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The Million Dollar Question

*Unwrapping the Black Box of Swedish Venture Capitalists’
Decision-Making in the Investment Committee*

Astrid Vikingsdotter Johansson (42089)
Nawid Hemmesi (42496)

Supervisor: Erik Wetter
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Abstract

The purpose of this study is to illuminate how Swedish Venture Capitalists (VCs) make investment decisions in the investment committee (IC). Despite extensive research into the investment process of VCs, termed the decision process, and the different criteria that are used to assess business proposals, the IC stage has remained largely unexplored in entrepreneurship literature. The nascent research has indicated that the IC stage serves as the final approval body for VCs to make investment decisions and functions as a significant rejection stage in the decision-making process. Nonetheless, understanding the IC as part of the decision process and the voting patterns of Swedish VCs provides the imperative to contribute to entrepreneurship literature on VC decision-making. This research adopts a qualitative approach based on a cross-sectional design and semi-structured interviews with 30 Swedish VCs, in which in-depth data on the research topic was collected. The findings demonstrate that the IC serves as an intermediary stage between the Deal Evaluation and Deal Structuring of the decision process. Rather than an isolated decision point, the IC is an integrated component facilitating conviction-building through its purposes for decision-making, discussion, information sharing, and governance. Across Swedish VCs, voting patterns revealed a homogeneous preference for collective decision-making via consensus or majority decision rules. This proclivity for consensus originated from American industry practices combined with Swedish and firm-specific cultural influences.

Keywords: Venture Capital Decision-Making, Decision Process, Venture Capital Investment Committee, Investment Committee Decision Rules, Swedish Venture Capitalists.

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Astrid & Nawid

List of Figures and Tables

Figure Overview

- Figure 1. Overview of the approach to the literature review.
- Figure 2. VCs investment decision. (Zacharakis & Meyer, 2000).
- Figure 3. The decision process of VCs (Tyebjee & Bruno, 1984, edited).
- Figure 4. Deal flow process overview (Petty et al., 2023).
- Figure 5. Research focus at the intersection of VC decision-making, decision process and IC.
- Figure 6. Research onion describing the methodological considerations of this study (Saunders et al., 2019, edited).
- Figure 7. Overview of the data analysis process.
- Figure 8. Excerpt from the data analysis structure.
- Figure 9. Average annual deal flow funnel based on data from one of the interviewed VCs.
- Figure 10. Extension of the decision process with integrated IC.
-

Table Overview

- Table 1. Overview of existing research, indicating the research gap on the IC stage.
- Table 2. VC voting in IC, across European and American samples.
- Table 3. The study's theoretical lens and associated research gaps in existing research.
- Table 4. Interview quotes illustrating the structure of the decision process.
- Table 5. Interview quotes illustrating rejection rates in IC and the low share of deselection.
- Table 6. Interview quotes illustrating IC attendees, IC voting members, and voting power.
- Table 7. Interview quotes illustrating the frequency of how often ICs convene.

Table 8.	Interview quotes illustrating the mandate of the IC and differences in when term sheets are issued in relation to the IC.
Table 9.	Overview of decision rules used across the sample of 30 Swedish VCs.
Table 10.	Interview quotes illustrating definitions of the different decision rules.
Table 11.	Interview quotes illustrating how the voting process occurs.
Table 12.	Interview quotes illustrating how voting is based on a scale or binary method, or reached through discussion.
Table 13.	Interview quotes illustrating the various functions an IC can serve.
Table 14.	Overview of the distribution of IC types found across the sample.
Table 15.	Interview quotes illustrating internal, external, and dual IC structures.
Table 16.	Interview quotes illustrating pre-IC deliberations and multi-stage IC approach.
Table 17.	Interview quotes illustrating decision rules in relation to catching unicorns.
Table 18.	Interview quotes illustrating geographic industry influence on the voting by Swedish VCs.
Table 19.	Interview quotes illustrating cultural influences on the decision-making of Swedish VCs.
Table 20.	Interview quotes illustrating the value of transparency in ICs of Swedish VCs.
Table 21.	Interview quotes illustrating team growth in relation to the IC.
Table 22.	Interview quotes illustrating experience-driven evolutions of the voting processes of Swedish VCs.

Terms and Abbreviations

Assets under Management (AUM)	The total asset amount that a fund or investment company manages in its total portfolio.
Consensus Decision Rule	Decision rule in which none of the voting or participating parties disagrees with the outcome.
Champion Decision Rule	Individual decision rule where one partner can decide on a business proposal without support from other IC members.
Deal Flow Process	The three stages through which a business proposal progresses: 1. Screening, 2. Due Diligence, and 3. Final inspection stage where the investment committee (IC) takes place (Petty et al., 2023).
Decision Process	The decision process can be described as five sequential steps describing the investment activities of VCs. These are 1. Deal Origination, 2. Deal Screening, 3. Deal Evaluation, 4. Deal Structuring, and 5. Post-Investment Activities (Tyebjee & Bruno, 1984).
Family Office (FO)	Fund companies that manage the assets of high-net-worth individuals and families, by investing to increase the accumulated wealth (Block et al., 2019).
General Partner (GP)	General Partners (GP) have the most senior position and are responsible for the VC operations, overseeing the investment process and can act as deal lead (Gompers et al., 2020). GPs operate as the managers of the VC fund and have received delegated decision-making power from the investors (LPs) of the fund.
Governmental Venture Capital (GVC)	VCs owned or supported by governmental bodies that aim to make investments with a positive social externality such as an increase in job creation (Croce et al., 2019).
Investment Committee (IC)	The IC serves as the internal approval body of a VC, which allows for the closure of an investment (Klonowski, 2010).
Investment Decision	Defined as a strategic decision based on the irreversible nature of the decision and an investment amount of significant size (Zopounidis, 1999).

Key Decision Makers in VC	Decision makers at a VC can hold a variety of different positions. GPs hold the most senior position, thereafter Investment Directors or Principals follow who are responsible for leading the due diligence and closing of investments. Analysts and associates have junior positions and are often involved in the sourcing, due diligence, and investment decision process.
Limited Partner (LP)	Limited partners (LPs) provide funding to VCs, while remaining passive investors without involvement in day-to-day operations (Klonowski, 2010). These LPs encompass various entities such as financial institutions, corporations, individuals, university endowments, and pension funds (ibid).
Majority Decision Rule	A decision rule where an agreement is reached if the majority of voting members agree. The threshold for majority can vary but usually implies more than half of the votes.
Start-up	New firms in the early stages of development that are often characterised by high growth and small size (Henrekson & Johansson, 2008).
Unicorn	A start-up that has grown to a company valuation of \$1 billion or more is commonly referred to as a unicorn (Kenney & Zysman, 2019). Ideally, a unicorn valuation translates into the VC generating a return ten times on their invested capital (Malenko et al., 2023).
Venture Capitalists (VCs)	VCs are professional institutional investors managing private funds and investing in equity stakes in high-growth start-ups (Gompers & Lerner, 2001; Kaplan & Strömberg, 2001). These investments are made in the early stages of a company and thus have high risk. Consequently, VCs anticipate high returns in exchange for this risk (Gompers et al., 2020). The return for the VC materialises as the start-up grows into a successful company and the VC exits their investment by selling their shares.
Veto	Unilateral decision to prevent an outcome that the decision intends to achieve. In this context, a veto can be used by one partner or IC voting member to reject a business proposal.

Table of Contents

1. Introduction	1
1.1 Background	1
1.2 Purpose and Research Question	3
1.3 Expected Contribution	3
1.4 Delimitations	3
2. Existing Literature and Research Gap	4
2.1 Approach to the Literature Review	4
2.2 Investment Decisions of VCs	6
2.3 The Decision Process of VCs	6
2.3.1 Deal Origination	8
2.3.2 Deal Screening	8
2.3.3 Deal Evaluation	9
2.3.4 Deal Structuring	10
2.3.5 Post-Investment Value-Add Activities	10
2.4 Research on the Investment Committee	11
2.4.1 The Role of the IC Body	13
2.4.2 Voting in IC	14
2.5 Research Gap	16
2.6 Theoretical Framework	18
3. Method	18
3.1 Research Design	19
3.1.1 Research Philosophy and Approach	19
3.1.2 Methodological Choice and Research Design	20
3.1.3 Cross-Sectional Study	20
3.2 Data Collection Process	21
3.2.1 Interviewee Sampling	21
3.2.2 Interview Procedure	22
3.3 Data Analysis Process	23
3.4 Quality Considerations	24
3.5 Ethical Considerations	25
4. Empirical Results	25
4.1 Interview Sample	25
4.2 Progression Through the Decision Process Funnel	26
4.2.1 Gatekeeping	26
4.2.2 Rejection Throughout the Decision Process	27
4.3 Structure of ICs	28
4.3.1 Participating Members of the IC	29
4.3.2 IC Frequency	30
4.3.3 Mandate of the IC	30

4.4 Decision-Making in IC	31
4.4.1 Decision Rules in IC	31
4.4.2 Decision-Making Process	32
4.4.3 Decision-Making Method	33
5. Analysis	34
5.1 The Role of the IC in the Decision Process	35
5.1.1 The Four Purposes of the IC	35
5.1.2 Internal and External IC Structure	38
5.1.3 The IC as Integrated in the Decision Process	40
5.2 Swedish VCs Preference for Consensus and Majority Voting	42
5.2.1 Collective Decision-Making over Individual Decisions	42
5.2.2 Origin of IC Decision Rules	43
5.2.2.1 Industry Influence - US and Swedish	43
5.2.2.2 Culture - Firm and Swedish	45
5.2.3 Change in IC Decision Rules over Time	47
5.2.3.1 Team Growth	47
5.2.3.2 Learning from Experience	49
6. Conclusion	50
7. Discussion	52
7.1 Theoretical Contributions	52
7.2 Managerial Implications	53
7.3 Limitations	54
7.4 Future Research	55
8. References	56
9. Appendix	64
9.1 Pitch Presentation of Research Project	64
9.2 Interview Guide	66
9.3 Consent Form	67
9.4 Overview of Interviews	68
9.5 Data Analysis Structure	70
9.6 Final Sample - Fund Characteristics	71
9.7 IC Attendees, Voting Members, and Partners	73
9.8 Use of AI	75

1. Introduction

1.1 Background

Start-ups have an acknowledged role in propelling innovation in economies. Wiklund et al. (2019) point to entrepreneurs' ability to launch and commercialise innovative products and services by developing new companies, referred to as start-ups. By introducing innovative solutions to the market, these emerging companies significantly contribute to fostering economic growth and job creation (Gorman & Sahlman, 1989; Mason, 1999; Henrekson & Johansson, 2008). Hence, the value that successful start-ups bring to the overall economy serves the broader interest of society.

Venture Capitalists (VC) are intermediary financiers enabling start-ups to scale. High-potential and innovative start-ups often need external capital from VCs to enable their growth and scale (Kerr & Nanda, 2015). For this reason, VCs are critical in enabling entrepreneurship as they provide crucial funding. Consequently, the VC industry is linked to some of the most innovative and rapidly growing companies. This is illustrated by the fact that as of May 2020, seven of the eight most highly valued public companies globally had received VC capital before their initial public offering (Lerner & Nanda, 2020). The essential role that VC funding plays in determining a start-up's success is evidenced by factors such as higher survival rates and increased growth for VC-backed companies (Gupta & Sapienza, 1992; Timmons, 1994; Payne et al., 2009).

The interplay between high-growth start-ups and their reliance on VC funding has increased demand for VC capital. Consequently, the VC market has grown in the past decade. Between 2009 and 2019, VC capital deployed worldwide increased from \$40 billion to \$250 billion (Janeway et al., 2021). This global fivefold increase in VC financing indicates a strong interest in funding high-growth start-ups.

In particular, the Swedish VC market has established itself as one of the most densely funded regions, as Sweden's per capita VC funding ranked sixth globally in 2023 (Pitchbook, 2023). This is illustrated by the fact that 41 unicorn companies with a valuation above \$1 billion have sprung out of Sweden (Vinnova, 2024). This has coincided with a two-fold increase in Sweden's VC funding and a doubled ecosystem value in the last five years (ibid). Consequently, 138,000 jobs globally and 96% of new local jobs have been created by Swedish start-ups (ibid).

The strong demand from start-ups for VC funding has fostered a VC market of significant size in Sweden. This contributes to creating an interest in a better understanding of the decision-making in the Swedish VC industry. This warrants academic investigation into the ways Swedish VCs select start-ups throughout the investment process.

Given the significant role of VCs it comes as no surprise that the sector has become a focal point of research (Hisrich & Jankowicz, 1990; Kirsch et al., 2009). Existing research on VC decision-making processes has garnered substantial attention, considering the ability of VCs to identify and selectively invest in start-ups exhibiting exceptional return potential (MacMillan et al., 1985; Hall, 1989; Hall & Hofer, 1993; Fried & Hisrich, 1994; Shepherd, 1999; Zacharakis & Meyer, 2000; Zacharakis & Shepherd, 2001; Franke et al., 2008). In this way, VC decision-making is often understood in the context of finding and funding start-ups with high growth potential, commonly referred to as unicorns (Kenney & Zysman, 2019; Kotha et al., 2022).

A crucial part of the business model of VCs revolves around making investment decisions in start-ups. Annually, the VC sector engages in over 2 million investment decisions while vying for lucrative investment opportunities (Gompers et al., 2020). Out of the submitted proposals, merely 1% secure VC funding (ibid). Given the few proposals that pass through the investment selection process and reach an investment, a strong deselection occurs across the stages in the investment process (ibid). Consequently, the investment decision-making process is one of the most important strategic activities conducted by VCs (Zacharakis & Meyer, 1998). Hence, existing literature has extensively studied the different stages of this process, referred to as the decision process by Tyebjee & Bruno (1984). The activities in the decision process are: 1. Deal Sourcing, 2. Screening, 3. Evaluation, 4. Deal Structuring, and 5. Post-Investment Activities after proposals have been selected for investment (Wells, 1974; Tyebjee & Bruno, 1984; Hall, 1989; Hall & Hofer, 1993).

Although the decision process considers pre- and post-investment activities it does not capture the decision-making stage during which the final investment decision is made. In this context, it is only until recently that the existence of the Inspection stage has been studied, during which the final Investment Committee (IC) meeting takes place (Petty et al., 2023). The IC serves the purpose of the final decision-making body of a VC that allows for closure of an investment (Klonowski, 2010). The existing research on the role of the IC and how it is to be understood as part of the decision process is currently limited. Thus, given the nascent state of research, it becomes imperative to further understand the IC in VCs decision-making process.

A first attempt to bridge the research gap in understanding how VCs make investment decisions in ICs is made by Malenko et al. (2023). This study describes voting as the decision-making method through which investment decisions are made in ICs (ibid). They find that 90% of the studied American VCs use individual decision-making, referred to as championing, as the voting rule to decide which investments to pursue (ibid). In another recent study by Söderblom et al. (2023), it is shown on the contrary, that Northern European VCs prefer consensus-based voting. As Swedish VCs constitute 10% of the sample in Söderblom et al. (2023), these findings on Northern European voting patterns suggest that similar voting preferences extend to Swedish VCs.

Consequently, existing research points to different decision-making practices between American and Northern European VCs in IC (Malenko et al., 2023; Söderblom et al., 2023). Considering the aforementioned size and maturity of the Swedish VC industry, studying the investment decision-making practices of Swedish VCs can further contribute to research in the field of entrepreneurship and the nascent state of research about the IC stage of VCs. As a result, the following purpose and research question are formulated.

1.2 Purpose and Research Question

The purpose of this study is to provide an account of how Swedish VCs make investment decisions in IC, with a focus on understanding the IC in the decision process and uncovering associated reasons for adopting certain voting patterns. Providing an understanding of this will bring new insights into how VCs make investment decisions. To capture contextual factors of this phenomenon, a qualitative study based on semi-structured interviews will be conducted to answer the following research question:

How do Swedish VCs make investment decisions in IC?

1.3 Expected Contribution

By providing an account of how Swedish VCs vote in IC, this study is expected to address the existing research gaps and to garner both theoretical and practical contributions. In terms of theoretical contributions, this research is expected to expand on the extant literature on VCs investment decision-making processes, which has historically neglected the IC stage (Gompers et al., 2020).

In addition, as a qualitative study based on semi-structured interviews, the results can be expected to garner more detailed insights into the contextual reasons and dynamics shaping the decision-making in ICs compared to the existing, survey-based literature (Gompers et al., 2020; Malenko et al., 2023; Söderblom et al., 2023). This contribution is particularly geared towards understanding the voting patterns of Swedish VCs.

Moreover, in terms of practical contributions, providing a thorough understanding of IC voting will shed light on the internal processes of VCs, creating room for improving their most important strategic activity and ability to fund unicorn start-ups. Understanding more about VCs decision-making is of general interest and importance to the broader society, VCs who fill the demand for start-up funding, suppliers of capital, and entrepreneurs.

1.4 Delimitations

To provide an account of how Swedish VCs make investment decisions in IC while establishing a manageable scope, various delimitations were made. Firstly, the decision-making in the IC stage is the focus of this study as previous literature has neglected this to a large extent despite the recognised importance of the IC as the final decision-making body (Klonowski, 2010; Petty et al., 2023). In this context, previous studies rely on

survey-based methods (Gompers et al., 2020; Malenko et al., 2023; Söderblom et al., 2023). As surveys do not allow for capturing the contextual reasons behind voting patterns and therefore, this research adopts a qualitative approach with semi-structured interviews.

Secondly, the sample is limited to VCs with an office in Sweden for several reasons. For one, to provide a credible contrast in results compared to the studies conducted by Malenko et al. (2023) who studied American VCs, and Söderblom et al. (2023) who surveyed European VCs. In addition, Sweden has established itself as one of the most highly developed VC and start-up ecosystems globally and has been ranked third in the Global Innovation Index 2022 (WIPO, 2022). Hence, Sweden serves as a suitable choice for this study's purpose given the size and maturity of its VC industry. Moreover, the delimitation to Swedish VCs is made to enable in-person interviews, which stands to improve the sample and as a result, the quality of the study (Oltmann, 2011).

Furthermore, the sample is limited to include institutional and governmental VCs (GVC). This was deliberately chosen to account for differences between VCs and GVCs, driven by diverging investment interests and incentive structures. While institutional investors operate in a limited partnership (LP) structure, GVCs are structured differently and tend to include other goals in their investment decisions such as societal aspects (Croce et al., 2019; Johansson et al., 2021). For this reason, both VCs and GVCs are considered in this study to account for potential differences.

2. Existing Literature and Research Gap

This chapter delineates the existing research including a description of the Approach to the Literature Review (2.1). Further, the Investment Decisions of VCs (2.2), and the five steps of the Decision Process of VCs (2.3) are accounted for, before diving deeper into the Investment Committee (2.4). Thereafter, the Research Gap of the study (2.5) is illuminated and finally, a conception of the Theoretical Framework (2.6) is presented.

2.1 Approach to the Literature Review

When conducting a qualitative study, reviewing existing literature extensively is the initial step of a robust methodological approach (Saunders et al., 2019). The purpose of this literature review is to provide an account of the main research strands on VCs decision-making processes within the field of entrepreneurship. In this regard, the following does not intend to describe all the literature in the field but rather to uncover emerging themes that have been overlooked in prior research (Corbin & Strauss, 2008). Consequently, this approach to the literature review lays the foundation for the remaining part of Chapter 2.

The starting point of the literature search was the publication of Malenko et al. (2023) on the voting strategies used in the ICs of American VCs. From the initial literature, keywords, as represented in Figure 1, were identified, and used to screen the Web of Science and Scopus databases. The database searches were done separately, and articles were exported and

merged into one spreadsheet and cross-checked for duplicates. Through a manual review of all the scraped articles, and a prioritisation of three levels of relevance, 111 articles came to form the basis for the subsequent literature review.

Hereafter, rankings from the Academic Journal Guide (AJG) were used to verify the quality of the literature and reduce the selection further. In addition, by snowballing from existing research, further articles were added manually to supplement the literature review. As a final step, an additional database scrape on Google Scholar was performed using identical keywords to capture relevant articles that may not have been identified before. As a final measure to ensure that the literature field had been exhausted, the main articles underlying the literature review were run through the AI tool Research Rabbit. However, this did not generate any new additions and, hence, served as a confirmation of the comprehensiveness of the literature review. In total, this resulted in 168 articles that form the foundation for this literature review, which is illustrated in Figure 1.

