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Understanding the rationale of Business Angels behind the adoption of an exit-centric approach to investing

Are Angels prepared to land?

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1. INTRODUCTION

1.1. Problem statement

Entrepreneurial finance is one of the main challenges that emerging businesses face if they want to survive and eventually scale (Salamzadeh & Kawamorita, 2015). This thesis takes the perspective of Business Angel financing. Business Angels, or Angel investors are individuals who invest their own money in hope of a capital gain (Mason, 2005). During my research, I found out that this type of informal financing is at the core of innovation, which is a key factor linking entrepreneurship and economic growth (Wennekers & Thurik, 1999). As such Business Angels are important actors in the start-up financing ecosystem, injecting money in the start-up scene and filling a funding gap left wide open by Venture Capitalists (Freear, Sohl, & Wetzel, 2002; Mason, 2005).

Wetzel (1983), the inventor of the terminology "Business Angel", qualified the world of those informal investors as secretive. Consequently, the literature has gathered very few information about that informal source of entrepreneurial finance, compared to Venture Capital funding (Cumming & Zhang, 2019). An apparent pant of Business Angels' activities that the literature has left aside appears to be the exit processes and behaviors of Angels (Botelho, Harrison, & Mason, 2019). Knowing that the exit is the main desirable outcome when Angel investing, it was troubling to observe that the literature and often the informal investors themselves do not know how to behave towards exiting a deal (Peters, 2009). When digging a bit further into the topic, I discovered that researchers and practitioners had launched a call for more studies on those individual investors' behaviors towards exits. While investigating Business Angels is rather difficult (Prowse, 1998), practitioners have elicited a recommendation to Business Angels when it comes to exits: adopting an exit-centric approach to investing (McKaskill, 2009b; Peters, 2009).

However, research over the past decades seem to indicate that Business Angels still approach exits in a relaxed and unplanned manner (Botelho et al., 2019; Collewaert, 2012; De Clercq, Fried, Lehtonen, & Sapienza, 2006). This behavior seemed odd to me, and to the practitioners who studied Business Angels' exits (McKaskill, 2009b; Peters, 2009). At this point, I wanted to inform myself on the current practices and motivations of Business

Angels towards exits. The problem addressed in this thesis will therefore be formulated as followed:

> "What is the rationale behind the adoption of an exit-centric approach to Angel investing?"

The problematic will be researched and studied through the lens of the Theory of Planned Behavior. The Theory of Planned Behavior was indeed designed by Ajzen (1991, p. 181) to "predict and explain human behaviors in specific contexts". The Theory of Planned Behavior has been extensively used by investigators in various fields, but in particular in relation with entrepreneurship issues (Botelho et al., 2019). The choice of using the Theory of Planned Behavior to explain the strikingly irrational behavior of Business Angels towards exit planning therefore seems justified. Furthermore, Botelho et al. (2019) identified a call from the literature to study Business Angels' behaviors through the Theory of Planned Behavior.

1.2. Personal motivation

Entrepreneurship finance is a topic that I wanted to explore. I have always been amazed by risk-takers who can turn a business idea into reality. During the course of my studies, I had the chance to do an internship in Munich in a 2-year-old-start-up, YFood. I greatly enjoyed the atmosphere of the start-up, the responsibilities involved and the people I worked with. The start-up in itself was created and funded through the German version of the Dragon's Den. The TV show in question presents entrepreneurs who would like to concretize their idea into a business. Those entrepreneurs must convince at least one of the several wealthy individuals, commonly called Business Angels, to fund their entrepreneurial journey, against equity. When I entered the company, YFood had already significantly grown and attracted Venture Capital financing in a €15 million Series B financing round. I found and still find amazing that start-ups that were originally given a 10-minute chance on a TV show could successfully grow and expand. Therefore, I wanted to know more about what financing options are open to new entrepreneurs, how it works and why do they make certain financing choices. During my research, I rapidly focused on Business Angels because such individuals seemed to embed, in addition to pure financing, a large variety of non-pecuniary aspects.

1.3. Structure

This thesis will start with a literature review. The place that Business Angels have in entrepreneurship, the current knowledge about exit behaviors and the Theory of Planned Behavior will be depicted. Then, the methodology of the empirical part of this study will be thoroughly explained. The empirical part will result in three qualitative interviews. The results of those meetings with Business Angels will be first explained, then analyzed through the lens of the Theory of Planned Behavior. A conclusion discussing the key findings will end this thesis.

2. LITERATURE REVIEW

2.1. Entrepreneurship finance

2.1.1. A brief introduction on entrepreneurship

In today's societies, entrepreneurship is broadly recognized by the public as an important factor for economic growth and development (Toma, Grigore, & Marinescu, 2014). The term entrepreneur has its semantic origin from French and literally means "someone who undertakes" (Veeraraghavan, 2009). Before it evolved through centuries of literature, the term originally denoted people who are active and get things done (Landstrom, 1999). A more modern approach would qualify entrepreneurship as the pursuit of opportunities, irrespective of the context: start-up or corporate, for-profit or non-for-profit, public or private, discovery or creation (Alvarez & Barney, 2007). That is what distinguishes creative people from entrepreneurs: the latter group seizes the opportunity to make innovation real (Veeraraghavan, 2009). Toma et al. (2014) argue that innovation in the start-up ecosystem is one of the most relevant factors associating entrepreneurship with economic growth. Innovation, seen with a process-oriented approach, can also be defined as recognizing a need, creating a solution with competent people, appropriate technology and the financial support needed to implement the solution (Crumpton, 2012; Kalmanek, 2012). The latter point is extremely important because highly innovative firms assess the cost and availability of finance as being high barriers to innovation (D'Este, Iammarino, Savona, & von Tunzelmann, 2012). As a matter of fact, there is also a notion of risk and uncertainty with entrepreneurship (Casson, 2010; Dollinger, 2008). Drucker (2014) states that start-ups and entrepreneurs disappear if they do not produce satisfactory results. Consequently, a lot of new businesses fail in their first years of activity because they cannot manage to show the expected and needed results (Salamzadeh & Kawamorita, 2015).

It is vital to acknowledge that innovation, and thus entrepreneurial initiatives, are key aspects of a healthy society (Toma et al., 2014). Among the positive effect of entrepreneurship on the society, the most discussed one in the literature is the effect on the economic growth (Urbano, Aparicio, & Audretsch, 2019). Among other things, entrepreneurship is now considered as a catalyst for competition, knowledge transmission, and economic and organizational diversity (Burns, 2016). Entrepreneurship is also positively corelated with international performance (Dimitratos, Lioukas, & Carter, 2004), productivity, and social welfare (Baumol & Strom, 2007; Decker, Haltiwanger, Jarmin, & Miranda, 2014). Drucker (2014, p. 254), after having analyzed historical cycles, has also proclaimed that "an entrepreneurial society in which innovation and entrepreneurship are normal, steady, and continuous" was needed.

2.1.2. Financing stages

Innovating and creating an emerging business can be associated with failures. Indeed, less than a third of new start-ups manage to become successful companies – success stories (Salamzadeh & Kawamorita, 2015). The main reasons for early-stage failures are, as cited by Salamzadeh and Kawamorita (2015), team management problems, lack of business or technology knowledge and lack of finance. The latter point is particularly relevant to this thesis, since this is related to Business Angel (BA) financing. This master's thesis will therefore adopt a perspective of entrepreneurship that is centered around the investment stages at which a funding is needed by a private growth-oriented company. The next paragraph refers to the model cited by McKaskill (2009a) and Metrick and Yasuda (2021), depicting the growth stages of financially-backed businesses. The commonly accepted stages are the Seed stage, Start-up stage, Early stage, Expansion stage and Later stage (McKaskill divided the latter category into two distinct stages: the Replacement Capital stage and the Buy-out stage).

In the Seed stage, firms experience the first needs for financing. Most of the funds are used to research and develop the initial concept or business idea. The Start-up stage represents the continuity of the first stage. It focuses on the product development and the first marketing campaign. When entering this phase, the company does not sell any product or service, and is yet to be profitable. It is the pre-marketing phase. A company entering the Early stage may have an already commercially available product or service. If it is not the case, the firm is at least prepared to conduct business. The Expansion stage, as the name suggests, provides financing for growth to a company. It may or may not turn a profit at this stage. Opportunities for growth can be the increase of production capacity, the development of new markets/products and/or additional working capital. The Later stage provides additional financing, often through the purchasing of existing shares (Replacement Capital stage) or the acquisition of the company by an investor (Buy-out stage). The Later stage can include an initial public offering (IPO). Companies at this point are often profitable and have positive cash flows (McKaskill, 2009a; Metrick & Yasuda, 2021).

It's important to note that the scope of this thesis will be centered around the financial aspect of entrepreneurship, when it comes to entrepreneurship support. However, it is essential to acknowledge that there is a plethora of sources and types of entrepreneurship support (Hanlon & Saunders, 2007). Non-financial support is undoubtedly as important as financial aid in the success of a venture (Ratinho, Amezcua, Honig, & Zeng, 2020). Those supports can come from governments, universities, incubators or small business programs, and assist the entrepreneurs by improving business training and learning, policy discourse, technology transfer and/or physical infrastructure (Ratinho et al., 2020).

Now that a taxonomy of typical funding stages has been identified, it is imperative to understand what financing options are available to an entrepreneur, what the usual journey of a financially backed company is and where BAs are embedded in it. The next section is dedicated to understanding the variety of entrepreneurial financing options.

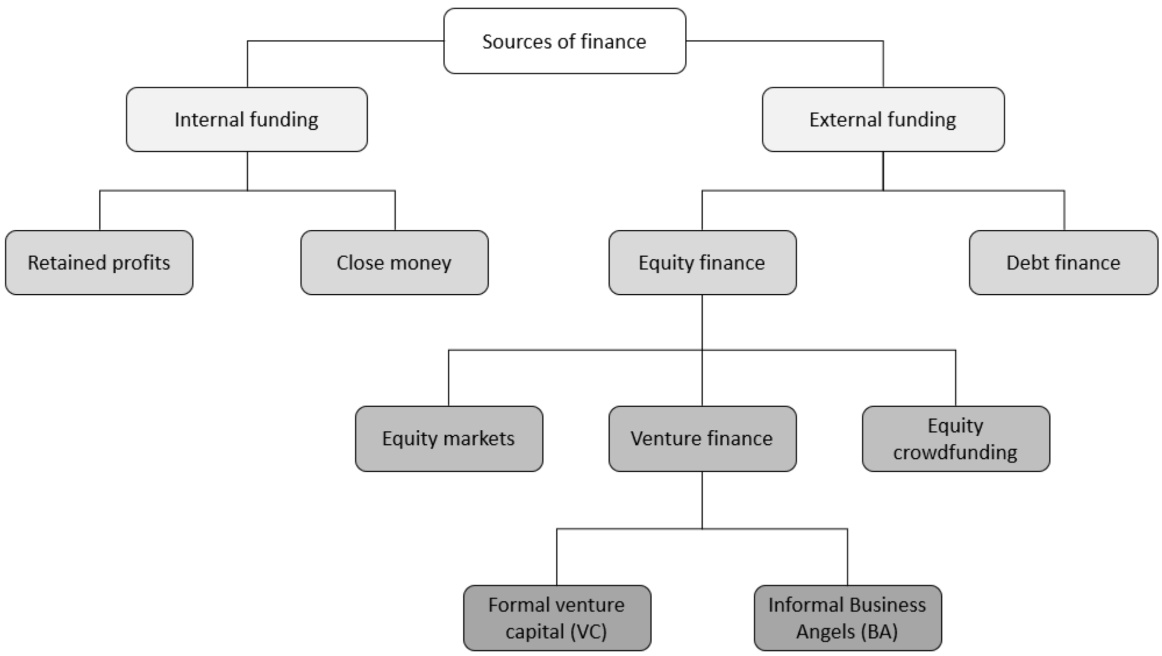
2.1.3. Sources of entrepreneurial finance

To understand the role and the presence of BAs in the funding biodiversity, it is important to review the most common options towards raising capital for an entrepreneur. *Figure 1* represents all common sources of financing.

a) Internal funding

At the very first moments of a company's life, the entrepreneur must put a lot of effort into his/her idea to turn it into a profitable business (McKaskill, 2009c). He or she is in need of capital and sometimes must use all his/her creativity to acquire the needed resources without borrowing money or raising equity (Freear et al., 2002). Consequently, the entrepreneur often uses personal funds or internal funding (families, friends, and fools) before turning to external funding (Freear et al., 2002; McKaskill, 2009a, 2009c). He or she can financially back his/her venture by getting a loan (often using real estate or personal assets as collateral), liquidate his/her assets or use personal savings (Halt, Donch, Stiles, & Fesnak, 2017). It is also not rare that start-ups get seed funding through investments or loans made by relatives (Halt et al., 2017). While this kind of financing is considered as "cheap financing" because of the lower expected return, it has its own challenges. The main one is that the relationships between the founders and the "close money" (internal funding) might get in the way of the business (McKaskill, 2009a, 2009c). Many friends, colleagues or family members that have invested in the venture do not put the necessary commitment into the project to make it work. And in the minority of cases where it works, close money rapidly becomes a problem because, as the company becomes more complex and structurally organized, family and friends often must be put aside in business decisions (McKaskill, 2009a, 2009c). Therefore, tensions can emerge from internal funding and prevent the company from growing further (McKaskill, 2009a, 2009c). "Close money" is also limited in quantity and entrepreneurs require external funding at some point to meet the needed capital (Halt et al., 2017). When the company is

Figure 1: Sources of entrepreneurial finance



already economically active, founders can use retained profits as financing. Although all businesses start with internal funding, they often switch to external funding when looking for growth (Halt et al., 2017).

b) External funding

When looking for external funding, a start-up has two main options: equity or debt finance (Carpenter & Petersen, 2002).

a. Debt finance

In the present paragraph, debt finance will mostly be centered around bank loans, although new forms of financing like debt crowdfunding have recently emerged (Belleflamme, Lambert, & Schwienbacher, 2010). Debt finance can be used in the whole business lifecycle and is as such a test-and-approved mean of financing (Halt et al., 2017). However, prior research on financing decisions of start-ups shows that growth-oriented firms and firms with intellectual property are less prone to use debt finance (Coleman, Cotei, & Farhat, 2016). Furthermore, Carpenter and Petersen (2002) affirm that debt finance is generally considered as unfit for growth-oriented firms at their early-stages.

b. Equity finance

Although raising capital through debt is an option for early-stage companies, the latter more often choose to raise capital through equity (Halt et al., 2017). Halt et al. (2017) explains that such investments happen through "financing rounds", and usually more than once during the growth of a company. Moreover, they argue that equity finance's main advantage, compared to bank loans, is that the firm does not need steady cash flows to get funded. A bank will indeed lend money only if the company is financially capable and trustworthy of paying back the interest in time. A reality that very few start-ups and smaller companies can witness, given that they do not have any economic activity at the beginning (Halt et al., 2017). For this reason, equity finance is sometimes the only option available to turn the founder's dreams into a solid company (Halt et al., 2017). Furthermore, the founders do not have to incur any debt themselves. In contrast, the founders must give up some of the shares they have in the company. That dilution of ownership and control is often a price young companies are willing to pay (Halt et al., 2017).

The main equity options a firm can raise capital from will hereby be explained.

i. Public equity markets

Also called stock markets, this means of financing was initially created to provide a company with a way to finance its future endeavors (Lamont, 2018). In other words, companies go public with the aim that founders and shareholders can transform their wealth into cash at some point (Ritter & Welch, 2002). The primary market is distinguished from the secondary market. The primary market on the one hand focuses on the initial creation of securities (here stocks) and the sale of those new stocks to the public. The secondary market on the other hand focuses on the trade of already existing shares (Beers, 2020).

In the primary market, the main mechanism through which a company can go public is called an IPO (Lamont, 2018; Ritter & Welch, 2002). IPOs are mainly performed by well-established firms and are intrinsically linked to private equity. Indeed, going public through an IPO, in addition to fulfilling the need for capital, generally marks the end of the private funding stage. At this point, early private investors want to sell some or the totality of their shares to achieve a return on investment (Ashford & Schmidt, 2021). Over the last decades, public listing has decreased in popularity, but the causes of that fall are not widely accepted (Carpentier & Suret, 2013). Companies can now easily access capital not only in the seed and early stage, but also in more mature stages, where firms substantially need more capital (Lamont, 2018). As a consequence, companies that go public are usually first backed by private investors during earlier stages (Ritter & Welch, 2002).

ii. Equity crowdfunding

"Crowdfunding involves an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights." (Belleflamme, Lambert, & Schwienbacher, 2014, p. 5). Equity crowdfunding involves the sale of securities (Richard Harrison, 2013). That mean of financing is particularly suited to start-ups that struggle to attract significant financing from other traditional private equity options (Belleflamme et al., 2014). Equity crowdfunding is thus seen as a complement from traditional private equity, and not as a supplement. (Tuomi & Harrison, 2017).

iii. Formal venture finance – Venture Capital

Venture Capital (VC) finance is the most formalized form of private equity funding (McKaskill, 2009a). It is formalized in the way that investors do not have to personally undertake venture assessment and management, unlike BAs for instance (McKaskill, 2009c). A VC fund acts as a financial intermediary between the investors and companies in need of financing (Metrick & Yasuda, 2021). VC investments always happen through a fund that manages every step of the investment, from sourcing the venture investments to harvesting the gains (Barry, 1994; McKaskill, 2009c). It is worth noting that VC funds only invest to fund the internal growth of companies, and do not invest in already-established companies. Indeed, Venture Capitalists are looking for the highest financial return, and they achieve that through trade sales or/and IPOs (Metrick & Yasuda, 2021). Deals with high foreseeable growing firms can be exited with the prospect of a high financial return (De Clercq et al., 2006). What also distinguishes VC funding from other financing options, is that VC firms do bring substantial managerial contributions to the venture (de Bettignies & Brander, 2007; Metrick & Yasuda, 2021). Young companies can as well significantly benefit from the reputation of the VC fund, and this can help to get visibility and to have industry contacts (De Clercq et al., 2006). VC participation is generally associated with larger deals than other equity options (Goldfarb, Hoberg, Kirsch, & Triantis, 2009) and only occurs with private companies (Metrick & Yasuda, 2021). VC firms also demand stronger control rights when investing (Goldfarb et al., 2009) and usually have at least one position on the board of the venture to provide useful advice at the highest level of the company (Metrick & Yasuda, 2021).

iv. Informal venture capital - Business Angels

The informal source of venture capital is the last main option that small companies can use to access capital. Informal venture capital refers to BAs, individual investors (Mason, 2006). The structural difference is that Angel investors are acting as individuals and invest their own money (Hellmann, Schure, & Vo, 2013; Mason, 2005). Unlike formal sources of venture capital, there is no fund acting as a third party between investors and investees (McKaskill, 2009c).

The following chapter will be entirely focused on BAs, their characteristics, behaviors, and their role in the venture capital ecosystem.

2.2. Business Angels

2.2.1. Definition and research

Lying between economics, finance and business management, BA research has grown significantly since 2011 and is nowadays rather focused on investment processes (Tenca, Croce, & Ughetto, 2018). Researching on Angel activities is nonetheless fairly difficult, given that the Angel market is not subject to strict disclosure requirements and is not supported by strong institutions (Prowse, 1998). In comparison, VC literature is far more important, the main reason for it being that there is a lack of reliable micro-level data about Angel investing (Cumming & Zhang, 2019; Grilli, 2019).

There is a plethora of valid definitions of BAs. The most common however comes from Mason (2005, p. 1), who states that Angel investors are “high net worth individuals who invest their own money, along with their time and expertise, directly in unquoted companies in which they have no family connection, in the hope of financial gain”. McKaskill (2009a) adds to that definition that the nature of BAs implies high risks, high-return investments. The term “Business Angel” was first proposed by Wetzel (1983) in his study of seed capital raising in the United States and aimed at describing investors who fund entrepreneurs.

BAs usually support from two to five ventures at the same time, investing no more than 15% of their total wealth in such high-risk firms (Mason, 2005). BAs have a typical profile. The vast majority of them are men, accounting for approximately 95% of all BAs in the first decade of the century (E.B.A.N., 2018; Mason, 2005). Recently, the interest shown by women in that field has grown and studies show changes in the gender distribution of

BAs, with women accounting for up to 20% of the BA population in western Europe (E.B.A.N., 2018; Wright, Hart, & Fu, 2015). Most of them are also aged between 45 and 65 years old, a period when individuals have been able to build a significant personal net worth, and are cashed out entrepreneurs with a high level of education (Gedeon, 2016; Mason, 2005; Wiltbank & Boeker, 2007).

The fact that BAs invest their own money is what differentiates them the most from venture capitalists, whose funding comes from external sources (Mason, 2005). Furthermore, BAs invest in smaller, more active and local ventures (Cumming & Zhang, 2019). Those can be a one-time investment or can be repeated through the lifecycle of the start-up (Cumming & Zhang, 2019). BAs usually invest in companies towards the Seed, Start-up, and Early stages whereas venture capital funds focus on the Expansion and Later stage deals. (Mason, 2005). Angel investing often happens when the financing of friends and family is not viable anymore. BAs are thus often considered as the bridge between internal funding and formal venture finance, who invest in bigger ventures (Goldfarb et al., 2009; Grilli, 2019; Prowse, 1998). Fairchild (2011) argues that, although BAs have lower value-adding capabilities than VCs, they are more likely to develop a strong connection to the entrepreneur. The reason given by the author is that BAs, in comparison, empathize more towards the investee, and this empathy eventually builds mutual trust. In addition, BAs are more flexible and demand fewer controls, and this leads to stronger ties between both parties (Goldfarb, Hoberg, Kirsch, & Triantis, 2007). The latter source explains why entrepreneurs generally prefer to finance their venture through a BA rather than a VC fund. Indeed, early-stage firms resort more to angel informal venture financing than to VC financing, both in terms of number of newly invested firms and value of investments made (Capizzi, 2015; Fairchild, 2011). Mason, Botelho, and Zygmunt (2016) add that, in the European early-stage market, €3 is invested by BAs for every €1 injected by VC funds.

Although BAs have initially been acting alone, they can now operate through ad-hoc networks of BAs (Carpentier & Suret, 2015; Grilli, 2019; Hellmann et al., 2013). To increase their performances and the quality of their activities, Angels have gathered in informal, but well managed associations to pool their resources, share transaction costs, and mutually invest in early-stage ventures (Mason & Harrison, 2006). This also enables BAs to make larger deals, like VCs (Cumming & Zhang, 2019). Newly established Angel groups, i.e., national angel associations, have made it possible to document the rather obscure and discrete activities of BAs (Mason, Botelho, et al., 2016).

2.2.2. Role of Business Angels

From an economic development perspective, BAs locally inject significant amounts into the start-up scene (Mason, 2005). And as such, as explained beforehand, BAs are important players in the entrepreneurship scene.

On a macro-level, they appeared in the market as a solution to the funding gap experienced by entrepreneurs (Freear et al., 2002; Grilli, 2019). The funding gap is the situation where there is a huge demand for finance and little supply, creating a gap (Lam, 2010). Transposed in the context of informal financing, the funding gap represents the period in which the amount of capital that entrepreneurs want to raise cannot be acquired through neither internal funding nor VC funds (Mason, 2005). Tenca et al. (2018, p. 1384) depicts that situation perfectly by stating that BAs “bring innovation to the economy, investing at the earliest stages of ventures’ lifecycle, long before a typical institutional investor would take interest”. Since the scope of VC funds and other institutional financial operators does not include high-potential embryonic businesses, Angel investing has grown to become the informal remedy to the funding gap, seizing potentially profitable investment opportunities at an early stage (Grilli, 2019).

On a micro-level, BAs, in addition to financing the business, bring a unique hands-on commitment after the investment process, ranging from mentoring to coaching and giving advice (Freear, Sohl, & Wetzel, 1995; Grilli, 2019; Mason, 2005; Shane, 2008). Politis (2008), in her attempt to categorize the value adding roles of BAs, assigned four generic and equally important roles to Angels: a strategic, a monitoring, a resource acquisition, and a mentoring role. In addition to filling the above-mentioned funding gap, BAs can also offer their knowledge of the industry or their personal network that young start-ups lack (Capizzi, 2015). All those non-pecuniary inputs from BAs can eventually improve the survival, exit, employment, patenting, and web traffic of the investee firm (Kerr, Lerner,

& Schoar, 2014). The study led by Tenca et al. (2018) analyzed the main value-added activities performed by BAs that were identified in the current literature. The most important one is to fill the knowledge/experience gap, and the second one is to facilitate further funding. The latter activity is mentioned in the literature as an important feature of Angel investing if businesses aim at scaling up even further, and quickly ("Special Report: Giving ideas wings - Business angels; Business angels," 2006).

2.2.3. Motivations of Business Angels

The main driver for BAs is the hope of achieving a significant financial return, in the form of a harvest event such as an IPO or an external acquisition of the investee firm (Gedeon, 2016; Mason, 2005). BAs typically demand a lower return than VC funds, mostly because Angels do not have the same compensation structure as venture capitalists do (Cumming & Zhang, 2019).

However, unlike VC funds, informal venture investors search for more than capital gain. BAs, when Angel investing, take immense satisfaction in being economically and socially involved in the growth and success of the investee firm (Capizzi, 2015; Cumming & Zhang, 2019). Mason (2005) qualifies that satisfaction as psychic income. Fun and enjoyment is indeed a subsidiary reason for which individuals want to become BAs. This is intrinsically linked to the hands-on behavior of BAs; they want to be actively involved. Other examples of non-pecuniary benefits sought by BAs are enumerated by Capizzi (2015) and Gedeon (2016). Among those are being surrounded by talented and creative entrepreneurs, learning and discovering high-tech applications, being invited to pitch presentations, collaborating with other angels and/or other active players, and being recognized as a sophisticated investor.

2.2.4. Investment process

Although similar to VC funds, the investment processes of informal venture capital investments put more the emphasis on the early activities of the whole process, give more importance to personal factors, and rely less on in-depth analysis but rather on intuition (Paul, Whittam, & Wyper, 2007). Furthermore, BAs, in comparison with VC funds, can make faster investment decisions (Freear et al., 1995), and can adopt an idiosyncratic approach to investing (Mason, 2005).

