investing in startups?
- Why did you start investing in startups?
- To what extent are you investing?
  - What type of start-ups do you usually invest in? Why?
  - What would you say are their typical traits?
- Can you tell us about the process when you invest?
  - What criteria do you generally base your decisions on?
- How much influence does the entrepreneur have on your decision?
  - Are there commonalities among the entrepreneurs you have chosen to invest in?
  - How much emphasis do you place on the entrepreneur's experience, background, such as education, gender, etc.?

### **The Interaction With the Entrepreneur**

- Can you tell us how you usually get in touch with entrepreneurs?

- Who usually initiates meetings?
- Does the entrepreneur belong to your network? How much do you know about him/her from before?
- Can you walk us through the first meeting?
  - Where does/do the meeting/meetings usually take place?
- How many times do you usually meet before agreeing on an investment?
- Is there anything special you are looking for in the meeting with the entrepreneur?
- What signals does the entrepreneur send, according to you?
- What do you want to signal back to them as an investor?
- Can you tell us about the type of relationship that is created with the entrepreneur?
  - How do you build trust?
  - How do you handle the information asymmetry that exists between you in regards to personal aspirations, company knowledge, and potential?
  - How personal is the relationship? What does the entrepreneur share with you?

### **The Gender Aspect**

- If you look at your portfolio of startups you have invested in, do you have a general idea of how many of the companies are founded by women?
  - Is this something you take into consideration when choosing to invest?
- Why do you think that there are generally more companies founded by men who get capital compared to women-founded?
  - What do you think will be the consequences of this?
  - How do you think this can change?
- Do you see that there is something different with entrepreneurs based on their gender?
  - In what way?
  - Do you think others believe so?

### **Closing Questions**

- Is there anything that you feel you did not have the opportunity to express during the interview and would like to add?
- Is it something that you would like to change?



## Appendix 6. Interview Guide for Entrepreneurs, Translated to English

### **Ethics**

1. Participation in this study is voluntary.
2. In our study, which is our Bachelor's thesis in management at Stockholm School of Economics, you as a participant and your employer will be anonymous.
3. Also, we will not disclose any other participants in the study, neither to the employer nor to other participants.
4. You may interrupt and/or leave the interview at any time and without disclosing the cause to us.
5. We would like to ask whether we have permission to record the interview, so we can transcribe it afterward?
6. Before we start, do you have any questions for us?

### **Background**

- Can you tell us a little about yourself and your journey to where you are today?
- What is your position/title?
  - How long have you been working here now?
- What have you done before? Have you started more than one company?
- What is your education?
- What attracted you to become an entrepreneur?

### **Entrepreneurship**

- Can you tell us a little about the company(ies) you have founded?
  - What distinguishes you as a company in the industry?
  - How have you been financed?
- How important is early financing for the company's growth?
  - When did you consider that investment was necessary for the company's development?
- Is it difficult to get in touch with investors?
  - How do you get in touch with investors?
  - Do you belong to a network of investors?

### **The Interaction With the Business Angel**

- Can you tell us about the process when you come in contact with an angel? What steps does the process involve?
  - How many times do you usually meet before agreeing on an investment?
- Can you walk us through the first meeting?
  - Where does/do the meeting/meetings usually take place?
  - Who usually initiates meetings?
  - How do you usually prepare for a first meeting?
  - What is important for you to highlight during the meeting? Why?
- What kind of signals do you want to send as an entrepreneur?
- What signals does the investor send, according to you?
- How much influence do you think you as a person have on the investor's decision?
  - How much importance do you feel she or he places on education, gender, etc.
- What is important for you when choosing investors?
- Can you tell us about the type of relationship that is created with the investor?
  - How do you build trust?
  - How do you handle the information asymmetry that exists between you?
  - How personal is the relationship? What do you share? What does the investor share?

### **The Gender Aspect**

- Why do you think that there are generally more companies founded by men who receive capital compared to companies founded by women?
  - What do you think will be the consequences of this?
  - How do you think this can change?
- Do you see that there are different entrepreneurs based on their gender?
  - In what way?
  - Do you think others believe so?

### **Closing Questions**

- Is there anything that you feel you did not have the opportunity to express during the interview and would like to add?
- Is it something that you would like to change?

## Appendix 7. Examples of Codes that Emerged in the Thematic Analysis

### Hur viktig skulle du säga att foundern är i ett sånt beslut?

Det är, alltså, det är en intressant dynamik med det här att ju tidigare du går desto viktigare blir foundern så klart. Även om man tittar på ett Series A bolag som reser 100 miljoner SEK så om du inte tror på foundern så spelar bolaget ingen roll. Utan foundern är alltid en liksom key enabler och om man inte tror på foundern så kommer man aldrig investera.

### Brukar ni förbereda er inför de här första mötena?

Alltså, det var mycket förberedelse. Göra pitch deck, läsa på alla siffror. Jag hade ett långt dokument med silver bullets, asså såhär nyckelanledningar till varför vi kommer lyckas och vad som är så bra med vår idé och vårt team, och såhär argument som känns klockrena som jag försökte memorera och så fort det blev tal om det området liksom. Så jag var ganska drillad och ju fler möten jag tog, desto mer kom det som ett rinnande vatten (...) Men jag kände ändå, i den rollen jag behövde ta, som var så här super, alltså jag kan inte komma in på mötet och vara en tjej, eller alltså jag kan inte komma in och vara en duktig flicka som startat ett bolag. Utan jag måste komma in som jag redan har makten från början av mötet och inte bevisa det genom argument, utan snarare bevisa det genom hur man är och hur man uppträder liksom. Så det var mycket, alltså jag använde mycket tricks, så som att ta samma position, alltså om mannen sitter såhär så sitter jag också så här för att få lite connection.

### Explanations:

Founder's importance

Preparations

Quality Signals

Role Expectations

Intent Signals

Personal Connection