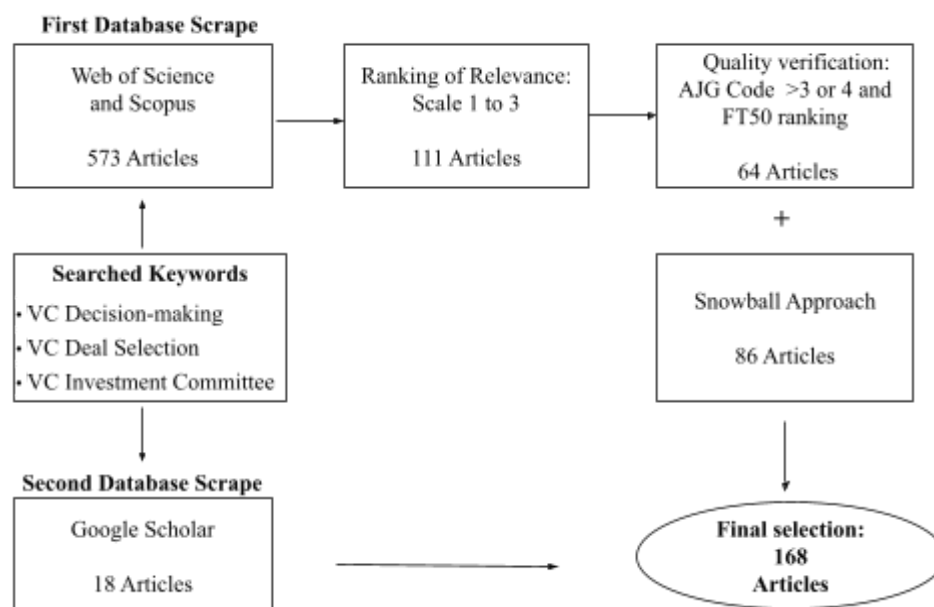


Figure 1. Overview of the approach to the literature review.

Identifying the methodologies of existing research, helped inform the qualitative nature of this study to contribute to the literature in the field (Gall et al., 2007). Out of the final selection of papers, 70% are quantitative studies. Also, understanding from which academic fields the research derives from, indicates the maturity of the research field. Of the final selected articles, 70 are published in journals belonging to the Entrepreneurship and Small Businesses category, 14 in Finance, 14 in Ethics, Corporate Social Responsibility, and Management, and 12 in Economics based on the AJG categorisation. In addition to this, a smaller subset of the papers is published in journals belonging to Innovation or Organisation and Management Science Research. Mapping the literature based on research domains, created an understanding of the main theoretical field that this study departs from and intends

to contribute to. Hence, this study fits into the broader domain of entrepreneurship literature and specifically on VC decision-making.

2.2 Investment Decisions of VCs

Understanding VCs decision-making process is contingent on understanding the type of strategic decision VCs are faced with. Therefore, this serves as a natural starting point for the literature review. The investment decision constitutes an essential strategic decision of a VC influencing which start-ups receive funding and which do not (Zacharakis & Meyer, 2000; Petty et al., 2023).

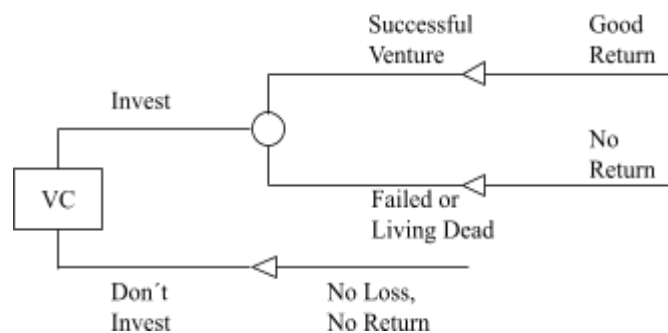


Figure 2. VCs investment decision (Zacharakis & Meyer, 2000).

As depicted in Figure 2, the decision a VC faces is whether to invest or not in a start-up. In the case of investing in a start-up, a VC faces two cases, either the investment failing to deliver a positive return or successfully achieving high returns. In this way, the investment decision influences the future success of a VC and is therefore of strategic importance (Shepherd et al., 2000). This is further illustrated by the low selection rate of only 1% of start-ups that receive VC funding. This implies that the final investment decision is a critical component of VCs business models as it influences which companies become part of their portfolio, ultimately affecting the performance of the VC (Gompers et al., 2020).

As the success of a VC is determined by the investment return, it becomes imperative to have a process that optimises for selecting investment opportunities that have high return potential. Therefore, the next section will provide a description of the existing literature on this process.

2.3 The Decision Process of VCs

Since the 1970s, extant research in the entrepreneurship literature on VCs decision processes has offered comprehensive insight into a variety of domains. The literature on VC decision-making is predominantly shaped by two interconnected strands of research, 1. The decision process and 2. Deal selection criteria, as highlighted by Woike et al. (2015) and Petty et al. (2023). Research on the decision process is overarching as it considers the activities in each stage of a VCs investment process, whereas deal selection criteria are mainly used in parts of the decision process, especially related to screening and evaluation.

Both of these research strands have informed and been influenced by VC practice over the past decades.

One of the earliest and most influential papers on VC decision-making specifying VC investment activities is Tyebjee & Bruno (1984). These activities are described in the decision process consisting of five steps, as portrayed in Figure 3. To expand, the five sequential and linear steps Tyebjee & Bruno (1984) coined are 1. Deal Origination, comprising sourcing, and discovering a new start-up 2. Deal Screening, including reviewing business proposals of the sourced start-ups, 3. Deal Evaluation, usually refers to the due diligence process where a deeper assessment of business proposals is conducted. This often involves reviewing the business plan in detail, gathering external expert input and meeting entrepreneurs (Mason & Harrison, 2002; De Clercq et al., 2006). Further, 4. Deal Structuring refers to the stage where term sheets are negotiated and 5. Post-investment activities can include support provided to the portfolio companies by the VC (Tyebjee & Bruno, 1984). Subsequently, other scholars have built on the work of Tyebjee & Bruno (1984) in explaining the decision process (Hall, 1989; Fried & Hisrich, 1994; Boocock & Woods, 1997; Bliss, 1999; Silva, 2004). Since the prevailing research has consistently identified similar multi-stage models, this research strand can be considered saturated and thus provides a strong theoretical foundation for the remainder of this study.

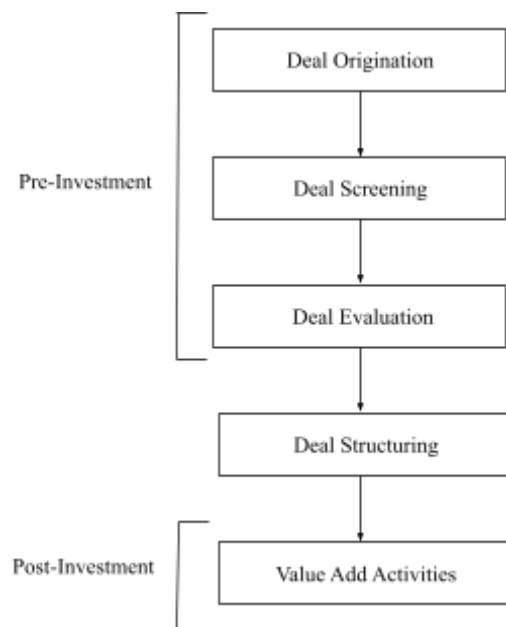


Figure 3. The decision process of VCs (Tyebjee & Bruno, 1984, edited).

In the following sub-chapters, the existing literature on each of the steps in the decision process is described further to provide an account of the extant research in the field and how the stages of the decision process are related to each other.

2.3.1 Deal Origination

In the five steps outlined by Tyebjee & Bruno (1984), Deal Origination is the initial step, which refers to the activity during which VCs discover investment opportunities in start-ups with high growth potential (Kollman & Kuckertz, 2010). This includes generating a deal flow that fills the decision process and the VCs pipeline with business proposals (Hall, 1989).

Investment opportunities reach VCs through various channels. Outbound sourcing, inbound lead generation, and network referrals are common sources. The proposals that come in through referral tend to pass the deal screening stage to a larger extent compared to proposals that reach the VCs through cold channels (Shane & Cable, 2002; Batjargal, 2007; Hallen & Eisenhardt, 2012). The variety of ways in which proposals are originated and the volume of incoming opportunities, suggests a need for narrowing down the selection of potentially interesting investment opportunities to the ones with the highest potential.

2.3.2 Deal Screening

The total number of investment opportunities that enter the investment process through the origination stage needs to be reduced to a more manageable number of proposals that are screened during the second stage (Kollman & Kuckertz, 2010). To do this efficiently, VCs rely on a set of deal screening criteria.

The widespread adoption of deal screening criteria to establish a manageable investment process has given rise to significant scholarly attention being drawn to the topic. The criteria VCs use to screen and assess potential investment opportunities has been studied by scholars in the past 40 years (Wells, 1974; Tyebjee & Bruno, 1984; MacMillan et al., 1985; Franke et al., 2008). As mentioned previously, this academic interest in understanding VCs decision-making is mostly understood in relation to VCs ability to make selective investment decisions (Kirsch et al., 2009). Overall, this has provided a thorough understanding of the different criteria used since the beginning of VC decision-making research in the field of entrepreneurship (Fried & Hisrich, 1994; Muzyka et al., 1996; Shepherd, 1999; Gompers et al., 2020). This further indicates the maturity of research in the field and points to the saturation of the second main strand of research as previously described.

In the Deal Screening stage a set of broad screening criteria are applied to narrow down the selection for further evaluation in the third stage (Tyebjee & Bruno, 1984). These criteria consider: (1) The ticket size of the investment into the start-up, and how that suits the VCs investment strategy, (2) The technology and market of the start-up, (3) Geographic location of the start-up, and (4) The financing stage, and how that relates to the VCs investment strategy (ibid). In this way, Tyebjee & Bruno (1984) provide one of the earliest and most comprehensive understandings of both the stages of the decision process as well as the four overarching criteria used to screen business proposals.

Building on the extant research on deal selection criteria, Franke et. al (2008) review 13 articles and find that there are a variety of criteria that are commonly used across VCs when

screening proposals. The research finds several different criteria, which can be grouped into four overarching categories: 1. Product or service, 2. Market and industry, 3. Team, and 4. Financial potential (ibid). These categories are repeatedly found in previous survey research, which Kaplan & Strömberg (2004) also confirm. By assessing these criteria, the VC can determine whether the business proposal warrants further consideration.

In addition, Ferrari & Muffato (2021) performed a systematic literature review on deal selection criteria, classifying the research of over 50 academic articles into eleven generic classes which are subsumed into four main domains of analysis. These four refer to: 1. Venture-specific factors, 2. Investor-specific factors, 3. Environmental factors, and 4. Risk assessment factors. In this context, the venture-specific factors consist of seven generic classes, which broadly correspond with the deal selection criteria identified in the review of Franke et al. (2008). Although several sets of criteria are identified in the research, the common grouping indicates a saturation of research in the area. Hence, given the similarity these criteria have in the overall literature, and that they are largely persistent over time highlights the influence these criteria have had on VCs deal selection process.

2.3.3 Deal Evaluation

In the next stage, Deal Evaluation, VCs consider the potential of an investment opportunity by relying on evaluation criteria. Matusik et al. (2008) point out that evaluation criteria are used across the sourcing (origination), screening, and due diligence (evaluation) stages. In this way, an overlap in criteria used to screen and evaluate a proposal can be observed. The discerned commonalities across the criteria reinforces the interdependencies across the stages of the decision process and demonstrates the maturity of the research on this topic.

Another potential explanation for the overlap and commonalities across criteria is that some VCs perform a preliminary evaluation first, and then progress to a more formal and thorough due diligence (Fried & Hisrich, 1994). To account for existing research in the field of VC decision-making, however, these screening and evaluation criteria are considered separately.

After VCs originate and screen relevant investment opportunities, they engage in due diligence through an extensive evaluation of the business proposal. This assessment considers the 1. Market size, 2. Strategy, 3. Technology, 4. Customer base, 5. Competitors, 6. Team, and 7. Risks associated with the start-up (Kaplan & Strömberg, 2001). This is also reflected in the five underlying dimensions found in Tyebjee & Bruno (1984). The evaluation criteria are assessed deeper than the screening criteria and are used in a stage where the VC is more committed to dedicating resources to understand if a business proposal is of interest to them.

In this context, Terjesen et al. (2013) finds that when faced with a similar investment situation, VCs tend to act homogeneously in their evaluation of business proposals. This routine decision-making has led to the establishment of certain preferred mental models, which has shaped how VCs evaluate proposals. Thus, a macroculture amongst VCs appears to exist, as they exhibit common values and behaviours (ibid). Despite the use of similar criteria, different strategic investment approaches can still be pursued in the Deal Evaluation

stage (Woike et al., 2015; Malenko et al., 2023). Differences in how VCs approach the strategic investment decision can be related to the investment focus of a VC and in this way shapes the decision-making processes.

2.3.4 Deal Structuring

After VCs decide to move forward from the evaluation of a start-up to closing the investment, the entrepreneur and the VC enter the Deal Structuring stage in which the last details are finalised and mutually acceptable investment terms are negotiated (Fried & Hisrich, 1994; Kollman & Kuckertz, 2010). This normally takes place as a final step of the evaluation phase and includes commencing a discussion on the investment terms (Gompers et al., 2020).

The structuring stage serves several purposes. Firstly, it enables the negotiation of the price of the investment, i.e., the amount of equity transferred to the VC for investment (Tyebjee & Bruno, 1984; Kollman & Kuckertz, 2010). Secondly, the structuring phase helps to establish protective rights to lower the risk for VCs (Kaplan & Strömberg, 2001). These can include covenants regarding the limitation of salary or capital expenditure for the start-up or agreements on outcomes under which entrepreneurs gain or lose rights (Tyebjee & Bruno, 1984; Kaplan & Strömberg, 2001).

In most of the extant literature, the structuring stage is described as the connecting link between the evaluation of business proposals and the completion of an investment into a start-up (Tyebjee & Bruno, 1984; Fried & Hisrich, 1994). Nonetheless, in practice, the stages between Deal Screening, Evaluation, and Structuring can vary significantly between VCs and overlap to some extent (Fried & Hisrich, 1994). In this context, the overlap of these stages poses the question as to when the formal decision-making on an investment proposal occurs. As none of the previously described stages clearly delineates how an investment decision is formed. The proceeding stage that is accounted for in existing literature describes the investment activities that take place after the investment has been made.

2.3.5 Post-Investment Value-Add Activities

After closing an investment, VCs usually take on a governance function and a close role to the entrepreneurs providing guidance and advice (Hellmann, 2000; Hellmann & Puri, 2000). Post-investment activities include support and value-add to the VCs portfolio companies. Besides monitoring their investments, VCs provide support to start-ups in hiring employees, generating partnerships, strategy advice, market expansion, and the preparation for future divestment through mergers, acquisitions, or public offerings (Tyebjee & Bruno, 1984; Hellmann & Puri, 2000; Matusik et al., 2008; Kollman & Kuckertz, 2010). In this context, Sapienza (1992) confirms that VCs add value to start-ups beyond their financial investment and that VCs with close relationships to the entrepreneurs typically also provide greater value to their portfolio companies.

2.4 Research on the Investment Committee

The five-step decision process helps understand how a proposal progresses through the funnel from being identified to receiving investment (Tyebjee & Bruno, 1984). As described above significant scholarly attention has been placed on the decision process activities. However, previous research does not account for the stage between Deal Evaluation and Structuring. In this way, a gap exists in the current literature as there is limited understanding of how the investment decision is made, i.e., what activities happen after Deal Evaluation but before Deal Structuring.

	<u>Pre-investment</u>				<u>Post-investment</u>	
	1. Origination	2. Screening	3. Evaluation	IC	4. Structuring	5. Value-Add
Wells (1974)	X	X	X		X	X
Poindexter (1976)			X			
Johnson (1979)			X			
Chan (1983)		X	X			
Tyebjee & Bruno (1984)	X	X	X		X	X
MacMillan et al. (1985)		X				
Khan (1987)			X			
MacMillan et al. (1987)		X	X			
Robinson (1987)		X	X			
Hisrich & Jankowicz (1990)		X	X			
Dixon (1991)			X			
Gupta & Sapienza (1992)						X
Riquelme & Rickards (1992)		X	X			
Lerner (1995)						X
Hall & Hofer (1993)		X	X			
Carter & Van Auken (1994)		X	X			
Fried & Hisrich (1994)	X	X	X		X	
Bachher & Guild (1996)			X			
Muzyka et al. (1996)	X	X	X			
Bergemann & Hege (1998)					X	
Zacharakis & Meyer (1998)		X	X			
Zutshi et al. (1999)		X				
Shepherd (1999)		X	X			
Hellmann & Puri (2000)						X
Hellmann (2000)						X
Shepherd et al. (2000)		X	X			
Zacharakis & Meyer (2000)		X	X		X	
Gompers & Lerner (2001)	X	X	X		X	X
Kaplan & Strömberg (2001)		X			X	X
Shane & Cable (2002)		X	X			
Kaplan & Strömberg (2003)					X	

Table 1. Overview of existing research, indicating the research gap on the IC stage.

	<u>Pre-investment</u>			<u>IC</u>	<u>Post-investment</u>	
	1. Origination	2. Screening	3. Evaluation		4. Structuring	5. Value-Add
Baum & Silverman (2004)		X	X			X
Gompers & Lerner (2004)					X	
Kaplan & Strömberg (2004)		X	X		X	X
Shepherd & Dimov (2005)		X	X			X
Franke et al. (2006)			X			
Franke et al. (2008)		X				
Kaplan et al. (2009)		X	X			
Payne et al. (2009)					X	
Kollmann & Kuckertz (2010)		X	X			
Terjesen et al. (2013)		X	X			
Hoenig & Henkel (2015)		X	X			
Lukas et al. (2016)					X	
Barrot (2017)					X	
Warnick et al. (2018)		X	X			
Ewens et al. (2018)	X	X	X			
Van Balen et al. (2019)		X	X			
Shao & Sun (2021)		X			X	
Gompers et al. (2020)		X	X	X		
Johansson et al. (2021)		X	X	X	X	
Dushnitsky & Sarkar (2022)		X				
Guenther et al. (2022)	X					
Kim & Lee (2022)		X				
Balcerzak et al. (2023)					X	
Blume & Hsueh (2023)		X	X			
Petty et al. (2023)		X	X	X		
Malenko et al. (2023)				X		
Söderblom et al. (2023)				X		

Table 1 (Cont.). Overview of existing research, indicating the research gap on the IC stage.

Based on an extensive literature review of the research on VC decision-making as demonstrated in Table 1, it is only until very recently that scholars have acknowledged the importance of the IC and attempted to explain how investment decisions are made in the final IC stage. Of the extant literature studying the different stages in the decision process, five articles refer to the IC explicitly (Gompers et al., 2020; Johansson et al., 2021; Malenko et al., 2023; Petty et al., 2023; Söderblom et al., 2023). Thus, it is evident that prior research has directed limited attention to understanding the IC stage despite its relevance in the overall decision-making process of VCs. Consequently, to narrow down the five steps of the decision process, Petty et al. (2023) researched the IC as part of the deal flow process consisting of the three stages: 1. Screening and 2. Evaluating prior to the 3. Final Inspection stage during which the IC meeting takes place. In this way, Petty et al. (2023) provides the initial research on IC that this study departs from and contributes to bridging the understanding of the role of the IC. Moreover, the studies on voting in the IC (Gompers et al., 2020; Johansson et al.,

2021; Malenko et al., 2023; Söderblom et al., 2023) lay the foundation for this study's focus on voting patterns. The following sections will uncover both research strands further.

2.4.1 The Role of the IC Body

The IC fills a crucial role at the end of the deal flow process in which start-ups are selected for investment. As seen in Figure 4, a very small share of the proposals which a VC considers on an annual basis reach the final IC stage. Petty et al. (2023) point out that in their sample as many as 80% of business proposals are already rejected in the screening stage. Moreover, 3.7% of all proposals move on to the inspection stage, and only 0.7% receive investment (ibid). This means that around 81% of investment proposals that make it to the IC stage are rejected. The high deselection rate signals the importance of the IC as a body in which investment decisions are made. This further underpins the question of how VCs make investment decisions in the IC.