The following paragraphs will explore more in detail the different stages of a typical Angel investment. Those stages have been derived from two sources, Mason (2005) who described the whole investment process and Paul et al. (2007) who proposed their own revised model, after having studied the different models presented in the literature.

a) Deal origination

The first step towards Angel investing is to scout for investment opportunities. There is however no formal approach to it. Mason (2005) qualifies this approach as *ad hoc and unscientific,* and argues that most BAs receive deals through referrals from their networks. Paul et al. (2007) seem to confirm that by qualifying business associates, Business Angels Networks (BANs), and investment syndicates as the three main sources of finding an investment opportunity. Additionally, BAs get the first impressions of the entrepreneurs at that stage (Paul et al., 2007).

b) Initial screening

Once BAs have found investment opportunities, they need to assess if these will fit with their personal investment criteria. This will allow them to filter out the "no hopers" and focus on potential success stories (Mason, 2005). Tenca et al. (2018) identified the most frequent criteria adopted by BAs during the screening process. The first one concerns human factors of the entrepreneur/management team. This indeed becomes critical at this stage and a lack of knowledge or comfort about the investee team is the main reason why BAs reject investments (Prowse, 1998). Qualities such as a strong work ethic, integrity, honesty, openness, and personal chemistry are, unlike other investors, often praised by BAs (Mason, 2005). The second and third criteria reviewed by Tenca et al. (2018) are focused on the business opportunity and the business plan, which can, at this point, be thoroughly reviewed (Paul et al., 2007). Practicalities like the location of the investee firm and the nature of the business are also asked to the investee, but BAs will most importantly evaluate their own knowledge about the market, technology, or sector and they will consequently assess if they can contribute to the success of the business

(Mason & Rogers, 1997). BAs attach great importance at the post-investment role they will play, and a mismatch between the entrepreneur and the Angel's expectations on that level is often decisive (Mason, 2005; Paul et al., 2007; Tenca et al., 2018)

c) Negotiation and contracting

If no fundamental concerns have been raised so far, the entrepreneur and the BA can start evaluating, conducting due diligence, and negotiating the deal. This includes structuring the deal, adjusting the terms and conditions, and valuating the investee business (Capizzi, 2015). The latter step is unanimously qualified in the literature as the primary issue at this stage of the investment process (De Clercq et al., 2006; R Harrison & Mason, 2002; Mason, 2005). On the one hand, entrepreneurs often overvalue their business idea and undervalue the BA's contribution (Mason, 2005). On the other, BAs undertake little due diligence and research about the company, and do not extensively rely on external auditors or legal advisors, consequently benefiting from low transactions costs (Capizzi, 2015; Mason, 2005; Shane, 2008). That is the reason why they tend to evaluate the company's value using their irrational "gut feeling", rather than a thorough analysis (Mason, 2005; Paul et al., 2007; Shane, 2008)

Mason, Botelho, et al. (2016) have gathered quantitative data from studies in the literature on the proportion of initial deals that manage to go through every stage of the investment process. The literature was consistent through time, with approximately 75% of deals rejected during the deal origination, 15% during the initial screening, 5% after due diligence and negotiation. Mason, Botelho, et al. (2016) concluded that BAs typically invest in less than 5% of the firms they come across.

d) Post-investment involvement

As explained beforehand, BAs have a unique hands-on involvement in the company after the investment process (Mason, 2005). The activities of BAs at that stage were already explained when defining the role of BAs.

e) Harvesting

The final step is for the BA to obtain a financial return by achieving an exit (Botelho et al., 2019; Gedeon, 2016). An investor exit is defined as “the process whereby founders [/entrepreneurs] of [or investors in] privately-held firms . . . remove themselves from the primary ownership and decision-making structures of the firm” (DeTienne, 2010, p. 204). This is probably the most important stage, as BAs primarily invest to make a capital gain (Botelho et al., 2019). After a typical holding period of four years, an exit is pursued and sometimes achieved through a trade sale or, more rarely, through an IPO (Capizzi, 2015; Carpentier & Suret, 2015; Gedeon, 2016). Returns are highly skewed, with only 7% of exits returning more than 10x the capital invested, and half of the deals achieving a return with a multiple less than 1, consequently making a loss (Gedeon, 2016; Wiltbank & Boeker, 2007). While low returns are linked with follow-on investments (VC), higher returns are associated with long due diligence, extensive industry experience, and participation (Wiltbank & Boeker, 2007).

While exits are undeniably essential for BAs, a vast majority of them struggle to make them profitably happen (Mason & Botelho, 2016). The next chapter will focus on exits, how they happen, and most importantly how BAs anticipatively behave towards the final stage of the investment process.

2.3. Behavior towards exits

2.3.1. Typology of exits and current exit strategies

Although exits are at the core of the BA activity, Angel exits have largely been ignored in the academic and practitioner literature (Botelho et al., 2019). A few studies about exits exist, but the vast majority adopted an entrepreneur-centric perspective (DeTienne, 2010; DeTienne & Cardon, 2012; Wennberg & Detienne, 2014; Wennberg, Wiklund, DeTienne, & Cardon, 2010) whereas a minority reviewed exits with an angel-centric view (but only focusing on investment returns)(Mason & Botelho, 2016; Mason & Harrison, 2002; Wiltbank & Boeker, 2007). VC literature, on the other hand, significantly attaches more importance to exits. This is understandable since VC funds are comparatively more concerned with exits and financial returns, and are more structured in the way they plan and manage the exit (Mason & Botelho, 2016). Furthermore, the fact that BAs increasingly act through groups and networks has been given little thoughts in prior research when it comes to exits (Mason, Botelho, & Harrison, 2013). Those Angel groups enable the pooling of bigger resources and thus tend to finance larger deals (Cumming & Zhang, 2019). And if BAs move away from the early-stage scene, exiting processes and outcomes are most likely meant to change as well (Carpentier & Suret, 2015; Peters, 2009).

Exits, as explained earlier, are key for Angel investors. But those events are quite rare, even more so if they are successful exits (Botelho et al., 2019). McDonald and DeGennaro (2016) identified two types of "termination events": the acclaimed exits, which allow BAs to recover all of their investment plus a premium, and expirations, where the investment has no positive returns, generally due to the closure of the business. Peters (2009) explains that all of the returns achieved by BAs come from 10-20% of all investments, indicating that only a few investments achieve an exit. BAs generally expect a high return from their early-stage investments because they know that those are high risk and likely to fail (Freear et al., 2002; Paul et al., 2007). BAs obviously seek exits, and not expirations, but due to the fact that BAs do not need to generate returns to external parties (like VC), they may aspire to achieve an exit passively rather than actively (Botelho et al., 2019).

A trade sale, the repurchase of BA's shares by an acquiring company/investor (Mason & Botelho, 2016), is the most preferred exit route of BAs, in comparison to IPOs (Capizzi, 2015; Carpentier & Suret, 2015; Gedeon, 2016). The latter, although extremely profitable, is indeed extremely rare and investing in early-stage ventures only hoping for a future IPO is immensely risky (McKaskill, 2009b). McKaskill (2009b) also insists on investing only in firms where there is a potential for strategic exits, namely a liquidity event where value is assigned, in contrast to financial exits, on the basis of future profits that a buyer can obtain through new synergies, competencies, or assets. It is easier to achieve a strategic exit: you need to identify key potential buyers from the start and position the business accordingly to attract those buyers (McKaskill, 2009b). The author adds that this process requires a good alignment between the entrepreneur and the BA. Furthermore, the investee firm, in case of a strategic exit, does not need to reach profitability, but must show prospects of future profitability. The capital invested by the BA is thus limited because there is no need to fund the business growth (McKaskill, 2009b). The author recommends investing in early-stage companies that have limited capital requirements and a good probability to be sold short-term through an M&A. According to McKaskill (2009b), returns will be smaller, but risks will be significantly lower as well, improving the overall portfolio return. A study from Geron (2014) confirms that smaller investment with lower valuation are most likely to lead to successful exits.

It is important to note that exits and expirations only happen in a minor portion of Angel investments (Botelho et al., 2019). The majority of investee firms are denominated as "living dead", companies that are insolvent but still in operation (El Ghoul, Fu, & Guedhami, 2020; Ungerer, Reuther, & Baltes, 2021). BAs and/or other investors do not have any hope of getting a positive return from a "living dead" company (Ungerer et al., 2021). It is crucial for BAs to maximize gains but most importantly to minimize potential losses (Mason, Harrison, & Botelho, 2016). Mason and Botelho (2016) argue that BAs need to fail good, namely not lose more than their investment, and fail fast, that is, recognize symptoms of non-performing companies (such as "living-dead" companies) and either perform an early M&A with a competitor, turn them over to the management, or simply close them down. The literature about managing non-performing ventures is however very thin, and almost non-existent in the BA literature (Mason & Botelho, 2016).

2.3.2. Towards an exit-centered approach

a) Problem statement

> "Exits are the least understood part of investing, as often by the investors themselves as by the entrepreneurs" (Peters, 2009, p. 15).

BAs attach little importance to future exit routes. Their approach towards exiting an investment is often unplanned and relaxed (Collewaert, 2012; De Clercq et al., 2006). Botelho et al. (2019) found similar results in the current literature and stressed the fact that BAs do not have exit plans when investing, do not constraint themselves about the timing of the exit, and are patient rather than intent. This implies an opportunistic, rather than strategic, behavior towards exits. The low rate of successful exits is attributed to the failure of BAs to embed the exit into the investment appraisal (Gray, 2011, as cited in Mason & Botelho, 2016). Two reasons are given by the author to justify the irrational

behavior of BAs towards unplanned exit. First, a common belief amongst BAs is that "good investments will find their own exits" (cited in Mason & Botelho, 2016). Therefore, most BAs do not see the need to consider potential exit routes early in the investment process, and primarily focus on building a successful business. Second, it is judged inappropriate for BAs to discuss exit intentions with the entrepreneur before signing the deal as the investor and the entrepreneur would somehow be put on an unequal basis and would find themselves in conflictual situations (Collewaert, 2012; Mason & Botelho, 2016). In addition to that, no studies reviewed by Politis (2008) cite the "preparation for an exit" as a significant role of BAs during the investment process. This supports the disinterest from BAs towards exit planification.
As previously depicted, well-managed Angel groups enable BAs to participate in larger deals (Cumming & Zhang, 2019). Those groups are more focused on exits than individual BAs because their members need some liquidity to make further investments, and they want to be able to attract new members (Botelho et al., 2019). As a general rule, Botelho et al. (2019) also imply to this extent that BAs should be more exit-oriented now than in the past, and their study confirms that by qualifying ten successful exits out of seventeen studied as proactively sought. Moreover, the professionalization of BAs has grown the interest of researchers for exits in the last decade, even though the literature remains poor on the topic (Botelho et al., 2019). Carpentier and Suret (2015) for instance called for more research on exits, and in particular exits in the selection of investment proposals, deal structure, and development strategy. Practitioners like Peters (2009) and McKaskill (2009b) have greatly contributed to the sparse literature on investor's exit strategies. They both agree on the need for BAs to adopt an exit-centric approach to investing in which the investor considers the exit at every step of the investment process. When a successful exit, whether it is an IPO or a trade sale, is sought, it is crucial to invest with the exit in mind. McKaskill (2009b, p. 9) states that, "if we are to improve the probability of successful investments for Angel and VC investors, we need a much more sophisticated and systematic approach to the exit".

Adopting an exit-centric approach to Angel investing requires a commitment through all stages of the investment process (McKaskill, 2009b). McKaskill (2009b) suggests considering future potential buyers and the amount of money that needs to be invested to envisage an M&A (an exit) right from the start of the initial screening. In accordance with him, aligning with the management team on the aspirations and expectations of both parties is consequently essential. Mason and Botelho (2016) also give recommendations on how to adopt the exit-centric mindset at several specific stages. During due diligence, an exit-oriented investor should identify the potential financial or legal obstacles that could prevent an exit later in the harvesting stage. Valuation is also key when considering an exit because high valuations will discourage future investors in next rounds. BAs should additionally look for flexibility when structuring a deal, so that they can react in an agile way when the occasion of an exit presents itself. Besides, after an investment is made, BAs should continually make inquiries about the exit strategy and take concrete actions to facilitate a potential sale. One of the BA's key post-investment role should be to secure an exit, most likely a trade sale (Mason & Botelho, 2016).

b) Exit-centric approach

In the past, the consequences of not adopting an exit-oriented approach to Angel investing might have been seen as unsignificant. Angel investing, when introduced, was more considered as a hobby; there were fewer investments; less money was invested; and psychic income was therefore the main motivation derived by BAs (Wetzel, 1983). As previously mentioned, the professionalization of BAs, notably with the apparition of Angel networks/groups, has increased the need for an exit (Botelho et al., 2019; Mason, 2006). Adopting an exit-centric approach therefore seems to be an elementary and critical step for any contemporary BA (Botelho et al., 2019). The literature, as implied beforehand, suggests that this exit-oriented mindset should be embraced amongst BAs (Botelho et al., 2019; McKaskill, 2009b; Peters, 2009). While BAs' intentions to exit are high predictors of actual exits (Collewaert, 2012), there is no evidence that link a proactive approach to higher returns (Mason & Botelho, 2016). Botelho et al. (2019), however, found a connection between high returns and a proactive and intended approach to exits, but their study was only based on 17 successful exits. Very few studies have tried to understand the behavior of BAs towards exits, and more specifically to grasp why BAs do not adopt an exit-centric approach (Botelho et al., 2019). The main reason found in the literature that explains why BAs struggle to adopt an exit-centric behavior is the lack of perceived control over achieving an exit. McKaskill (2009b) empirically argues that most firms do not control the timing of an exit, and are forced to exit by external events. Botelho et al. (2019), when studying the planned behavior of BAs, found that a key reason why BAs are not able to adopt an exit-centric approach is the high level of complexity of doing so, ultimately leading to a lack of confidence to perform/control it.

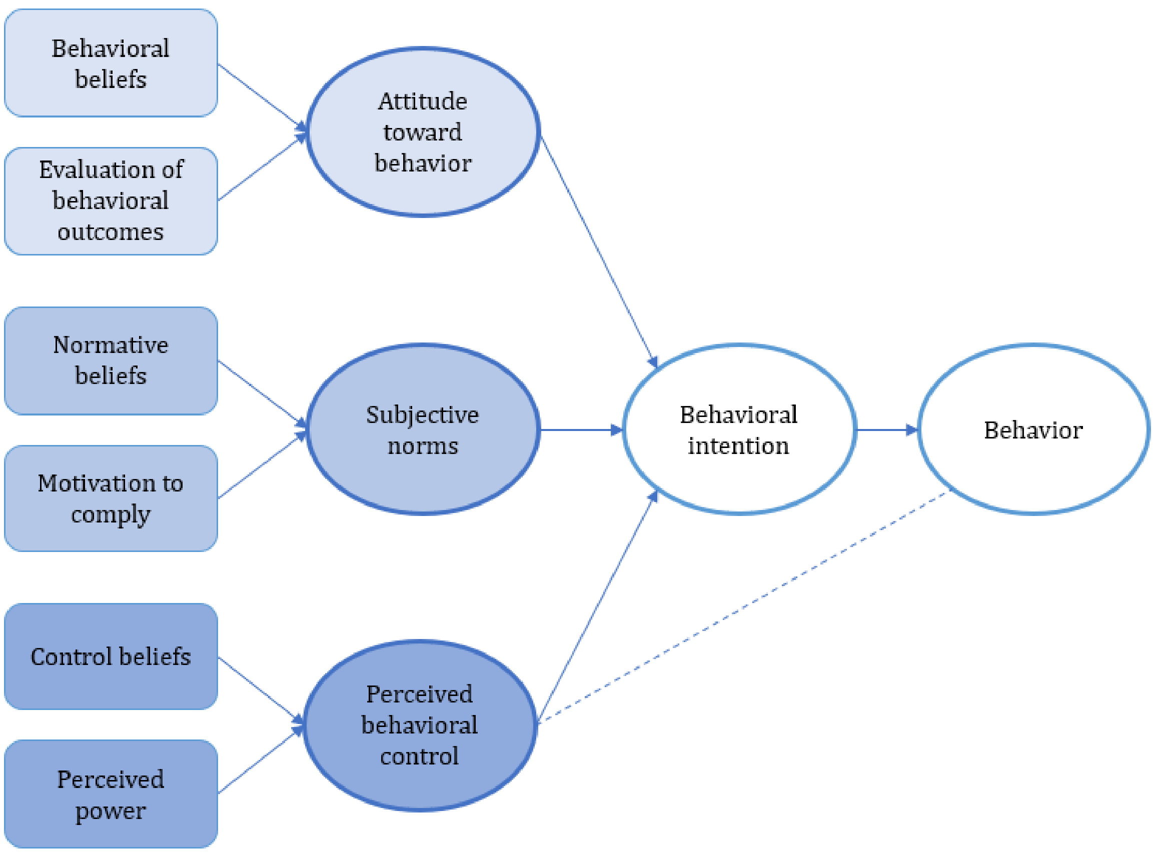
Adopting an exit-centric approach to Angel investing requires a commitment to executing an action in the future and a will to plan that action (Botelho et al., 2019). This suggests that the Theory of Planned Behavior (TPB), developed by Ajzen (1991), can help analyzing the exit process and the planned behavior of Angels towards those processes (Botelho et al., 2019). The next chapter will be focused on the TPB, its components, and its relevance in the BA literature.

2.4. Theory of planned behavior

The TPB, created by Ajzen (1991) as an extension of the theory of reasoned action (Fishbein & Ajzen, 1977), is an expectancy-value model which identifies the determinants of an individual's intention to commit a certain behavior and details the informational and motivational influences on that behavior (Conner & Armitage, 1998). The TPB assumes that a volitional human behavior is function of an individual's intention to perform that behavior (Botelho et al., 2019). The intention measure is the core construct of the TPB. The TPB aims at explaining the intention of an individual to perform a behavior. Furthermore, intention captures motivational factors that affect a behavior, those indicate how much an individual is willing to commit to an action (Ajzen, 1991). Fishbein and Ajzen (1977) have indeed established that intentions and behaviors are strongly linked, when measured at the same level of specificity. The intention direct measure is threefold. Three independent predictors, or constructs, are indeed used to determine the individual's intention to behave a certain way: attitude towards behavior, subjective norms, and behavior control (Ajzen, 1991). The attitude towards behavior considers positive and negative evaluations that an individual can have on a certain behavior (Ajzen, 1991). The subjective norms represent a social factor that will measure social pressure to perform or not perform a certain behavior (Ajzen, 1991). The perceived behavioral control (PBC) reflects the ability and capability of an individual to perform the given behavior (Ajzen, 1991). As a general rule, the higher and more favorable the attitude, the subjective norms, and the PBC, the stronger the intentions to perform the behavior. In other words, people are more willing to behave in a certain way when they have a positive appraisal of the behavior, when that behavior is socially valued as important, and when people judge that they possess the sufficient resources and opportunities (Ajzen, 1991). Furthermore, each of those direct constructs is also associated with indirect determinants of intention, called salient beliefs. The TPB indeed provides a model where salient beliefs are considered to explain an important part of somebody's intention to perform an action (Ajzen, 1991).

Figure 2 provides an overview of the theory's constructs. Those different constructs of the TPB are explained in detail further below.

Figure 2: The theory of planned behavior by Ajzen (1991)



2.4.1. Attitude towards behavior

The attitude towards behavior is the first determinant of intention. This construct works towards understanding the favorable and unfavorable evaluations that an individual holds with regard to the analyzed behavior (Ajzen, 1991). It is possible to measure attitude through two distinct indicators: experiential and instrumental attitudes. The former relates to an affective assessment of the behavior (feeling about behavior) and the latter only considers cognitive evaluation of the behavior (behavioral belief) (Ajzen, 2005). Attitude is shaped by certain beliefs, called "behavioral beliefs", and a connection between the belief and the evaluation of the possible outcome of this belief is needed to assess the attitude (Ajzen, 1991). For instance, a person who holds positive beliefs about the outcome of a certain behavior will be more likely to perform the behavior than another person who does not hold those beliefs (Ajzen, 1991). Armitage and Conner (2001) have found that there is generally a significant correlation (0.50) between those behavioral beliefs and the measure of attitude towards behavior and between attitude and intention (0.49).

2.4.2. Subjective norms

Subjective norms form the second determinant of intention. This construct enables the TPB to measure the social pressure an individual might face towards performing a certain behavior (Ajzen, 1991). That social pressure is characterized by social people's approval or disapproval of a behavior (Ajzen, 2005). Similarly to attitude, subjective norms are subject to salient beliefs, called normative beliefs. Those beliefs are assessable through two indicators: injunctive and descriptive norms (Francis et al., 2004). The former relates to the normative beliefs about what social people think an individual should do (I care about what people think) and the latter reflects upon the perceptions about the behavior of those social people (I know what people do). Furthermore, it is essential to assess the motivation to comply with that social pressure (Ajzen, 1991). Subjective norms are function of normative beliefs and the motivation to comply (Armitage & Conner, 2001). Armitage and Conner (2001) have among other things found that there is generally a high correlation between normative beliefs and subjective norms (0.5) but comparatively low correlation between subjective norms and intention (0.34).

2.4.3. Perceived behavioral control

PBC is the third and last determinant of intention in the TPB. This construct enables to understand how easy or difficult it is for an individual to perform a behavior. PBC is the construct that has extended the theory of reasoned actions to the development of the TPB (Ajzen, 1991). It has an indirect link to behavior, like the other determinants of intention, but also an direct effect (which can vary tremendously depending on situations) on behavior, with PBC often considered as a measure for actual control (Ajzen, 1991). The determinant results of two components, the control beliefs and perceived power. The former indicates if an individual perceives that there is enough opportunities and resources to perform the behavior and the latter indicates if the behavior is easy or difficult to perform (Ajzen, 1991). Armitage and Conner (2001) have found that there is generally a significant correlation (0.52) between those control beliefs and the measure of PBC and between PBC and intention (0.43). The same authors have also found that PBC generally explains the variance in behavior better than any other determinant.

2.4.4. Relevance of the TPB towards Angel exits

Applying the TPB to study and understand behaviors in the entrepreneurial ecosystem is not revolutionary, since the theory has been widely used over the past 20 years in the entrepreneurship literature (Botelho et al., 2019). While researchers have primarily used the TPB to explore the entrepreneurial intentions in the venture creation context, only few studies integrated and used the TPB to understand BAs' behaviors. Only one took interest in Angel exits (Botelho et al., 2019). Botelho et al. (2019) indeed have explored whether BAs' behavior concerning exits could be qualified as planned or opportunistic. Their goal was not to determine causalities but "to generate a meaningful understanding of the business angel's world" (Botelho et al., 2019, p. 6).

The TPB allows to analyze the irrationality of BAs' behavior when it comes to planning an exit because the TPB does not assume rationality of actions and incorporate spontaneous decision-making (Fishbein & Ajzen, 1977). The use of the TPB to understand how and why BAs adopt an exit-oriented approach to investing seems relevant for two reasons. First, it could, as Botelho et al. (2019) point out, confirm or infirm the current literature about the correlation between intention and behavior. There is a hole in the research field to grasp if BAs do or do not perform exit-oriented tasks throughout the investment stages because they do or do not intend to (Botelho et al., 2019). Secondly, it would bring light to the motivations/reasons that BAs put forward not to adopt an exit-centric approach to investing. The TPB could help identify actors or forces that prevent BAs to intend planning an exit from the beginning of the investment process (Botelho et al., 2019). More specifically, the link PBC-behavior seems highly correlated in the literature (Armitage & Conner, 2001), also concerning planned Angels' exits (Botelho et al., 2019). In conclusion, there seems to be a call for further research on understanding the forces/constructs of the TPB that explain the behavior of BAs (Botelho et al., 2019).

2.4.5. Business Angels and their salient beliefs

The BA literature has provided insightful information about BAs' salient beliefs about adopting an exit-centric approach. The next paragraphs will review the salient beliefs of the three determinants of intentions present in the TPB, concerning the adoption of an exit-centric approach to Angel investing. Those beliefs are extracted from the literature, but mainly from a study made by Botelho et al. (2019), as it is the main paper examining the behavior of BAs towards the exit through the lens of the TPB. *Table 1* summarizes all the salient beliefs relevant for the scope of this thesis. That list is non-exhaustive and will be completed in the empirical part.

Attitude

Behavioral beliefs answer the question "What are the advantages or disadvantages of performing the behavior" (Francis et al., 2004). According to the literature, adopting an exit-centric approach implies three behavioral beliefs. First, according to the TPB study of Botelho et al. (2019), higher returns were associated with a proactive and intended approach to exits. Second, practitioners like McKaskill (2009b) and Peters (2009) advise BAs to adopt an exit-oriented approach to increase the probabilities of exits and thus increase their portfolio return on investment. Third, one reason why BAs do not consider the exit from the start of the investment is that it would prevent entrepreneurs to focus on actually building the business (Botelho et al., 2019).

This gives reasons to believe that BAs think that adopting an exit-centric approach would increase the prospects for higher returns, for higher chance of exit but would decrease the focus entrepreneurs have on building a successful business.

Subjective norms

Normative beliefs elicitation aims at identifying "groups, organizations and categories of individuals ('reference groups') who are likely to apply social pressure with respect to the behavior" (Francis et al., 2004, p. 18). According to the literature, adopting an exit-centric approach implies two normative beliefs. First, other investors (BAs, VC funds) seem to have influence on the exit behavior of BAs (Botelho et al., 2019). Second, the relationship between the investor and the entrepreneur is important when seeking proactively an exit and aligning regularly (Botelho et al., 2019; Collewaert, 2012; Mason & Botelho, 2016; McKaskill, 2009b).

This gives reasons to believe that BAs are socially influenced by other investors and entrepreneurs in their decision to adopt an exit-centric approach.

Perceived behavioral control

Control beliefs are "the beliefs about the likelihood that one possesses the resources and opportunities thought necessary to execute the behavior" (Francis et al., 2004, p. 33). According to the literature, adopting an exit-centric approach implies four control beliefs. First, an exit-centric approach requires to align regularly post-investment with the entrepreneur, in order to proactively seize the opportunity of an exit. This can ultimately lead to conflicts and prevent an exit from happening (Collewaert, 2012; Mason & Botelho, 2016). Second, including the exit route as an investment criterion requires more research from the BA from due diligence and valuation. This can be a barrier to adopting an exit-oriented approach (Mason & Botelho, 2016). Third, BAs sometimes need help and support from external parties to proactively seek an exit. This can also be an impediment to adopt the studied behavior (Botelho et al., 2019). Finally, BAs consider the final exit process as being chaotic, no matter what. Putting efforts into adopting an exit-oriented is therefore not worth it for many (Botelho et al., 2019).

TPB construct	Salient beliefs
Attitude	#1 Higher returns when the exit happens #2 Higher chance of exit #3 The entrepreneur loses attention on building the business
Subjective norms	#4 Entrepreneurs #5 Business Angels #6 Large investors (i.e., VC)
PBC	#7 Efforts needed during critical stages #8 Regular alignment with entrepreneur #9 Need for help/support from external parties #10 The exit process is chaotic anyway

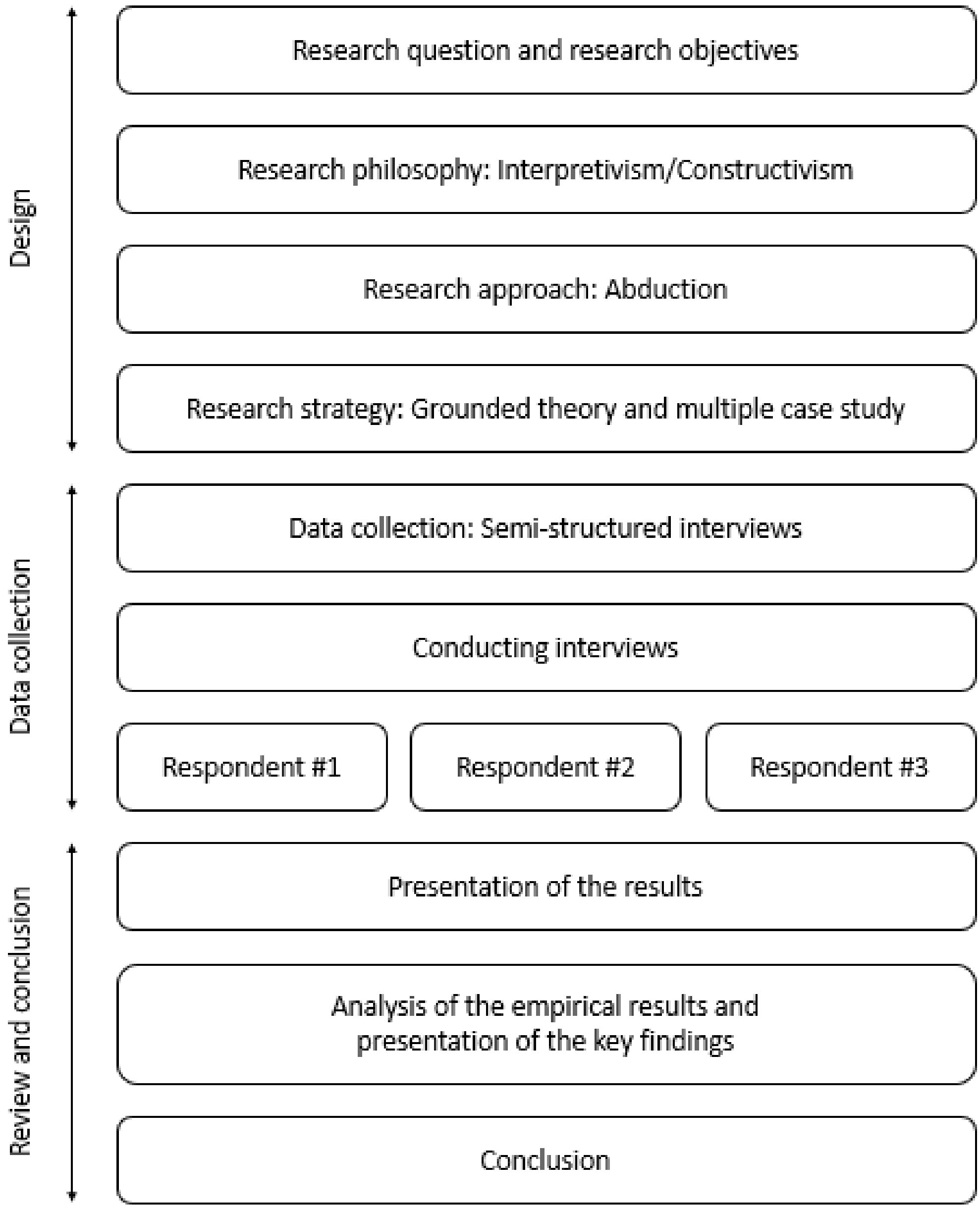
Table 1: Salient beliefs of BAs concerning the adoption of an exit-centric approach, identified in the literature

This gives reasons to believe that the factors controlling the decision of adopting an exit-centric approach to investing are the need for regular alignment with the entrepreneur, the efforts needed in critical stages, need for help and support from external parties, and the chaotic view of the exit process.