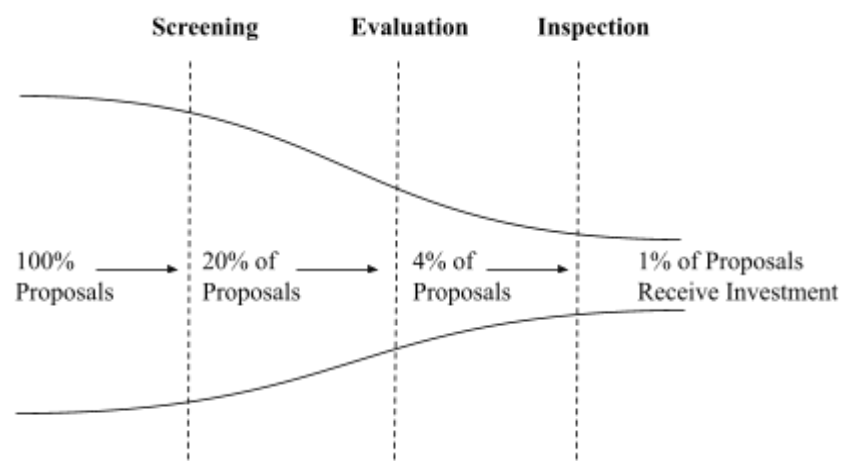


Figure 4. Deal flow process overview (Petty et al., 2023).

Further, the purpose of the IC is to serve as the internal approval body of a VC, which allows for the closure of investments (Klonowski, 2010). In addition to its approval function, the IC enables the sharing of information among decision-makers in VCs (ibid).

The occurrence of the IC in relation to Deal Structuring is that the Inspection stage precedes the structuring and final negotiation, indicating the role of the IC as the decision-making vehicle. Before presenting the proposal to the IC for formal approval, the major terms of the agreement should have been negotiated and the term sheet signed (Klonowski, 2010). The signed term sheet serves as evidence for the investment team to demonstrate to the IC that the investment has been agreed upon in principle and that key aspects of due diligence have been successfully addressed (ibid). During the IC meeting the investment proposal is considered by the participating members before the final investment decision is made.

The IC members can consist of the investment team and other key internal decision-makers with the formal mandate to legally close an investment (Klonowski, 2010). Committee

members meet relatively infrequently (i.e., bi-monthly) or on an ad-hoc basis when needed. IC meetings are usually initiated with a presentation by the investment team with a subsequent discussion (ibid). In this way, the IC meetings are a formal decision point during which IC members convene to reach investment decisions.

In addition, in a study of Swedish GVCs by Johansson et al. (2021), the authors find that the typical frequency of convening in IC decision meetings was bi-weekly. By inter alia attending and observing IC meetings and documenting the formal processes and information gathered during the IC, this research garners an initial understanding of how Swedish GVCs make investment decisions. The research sheds light on the structural processes surrounding the IC and how screening and due diligence are organised in relation to the final decision. Further, Johansson et al. (2021) find that Swedish GVCs make joint decisions, based on a discussion of potential drawbacks and advantages of a proposed investment opportunity.

2.4.2 Voting in IC

In the IC, voting is the decision mechanism through which the IC members decide on if a proposed investment opportunity receives investment or not. Previous research on voting across IC is performed by surveying American and European VCs (Gompers et al., 2020; Malenko et al., 2023; Söderblom et al., 2023). These survey studies have inherent limitations as they rely on predefined voting categories that inevitably vary across different research efforts. As a result, surveyed VCs may select voting rule categories that do not accurately reflect the actual rules employed within their VCs. This discrepancy arises because the predetermined categories provided in surveys may not fully capture how voting occurs in practice. Consequently, the responses obtained in surveys may not truly correspond to the specific voting mechanisms and decision-making processes utilised by VCs in their ICs. In this context, Table 2 provides an overview of existing research on the distribution of voting rules observed in the samples studied thus far.

Gompers et al. (2020) study VCs investment processes and make an initial contribution to understanding which voting rules are used in VCs. It is observed that roughly half of the 885 surveyed American VCs use unanimous voting, whereas 20% require consensus with some partners having veto power (ibid). As an extension of this study on how VCs select investments, Malenko et al. (2023) contribute to the emerging literature on VC decision-making (Kaplan et al., 2009; Gompers et al., 2020). In this way, Gompers et al. (2020) and Malenko et al. (2023) bring a new perspective by introducing the concept of voting as a means to reach investment decisions and not only studying the process or the selection criteria that evolve around an investment decision.

	Gompers et al. (2020)	Söderblom et al. (2023)	Malenko et al. (2023)
Sample:	<i>USA</i>	<i>Europe</i>	<i>Nordics</i>
Voting Rule:			
Majority	15%	36%	31%
Majority (as long as no veto)	-	-	5%
Unanimous	57%	31%	31%
Consensus (with veto)	20%	25%	26%
Individual Decision (As long as no veto)	-	-	30%
Individual Decision	-	4%	4%
			60%

Table 2. VC voting in IC, across European and American samples.

In the study by Malenko et al. (2023) on 50 American VCs, the authors attempt to bridge the gap in uncovering the voting rules used in IC. The findings indicate that the most used voting rule across the surveyed VCs is the championing voting rule, i.e., individual decision-making, implying that a single partner can do the investment with or without a veto. Further, Malenko et al. (2023) find that unanimous agreement is used the least across their studied sample.

In this context, Malenko et al. (2023) find that majority voting reduces the chance of discovering start-ups with unicorn potential by up to 70% compared to championing voting. Hence, championing is favoured for catching outliers, aiding in identifying high-potential start-ups aiming for unicorn status (Kenney & Zysman, 2019; Malenko et al., 2023).

An additional recent study by Söderblom et al. (2023) investigated the voting patterns of 885 European VCs through a survey inspired by Gompers et al. (2020). In this way, Söderblom et al. (2023) can be considered an extension of the survey-based study by Gompers et al. (2020). However, as Söderblom et al. (2023) adjusted their study to the European context, there are notable differences in the results.

The study accounts for four main voting strategies that are used in the ICs of European VCs. These four are 1. Unanimous voting (i.e., requiring approval from all IC members), 2. Majority voting (i.e., more than half of IC members agree), 3. Consensus but with veto power of individual IC members, meaning that no one disagrees, and members have the right to exercise a veto, and 4. Individual decision (i.e., each IC member is free to invest with only

the advisory role of other IC members). While unanimity and consensus are closely interrelated, differences exist as unanimity requires everyone to agree and consensus means that no one disagrees.

In this context, Söderblom et al. (2023) find that most VC investors arrive at investment decisions either through a majority vote (36%) or unanimous voting (31%). Further, a part of the sample (25%) relies on consensus but grants individual IC members veto power. In stark contrast to the findings in Malenko et al. (2023), only a small share of VCs (4%) rely on individual decision-making (ibid). Considering the results observed in Malenko et al. (2023), in which the champion vote is superior in detecting outliers than other voting patterns, it begs the question as to why European VCs select other voting systems.

Narrowing down the results of Söderblom et al. (2023) there are differences across Europe. 19% of the sample is attributed to Northern European VCs. In this region, an equal share of 31% of decisions are reached using majority or consensus voting with veto power which corresponds to the most consensual voting patterns in the overall sample. This observed difference between European and American VCs is congruous with assertions put forward by Hege et al. (2009). They find that differences in decision-making processes and practices can be assumed to arise as (i) the European VC market has grown and emerged later than in the US and (ii) the inherent structural differences between both markets (ibid). Hence, one can expect such discrepancies to extend to VCs based in Sweden.

Swedish VCs constitute 10% of the total European sample studied by Söderblom et al. (2023) which corresponds to half of the Northern European sample. Thus, one can expect the results regarding the prominent use of consensus-based voting in the Nordics to apply to Swedish VCs, given the significant share of Swedish VCs in the Northern European sample. This suggests a need to first investigate the voting patterns of Swedish VCs due to the country-specific differences in the Nordics. Second, it becomes imperative to gain a better understanding of the contextual reasons for certain voting patterns across Swedish VCs.

2.5 Research Gap

Based on the literature review and considering VCs decision-making in the IC stage as this study's main research area, this chapter provides a summary of the existing research, and the interrelatedness of concepts, as shown in Figure 5. This is followed by highlighting the research areas that need further exploration.

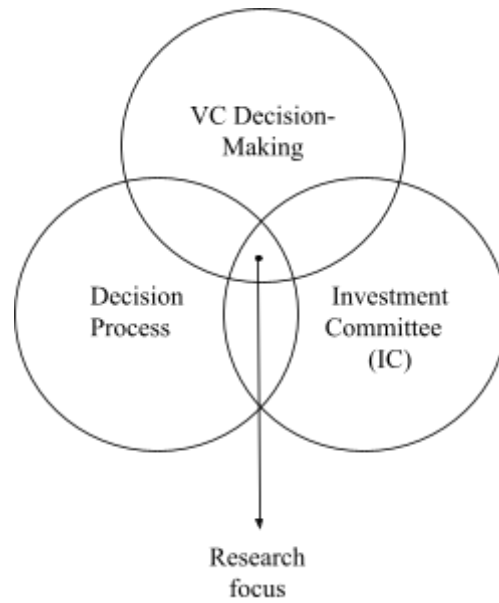


Figure 5. Research focus at the intersection of VC decision-making, decision process, and IC.

Given the limited scholarly attention that has been directed toward understanding how investment decisions are made in the IC stage, the state of the literature is considered nascent. The IC constitutes the final investment decision stage in the decision process, hence, it can be argued it is significant for VCs decision-making. Nonetheless, prior literature has solely focused on quantifying the distribution of different voting rules used in IC (Gompers et al., 2020; Malenko et al., 2023; Söderblom et al., 2023). This serves as a starting point to further explore and expand on the initial research on how investment decisions are made in IC.

The literature review highlights the research gap that this study seeks to address. First, understanding the IC as the final decision-making body and how the IC stage fits into the broader decision process will be considered. In the overall domain of VC decision-making, the strategic relevance of making sound investment decisions is acknowledged (Zacharakis & Meyer, 2000; Gompers et al., 2020), however, research on how investment decisions are made in the final IC stage of the decision process is currently understudied.

In addition, during the IC stage, voting is how VCs make decisions in IC (Gompers et al., 2020; Malenko et al., 2023, Söderblom et al., 2023). However, scholars have not accounted for how decisions are made in IC nor the origins of the adopted voting rules, hence, the current understanding of how and why VCs vote to reach investment decisions is limited. By going beyond different voting classifications, the study seeks to fill the research gap on the contextual reasons behind the voting patterns in IC and, thus, gain a better understanding why Swedish VCs use particular voting rules and their respective origins.

For this purpose, the analysis is further guided by two sub-questions:

Q1: How can the role of the IC be understood in the decision process of Swedish VCs?

Q2: How can the voting patterns of Swedish VCs be explained?

2.6 Theoretical Framework

To support a thorough understanding of how Swedish VCs make investment decisions in IC, a theoretical framework has been developed, based on core concepts derived from the literature review. As shown in Table 3, the interconnected strands of the existing literature underscores the existence of research gaps related to understanding how Swedish VCs make investment decisions in IC.

Theoretical Lens	Prior Research (non-exhaustive list)	Perceived Research Gap
Decision Process (2.3)	Wells (1974); Tyebee & Bruno (1984); Hall (1989); Hall & Hofer (1993); Fried & Hisrich (1994); Gompers & Lerner (2001).	Discuss the various ways the decision process stages have been depicted in the literature, but does not acknowledge the role of the IC and its position in the decision process.
The Investment Committee (2.4)		
The IC Body (2.4.1)	Klonowski (2010); Johansson et al. (2021); Petty et al. (2023).	Discuss the existence of the inspection stage as part of the deal flow process and the role of the IC, but does not explain the processes inside the final decision-making stage.
Voting in IC (2.4.2)	Gompers et al. (2020); Malenko et al. (2023); Söderblom et al. (2023).	Discuss the different voting rules used in IC to reach investment decisions, however, it does not portray any nuance on the contextual factors behind the chosen voting rule. Previous literature samples American and Nordic VCs, but does not specifically study Swedish VCs voting rules.

Table 3. The study's theoretical lens and associated research gaps in existing research.

3. Method

This chapter describes the methodological considerations of this study, drawing inspiration from the research onion model (Figure 6) introduced by Saunders et al. (2019). The initial segment addresses the Research Design (3.1) of the study. Subsequently, a section detailing

the Data Collection and Analysis methods is accounted for (3.2 and 3.3), before concluding with an evaluation of the study's Quality (3.4) and Ethical Considerations (3.5).

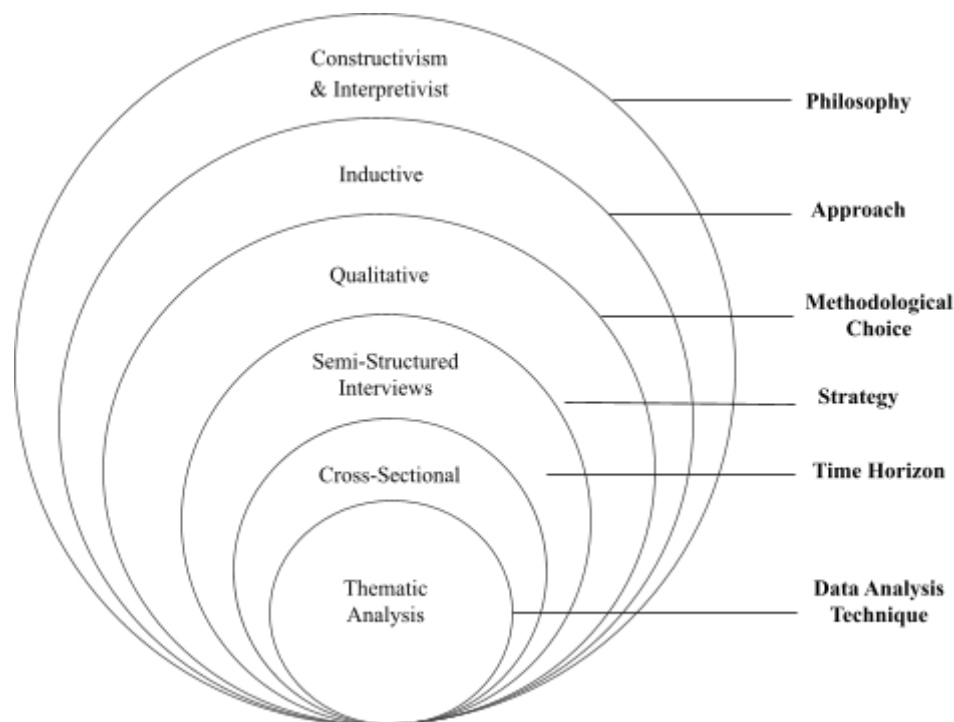


Figure 6. Research onion describing the methodological considerations of this study (Saunders et al., 2019, edited).

3.1 Research Design

3.1.1 Research Philosophy and Approach

The purpose of this study was to provide an account of how Swedish VCs make investment decisions in IC. The existing theory only accounts for the IC stage to a limited extent, hence, the state of the research can be identified as nascent, based on the three archetypes described in Edmondson & McManus (2007).

Due to the lack of research on IC, an open-ended research structure was deemed critical to allow for the capturing of the understudied phenomenon (Edmondson & McManus, 2007). Considering that ICs are a construct created by social actors, it becomes imperative to capture subjective meanings. For this reason, the research question was approached with a constructivist ontological position as this acknowledges that reality is shaped by social interactions and constructions that are subjective, ongoing, and formed by their context (Bell et al., 2019). Underpinned by the constructivist ontological position, the epistemological position is, thus, interpretive as this allows for capturing the subjective meanings of reality which consists of human actions (ibid).

3.1.2 Methodological Choice and Research Design

In line with the philosophical assumptions, a qualitative method was deemed most appropriate for the study because this allows for capturing rich and detailed data on the subjective reality as expressed by individuals (Flick, 2009; Bell et al., 2019). Moreover, the qualitative research design is an appropriate approach to capture detailed and rich data, which is necessary to acquire not only descriptive data but also underlying factors (Corbin & Strauss, 2008). As this study seeks to uncover contextual factors influencing the investment decision-making process of Swedish VCs, choosing an approach that allows for that was important. Due to the nature of the VC industry and the personal dynamics at play, quantitative methods cannot capture these subjective real-world phenomena.

Consequently, to stay aligned with the research philosophy and the qualitative method, an inductive approach is used. Inductive studies seek to generate new theories based on the collection of empirical data, and in this way elucidates the ongoing interplay between real-world observations and theory (Rossman & Rallis, 2017; Korstjens & Moser, 2017; Bell et al., 2019). Given the significant research gap on the IC stage, the phenomenon is understudied. Hence, this study seeks to establish new theoretical concepts to contribute to the existing research on VC decision-making. As the nature of the research question seeks to investigate an empirical phenomenon, gaining a profound understanding of this is contingent on understanding the collected empirical data.

In this way, an inductive approach provides a contrast to a deductive approach which does not fully capture how people think which is of importance when studying socially constructed phenomena (Ormerod, 2009). However, drawbacks of the inductive approach include potential biases in data collection and challenges in generalising findings to a larger population (Gioia et al., 2013). This can lead to limitations in terms of the broader applicability of the analysis.

3.1.3 Cross-Sectional Study

To address the research question, a cross-sectional study conducted at the organisational level of VCs was deemed suitable. Within cross-sectional studies, emphasis is placed on identifying general findings and common themes as opposed to delving deep into each case (Bell et al., 2019). Because this study aims to understand the variation in IC and voting patterns across Swedish VCs ICs a cross-sectional study was chosen.

It is crucial to recognise the limitations inherent to the cross-sectional approach. Despite this study presenting a comprehensive view of how Swedish VCs make investment decisions, the depth of each specific interview was compromised. Other alternatives such as a comparative case study can offer more profound insights into the voting patterns of specific VCs (Bell et al., 2019). Nonetheless, considering the purpose of and questions posed in this research, a cross-sectional design was chosen based on its overall suitability for the study.

3.2 Data Collection Process

As the research question is designed to not only capture a descriptive account of how Swedish VCs make investments in IC but also understand how the IC is perceived as part of the decision process and the contextual factors as to why specific voting rules are deployed, there was a need for capturing a nuanced picture of the phenomena.

Much of the prominent forerunners on existing research about VC decision-making in IC, is based on extensive surveys of VCs. For example, the studies conducted by Gompers et al. (2020), Söderblom et al. (2023), and Malenko et al. (2023) are all based on data collected through surveys which were distributed to various samples of VCs. Kollman & Kuckertz (2010) question the validity of studies on VC decision-making relying on self-reported questionnaires, potentially not fully accounting for how VCs make decisions.

Hence, instead, this study adopts a semi-structured interview-based methodology. Semi-structured interviews allow interviewers to ask open-ended questions while remaining flexible. This acknowledges the existence of variety among interviewees yet maintains some consistency and comparability between interviews (Bell et al., 2019). Further, semi-structured interviews allow for a deeper exploration of the studied phenomenon compared to surveys. However, a drawback of using semi-structured interviews is the variability of responses due to the open structure. This may result in low comparability between interviewees and, as a result, limiting the level of generalisability beyond the sample (Bell et al., 2019). Moreover, semi-structured interviews are still based on an ex-post collection method.

The methodological shortcomings of existing research have also captured the attention of previous scholars. Shepherd (1999) points to the limitations of previous research on VC decision-making related to issues with self-reported and retrospective data collection. Retrospective data collection can result in respondents answering based on their beliefs on how they decide, instead of their actual decision behaviour (Kollman & Kuckertz, 2010). This is supported by Franke et al. (2006) who posit that interviews as a post hoc method are flawed as it relies on the respondent's ability to recall memories and is susceptible to biases in VCs decision-making. Nonetheless, semi-structured interviews allow for further probing, which limits the issue to some extent. In addition, as the purpose of this study is to uncover contextual factors behind voting patterns, it serves as a suitable methodological choice.

3.2.1 Interviewee Sampling

Purposive sampling was used to identify interviewees to ensure that the interviews would inform the research question (Bell et al., 2019). This allowed for interviewees to be chosen based on their expected contribution to the studied phenomenon as they were relevant to the research question of this study and not samples of a random population (Robinson, 2014). As opposed to random sampling, purposive sampling strategically targets the unit of analysis of the research question (ibid). Given that the organisational level of VCs is studied, VCs are the sample target, accessed through individuals working at these organisations.

More specifically, the sampling was based on several criteria to narrow down the target group to a coherent sample. First, the sample was limited to early-stage and growth VCs in Sweden. This strategy was undertaken to increase the comparability in the sample and select VCs with similar strategies and structures. In addition, the value of the authors' local networks was considered when sampling interviewees. Moreover, the sample was partly based on members of the Swedish Venture Capital Association (SVCA) with whom the authors collaborated to gain further access to interviewees. This aligns with the approach taken by Matusik et al. (2008), as they sampled VCs identified through the National Venture Capital Association (NVCA).¹ Approaching an industry association was in this way also confirmed to be suitable to this study. Further, desk research on Pitchbook and Crunchbase combined with the previous sampling approaches, generated a broad base of relevant VCs to sample, facilitating the process of accessing interviews. Finally, snowball sampling was an additional source of accessing interviewees throughout the interview process.

Succeeding the interviewee sampling, outreach commenced. Three sources of outreach were used based on the accessibility of the sampled VCs. Pre-existing connections were contacted through email or social media. Connections to VCs that were not as close were facilitated through an introduction via the SVCA, and at last, cold outreach was performed through email and telephone calls. The initial email outreach to potential interviewees included a presentation document of the research project to provide a contextual backdrop to the study (as shown in Appendix 9.1). This served an important function in defining the scope of the interview as some interviewees confirmed its usefulness in preparation for the interview.

3.2.2 Interview Procedure

Prior to the interview process, an interview guide was created by the authors (as shown in Appendix 9.2). The interview guide questions were inspired by concepts identified in the literature review process. As the existing literature serves as a basis for further areas to research, this came as a natural approach. The starting point was the survey questions posited in Malenko et al. (2023) and Söderblom et al. (2023). A first draft of the interview guide was formalised consisting of a set of questions. Thereafter, the interview guide questions were grouped into descriptive and contextual questions based on the type of data they would yield, and which later formed the structure underpinning the Data Analysis (3.3).

One important consideration was to keep the interview guide flexible and open-ended to allow for follow-up questions during the interview, thus, limiting the number of predetermined questions. Some questions had to be removed from the interview guide to suit the sample after considering the time constraints of VCs as put forward by Söderblom et al. (2023, p. 4): *“Driven by both VC investors’ time restrictions and the significant efforts it takes to get responses from such a difficult-to-target population of respondents”*. Acknowledging the characteristics of the sample group and catering the questions to them became a way to obtain as many respondents as possible within their time constraints.

¹ A non-profit association for venture capital firms in the United States.

Once the interview guide was finalised, the interview scheduling was initiated. The interviews were scheduled to take 45 minutes either face-to-face or digitally depending on the interviewee's availability. Before the interviews, interviewees received an email with an attached consent form to sign (as shown in Appendix 9.3). This was later replaced with a link to DocuSign, a digital signing tool to facilitate signing of the form.

An initial pilot interview was held on February 2nd, 2024, to practise the flow of the interview guide and identify research areas to emphasise or remove due to redundancies. After this, the interview phase commenced. A total of 30 interviews were conducted during the time period February 2nd, 2024, and April 11th, 2024. During the interviews, one author acted as the interview lead and the other took notes to keep track of quotes and other questions to ask as part of the semi-structured approach. In addition to this, the interview was recorded. Further, the interviews were transcribed within 24 hours to ensure that all information was gathered (Bell et al., 2019). In this way, the data collection and analysis were performed simultaneously which is described below.

3.3 Data Analysis Process

The collection and analysis of data occurred in an iterative and ongoing process as described in Figure 7. An AI tool that was a useful aid in transcribing the recorded interview was Revoldiv. The tool created a first draft of the interview transcript, serving as the foundation for subsequent coding of the interview data.

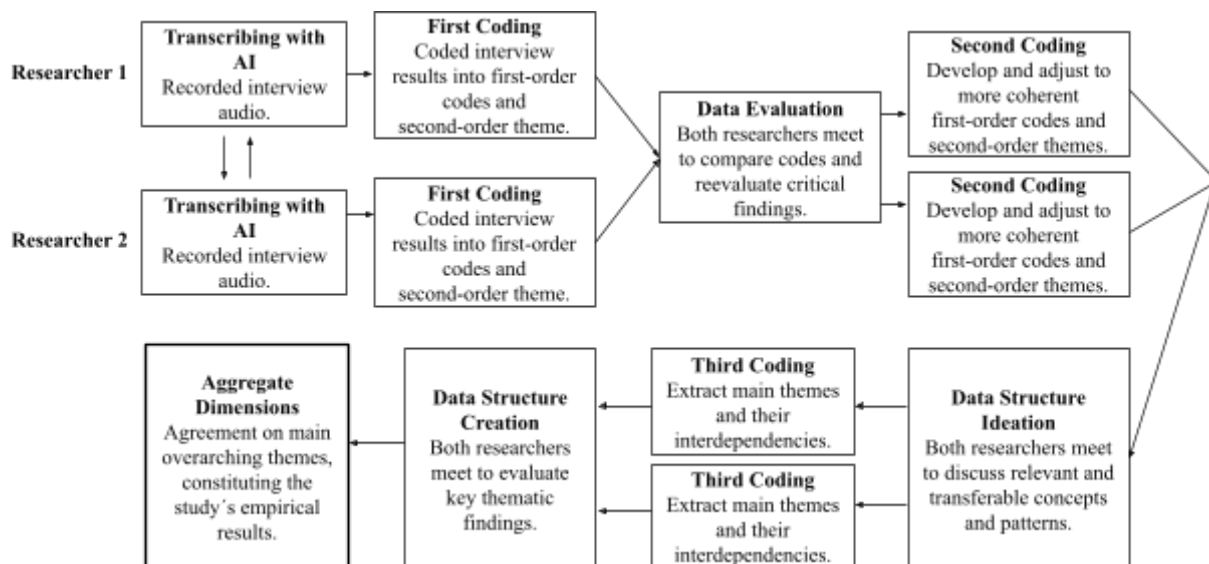


Figure 7. Overview of the data analysis process.

Further, thematic analysis is the chosen data analysis method due to its consistency with the inductive approach (Bell et al., 2019). Thematic analysis is used to reveal inter alia recurring patterns, commonalities, metaphors, and differences that are relevant to the research focus (ibid). In addition, it enables several perspectives to be examined, maintaining flexibility to capture differences while thoroughly addressing all collected data (Nowell et al., 2017).

To conduct the thematic analysis, relevant quotes were categorised by each author into first-order codes and then subsumed into overarching second-order themes. The initial data analysis was performed individually to safeguard quality before comparing and coordinating for consistent coding within 72 hours (Barratt et al., 2011; Nowell et al., 2017).

A total of 21 first-order codes were identified. These were then grouped into a total of 8 second-order themes. As a final step, these were organised into three overarching dimensions that serve to collect similar themes under one dimension. Figure 8 provides an example of the data structure. These dimensions are presented in Chapter 4 under: 1. Progression Through the Decision Process Funnel, 2. Structure of ICs, and 3. Decision-Making in IC, figuratively illustrated in Appendix 9.5.

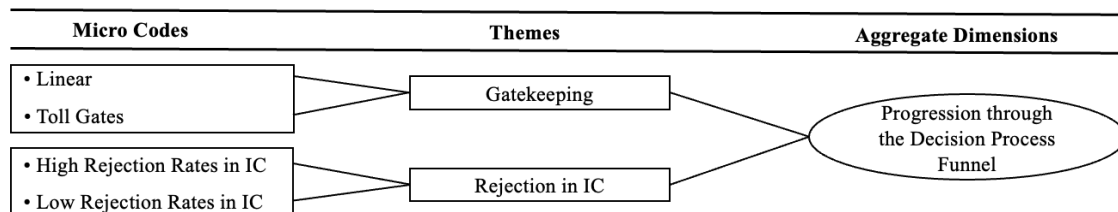


Figure 8. Excerpt from the data analysis structure.

3.4 Quality Considerations

To assess the study's trustworthiness and quality, the four quality criteria outlined by Lincoln & Guba (1985) were used. As a whole, these considerations serve to uphold the quality of the study throughout the research process.

Firstly, credibility pertains to how much the results are a valid representation of the data (Pemer & Skjølsvik, 2019). It is of particular importance in qualitative studies where subjective interpretations of the studied phenomenon are investigated. Actions were undertaken to ensure credibility by asking interviewees follow-up questions to clarify and ensure that observations were correct. These efforts also included the pilot interview to prepare for subsequent interviews. In addition, engaging in triangulation and using several reference points as recommended by Lincoln & Guba (1985) served to increase credibility. An additional point of ensuring credibility was in relation to the manual editing after the use of AI tools. Using Revoldiv for drafting interview transcripts posed certain challenges in terms of ensuring credibility as the tool was not accurately consistent in identifying the speaker's voice or certain words. To account for this issue, the authors manually edited the transcript and listened to the recorded interview as described in Appendix 9.8.

Further, efforts to ensure transferability were directed towards enhancing the applicability of the findings across contexts. This was achieved by thorough descriptions while carefully preserving anonymity. Providing thick descriptions is possible through qualitative data and analysis enabling new theoretical explanations to arise that complement existing research in the field (Eisenhardt et al., 2016). For others to assess the transferability of a study, detailed descriptions and contextual accounts of the findings become imperative (Lincoln & Guba,

1985). Hence, while prioritising interviewee anonymity, it became essential to portray interview details to facilitate scholars' and practitioners' comprehension of the study's relevance in diverse contexts (Geertz, 2008).

Moreover, dependability is important in ensuring trustworthiness as it refers to how stable, systematic, and consistent the research findings are over time as well as traceable (Pemer & Skjølsvik, 2019). Despite the importance of dependability, it can be difficult in qualitative research as socially constructed and ongoing phenomena are studied which can reduce the consistency over time and place. This was addressed by ensuring inter-observer consistency through separate data analysis and a following discussion between the two authors (ibid).

Finally, confirmability ensures objectivity and that personal values nor theoretical inclinations affect the research (Bell et al., 2019). Confirmability was enhanced by having both authors participate and code all interviews to remove potential subjectivity.

3.5 Ethical Considerations

Ethical considerations are of particular importance in qualitative studies (Bell et al., 2019). To fully account for the ethical integrity of this study, the nine ethical aspects proposed by King et al. (2019) were considered.² All interviewees were informed about the purpose and broader scope of the study in the introductory email during the outreach process and in each interview. In addition, interviewees provided informed consent, either recorded verbally or through a digital signature (consent form in Appendix 9.3). All participants were informed about the anonymity and de-aggregation of their data and were offered to review the study before publication. Moreover, all recordings were carried out with explicit consent from the participants. Consequently, these measures collectively affirm that this study was performed with ethical considerations considered.

4. Empirical Results

The following section presents the empirical data collected. Initially, the chapter describes the Interview Sample (4.1). The remainder of the chapter outlines the themes identified in the data analysis process and is therefore divided into the subsections: Progression Through the Decision Process Funnel (4.2), Structure of ICs (4.3), and Decision-Making in IC (4.4).

4.1 Interview Sample

The final sample size consisted of 30 respondents as illustrated in Appendix 9.6. The sample included 22 VCs, four GVCs - with two of them connected to universities, as well as three Family Offices (FO) and one Private Equity (PE) firm. The fund size in the sample is highly

² These are 1. Informed consent, 2. Confidentiality, 3. Right to withdraw, 4. Assessing risk of harm, 5. Deception, 6. Debriefing, 7. Use of incentives, 8. Limitations to researchers' role, and 9. Honesty and integrity in the research process.

heterogeneous as ten funds manage assets below €100M, eleven funds between €100M and €1B, and five above €1B. Due to confidentiality, four funds did not declare their AUM.

Similarly, ticket sizes in the sample vary significantly across the sample, ranging from tickets around €100k to above €10M. Most funds in the sample focus on early-stage investments between the seed and series A stages, while a few funds also invest in the pre-seed stage and later in the growth stages. One outlier case in the sample is a PE fund which mainly invests in growth and buy-out stages but invests in early-stage tickets occasionally. Further, 13 funds in the sample have a sector-agnostic industry scope, four are considered life science funds, and the rest of the funds have varying industry scopes ranging from an impact-focused industry scope to specific investment niches such as Business-to-Business (B2B) or Software-as-a-Service (SaaS).

Moreover, across the sample, the seniority of the respondents varied and, thus, captured the different views of respondents from junior to senior perspectives as shown in Appendix 9.4. With 20 respondents in the sample being either partners, co-founders, or Chief Executive Officers (CEOs) at their respective funds, most interviewees work in senior positions and, thus, can be considered to be key decision-makers. The five respondents in the sample who are CEOs work in non-traditional VC structures such as FOs, GVCs, or Swedish investment company structures. Further, four respondents work as principals or investment directors with higher seniority in the investment team. Finally, six respondents can be considered junior staff in associate, investor, or investment manager roles.

4.2 Progression Through the Decision Process Funnel

The following section describes the progression of business proposals throughout the decision process. This is shown to occur through Gatekeeping (4.2.1) in which proposals are proceeded to the next stage in a linear process consisting of several gates. Further, the Rejection of Proposals Throughout the Decision Process (4.2.2) is described by the varying rejection rates identified in the sample.

4.2.1 Gatekeeping

When asked about the investment process, many of the respondents described it as a structured process consisting of several steps, typically following the stages: 1. Inflow of proposals through cold inbound inquiries and referrals from network, 2. “*Deal intro*” meeting to discuss potential opportunities amongst the investment team members, 3. Multiple due diligence stages performed by the designated investment team and preparation of documentation, and 4. Final investment decision in IC. This structured approach to decision-making was explained by several respondents and further illustrated in Table 4.

Concept	Illustrative Quote
Linear Process	<i>"We have a linear process in our dealmaking."</i> - Company 30, Partner 14
Toll Gates	<i>"We have different toll gates, we call them. So basically what it means is that we analyse the company and then if the team decides, all right, let's spend some more time on this, we go back and we bring a stronger case. And each time it's a decision by the team members on whether to go further or not."</i> - Company 25, Investment Manager 3

Table 4. Interview quotes illustrating the structure of the decision process.

In addition, the interviews revealed that the stages of the investment process serve as gates, through which proposals pass or are rejected. Describing the equivalent stages of the investment process as gates arose during several interviews and thus emerged as a key concept of this study. A closely interrelated theme identified across the sample was how gatekeeping was a means to rejecting or progressing proposals further along the investment process.

4.2.2 Rejection Throughout the Decision Process

Most of the VCs in the sample indicate that proposals are rejected primarily in the initial screening stage, but the opposite was also observed, as Table 5 shows. The next stage in which many proposals are rejected appears to be the first evaluation stage in which VCs hold first meetings with founders and conduct preliminary due diligence of the start-ups. Hereafter, the rejection rates in the decision process are lower and proposals appear to be more likely to be accepted. Consequently, business proposals that have progressed to the IC stage are commonly accepted at most VCs, illustrated by acceptance rates of 80-90%.

Concept	Illustrative Quote
Low Rejection Rate in IC	<i>"So it happens but very rarely that they say no to an investment. So it's more of a strategic focus decision that they do."</i> - Company 14, Senior Investment Director 1
High Rejection Rate in IC	<i>"It's important to note that there is typically a 40-60% drop-off rate from the IC stage to issuing a term sheet. This is primarily due to our focus on non-consensus ideas and entrepreneurs, which naturally leads to a higher drop-off rate compared to if we were targeting more conventional companies."</i> - Company 18, Partner 9

Table 5. Interview quotes illustrating rejection rates in IC and the low share of deselection.

Four VCs ICs exhibited rejection rates of 30-60%. This indicates that the IC serves as a critical deselection stage at some VCs and that prior stages do not reject proposals to as large an extent as in most VCs.

In this context, one of the largest Swedish VCs interviewed shared its data on the decision process as a follow-up to the interview. This VCs decision process and rejection rates throughout the different stages are illustrated in Figure 9. It is to be noted that this is used solely for an illustrative example and is not generalisable. The data on the decision process of the VC confirms the broad deselection in the initial stages of the selection process with the selection funnel becoming increasingly tighter as proposals progress.

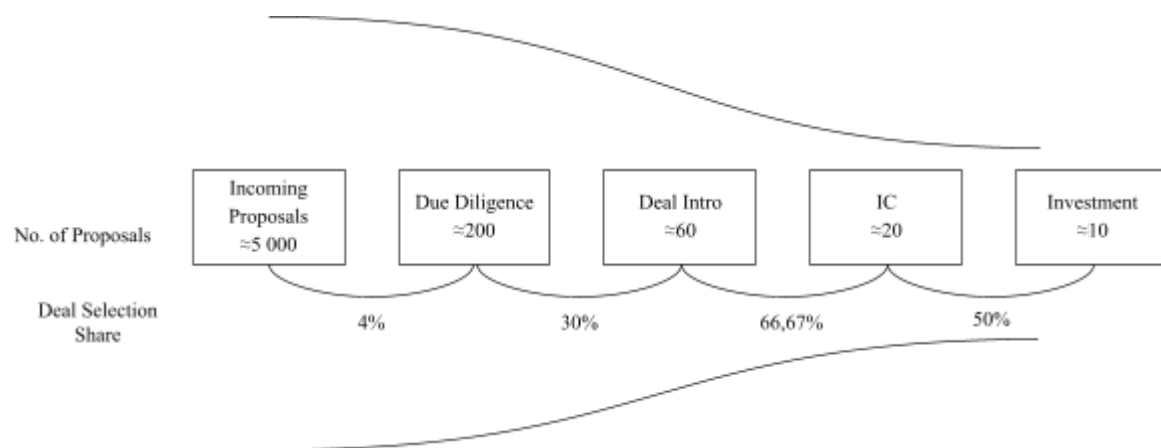


Figure 9. Average annual deal flow funnel based on data from one of the interviewed VCs.

Each year, the investment team of this VC reviews approximately 5,000 companies for potential investment opportunities. Out of these, around 200 proceed to due diligence, with 60 advancing to a deal introduction stage before the IC. The deal introduction stage is introduced by this VC as a stage in which the rest of the investment team is informed about the status of the proposal and key questions and assumptions are discussed. From there, about 20 business proposals make it to the IC and ultimately about ten companies are chosen for investment. Hence, in this VC around 50% of proposals are rejected in the IC stage and do not progress to the issuing of term sheets. The selection rate from entering the decision process funnel to receiving investment is 0.2%. In this way, the illustrative example portrays the large deselection that occurs along the decision process funnel which further reinforces the importance of structuring the IC to optimise for selecting investments with high potential.

4.3 Structure of ICs

The following chapter intends to provide a descriptive account of the various IC components and structures that surfaced during the interviews. The Participating Members of the IC (4.3.1) are presented to display the decision-making power and dynamics in the IC. Further, the IC Frequencies (4.3.2) under which ICs convene to make decisions are described before delineating the Mandate of the IC (4.3.3) as a result of the IC meetings.

4.3.1 Participating Members of the IC

The interviews provide insights into the varying composition and size of ICs, as illustrated in Table 6. The participating members of the IC were further found to be divided into 1. The IC participants, i.e., the people present in the IC, 2. The IC members with voting power, as well as 3. The partners as illustrated in Appendix 9.7. In this context, the average size of the IC in the sample was 5.84 people, including only those with voting power.

Concept	Illustrative Quote
IC Attendees	<i>“On the IC, we run it as in, we want the whole (Company 28) team to be there. [...] Everyone from partner to associate to interns.”</i> - Company 28, Senior Associate 1
IC Voting Members	<i>“So, it’s not all partners in both teams are part of the fund’s IC. It’s the most senior partners [...]. And then anyone else can kind of sit in and listen in and we share it.”</i> - Company 12, Investment Manager 1
IC Voting Members	<i>“More formally, I mean, we are eight people, so five partners, three investment managers, and the investment managers myself included don’t have a voting right. So at the end of the day, the partners decide if it’s a go or no go.”</i> - Company 25, Investment Manager 3
Rotating Voting Power	<i>“But then actually by our governance, there are only certain people that can vote. So, we have two GPs, so GPs are always a voting member. For the rest of the partnership, it’s rotating between people.”</i> - Company 5, Principal 1

Table 6. Interview quotes illustrating IC attendees, IC voting members, and voting power.