3. METHODOLOGY

This chapter is dedicated to the empirical part of this thesis. As such the theoretical and practical methods hereby employed will be explained. The procedure used to collect data will be described and justified and the scientific validity of this empiric part will be detailed. An overview of the methodology adopted in this thesis is represented by the *Figure 3*.

Figure 3: Overview of the methodology



3.1. Theoretical method

As a reminder, this thesis aims at understanding the rationale behind the adoption (or non-adoption) of an exit-centric approach when Angel investing. Using the TPB as a theoretical framework, the author will try to decrypt the behavior of BAs and understand the decision to adopt or not an exit-centric approach to investing. The studied behavior is the adoption of an exit-centric approach to investing and will mainly be examined through a qualitative analysis, but also through a minor quantitative one. Although empirical studies about entrepreneurship and especially the TPB are predominantly used in quantitative research (Ajzen, 2004; Neergaard & Ulhøi, 2007), qualitative methods seem to better fit the purpose of this thesis. A descriptive quantitative approach here would indeed not suffice in grasping the deeply complex behavior of BAs. It is indeed expected that each BA might consider the exit at different stages of the investment process and at different levels of commitment. A qualitative approach would allow to deep dive into the complex determinants that could explain the studied behavior. As a matter of fact, qualitative methods allow to capture context richness and are said to provide the entrepreneurship research with proper tools and concepts (Hindle, 2004). This thesis will specifically be based on context-rich semi-structured interviews.

Furthermore, only one TPB study has analyzed the behavior of BAs concerning exits and none has been fully dedicated to understanding the motivations of BAs to adopt an exit-centric approach. This research therefore adheres to an exploratory outlook, where the aim is not to confirm or infirm previous hypothesis but identify future points for research (Yin, 2009). Exploratory research can be used to conceive valid propositions, to be tested in future quantitative research (Hlady-Rispal & Jouison-Laffitte, 2014). This study therefore aims at providing elements of theory to be confirmed in quantitative TPB studies.

The empirical part of this thesis will be based on case studies. Yin (2009) justifies the use for case studies when using an exploratory approach. The case studies are then used to define elements for a further piece of research. Anderson and Starnawska (2008) affirm that the use of qualitative methods is better suited to explore entrepreneurship topics that are not fully comprehended yet and that need to be addressed. In this thesis, we also answer the call of Lortie and Castogiovanni (2015) for more qualitative entrepreneurship research linking intentions and planning.

3.1.1. Epistemological and ontological perspective

Neergaard and Ulhøi (2007) argue that qualitative approaches cannot be totally understood until a proper epistemological and ontological background has been established. The epistemological and ontological research approach of this thesis will revolve around an "interpretivist - constructivist" perspective.

Interpretivism puts the focal point on understanding the human behavior and on "capturing the actual meanings and interpretations that actors subjectively ascribe to phenomena in order to describe and explain their behavior'' (Johnson, Buehring, Cassell, & Symon, 2006, p. 132). This approach is therefore adequate to study BAs' behaviors, and in particular their exit strategy through their interpretations and perceptions. The interpretivist approach allows us to holistically embrace the complexity and dynamicity of the social world of BAs and to engage with participants, understand their behaviors, and interpret their thinking (Leitch, Hill, & Harrison, 2010). It also supports the choice of a qualitative analysis for this thesis as interpretivist thinking, in contrary to positivist thinking, is more prone to meaning-oriented methodologies, such as interviews (Antwi & Kasim, 2015; Neergaard & Ulhøi, 2007).

Constructivism lies within the epidemiological interpretive paradigm and postulates that all knowledge is socially defined (Hlady-Rispal & Jouison-Laffitte, 2014). In other words, actors are actively shaping their beliefs and their reality (Bell, Bryman, & Harley, 2018). As this empirical partis approached with the view that BAs make decisions based on who they are, their background, and their social environment, we expect different opinions and insights concerning the adoption of an exit-centric approach to investing. This goes well with the constructivist view, insinuating that BAs' behaviors depend on their relations with external stakeholders and forces. This may also explain possible variations in the answers.

3.1.2. Research approach and strategies

When considering a research approach, one has three different options to choose from: deductive, inductive and abductive (Bell et al., 2018). The research approach of this thesis will be abductive.

a) Abductive approach and grounded theory

The abductive approach is described as a combination of the deductive and inductive models (Timmermans & Tavory, 2012). Research strategies are indeed not necessarily mutually exclusive (Neergaard & Ulhøi, 2007), and it is common to see a combination of both inductive and deductive theory in the research literature (Bell et al., 2018). The abductive approach considers discovering natural affinities between previous established theories and new observed social constructs. As such it embeds the induction by corroborating new salient themes and attaching meaning to human behaviors in the data (Saunders, Lewis, & Thornhill, 2009), and deductive by reanalyzing the existing theory (Timmermans & Tavory, 2012). An abductive approach suits best the objective of developing and improving existing theory, and discovering new relations and variables (Dubois & Gadde, 2002). My exploratory analysis of case studies will indeed participate in validating/furnishing an existing theory (the TPB) in a new field (BAs' exit-centric approach), bringing a new perspective on BAs' behavior. Generally, abduction methods allow to perceive behaviors as linked to observations, assuming that there is a cause and effect hidden from view, that the behavior is following a pattern or that new general descriptions are created (Timmermans & Tavory, 2012). As my thesis aims at exploring the relation and the determinants of adopting an exit-centric behavior, the abductive approach seems well-suited. Timmermans and Tavory (2012), as well as Neergaard and Ulhøi (2007), add that abduction enables the researcher to creatively infer and to double-check these inferences with empirical results and theory. Abduction thus fit perfectly with the grounded theory, namely moving back and forth between data and theory. Furthermore, the current literature on BAs' behavior and the adoption of an exit-centric approach is quite thin, and the empirical results found in this thesis could provide new elements of theory that could contribute to a future research on the subject.

b) *Research strategies*

A research strategy adopted by the author is the grounded theory research, defined by Neergaard and Ulhøi (2007, p. 123) as the "theory derived from data that has been systematically collected and analyzed using an iterative process of considering and comparing earlier literature, its data and the emerging theory". Grounded theory is used mostly with qualitative research and to interpret behaviors (Saunders et al., 2009). As such it suits the TPB. Moreover, using the TPB, as previously explained in the literature review, requires to know the salient beliefs that characterize the three determinants of intention (Ajzen, 1991). Ajzen (2006), when quantitively building a TPB questionnaire, always administers a pilot questionnaire, prior to the TPB questionnaire, to elicit accessible behavioral outcomes, normative referents, and control factors. Since such a questionnaire was not possible to pilot when conducting qualitative research, the salient beliefs were first identified through the literature review. Moreover, the different case study respondents were asked to formulate their salient beliefs during interviews. Consequently, in addition to contribute to new theory, the answers of each interviewee were analyzed to feed the theory used in the other interviews. Qualitatively making use of the TPB requires therefore to adopt a grounded theory strategy.

Another research strategy followed in this thesis will be a multiple case study strategy. Indeed, Neergaard and Ulhøi (2007) argue that a grounded theory study can well be a case study. A case study is defined by Robson (2002, p. 178) as "a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within a real-life context using multiple sources of evidence". This strategy aims at answering the "what", the "how" and especially the "why" of a problematic, while understanding the rich context of the research and processes put in place (Saunders et al., 2009), which is suited to study the rationale of BAs' behavior. Furthermore, a case study methodology enables the researcher to hold strong connections to core values and intentions (Merriam & Tisdell, 2015), while inspiring new ideas and new theory development (Siggelkow, 2007). This is particularly relevant when studying a behavior through the lens of the TPB. Yin (2009) prefers multiple case studies (also called multi-case studies) than single case studies because the former focuses on establishing a connection between the facts related in the first case and the next ones. However, case study and multi-case studies often aim at particularization more than generalizing (Stake, 2013). This thesis will adopt a multi-case approach, where each case is a different BA. Moreover, such a strategy implies to triangulate, namely use different data collection technique or data sources to ensure the validity of the data collected (Saunders et al., 2009). Triangulation will be ensured using mixed methods, namely quantitative and qualitative methodologies (Saunders et al., 2009) and enhanced by following a multi-case study, instead of a single case study.

c) Literature search

As said before, the literature found on BAs exits and particularly on the adoption of an exit-centric approach is quite thin. It was nonetheless possible to gather significant insights. The used database comes from Google Scholar and the online catalogue of the Université Catholique de Louvain. All the documentation process was undertaken in English and all the sources found were written in the aforesaid language.

3.1.3. Preconceptions

The author of this research, prior to this thesis, had no experience with the BA ecosystem, neither academically nor professionally. It is good to note that, due to the fact that the author was enrolled in a business curriculum, he already had an understanding of the capital market. Both facts however do not have any incidence on how this thesis research has been conducted.

3.2. Practical method

The empirical part aims at determining the rationale behind the adoption of an exit-centric approach to Angel investing. To achieve that, the TPB framework is used to understand the determinants of behavioral intention, namely attitude, subjective norms, and PBC. This exploratory analysis provides insights and contributes to future research employing an approach similar to this thesis.

In order to obtain qualitative data from BAs, the choice has been made that the empirical part will in practice be based on semi-structured interviews. These offer clear topics and questions to subjects while allowing interviewees to deeply elicit their ideas and opinions (Neergaard & Ulhøi, 2007). However, the BA population was qualified as "unknown and unknowable" by Wetzel (1983, p. 26), due to their invisibility, desire for anonymity, and the lack of documentation of their investment. This has implications for researchers, one of them being that imperfect sources must often be used to identify and contact BAs. Consequently, the sample size of BA studies are mostly small (Landström & Mason, 2016). This study does not fall in the exception, with a sample size of only three individuals.

3.2.1. Respondent selection

The sample of the population used for this study is constituted of three BAs who share the main characteristics of BAs previously found in the literature. As explained, BAs typically are men aged between 45 and 65 years old and have a high level of education (E.B.A.N., 2018; Gedeon, 2016; Mason, 2005; Wiltbank & Boeker, 2007; Wright et al., 2015). Those criteria were used to find representative BAs. In addition to that, another criterion employed to choose the respondents was that all units of the sample should be active in a BAN. This is aimed at depicting the growing trend of BA professionalization (Grilli, 2019; Hellmann et al., 2013).

Consequently, efforts were made to contact BANs in Europe for interviews with their members. The main BANs contacted were the national members of Business Angel Europe (BAE), an association whose objective is to create a connected ecosystem for BAs, develop legal frameworks and promote the Angel activity in Europe. More than twenty BANs have been contacted. Most of them did not accept or were not allowed to spam their members with my interview request. As a result, only one of those BANs accepted to share my interview request with their members. It resulted with an interview. Another BAN put me in contact with a non-member BA, who accepted to be interviewed. The last respondent was found through LinkedIn. He accepted to be interviewed after a few messages. Three respondents were therefore found for this study.

3.2.2. Design of the interview guide

An interview guide was created for the semi-structured interviews (see *appendix 1*). The fact that the TPB is used as a framework implies that the conducted interviews should be very well structured, in order to distinguish and analyze the different components of the

TPB. However, an interview guide allows respondents to also have the leeway to answer the questions thoroughly and without restrictions (Bell et al., 2018).

The interview guide initially consists of a general contextual setting and 26 questions, with some of them having sub questions. After the first questions targeting the respondent's background and life, the remaining questions were split among the four constructs of the TPB – Attitude towards behavior, subjective norms, perceived behavioral control, and behavioral intention.

The qualitative TPB framework was built using the more common quantitative version of the TPB. A quantitative questionnaire (see *appendix 2*) has indeed preemptively been created. To do so, the guidelines from Francis et al. (2004) and Ajzen (2006) were followed rigorously. This questionnaire was particularly useful when defining the quantitative questions of our interview guide, but also when refining the qualitative questions. On the one hand, it was decided that the direct measures of the TPB would be measured through quantitative methods during the interviews. Those questions (two were formulated per determinant of intention) were asked at the beginning of each section of the TPB framework. The respondent had to select a number that felt adequate, on a scale from one to seven. On the other hand, the qualitative questions were meant to target the indirect measures of the TPB determinants (the salient beliefs of BAs). This is well-justified because the indirect measures heavily rely on context and because we follow an exploratory analysis where indirect measures can be discovered, deeply discussed, and understood. It was judged important to avoid misleading questions that could be misinterpreted by the respondent. After the first respondent, the template was considered as reliable because the interviewee had no trouble answering and following the questions of the interview guide.

As previously explained, the questions were constructed following the quantitative questionnaire, and as such the qualitative inquiries have the same proprieties as the quantitative ones. The interview guide follows thus the guidelines of Francis et al. (2004) and Ajzen (2006). During qualitative interviews, indirect measures were indeed assessed through experiential and instrumental terms for the attitude towards behavior (is it desirable and is it good), through injunctive and descriptive terms for subjective norms (what referents think and what they do), and through the strength of the control belief and perceived power for the PBC (is the belief true and is it impactful).

Furthermore, mixing the two different methods (quantitative-qualitative) is a way to triangulate the data collected. Indeed, direct and indirect measures are supposed to be correlated to prove internal validity (Francis et al., 2004). This increases the quality of case studies (Saunders et al., 2009).

The research strategy of grounded theory makes it possible to adapt the interview guide interview after interview. The original salient beliefs identified in the literature (Cfr "Business Angels and their salient beliefs") constituted the base of the qualitative part of the interview. Newly discovered factors, salient beliefs, could however be integrated in the interview guide for further interviews, due to the grounded theory strategy adopted by this study. Therefore, the final questionnaire had 26 main questions, six of them being quantitative and the rest being qualitative.

3.2.3. Execution of the interviews

The interviews took place online, due to the remote location of the interviewed BAs and the current pandemic situation. The software platforms used to virtually conduct interviews were Zoom, used twice and Google Meet, used once. Each interview was therefore recorded through a video recording software, for transcription purposes. The anonymity of the participant and the topics discussed were guaranteed. The first interview lasted 75 minutes, the second 60 minutes, and the last 75 minutes. Interviews were conducted in a relaxed manner and nothing significant happened during those interviews. The respondents answered all the questions, even though sometimes they elicited certain elements of answers before the question had been asked. Some questions were consequently silenced by the interviewer, to avoid unnecessary repetitions from the respondents. The interviews were meant to be conducted in English, but the third interviewee asked to switch to French at the beginning of the interview. The transcript (see *appendix 3*) of the third interviewee will therefore be in French. Quotes shown in this thesis, coming from this interviewee, have, if need be, been translated in English for clarity purposes.

3.3. Quality issues

It is important to measure the trustworthiness of qualitative research. To the question "Can the findings be trusted?", an common answer arose from the literature, bringing four essential criteria at the core of the trustworthiness of the qualitative research (Korstjens & Moser, 2018). Those criteria were first established by Guba and Lincoln (1982) as being credibility, transferability, dependability, and confirmability. The next paragraphs will explain to what extent this study ticks the four forementioned "boxes".

3.3.1. Credibility

The first criterion is the credibility and establishes whether or not the "research findings represent plausible information drawn from the participants' original data and is a correct interpretation of the participants' original views" (Anney, 2014, p. 276). Guba and Lincoln (1982) claim that, among other things, peer debriefing, triangulation, and persistent observation are credibility strategies. This thesis followed those three strategies to ensure a good credibility:

- Peer debriefing

  It provides the opportunity for other professionals to test, review the growing insights of the researcher and bring scholarly guidance (Anney, 2014). This thesis indeed got the help from other BA research institutions, namely the Business Angel Institute and the Business Angel Europe. Conversations were hold in the beginning of the research process notably to gain understanding on BAs' behaviors, on the best way to contact BAs, and to conduct research with them (methodology).

- Triangulation

  Triangulation means that a research employs several methods, investigators, or sources of data (Anney, 2014). Here, quantitative questions were asked to each of the respondents, in addition to the qualitative planned interview. The fact that three cases were examined contributes to triangulate the main findings. This ensured the internal validity of the data collected.

- Persistent observation

Persistent observation addresses the fact that the researcher has done an in-depth study (Anney, 2014). In this thesis, the interviews were conducted at the end of the research timeframe, assuring the good understanding of the topic by the researcher before committing to field research.

3.3.2. Transferability

Transferability refers to the "degree to which the results of qualitative research can be transferred to other contexts with other respondents" (Anney, 2014, p. 277). As such Bitsch (2005) argue that transferability can be guaranteed by providing thick descriptions and purposeful sampling.

- Thick description

Thick description means that the researcher elucidates the research processes, from data collection, context of the study, to production of the final thesis (Anney, 2014). This thesis, by its nature of documentation, provides a detailed methodology and context and therefore fulfils this criterion.

- Purposeful sampling

Purposeful sampling aims at selecting the respondents based on distinct criteria, to ensure that those fit the purpose of the study (Anney, 2014). As explained above, the respondents corresponded to distinct criteria and were chosen according to the typical norms of BAs identified in the literature.

3.3.3. Dependability

According to Bitsch (2005), dependability indicates "the stability of findings over time" (p. 86). Dependability can, among other things, be established through triangulation and peer examination (Anney, 2014).

- Triangulation

Cfr "Credibility"

- Peer examination

During peer examination, the researcher (here the student), consulted peers who are involved with qualitative research or are expert on qualitative research (Bitsch, 2005). He has indeed consulted several master students throughout the period of the thesis to discuss research processes and methodology issues.

3.3.4. Confirmability

Confirmability is the last criterion of research trustworthiness. Its purpose is to establish that the findings are not the result of the researcher's imagination but are derived from the data collected (Anney, 2014). Among the activities that enhance confirmability, triangulation is key (Guba & Lincoln, 1982).

- Triangulation

Cfr "Credibility"

4. RESULTS

The conducted interviews brought significant qualitative and quantitative results. This section aims at providing an overview of the three interviews conducted, namely on the indirect and direct measures. The first part depicts the qualitative insights collected during the interviews and presents them according to the TPB framework. For each interview, a short presentation of the respondent is followed by a thorough summary of the salient beliefs discussed. The transcriptions of the interviews are available in *appendix 3*. The aggregated salient beliefs that were identified are then exposed. The second part details the figures obtained from the respondents for the reflective measures of attitude, subjective norms, and PBC.

4.1. Qualitative results

4.1.1. Respondent #1

a) Background

The first interviewee was contacted through the Angel network Business Angel Europe. They kindly referred the respondent and the latter, after an e-mail conversation, accepted to talk and discuss about the topic of this thesis. I will refer to him as Paul.

Paul is a Portuguese man aged between 55 and 60 years old. He has been active as a professional Angel investor for more than 15 years and is the co-founder and managing partner of a BAN in Portugal, comprising more than 50 international Angel investors. Paul has been to university, where he undertook computer software engineering studies. He created his first company right after university and sold it 8 years later to a large telecommunication group. Since then, Paul has been a serial entrepreneur, investing time and money in more than 30 start-ups. Paul has an extensive experience of the entrepreneurial financing needs, as an Angel and as an entrepreneur. In the beginning of his Angel career, he was investing alone but he rapidly started to invest in small groups. He eventually created his own BAN, integrating his own rules, philosophy, and learnings. He recently finished a PhD on Angel investor perceived value.

b) Interview summary

Paul was clear from the beginning that planning the exit throughout the whole financing journey is key when Angel investing. As an Angel, he insisted on the importance of building his own exit strategy from the start and being proactive in the search of an exit. An exit must be an event that makes BAs and entrepreneurs happy. Paul considers exits as validations from the market that an entrepreneurial venture can succeed. As such he is amazed about the virtues and importance of successful entrepreneurship on a country's culture. Achieving an exit is not only a goal, but also a consequence that the BA has done a good job.

Attitude

Paul did not consider that adopting an exit-centric approach led to higher returns. However, he believed that, by doing so, you transmit to people the clear perspective of maximizing value, during the whole journey. Maximizing value for the Angel, entrepreneur, and maybe future buyers. Having a clear direction from the start allows to avoid many conflicts.

When asked about the salient belief of having higher chance to exit, he remained prudent. Although he said that exits do not happen per se if there is an exit-centric approach, it is a favorable position to be in, to react in an agile way and therefore make an exit.

Adopting an exit-centric approach to investing and actively involving the entrepreneurs makes it more difficult for the entrepreneurs to focus on the business itself and to make it grow. In this regard, Paul argues that it may be best not to involve them too much in the exit planning. It is however very important to educate them to exits and exit planning. Bringing the topic at the core of the debate can sometimes bring frictions.

Paul has also identified other indirect measures of attitude.

First, he affirms that considering potential exit routes from the start enables BAs to achieve partial exits. That practice was not identified in the literature and consists of selling early (the return is therefore not maximized) a portion of the shares that a BA has acquired when investing. Those partial exits were often made and/or considered at rounds of financing (every two years approximately), when the company is valuated, and new capital is sought from VCs and/or corporations. Paul is a fervent advocate of partial exits because it acts as a validation, it enables the BA to cash out some money that can be reinjected in new start-ups, and it gives the entrepreneur the perspective of the new financing options, making him project towards an actual exit option.

Furthermore, Paul explained that their approach was to contact and maintain good relationships with potential buyers throughout the journey. This is for him an integral part of their own exit-centric approach and it enables the investee company to become visible to the market and to attract attention.

Then, he proclaimed that, even if it's not desirable, adopting such a mindset allows the BAs to regularly evaluate the chances of exit of a company, and eventually stop the venture if the prospects of exits are too shallow. The last thing Paul wants is to have living-dead, zombies companies in his portfolio.

Finally, BAs like to have clear processes and frameworks when it comes to the exit planification because that know-how gives them credibility in the Angel community, in case of a successful exit.

Subjective norms

Paul said that entrepreneurs typically do not ask about the exit before it actually happens. As such, the entrepreneur does not have a lot of influence towards exit planification. Paul insisted, once again, on the importance of having his own exit strategy from the start. Even though this strategy needs to be communicated to the founders, the latter have very little influence on it.

The interviewee thinks that VC do not have a negative influence on the studied behavior. Even when associated with large VC funds, Paul wishes to be free to exit whenever he wants and insists on having his own exit strategy. Therefore, it does not have a negative influence for him personally, as long as the VC fund is aligned with his strategy. He even says that VC funds can have a positive influence by creating synergies, when both parties are aligned. However, for the vast majority of Angels, Paul argues that VCs constitute an easy escape door to the complexity of planning an exit. A lot of Angels prefer to put that responsibility into the hands of structured and professional VC investors.

He mentioned the other BAs as being large influencers. BAs are indeed storytellers and like to talk about their successful exits. Then, their "story" is based on know-hows and skills. Those are inherent to an exit-centric approach to investing. As such, BAs like to plan the exit in advance to create a "story", their own "recipe" of successfully exiting a deal. The same applies to Angel groups/networks, who want to look like an elite who has built the adequate processes towards successful investments.

Finally, Paul also talked about governments, who play a role in the way BAs plan an exit. The political strategy to "sustain the start-up country" has direct implications for BAs and influences the type and number of exits happening. He did not go into details but mentioned that player as being impactful.

PBC

Paul agreed that an exit-centric approach involves a constant alignment with the entrepreneur. The main reason is that conflicts of interests are never desirable and makes it more difficult to exit. According to him, the efforts put for this alignment makes it more complex to plan an exit efficiently. Different perspectives about the timing of the exit between the entrepreneur and the Angels can indeed be sources of conflict early in the process. Some Angels, according to Paul, do not want to have an exit-centric approach because of that. Paul somehow argues that promoting partial exits makes Angels look more like facilitators and consequently favors the good alignment between all parties.

Concerning the control belief referring to the chaos of the exit process, Paul denies any chaos. He considers the exit process as being structured, thought through, and organized. He therefore does not believe that that control belief has any impact on the decision to adopt an exit-centric approach.

Paul confirms that BAs do not adopt an exit-centric approach because they need help anyway during the process. Most BAs do not know what to do to plan an exit, and thus rely on third parties to do that. When involved with VCs or professional BAs, it is often easier to hand over the task of planning the exit.

Paul adds a layer to the framework by further establishing that BAs do not adopt an exit-centric approach because they act as amateurs. They are amateurs in the way that they do not know how to execute good exit-oriented processes. They lack confidence as well. Paul did not only target BAs' amateurism on an individual-level, but also on a market-level. Indeed, Paul considers that the informal capital market is not mature enough. Ideally, there would be secondary markets put in place, enabling BAs to trade their shares in a more structured manner. Defined exit strategies, frameworks, and tools should be put in place. That is what BANs have been doing recently, and he projects the growth of such entities in the future. BANs thus facilitates the adoption of an exit-oriented approach.

4.1.2. Respondent #2

a) Background

The second respondent answered our request personally, after we contacted the Italian Business Angel Network (IBAN). Again, after an e-mail correspondence, he accepted to participate in this study. I will refer to him as Luca.

Luca is an Italian man aged between 55 and 60 years old. He has been active as a professional Angel investor for almost 10 years. He currently sits on the board of many innovation accelerator companies, including a BAN. He is notably the associate managing director of an innovation consulting firm. Luca went to university where he undertook a law degree. He has had a career at IBM for 26 years, as a supply chain specialist across Europe. He then began his entrepreneurial journey, investing in approximately 15 start-ups (primarily in Italy) and creating start-ups on his own. He considers himself as an active BA and spends a lot of personal time in a venture.

b) Interview summary

Luca is convinced that an exit strategy should be put in place when Angel investing. BAs who do not want to have one from the start should not aim to earn money then. He says that, for people who are educated about venture capital, they understand that the exit is crucial. Someone should be in charge of finding out what can be the path to an exit, whether it is at the start or 18 months after the investment. That "someone" should be, according to Luca, an exit manager appointed by the BAN in question. This means that the vast majority of BAs inside the BAN, where Luca is active, do not focus extensively on planning the exit.

Attitude

Luca found that the adoption of an exit-centric approach, and more specifically the designation of an exit manager, contributed indirectly to having higher returns. He qualified this fact as a collateral effect. The exit-centric approach is therefore not sought to have higher returns, even if it brings some eventually.

Having an exit manager does not necessarily bring a higher chance of exits as well. Increasing the chances of exits is part of a complex set of factors that must be addressed throughout the lifecycle of the start-up, i.e., the right momentum, the network, …

He disagreed with the fact that adopting an exit-oriented approach makes it harder for the entrepreneurs to focus on their business. On the contrary, planning an exit is an important part of building a start-up. Considering a potential exit with the entrepreneurs is a good thing in the sense that it reminds them of the objective and of the key stakeholders, especially shareholders.

Luca, when asked about the practice of partial exits identified in the previous interview, thought it was a good approach but very rare in his experience. In Italy, either BAs achieve a full exit, or they do not achieve any. As such, he did not believe that planning an exit early made it possible to exit sooner. The exit manager does not necessarily accelerate the exit event or make processes happen faster.

Luca thinks that planning ahead of an exit primarily involves increasing the visibility of the investee company in the market and in the networks of potential buyers. This is the primary role of an exit manager, and this role must be accomplished early in the life of the start-up. Contacting, engaging potential buyers, and keeping them updated during a few years are essential steps if the Angel investors want to keep the option of an exit open.