Typically, the voting members were the partners at the respective funds, although sometimes the right to vote was only given to the most senior partners, which was mostly observed at larger funds in which the partnership group is naturally bigger. Hence, the right to vote was rarely extended past the partner level. Some respondents motivated this with their fund performance responsibility vis-a-vis the partnership as most often regulated in the LP-GP contracts. Moreover, in some instances, the entirety or majority of the investment team participated in the IC to provide input and insights for the decision-making although the final voting power was ultimately limited to fewer people, officially referred to as the IC members.

In most of the sample, the voting power was distributed to certain key members of the IC who had the right to vote in all the ICs, however, in one VC interviewed, the IC was found to have one rotating voting member in each IC that is held. Thus, the number of IC members is the same, while one member is changed regularly. In two cases for GVCs, the voting members are external to the investment team and are rotated across several years.

4.3.2 IC Frequency

Most of the interviewed VCs have regularly scheduled ICs with a standing time slot in the investment teams' calendars to cater to otherwise busy schedules and ensure the possibility to convene as soon as a proposal is ready for IC. The various intervals at which the IC occurs is shown in Table 7. In most cases, the IC cadence is every week, however, the IC participants only convene if there is a proposal to discuss for potential investment. This illustrates the fact that the IC is a consistent element of VCs investment decision process. In one of the VCs two time slots are designated for ICs every week to cater to higher inflows of business proposals to the IC. In this way, the number of actual ICs held on an annual basis closely corresponds with the number of investments made.

Furthermore, in practice, some of the pipeline meetings would sometimes spill over into informal IC meetings. In addition, some of the interviewed VCs pointed out that the IC can convene on an ad-hoc basis depending on the competitiveness of a proposal or the need for a follow-up decision after an initial IC. However, the VCs that operate with their board as the formal decision-making body as opposed to an IC with investment team members and GPs, tended to have less frequent ICs such as on a bi-weekly or bi-monthly basis.

Concept	Illustrative Quote
Weekly	<i>"We do have an IC where we discuss cases every week."</i> - Company 5, Principal 1
Bi-Weekly	<i>"We have a bi-weekly sort of IC blocker but of course it's dependent on what Nordic deals are available for us."</i> - Company 4, Associate 1
Bi-Monthly	<i>"They meet typically like eight times per year and in some instances they need to have an extra meeting and they also have like a procedure where they can make shorter decisions with a smaller set of people."</i> - Company 14, Senior Investment Director 1

Table 7. Interview quotes illustrating the frequency of how often ICs convene.

4.3.3 Mandate of the IC

The interviews revealed differing consequences of IC decisions. Approximately half of the respondents stated that the IC's approval leads directly to issuing term sheets, confirming the terms for approved proposals. In contrast, other respondents indicated that the IC grants a mandate to proceed with extensive due diligence by allocating resources for further financial, legal, or commercial assessments, rather than immediately approving the proposal.

Probing further on the question of when in the process term sheets are drafted and shared with the founders, the sample displays differences as Table 8 shows. On one hand, some of the VCs have clear processes for drafting, negotiating, and signing the term sheets before the

IC. On the other hand, in some cases the IC results in the mandate to present term sheets to the founder, hence, the term sheets follow after the IC.

In this context, the pattern observed in the sample is split between issuing term sheets before the IC and issuing them afterwards. Moreover, several VCs voiced the flexibility ingrained in their processes, as term sheets are sometimes issued earlier or later depending on different circumstances such as the competitiveness of an investment.

Concept	Illustrative Quote
Issued before IC	<i>“Signing of the term sheets and negotiations and back and forth all happens before the IC.”</i> - Company 2, Partner 2
Issued after IC	<i>“That's the last step basically. So, when we get a decision from the IC on that we can move on and make the investment and we go and draft a term sheet, we then share the term sheet basically with the IC.”</i> - Company 6, Partner 3
IC Mandate for Due Diligence Budget	<i>“One of the most important decision points in our firm is when you actually get approval to spend money.”</i> - Company 19, Partner 10

Table 8. Interview quotes illustrating the mandate of the IC and differences in when term sheets are issued in relation to the IC.

4.4 Decision-Making in IC

This chapter illustrates how decision-making occurs in IC, with a specific focus on the deployed Decision Rules in IC (4.4.1). Closely interrelated to the decision rules is the Decision-Making Process (4.4.2) which considers whether votes are publicly disclosed or not and delayed or instant. Lastly, the Decision-Making Methods (4.4.3) are described through which the VCs reach their decision by using numerical or binary scales or through discussion.

4.4.1 Decision Rules in IC

The decision rules used in the ICs of the sampled VCs are mainly based on collective decision-making, although other decision rules can also be observed. In this context, decision rules refer to both voting rules as well as investment decisions reached through discussion.

As illustrated in Table 9, the results indicate that 14 funds, thus, almost half of the sample, use consensus to reach investment decisions in IC. The second most favoured decision rule are majority-based decision rules, as put forward by 13 funds. These can be differentiated further into six funds which use majority voting while giving veto rights to all or some members of the IC. Moreover, one fund uses the majority rule with both veto power and championing power given to all IC members, while six funds use majority without any veto

or championing rights. The three remaining VCs use a form of championing voting with veto power given to one or several IC members.

Decision Rule	IC
Consensus	14
Majority	6
Majority with veto	6
Majority with veto & championing	1
Individual decision with veto	3
Total (n=30)	30

Table 9. Overview of decision rules used across the sample of 30 Swedish VCs.

While the decision rules are similarly defined across the sample, some differences can be identified. Regarding the quota needed to pass as a majority, some VCs require half of all IC members to agree while most require more than 50% of all votes. For example, for two VCs that both have four IC members respectively, one VC required only two IC members to accept a proposal, whereas the other VC required three members to accept a proposal for investment. This points to differences in how a decision rule is defined and when a decision is reached despite using the same decision rule.

Concept	Illustrative Quote
Consensus	<i>“I mean, everybody has to accept basically, so it needs to be 100%. So you could say everyone has a vote and everyone has to agree.”</i> - Company 2, Partner 2
Majority	<i>We have an agreement saying that it's a simple majority. So if today we're four partners, it's three out of four partners. Vote yes, then it's yes.”</i> - Company 15, Partner 7
Individual Decision-Making	<i>“Anyone can push [...] anything that they really, really like through.”</i> - Company 17, Principal 2

Table 10. Interview quotes illustrating definitions of the different decision rules.

4.4.2 Decision-Making Process

Half of the sample practice public and instantaneous voting during IC meetings. In this case, each member's decision is visible to every other IC member, and votes are cast at the same

time. The voting process is illustrated in Table 11 emphasising the transparency and variety of immediacy of the voting system.

Concept	Illustrative Quote
Public and Instantaneous Voting	<i>"You put your hands up at the same time. So you can't look at what the other votes are and then you have to present it at the same time."</i> - Company 23, Partner 11
Public and Instantaneous Voting	<i>"And then all those votes are public, you know, you can see you should not be able to hide behind the vote."</i> - Company 18, Partner 9
Delayed Voting	<i>"We allow it to marinate for a few days. And then what it looks like in practice is that we'll do the IC on a Thursday or Friday. And then the final vote has to be in by Monday, which is the partner meeting on a weekly basis."</i> - Company 4, Associate 1

Table 11. Interview quotes illustrating how the voting process occurs.

In addition to voting, which is most common across the sample, several VCs reach their decisions without an explicit voting process. Instead, they rely on a discussion to reach the final decision. The VCs that used discussion instead of voting, corresponds to the VCs that use the consensus decision rule in their IC. Moreover, another VC uses a survey-based format in their IC which is completed by the IC members by stating their vote as well as providing reasoning for their decision. This variety in the voting process indicates individually shaped practices at each fund.

In addition, two VCs use an anonymous voting system, while one of the VCs has added a delay in which the partners submit their votes at the latest four days after the IC. The interviewee asserted that the delay serves to remove biases and external factors, as investment decisions made right after the IC are influenced by the interactions with the founders, thus, resulting in a higher probability that the VC is convinced by the founding team.

4.4.3 Decision-Making Method

To guide the decision-making in the IC, six VCs rely on voting scales to score proposals and arrive at investment decisions more numerically and quantitatively. These scales vary but usually range between zero to five, while one VC uses a scale ranging from one to nine. In all cases throughout the sample, the low and high end of the scales were used to voice strong disagreement or agreement to a proposed investment. For example, across some of the VCs, a one on the voting scale is equivalent to *"quitting my job if the proposal is accepted in IC"* whereas a four is equivalent to *"quitting my job if the proposal is not accepted in IC"*.

Further, nine of the interviewed VCs use a binary scale of ‘yes’ and ‘no’ to reach an investment decision. As indicated by one of the interviewees, these binary scales intentionally do not give the option of answering ‘maybe’ as a neutral ground because that does not generate a decision. However, one VC uses a ternary voting scale distinguishing between ‘positive’, ‘negative’, and ‘neutral’. All other VCs rely on solely discussing a proposal until an agreement is reached. A few examples of the various voting methods displayed in the sample are illustrated in Table 12.

Concept	Illustrative Quote
Scale	<i>“Four is like hell yeah. Three is like yeah good. Two is like not sure I would do it myself but you know I'm not gonna veto it. And one I think is like veto.”</i> - Company 1, Partner 1
Scale	<i>“It's on the scale of one to four. Four being that I'm over the hood excited about this. One meaning that, hey, if you go ahead with this, I'm walking away. And if you're voting let's say four or like below two, then usually you try to get the reasoning in the meeting.”</i> - Company 28, Senior Associate 1
Binary	<i>“Then I think we try to force one another to be as binary as possible. [..] You have to collapse that into, you know, a one or zero or yes or no. So it's completely pointless to have anyone in an investment committee who says maybe.”</i> - Company 17, Principal 2
Binary	<i>“So we don't want to have anything in the middle, you have to take a side, basically, you know, either let's do it or not. You need to have an opinion, yes, so you can't be like all, you know, in the middle.”</i> - Company 18, Partner 9
Discussion	<i>We'll literally sit in the room and have a discussion and then we'll just go like, okay, so what are we actually saying?”</i> - Company 21, Head of Investments 1

Table 12. Interview quotes illustrating how voting is based on a scale or binary method, or reached through discussion.

5. Analysis

This section presents the analysis of the findings, guided by the theoretical framework of the study. First, the Role of the IC in the Decision Process (5.1) is examined before the analysis delineates Swedish VCs Preference for Consensus- and Majority Voting (5.2).

5.1 The Role of the IC in the Decision Process

The following chapter intends to answer the first sub-question of this study, how the role of the IC can be understood in the decision process of Swedish VCs. By examining the different purposes that ICs can have (5.1.1) and the Internal and External IC structure (5.1.2), which show how VCs have set up their ICs, variations among the VCs in the sample studied are found. Further, the integration of the IC throughout the decision process (5.1.3) provides a new perspective on the role of the IC.

5.1.1 The Four Purposes of the IC

Across the interviewees the purpose of the IC varies greatly, hence, it appears a commonly defined IC purpose cannot be observed in the sample. A few of the respondents pointed to this variety by describing the difficulties with designing an optimal IC as illustrated in the quote below. This can likely be attributed to its broad variety of purposes and structures.

“It's really a million-dollar question how to have an efficient IC setup”.

- Company 21, Head of Investments 1

Nonetheless, respondents commonly pointed to four purposes the IC fulfils for VCs: 1. Governance, 2. Discussion, 3. Decision-Making, and 4. Information Sharing.

In terms of governance, the IC serves a critical purpose in establishing a control structure and enabling transparent tracking and documentation of investment decisions. According to some respondents, this is particularly important vis-a-vis the LPs of the funds, as a formalised IC structure is a fundamental component of responsible fund operations and quality assurance to the LP base. This aligns with the descriptions of Klonowski (2010) regarding the role of the IC as a mediating link between the LPs and GPs. Hence, the purpose of the IC is confirmed as an important governing and control body to make responsible investment decisions and abide by the investment mandate that each fund has committed to.

Furthermore, most respondents expressed that the IC is a discussion forum in the decision-making process. As captured in 4.2.1, the entire investment team often participates in the IC together with the voting members. Thus, the IC brings together the whole investment team to discuss proposals and raise crucial objections. In this context, the IC is used to critically discuss the conviction built in the decision process, and, ultimately, confirm or reject the confidence in a proposed investment opportunity. In this way, the purpose of the IC as a discussion forum indicates that the IC serves as a critical stage in the VC decision process. Consequently, this suggests that there is an intermediary stage between Deal Evaluation and Structuring in the decision process presented in Tyebjee & Bruno (1984).

In some cases, respondents expressed the intensity and duration of such IC discussions, which were indicated to last more than three hours at some VCs, illustrating the purpose of the IC as the final instance to stress test and scrutinise proposals before deciding on the final decision. Moreover, this serves to underscore transparency amongst investment team

members throughout the VCs decision-making processes internally, in addition to the external transparency function from a governance perspective.

Besides serving as a discussion forum, for most interviewees the IC aims to serve as a decision forum to make the final investment decision on a proposal. Some VCs explicitly stated that the IC only serves to make the final decision and is not designed for discussion. Part of the reasoning behind this can be attributed to the different meetings and stages in the decision process before the IC, which are used to discuss and build conviction on a business proposal, while the IC is exclusively used to make the final decision. Hence, when a proposal is brought to IC most of the internal debate has taken place and the outcome of the IC is oriented around making a final investment decision. An important consideration of this finding is that the investment decision is integrated into the decision-making process along the decision process and is not perceived as a stand-alone stage. In practice, this could imply that the function of the IC is extended to also cover the stages before the IC and challenges the previous understanding of the IC as an independent and isolated stage.

Finally, another purpose the IC serves is to share information and reduce information asymmetries between investment team members. In some cases, particularly for larger funds, some key decision makers are not informed regarding proposals that are progressing through the decision process, and, thus, the IC serves as a key information point to align knowledge about proposals. Furthermore, in many cases, respondents referred to the benefit of the IC in capturing collective advice through the different competencies and expertise of the IC members. This is particularly important as the investment team leading a proposal through the funnel usually consists of one or two IC members, while other IC members are usually less involved.

Hence, the findings support what is expressed by Klonowski (2010) in that the purpose of the IC is the formal and final decision-making body. However, the findings also further expand the existing understanding of the IC. By showing how the IC extends beyond the approval or rejection of proposals, and fosters collaboration, knowledge sharing, and healthy debate among stakeholders, and safeguards governance practices, this finding brings new perspectives on the IC. Consequently, the perception of the IC as a more open and not only decisive forum suggests that the IC serves a broader purpose than just progressing investment decisions, contributing to VCs operational and knowledge development. In this way, the IC can be used by VCs as a learning forum beyond single investment decisions and contribute to better decision-making for future decisions.

Concept	Illustrative Quote
Governance	<i>"From a kind of fund governance perspective, you have to have it as well. Right. So that's really important."</i> - Company 12, Investment Manager 1
Governance	<i>"So they want good governance, obviously, and they don't want us to do anything crazy [...]. To be honest, we take it seriously because we need the governance to be in place."</i> - Company 2, Partner 2
Discussion Forum	<i>"It's really that opportunity for everyone to get together and really think through like, does this make sense for us? So it's a discussion opportunity I would say."</i> - Company 12, Investment Manager 1
Discussion Forum	<i>"We treat it very much as a kind of discussion forum."</i> - Company 17, Principal 2
Decision Forum	<i>"IC is really for us a decision-making point and not like a place for discussion."</i> - Company 5, Principal 1
Decision Forum	<i>"I'm very much in the camp as you notice of decision making. Then there are other forums for discussion, and that should be very live and well in the team before we get there. But once at the IC, it's a decision making forum."</i> - Company 8, Partner 4
Information Forum	<i>"But that's not like a long discussion. It's rather an information point."</i> - Company 6, Partner 3
Information Forum	<i>"We have this information asymmetry that we try to then work against by sharing as much information as possible within the team."</i> - Company 10, Partner 5
Information Forum	<i>"Another is of course to, you know, to gather competence and share competence. When you discuss certain cases you can really catch the experience from other deals when someone says, well, you know, you remember we did this kind of deal four years ago."</i> - Company 23, Partner 11

Table 13. Interview quotes illustrating the various functions an IC can serve.

5.1.2 Internal and External IC Structure

The funds in the sample have set up their ICs either with internal members, i.e., belonging to the investment team, or with members external to the investment team. The observations of the different structures are illustrated below in Table 14.

In this context, it is relevant to acknowledge that some VCs do not have an explicitly defined IC but have established de-facto decision structures that correspond to ICs as they constitute the final decision-making body in the decision process. For example, even if the VC does not consider it to be an IC, they address the meeting with a different name, such as ‘*founder flow meeting*’, ‘*partner meeting*’, or ‘*investment decision meeting*’, however, practically, these meetings show close resemblance to the definition of an IC. Hence, Table 14 indicates the de-facto IC structures, although the explicit terminology or practical arrangements for these meetings can vary across the sample. In this way, internal, external, and dual-IC structures are all considered as ICs for the remainder of this study.

IC Structure	Count
Internal IC	22
Two Internal ICs	1
Internal IC & External IC	6
External IC	1
Total	30

Table 14. Overview of the distribution of IC types found across the sample.

The structure and composition of ICs of the sample show significant variety. While some VCs maintain a strictly internal IC with only investment team members involved in decision-making, others appear to adopt a more inclusive approach.

Out of the sample studied, 22 funds have an entirely internal IC, indicating that most VCs only have people from their investment team decide on whether a proposal is accepted or rejected. Further, six VCs utilise a dual-IC structure with both an external and internal IC. Two out of the six VCs are GVCs in which the external IC has the formal decision-making power to give the mandate to invest. Hence, proposals go through a two-step approval, first, through the internal IC and then to the external IC, which gives the final mandate to invest. In the four other cases, traditional VCs use a dual-IC structure in which the external IC serves as an advisory board to provide additional input and advice on proposals. Hence, in traditional VCs, the external IC tends to be used as a controlling and quality assurance function, in addition to the internal IC which has the decision-making mandate. However, as GVCs face higher scrutiny in terms of their governance they appear to use the external IC as a formal decision-making forum to comply with their stricter requirements. This aligns with the

incentive structures of GVCs which are geared towards societal contributions (Croce et al., 2019; Johansson et al., 2021). In this way, the design of the IC structure appears to be related to the investment strategy and associated emphasis on governance or other key elements.

In contrast, in Malenko et al. (2023) the IC was described as an internal decision-making body, consisting only of partners of the surveyed VCs. In this way, although the internal IC structure is also recognised in Malenko et al. (2023), Swedish VCs seem to have an extended structure in terms of participating people in IC. As some of the interviewees alluded to the importance of recognising everyone's opinion on a business proposal and that everyone's opinion was encouraged to be voiced, this indicates an inclination to a more collective approach to decision-making in the IC.

The members of the external IC also vary significantly, as the advisory IC of two VCs consists of the LPs of the respective funds, while in one case it is the shareholders of the investment company structure. These differences are illustrated in Table 15.

Concept	Illustrative Quote
Internal IC	<i>"I would say that we call it more of an internal IC and then we have the formal IC which is the actual IC."</i> - Company 14, Senior Investment Director 1
Dual-IC: Internal and External	<i>"I would say the real IC decision that we have in our team and the IC committee says this is good enough to bring up to the board for a formal decision."</i> - Company 14, Senior Investment Director 1
External IC	<i>"We had four external people in the IC of which they were all invested in the fund, but they were external from the operation, so to speak."</i> - Company 21, Head of Investments 1
External IC	<i>"There's always that tendency to create a type of loyalty or bias. And if you have someone external review the case, of course you get a much more transparent view without that type of... Because they don't care if they say yes, great or bad. It doesn't really affect them."</i> - Company 15, Partner 7
Dual-IC: Internal	<i>"It's the firm IC, which is our CEO and our kind of COO. Then it's also our fund IC."</i> - Company 12, Investment Manager 1
Terminology	<i>"We also have a non-decisive forum called the Investment Committee."</i> - Company 15, Partner 7

Table 15. Interview quotes illustrating internal, external, and dual IC structures.