The interviewee also recognizes that the main advantages in involving an exit manager are that it is easier to spot the companies that are badly managed or that are not performing. It enables the BAs to avoid having living-dead companies in their portfolio.

Luca did not consider that having an exit-centric approach necessarily gave BAs credibility and a good reputation among the Angel community. This is especially irrelevant since only the exit manager is involved in planning the exit, and therefore most BAs are not actively participating in the exit preparations.

Luca identified a new negative salient belief. BAs do not want to actively prepare a potential exit too early. It is judged unrealistic to consider an exit when the business is not yet mature enough. Luca considers it to be a waste of energy and resources, when the start-up development is totally unknown.

Subjective norms

The respondent denied the fact that entrepreneurs are actively involved in the exit planification. They typically never ask about the exit processes and are rarely involved. They consequently do not have a lot of influence on the decision of adopting an exit-centric approach to Angel investing.

VCs, conversely, do have an influence. Luca argues that when a VC fund becomes involved in the investment, they design the profile of the exit event. BAs, especially when they are minor shareholders, are then forced to follow the exit processes put in place by the VC fund. While Luca think VCs have influence, he assesses it as being positive influence. He defends the idea that VC funds know better how to plan and handle an exit event. Even if sometimes BAs are forced to exit by the VC fund, Luca never complains about it. Furthermore, Luca prefers to this extent to be a following investor, instead of a lead investor. He claims that the stronger and larger the lead investor, the better. Something positive will happen anyway to those companies backed by powerful parties. Angels could therefore skip the exit preparation if they know that a lead investor (VC or not) will participate in the discussions at some point.

Luca evaluates that 80% of the Italian BA population works within a BAN, a syndicate, or an Angel group. Those BAs know the importance of putting a potential exit event at the center of the debate. As such the professionalization of BAs imposes new processes that BAs follow to achieve exits. Luca mentioned for instance the example of exit managers. While Angel organizations may have some influence over one BA’s behavior, Angels as individuals do not, according to Luca. He said multiple times that he never felt rushed or pressured by peers to think about an exit process.

Local governments are, according to him, inexistent and do not have any power in the BA ecosystem.

PBC

Luca found it important to align regularly with the entrepreneur. Conflicts with them are inevitable because they often know nothing about exits and, when you educate them, there might be some friction. Aligning from the start, for instance explaining and making them accept from the start that an exit manager is going to be appointed, is key if you want smooth processes towards an exit. Although he prefers when entrepreneurs have the same mindset, Luca, only as lead investors, has commonly forced exits to happen, against the will of entrepreneurs. This demonstrates that a regular alignment, and sometimes conflicts between the founders and BAs do not necessarily prevent Angels from preparing an exit strategy, even if it is a forcing strategy.

Luca does not understand why BAs should not prepare exits in advance, due to the exit processes being chaotic. According to him, exits are not chaotic, but the start-up scene is at least. If a BA is not prepared to react in an agile way to changes in the market/start-up in order to make an exit, then he or she better invests in other things. In his experience, this salient belief is not justified.

Luca believes a lot in the power of being a member of a BAN. He thinks that he needs the help of BANs and their processes and tools to be able to consider the exits properly, and at the right moment. Not having access to those could prevent him from adopting an exit-centric approach.

20% of the Italian BA population is considered by Luca as being amateurs. Those lack the confidence to prepare efficiently an exit. Those individuals rely on chance and opportunistic behavior to achieve an exit. Luca explains however that a lot of BAs belonging to a network feel confident about the exit-centric approach, but, in reality, they do not know how to proceed. The interviewee explains that very few BAs can become exit managers. It requires a strong financial background and a good network. As such, the majority of BAs do not have the sufficient competencies to take care of the exit from A to Z, from the birth of the start-up to the actual exit event.

Luca also insisted tremendously on the distinction between lead and minority investor. As a minority investor, you lack the influence to make the cap-table prepare an exit the way you want to. And despite that, Luca invests anyway as a minority investor, without being able to adopt an exit-centric approach. As said before, as long as there is a strong lead investor, Luca is not very anxious about achieving an exit, and therefore does not feel the need to plan it.

4.1.3. Respondent #3

a) Background

The third respondent was directly contacted through LinkedIn. After a connection was made, an e-mail was sent directly to him, like the other respondents, where this thesis topic and the interview request with him have been thoroughly explained. I will refer to him as Georges. This interview was exceptionally conducted in French.

Georges is a Belgian man, aged around 60 years old. He has been active as a professional Angel investor for 7 years. He is member of a BAN where he sits on the selection committee. Georges went to university where he undertook civil engineering studies. He then worked for more than 30 years at Euroclear, in the IT department, before quitting. At that point, he initially wanted to become an entrepreneur, but he came across a BAN when seeking funds and began his informal investing journey. He has been investing in a bit less than 20 start-ups in the last decade, mostly in the med-tech field, and he recently became a deal maker inside a BAN. Georges is a praised Angel and has already received multiple awards in his short but intense BA career.

b) Interview summary

Georges values the exit but stresses the fact that the exit might not be the first thing an amateur Angel thinks of when investing. He personally does not think it is urgent to think about potential exit route early in the investment process, especially since it is the entrepreneur who is responsible of the exit. His logic states that a start-up needs to prove that it is viable before attracting potential buyers. As such, BAs put primarily their attention into building and developing the core business. He admits nonetheless that the exit is a means of getting back some cash, in order to reinvest. As such, he says that the question of a potential exit is always in the back of his mind, although he puts the evolution of the start-up first.

Attitude

Georges does not think that adopting an exit-centric approach to investing brings neither higher returns nor higher chance of exit. Nonetheless, considering the exit at several steps of the investment journey allows the entrepreneur and the investors to remember the long-term value creation for all shareholders.

Georges does not think that adopting an exit-centric approach makes the entrepreneur lose the focus of his business. When BAs make decisions about the exit planification or just discuss the possibility of an exit, it does not pollute the business-as-usual activities of the entrepreneur(s).

The interviewee agreed with the fact that exits could happen during financing rounds. He mentioned the problem of dilution when shares are bought back at further financing rounds, but he still considered the idea of partial exits as worthful. Those exits however happen in an opportunistic and unplanned manner.

Georges agreed that consistently thinking about an exit plan incite the different parties, namely the investors and the founders, to work on finding a potential buyer. Consequently, adopting an exit-centric approach enables them to work on making the company visible to other corporations in the market.

Thinking about the exit, especially during the initial screening, allows Georges to understand if a company will be able to achieve an exit event in the short-term future. The selection committee of the BAN can notably help to assess if the screened start-ups have potential exit opportunities. This helps to avoid the said zombies companies. Georges, however, only mentioned such practices at the start of the investment process and cannot be embedded in an exit-centric approach.

Georges also stated that thinking too early about a potential exit does not makes sense, as the environment in which the start-up evolves is often unpredictable.

Subjective Norms

According to Georges, the entrepreneur plays a very active part in the exit planification. The entrepreneur, founder, or even the board takes care of planning the exit. The BA can obviously help with his network or knowledge, but the entrepreneur essentially takes care of the exit. BAs generally put a “rendezvous” clause in the investment contract in which it is stated that the entrepreneur, after so many years, is obliged to provide liquidity for the investors’ securities, or to find a buyer. Entrepreneurs are thus at the core of the exit planification in this case. This may explain, according to Georges, why BAs do not adopt an exit-centric approach themselves: it is the entrepreneur’s responsibility.

VC funds play an important role as well. If they get involved, they usually dominate the cap-table. They often like to buy back the shares of the minority investors. This represents an easy exit event for BAs, even though nothing is mandatory. If BAs and VC are invest together, the Angels gladly delegate the planification of the exit to the latter group. The nature of VCs makes it natural for them to take the lead in the exit planification. Georges does not mind that, if VC funds do not emit any preferential clause in the contract.

Angel networks and groups facilitate the adoption of an exit-centric approach because they provide coaching on the matter. As previously explained, the committee of selection can have a real impact as well. As such they have an influence. Individual Angels, on the contrary do not exert any power or influence over the adoption of an exit approach. In his experience, no peers have advised/forced him to think about the exit at a particular step in the start-up lifecycle.

Governments do not have any influence, according to Georges.

Like the previous interviewee, Georges has mentioned the possibility to appoint someone for the planification of a potential exit route. This may occur only when the entrepreneur has failed to drive an exit and/or build the business. It also has little influence over the studied behavior.

PBC

Since the founders take care of the exit, it is very important to stay aligned with the entrepreneur. It might therefore be difficult to adopt an exit-centric approach if you do not know what the entrepreneur is doing or planning concerning the exit. The entrepreneur might also exit at a later stage. That is why the Angel needs to regularly align with the founders.

Georges, from his experience, stated that the first exits of a newly made BA are often chaotic. This, according to him, acts like an electroshock and forces BAs to plan the exit in a more structured way, or at least to consider the exit more often, in further deals.

Georges claimed as well that all BAs cannot feel confident about planning an exit, as the exit event is often unpredictable. So many factors must be considered, making the exit event complex. The only variable BAs can truly influence is the business development. But he adds that not feeling confident about it does not mean that BAs should not think about the exit at multiple points in time. Most BAs need help of at least an Angel group to be able to adopt an exit-centric approach.

The last control belief Georges gave his opinion on is being a minority investor. Georges has mainly invested as a minority investor and can therefore have trouble to make his voice count in the start-up's decision-making. That makes it obviously difficult to have an exit-centric approach, when you know you have little influence on the exit planification.

4.1.4. Salient beliefs identified

After conducting three interviews, new salient beliefs that could influence the intention of BAs to adopt an exit-centric approach to investing were identified. In each of the determinants of intentions, we first identified the salient beliefs mentioned in the literature. Interview after interview, we incorporated the new salient beliefs into the framework. This strategy of grounded theory enabled to conduct exploratory interviews and helped to interpret behaviors (Saunders et al., 2009). *Table 2* shows all the salient beliefs identified and used in the interviews. The 10 initial beliefs identified in the literature (#1, #2, #3, #9, #10, #11, #14, #15, #16, #17) are complemented by 9 new salient beliefs (#4, #5, #6, #7, #8, #12, #13, #18, #19).

TPB construct	Salient beliefs
Attitude	#1 Higher returns when the exit happens #2 Higher chance of exit #3 The entrepreneur loses attention on building the business #4 *Exits can be achieved sooner (i.e., partial exits)* #5 *Start-ups gain in visibility among potential buyers* #6 *Zombies companies can be avoided sooner* #7 *Waste of energy if the start-up is immature* #8 *Good reputation and recognition among the Angel community*
Subjective norms	#9 Entrepreneurs #10 Business Angels #11 Lead investors (i.e., VC) #12 *Governments* #13 *Angel groups*
PBC	#14 Efforts needed during critical stages #15 Regular alignment with entrepreneur #16 Need for help/support from external parties #17 The exit process is chaotic anyway #18 *Lack of confidence due to amateurism* #19 *Being a minority investor*

Table 2: The salient beliefs identified in the literature and in the interviews

4.2. Quantitative results

Data were also collected in a quantitative way during the conducted interviews. The participants were asked at the beginning of each part of the TPB framework to assert the accuracy of a statement, between one and seven. Those statements aimed at evaluating the direct measures of attitude, subjective norms, and PBC. Two questions per construct were asked and are available in the interview guide (see *appendix 1*). *Table 3* depicts the scores of each participant, as well as the variance of their answers.

As the variance of each construct never exceeds 1, the scores are valued as internally valid for each participant. For attitude, Paul, Luca, and Georges have high scores, respectively 14, 12, and 14. For subjective norms, they have scores of respectively 12, 6, and 7. For PBC, they have scores of 9, 6, and 6. Luca and Georges have similar scores, whereas Paul has slightly higher scores overall. However, the importance given to each construct is

		Paul	Luca	Georges
Attitude	ATT1	7	6	7
	ATT2	7	6	7
Subjective norms	SN1	7	4	4
	SN2	5	2	3
PBC	PBC1	5	4	3
	PBC2	4	2	3

Attitude	Total Score	14	12	14
	Variance	0	0	0
Subjective norms	Total Score	12	6	7
	Variance	1	1	0,25
PBC	Total Score	9	6	6
	Variance	0,25	1	0

Table 3: Direct measures of attitude, subjective norms and PBC

consistently ranked among the participants. Indeed, attitude seems to be overall extremely favorable, perceived social pressure seems to be overall moderate, and perceived control seems to be overall low-moderate.

5. ANALYSIS

5.1. Direct measures

Each predictor variable of the TPB has direct and indirect measures. While indirect measures focus on the specific salient beliefs and their outcome, direct measures are assessed by asking respondent general questions about attitude, subjective norms, and PBC (Francis et al., 2004). The aim of reflective ("direct") measures is to predict the intentions and behaviors through attitude, subjective norms, and PBC, not to identify any specific factors influencing these constructs (Ajzen, 2004).

Due to the small sample size, it was not justified to statistically use the quantitative results to provide proof of correlation between the determinants and the intention of behavior. Furthermore, it was also difficult to statistically provide correlations between direct and indirect measures of the constructs. Whereas a fully quantitative TPB questionnaire can identify those correlations, the mix of qualitative and quantitative data used in the empirical part cannot provide correlations.

Consequently, three hypotheses coming from the findings of Armitage and Conner (2001) were made:

- H1: Direct measures of attitude are highly correlated with intentions and with behavioral beliefs.
- H2: Direct measures of subjective norms are moderately correlated with intentions and highly correlated with normative beliefs.
- H3: Direct measures of PBC are highly correlated with intentions and with control beliefs.

As previously depicted when showing the quantitative results, attitude seems to be overall extremely favorable, perceived social pressure seems to be overall moderate, and perceived control seems to be overall low-moderate. Taking the newly made hypotheses, it is expected that salient beliefs and their outcome tend to validate the results deducted from the direct measures of intention. It can be assumed that BAs would adopt an exit-centric approach because they think there are favorable incentives to do so but would not adopt such an approach because there are some aspects preventing them from doing so. The effect of perceived social pressure is however uncertain. An analysis of the indirect measures of intentions identified and discussed during the interviews must be conducted to confirm or infirm the suggested affirmations.

5.2. Important salient beliefs

The qualitative interviews aimed at identifying and assessing the salient beliefs of adopting an exit-centric approach to Angel investing. Nineteen salient beliefs were identified at the end of the process. However, those are not necessarily explaining the intention of adopting the behavior, or at least not at the same level of intensity. As such it was judged essential to refine the list to focus only on the main perceptions of BAs concerning the studied behavior.

To do so, an assessment of all the beliefs has been effectuated. Each of the behavioral, normative, and control beliefs have been respectively assessed according to two criteria. First, it has been determined if the salient belief was shared by the respondent. Only in

Table 4: Assessment of the most important salient beliefs identified in the literature and in the interviews

TPB construct	Salient beliefs	Paul		Luca		Georges	
Attitude		*Behavioral belief*	*Behavioral outcome*	*Behavioral belief*	*Behavioral outcome*	*Behavioral belief*	*Behavioral outcome*
	#5	↑	↑	↑	↑	↑	↑
	#6	↑	↑	↑	↑	↑	→
	#7	✗		↑	↓	↑	↓
Subjective norms		*Normative belief*	*Motivation to comply*	*Normative belief*	*Motivation to comply*	*Normative belief*	*Motivation to comply*
	#11	↓	→	↓	↑	↓	↑
	#13	↑	↑	↑	↑	↑	↑
PBC		*Control belief*	*Perceived power*	*Control belief*	*Perceived power*	*Control belief*	*Perceived power*
	#15	↑	↓	↑	→	↑	↓
	#16	↑	↓	↑	↓	↑	↓
	#18	↑	↓	↑	↓	↑	↓
	#19	✗		↑	↓	↑	↓

✗: not shared by the respondent ↑: high/positive ↓: low/negative →: neutral/ambivalent

that case, the outcome evaluation (for behavioral beliefs), the motivation to comply (for normative beliefs), or the perceived power (for control beliefs) has been appraised and given a positive, neutral, or negative influence. An overview of this process is available in the *appendix 4*.

The salient beliefs shared by the majority of the respondents, namely at least two, were considered to be the main factors influencing the adoption of an exit-centric behavior. *Table 4* shows the nine beliefs that were retained, as well as their characteristics. Those will be further analyzed and discussed along some direct quotes from the respondents.

5.2.1. Attitude

The first behavioral belief touches upon the fact that start-ups gain in visibility among potential buyers. All three respondents agreed that adopting an exit-centric approach involves activities that will eventually increase the visibility of the company towards a potential buyer. Paul and Luca were adamant about it, Georges implied a more indirect causality about the belief and the behavior. Nonetheless, the three respondents shared the behavioral belief and judged the behavioral outcome as favorable.

> *"Put yourself in a position where you are known, visible, and relevant. This is what we aim to do when we work for an exit." (Paul)*
> *"The exit manager makes it possible to start involving them (potential buyers), in order that, in the next capital increase, they start dealing with the company and then ultimately, they buy out. This, in my experience, has been the most successful and quickest exit." (Luca)*
> *"Well, yes, because there is an incentive, at least from the investors, to remember that we are not here to last and so the founder, or even the other investors, will try to go looking elsewhere to fill the hole. So yes, indirectly we gain visibility." (Georges)*

The second behavioral belief states that adopting an exit-centric approach can prevent investors from keeping living-dead companies in their portfolio. Paul and Luca insisted on it, while Georges remained prudent about it. He agreed that having an exit-centric approach could lead to that belief and the associated positive outcome, but other approaches could lead to the same result. It can however be stated that the three respondents shared the behavioral belief and judged the behavioral outcome as favorable.

> *"Typically, we also address the momentum of the start-up by making regular valuations on the start-up, to measure the preparedness of the exit. We also want to exit if we see a bad exit. So, if the company has not achieved expectations, we don't want zombies in the portfolios." (Paul)*
>
> *"But on the other side, if you don't do that, if you don't start planning for the exit, you risk going in a never-ending company. Then it's not a start-up anymore, it's a zombie company. […] I mean, if you don't run, you better stop." (Luca)*
>
> *"So, the exit, [...] we also pay attention to it in the selection committee because if there is no real exit possible, if we see that it is, without being pejorative, a "family" business, where people want to evolve at their own pace, you stay there ad vitam aeternam." (Georges)*

The last behavioral belief retained is the perception of the behavior as a waste of energy if the start-up is immature, that is, when the start-up is not yet ready to conduct business. Luca raised this concern during the second planned interview. Consequently, Paul, the first interviewee, has not received a direct question about that belief. However, Paul mentioned at multiple times that an exit-centric approach should be adopted from the start of the start-up journey. We can therefore consider that he would not have shared that belief. Nevertheless, Luca and Georges insisted on this belief and its unfavorable outcome.

> *"It depends on the level of maturity of the start-up we are getting in. For example, if you just constitute it, I think it's unrealistic to start thinking about the exit." (Luca)*
>
> *"If I think about it personally, an exit will only be there if the fundamentals are there, if the company is still there. And still has an interest. So, I think it's not necessarily the most urgent thing. [...] But the most important thing is that the company should go all the way." (Georges)*

5.2.2. Subjective norms

The first normative belief retained is the influence of large, lead investors like VC funds. All three respondents shared the belief that large investors want them to concede the exit planification. Paul, however, was conflicted in regard to the influence a VC could have on his exit-centric approach. On the one hand, he mentioned that VCs, on a personal level, might positively influence him to perform the behavior. But that influence is limited because he wants to have his own freedom and his own exit strategy. On the other hand, he says that a lot of BAs could be inclined to drop their exit-centric approach and let the VCs take care of the exit planification. That last view was shared by Luca and Georges. The belief was therefore considered by the three respondents as negative and the overall motivation to comply to perform the behavior is high. Social pressure of large investors not to adopt an exit-centric approach is therefore high.

> *"No, if they are aligned with my strategy, [...] I think that they can influence. But influencing is another thing as controlling. I want to be free as an Angel investor. As much as I can. [...] It's a complex thing, and that's because of that complexity that I think people tend to put that complexity in the venture capitalists and not in the angels." (Paul)*
>
> *"The largest and strongest the lead investor the better it is, because something will happen to this company. Something positive will happen because the network is huge." (Luca)*
>
> *"If you manage to raise a little later but at higher amounts, the Angels can no longer keep up, then you have the big groups who come and set exit conditions for themselves and preferential conditions. [...] So yes, they are the ones who take a little more control over this." (Georges)*

The second and final normative belief retained in this list is the Angel groups/BANs. All three respondents shared that belief and considered it to be positive over the studied behavior. The three respondents insisted on the fact that BA groups had practices, processes, and structures put in place to promote an exit-oriented approach. Paul added that BANs exerted social pressure over adopting an exit-centric approach because they want to look like an elite that knows the processes. It might be appealing for BAs to do the

BAN's implemented practices concerning the exits, in order to be well seen inside the BAN. The belief was therefore considered by the three respondents as positive, and the overall motivation to comply to perform the behavior is high. Social pressure of networks and Angel groups to adopt an exit-centric approach is therefore high.

> *"Also, the Angel, other angels as elite groups or in the associations, they want to look like an elite, the guys that do the exits." (Paul)*
> *"If you get into the process being part of a syndicate, if you are participating with an accelerator or incubator, then it appears absolutely evident that the only way the profile of a business Angel must include an exit approach." (Luca)*
> *"In coaching, when we talk to each other, it (being part of an Angel group) can have an impact on my approach to the exit. As I say, in the selection committee too, if certain criteria are not there and we see that there is no possible exit. I speak for my BAN, there are no constraints. It helps in the sense of coaching and experience sharing to consider the exit." (Georges)*

5.2.3. PBC

Digging into the retained control beliefs, the first one happens to be the need for regular alignment with the entrepreneur. On the one hand, Paul and Georges strongly agreed that aligning with the founder(s) is crucial from the start if the BA wants to be able to prepare the exit. Luca, on the other hand, argued that it is preferable if the entrepreneur has the same mindset on the exit strategy, but stated that he sometimes can force an exit preparation and/or an exit event in case of misalignment. For Luca, that control belief can therefore be an obstacle to adopting an exit-centric approach but will not totally prevent from doing so. The belief was therefore shared by the three respondents. The perceived power of BAs towards that belief is very low for Paul and Georges, and ambivalent for Luca. Overall, it was found that a misalignment between BAs and founders can prevent Angel investors to adopt the studied behavior.

> *"Because the entrepreneur doesn't want to sell their shares sooner. [...] So, in this case there is a different perspective of timings regarding the exit. So, the Angel must create*

its own exit strategy in parallel with the start-up, but the Angel cannot expect the perfect alignment and must be dialoguing permanently in an open way." (Paul)
"Well, first of all you need to have this, the founder accepting the fact that you that an exit manager is the right thing to have, because the tendency they do have is that they do everything their own way and they run their own." (Luca)
"Lack of alignment? Certainly. If the founder doesn't want to make an exit, it will be difficult if he doesn't have the same strategy. Yes, at some point, you need to know who the potential buyers are, so you need to have companies that allow or people that allow you to draw attention to the business you invested in." (Georges)

The second control belief is the need for help/support from external parties. While Georges did not share this belief, Paul and Luca mentioned a few support sources that are essential for BAs, in order to adopt an exit-centric approach to investing. BAs often do not consider the exits along the start-up journey if they do not have the appropriate support, whether it is tools, frameworks, or special competencies. The belief was therefore shared by the two respondents. For these respondents, the perceived power of BAs towards that belief is very low. Overall, the need for support can be an obstacle for Angel investors to adopt the studied behavior.

"For sure they need help, that's why I have created my group. We Angels need more structures, as I said. But … Yes probably, some Angels might not put the focus on exits because of that." (Paul)
"But sometimes in the investment document [...] you have the right to call someone to put the company in the market. That is basically an exit manager. [...] Then you need to have professional people to help the exit planification." (Luca)

The third control belief concerns the lack of confidence of BAs due to amateurism. All three respondents judged the belief to be true. The lack of Angel professionalization, especially with individual BAs, makes it difficult for them to have a well-thought and planned exit strategy. The rising trend of Angels gathering into groups and/or networks mitigates that issue, but it remains highly relevant. The belief was shared by the three respondents and the perceived power of that belief is very low. Amateurism inside the BA profession embodies a key impediment to adopt an exit-centric behavior.

> *"Uh, yeah, I see that maybe business angels are not professional enough. They have an amateur approach about the exit strategy in the way that they don't think they are able to do that. They don't know how to do that. And so, they don't do. They just wait for someone to do the job." (Paul)*
>
> *"They don't necessarily focus on it, and they typically get suggestions of start-ups from family, friends, a company network. And they don't know, they just get in. They like it. [...] They like the team. They are confident in theory but in reality, they really do not know how to do it. […] If you get into the process being part of a syndicate, if you are participating with an accelerator or incubator, then it appears absolutely evident that the only way the profile of a business Angel must include an exit approach." (Luca)*
>
> *"Yes, the exit is important. But when you have a first-time investor, it's not necessarily the first thing he thinks about." (Georges)*

The last salient belief identified and considered as important is the control belief that being a minority investor prevents a BA from preparing his/her own exit strategy. Since this belief was not included in the original set of salient beliefs identified in the literature, Paul has not been asked a question about that belief. He did not raise the belief on his own. As such, Paul is considered to not share this belief. Luca and Georges, for their part, appraised that belief by affirming that only the lead investor has influence over the exit event of the investee company. As such, BAs struggle to make their voice heard when involved for instance with wealthier BAs, other Angel groups, or VC funds. The two last interviewees share that belief and have a very low perceived power of that belief.

> *"If you are in a company where you're not the lead investor, honestly, you can't do too much. I mean, sometimes you're not even in the board. Then you have very little influence. Despite all that, you invest anyway. I mean, probably half of my investments are in a situation where I don't really know where this is going to land." (Luca)*
>
> *"The point is to have leverage. [...] Yes, we can have an exit-centric approach, as much as we can with our weak means or the weak weight that we can have in a company.*

[...] But the founders must be there, because in general, they are the ones who have the most shares." (Georges).

5.3. Link between direct and indirect measures

Just when looking at the direct measures, it was concluded that the attitude towards the behavior should be favorable, the PBC should be low, and the effect on subjective norms was uncertain. The indirect measures of the determinants of the TPB go in the same direction.

Attitude, as analyzed, embeds three behavioral beliefs shared by at least two of the three respondents. The three respondents shared two salient beliefs with a positive outcome, while two respondents shared a belief with a negative outcome. It can be concluded that the indirect measures depict a relatively favorable attitude towards the behavior. It confirms the assumption made previously.

Subjective norms contain two normative beliefs shared by the three respondents. One referent was considered to have a negative social pressure to perform the behavior, while the other referent was considered to have a positive influence over the decision to perform the behavior. As such, it is difficult to determine a clear trend, direction for subjective norms. It can be concluded that the influence from social referents is ambivalent. That matches the previous assumption that the effect of subjective norms was uncertain.

PBC involves three salient beliefs shared by all three respondents, and one shared by two respondents. All those beliefs are associated with a low perceived control by the respondents. Even when asked, respondents have not directly highlighted any control belief with a high perceived control, that is, a control belief facilitating the adoption of an exit-centric behavior. Consequently, it can be concluded that the previous assumption is verified. BAs indeed have a very low perceived control over the studied behavior.

5.4. Discussion

Looking back at the original set of salient beliefs identified in the literature, it can be said that some of those beliefs have not been confirmed by the respondents.

While McKaskill (2009b) argued that an exit-centric approach was needed to improve the probability of exit, the respondents do not seem to have an exit-oriented mindset for this reason. Moreover, the link found by Botelho et al. (2019) between high returns and a proactive approach to exits cannot be confirmed by the conducted interviews. Indeed, none of the respondents supported that belief. In addition to that, the claim from Botelho et al. (2019) that an exit-centric approach prevented the entrepreneur from effectively run and build the business was not supported by the majority of the respondents. As a matter of fact, none of the behavioral beliefs identified in the literature, upstream from the interviews, appeared to be shared by the majority of the respondents.

Concerning the major social referents identified in the literature, only the large investors like VCs have been viewed as exerting social pressure to perform the studied behavior. Indeed, entrepreneurs, identified by Botelho et al. (2019) as social referents, do not have an influence in the planification of an exit strategy, according to most of the respondents. Peers, namely other BAs, were similarly found to not exert any influence, contrarily to what Botelho et al. (2019) and Collewaert (2012) argued. Large investors, comparatively, were unanimously considered as negative influencers over the studied behaviors, just like it can be found in the study led by Botelho et al. (2019).

When it comes to the PBC, two control beliefs identified in the literature were retained in the list of important beliefs, namely the regular alignment with the entrepreneur(s) and the need for help/support from external parties. It was spotted that the regular alignment between investors and founders can be a hustle and often an impediment to adopting an exit-centric approach (Botelho et al., 2019; Collewaert, 2012; McKaskill, 2009b). This belief seems to be validated by the conducted interviews. The fact that BAs need help and support in planning an exit and adopting an exit strategy (Botelho et al., 2019) is supported by the respondents, who mentioned different kind of support, like frameworks, tools and special competencies. Two other control beliefs found by Botelho et al. (2019), namely the fact that adopting an exit centric approach requires tremendous efforts and the fact that an exit process is often chaotic, no matter what, are not shared by the majority of respondents.

The three respondents have elicited a set of new salient beliefs. Among them, six have been shared by two or more respondents. Some verify facts and propositions identified in the literature.

While none of the initial behavioral beliefs were retained, three new beliefs have been identified, the two first having a positive outcome and the last one having a negative outcome. Firstly, BAs adopt an exit-centric mindset because it allows the investee company to benefit from more visibility among potential buyers. That element seems logical when the literature advises BAs to exit through a trade sale (Capizzi, 2015; Carpentier & Suret, 2015; Gedeon, 2016) and to consider future potential buyers right from the start of the initial screening (McKaskill, 2009b). Secondly, the studied behavior allows BAs to prevent sooner zombies company from sticking in the portfolio. It is again not surprising, given that it is considered very important to minimize potential losses, namely fail fast and recognize symptoms of living dead companies early in the start-up's life (Mason & Botelho, 2016). Lastly, two respondents argued that it was useless to plan or consider the possibility of an exit early in the start-up's journey because the start-up is too immature. What have been considered as a waste of energy by the respondents can be somehow found in the literature. One of the main reasons against the adoption of an exit-centric approach identified in the literature is indeed the mindset in which "good investments will find their own exits" (Gray, 2011, as cited in Mason & Botelho, 2016).

When it comes to subjective norms, one new belief has been adopted by all three respondents. Angel groups/networks have been identified as being social referents that exert social pressure to adopt an exit-centric approach. This echoes with the interrogation of Carpentier and Suret (2015) and Peters (2009) concerning the potential changes in exit practices and processes due to appearance of Angel groups. Botelho et al. (2019) also mentions that the professionalization of BAs has increased the need for an exit.

With regard to PBC, two new control beliefs have been identified and retained in the final list of important salient beliefs. The first factor explaining why BAs struggle to adopt an exit-centric approach is the lack of confidence felt by novice BAs. This implies that Professional BAs, namely BAs belonging in an Angel group/network, are more prone to have the competencies, the processes, and therefore the confidence to consider the exit throughout the whole investment journey. Although this may sound logical, it has not been identified in the BA exit literature. The second new control belief is the fact that BAs cannot adopt an exit-centric approach if they are minority investors. Lead investors dictate the exit and the exit planification. It is therefore very difficult for investors who cannot make their voice heard to consider a potential exit. Again, nothing of the sort is mentioned in the BA exit literature.

6. Conclusion

The aim of this thesis was to understand the rationale of BAs concerning the adoption of an exit-centric approach to investing. This study followed an exploratory approach and used mainly qualitative methods to collect data. Three interviews were conducted with three BAs from Europe. The framework used for those interviews was based on the TPB and aimed at quantitatively assessing the direct measures of the theory's constructs and at qualitatively assessing the indirect measures of the same constructs. Following the TPB structure, the studied behavior was the adoption of an exit-centric behavior.

6.1. Main findings

As a conclusion, this study has brought light to a rather unknown pant of the BA literature. This thesis brings elements of answers to understand the rationale of BAs to adopt (or not) an exit-centric approach to investing. Those elements of answers were identified in the form of salient beliefs, following the TPB framework. Throughout the three conducted interviews, it was indeed possible to determine a set of important salient beliefs that can influence an individual's intention to adopt an exit-centric approach to Angel investing. Among the nine beliefs retained and judged as explaining factors in the TPB, three come from the original set established thanks to the literature and six come from the qualitative interviews. Below is an overview of the retained beliefs, and their effect on the adoption of an exit-centric approach to investing.

It seems that BAs, in general, consider the adoption of the studied behavior as being favorable to them. Although it has been admitted that BAs consider the exit-centric approach as a waste of energy in some specific circumstances, BAs intend to adopt the behavior because of two major reasons. It would indeed enable the investee firm to gain visibility among potential buyers and it would enable BAs to spot zombies firms sooner, preventing those from ending up in the portfolio of BAs. Thinking about potential exit routes throughout the start-up journey is therefore deemed to be a favorable practice.

It has not been possible to determine a clear direction of the normative beliefs. On the one hand, BAs are socially pressured by Angel groups to adopt an exit-centric approach. The professionalization of BAs encourages practices and processes that promote an exit-centric mindset. On the other hand, BAs are socially pressured by large investors not to perform the behavior. Lead investors like VCs often claim the exit planification for themselves and therefore exhort BAs to step aside.

Control beliefs show that BAs see more obstacles than facilitating factors when adopting the behavior. Indeed, the findings of this thesis clearly show that the control perceived over the adoption of the behavior is very low for BAs. Four factors were identified. First, BAs find it difficult to adopt an exit-centric approach because it requires a strong alignment with the founders of the investee start-up. Second, BAs believe that they need help from external parties to adopt an exit-oriented mindset. In this regard, they are discouraged to do so. Third, BAs tend to think that the amateurism shown by some Angels is a huge impediment to plan an effective exit route. Lastly, it was discovered that minority investors simply cannot have an influence over the exit event and the exit strategy. Those four factors were judged relevant and potentially explanatory to the apathy shown by BAs towards an exit-centric approach to investing.

As said before, those nine beliefs are elements of answer. Without establishing causal relationships, this exploratory study has been able to provide an understanding to the sometimes-conflicting behavior of BAs. This thesis can help the literature in future research and can eventually support the BA community to improve practices and to develop new tools towards an efficient Angel ecosystem.

6.2. Limitations and future research

It is good to recall that this study has been based on a thin literature. Indeed, the literature about BA exit and about an exit-centric approach to investing is very sparse (Botelho et al., 2019). Although this does not constitute a limitation per se, it has appeared to be detrimental to the setting up of this study. More information and knowledge about the topic would have improved the processes of the empirical part. That being said, a few limitations can be addressed.

This thesis suffers from some limitations relating to the sample of BAs used in the empirical part. The sample size is one of those limitations. Three respondents have indeed taken part of this study. Consequently, minor salient beliefs identified by only one respondent have been disregarded in this study. Nonetheless, salient beliefs like the achievement of partial exits or the influence of governments on the studied behavior could have a real impact and deserve to be further examined in a future study. As Botelho et al. (2019) explains, larger samples would enlighten more aspects of the exit planification processes of BAs, especially concerning the role of PBC. Future research should examine the same problematic with a larger sample size to be able to statistically validate or discredit the findings of this thesis. Furthermore, for generalization purposes, only men, aged between 55 and 65 years, and belonging to an Angel group have been selected to participate in the interviews. It could be interesting to see if gender, age, or the fact that BAs act individually or collectively change the perception of an exit-centric approach to investing. This is on the agenda for future research.

The scope of this thesis was limited due to its qualitative approach. Future research should use the TPB with a more common quantitative approach to be able to statistically discover correlations and causalities between the different salient beliefs, their associated constructs, the intention of behavior, and the behavior itself.

Finally, this study only focuses on the point of view of BAs. It could be interesting to, as Botelho et al. (2019, p. 16) suggest, "triangulate the views of angels with those of the entrepreneurs and the executives of the acquiring firm to assess the dynamic inter-relationships amongst the various parties involved".

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8. Appendices

- Appendix 1: Final interview guide (used for the last interview)

NOTE: the questions in italic were not part of the initial set of questions (for the first interview)

Context of the study

This interview is included in a qualitative study from a master's thesis at Louvain School of Management, Belgium. Evidence have been found that adopting an exit-centric approach to investing, namely considering and planning an exit route at every step of the investment process, including the initial investment decision, is increasingly important. Yet, the literature remains very evasive on the proportion of BAs who actually adopt such an approach and their motivations. This interview therefore aims at understanding the behavior of BAs concerning exit planning through the lens of the theory of planned behavior, theory developed by Ajzen in 1991. The interview will be structured given this particular theory. When answering the following questions, please have the latest deal you have entered in mind. This interview, for transcript purposes, will be recorded, and I guarantee the anonymity of the respondent.

General questions

- ☐ Can you make a short presentation of yourself?
- ☐ For how long have you functioned as a business angel?
- ☐ In how many businesses have you invested as a business angel?

Behavioral Intention

- ☐ In what way do you consider your exit in the whole investment process?
    - During initial screening?
    - During due diligence/valuation?
    - During post-investment?
- ☐ Can you think of any reasons why you would want to adopt an exit-oriented approach?

Attitude towards behavior

- ➢ Direct measures of attitude

ATT1: Thinking about achieving a successful exit at the start of the investment process is good

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

ATT2: Thinking about achieving a successful exit at the start of the investment process is desirable

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

- ➢ Indirect measures of attitude

- ☐ How do you perceive the exit when meeting an entrepreneur?
- ☐ What are the main exit-centric activities you engage?
- ☐ How is it desirable/positive to plan an exit in advance?
- ☐ What do you think are the benefits of adopting an exit-centric approach to investing?
    - o Does it bring high returns?
    - o Are there higher chances of exit?
    - o *Does it enable the BA to achieve an exit sooner?*
    - o *Does it bring more visibility?*
    - o *Does it prevent Bas from keeping zombies in the portfolio?*
    - o *Is it beneficial for the reputation of an Angel?*
- ☐ What are the challenges if you want to adopt such an approach?
    - o Is there a loss of attention on building the business?
    - o *Is it a waste of energy if the start-up is too immature?*

Subjective norms

- ➢ Direct measures of subjective norms

SN1: It is expected of me to think about potential exit routes at the start of the investment process

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

SN2: I feel under social pressure to think about potential exit routes at the start of the investment process

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

- ➢ Indirect measures of subjective norms

☐ If you were to compare your approach to exits with the practices of your peers, how would you rate it?

☐ What party socially pressures you to plan the exit strategy early and throughout the investment?
  - Other investors (VC/BAs)?
  - *Governments?*
  - *Angel groups?*

☐ Do entrepreneurs ask about the exit early in the investment process?

Perceived behavioral control

- ➢ Direct measures of perceived behavioral control (PBC)

PBC1: I am confident that I could start planning an exit at the beginning of the investment process if I wanted to

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

PBC2: The decision of preparing an exit at the start of the investment process is beyond my control

Strongly agree 1 2 3 4 5 6 7 Strongly disagree

- Indirect measures of PBC

☐ To what extent do you feel confident in planning an exit in advance?

☐ Do you need any help in planning an exit, executing due diligence, valuation, …?

☐ Which of those themes are recurrent when Angel investing?
  - Exit processes are chaotic, no matter what
  - It takes too many efforts to adopt an exit-centric approach

- Need for help in planning the exit

☐ What factors makes it easier to adopt an exit-oriented approach?

☐ Do you think it requires special efforts to plan the exit early on? Does it require a special alignment with the entrepreneur?

☐ *Do you think amateurism among BAs is one of the main challenges for them not to consider exits throughout the investment process? Lack of knowledge?*

☐ *Does being a minority investor makes it more difficult to be involved in the exit strategy planification? And consequently, to adopt an exit-centric approach?*

- Appendix 2: Quantitative questionnaire of the theory of planned behavior

Note: two sources were used to create this questionnaire. The language, the turns of phrase or processes were indeed inspired from Francis et al. (2004) and Ajzen (2006).

Intention

At the start of the investment process, I expected to adopt an exit-centered approach

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

At the start of the investment process, I wanted to adopt an exit-centered approach

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

At the start of the investment process, I intended to adopt an exit-centered approach

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Attitude towards exiting

- Direct measures of attitude

Thinking about achieving a successful exit at the start of the investment process is

harmful 1 2 3 4 5 6 7 beneficial

good 1 2 3 4 5 6 7 bad

Desirable (for me) 1 2 3 4 5 6 7 Undesirable (for me)

worthless 1 2 3 4 5 6 7 useful

- Indirect measures of attitude

If I think about potential exit routes at of the investment process, it will enable me to have higher financial returns when the exit eventually happens

Unlikely 1 2 3 4 5 6 7 Likely

If I think about potential exit routes at the start of the investment process, it will smoothen the exit process later

Unlikely 1 2 3 4 5 6 7 Likely

If I think about potential exit routes at the start of the investment process, it will increase my chances of achieving a successful exit

Unlikely 1 2 3 4 5 6 7 Likely

Achieving higher financial returns is

Extremely undesirable -3 -2 -1 0 1 2 3 Extremely desirable

Having smooth processes and negotiations when exiting a deal is

Extremely undesirable -3 -2 -1 0 1 2 3 Extremely desirable

Having a high chance of successfully exiting a deal is

Extremely undesirable -3 -2 -1 0 1 2 3 Extremely desirable

Subjective Norms

- Direct measures of subjective norms

Most people whose opinion I value think that I

Should not 1 2 3 4 5 6 7 Should

prepare exiting a deal at the start of the investment process

It is expected of me to think about potential exit routes at the start of the investment process

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

I feel under pressure to think about potential exit routes at the start of the investment process

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Most people whose opinion I value want me to start planning an exit at the very beginning of the investment process

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

- Indirect measures of subjective norms

Entrepreneurs would

Disapprove -3 -2 -1 0 1 2 3 Approve

Of me preparing an exit route at the start of the investment process

VC firms and other investors think that I

Should not -3 -2 -1 0 1 2 3 Should

Start planning an exit route at the beginning of the investment process

My peers (other Business Angels)

Do not -3 -2 -1 0 1 2 3 Do

prepare potential exit routes at the start of the investment process

What entrepreneurs think I should do matters to me

Not at all 1 2 3 4 5 6 7 Very much

The approval from VC firms and other investors of what I do is important to me

Not at all 1 2 3 4 5 6 7 Very much

Doing what my peers (other Business Angels) do is important to me

Not at all 1 2 3 4 5 6 7 Very much

Perceived behavioral control

- Direct measures of perceived behavioral control (PBC)

I am confident that I could start planning an exit at the beginning of the investment process if I wanted to

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

For me thinking about exiting a deal at the start of the investment process is

Difficult 1 2 3 4 5 6 7 Easy

The decision of preparing an exit at the start of the investment process is beyond my control

Strongly agree 1 2 3 4 5 6 7 Strongly disagree

Whether I think about exiting a deal at the start of the investment process or not is entirely up to me

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

- Indirect measures of perceived behavioral control (PBC)

When planning an exit from the start of the investment process, I need more information about the investee, i.e. due diligence, ambitions and aspirations of the entrepreneurs, company's valuation, …

Unlikely 1 2 3 4 5 6 7 Likely

When planning an exit from the start of the investment process, it requires from me and the entrepreneur to regularly align on an exit strategy even after the investment

Unlikely 1 2 3 4 5 6 7 Likely

The fact that I need more information from the investee in the first place makes it

More difficult -3 -2 -1 0 1 2 3 Less difficult

To plan an exit from the start of the investment process

Knowing that I would need to regularly align with entrepreneurs on an exit strategy even after the investment process, I would be

Less likely -3 -2 -1 0 1 2 3 More likely

To plan an exit from the start of the investment process

- Appendix 3: Transcriptions of the three interviews

Respondent #1

Interviewer

I'm a second-year master student in business engineer and following also the CEMS program, if you are familiar with it, and I'm doing my master's thesis on Business Angels and more particularly on the exit behavior that they have towards exits. So, basically, do they have an exit-centric approach to investing during the whole investment-process and post-investment process?

And I want to figure out, … Like I've read a lot in the literature that adopting such an approach is important for Business Angels, but not a lot of them adopt it.

A lot of them consider exits in an unplanned and relaxed manner, so the aim of my thesis is to get a grasp, to get an understanding of the rationale behind that, why do Business Angels adopt or reject to some extent, such an approach to exits.

So, this is the background of the thesis and I'm using, I'm sure you're familiar with it, the theory of planned behavior of Ajzen. So, this is going to be the framework of this interview. It's going to be around that theory. I think that's it for the thesis, if you have any questions so far.

Respondent

Nope, perfect.

Interviewer

Perfect so maybe in a few words …

Respondent

Oh right, yes, OK, why did you choose the business angel theme?

Interviewer

Actually, I don't know. I like entrepreneurship. I did my internship in a start-up in Munich, and I loved it. I loved the atmosphere and I wanted to understand how, in two years, an idea can come up to become a reel business. The start-up I was working in was actually … they took part in the German Dragon's den TV show. And that was amazing for me to see how from like 10 minutes on a TV show, you become so popular and now I think they have 150 if not 200 employees. I mean, I'm sure that it has participated in the fact that I chose Business Angels. I would say that is the main reason.

Respondent

OK, maybe in the future you will be one.

Interviewer

Exactly. I'd love to, but in the in the very far future, I guess.

But maybe you can start with introducing yourself? What is your curriculum, etc.

Respondent

OK, so. I was, well still am, an entrepreneur, so I'm. So, I began after university my start-up. And then I developed my start-up, and it was my dream. I quit the bank, because my father was working in a bank and left me to follow. A big corporate thing, but I have stayed in the bank only for two months and I began to create my start-up because it was my soul. It was indeed. That's something that I would love to create. And after eight years I had my exit of the start-up. So, I sold my start-up to a big telecommunications group.

And after that I began the Angel career. First, investing alone, after investing in a small group of angels, and after creating my own group with my proper rules to incorporate the learnings that we have done before. Yeah, now I'm creating a network of Angel groups, under this philosophy and what I am now Angel investor full time and that's it.

Interviewer

So, for how many years have you been an Angel?

Respondent

Oh, I think now, we can say over more than 15 years.

Interviewer

More than 15 years, OK. And roughly how many businesses have you invested in, like as an individual or as part of a group?

Respondent

Well, it that was around 30.

Interviewer

30 OK. Quite experienced then, great thank you for this background. What did you study?

Respondent

Computer software engineering.

Interviewer

Great. Thanks for this introduction. I'm going to deep dive more into the framework now. Sometimes there's going to be also quantitative questions that will pop up, there's only five or six into the whole interview. It’s going to be a scale between one and seven, and just put the figure you think is adequate, but I'll give more explanation when the time comes.

So, first, in what way do you consider your exits during the whole investment process, so for example, during the initial screening or due diligence, valuation of the company, when you meet the entrepreneur or like post-investment maybe? What is your philosophy around it?

Respondent

Oh yeah, this is something that I am concerned from the beginning in the way … First to understand if this is a … If the start-up has a way of life for the entrepreneur or …Let's see. I can pick kindergarten for him like a game. Or if it is something for which he has an idea, that's lighter. He pretends to make the company grow and sell the company.

So, from the beginning, from the first interviews. This is a mandatory question to understand if this is just a way of living or something where there is an idea of beginning, growing, and selling.

Interviewer

So, it's not only about “is this business a good idea, profitable idea”, but also “can we achieve an exit afterward”?

Respondent

Yeah, this is something that I clearly say to him (the entrepreneur). And just to understand from them that when they begin a thing, the entrepreneurs don't see immediately that they are going to exit. It does not make sense, because for an entrepreneurial spirit, the first thing for now it's to develop the start-up, but at least I want to understand that, in any way in the process, in the period, there is the perspective for him to free himself from the company.

That's the main thing, because many of the entrepreneurs think “this my start-up, it's my company. I don't want to let it go”. And there are some good entrepreneurs that don't consider in their process to even sell the company. And for this investment, maybe it's a no go because the Angels don't have the possibility to get their money back, so it's more because of that side.

Interviewer

OK, and do you explain them a specific timeframe where an exit could happen. Very directly? Or is it very implicit in that sense.

Respondent

Well yeah, sometimes very generic in the way that …What will be a typical thing in the start-up? Maybe we will have a talk where we say “OK, now we have a pre-seed round, a typical investing seed, so we should plan the funding”. And typically, if we have series A, we need to find maybe 6 to €10 million and just give away after it can be a series B.

Typically, what happens in the start-up is after 10 years we should exit, at the maximum because this is the direction of the funds. And typically, later there will be some pressure.

So, there is a little bit of a time frame. You cannot be rigid because you never know the process. But at least for him, I give him a perspective of a seed round, a pre-seed, a series, eventually Series B and so on. But to have an idea, a generic one, I do that. Yeah, it's also one of the questions that I ask, “OK if we have an exit, what type of company would be interesting to you?”

And of course, we try in the journey to have some contacts with those companies or leads to let them know that you exist. Let them know that your technology maybe is relevant for them.

Interviewer

You talked about the buyers. So, I know it's very rare, but you never aim for an IPO? For example, the unicorn companies.

Respondent

Yeah, they are rare. I think it's typically only 3%. And when you are beginning a start-up from scratch, sometimes it's very hard to consider that even you are going to go until an IPO.

Interviewer

So, you aim for a trade sale.

Respondent

A very early stage, this is the type of talk we have about it. Maybe it will be not so relevant at that stage, although it may be, but until then there is a long way to go.

Interviewer

A very long way indeed. What are the reasons, you would say, why you say it's important to consider the exits in almost every activity you engage with the start-up?

Respondent

Well, it's really important because our business is investing. We're investing, that's what make us happy. What make the Business Angels happy is to sell the company, in a way. And I clearly consider the fact of selling a company as very important, also for the entrepreneur. Yeah, it also changed my life when I sold my company. My life changed because we have better finance from one day to another. We become another type of person. But it changed me also internally. The way I am seeing the world, the way I become more optimist, the way I become more positive.

And my belief reinforces my belief in entrepreneurship that things actually happen. The exit confirms that entrepreneurial things happen, that they can succeed, that there is validation, and that people are interested. That's the reason why we see the real thing happening and that's the real objective of the game.

Interviewer

Yes, do you think it's the only objective … I would say the only income … that Business Angels get from investing in companies. It's the exits or do they like to be involved? I don't know if you, in your life, in your experience, or now with your own group, you are actively invested in the company or if it's more venture capitalistic, more finance oriented.

Respondent

No, well… There are people that are more engaged with the start-ups and they like to be engaged and I think that is the most useful thing for the entrepreneur too. So, I think this is the way entrepreneurs expect us, the angels, to be more than many financial investors, so they expect us to help them. Help them with the contacts and also listening to them or helping them to negotiate next rounds to attract more money and also to introduce them to people that may be important for business development. Or to attract experienced people to the company. Or well, all of that.

Those tasks that are important, that add value, more value than the money itself. So, yeah, I think this is also something that gives us some satisfaction to us.

Interviewer

Yeah, but the main motivation remains at the end achieving an exit because that's what you invested your money for.

Respondent

But it's like a consequence. I see it as a consequence. OK, it's a goal, but it's a consequence that you already have done the good job.

Interviewer

OK, because that's what the literature I've read say as well. They see it more as a consequence, so that's why they don't actively, proactively seek an exit in the first place because they think good investments will achieve an exit no matter what.

Respondent

Well, yes, that's a fact. But not completely. I cannot completely say that the exits may happen per se. If you don't put yourself in a position where you are known, you are visible, then what might happen is that the exit never happens. So, the thing is that you must be visible. To potential buyers, so you should work on that perspective. So, I believe more on this approach. That, OK, it's not accurate to say that, if you fight for an exit, that exit will for sure happen, in the way of how you fight for an exit. It can be frustrating if you are trying to sell. You don't want entrepreneurs to sell their start-up that way. You want the buyers to have a certain perspective:" Oh I need that technology; I want to buy". Even if the entrepreneurs say "oh maybe this is my business, I don't want to sell it. It's a negotiating thing. Put yourself in a position where you are known, visible and relevant. This is what we aim to do when we work for an exit.

Interviewer

OK great.

Thanks, now there's going to be 2 quantitative questions, as I told you earlier. Do you think that, it's a very general questions again, thinking about achieving a successful exit, for you, at the start of the investment and during the whole investment process, do you think it's good or bad.

Respondent

No, it's absolutely amazing. It's the most important thing.

Interviewer

Yeah, so it's between one and seven. You would give it a 7, being strongly agree.

Respondent

Yeah, I think.

Interviewer

OK thanks. It's very general question, but it's the framework. So, the first one said it's good and now do you think it is desirable for Business Angels?

Respondent

Yes, absolutely, also a 7 if you need a number.

Interviewer

Ok great.

Respondent

I think so. I think so.

Well, look, unless maybe if the type of investment is not centered around money for me. I don't care about that then. I just want to help and just want to have an impact in the investment.

So, in that case, maybe the question of money return may be different, but in that case, we should measure the impact at the company. And maybe there will be some differences in impact investment, in other economic-driven investments in that way, maybe for some people.

Interviewer

For you, it's very desirable.

Respondent

I think so. And even for the … I will tell you something to think about, why it's desirable. I saw that happening in my life first, so it changed my life, as I told you. But I saw also what these good cases, investments made to my country. I saw the importance, in my country, of a certain type of exits, and successful entrepreneurship. It helps to change the culture of the country. You begin to witness that new people think that it would be better to create a start-up than to spend their best life in the corporate world.

This contributes to a change in the culture, and I saw this in my country. We did some successful exits to Microsoft and we begin doing unicorns etc. These have a tremendous impact in the mentality, in the culture of entrepreneurship. I think that, also for that reason, this is relevant that the exits can happen.

Interviewer

Interesting, and you're from Portugal, right?

Respondent

Yes

Interviewer

So, we talked a lot about when you meet the entrepreneur, when they pitched and stuff and how you make them aware that there's an exit at the end. But after you signed, after you made the investments, how many times, during maybe meetings etc., do you make them aware of preparing them for an exit or is it very implicit again?

Respondent

Well, we typically speak more deeply on that when we are preparing rounds. So, typically, you can say that we can prepare a round every two years maybe. And then to prepare around you need to work eight months beforehand. So, you begin to think and help them. And we think together about how we should prepare that round. And when you prepare that round, you can seek for example venture capital, but you also could see corporate capital. Corporate capital in the way that you can approach a corporation that may be interested in you and could invest in you, or eventually could acquire you. So, I think that one interesting thing to tell the entrepreneurs is to expand themselves to the the idea of a venture capitalist as the unique possibility of funding.

So, in that way this gives you the following possibility "Let's begin to look into corporations. They could be strategic partners. Let's see the advantages and disadvantages". This gives a talk with entrepreneur and it enables the entrepreneur to project. Maybe it will be better to not approach now. Maybe because we are still working with the competition of that guys. But at least we can approach them as a client. There are several aspects to speak with them. But also, for us, I typically use it as a tool to try to understand if it is the right moment to do the exit.

And there are some aspects where the start-up is not prepared, or has not prepared, or it is not the momentum to have a good exit because we only want to exit if they are good. Typically, we also address the momentum of the start-up by making regular valuations on the start-up, to measure the preparedness of the exit. We also want to exit if we see a bad exit. So, if the company has not achieved expectations, we don't want zombies in the portfolios. Is that the right moment yet, or not? Should we stay or should we leave? When will it be the ideal momentum to maximize gains?

Interviewer

And those moments happen essentially, during the preparation of rounds. Rounds of financing.

Respondent

Well, this this is a good momentum to speak with the entrepreneur. Yes.

Interviewer

OK, and how many rounds on average, I know it depends a lot, but how many rounds on average does a start-up at your group do before a successful exit?

Respondent

You know, but in many cases, in some of the cases, we like to and I like to, because I think the exit is really important, insist a little bit with the entrepreneurs that we do some partial exits. And we like to do it because it's a validation. When is a round? Maybe when more people are entering the start-up. And it's a good momentum for the Angels to, if the company is good, to share even a little bit of the company. A little bit.