Moreover, in one outlier case, a traditional VC set up an internal dual-IC structure in which proposals must pass two internal IC bodies to receive the final approval. In one of the VCs interviewed (AUM of \$5bn), one IC was coined as the fund-specific IC of the investment team, whereas the second IC was defined as the firm-wide IC with the CEO and Chief Operating Officer participating.

The different IC structures observed in the sample paints a more differentiated picture than perceived before by Malenko et al. (2023) or Söderblom et al. (2023), as the IC appears to go beyond serving as an internal decision-making body. Not only do the ICs in the sample extend beyond a decision-making body, but they also include an external set-up that provides an addition to formal decision-making, such as governance functions.

5.1.3 The IC as Integrated in the Decision Process

The interviews indicate that the IC plays a significant part in the broader VC decision-making process and is part of the overall decision process funnel. Building on the literature by Petty et al. (2023) and Malenko et al. (2023), the findings on the IC and how it fits into the decision process demonstrate and confirm that previous literature has neglected this stage.

Most respondents point to the fact that proposals that do proceed through to the final IC stage have a high likelihood of receiving a positive decision and that only a few are denied at that stage. In this context, interviewees assert that the analysis and due diligence conducted in the prior stages serve to uncover question marks and, thus, lead to rejections organically through the process without a formal vote beforehand. This is because the screening and evaluation stages in the decision process already build the investment team's conviction regarding an investment case and rejection occurs mostly if the investment team loses its conviction before the IC. The IC fulfils its purpose as a formal decision-making purpose confirming the decision formed throughout the decision process, as expressed by one of the interviewees:

“IC for us is the formal and final decision-making step.”

- Company 5, Principal 1

Thus, it appears that across the sample the rejection rates in IC are lower than in Petty et al. (2023) and that the decision of a proposal will pass the IC or not, can often be anticipated before the IC occurs. In this context, several VCs pointed to the fact that rejection in the IC would only occur if the screening and evaluation stage was not sufficiently conducted to uncover question marks and objections beforehand.

Hence, even though many Swedish VCs rely on consensus and majority decision rules, reaching an agreement on investment proposals in the IC appears mostly unproblematic. This can be explained by the fact that IC members have built confidence to proceed beforehand with an investment through touchpoints such as the pipeline meetings or informal conversations. In this way, the reliance on consensus or majority voting can be partly explained by the extensive decision process and conviction-building before the final IC. The

conviction-building throughout the decision process also then stands to provide a potential explanation for the low rejection rates in the IC.

Conviction-building can either take place by keeping the investment team closely informed on the proposal, but it can also be achieved by the emphasis on trust in each individual team member. If only one person has high conviction, trust by the broader opinion of the team often supports individual conviction. In practice, this leads to the occasional occurrence of a form of championing being used informally as a decision rule. This is also evidenced by the low rejection rate in IC.

In addition, some VCs adopt the IC as gates in several stages in the decision process to proceed with business proposals through the funnel. One interviewee described such a stage-integrated IC structure (see Table 16) in which each IC serves as a confirmatory meeting to proceed with a proposal through the decision process. Thus, for some VCs, the IC can serve as a decision-making gate throughout the decision process, rather than solely as the final body. Furthermore, in some of the VCs, several rounds of IC occurred because of additional due diligence, requiring the need for follow-up decisions in IC. This suggests a more nuanced view than previous literature accounts for (Malenko et al., 2023; Petty et al., 2023; Söderblom et al., 2023). Thus, contrary to prior research the IC of Swedish VCs appears to extend past a one-time voting body.

Concept	Illustrative Quote
Conviction-building before IC	<i>"I think stuff that we end up bringing in is pretty well worked through and sort of galvanised in the team in a sense. So, on balance, I think we take stuff in where we do have a level of conviction where it's likely to lead to a sort of positive investment decision. So, on balance, I think we take a deal to IC where we do have a level of conviction where it's likely to lead to a sort of positive investment decision."</i> - Company 17, Principal 2
Conviction-building before IC	<i>"The majority of the company that we bring to the IC, the deal team already has pretty high conviction. [...] So since I joined two years ago, it probably happens once or twice. And the reason being that we have a bit more gate process before IC already."</i> - Company 28, Senior Associate 1
IC in Stages	<i>"Usually we have what we call an IC zero, where we're just telling the IC about the company. [...] Then you come with IC one, and you're saying, okay, we want to go with the term sheet, and we're going to start, you know, bringing on cost. And so we need your, you know, commitment to this process. And then you do that, and then you go back for your final approval."</i> - Company 8, Partner 4

Table 16. Interview quotes illustrating pre-IC deliberations and multi-stage IC approach.

5.2 Swedish VCs Preference for Consensus and Majority Voting

The following chapter intends to outline the contextual reasons for why consensus and majority are the prominent decision rules found in the sample which contributes to developing an answer to the second sub-question of this study, how the voting patterns of Swedish VCs can be explained. This analysis is mainly focused on understanding the findings of this study in relation to Malenko et al. (2023) and Söderblom et al. (2023) meanwhile the results of Gompers et al. (2020) are considered less due to the extensiveness of the two prior studies which make them suitable for developing further. By reviewing the preference for collective decision-making over individual decisions (5.2.1), a deeper comprehension of Swedish VCs decision rules can be generated. Moreover, by probing further into the Origins of Decision Rules stemming from Industry practices and Cultural Influences (5.2.2) as well as the Changes in Voting across Time (5.2.3) a better understanding of the choice of decision rules of Swedish VCs is sought to be provided.

5.2.1 Collective Decision-Making over Individual Decisions

Across the studied sample, the use of collective decision rules was clearly preferred in favour of individual decision rules. In this way, the findings of this study clearly contrast the previously found preference for individual decision rules in the study by Malenko et al. (2023) in which championing voting dominated in American VCs. On the other hand, this study supports the Northern European preference for consensus and majority as found by Söderblom et al. (2023). In this way, European and Swedish VCs appear to adopt decision rules that are reflective of a willingness to capture several opinions of the voting IC members and is thus a more inclusive approach to IC voting. Further, this sample also confirms the results of Johansson et al. (2021) on how Swedish GVCs reach investment decisions based on a collective discussion of business proposals. This study therefore extends existing research by also showing that Swedish VCs in addition to GVCs favour joint decision-making.

The prominent use of consensus-based and majority decision rules of Swedish VCs, combined with their investment goal of identifying companies with high potential to reach unicorn status appears to manifest through a high level of conviction-building, leading to the low rejection rates in IC. This is illustrated in Table 17.

Concept	Illustrative Quote
Decision Rule Alignment with Catching Unicorns	<i>"From that perspective, I hope that we haven't built the structure where we don't get the unicorns."</i> - Company 1, Partner 1
Decision Rule Alignment with Catching Unicorns	<i>"I would say that like we've become suspicious if too many people on the team are falling in love with something."</i> - Company 3, Investor 1

Table 17. Interview quotes illustrating decision rules in relation to catching unicorns.

While the research conducted by Malenko et al. (2023) suggests that championing as a voting rule is beneficial in the pursuit of catching unicorn companies, this sample does not appear to support its universal application, as other decision rules prevail in the Swedish VC industry.

The fact that Swedish VCs reason that they can catch unicorns using consensus as the decision rule contrasts to Malenko et al. (2023) which on the opposite finds that championing allows for catching outlier companies. Hence, even among VC firms that share the common goal of identifying and investing in high-growth potential start-ups, the decision-making process including the choice of decision rules varies significantly across different geographies. This incongruence between Swedish and American VCs suggests that the pursuit of finding and investing in unicorn companies may not only be driven by VCs decision rules and decision-making processes. Other factors, such as risk tolerance, investment strategies, and organisational structures, may also play a significant role in shaping these practices. To further understand the voting patterns of Swedish VCs the contextual factors as to why certain decision rules have been adopted will be explored further below.

5.2.2 Origin of IC Decision Rules

In terms of the origin of why Swedish VCs decided on a specific voting rule, a similarly differentiated picture arises. Across the sample, external inspiration was found to be the origin of the voting rule used, but there were also instances where the interviewed VCs had not drawn any external inspiration into account in their practices.

Of the sampled VCs, 13 did not reference any external sources and stated that the decision was made individually in the fund itself based on their own culture, experience, and fit with the fund strategy. In this context, several VCs reasoned that inspiration and cross-sharing over VCs occurred in regard to business proposals, however, on internal processes few spill overs take place across VCs. As VCs circulate and share business proposals across their network, a type of macroculture seems to be present in the Swedish VC landscape. In this way, the findings of this study partly confirm the findings of Terjesen et al. (2013) pointing to a macroculture within the VC industry in terms of how proposals are evaluated.

However, the heterogeneity of internal processes on IC voting does not seem to support this macroculture and thus challenges the existence of a set of preferred mental decision-making models (Terjesen et al., 2013). This also points to an important consideration of how VC decision-making is currently understood in the existing literature. As the decision process and deal selection and evaluation criteria mainly have been studied, the macroculture in assessing proposals has been supported in previous literature, which sheds light on a new understanding of macroculture in relation to the IC stage and voting patterns.

5.2.2.1 Industry Influence - US and Swedish

Tracing back the origins of the decision rules used across Swedish VCs, influence from the broader industry practices emerged as a common theme. This influence from the industry was

further discovered to be drawn from both Swedish and American industry practice and several of the respondents pointed to specific firms in each ecosystem.

The Swedish VC industry has been influenced by practices from the US but has still maintained distinct decision rules in practice. While some Swedish VCs have explicitly stated that they have drawn inspiration from American VCs, it appears that they have not fully adopted the voting mechanisms commonly used in the US. In this context, three VCs explicitly referenced American VCs as their inspiration for their voting rule. In accordance with the findings by Malenko et al. (2023), an alignment between Swedish funds drawing inspiration from American funds and the adoption of championing voting can be observed as two of these three cases incorporated such decision rules.

Despite a couple of Swedish VCs having formally implemented decision rules like those used by the American VCs Sequoia and Andreessen Horowitz, they rely on consensus-based decision-making in practice. Hence, even though some Swedish VCs may have components of championing voting rights in their formal policies, partners rarely exercise their right to actively champion specific investments. Moreover, eleven VCs in the sample use veto rights, often to complement the majority decision rule. However, most respondents expressed resistance to use their veto rights and in practice abstain entirely from vetoing investments in their vote. Considering the results in Söderblom et al. (2023) indicating that consensus is commonly coupled with a veto, illuminates potential discrepancies in this study's results as vetoes were most frequently coupled with the majority voting rule.

This divergence between formal and actual decision rules in the Swedish VC industry can be attributed to the origins of the industry. The VC model was pioneered in America, where the pursuit of unicorn start-ups appears to have driven the development of more individualised decision-making (Gompers & Lerner, 2001). In contrast, the Swedish VC industry has developed its norms and culture, where consensus-based approaches dominate, even as some firms have imported certain American practices. While inspired by American models, Swedish VCs have maintained distinct voting behaviours focused on collaboration and shared decision-making rather than the seemingly more individualised approach present in America.

Further, Swedish VCs also take inspiration from the practices of other, established Swedish VCs in setting up their investment processes and decision rules. Several of the studied VCs have explicitly stated that they have drawn inspiration from other Swedish VCs or previous work experience at other funds. In this context, one VC states that they "stole" their voting process from Creandum, while another VC attributed their voting practices to the "*blueprint of 25 years of EQT partners*". This suggests that the norms and customs developed within the Swedish VC industry have had a significant influence on how individual firms structure their internal decision-making. Thus, the Swedish VC industry appears to have developed its own distinct culture and practices that have been widely emulated across the sector.

Concept	Illustrative Quote
Influence from US Industry Practice	<i>"I think they followed some other major funds that just used majority voting, some of the US funds. I think we took a lot of inspiration from Sequoia and Andreessen."</i> - Company 4, Associate 1
Influence from US Industry Practice	<i>"It's always been the same. So I think it's based on Silicon Valley, to be honest."</i> - Company 18, Partner 9
Influence from Swedish Industry Practice	<i>"Creandum is one of our inspirational sources. So, it could absolutely be. But if they also use the one to four before, then we're heavily influenced, you would say. Or you could argue that we're copying."</i> - Company 1, Partner 1
Influence from Swedish Industry Practice	<i>"I think it comes from the blueprint of 25 years of EQT partners. So, I think, you know, why question that?"</i> - Company 8, Partner 4
Previous Colleagues Influencing Practice	<i>"I think it might be a synthesis of various inspirational conversations that we had with colleagues in the business and also listening to podcasts with Americans and so on. [...] And also one of our partners came from Morgan Stanley, where they did that. So she was very used to that format."</i> - Company 1, Partner 1
Previous Colleagues Influencing Practices	<i>"I think it's been, so half of the team almost were part of a previous fund named Brightly Ventures. So, half of the team have experience from that. [...] So, we borrowed quite a lot actually from the Brightly setup, including this and how the decisions are taken."</i> - Company 6, Partner 3

Table 18. Interview quotes illustrating geographic industry influence on the voting by Swedish VCs.

5.2.2.2 Culture - Firm and Swedish

In addition to industry-specific Swedish influences, the studied VCs also appear to be influenced by the country's cultural values and norms. Several of the interviewed Swedish VCs acknowledge that their decision-making processes are rooted in the Swedish cultural context as illustrated in Table 19. For instance, the emphasis on consensus-building as an

approach to deciding on investment opportunities seems to be reflective of the general preference of Swedish VCs for consensus. The adoption of consensus or majority decision rules by Swedish VCs reflects a departure from American models of decision-making in IC, highlighting more inclusive and participatory practices.

Concept	Illustrative Quote
Swedish Culture	<i>"I mean it's not very Swedish first of all because we tend to like consensus. Championing didn't work at all. I think it might be that we're Swedish. I don't know, but there's something like if someone tried to sell me something, I'm just going to say no. I'm just like, I don't trust this. Like what are you not telling me?"</i> - Company 1, Partner 1
Swedish Culture	<i>"The voting that we have now was definitely inspired by someone else. [...] I think that goes back to our childhood and Swedish culture."</i> - Company 14, Senior Investment Director 1
Firm Culture / Values	<i>"I think the process is reflective of the fact that we want feedback along the way. Like we put high trust in each individual, especially in the partners, bringing something forward, right? And kind of put a lot of emphasis on challenging, thinking around different things. And I think our process is pretty reflective of those values."</i> - Company 12, Investment Manager 1
Firm Culture / Values	<i>"You don't take things to vote because there's a respect between the IC members and it's not the culture of our firm."</i> - Company 27, Senior Partner 13

Table 19. Interview quotes illustrating cultural influences on the decision-making of Swedish VCs.

Additionally, the aversion to aggressive "championing" of investments across the Swedish sample and a general distrust of overly persuasive convincing also point to a more reserved decision-making style. This suggests that the Swedish VC industry has developed its own unique identity, shaped by the country's societal values and traditions, rather than simply adopting a universal VC model. These characteristics of Nordic culture are also present in the sample studied by Söderblom et al. (2023) as only 4% of the Nordic VCs use individual decision-making, which corresponds to the low prevalence of the decision rule in this sample. In contrast to 90% of VCs using individual decision-making in Malenko et al. (2023), the preference for individual decision rules appears to clearly differ between Sweden and the US.

However, two VCs in this sample voiced doubts regarding consensus as a voting rule. One of these VCs recognised that their approach diverged from the typical "*Nordic consensus-seeking culture*", instead emphasising the value of "*healthy discussions*" and

disagreement among partners. Interestingly, the same VC has also adopted championing as a decision rule, enforcing what Malenko et al. (2023) point to that championing is a contrasting decision rule to consensus and how that, in turn, relates to catching outlier cases.

Moreover, transparency seems to be an important common denominator in what Swedish VCs value, both referring to the dislike of persuasive convincing but also based on Table 20. This further sheds light on the fact that transparency is achieved through either voting or discussion. Hence, Swedish cultural practice has influenced how VCs reason and motivate the decision method despite differences in how decision-making is set up in practice.

In this context, it is also important to consider how firm-specific cultures and values have influenced the adopted decision rules. The interviews suggest that the VCs have taken into account how their firm culture should be reflected in their investment decision-making process also in relation to the decision rules deployed.

Concept	Illustrative Quote
Transparency	<i>“We have tried but hate voting. Voting felt artificial and it disrupted the discussion because people could hide behind a vote instead of having an argument.”</i> - Company 29, CEO 5
Transparency	<i>“And then all those votes are public, you know, you can see you should not be able to hide behind the vote.”</i> - Company 18, Partner 9

Table 20. Interview quotes illustrating the value of transparency in ICs of Swedish VCs.

5.2.3 Change in IC Decision Rules over Time

Most VCs in the sample described historical changes or planned iterations to their decision-making processes in the IC. For the most part, the respondents pointed to two aspects that directed changes to the IC: 1. Team growth, 2. Learning from experience.

5.2.3.1 Team Growth

In terms of team growth, several VCs voiced concerns about balancing the concentration of decision power within the partner group vis-a-vis the inclusion of the inputs from growing investment teams. Particularly, VCs with larger teams pointed to challenges concerning retaining consensus voting as the group size of the IC members grows. Respondents asserted that the size of the IC started with two or three members, usually with the founding members, and with organic team growth the partnership grew to five or more people, which resulted in more tedious consensus-building as shown in Table 21. Such developments commonly led to changes in the voting system towards majority decision rules, the inclusion of veto power, or towards including elements based on individual decision-making.

As consensus is based on seeking approval from all participating or voting members, scaling of the team can entail problems regarding practical difficulties of collecting several opinions. On the contrary, individual decisions do not require collective seeking of agreement and are, thus, not as sensitive to team growth. In this way, the common explanation for team growth driving changes in decision rules over time appears more plausible in VCs in which consensus or majority is used.

Concept	Illustrative Quote
Team Growth	<i>"I'm not sure that we have nailed it especially when we're growing because I think we might be too many in the room."</i> - Company 1, Partner 1
Team Growth	<i>"In the beginning it was only the other partner and myself so then it was very easy. You can't vote if you're two people. I mean majority needs to be two people. So it was very easy then but then when we added more partners then of course we discussed how should we do the formal."</i> - Company 15, Partner 7

Table 21. Interview quotes illustrating team growth in relation to the IC.

Further, VCs also pointed to the consideration of which team members to include in IC meetings, as the ultimate responsibility for performance towards the LPs lies with members in the partnership. Thus, the balance between team inclusion and consensus-seeking was frequently contrasted with the final voting power and served as an important talking point in the design of ICs. In this context, the inclusion of veto rights appeared to play an important role to counteract changes in team size. As VCs sought to change their voting rule from consensus, the transition to a majority voting system appeared to be a natural decision. However, to protect decisions to strictly go against one or more of the team members a veto right allows IC members to retain decision power to some extent.

Moreover, a challenge related to team growth is retaining flexibility and leanness in the decision-making as larger ICs can have difficulties to convene regularly or on an ad-hoc basis. Based on existing literature the IC is often depicted as a forum whose members convene on a bi-monthly or ad-hoc basis (Klonowski, 2010). This raises further considerations and adds to existing research regarding the difficulties associated with the frequency of IC meetings and how that is challenged during organisational growth. In this context, one respondent added that the ability to rapidly convene and make decisions is particularly important due to the industry's fast pace and the fact that some investment opportunities require VCs to deviate from standardised decision-making and act quicker in competition with other VCs. Hence, several VCs acknowledged that further changes to the IC may be necessary as their team grows and current processes become less suitable.

Furthermore, the sample reveals another interesting dynamic on how team growth drives changes in decision rules. This finding is particularly intriguing when compared to the sample in Malenko et al. (2023), which had a significantly larger number of partners (10.4) compared to this sample (5.84). This poses the question of why the lower number of partners with voting power of Swedish VCs enforces the change from consensus, whereas the larger partner group in the US appears to have a more individualised decision-making process dominated by championing. This discrepancy can be partly attributed to the fact that Malenko et al. (2023) surveyed the 50 largest VCs in the US, which are more likely managed by larger teams, whereas the sample in this study includes both small and large Swedish VCs, as shown in Section 4.1. Meanwhile, the sample studied by Gompers et al. (2020) had an average partner group size of 4.8, and in that case, the use of unanimity was the most common voting rule. The preference for collective decision-making favoured through consensus and majority points to a commonality in the size of the partner group. In this way, seeking a collective decision can be understood as a more realistic approach when the voting group is smaller, compared to the larger partner groups in the US, in which the feasibility of reaching a common decision can be hindered by the existence of more partners.