Why? Because that can be a partial exit. That is money coming in. Angels begin to believe the exits really happen and there are important.

And then every time that there is a round financial round, we should consider the possibility, eventually, to sell a little bit of the company.

Interviewer

OK, interesting. I assume, so that you minimize the risk of the next potential exit route maybe?

Respondent

Yeah, and you give also a signal to the others that Angel investing has returns and we exit a partial exit with a multiple of 10 times, 20 times in the beginning.

And typically, the valuations, they grow exponentially, if things go well. So, it's a good opportunity to cash some money back because a major problem for the angels is the liquidity and it's a long-term journey until you see the color of the man.

So, if you if you stay 10 years, 12 years until an exit occurs, that will be a too long journey. So, that's why I defend the partial exits, even during rounds. It is a good moment to begin to feel that exits can happen.

Interviewer

And those partial exits, it's to other investors or to buyers, to other companies?

Respondent

Yeah, typically the first ones interested are the new people that are entering in the company. They want more for less money, so even if you sell shares to them with a small discount, that could happen. And that would also be interesting for some renovation of people that can go into the board.

And your role of Angel is eventually more relevant in the beginning of the start-up. After, as the start-up is growing, you change the philosophy from validation perspective that the Angel can help to a development perspective where the start-up is more looking like a company. So, maybe other types of people would be more useful than the Angel himself.

Interviewer

OK, interesting, interesting.

So, looking at the reasons why you consider the exit at a lot of steps during the whole lifecycle of the start-up. Do you think it eventually brings higher return? On a portfolio for angels?

Respondent

Uh, yeah, I think so. I think so in the perspective that the focus should be in addressing some more complex questions, being for whom are we creating value in the start-up? We should try to connect these things. And the strategy at the start should go in the direction of a clear perspective of maximizing the value they are creating and understanding for whom is that value. And this value must be explained to people. Not only at the end of the journey, when you think you should exit, but during the journey, that's what I say. A typical ongoing exit strategy is that you are always open eventually to an acquisition. Uh, so the best thing you can do to prepare for an acquisition is to make yourself visible for external people. Make them understand that with you on their side, they can duplicate or triplicate their value. And I think that is the thing.

Interviewer

OK, so you have a higher chance of exits when adopting that eventually.

Respondent

I think so. And maybe we should explain to the entrepreneurs that there is certain type of capital, certain type of angels and certain type of VCs that are more prone to help on the exit strategy than others. That because there is a track record of investments that were falling to exit. It's like putting start-ups in the right rails also. This is also interesting to do. So, we can have a multi exit approach on several levels.

One of one of them is of course the always the capital of the company. What type of angels invest? Are they connected? Have they already made successful exits?

And how do you prepare? How do you look into the capital? This is something that is relevant. The second level is related with the development of the company in the perspective of creating value and make that value visible for all. So, communication is also key.

Interviewer

Yeah, OK. From the entrepreneur?

Respondent

From the entrepreneur, but with the idea of communicating that you are creating value to potential acquirers. I can see that, in this perspective, at a certain moment, maybe there can be a misalignment between the angels and the entrepreneurs. Because of course maybe the Angel is more interested in exiting earlier and receive some money back. And also, the entrepreneur maybe for him it's not yet the time, it's more a long-term journey, so he prefers to wait.

So, the timing issue is relevant.

So, that's why I defend that the angels should do partial exits, even if they receive less money during the exits. But at least they are beginning to renovate and incorporate money to invest in new start-ups. Otherwise, if you wait until the end, it will be a …

Interviewer

And as you said, it's also a signal for the entrepreneurs that tells them that the exit is coming sooner than later.

A main challenge, that has been identified in the literature, of adopting an exit-centric approach is that when you involve the entrepreneur in planning the exit as well or if the business Angel is actively involved in that, there's a loss of attention in building the business from the entrepreneurs.

Do you confirm that, if you experienced it?

Respondent

Yes. And I see sometimes that there is a conflict of interests. Maybe it might not be so good in a certain way to involve them ... Rather force them, never force them. It's not good to force. The only way to force them is if the things are going bad and you need to stop the company in a way that you want to leave. There are some legal issues that you can use in order to leave: "Now we need to change the CIO" or we need to do some things in the company and there are some administrative and legal issues that you can address in the contracts to oblige the entrepreneur to do things. But when you conflict with the entrepreneur, this usually does not end very well.

Interviewer

OK, so you would say that the conflict issue is the biggest challenge.

Respondent

The only the way to avoid that is to put the thing in the value creation. If you continue to create value to the start-up, when you sell, in this case the Angel should have a different strategy as the entrepreneur. I don't defend that this alignment must be forever between the Angel and entrepreneur.

Because the entrepreneur doesn't want to sell their shares sooner. He wants to wait the maximum, maximize his gains. But the Angels may have a different perspective. They are more ready to sell personally. So, in this case there is a different perspective of timings regarding the exit. So, the Angel must create its own exit strategy in parallel with the start-up, but the Angel cannot expect the perfect alignment and must be dialoguing permanently in an open way, saying "maybe I consider selling a little bit of my part if this facilitates the rounds. I can be a facilitator. I can share a little bit of the of my shares, in order that someone can enter more easily, and, in that case, you are again on the same side as the entrepreneur.

Interviewer

So, you need to tell the entrepreneur what's after the exit as well so that they can maybe somehow project.

Respondent

It's sharing your exit proposal in an open way saying, "oh look, maybe I want to exit before" and this is a normal thing. We deal with this. This is a normal thing. I am an entrepreneur like you, so I want to continue to help other entrepreneurs. Telling a little bit and dialoguing with entrepreneurs. It will be the best way to make the entrepreneur remember you when he sees potential buyers of their shares.

Typically, size puts the thing as a whole. Or the entrepreneur sells everything, and we go jointly and the reality is not like, that does not need to be like that because that it takes a lot of frustration due to the timing.

Interviewer

OK great. Apart from the entrepreneur relationship, considering timing and potential conflict. Do you see other big challenges that would prevent Business Angels to consider the exits right away?

Respondent

Uh, yeah, I see that maybe Business Angels are not professional enough. They have an amateur approach about the exit strategy in the way that they don't think they are able to do that. They don't know how to do that. And so, they don't do. They just wait for someone to do the job. And typically, who does that job? The venture capitalists.

But there is a lack, in the Angel industry, of access to secondary markets and the market is not mature enough to have places where angels can sell their shares and make their exits. My point is, there are two types of exits, the exits from the start-up as a whole, or the exit of the Angel of the start-up. These are 2 completely different things.

Me, as an Angel, I will develop my Angel strategy with two things in mind. First, it's a long-term view of the exit of the start-up. Business Angels can help to prepare for the right momentum, but that moment is not dominated or lead by me. The Angel cannot control that variable. Because if the entrepreneur doesn't want to exit at the same time, then we have a conflict. We have a problem. The only variable that I dominate is my exits. The Angel exit the start-up, even if the start-up continues. Maybe I control that partially. The question of the dialogue and the lack of the infrastructure in the Angel market is important. Tools and frameworks don’t exist yet, where Angels can exit in an easy way. That's why in my group, we develop internal markets. We, the Angels go home with more money than they invested, because even if there are people that don't… OK patient money, right?

But many Angels don't have the enough patience to wait until the end, and they become nervous if they don't make exits. So, they want to make exits earlier. We create the frameworks, so that they can make an exit earlier in the secondary internal market first.

The other angels that want to monetize the maximum as possible, they are long runners.

Interviewer

More risk players as well.

Respondent

Yes, and maybe the money in short term is not relevant. They prefer to wait for a big money later than a short money before.

Interviewer

OK, and do you think that the professionalization of Angels, due to the Angel groups, the Angel Networks …

Respondent

We must develop that.

Interviewer

This was my question: Do Business Angels still invest as pure individuals, purely alone or are they always in new Business Angels groups that appear?

Respondent

Well, what I see, the reality is a clear trend to go into Angel groups. But the trend is to create wealth portfolios and in groups it's easier because you do not need a lot of money.

But also, I believe that you as an individual angel, you have mixed approaches. You also can invest individually if you have the opportunity. If you feel comfortable with opportunity, you can also invest individually and typically we invest in a mixed approach. Many times, with groups, maybe the majority of the deals will be in groups, but also individually. During your journey, if you really believe in that start-up in that entrepreneur or you have an effective relation or think it's a really great opportunity, then you don't wait for the group decision and you go.

Interviewer

OK. We're going to a part of the framework now where we're going to talk about referents and more, the social pressure.

In what way do people influence you in considering the exit every time? So, again two quantitative questions, so do you think it's expected of you to consider potential exit routes along the whole investment process? Between 1 and 7.

Respondent

Yes.

Interviewer

Because you're part of a group mainly.

Respondent

I actively defend. That is good for you to have some validation, because this is also Angel validation. So, I defend that you have partial exits along the journey. So? a 7 here in my Angel group.

Interviewer

And this is at the core of the philosophy of core angel, I guess. This is what you want to teach them.

Respondent

My experience before my own group, investing and losing money and seeing many friends losing money and going home saying, "oh I'm not a good angel investor" and the encouragement going out from Angel investing because they don't see how they can invest in start-ups and exit in a relatively confident way. They want money, so they prefer to invest in houses and other types of investments.

Interviewer

OK. And so second question, between 1 and 7, which is somehow similar. Do you feel under social pressure to consider potential exit routes?

Respondent

Yeah, I think so, in the way that it is your proof of validation as a good Angel investor.

Interviewer

OK.

Respondent

If you don't have an exit to tell. What is your investor story? Angels are also storytellers, right? So, they like to tell the stories to their friends “I invested in that start-up and they make an exit of 30 times. Ooh I'm good. “

Interviewer

OK so between one one and seven, what would you put?

The seven beeing stronger.

Respondent

Social pressure…

I think the Angels don't speak too much about that because they have some problems on that, that are not solved, so that's why maybe they prefer to play on defense, so maybe they say “oh other guys will take care of that. I've done my part and I wait until the end” because it's convenient.

Yeah, it’s a convenience reason. I think it’s why they put them in the other approach. For convenience, it's easy. I don't know how to do it well. It's complex because it involves coordination of many aspects. So, I will give. I think there is a pressure but maybe not from their peers because they are in the same situation. So, I think I will give a five.

Interviewer

OK, and you mentioned a lot the pressure from business in all the Business Angels, but is there other pressure from maybe other investors like VC or even the entrepreneur to some extent?

Respondent

No, I don't think so. From VCs, yeah, but they don't care about you. Typically, VCs are not aligned with the angels. When they enter, they dominate because the new money is always the the best friend of the entrepreneur. All of the privileges are going for new money. Sometimes he asks things against the Angels. So, with clauses that anticipate the investment and money and all of that.

Interviewer

And do you do sometimes make deals with VC investors?

Respondent

Yes yes yes. A lot of them of course.

Interviewer

Yeah, but I mean simultaneously, not with new money. .

Respondent

Yes.

Interviewer

And in that case, who has the lead on the exit strategy.

Respondent

Well, typically they lead because they are forced by their definition of what a VC fund is. They give you a time. This is a major difference from the Angel. Angel has no time, it's his money. I don't need to have to give explanations to anyone if I want to leave. I leave if I want to stay I stay, but not in the case of venture capital. They must give explanations.

Interviewer

OK, so when you invest along VC investors, you don't need to adopt this exit centric approach, because the VC will do it for you, and you have to exit when the VC exits.

Respondent

No, the thing that I told you, the ideal thing is that you develop your own exit strategy as an Angel, not as a start-up.

Interviewer

OK.

Respondent

That changes everything.

Interviewer

So, even when you're involved with other investors, VC, other angels' groups or networks, you're not forced to follow an exit exactly at the same time. It's still separate entities.

Respondent

Yeah.

Interviewer

OK, so in that regard you don't feel that VC investors influence your approach to exiting a deal that much.

Respondent

No, if they are aligned with my strategy, they can influence positively. I think that they can influence. But influencing is another thing as controlling. I want to be free as an Angel investor. As much as I can.

Interviewer

OK great. Do you have in mind other potential social groups that influence this kind of decisions, it's always like you know legal entities, maybe. Or governments.

Respondent

Governments, local governments. For their strategy "to politically sustain the start-up country". That's what I saw in Portugal for example.

It's a national initiative. Go to a start-up country or Israel. Or there are countries that believe in Entrepreneurship as a fundamental thing for their development. So, the number of start-ups, number of exits, the number of unicorns. That type of things is relevant.

Interviewer

OK so depending on that you can decide to consider exit sooner rather than later or these kinds of decisions.

Respondent

Yeah, and it's a question.

Also, the Angel, other angels as elite groups or in the associations, they want to look like an elite, the guys that do the exits. The guys that know, they want to be leaders and to have followers. "I'm the good one that I know how to do this». And this is track record creation, but typically these people are going in the direction of funds where they will be in the future. They will be funds leaders and manage the money of other angels. They are not angels anymore, but they are fund managers, not angels.

Interviewer

Yeah, there's more comparable to VC then.

Respondent

Yeah, absolutely.

Interviewer

Yeah, last questions. But we talked about it more than once. Do entrepreneurs actively ask about the exits? Or is this something that the angels have to always come up with?

Respondent

Well, typically they don't ask so much about exits. They are more concerned with funding rounds. If the start-up has a good level, in that case, they don't need to be more concerned because the people want the start-up. And they will receive proposals so.

Interviewer

Great thanks. So, now we're going to deep dive into the last parts of the framework so again.

Yeah, you talked about the control power that Business Angels have and the confidence they have. Do you think that most Business Angels are confident enough to plan an exit early?

Respondent

No.

Interviewer

But the investment groups are there. It's one of the goals.

Respondent

Yeah, I think there is a process of professionalization of the Angel industry, that is still going on and this is our challenge. And we are giving the first steps. I think we need to create structures in the organization that help angels to exit earlier. That could be in secondary markets, we should develop these strategies, and this could be a more natural thing in buying and sell shares of the start-ups. And this is the way to go. Not yet a typical thing of the market.

Interviewer

Do you think, in your opinion, that Angels might … might not focus on the exit because they know they need help to do that.

Respondent

For sure they need help, that's why I have created my group. We Angels need more structures, as I said. But, … Yes probably, some Angels might not put the focus on exits because of that.

Interviewer

OK, do you think that exit processes, when the actual exit happens is chaotic anyway? Or do you think they are not chaotic after you?

Respondent

No, it's not chaotic at all. It is organized, very well organized and it's a serious process. It should be prepared carefully.

Interviewer

OK, because this is what the literature said about it, that angels, a lot of angels think that from the start, the exit anyway will be chaotic at the end, and so they don't plan it in advance because they say no matter what it's going to be chaotic. You don't agree with that?

Respondent

When I sold my first start-up, it was a chaotic in the terms that it was the Internet times. And I had a lot of people phoning me and saying, "come on, I need to speak with you, I want to buy you". In a week I had 3/4 meetings with different companies. To this extent it was chaotic. But I think it's not happening in that way anymore, it's only with really incredible technology or a period of time that it may happen, but typically it's a very well-organized process.

Interviewer

OK. Last question, sorry, when considering the efforts that must put into the planning of an exit. Do Business Angels feel like it's something they'd rather not do because of the efforts that have to be put into?

Respondent

I think it's it, it's more a matter of they are not used to do that, or they are not prepared. It's about knowledge. They don't know how to do that, and then they don't have the knowledge or the time.

It's a complex thing, and that's because of that complexity that I think people tend to put that complexity in the venture capitalists and not in the angels.

Interviewer

OK, they prefer to seek other parties that will take care of that.

I will ask two more quantitative questions.

Do you feel like Business Angels are confident that it could start planning in exits? Uh, if they wanted to.

Respondent

Good question.

Interviewer

Between one and seven.

Respondent

Yeah, I will give a high punctuation even if I think they are typically over optimistic. I will give a 5.

Interviewer

OK, do you think that's Business Angels think that the decision of preparing the exits early on in the process is beyond their control. 1 being strongly agree and 7 being strongly disagree.

Respondent

One is strongly agree. So, beyond the control?

Interviewer

Yes exactly.

Respondent

It’s partly true. So, I, in this situation, I know that there are both sides. Some people think they have the control, and some people think that they don't have any type of control.

So, I will give a 4 just because I know that some people think in one way and some people think in another completely different.

Interviewer

OK, so you would rather say that they think that it's beyond their control.

Respondent

I think the professional angels have more control. OK, because ...

Interviewer

Because they know how to approach.

Respondent

Yeah, but the amateur angels are completely out of control and I think that is the great difference of our market. Now there is a huge difference between the professional ones that has 25% of IRR and the amateur angels that continue to lose money.

Interviewer

OK. What factors makes it easier to adopt an exit-oriented approach?

Respondent

Right now, I cannot think of anything, it is a tough process so …

Interviewer

Great, so that puts an end to this interview. I thank you again for your time. It's very valuable insights here. And yeah, I wish you all the best for your meeting.

Respondent

Best luck to you

Respondent #2

Interviewer

So, thanks a lot for being here. So, how is this going to work? I'm following the framework of the theory of planned behavior.

Respondent

OK.

Interviewer

There's going to be, I think, 6 quantitative questions in the whole questionnaire as well. So, from 1 to 7, just put the right figure that feels adequate. But first maybe to start, you can maybe present yourself a little bit. What is your experience as a business Angel?

Respondent

I've been spending almost 30 years in IBM and then I've been specifically in the supply chain area. Then since probably 8 years I am focusing on innovation and this goes through the start-up mentoring. This is the first thing I've done. Then when I like this start-up and the team I normally sit down and help them, be part of the board and then sometimes investing.

And now I have probably around 15 investments overall, primarily in Italy. Italian start-up, but also three in Europe, but outside the country. I also started my own start-ups and I'm following them as well actively and I normally do investments in those as well. Then I tend to have a very typical business angel approach. Then if I invest, I spend also my personal time in it.

And then it's really what we call smart money. That's a little bit what I'm doing. I'm part of the board of our BAN, the movement and the activity of business angel in Italy to be more supported by the government.

Interviewer

OK great thanks. So, my first question to you would be in what way do you consider the exits so the final exits during the whole investment process?

Respondent

Uh, I think it's important. It is critical and I think it depends on how you position yourself. I mean, first of all, if, for example, you participate in an initiative where you are the lead investor or you represent the lead investor (you are in a syndicate where you are the lead investor), then you are in charge a little bit of finding out what could be the path to the exit. And what does it mean? It means first that the team needs to start thinking about it, and second you need to have someone dedicated. I would call an exit manager, dedicated to do that I mean. It means that they need to start exploring with the potential company interested in the subject, whether it is now or at the certain point of time.

You need to start understanding where they're going. If those companies do have a corporate venture capital, or do they have any interest at all in getting into this business? And that's number one then, if you are in charge, you need to absolutely devote resources and you need to push the start-up to start investing in people, whether it is one of the cofounders, whether it is someone external and you need to start having someone taking care of it.

It depends on the level of maturity of the start-up we are getting in. For example, if you just constitute it, I think it's unrealistic to start thinking about the exit. There is an idea, but you don't really know where this can land. But if you get into something a little bit more mature, this has to be a path.

The second thing is that if you are in a company where you're not the lead investor, honestly, you can't do too much. I mean, sometimes you're not even in the board. Then you have very little influence.

At that time, you know that the risk is even higher not to get an exit. And then you need to establish and evaluate all the risks associated with that and as much as you can push with the lead investor or the founder to start thinking. But you obviously have very little tools. Despite all that, you invest anyway. I mean, probably half of my investments are in a situation where I don't really know where this is going to land. But I like the team, the idea is great, and I think in some way those guys will land.

Interviewer

So, when you're getting involved with the company in the first place, when you decide to invest, you don't ask for potential exit routes or you don't ask the entrepreneurs about the possibility of an exit.

Respondent

I always ask for it. They always give you a typical formal pitch. They always give you what is the exit strategy. But very often it's a finger in the air. I mean they have no clue. Then more mature start-up should have a real plan, less mature it is more an indication of where this could land.

But remember, this is normally an around 5 years journey. Things may change so dramatically but having an indication where this is going to land, I think is important.

Interviewer

OK, and I think it surely also influenced the valuation of the company that you have, like the maturity in general of the start-up.

Respondent

It definitely does, and it also is a little bit what you expect. I mean, if I really want to go after the money, I will probably go for something a little bit more mature and a little bit closer to an end, close to an exit. If you want to learn to be part of a journey and you want to somehow be able to bring your own value, maybe you take something a little bit earlier on in the stage, and then maybe you will be more contributing towards an exit, but you don't know exactly where you’re going to land, but in both cases I think it depends on the intent of how you apply and how you want to put your money on. I think both can exist there. I mean you can invest very early and you feel you know that you have a network to bring them there, it just takes some additional risks.

Interviewer

OK, and if you could choose between having the lead or being passive concerning the exit, what would you choose personally?

Respondent

I prefer to be a follower.

Interviewer

OK.

Respondent

The largest and strongest the lead investor the better it is, because something will happen to this company. Something positive will happen because the network is huge, because the pressure is important. I believe a lot in being part of a larger, uh, a large team, stronger than myself, OK?

Interviewer

OK so here the network of a BAN is key here and you rely a lot on them.

Respondent

Definitely. When you make, in my case, 15 investments, I think the network and the experience you have helps you a lot in order to land on the right deal.

Interviewer

Great thanks. Now I'm going to ask you two of those quantitative questions as I told you.

First is very general, but do you think that considering the exits in the whole investment period, namely having an exit centric approach, is good for a business angel? Between 1 and 7.

Respondent

6 I guess. It must be like that. Otherwise, it's another business. I mean, it must be. It's absolutely good. I mean, if you don't do that, it's a different playground if you will.

If you don't want to organize it, you create your own company as we do have in Italy, thousands that sell shoes, produce components for a car. I mean, all this can exist, but it's not a start-up and then you don't attract venture capital, you attract bank capital and that's a different business, different timing.

Interviewer

Having an exit is good, but do you think that planning an exit early in the process is good or not?

Respondent

It is good. You must see with which intensity you can use.

I mean, what if it is very early? You can start thinking “we do have it? We must have it and we must start thinking in 18 months.”

If it is a more mature company, you say “guys where is your exit strategy? Who is your exit manager?”. The response to your question is good, but it depends on the pressure you put on it and the status of advancement of your plan depends on the maturity level.

Interviewer

OK, great and same question, between 1 and 7. So, you think it's good and desirable? You want at least one exit manager, definitely.

Respondent

Well, at that point of time, whether it is now, whether it is in 18 months, we need to have someone taking exclusively care of the exit. So indirectly very desirable, but it is an established process you know, same figure as the other question

Interviewer

The exit manager, what exactly does he do during post investments, during the whole time. You have an Angel that is dedicated to the exit? What does he do concretely? Does he act only when rounds happen? Because I've heard in previous interviews that they consider exits only when there are rounds of financing.

Respondent

No, for me it's a job that identifies upfront... Remember the exit can have two kind, basically 3.

One, it's a bigger venture capital that pays the previous investors and pay back and it takes on. Second, and this is very often in Italy, it's industry. Very often it is Fiat. It is a Luxottica. It is their company, more or less that incorporate the start-ups because they want to incorporate the innovation. That's another. And these things need to start earlier. I mean it's good for example if Luxottica start investing in the next round and a little cheap. And then it can start being part of the start-up and then progressively buys in because it finds that your technology or material good.

Then my view is that you need to plan ahead. I mean, my view is this guy needs to start thinking and understanding which will be the company that could be interested - in which market in which area?

The exit manager makes it possible to start involving them (potential buyers), in order that, in the next capital increase, they start dealing with the company and then ultimately, they buy out. This, in my experience, has been the most successful and quickest exit. I take the example … we had one last year. It was Strada that is the company in charge of the highways in Italy and they bought a company washing the cars on the street, called Washout. They started getting into the capital. There was a good network we had with those guys. They like it. They start putting in the app. They start offering the service, they liked it and they bought it. It took 18 to 24 months. Then the answer to your question now should be keep a continuous work.

It should be "keep them updated, informed about the evolution of the company, give them an understanding where they are going". You don't need to do it every month, but a couple of times per year to see if it is high potential, low potential. But at least to keep it open and people being informed. Otherwise, it is really by chance that this is going to happen.

Interviewer

Yeah, so visibility and communication are key to make an exit happen.

Respondent

In my opinion. And network, a lot of network.

Interviewer

Network OK, great. Do you think that exits happen sooner… not sooner but more often if you have such an exit manager?

Respondent

No, the answer is no. I mean the example I gave you. It happens because we had a good connection with this company, but no it doesn't. But on the other side, if you don't do that, if you don't start planning for the exit, you risk going in a never-ending company. Then it's not a start-up anymore, it's a zombie company. Especially in Italy, you have very rare fails. Like probably the Anglo-Saxon environment. Fast failing is one of the key elements. I mean, if you don't run, you better stop.

In Italy, if you don't run, you start saying, well, I can still walk and then eventually I can just sleep and walk and that's bad, I mean.

Interviewer

The famous living dead companies.

Respondent

Exactly. Maybe it's not more successful, but to give everybody the mindset of finding quickly a solution, finding something that works and then trying to find a landing, it doesn't mean, unfortunately, that an exit manager necessarily accelerates or makes things happen faster, but certainly creates the right mindset. And that mindset means sometimes “close it. It's over”. Nobody wants it. It is too early, not the momentum. Close it then. And that's better than keep running it.

Interviewer

OK, so the main advantage to plan the exit in advance is to realize when it's over and when it's not.

Respondent

Correct, and to keep everybody’s mind in the right start-up approach. That means you need to rush. You need to demonstrate that your company is growing, all this stuff is good.

It doesn't mean necessary, unfortunately, that having an exit manager brings …, You know, it depends on so many things; if the product is right, if the momentum is the right one, if you have an interest in the country where you are or in the network where you are getting in, … Then it's so complex that it is difficult to say that it is the one making the difference. I tell you it's important anyway to keep the right piece in the company.

Interviewer

OK, OK, and would you say that making yourself visible and communicate, having a good network and building that network throughout the investment, does it eventually bring higher returns as well in the end?

Respondent

Yeah, somehow but not necessary. It's a collateral effect. It is not necessarily a specific key focus, I would say.

Interviewer

What would you say are the challenges that occurs when you plan the exit in advance?

What are the challenges? Here is you have an exit manager that takes care of all the planning post investments. But what we do see is the main challenge to adopt such an approach?

Respondent

Well, first of all you need to have this the founder accepting the fact that you that an exit manager is the right thing to have, because the tendency they do have is that they do everything their own way and they run their own. They have their own stuff, and they don't need any help. OK then the first issue is that one.

The second one is to have the right one and often have the network, or you're adding people that have already done it, it helps a lot.

But remember we don't have money to pay him and then eventually, if it's all about finding a way to engage him, whether it is a remuneration through equity, then work for equity or other sort of solutions. But you need to find a way in in a company that rarely has too much money in order to start engaging him and that's a second challenge.

The third challenge is that to start finding the right interest in the market, this is the most complex one I mean. We can have the most beautiful network, but in that time the company has no money, the company has no interest. You don't land on the right person on the company side, who doesn't look at you with the speed you expect. It is really to engage them. It's easy if you want least to have a first presentation of a start-up. This very easy because everybody is curious to see what's going on. But then to start engaging and having a program, even an open innovation program, or other sort of program, is more complex. So, engagement, and finally, for them to invest in it, really, the key one is probably to get to the top of the company. I mean not even the top manager but the owner. The owner makes the difference. If you have like. Clearly if you have a corporation, you will never get Mr IBM, but you will have to ask someone that has the money to take the decision on it and sometimes it's difficult to get to that position.

But that's the reason why we need to plan in advance because things are not happening like that and engagement is long, and it takes time.

Interviewer

It's a few years process, so just building from the starts to somehow end with the potential exit routes. OK great, thanks a lot.

Now I'm going to deep dive more into the social influence that external parties can have on that exit centric approach.

And first, like again, between one and seven, do you think it's expected of you to consider exit often and to think about it from the start?

Respondent

Sorry, what do you mean?

Interviewer

Do you think in general it's expected of you, as a business Angel, to think about the exits early in the process and to start planning it?

Respondent

Yeah, I think if your question is "does the people expect from us from Business Angels that we focus on an exit early stage?" Yes, I think it is.

I think the expectation is there. Highly expected in fact. Honestly, as you probably are going to discover it's not so frequent, not so frequent. OK then I will say 50/50, but the expectation is there. For people that are a little bit educated about our venture capital works, they understand that the exit is a critical part. But we don't feel those expectations that much. So, I will give a 4.

Interviewer

OK, and do you under social pressure up to think about the exit, to plan the exit at all.

Respondent

Zero. Really zero pressure. I do what I want with my money. Who has a social pressure are the funds, not the Business Angel. If you have a syndicate, you may have your teammates that are pushing because they want their money back but normally our capital is pretty patient. I've never felt any pressure. Any special pressure. I will give a two.

So, just to wait longer and make more money, I'm waiting longer and hopefully make more money.

Interviewer

I've done an interview with a Portuguese and he was also a founder of an angel network, and what he was recommending his Business Angels, his team to do was partial exits, so at every year round you would say just like get back a little bit of your money, so that you have less risk afterwards and have more liquidity to make other investments in the end. Is that something that you do as well?

Respondent

Very little. It's not bad. It's not a bad approach, but it's very unusual to have that happening. Either you get it or you don't get it. It's rare that you get part of it, but you know it depends on how you define your contract, your investment.

But you may even say that at the next round you will want to get out by 20%, maybe, but I never saw something like that, here in the country.

Interviewer

OK OK great. Your peers in Italy, Business Angels, I would say in Italy in general, do they have the same approach as you in terms of planning the exits? Or is it very different?

Respondent

No, it depends very much at what level of maturity the business Angel are. I mean, if you just approach it, you hear about exit. You don't even know what you're talking about. I mean, you can start participating in courses and education and training and you discussed it. But you don't know exactly. Then for those ones that probably are worth 20% of the population. They don't necessarily focus on it, and they typically get suggestions of start-ups from family, friends, a company network. And they don't know, they just get in. They like it. They like the team.

If you get into the process being part of a syndicate, if you are participating with an accelerator or incubator, then it appears absolutely evident that the only way the profile of a business Angel must include an exit approach, and therefore I would say for 80% is probably there. I mean they know exactly that they get into something for a quick exit.

Interviewer

OK but you would say it's because of the professionalization of Business Angels.

Respondent

Correct, but when you get out from a company you don't know how to make a business and you just get out, you have some money on the side, and you say I want to see some start-ups but you don't know how it works. You don't know what a quarterly investment contract is. You don't know how a company is created. What are the characteristics of founders? How is important that we don't get dilution? You don't know. Progressively, you know more and more, and the exit strategy is one of those.

Interviewer

The professionalization of Business Angels, so I would say here roughly the networks, the business, the ban, the business Angel networks. Do you think there is more and more of these? Is this a trend that's going on in Italy?

Respondent

Definitely a trend, absolutely, for two reasons. One is because people are more and more exposed to innovation, in every part of their life, and then they want to know more about where the innovation is coming, and they want to know more about start-ups.

The second, the remuneration of the capital is bad. I mean today if you want to lend money the bank, you give money to the bank, the bank asked you an interest. I mean over €100.000 that they keep on the bank. It costs them because there is so much money, so much more capital compared to the demand. That is the cost of capital is reversed. You need to find alternatives for people to investment; there is real estate, you have certainly equity in large corporation and market, but I think more and more start-ups will be an investment category that attract investors.

And therefore, you need to do it. You need to be able to make it, to create funds around that. Then I think it's going to grow progressively over time.

Interviewer

OK, so those networks are also funds management.

Respondent

Sometimes, very correct. It becomes like that. If you take the large ones, they are managing some millions per annum for third party investors and therefore they better know how to manage it and it’s good to have them as representative and leaders who know how to manage those kinds of investments.

Interviewer

OK. Otherwise, when you enter a deal with another investor, I'm thinking about VC here. Who buys the stock back from you, do you think they have a large influence in the way the exit is going to be dealt with, or in the way exit are planned?

Respondent

I don't know the influence because otherwise they would be multi billionaire. So, for example, they make me exit, they profile the way it's going to move forward in the future. I mean, if there would be a round B, a round C or to whom they acquire? Because financially it's very important to have the right range of dilution, the right level of participation funds. Then I'm not sure they have a huge influence because as I said, otherwise they would be multi billionaires (because they would have already solution to make the exit happen), but certainly they design the profile of how this is going to happen and which kind of company may be interested, which kind of solution may come up. But I think the influence is limited. But there's a huge opportunity to influence the profile of the next steps.

Interviewer

And when you are involved, like when several Business Angels are involved with the VC in collaboration. Those Business Angels are followers, like you said at the beginning, they follow the guide of the VC.

Respondent

Yes. Unless I know very well the fund, the deal with the fund and the person that is dealing with me, then maybe we can have some sort of compromise. Otherwise, the tendency is that they impose because they put more money into this is very simple.

Interviewer

Yeah, new money.

Respondent

Correct and the money is critical. And also, very often they do have some internal rules that prevent to do certain things because they are larger corporations. But let's say you still have some area maneuver. For example, on the timing, on the lock up, on some clauses, where you can play by month. But the heart of it is led by them.

Interviewer

OK, and when they exit, are you forced to follow as well, or you can stay?

Respondent

Sometimes we are forced to follow. But I never complaining honestly.

Interviewer

OK.

Respondent

A little bit because of the Portuguese’s reason, the provision … I mean, you better make money right now, a little bit less than what you may do. You may have both situations, but I've been through both and I never complain.

Interviewer

OK. Concerning the entrepreneurs now, do they ask about the exits during the process?

Respondent

No. They must put it in the pitch when they ask money. They always put it in the pitch. But if you dig into it there is nothing, I mean other than some names they thought about because they've seen some deal happening in the US with similar companies but nothing more than that.

They don't tell you “listen I'm talking to you about that because I've already talked to three companies. They're very interested. These are the names, and they will follow us in the next three years to see the evolution in order to eventually get into the capital.” Never, never.

Interviewer

OK.

Respondent

Even for more mature organization, they say “Oh yeah, this company is looking for ... We had a meeting with them”, but it's more they take the last one in their mind. They are more focused on growing the number, far less on the exit.

Interviewer

OK, and it's something that you don't expect from them as well.

Respondent

Yeah, I mean, the generation of entrepreneurs in Italy has very rarely gone through a second, a second exit. They're not serial entrepreneur. The exit would probably be in three or four years from now, but not now. Then only if you have been through it, you know how important the exit is. But otherwise, it's something that you learn and because the exit is at the end, they will take care of the exit at the end of the process.

Interviewer

OK and also what about governments? Do you think governments have a key role in the way you plan the exit or timing wise or, I don't know, some other factors?

Respondent

The local government? In a in our country, they don't put money. If they put money, it's more for social regional support Honestly, we expect to have much more money with the next new generation. I expect that this is going to come. But I don't anticipate changes too much.

Interviewer

OK great. Now we're going to dig into the last part of the framework, which is more about the control, the perceived control of the Business Angels. First, again two consecutive questions, but do you think that business Angel are confident that they could start planning an exit from the very start on if they wanted to? Between 1 and 7.

Respondent

Uh, they are, they are confident in theory but in reality, they really do not know how to. People do not brag about it at least. So, I will give it a 4.

Interviewer

OK.

Respondent

If you say what the rules of a real business Angel says? Yes, you get into it and somehow some sometimes you will start having control on how the exit would happen. But the reality is that you don't know how. But sometimes in the investment document, if something doesn't happen in a period of five to 7 seven years, you have the right to call someone to put the company in the market. That is basically an exit manager.

Interviewer

OK.

Respondent

I mean, sometimes, then, if you are adamant about that and if you really want it, we have clauses that we apply in order to get this done.

Interviewer

OK so Business Angels … they need external help at that point too. OK, OK, great and then do you think the decision of planning and exits is beyond the control of Business Angels? 1 being strongly agree and 7 being strongly disagree.

Respondent

It is, simply you never own the majority in the company. So at least a 2. As I said, you may have the clauses like the one I told you about, but you cannot have any clause that says you would decide the exit, that you will lead the exit strategy. You will never have anything in the investment document. You may have that at a point of time when someone needs to put this company in the market. And therefore, you are somehow unsure that, after a period of time, this would be solved somehow. But it could be also a liquidation. I mean, if you have no one that is prepared to buy or is buying to a low price. For people there, there are some clauses that will help you at least to put an end to the game.

Interviewer

OK. And you mentioned external help as well. Is it only from the exit manager at some point or do Business Angels from the very starts, say “I'm not going to leave the exit because I would need some help from this guy “?

Respondent

Listen, very, very limited number of Angels can be an exit manager. You need to have a very strong financial background. You need to have a very strong network with corporations and funds. There must be some professionals on that. It's like an IPO. To go on IPO, you need to prepare your books in a certain way that is perceived properly by the market. You need to have all the financial strategy. You need the proper due diligence. You need to ensure that you have all the right intermediate or agents and brokers that are supporting the IPO.

I think it is the same. On one side you are allocated in the market, on the other side you need to allocate to a company or to a fund.

Then you need to have professional people to help the exit planification, and a very limited number of business center could do a very proper job. The one thing anyone can do is eventually putting people together. I mean, I know very well someone there that can talk to the company and see whether they like it. But this is not an exit manager, more a networking support. I mean, but if you want to do something professionally, you need to have someone doing this job on a professional basis.

Interviewer

And only at the end, or also at the beginning.

Respondent

Well, it could be at the beginning. Remember, those guys will not stay for too long, but they can define exactly how much money you need to make and what kind of result will make you interesting for certain organizations. You can have someone at the beginning following you with a different intensity but can give already some indication on how to create your own company in order that can be attractive for an exit.

Interviewer

In the literature, especially in the literature, people have studied that behavior, and they said that Business Angels didn't plan the exits in advance because they considered that the exit process at the end would be chaotic anyway.

Respondent

No, at least the start-up itself is chaotic. If you think about it. I mean, I don't see more chaos. I need to close the project within a reasonable period of time. I mean, you need to be prepared to lose it, then keeping it going just because you avoid the chaos.

No, honestly, the first time, even in any discussion, we never had anyone say "oh I'm done because the exit may be complex. "

Interviewer

OK.

Respondent

I don't see that nowhere in my network.

Interviewer

And do you think people wouldn't plan the exit in advance because they don't want to put the efforts into planning it?

Respondent

No.

Interviewer

Especially as network, I think you have dedicated people for that as well so…

Respondent

I honestly never heard about that.

You better find someone stronger, or you do some something in order to determine if the return on your money is important. You better spend your time there.

Interviewer

What are the factors that could prevent you from planning an exit? I told you a few but they don't seem to be relevant.

Do you think there are factors? Or even factors that encourage the BA to adopt an exit-centric approach?

Respondent

Not really for. Against you have early stage on one side you realize that it is immature. I mean COVID. We've had a company that has been stopped for more than a year. Then what you do you you? You better see how things evolve before you plan an exit, and maybe you better think about closing than having an exit.

Or the team has changed so much, there are people abandoning and then somehow the lock up didn't work and they fight each other. Then, honestly it would be very hard. It's better to dismantle it, take the technology and give it to someone. Take the tools and you better liquidate it. And do it quickly. I mean, if things are going very bad. Let's say that if you start seeing that there is a critical element again, that the team or the environmental situation is so bad, then you better close it. Otherwise, you should always aim for an exit. The exit could even be the shareholder founder buying back their equity Then you don't care what they do with that, but they give you some money back. And you could have that a company merge with another one. I mean, it could even be that you may keep or not keep part of the new generated company.

I mean you can have different forms of exit. Uh, some more interesting than others, but otherwise, unless there are some exceptionally events that create an issue in the key value of the start-up, I would always go for an exit.

Interviewer

Yes, OK. Do you think aligning with the entrepreneur along the start-up journey is key? Or does the exit manager do his thing on his own? Do you communicate that with the entrepreneur regularly for them to accept also the exit?

Respondent

It's the most successful one. I saw the two models with someone running his own business and at the end forcing to start-up through the VC that were into it to make an exit. But you forced it and you have a harder time that you anticipated.

But the best one is definitely communication and information between the founder and angels. When the founder is looking for it. He gave the mandate to someone that is doing his job, informing regularly on things, on what happens and what direction to take. Then I definitely believe that the most successful model is the second, although even the first one can work pretty well.

Interviewer

OK, so aligning works better if you can.

Respondent

But it is not mandatory.

Interviewer

OK, and you at your BAN you do both? It depends on the maturity of the companies?

Respondent

Alright, we are aiming for the second, the first one only when we are in the leading position. We have been doing this a few times in the past. Also remember, sometimes the founders are very technical people, they are the genius of the invention of a product or material. But they don't get a clue about exit, about financial. Therefore, you really need to educate them and sometimes you have some friction.

But then the response is definitely we try to follow the 2nd. That means having those kinds of events, but otherwise we force it.

Interviewer

OK, OK makes sense. I think for me that was it. Do you have anything to add?

Respondent

No, it's fine. I'm fine, listen, keep us informed on how things are evolving. If you have been successful and in August, and if your professor will give you what you expect.

Interviewer

Sure, have a nice one.

Respondent

Bye Louis

Respondent #3

Respondent

Je suppose qu'on peut anonymiser ?

Interviewer

Oui, oui, bien sûr, bien sûr, bien sûr. D'ailleurs, est-ce que je peux enregistrer l'interview, c'est juste pour…

Respondent

OK oui, tu as déjà commencé ?

Interviewer

Ah non, je n'ai pas commencé, j'attendais pour demander, je fais ça vite.

Respondent

OK ouais, vas-y. Non, je vais faire attention à ce que je dis maintenant.

Interviewer

Tout est anonyme. De toute façon, il n'y aura jamais.

Interviewer

La vidéo n'est que pour moi, pour retranscrire la vidéo.

Respondent

Ouais ouais, le fait déjà qu'elle soit dans le cloud, elle est déjà plus anonyme.

Interviewer

Ah ouais, elle n'est même pas dans le cloud, juste sur mon ordinateur.

Respondent

Comment penses-tu que ça arrive chez toi ? Ça passe quelque part.

Respondent

Voilà, mais ce que je peux dire, c'est que j'ai travaillé chez Euroclear. J'ai fait du développement, j'ai fait de la production, j'en fais un peu de tout et vers la fin, j'ai eu un challenge qui m'a passionné. D'ailleurs, je me suis occupé de la sécurité, donc j'ai appris énormément de choses dans le monde de la sécurité et ben sincèrement, ça peut ****** les chocottes à pas mal de monde quoi.

Interviewer

Voilà un grand merci à je vais présenter rapidement mon mémoire et sur quoi il porte et puis après on va… Je vais surement utiliser des mots en anglais parce que je j'ai fait la même interview en anglais avant donc désolé si ça arrive.

Respondent

Pas de problème.

Interviewer

Mais donc mon mémoire porte sur le comportement planifié des Angels quand il s'agit de de l'exit. Donc la sortie du deal. Et j'essaie de comprendre ce qui pousse les Business Angels à planifier cette sortie ou pas. Pendant toute la durée de l'investissement. Parce que j'ai lu dans la littérature, que c'était important pour les Business Angels d'avoir une approche portée sur l'exit tout au long de l'investissement. Mais il y a très peu de Business Angels qui l'adoptent dans les faits.

Beaucoup sont assez relax, assez non planifiées dans leur approche, à l'investissement, à la manière dont ils entrent, ils investissent, ils entrent dans le deal. Après post investissement aussi.

Et du coup moi, j'ai un framework de la théorie du comportement planifié qui essaie de comprendre ce comportement, pourquoi c'est important et qu'est-ce que font exactement les Business Angels pour planifier cette sortie ou pas ? Donc voilà, durant mon interview il y aura des questions quantitatives aussi, il y aura 6. Donc, entre 1 et 7, il faudra donner un nombre qui est le plus adéquat. Mais j'y reviendrai à au moment au moment présent et du coup, bah, première question que je vais vous poser, c'est un de quelle manière vous planifiez une sortie ? Quand vous investissez pendant tout le processus, toute la vie de la start-up en soi.

Respondent

Bon, comme je t'ai dit moi j'ai investi, mais je suis aussi deal maker. Donc je vois aussi le comportement des autres, l'intérêt des autres sur les différents aspects dont l'exit à chaque fois qu'on fait une diligence. Donc je ne sais pas dans quelle mesure une réponse t'intéresse : par rapport à moi ou d'une façon générale par rapport à mon ressenti pour aux autres. Donc de toi tu dois un peu distinguer les 2.

Interviewer

Ressenti, ressenti, bien sûr, comment le groupe fonctionne en général.

Respondent

OK, donc d'une façon une façon générale, quoi.

Interviewer

Général, vous pouvez ajouter votre point de vue personnel, si vous voulez.

Respondent

Moi, j'ai l'opportunité de voir pas mal de gens, qui s'asseyent même virtuellement autour d'une table.

Oui l'exit est important. Mais quand t'as un investisseur novice, ce n'est pas nécessairement la première chose à laquelle il pense, selon la personne et potentiellement selon l'âge de la personne.

Alors, comme je t'ai expliqué, moi j'ai fait partie d'un groupe et dans le groupe on a eu l'occasion d'avoir un coaching. Et dans le coaching, les différents critères d'évaluation d'une société ont été un peu marqué quoi. La qualité de l'équipe, et cetera, et cetera et cetera. Dont l'exit, la possibilité de faire un exit donc ça fait partie du tout, surtout quand on est un peu plus coaché. C'est plus organisationnel théorique ou quoi que ce soit, ça vient de la théorie et pas de la pratique, donc il y a cet aspect-là mais éventuellement, on a beau lire n'importe quelle théorie dans un livre, quand on la vit soi-même, on a oublié des chapitres et l'expérience nous rappelle les chapitres en question de la théorie.

Quand je suis rentré en 2014, on avait plutôt tendance à dire, selon le profil de société, que la sortie pouvait se faire dans les 4 ans, 5 ans, sauf si on rentrait dans des domaines style biotech parce que là tu as de la recherche et développement, et cetera. Tu as différentes phases pour évoluer jusqu'à potentiellement une sortie.

Je ne pense pas nécessairement que ce soit le premier critère, bien que tout le monde espère pouvoir sortir, maintenant la tendance c'est plutôt vers les 4 à 7 ans. On est plutôt dans cette tendance là, ça c'est ce qui ce qui s'avère de ces temps-ci.

Si je réfléchis personnellement, un exit ne sera là que si les fondamentaux sont là, que la société est encore là. Et qui a encore un intérêt. Donc je crois que ce n'est pas nécessairement le plus urgent. Mais c'est vrai qu'il il faut pouvoir jauger les intentions et les chances de pouvoir sortir un moment donné, quoi. Mais bon le plus important est quand même déjà, de 1, que la société aille jusqu'au bout, qu'elle réalise ses objectifs ou qu'elle fasse les pivots nécessaires et cetera. Donc les questions sont quand même abordées aussi dans les discussions. Voir quelles sont les intentions, quels sont les potentiels, par exemple, quels sont les types de sociétés qui pourrait être rachetées, c'est. Donc, le fait qu'une société puisse être achetée, ou bien à un moment donné, avoir une IPO, c'est le graal. Mais bon, l'IPO tout le monde n'y rêve pas quoi.

Les IPOs, ce n'est pas le genre de truc dont tu peux rêver, ça dépend aussi du profil de société dans lequel tu te situes.

Donc tu t'intéresses à savoir quelle est l'offre que tu amènes sur le marché, si elle est vraiment unique, intéressante, s'il y a des barrières à l'entrée, tu vois. Et puis à un moment donné, combien de fonds tu pourras encore aller avant de pouvoir commencer à imaginer un exit ? Alors les exits peuvent s'imaginer par exemple quand il y a des grosses levées de fonds quoi.

Voilà enfin, tu es complètement dilué mais bon, à la limite, quand tu as 1 ou 2 % d'une société, le fait de passer 2% à 1%, ce n'est pas gênant hein. Donc surtout si entre temps, la société a fait x5. Sauf si tu désires contrôler la société mais ce n'est généralement pas le cas. Bien qu'une grosse motivation de d'investisseur c'est d'offrir ce qu'on appelle du Smart money, c'est de d'aider la société sur différents créneaux au niveau network, au niveau commercial, et cetera au niveau financier ou que sais-je

Donc l'exit, ils y prêtent attention et nous, nous y prêtons attention aussi dans le comité de sélection parce que s'il n'y a pas vraiment d'exit possible, si on voit que c'est une société, sans vouloir être péjoratif, "familiale", où les gens veulent faire évoluer leur truc, tu y restes ad vitam aeternam. Le but de de l'investisseur n'est pas de mettre de l'argent et puis ça reste là comme sur un compte d'épargne. Bon bah je t'ai dit moi je suis un passionné mais je ne suis pas le seul passionné intéressé. C'est l'objectif c'est de mettre des billes quelque part, de récupérer ces billes en espérant avoir un coefficient supérieur à ce qu'on a perdu et pouvoir rejouer les mêmes billes dans d'autres sociétés. C'est un objectif de faire bouger ce monde, de faire évoluer le progrès, et cetera, et d'en faire partie. L'exit comme je dis, c'est un moyen à un moment donné de récupérer pour pouvoir réinjecter. C'est beaucoup à penser comme ça plutôt que dire voilà, j'ai un exit, maintenant je me mets sur ma terrasse avec ma chaise longue et puis je reste là quoi, ce n'est pas la mentalité de l'investissement.

Interviewer

C'est un moyen de récupérer la liquidité pour faire des nouveaux investissements.

Respondent

Voilà, de récupérer du cash. Bon, tu peux avoir des liquidités par des dividendes mais ce n'est pas nécessairement l'intérêt de du Business Angels, c'est plutôt sortir ses billes. Parce qu'il espère plutôt jouer sur la plus-value que sur l'espoir d'un dividende. Il y a des sociétés, il y a une société dans lequel je suis, ça fait déjà plusieurs fois qu'un des 2 fondateurs, celui qui reste et qui a un 50 % de la boîte - mindset totalement différent- il y a 2 investisseurs dans une société dans lequel on est 3 à Business Angels à avoir investi […] Alors donc les 2 fondateurs sont venus chercher de l'argent ou on a investi avec eux, et cetera. Bon, ça marchait moyennement bien par rapport à ce qu'ils voulaient faire. Et puis il y a eu un pivot, il y en a qui voulait sortir et il était même prêt à mettre la boîte sur le côté, la vendre pour une peau de chagrin. Naturellement une peau de chagrin, c'était mieux que rien puisqu'ils étaient partis de rien et ils avaient plus que 50 % de la boîte. Et bon, il y en a un des 2 qui s'est retiré. L'autre est toujours là, et tu vas voir la différence de mentalité, c'est qu'on a discuté un moment donné de distribuer des dividendes. Le gars qui est sorti de la boîte, lui, il était très intéressé d'avoir des dividendes, il a voté pour, celui qui était dans la boîte au départ était pour et nous. Les Business Angels, on disait non, on préfère que la société puisse réinvestir ses dividendes, ou si on a un problème, on ait quelque chose pour y faire face ou si on a des opportunités qu'on ait du cash pour pouvoir les saisir.

Bon, c'est une 3e raison qui a fait qu'on a voté non pour les dividendes. Pour ne pas la citer, c'est que comme on était en période de coronavirus, et qu'on a malgré tout fait des bénéfices. Bon le personnel a un peu dû mettre de l'eau dans son vin, c'était inapproprié de de dire, voilà, il y en a qui vont s'en mettre plein les poches alors que vous avez fait des efforts, quoi bon. Ce qui était vrai parce que la boîte aurait pu sauter aussi.

Aujourd'hui bah le fondateur est content parce que d'un côté on a un coup dur et on a une opportunité donc on a une approche dans ce sens. Mais ça c'est pour un peu expliquer le mindset des Business Angels. Donc c'est plutôt aller vers une croissance et puis par après en bénéficier mais pas au travers de dividendes.

Dans les term sheets, dans les pactes d'actionnaires, on met des clauses de rendez-vous. Donc les clauses de rendez-vous sont des clauses dans le pacte d'actionnaires, tu sais ce que c'est ? Un pacte qui lie les fondateurs et les investisseurs, donc différentes clauses du style on est obligé de laisser son argent, on ne peut pas le retirer ou les vendre avant 4,5,6 ans ou quelque chose comme ça. La valorisation est d'autant. Si ça marche bien, par exemple Ben, et que les entrepreneurs font mieux que certains milestones, on peut appliquer des clauses de relution, c'est à dire qu'on leur rend des actions et inversement. Bon bah on ne rentre pas toujours dans ce genre de de clauses.

Vers la fin, on précise aussi des clauses de rendez-vous, donc après x années l'entrepreneur a l'obligation de rechercher à rendre liquide les actions de ceux qui ont investi. Ou bien de rechercher un repreneur. Tu vois et cetera et cetera.

Interviewer

Est-ce que ça se passe souvent à tous les rounds, à chaque appel de fond ? Oh, c'est ce que j'ai mes précédentes interviews, ils disaient que justement, ces prises de rendez-vous, ils le faisaient avec les entrepreneurs à chaque fois qu'il y avait un appel de fond est que c'est le bon moment pour parler de l'exit.

Respondent

C'est une opportunité, donc suivant naturellement le type de business, le lifecycle du projet. Tu peux mettre des clauses, qui peuvent être explicite dans le pacte d'actionnaires ou pas. Ou en effet si tu arrives à lever plus d'argent, tu peux autoriser déjà à certains de partir. Tu vois, il y a des investisseurs qui investissent en seed, mais quand on arrive dans la, dans ce qu'on appelle les séries A, des trucs comme ça, on lève de gros montants où tu as des VCs qui viennent à la table. Bon c'est une opportunité pour sortir.

D'ailleurs, les VCs aiment bien à un moment donné aussi que le que la cap-table (ce que chacun a de part) soit nettoyée, de sorte qu'il n'y ait pas 36 actionnaires dans la société. Donc oui c'est une opportunité mais et c'est parfois spécifié dans les pactes.

Interviewer

OK.

Respondent

Ce n'est pas nécessairement une obligation. Parce que comme je te dis, tu peux être intéressé d'aller un peu plus loin.

Interviewer

Est-ce que vous avez quelqu'un de désigné pour s'occuper de ou planifier une sortie ?

Respondent

Parmi les Business Angels ?

Interviewer

Oui

Respondent

Ohh pas particulièrement non. Mais bon dans certaines sociétés, dans la mesure ou les mises de fonds sont suffisantes pour que les Business Angels aient un poids, il y a un administrateur nommé ou un observateur.

Interviewer

Okay, okay.

Respondent

Donc lui est un peu le porte-parole, mais ce sont des aspects qui peuvent aussi théoriquement être levés dans une AGO. Et y'a une AGO tous les ans.

Interviewer

Ok, parfait, on va passer à une autre partie où il y a 2 questions quantitatives, comme j'en ai parlé avant. La première, c'est est-ce que vous pensez que planifier à une sortie tôt et pendant toute la durée de l'investissement est ce que c'est une bonne procédure, un bon process ?

Respondent

Moi je ne suis pas quelqu'un qui aime bien les …

Interviewer

Planifier dans le sens considéré l'option de faire un exit.

Respondent

Oui, okay, dans ce sens-là, oui, c'est plus flexible. Disons. C'est une option. Donc oui c'est bien de se forcer à y repenser.

Interviewer

C'est ça. Tout au long du process, pendant les 4, entre 4 et 7 ans.

Respondent

Oui, il y a aucune obligation parce que, qui dit obligation, dit par exemple … si on met d'office quelque chose de contraignant après 4 ans, ça peut être complètement stupide. C'est à se retourner contre tout le monde, quoi.

Interviewer

Ouais c'est vrai, donc entre 1 et 7 vous mettez un 7.

Respondent

Oui

Interviewer

Et la 2e question est ce que c'est désirable pour un Angel de faire ça ? Toujours entre 1 et 7.

Respondent

Bien ou désirable, ouais.

Oui bon bah c'est désirable oui … maintenant est-ce que ce soit bénéfique ou pas ? Je n'en sais rien. Mais oui désirable oui, un 7.