5.2.3.2 Learning from Experience

In terms of learning experiences, a variety of changes arose from the interviews as shown in Table 22. Many VCs exhibited variations in the voting scale used as several VCs started with a binary voting system and transitioned to a scale system later. Further, some VCs using a binary voting system consider changing their voting to a voting scale format in the future.

Concept	Illustrative Quote
Learning from Experience	<i>“Then we had kind of tried that one partner should champion the deal. [...]. It's just not a nice dynamic. I much prefer when it's like you and I are on the same team. Yeah. And let's figure this one out together.”</i> - Company 1, Partner 1
Learning from Experience	<i>“So like the first couple of years, three to five years, it was more ad-hoc. But then we realised that there's a lot of work. We have to structure this in a better way and also balance the portfolios. We don't have all the companies in the same field. That's when we started to work on a more structured investment process.”</i> - Company 23, Partner 11
Learning from Experience	<i>“We have tried but hate voting. Voting felt artificial and it disrupted the discussion because people could hide behind a vote instead of having an argument.”</i> - Company 29, CEO 5

Table 22. Interview quotes illustrating experience-driven evolutions of the voting processes of Swedish VCs.

In this context, the role of veto and championing roles played a major role in the learning experiences of VCs. To illustrate, one VC integrated a pure championing voting rule in its decision-making and the experience showed that individual decision-making was not aligned with the dynamics and culture of the team. This led to a transition to a majority decision rule with a veto and championing option. Similarly, another VC reverted from using a voting-based system in its entirety after perceiving it as negative and disruptive to active discussions and arguments. Consequently, the VC chose a pure consensus-seeking approach through discussion, which aligns with the experience of several of the other VCs.

Moreover, the aforementioned aspects regarding Swedish culture were referred to as a reason for relying on an inclusive decision-making process, which contrasts the study of Malenko et al. (2023). Hence, it appears that although VCs are aware of the option of using championing in their IC, it does not align with the way they seek to make investment decisions.

6. Conclusion

Given the important role of VCs as financiers of innovative start-ups and the significant size and maturity of the Swedish VC market, this study attempted to answer the overarching research question of how Swedish VCs make investment decisions in IC. By investigating how Swedish VCs select start-ups for investment, the authors sought to provide a better understanding on decision-making in the Swedish VC industry. This brings interesting contributions as it allows VCs to understand not only how they assess potential investment opportunities, but also on how they reach investment decisions. As only a few business proposals receive VC investment, decision-making in the IC has a direct influence on which start-ups are financed (Gompers et al., 2020), which ultimately plays a crucial role in which companies scale, and create positive spillover effects in the broader economy.

To understand the IC black box of Swedish VCs the study was guided by the following two sub-questions:

Q1: How can the role of the IC be understood in the decision process of Swedish VCs?

Q2: How can the voting patterns of Swedish VCs be explained?

The findings from the analysis in Chapter 5 are visualised in Figure 10 and expanded upon further below.

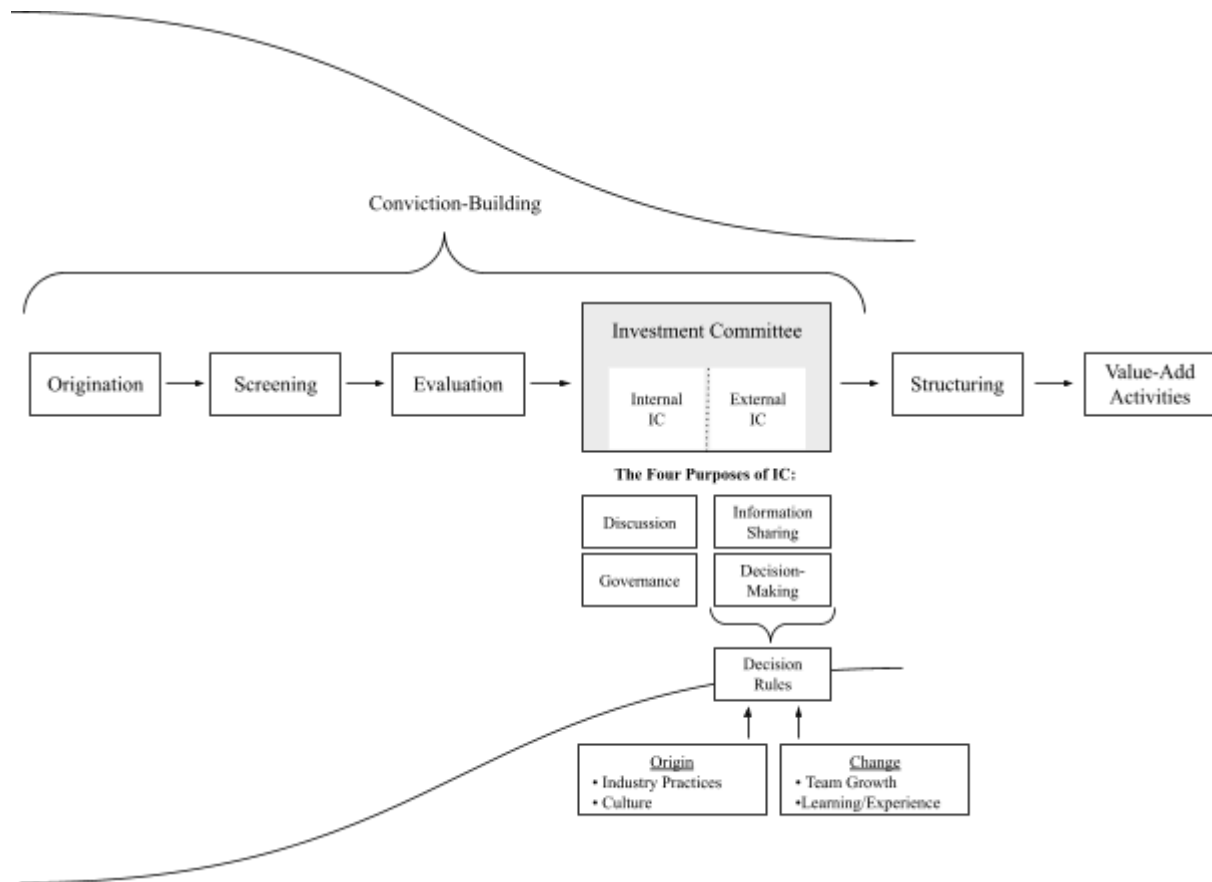


Figure 10. Extension of the decision process with the integrated IC.

Addressing the first sub-question, the study reveals that the IC is an integrated component of Swedish VCs decision process. The IC reflects a culmination of the various activities in the screening and evaluation of proposals throughout the decision process. This establishes the role of the IC as an intermediating link between the Deal Evaluation and Structuring stage. Understanding the position of the IC as an integrated stage in the decision process and the conviction-building that occurs across the stages suggests a new perspective to how the stages before the IC also serve an important function in VCs decision-making.

On this basis, the study also elucidates the different purposes which the IC fulfils: decision-making, governance, information sharing, and discussion, and how they are utilised by VCs to make better investment decisions. In this regard, the IC serves a variety of purposes that challenges the previously dominating perception of the IC solely as the final decision-making body. Hence, against the initial assumption grounded in the prior research, ICs of Swedish VCs not only use voting to make decisions but also rely on discussion and consensus-building to reach decisions in IC. To achieve this, VCs use different internal and external structures in terms of IC structure, motivated by the quest to align decision-making with fund strategy and goals.

Regarding the second sub-question, decision rules exhibit homogenous patterns, indicated by the preference of Swedish VCs for consensus and majority voting rules. Thus, this study confirms the survey findings on European VCs of Söderblom et al. (2023), yet contrasts the

widespread adoption of championing voting in the US (Malenko et al., 2023). These findings are interesting in the context of the seemingly similar investment strategies of most VCs, to find and invest in high growth unicorn companies and the different reasoning behind using disparate decision rules in America compared to Sweden.

Further, to account for the decision-making patterns identified in the sample, the study finds that Swedish culture and industry practices appear to shape the preference for establishing consensus and majority voting which drives collective decision-making and motivates the aversion to individual voting. On the other hand, several Swedish VCs also acknowledge the influence of American industry practices on shaping the formal adoption of individual decision-making rights and the inclusion of vetoes. However, in practice Swedish VCs rarely exercise such veto rights, further underscoring the preference for collective decision-making.

Thus, the study sought to provide a more differentiated picture of the IC of VCs and serve as a starting point for further research in the future.

7. Discussion

This section discusses the Theoretical Contributions (7.1) and Managerial Implications (7.2) of the study, before outlining the study's Limitations (7.3) and addressing suggestions for Future Research (7.4).

7.1 Theoretical Contributions

This study contributes to the nascent state of research on entrepreneurship literature. This covers both the IC as part of VCs decision process, the voting patterns of Swedish VCs as well as the contextual reasoning behind certain decision rules.

The first contribution of this study lies in its attempt to address the research gap on how the role and position of the IC are understood in the decision process of VCs. This study suggests the presence of the IC as a crucial and integrated part of the entire decision process and sheds light on a previously overlooked stage, adding to prior research (Wells, 1974; Tyebjee & Bruno, 1984; Hall, 1989; Hall & Hofer, 1993; Fried & Hisrich, 1994; Gompers & Lerner, 2001; Petty et al., 2023). In this context, this study adds to the five-step decision process (Tyebjee & Bruno, 1984) by identifying the presence of ICs as an integral part of the decision process. Expanding further, it establishes the IC as the intermediating link between the Deal Evaluation and Structuring stage introduced initially in the decision process (ibid). Additionally, this study finds that conviction-building occurs along the process leading up to the IC. This contrasts the illustration of Petty et al. (2023) of the IC as an isolated stage serving as the final stage of the three-step deal flow process.

Further, this study contributes to existing research by extending the understanding of the different purposes of an IC beyond the descriptions delivered by Klonowski (2010). By

identifying its purpose as a governance-, decision-, and information-sharing forum in addition to its role as a decision-making body the comprehension of the IC's purpose is broadened.

The second contribution of this study is the provided account of the reasoning behind the voting patterns of Swedish VCs. This study extends the existing research of Gompers et al. (2020), Malenko et al. (2023), and Söderblom et al. (2023) on voting in IC and confirms the findings of the latter that consensus and majority voting are prominently adopted in Swedish VCs. As this study interviews both VCs and GVCs, it also adds an understanding of how different types of Swedish VCs structure their ICs and in this way extends the research of Johansson et al. (2021). In accordance with the research by Johansson et al. (2021), this study also confirms that Swedish GVCs tend to favour joint decisions based on the discussion of potential drawbacks and advantages of a proposed investment opportunity.

Further, the interview-based nature of this study suggests that IC and voting need to be considered from a broader and more integrated perspective. This emerged from the findings on the preference for collective decision-making, in contrast to the prominent use of individual decisions in Malenko et al. (2023). In this way, this study adds to the prior research of Malenko et al. (2023) and Söderblom et al. (2023) by uncovering contextual reasons for the observed voting patterns. The findings indicate the strong influence of Swedish industry practice and culture and, thus, enhance the existing research on voting rules (Gompers et al., 2020; Malenko et al., 2023; Söderblom et al., 2023). This study does not undermine the results of the prior research on IC voting but considers the limitations of survey-based studies which do not account for the fact that some VCs do not vote at all as well as the discrepancies in decision rule terminology, as details on the voting scale, voting process, and method are uncovered.

7.2 Managerial Implications

The study's results provide several implications for industry practitioners. By providing an account for these managerial implications, the intention is to support further advancement of establishing investment decision-making processes that are aligned with the VCs respective fund strategies and contribute to catching unicorns.

Firstly, understanding that the IC serves a broader role than a decision-making body can be of practical value to VCs as it can help in improving overall governance practices and foster employee development through knowledge sharing. For practitioners, this suggests that when designing the structure of the IC and deciding on the role the IC should serve, the broader purpose of the IC should also be considered.

Further, the IC is shown to not be an isolated stage, but rather serves as a culmination of all stages leading up to the IC. This indicates that the IC as the decision-making body should also be designed to be congruent with the overall decision process setup since they are shown to be closely interlinked. This is particularly relevant for Swedish VCs which favour collective decision-making as a result of the conviction-building along the process.

Understanding these cultural underpinnings is crucial for both entrepreneurs seeking VC funding and international investors looking to navigate the Swedish VC landscape.

Lastly, for practitioners in the VC industry, the results denote that there is no one way to structure an optimal IC. Hence, it becomes critical to design an IC that is culturally aligned and considers context-dependent factors as well, such as resonance with firm values and the Swedish culture.

7.3 Limitations

Although the study offers several theoretical and practical contributions, as with any research, it is still subject to several constraints. One significant limitation is the subjectivity inherent to semi-structured interviews. Although the authors of this study placed great care and effort into representing and analysing the insights offered by the interviewees precisely as illustrated in Chapter 3, the conclusions made are naturally susceptible to subjectivity to some extent. This is particularly relevant considering the constructivist and interpretivist approach of the study which relies on the author's ability to interpret interviewees' answers.

In addition, as commonly put forward for qualitative studies, comparability and replicability may be limited. As pointed out by Zacharakis & Meyer (1998), VCs have shown to not be proficient in introspecting and are not fully able to account for their internal decision-making processes. This is particularly relevant when seeking to compare the results of this study to Malenko et al. (2023) and Söderblom et al. (2023) as both relied on survey-based methodologies. These studies are limited to a set of predefined answers and consequently rely on the respondent's interpretation.

Moreover, due to the cross-sectional study design, one person per fund was interviewed. This implies that the responses of interviewees are likely to be influenced by biases and subjective interpretations not necessarily representative of the views of other people at the respondent's funds. This is further impacted by the fact that in some cases interviews were conducted with junior members of the VCs. On one hand, this can improve the study in terms of capturing perspectives from different organisational levels, but, on the other hand, it has to be noted that some junior members do not participate in ICs themselves, thus, potentially limiting their ability to account for particular reasons and contextual reasons that influence the IC.

Another limitation due to the qualitative nature of the study pertains to the impact of the results on VC performance. As the study is limited to a sample size of 30 and uses semi-structured interviews, the inferences that can be made from the analysis are somewhat limited. Hence, it is not possible to make conclusions regarding the potential consequence of choosing majority and consensus voting on VC performance or the likelihood of identifying outliers as suggested in Malenko et al. (2023). Moreover, the study cannot properly account for differences across different investment stages or investor types (e.g., institutional VCs, family offices, and GVCs) due to the limited sample size.

7.4 Future Research

The findings of this study support that understanding the role of the IC in the decision process is essential to comprehending VC decision-making. In this way, several areas of interest remain for future research as this study only complements the limited existing research on VC decision-making in IC.

Firstly, as several funds expressed the significance of Swedish culture on their investment processes and the IC in particular, future research can extend this by studying the cultural influences on investment decisions. This can take into consideration the influence of American culture frequently associated with risk-taking and individualism as well as the seemingly more consensus-based culture in Sweden. Moreover, this poses questions as to why other countries in Europe with large VC industries, such as France or Germany, have chosen their particular IC structures. This is a particularly interesting avenue of research taking into consideration the results presented in Söderblom et al. (2023) indicating that majority and consensus decision rules are favoured over championing across Europe.

Secondly, as indicated in Chapter 7.3, the linking of decision rules to fund performance presents an area for future research to identify quantifiable benefits or disadvantages pertaining to different decision rules. This is particularly interesting given the fact that American and Swedish VCs often use different decision rules to achieve the commonly defined goal of VCs to invest in companies with high growth potential. This raises the question of whether the voting rule contributes to VCs ability to catch unicorn companies, or whether this capability lies elsewhere. Further, it also raises the question as to how the adoption of a specific voting rule can be understood in relation to the long-term success and performance of a VC.

Thirdly, given that this study points to the need for navigating organisational changes, like team growth, and its impact on the IC structure, it proves as an interesting area for future research.

Finally, in contrast to this study which identified reluctance to vote in some funds, existing literature on IC decision-making assumes that VCs reach decisions in IC through voting. Hence, further consideration can be given to the impact of conviction-building throughout the decision process on the IC in and outside the Swedish context.

The findings of this study and future research avenues aim to provide scholars and practitioners with nuanced insights on VC decision-making, shaping the selection of start-ups that receive investment and scale to foster job creation and economic growth.

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9. Appendix

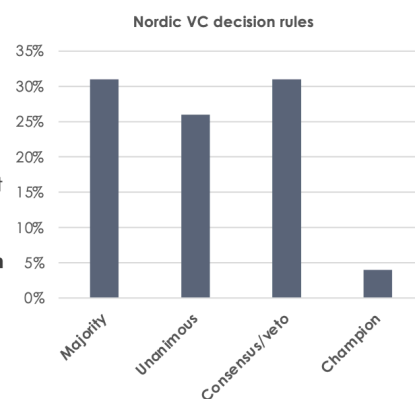
9.1 Pitch Presentation of Research Project

The following pages show the pitch deck which was circulated to the interviewees upon asking about willingness to participate in this study and interview availability. It was officially distributed under the following research title: “*Stockholm School of Economics (SSE) and Swedish Venture Capital Association (SVCA) Presentation of VC Decision Dynamics Research Project*”.



DECISION RULES AS A KEY PERFORMANCE FACTOR

- Investment committees (IC) are key decision structures for venture capital (VC) funds where a large portion of investments are (de)selected. It can thus be argued that **IC decisions are a key factor for VC competitive advantage and fund performance**.
- Nordic VCs use various decision rules e.g. majority, unanimous, consensus with veto, individual champions** (Söderblom et al., 2023).
- The distribution of Nordic and European VC decision rules is notably different from US VC decision rules (Gompers et al., 2020; Malenko et al., 2023).
- The goal of the research project is to create increased understanding of the origins, motivations, and potential effects of various decision rules in Swedish VC investment committees.**
- The research project is done in collaboration with the Swedish Private Equity and Venture Capital Association (SVCA).



Gompers, P. et al., (2020) How do Venture Capitalists Make Decisions? Journal of Financial Economics, 135(1), 169-190.
Malenko et al. (2023) Catching Outliers: Committee Voting and the Limits of Consensus when Financing Innovation, Harvard Business School Working Paper 21-131
Söderblom et al. (2023) Practices of European Venture Capitalists, European Venture Capital Association (EVCA), April 2023

METHOD & RESEARCH TEAM

- Ca 45–60 minutes semi-structured interviews on IC process with VC partners/principals during Q1 2024.
- Data will be used in de-identified and/or aggregated form.
- The collected data will be used for various academic outputs (theses, academic publications, teaching materials).
- Participating VCs will receive invitation to attend SSE/SVCA initial results seminar during Q2 2024 and results will be disseminated publicly.



Erik Wetter
Assistant professor, Docent
SSE House of Innovation
erik.wetter@hhs.se



Astrid Vikingsdotter Johansson
Research assistant
Dual MSc student SSE-CEMS
42089@student.hhs.se



Nawid Hemmesi
Research assistant
Dual MSc student SSE-SciencesPo
42496@student.hhs.se



9.2 Interview Guide

Topic	Question
<i>Background Information</i>	• Short introduction about ourselves and interviewee • Confirm signing of consent form and ask for permission to record • Inform about purpose of the study • How would you describe your role?
<i>VC Descriptive</i>	• What is your investment strategy? • What is your total AUM? • What is the size of the investment team? • How many partners at the VC?
<i>IC Descriptive</i>	• Do you use an IC at your fund? • What purpose does the IC serve? • Who participates in IC? • What is the share of deselection of business proposals in IC? • How would you best describe your formal voting process?
<i>IC Contextual</i>	• Why do you use this voting rule? • What is the origin of the IC process & voting rule in use? • How would you best describe the decision-making culture throughout the IC process? • Do you think there is alignment between the IC / voting process and the fund's investment strategy?
<i>Outro</i>	• Is there anything left or is anything left to discuss? • Thank you for taking the time!

9.3 Consent Form



Research project on Investment Committees Consent form

Background and purpose

This study is conducted by researchers at the Stockholm School of Economics. The purpose of our project is to better understand the origins, motivations, and potential effects of various decision rules in Swedish venture capital (VC) investment committees. The results are valuable to academic research on innovation and entrepreneurship and will have practical implications for VC companies and investors in a wider sense.

How does the study proceed?

The study consists qualitative data collection via semi-structured interviews. Participants are interviewed on various topics related to investment screening and investment committee (IC) decision making. Each interview should last no more than an hour.

How do I access information about the results of the study?

All scientific reports produced by members of the research group will be available to study participants.

Data management and confidentiality

Data will be de-identified to secure full confidentiality but will be made available to people outside of the research group. This means that published data or data reaching people outside of the research group cannot be used to identify individual participants or firms.

Participation is voluntary

Participation in the research project is individual and voluntary. Participants can choose to leave the project at any time without declaring a reason. Data already collected from a participant choosing not to continue will be used, unless you request us to delete already provided data.

Withdrawal of consent

At any time, you may withdraw this consent to participate by contacting Assistant Professor Erik Wetter specifying the details of withdrawal as per above.

Principal investigator

Erik Wetter, PhD, docent
Assistant Professor
erik.wetter@hhs.se

Practical questions about study participation, data management and so on, can be directed to the project research assistants:

Astrid Vikingsdotter Johansson
42089@student.hhs.se

Nawid Hemmesi
42496@student.hhs.se

I have read and understood the implications and consent to participating in the above described study.

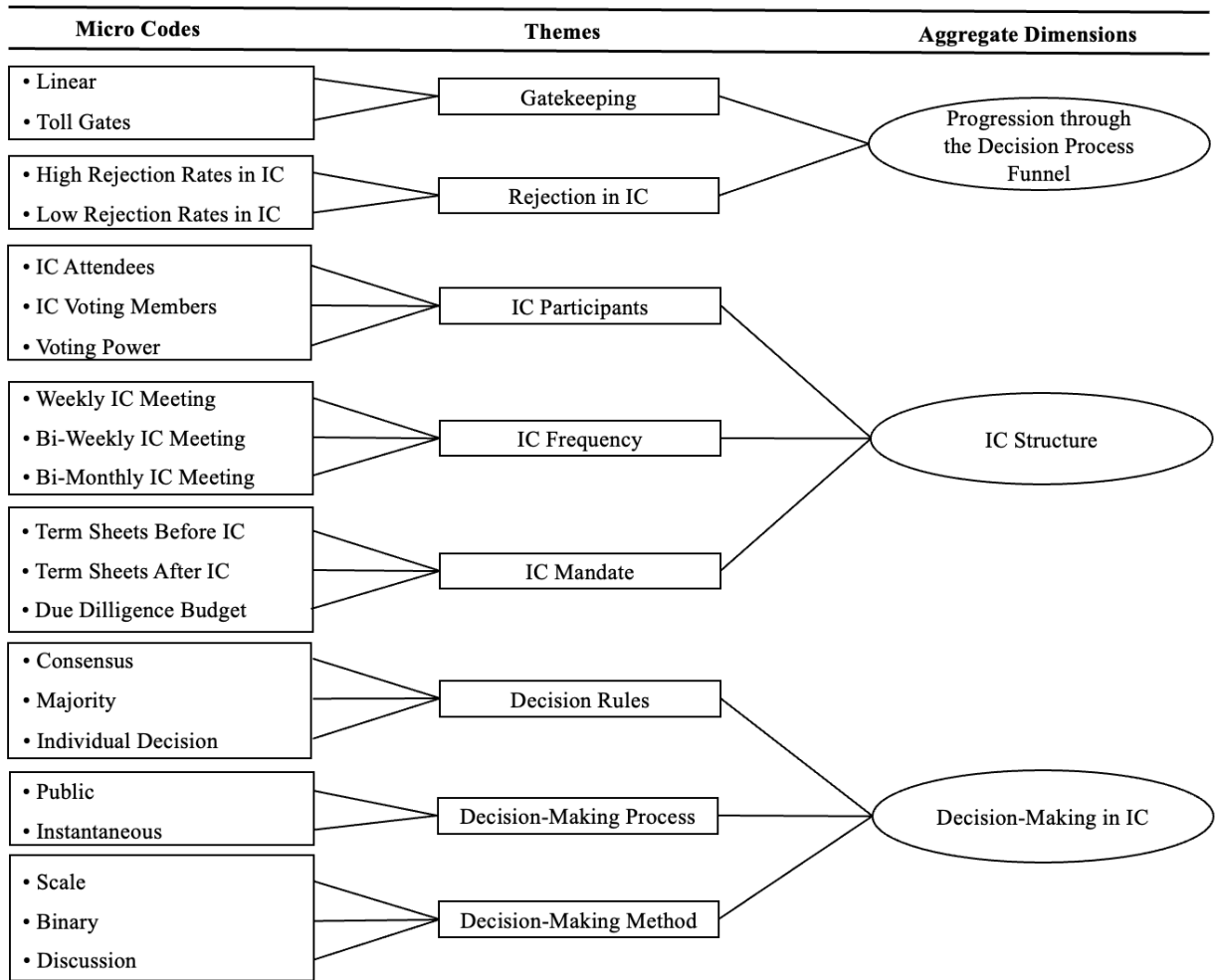
Date:
Signature:
Print name:

9.4 Overview of Interviews

Company	Respondent	Gender	Role	Date	Duration
1	Partner 1	Male	General Partner	2.2.2024	35 min.
2	Partner 2	Male	Founding Partner	9.2.2024	39 min.
3	Investor 1	Male	Investor	9.2.2024	29 min.
4	Associate 1	Male	Portfolio Associate	9.2.2024	49 min.
5	Principal 1	Female	Principal & Interim Head of Finance	15.2.2024	33 min.
6	Partner 3	Female	Partner and Co-founder	16.02.2024	37 min.
7	CEO 1	Male	CEO	23.02.2024	35 min.
8	Partner 4	Female	Partner & Co-Head of Ventures	23.02.2024	30 min.
9	Director 1	Male	Investment Director	23.02.2024	15 min.
10	Partner 5	Male	Partner	23.02.2024	43 min.
11	CEO 2	Male	CEO	27.02.2024	40 min.
12	Investment Manager 1	Female	Investment Manager	1.03.2024	40 min.
13	Partner 6	Male	Partner	7.03.2024	48 min.
14	Senior Investment Director 1	Male	Practice Lead	7.03.2024	42 min.
15	Partner 7	Male	Partner	8.03.2024	40 min.
16	CEO 3	Female	CEO	11.03.2024	30 min.
17	Principal 2	Male	Principal	11.03.2024	45 min.
18	Partner 9	Female	Partner	11.03.2024	30 min.
19	Partner 10	Male	Partner	12.03.2024	42 min.
20	CEO 4	Female	CEO	13.03.2024	39 min.
21	Head of Investments 1	Female	Co-Founder & Head of Investments	15.03.2024	25 min.
22	Principal 3	Female	Principal	15.03.2024	30 min.
23	Partner 11	Male	Partner & Investment	18.03.2024	41 min.

Manager					
24	Investment Manager 2	Female	Investment Manager	19.03.2024	29 min.
25	Investment Manager 3	Male	Investment Manager	22.03.2024	27 min.
26	Partner 12	Female	CEO & General Partner	22.03.2024	35 min.
27	Partner 13	Male	Partner & Co-Founder	22.03.2024	32 min.
28	Senior Associate 1	Female	Senior Associate	28.03.2024	41 min.
29	CEO 5	Male	CEO	10.04.2024	46 min.
30	Partner 14	Male	Partner	11.04.2024	27 min.

9.5 Data Analysis Structure



9.6 Final Sample - Fund Characteristics

Company	Type	AUM	Industry Focus	Investment Stage	Ticket Size
1	VC	€450M	Sector-agnostic, Impact focus	Seed & Series A	€1-6M
2	VC	€76M	B2B Enterprise Software and Deep Tech	Seed & Series A	€1-3M
3	VC	€210M	Software-driven companies	Pre-Seed & Series A	€0.5-4M
4	VC	\$4.7B	Sector-agnostic	Early-stage	\$125k-500 K
5	VC	€80M	Sector-agnostic	Pre-seed & Seed	\$100k-750 K
6	VC	€71M	Sector-agnostic	Early-stage	5-25M SEK
7	GVC / University	25-27M SEK	DeepTech	Pre-Seed	1M SEK
8	VC	€1.2B	Life Science, GreenTech & Impact Enablers	Early-stage	€1-15M
9	PE	€6B	Digitalisation & Decarbonisation	Growth & Buy-Out	€10-80M
10	VC	1B SEK	Sector-agnostic	Early-stage	40M SEK
11	GVC / University	N/A	Sector-agnostic, University spin-outs	Early-stage	100-500k SEK
12	VC	\$5B	Sector-agnostic	Early-stage & Growth	\$1-20M
13	VC	742M NOK	Purpose-driven	Pre-seed, Seed & Series A	30M NOK
14	GVC	5B SEK	Deeptech, Life science, Transformative tech	Seed - Series A	10-50M SEK
15	FO	3B SEK	Sector-agnostic	Early-stage & Growth	€2-20M
16	VC	N/A	B2B SaaS in Disruptive Technology, Life Science & Sustainability	Early-stage	€250k-2M
17	VC	N/A	ClimateTech, Future of Work	Pre-seed, seed and Series A	€500k-3M
18	VC	€2.4B	Sector-agnostic	Seed - Growth	€1-40M
19	VC	500M SEK	Technology: Digital retail, SaaS & tech-enabled services	Growth	40-150M SEK

20	VC	462M SEK	Sector-agnostic	Pre-Seed	5-30M SEK
21	VC	1.9B SEK	B2B software	Seed - Series A	€1M+
22	VC	€125M	Life Science	Pre-Seed - Pre-IPO	€100k-10M
23	FO	€150M	Energy & Impact Focus	Early-stage	€5-10M
24	GVC	3.5B SEK	Sector-agnostic	Early-stage	1-10M SEK
25	VC	\$30M	Sustainability focus, Tech	Early-stage	€500k-5M
26	VC	€10-20 M	HealthTech & LifeTech, Impact	Early-stage	€50k-500k
27	VC	€320M	B2B Software	Scale-up	€5-10M
28	VC	€1.1B	Sector-agnostic	Seed- Series A	€2-20M
29	VC	N/A	Science-driven, DeepTech	Seed- Series A	€250k-5M
30	VC	€580M	Sector-agnostic	Seed	€300k-3M

9.7 IC Attendees, Voting Members, and Partners

Company	Type	IC Attendees	IC Voting Members	Partners
1	VC	11	4	4
2	VC	6	5	2
3	VC	12	2	4
4	VC	12	8	8
5	VC	10	3	5
6	VC	6	6	6
7	GVC / University	3-8	3-8	0
8	VC	4	4	2
9	PE	3-5	3-5	5
10	VC	4	4	5
11	GVC / University	2	2	0
12	VC	7	Fund IC: 3 Firm IC: 4	5
13	VC	6	6	6
14	GVC	8	External IC: 8 Internal IC: 8	3
15	FO	4	4	4
16	VC	3	3	0
17	VC	9	9	5
18	VC	19	11	6
19	VC	5	5	3
20	VC (Listed)	4	4	0
21	VC	3	3	2
22	VC	6	External IC: 6 Internal IC: 6	5
23	FO	4	4	3
24	GVC	7	External IC: 4	0

Internal IC: 7				
25	VC	8	5	5
26	VC	3	4	0
27	VC	3	3	5
28	VC	15	6	7
29	VC	6	Internal IC: 4 Board IC: 7	0
30	VC	11	6	5

9.8 Use of AI

AI tools

Perplexity AI (<https://www.perplexity.ai/>) has been used to generate synonyms for words that the authors sought (see prompt below). Further, ChatGPT (<https://chat.openai.com/>) was used in some instances to also retrieve synonyms to provide a more nuanced language.

To catalyse the data analysis process, Revoldiv (<https://revoldiv.com/>) was used as a tool for transcribing the recorded interviews to generate interview transcripts, which then served as the basis for the subsequent corrections and coding performed by each author. This tool was useful to the extent of creating a draft of the interview transcript. However, due to the inability of this tool to consistently and accurately identify the speaker or certain words, there was a need for manual corrections to finalise the final transcript that the coding was based upon.

An attempt to use Research Rabbit (<https://www.researchrabbit.ai/>) was also done, however, it did not generate any valuable contributions and therefore only served to confirm that the main strands of the literature had been considered. The purpose of attempting to use this AI tool was to expand the literature search, monitor the publication of new research and visualise research landscapes. However, it did not garner any new results and has therefore in the final version of this study not contributed to any of the chapters. A reason why it was not used was that this AI tool was tested first after the manual database scrapes had been performed, hence, the existing literature already covered 573 articles and there was no additional value which Research Rabbit provided.

Another attempt to use an AI tool was Consensus (<https://consensus.app/search/>) which provides vetted, unbiased information as answers to research questions and references academic papers. However, the prompt asked to Consensus did not generate any search results, hence, not proving useful for this study (see prompt below).

AI tools contribution to increasing the quality of the thesis

The use of AI tools has increased the quality of the thesis in inspiring a larger variation in the vocabulary used. In this way, the use of AI tools has merely served the purpose of grammatical corrections by suggesting synonyms to enhance the message of a particular passage. As the other attempts to use AI tools did not provide a valuable addition to this study, they did not contribute to increased quality.

In addition, the use of Revoldiv, facilitated the data analysis process as it accelerated the speed at which the interviews were able to be transcribed and reduced the risk of human-made errors which otherwise could have occurred if everything would have been manually transcribed from the outset of the process.

Potential risks found using AI and measures taken to reduce these risks

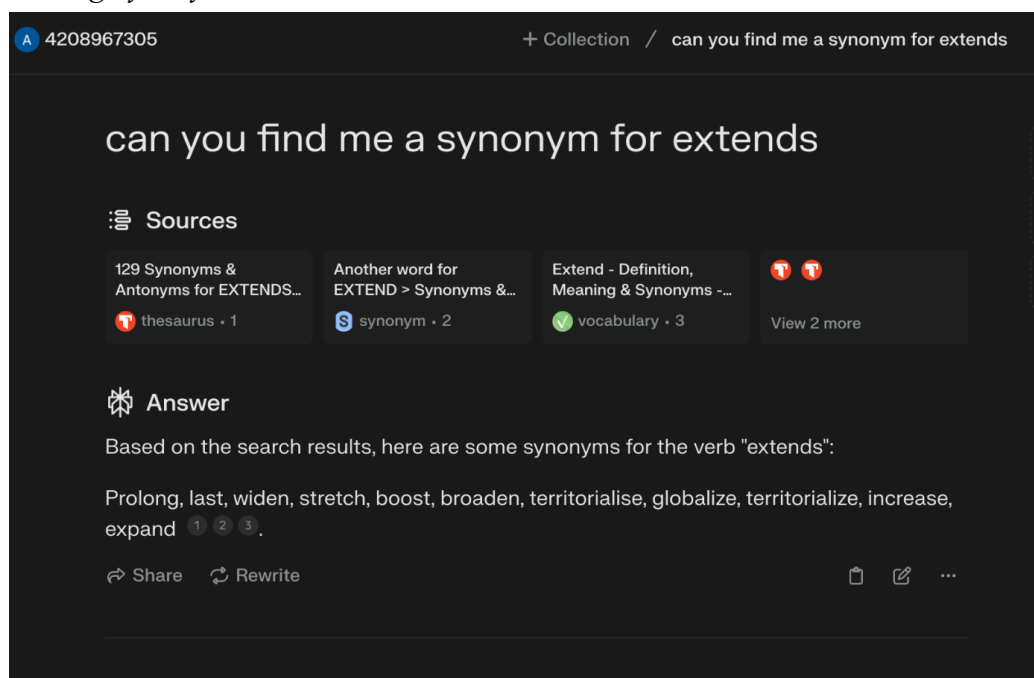
In the attempt to use AI tools to refine certain concepts and reasoning about the findings of the study, the AI tool sometimes tended to also include other external sources from the web which was not suitable as the inserted prompt was limited to findings of this research study. This created a problem in entangling mixed data sources which also was not the intention of prompting the AI. In these cases, the use of AI was not of particular value but instead the researchers found it more helpful to elaborate on concepts without the AI tool.

Risks identified when relying on the AI tool Revoldiv for data analysis was that in some cases the speaker was not correctly identified nor the words transcribed did not accurately reflect the actual words spoken during the interview. This creates a risk of credibility of the AI tool and hence of the study. To counteract this, the authors manually corrected the transcript, as described above.

Insights gained from using AI tools in the thesis writing process

Insights gained by using AI tools were that they do not provide accurate information in terms of replicating the information shared in the prompt and instead had an inclination to edit the original information when retrieving the AI-generated search result. Another insight was that although AI tools can catalyse certain text passages, it most often requires a thorough rework of the text regardless, as it needs to be adapted to suit the overall language of the study and any research- or industry-specific terminology. For these reasons, even though the authors made attempts to use AI to increase the quality of the study, in practice, the AI tools only served the purpose of generating synonyms, similar as a Google search would. Additionally, the transcribing tool did provide value in creating a draft of the transcript and the insight gained from this was that the process could be sped up, even though it did require manual editing as well.

Finding Synonyms



Spelling and grammar check

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+ Collection / is this sentence correctly spelled: As a fi

is this sentence correctly spelled: As a final measure to ensure that the literature field had been exhausted, the main articles underlying the literature review were run through the AI tool ResearchRabbit (2024). However, this did not generate any new additions and hence served as a confirmation of the literature reviews' entirety

Sources

Blog 208-Artificial Intelligence in Academia...
aesanetwork • 1

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AI open tools for Research.pptx -...
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Answer

The sentence is correctly spelled, with the exception of the apostrophe usage in "reviews". It should be "review's" instead. ⁴

As a final measure to ensure that the literature field had been exhausted, the main articles underlying the literature review were run through the AI tool ResearchRabbit (2024). However, this did not generate any new additions and hence served as a confirmation of the literature review's entirety.

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Attempt to expand the literature review using Research Rabbit

https://researchrabbitapp.com/home?collection_id=2112842&token=09f027e22295bb9e4927f4625b6923d286bb9daf

The screenshot displays the Consensus app interface. On the left, a sidebar shows '1 selected paper' by Steven N. Kaplan and Per Strömberg, titled 'Financial Contracting Theory Meets the Real World: An Empirical Analysis of Venture Capital Contracts'. The paper is from 'The Review of Economic Studies' (2003) and has 1342 citations. The main content area shows the paper's abstract and a list of 'Similar Work' papers, including 'Optimal Investment, Monitoring, and the Staging of Venture Capital' by Gompers and Lerner (1999) and 'The venture capital cycle' by Jensen and Meckling (1976). On the right, a 'Connections between your collection and 50 papers' network graph is shown, with nodes representing authors and their connections. The graph is titled 'Graph Type' and 'Labels', with options for 'Network', 'Timeline', 'First Author', and 'Last Author'. The graph shows a dense network of connections between authors like Kaplan, Strömberg, Gompers, Lerner, Jensen, and Meckling.

Searching for specific content of a paper

[https://consensus.app/results/?q=which%20method%20is%20used%20in%20this%20article%20Malenko%20et%20al%20\(2023\)Catching%20Outliers-%20Committee%20Voting%20and%20the%20Limits%20of%20Consensus%20when%20Financing%20Innovation&synthesiz](https://consensus.app/results/?q=which%20method%20is%20used%20in%20this%20article%20Malenko%20et%20al%20(2023)Catching%20Outliers-%20Committee%20Voting%20and%20the%20Limits%20of%20Consensus%20when%20Financing%20Innovation&synthesiz)
e=on

The screenshot shows the Consensus app search results page. The search query is 'which method is used in this article: Malenko et al (2023)Catching Outliers- Committee Voting and the Limits of Consensus when Financing Innovation'. The results are displayed in a list format. The first result is 'Financing constraints, R&D investments and innovative performances: new empirical evidence at the firm level for Europe' by Bronwyn H Hall et al. (2016), with 223 citations. The result is marked as 'Highly Cited'. The interface includes a search bar, filters, and a 'Synthesize' button. A message box states: 'We didn't find many highly relevant results for your search. Need help getting better results? Visit our how to search page'. The bottom of the page shows a sidebar with navigation icons.