Interviewer

Donc, est ce que vous pensez que faire toutes ces activités qui mettent l'exit au centre du débat tout au long de de l'investissement, toutes ces activités de planification de l'exit au sens large du terme que je vous l'ai dit, ont un bénéfice ? Les perspectives de return qui sont plus haut, des plus hauts multiples. Ou est-ce que ça augmente les chances d'avoir un exit ?

Respondent

Alors le fait d'en parler, tu veux dire de d'être un peu plus structuré. C'est ça que tu veux dire ?

Interviewer

Oui, c'est ça le, le fait d'être structuré dans la planification de l'exit ou de considérer l'option de sortie dès le début.

Respondent

Le fait que le return soit plus haut ou non, non, ça je ne crois pas que ça a une influence sur la valeur. Ce n'est pas le cas. C'est plutôt le fait d'y penser. Ben c'est un pense-bête et ça permet de ne pas s'endormir sur nos lauriers, c'est un réveil-matin. Et pour le fondateur, de savoir qu'on n'est pas là non plus jusqu' à la fin de la société. Il a des moyens pour une partie limitée de temps et il doit pouvoir avec nous potentiellement trouver le moyen de d'aller plus haut.

Interviewer

C'est une source de conflit, généralement avec le ou les entrepreneurs.

Respondent

Ah, source de conflit, je ne dirais pas. Ça peut le devenir si justement, à un moment donné, l'argent de l'investisseur est bloqué. Donc si ton argent est bloqué et que t'en a besoin, ça peut devenir problématique. En effet oui, donc il faut que l'entrepreneur puisse en tenir compte, donc c'est bien qu'un moment donné, il y a des contraintes à tenir compte.

Et il va lever ces contraintes quand il arrivera à lever de l'argent en supplément, pour remplacer l'un par rapport à l'autre. Et oui, dans certains cas ça peut être en conflit. Il y a également des clauses de droits de suite, un autre il peut dire, moi je vends également. Et l'acheteur n'est peut-être pas prêt à acheter la mise de l'un plus de l'autre, et cetera. Et si ce n'est pas fait dans les formes en plus, par exemple qu'on a oublié d'envoyer un recommandé ou que sais-je, ou que le gars n'a pas été annoncé, ben oui ça peut devenir source de conflit mais c'est plutôt un conflit de forme. Alors dans ce cas-là par contre, oui, ça peut devenir une difficulté.

Tout, tout ce que l'on ne tient pas compte peut devenir un problème, parce que ça explose à la fin.

Interviewer

OKOK et est-ce que le fait de penser à la sortie toujours est ce que c'est ça facilite le fait de gagner de la visibilité dans l'industrie, dans l'écosystème pour aussi attirer des nouveaux, des acquéreurs, par exemple des entreprises qui seraient intéressées.

Respondent

Bah à priori oui, parce que y a un incitant, au moins des investisseurs, de rappeler justement qu'on n'est pas là pour durer dans le temps et donc le fondateur, voire les autres investisseurs, vont essayer d'aller à la pêche ailleurs pour combler le trou. Donc oui, indirectement on gagne de la visibilité.

Interviewer

Oui, et ce sont les Business Angels qui entreprennent le networking ?

Respondent

C'est, c'est l'entrepreneur, ça peut être le conseil d'administration. Bon, il y a un peu de tout aussi. Un petit peu en fonction des individualités qu'il y a dans chaque chose, leur Network. Bon ils peuvent amener plus de valeur que d'autres. En emmenant des gens ou en conseillant, par exemple, en faisant des liens commerciaux avec des sociétés qu'ils connaissent. Et alors à ce moment-là, il peut commencer à y avoir des reprises. Parce qu'il y a des sociétés qui ont appris à vous connaître et qui savent la valeur que vous avez.

Interviewer

OK

Respondent

Par exemple, quand tu as des produits, peu importe dans le monde médical ou pas, que tu distribues, bon parfois il y a des distributeurs qui sont intéressés à mettre de l'argent ou une société qui est prête à mettre de l'argent dans ta société.

L'investisseur n'est pas très chaud parce que tu as les pieds et mains liées à distributeur donc si lui il ne fait pas bien son boulot tu ne sais pas passer par un autre parce qu'il a une espèce d'exclusivité. Et de même pour un fabricant hein, donc c'est toujours un peu à double tranchant ce genre de choses parce que tu avais une visibilité mais limitée à celui qui est à la table, donc il faut un peu bien jauger ces aspects.

Mais tu vois ça, ça fait partie des critères, c'est ce qu'il y a déjà aujourd'hui dans la société dans laquelle tu vas investir un intérêt pour faire un deal commercial avec l'un ou l'autre qui, potentiellement pourrait te racheter.

Interviewer

Hum, d'accord. Et de retour sur le fait que les entrepreneurs soient activement impliqués dans la recherche d'une sortie. Il y a beaucoup de chercheurs dans la littérature qui affirment que beaucoup de Business Angels pensent que ce n'est pas une bonne chose parce que les entrepreneurs du coup perdent le focus pour créer leur business.

Respondent

Et je comprends. Quand tu as commencé de dire ce que tu viens de dire, je pensais au à l'inverse. L'entrepreneur bah il est dans son day to day. Et donc il ne pense pas pour autant à cet aspect-là donc c'est juste l'inverse.

Donc le fait de parler de l'exit, tu peux le distraire entre guillemets, mais bon, il faut le réveiller, les réveiller également. Et dans certains cas, dans les clauses d'exit, tu peux te donner la possibilité de, en cas d'échec de la part de l'entrepreneur - Bon, je n'ai pas encore vu de société qui était arrivé à ce niveau-là mais bon mon expérience n'est pas non plus de de de 50 ans dans ce domaine - tu peux commencer à avoir un groupe, à attitrer une personne qui va commencer à faire une recherche.

Interviewer

Donc, en cas de mauvais investissements où ça se passe mal, il y a moyen de créer un exit, pas de force.

Respondent

Non mais oui, un peu oui, mais en effet d'avoir une structure qui commence à s'en charger quoi.

Interviewer

C'est ça

Respondent

Mais c'est vrai que c'est un peu de force, entre guillemets quoi.

Interviewer

C'est contre la volonté des entrepreneurs en général.

Respondent

Peut-être pas. Mais bon, ça commence à devenir un peu plus stressant.

Interviewer

OK parfait pour la suite. On va parler plus de tout ce qui est tous les référents, donc tous les groupes sociaux qui peuvent influencer la prise de décision dans l'adoption ou pas une approche centrique …

Respondent

J'ai juste un petit point peut être qui me vient à l'esprit. Enfin si ça t'intéresse, c'est que à un moment donné, tu peux constater que dans la vie d'une société, la personne qui est fondateur ou le CEO n'est plus tout à fait la personne appropriée pour l'étape suivante. Tu vois entre autres quand tu commences à avoir des relations plus commerciales, internationales, et cetera. Et donc tu as besoin d'un CEO qui a aussi plus de visibilité qui, de facto, va potentiellement améliorer ton potentiel de valorisation plus élevée et d'exit. C'est le moment délicat ou la personne accepte de reconnaître son manque de skills pour certains domaines par rapport à d'autres quoi.

Mais bon, tout est lié. Rien n'est Black and White, tout est lié, tout est dans tout quoi.

Interviewer

C'est complexe. Ah du coup je parlais, dans tous ces groupes sociaux groupes sociaux, qui exerce l'influence sur cette prise de décision là de considérer le l'exit à chaque étape ? Deux questions quantitatives encore.

Donc premièrement, est ce que vous pensez qu'il est attendu de vous et des Business Angels en général de s'occuper de l'exit et de planifier, de structurer une potentielle sortie tout au long de l'investissement ?

Respondent

Attendu de nous de la part du fondateur ?

Interviewer

De la part de tout le monde en général.

Respondent

Je crois que c'est l'affaire de tous, mais au départ, ce n'est pas le focus. Il ne faut pas dire que à chaque étape on a vraiment le focus sur l'exit oui c'est en arrière-plan mais c'est d'abord l'évolution de la société.

Parce que bon, tu sais, c'est une pyramide, je crois. Si la société va mal, l'exit va être de facto. La prochaine étape, c'est généralement, il manque toujours du cash pour la prochaine étape. Donc là, au contraire d'un exit, tu remets de l'argent ou bien tu vas chercher de l'argent ailleurs, tu essaies de gros grossir. Et puis l'exit, c'est vraiment à la fin donc.

C'est sous-jacent, mais ce n'est pas le focus direct quoi. Sauf qu'à un moment donné tu te rends compte que vu les conditions, tu n'auras pas d'exit quoi. Ou bien t'auras une peau de chagrin ou que sais-je. A la limite tu fais un trait sur la ligne de d'investissement donc ce n'est pas un focus de tous les jours, non. Ça vient ça ne vient pas polluer la réflexion de tous les jours, mais c'est là quoi.

Interviewer

OK bah du coup entre 1 et 7 vous mettriez un 2 ou 3 ?

Respondent

Donc redis un peu la question.

Interviewer

C'est ce qu'il est attendu de vous de te faire ça.

Respondent

Ah oui.

Bah oui, c'est attendu. Bon Ben je mettrais fifty-fifty là vers 4. On l'attend plus de l'entrepreneur, mais de toute façon on va lui rappeler.

Interviewer

C'est ça, c'est ça.

Et 2e question, qui est un peu pareil, mais encore une fois, c'est le framework, est-ce que vous sentez une pression sociale autour de ce comportement là qu'il faut appliquer ou pas ? De cette approche à l'exit.

Respondent

Ah, je ne comprends pas bien la question.

Interviewer

Du coup, c'est un peu pareil, est ce qu'il y a des groupes, est ce que vous ressentez une pression que ce soit des Business Angels, d'autres investisseurs, du gouvernement, d'autre institutions, qui vous incitent du coup à planifier cet exit-là de manière structurée ou de ou de considérer l'exit. 7 étant le plus fort.

Respondent

Mais bon perso moi je n'en ressens pas. Enfin c'est plutôt une pression entre nous quoi. On discute et puis il y en a qui disent « oui mais bon, quand est-ce qu'on peut avoir un Exit ? ». Et puis on fait une réflexion et puis on voit que peut être la stratégie n'est pas la meilleure. Dans la mesure où on a un bon contact avec l'entrepreneur, mettre ce point sur la table. Donc allez un 3.

Interviewer

OK.

Respondent

Donc c'est nous-mêmes qui faisons la pression. Le gouvernement, pff, qu'est-ce que tu veux qu'il fasse ?

Interviewer

Ma prochaine question, c'est, est-ce qu'il y a d'autres acteurs, je pense à d'autres Business Angels au sein de du groupe d'Angels.

Respondent

Il y a un exit qui est anecdotique entre guillemets. C'est que globalement, pour certaines sociétés, si tu as l'opportunité d'investir sous la forme de tax shelter. Tu connais ?

Interviewer

Je vois le concept

Respondent

Enfin, je vais, je vais le résumer au cas où ce n'est pas tout à fait clair, mais globalement, si tu as investi dans la société, en tant qu'investisseur privé, tu peux déclarer le montant que tu as investi dans cette société. C'est 250000€ par société et 100000 par personne. Bon admettons que tu as investi 10000€ dans une société qui est acteur éligible à 100 %. Et bah tu déclares ça dans sur ta feuille de contribution et dans la mesure où tu as des revenus, tu récupères 4000 donc 45 % de ta mise donc globalement. Approximativement un an et demi, 2 ans après, puisque tu as investi présent en 2019, tu déclares en 2020 et ta feuille arrive en 2021. Donc globalement, si tu as investi 10000€ il y a 4000 qui reviennent dans ton escarcelle. Donc tu pourrais réinvestir.

Interviewer

Mais c'est ça quoi qu'il arrive.

Respondent

Mais bon, c'est une astuce ou bien un incitant pour l'investisseur justement, investir dans des sociétés à risque quoi.

Interviewer

Peu importe l'exit à la fin.

Respondent

Oui, c'est un exit fiscal pour te rendre 45% % ou 35 % si c'est PME. C'est une anecdote mais quelque part ça incite quand même des gens parce que les gens récupèrent une partie de la mise donc ils peuvent le réinjecter.

Interviewer

Tout à fait, mais du coup est-ce que les networks, donc les réseaux de Business Angels, dont fait partie votre groupe, est ce qu'ils ont un grand impact sur la manière dont vous considérez l'exit tout au long du process.

Respondent

Dans le coaching, quand on parle entre nous. Il peut avoir un impact sur mon approche à l'exit, comme je dis dans le comité de sélection aussi, si certains critères ne sont pas là et que on voit qu'il n'y a pas d'exit possible.

On, on voit bien qu'un moment donné, il n'y a personne qui va investir et donc on a quelque part mis un filtre mais c'est un filtre qui serait arrêté par après parce que les gens vont présenter pour rien du tout quoi dont on préfère présenter des sociétés qui ont une chance de lever sinon … On a terminé, la boucle est finie hein.

Moi je parle pour mes pairs, là y'a pas de contraintes. Ça aide dans le sens du coaching et de partage d'expérience à considérer l'exit.

Interviewer

Et d'autres Network par exemple, si vous faites des investissements avec d'autres Angels ?

Respondent

Bah à nouveau, ce sont des individus qui sont autour d'une table. Donc quand un entrepreneur vient chez nous ou bien il va ailleurs, chez d'autres groupes d'Angels et qu'on se retrouve à un moment donné assis autour d'une même table. Le pacte d'actionnaires va lier tout un chacun donc, les clauses de l'un vont être acceptés par l'autre, donc globalement il y a une influence indirecte.

Parce que chacun peut vouloir et puis il peut y avoir des conditions assez délicates aussi. C'est que si vous investissez, que vous arrivez à un moment donné à lever un peu plus tard mais à des montants plus élevés donc les Angels ne savent plus suivre et ben vous avez des gros groupes qui eux viennent mettre des conditions d'exit pour eux-mêmes et des conditions préférentielles. Donc ça veut dire par exemple qu'eux veulent que l'argent qui est mis ait un rendement minimum de 15 % par an par exemple, ce qui veut dire que si la société n'a pas eu ces 15 pourcents, et qu'il y a un Exit, le pot à partager sera moindre puisqu'eux sont arrivés en dernier. On ne pouvait pas continuer sans eux donc ils ont ils se sont mis des conditions d'exit beaucoup plus favorables que les autres et donc à notre détriment.

Interviewer

Est-ce que c'est possible qu'il y ait un parti, par exemple des VC, qui sont impliqués aussi dans le deal ? Est-ce qu'ils lead la planification de l'exit élite ou est-ce que ce sont 2 entités différentes qui vont faire leur truc séparément ?

Respondent

Non mais à partir du moment où des VCs rentrent dans la place, ils ont des participations qui sont nettement plus élevées. D'ailleurs ils ne rentrent pas en dessous d'un certain montant donc.

Eux-mêmes ont leur cahier de charges en disant voilà l'exit doit se faire en x années ou un truc du genre parce qu'ils ont un cahier de charges par rapport aux investisseurs de leur propre fonds.

Donc oui, ce sont eux qui prennent un peu plus la main là-dessus. Ce qui n'est pas nécessairement mal dans la mesure où il n'y a pas des clauses préférentielles quoi.

Interviewer

C'est ça. Et du coup, dans ce cas-là, les Angels suivent un potentiel exit, ceux qui sont minoritaires.

Respondent

Oui, ou bien parfois les VCs n'aiment pas avoir 36 personnes sur la table, ils aimeraient bien qu'on quitte.

Interviewer

Et puis ils rachètent toutes les parts.

Respondent

Et bon bah c'est une possibilité d'exit à ce moment-là. Suivant la dynamique de la société.

Interviewer

Est-ce que l'entrepreneur s'interrogent sur l'exit auprès des Angels à un moment donné. Ou alors c'est un peu assez passif dans le sens où il faut que les anges reviennent tout le temps avec ce débat ?

Respondent

Ça dépend du profil de l'entrepreneur, donc il y en a qui n'y pense même pas, donc eux, on peut les surprendre en posant la question déjà au départ. On dit « on est prêt à rentrer de l'argent, mais quand est-ce qu'on pourrait le récupérer ? ». Bon bah ils tombent un peu des nues et naturellement c'est le projet de leur vie par exemple. Ou bien vous avez des serial entrepreneurs ? Le gars, il a déjà fait une société, il l'a revendu et puis il a envie de faire autre chose. Et puis une 3e, une 4e, lui c'est genre de choses. Il ne se pose même pas la question, il n'y a pas de soucis donc il va pas là pour faire sa vie quoi, il veut démarrer une société et puis elle roule, il va en créer une autre.

Donc il y a un peu de tout quoi dans ce monde. Il y en a qui aimeraient bien racheter la société, et cetera, faire un management buy-out. Mais bon ça c'est encore un autre aspect quoi.

Et tout dépend de l'échelle de la société. Il y a des sociétés qui ont avec une gentille volonté ou quoi, mais qui ne vont pas exploser, et y'en a d'autres qui vont plutôt exploser, donc en fonction du profil de la société c'est différent.

Interviewer

OK. Cette partie du framework c'est fini et je vais rentrer dans la dernière partie qui s'occupe un peu de l'aspect du contrôle du comportement, donc ici de l'adoption ou pas d'une approche centrée sur la, sur la sortie. Et du coup, je pose les 2 dernières questions quantitatives.

Les 2 dernières questions quantitatives, plus ou moins, c'est, est ce que vous vous sentez, et les business en général - Je pense que vous pouvez le savoir vu que vous êtes deal Maker - se sentent confiant de pouvoir prendre le lead un peu sur les exits, planifier cet exit, pas de A à Z mais de considérer l'exit du début jusqu'à la fin s'ils le voulaient.

Respondent

Non, non, je ne crois pas que on puisse avoir beaucoup la main là-dessus quoi. Il y a tellement de d'impondérables dans la vie d'une société. Je t'ai situé ça comme une pyramide. Il faut d'abord que les fondamentaux soient là pour pouvoir cueillir le fruit. C'est comme un arbre. Si ton arbre, il est coupé, tu n’auras jamais de fruits. Si tu ne l’arroses pas, il n’y aura pas de fruits, et cetera. Donc non on n’a pas la main là-dessus. Le seul point, c'est comme on dit l'approche centrique, donc c'est de réitérer cet aspect, parfois un peu comme tu le soulignes. Le fait d'y penser, on dit, « Ah oui, mais on n'arrivera pas à avoir un exit, donc on est peut-être parti sur la bonne stratégie. Il faut faire quelque chose d'autre. ».

Donc un 2, ou un 3 plutôt … je dirais.

Interviewer

Et se poser ces questions-là à peu près tout le temps, c'est quelque chose que les Business Angels font et se sentent capable de faire.

Respondent

Tout. Ouais, ils posent la question. Le tout c'est d'avoir du poids.

Donc moi il y a une autre société dans laquelle j’ai justement investi, où l’exit, c'est un gros point d'interrogation parce que c'est un business qui n’est pas évident de sortir quoi, surtout avec la problématique du COVID. Mais le bénéfice que l'on a par contre c'est que on a maintenant une bonne communication au niveau du CA et les 2 fondateurs, mari et femme, se disent que ce serait bien de pouvoir avoir un exit eux-mêmes, donc à ce moment-là, cette approche revient naturellement sur table, donc on va faire une réflexion par rapport à ça. Et qu'est-ce qu'il faudrait avoir comme alliance, qui faudrait-il approcher ? Devons-nous produire un autre produit basé sur notre know-how pour être attractif envers quelqu'un pour nous racheter ?

Donc enfin c'est un petit peu un exemple à contrecourant. Mais l'entrepreneur, le nez dans le guidon n'y pense pas toujours.

Interviewer

OK et du coup 2e question, encore une fois un peu similaire, mais la décision d'adopter une approche centrique, est-elle au-delà du contrôle du business Angel ? Entre 1 et 7, 7 c’est « n’est pas d’accord », donc avec contrôle.

Respondent

Oui, on peut avoir une approche centrique, du mieux qu’on peut avec nos faibles moyens ou les faibles poids qu'on peut avoir dans une société. Ça dépend parce que si au moment donné, on a plus de poids que les fondateurs, on peut obliger des prises de décision. Mais il faut que les fondateurs soient là, parce qu'en général, c'est eux qui ont le plus de parts.

Le centrisme doit se trouver à 2 endroits, ou dans les 2 sphères, la sphère des investisseurs et la sphère des fondateurs pour aligner les intérêts. Donc pour le chiffre … un 3, donc relativement peu de contrôle.

Interviewer

Quelles sont les plus grosses difficultés pour justement remettre cette idée, cette considération d'une potentielle sortie tout le temps sur la table. Parce que c'est le, par exemple, là un manque d'alignement ou un mismatch entre l'entrepreneur et le business Angel ou à ou par exemple, juste un manque de capacité. Parfois, il y a besoin d'aide, il y a besoin de partie extérieure.

Une autre raison ?

Respondent

Je crois qu'elles sont toutes valables. Manque d'alignement ? Certainement. Si le fondateur désire ne pas faire d'exit, ce sera difficile s'il n'a pas la même stratégie. Oui, un moment donné, on a besoin de de connaître les potentiels acheteurs, donc avoir des sociétés qui permettent ou des personnes qui permettent d'attirer l'attention sur le business que vous faites.

Avoir un business, suffisamment intéressant, des ventes suffisantes. Les futurs investisseurs, les VCs, c'est dans leurs critères qu'à partir d'un moment vous avez un certain chiffre d'affaires. Tant que vous n'avez pas de chiffre d'affaires, vous pouvez intéresser personne.

Donc il n'y a pas une réponse unique. C'est un peu de tout. Donc moi je vois dans certaines sociétés dans lequel j'ai investi, ou même d'autres où je n'ai pas investi, dans le monde médical, le med-tech, il y a des certificats à obtenir pour pouvoir utiliser tes instruments médicaux, chirurgicaux ou de surveillance du cœur, ou que sais-je ? Bon bah si t'as pas le certificat, t'es pas intéressant parce que tu ne peux pas vendre. Mais quand tu l'as, c'est bien mais il faut encore prouver que tu arrives à vendre parce que tu peux avoir une autorisation de vendre quelque chose mais si personne n'est intéressé … Donc les VCs vont venir après donc globalement tu n'arriveras à lever de l'argent, de gros montants, qu'à ce niveau-là et donc faire ton exit … donc tu vois il n'y a pas une réponse.

Interviewer

Et à contre-sens, y'a-t-il des raisons qui facilitent l'adoption d'une telle approche ?

Respondent

Hum, J'en ai parlé, c'est jamais facile de te représenter une seule raison, mais en général je dirai que non, il y a plus de raisons contre que pour, sinon tout le monde le ferait sans hésiter.

Interviewer

Vous faites partie d'un Network. Vous pensez que c'est un peu une professionnalisation du métier de business Angel. Qu'ils se regroupent, qu'il y a du coaching ? Est-ce que ça aide à planifier les exit ?

Respondent

Oui

Interviewer

Donc est ce que vous pensez que c'est possible pour un business Angel individuel qui n'agit pas avec un Network, d'avoir le même niveau de planification.

Respondent

Dépend de la personne, c'est la personne individuelle.

Interviewer

Et vous n'avez pas d'expérience avec des Business Angels individuels avec qui vous avez investi ?

Respondent

Bah oui, moi j'ai investi avec d'autres. Et bon je ne viens pas non plus avec des montants qui me permettent d'avoir une voix, une voix suffisante sinon celle de la sagesse, et donc qui n'est pas nécessairement écoutée quoi.

Bon si un business Angel, même faisant partie d'un network, investit dans une société, admettons, même seul ou avec d'autres. Mais que ce gars, il a déjà fait lui-même en exit de sa propre société. Il est évident qu'il en connaît les ficelles, donc il va avoir une plus grosse écoute du fondateur.

D'ailleurs, s'il s'est amené à bord, c'est que ça allait bien. Il y avait un fit entre les 2 donc il y a un alignement. Ou bien un moment donné ça peut être le contraire. Mais bon, ces gens-là n'ont pas nécessairement besoin des autres. Ce sont plus les petits Business Angels qui auront peut-être intérêt d'en avoir un plus pertinent à côté de soi. Moi, la seule pertinence que je peux avoir, c'est le réseau et d'un peu mieux savoir de quoi il retourne. Mais bon je ne vais pas frapper sur l'épaule d'Herman De Croo ou qui sais-je ? Y'en a pour qui c'est le cas, mais bon moi ce n'est pas le cas quoi donc là le réseau peut aider. Oui en en parlant quoi.

Interviewer

OKOK.

Respondent

Bon, désolé, c'est chaque fois des réponses mi-figue mi-raisin mais c'est la vie quoi.

Interviewer

C'est ça, c'est complexe. Il n'y a pas une bonne réponse. Tout n'est pas noir ni blanc, c'est parfait.

Moi, c'est la fin de la fin des questions. Je ne sais pas si vous voulez rajouter quelque chose.

Respondent

Non.

Interviewer

Ça va un grand merci. Je vous souhaite le meilleur pour la suite et un bon appétit.

Respondent

Merci bien. Au revoir.

- Appendix 4: Assessment of the salient beliefs identified in the literature and the interviews

TPB construct	Salient beliefs	Paul		Luca		Georges	
Attitude		*Behavioral Belief*	*Behavioral outcome*	*Behavioral Belief*	*Behavioral outcome*	*Behavioral Belief*	*Behavioral outcome*
	#1 Higher returns when the exit happens	✗		✗		✗	
	#2 Higher chance of exit	↑	→	✗		✗	
	#3 The entrepreneur loses attention on building the business	↑	↓	✗		✗	
	#4 Exits can be achieved sooner (i.e., partial exits)	↑	↑	✗		✗	
	#5 Start-ups gain in visibility among potential buyers	↑	↑	↑	↑	↑	↑
	#6 Zombies companies can be avoided sooner	↑	↑	↑	↑	↑	→
	#7 Waste of energy if the start-up is immature	✗		↑	↓	↑	↓
	#8 Good reputation and recognition among the Angel community	↑	↑	✗		✗	
Subjective norms		*Normative belief*	*Motivation to comply*	*Normative belief*	*Motivation to comply*	*Normative belief*	*Motivation to comply*
	#9 Entrepreneurs	✗		✗		↓	↑
	#10 Business Angels	↑	↑	✗		✗	
	#11 Lead investors (i.e., VC)	↓	→	↓	↑	↓	↑
	#12 Governments	↑	→	✗		✗	
	#13 Angel groups	↑	↑	↑	↑	↑	↑
PBC		*Control belief*	*Perceived power*	*Control belief*	*Perceived power*	*Control belief*	*Perceived power*
	#14 Efforts needed during critical stages	✗		✗		✗	
	#15 Regular alignment with entrepreneur	↑	↓	↑	→	↑	↓
	#16 Need for help/support from external parties	↑	↓	↑	↓	↑	↓
	#17 The exit process is chaotic anyway	✗		✗		↑	→
	#18 Lack of confidence due to amateurism	↑	↓	↑	↓	↑	↓
	#19 Being a minority investor	✗		↑	↓	↑	↓

✗: not shared by the respondent ↑: high/positive ↓: low/negative →: neutral/ambivalent

Abstract:

This thesis aims to examine and understand the behavior of Business Angels towards the adoption of an exit-centric approach to investing. This thesis first depicts the Business Angel scene and the studied behavior. Among other things, it has been observed that Angels mostly do not have a clear exit strategy, even though exits are at the core of Angel investing. Then, the Theory of Planned Behavior, the theoretical framework used in the empirical part, is explained. The practical part of this thesis aims at underlying relevant salient beliefs explaining an Angel's intention to adopt an exit-centric approach. Those beliefs were identified from the literature and from the insights obtained in the empirical part, namely from three interviews conducted with Business Angels.

Nine salient beliefs predominantly shared by the respondents have indeed been identified and retained. Those beliefs partly explain the behavior of Business Angels and indicate that Business Angels hold a favorable attitude towards the studied behavior, are moderately socially pressured to perform the behavior, and exert a comparatively low perceived control over the behavior.

The conclusion of this study leads to think that Business Angels want to adopt an exit-centric approach, to some extent, but face some impediments preventing them from doing so.

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