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# USING THE BUSINESS MODEL CANVAS TO IMPROVE INVESTMENT PROCESSES

## Abstract

**Purpose** — This paper investigates how entrepreneurs market their business opportunities towards business angels in the investment process. This is achieved by introducing the Business Model Canvas as a mitigating framework to help entrepreneurs in communicating and structuring the information desired by business angels.

**Design/methodology/approach** — This paper mobilises a case study approach by following a series of investment processes and investment meetings between entrepreneurs and business angels through 27 semi-structured interviews as well as participant observation and qualitative participant feedback from 13 investment processes.

**Findings** — The findings illustrate how introducing a framework like the business model canvas helps alleviate the informational and communication challenges between entrepreneurs and business angels. However, some problems occurred when the entrepreneurs and the business angels did not fully agree on the value proposition of the investment opportunity.

**Practical implications** — The findings show that entrepreneurs who market their business cases to investors obtain better feedback and a higher chance of funding using the business model canvas. Implications of this paper also relate to the preparation of the entrepreneurs and that matchmakers between entrepreneurs and investors can use the business model canvas to facilitate such processes.

**Originality/value** — This paper contributes to both the theory of the investment process as well as the application of the business model canvas.

**Keywords:** Entrepreneurs, business model canvas, business pitch, investment process, business angels

**Paper type:** Case study

## 1. Introduction

Business angels have become an increasingly important source of financing for seed and start-up companies (Mason and Harrison, 1996; Landström, 1998; Sohl, 2012). These types of venture capital finance affect companies in diverse ways, for example, by assisting with consulting and credibility by third parties (Rossi, 2015). Achieving an investment and the possible benefits is not an easy endeavour for entrepreneurs. The investment process, beginning with the identification of a business opportunity and continuing until the investment negotiation is finished with a deal, is still considered a ‘black box’ (Sapienza and Villanueva, 2007; Sohl, 2012). Apparently, business angels would like to invest more often than they do, but they seem to lack the right investment opportunities (Van Osnabrugge and Robinson, 2000; Mason and Harrison, 2002). These views contradict one another and create challenges for entrepreneurs in how they approach business angels to raise capital. In other words, the entrepreneur markets the potential business opportunity to potential investors. In this process, the entrepreneur often relies on his/her own business knowledge (Hill and Levenhagen, 1995) and a written business plan (Karlsson and Honig, 2009) in addition to templates for information provided by facilitators or matchmaking agents (Sohl, 2012).

Several studies show that there is a mismatch between the information desired by business angels and the information that they typically receive from entrepreneurs. In fact, business angels often use a series of alternative parameters than other investors to evaluate investment proposals (Fiet, 1995; Mason and Harrison, 1996; Van Osnabrugge and Robinson, 2000; Mason and Harrison, 2002; Mason and Stark, 2004). This challenges the entrepreneurs because they then must provide information on the terms of each specific business angel with whom they would want to connect and negotiate.

Historically, entrepreneurs have used the business plan as the primary framework to organise and provide an information set to business angels (Gumpert, 2002). Recently, using business plans to structure the information set has been challenged. While many previous studies have focussed on the information set required by business angels (cf. Mason and Stark, 2004). Karlsson and Honig (2009) argued that the business plan is outdated and has a negligible effect on investment processes. This indicates a need for other types of frameworks that can assist the entrepreneurs in forming a useful information set for this purpose. In addition, Huang and Pearce (2015) show that the mutual understanding between entrepreneurs and business angels is vital to creating positive investment processes. Carlsson and Wilmot (2006), for example, identified how the notion of customer value is a key element in innovation and creating successful start-ups/companies. Despite this, no research to date has been found to focus on helping the entrepreneurs create a mutual understanding between themselves and business angels.

This study investigates the informational and communication structures and tensions between entrepreneurs and business angels in investment processes. This is done using business models as a platform for communication, as suggested by Bukh (2003) and specifically applying the structure of the business model canvas (Osterwalder and Pigneur, 2010) to frame information sets and discussions. The business model canvas is currently applied in several different entrepreneurial contexts (see, for example, Oyedele, 2016; Cosenz, 2017). This leads us to ask the following research question:

*‘How does the use of the business model canvas help to frame investment opportunities and guide investment negotiations between entrepreneurs and business angels throughout the whole investment process?’*

Section 2 introduces the theoretical setting of the paper. It defines the investment process between entrepreneurs and business angels and depicts existing research into the communicative and informational challenges of investment processes. Finally, it introduces the notion of business models and the business model canvas. The next section introduces the applied methods in relation to the different phases of the investment processes, including the application of the business model canvas as a device for structuring information, communication, and discussions. The findings are presented in Section 4, and Section 5 presents the discussion and concluding remarks.

## 2. Theoretical Section

There have been several calls for better understanding of the general investment process (Freeney *et al.*, 1999; Haines *et al.*, 2003) and calls to investigate specific parts of such investment processes in greater depth (Sapienza and Villanueva, 2007; Paul *et al.*, 2007). This is sought by business angels (Sapienza and Villanueva, 2007; Sohl, 2012; Landström and Mason, 2016) as well as other types of capital providers, such as corporate venture capital (CVC) (Rossi *et al.*, 2016) and venture capital (Fried and Hisrich, 1994; De Carvalho *et al.*, 2016). There are multiple articulations of the number of phases undergone in an investment process (cf. Amatucci and Sohl, 2004). Following Paul *et al.*'s (2007) model of the business angel investment process, this article focusses specifically on the familiarisation stage and the screening stage of such an investment process. Figure 1 depicts the five phases this study follows. The first phase of our study, 'identification interviews', relates to Paul *et al.*'s (2007) 'communities of practices' and 'investment objectives' where the business angels obtain an initial understanding of the investment opportunity. The second phase, 'preparing the entrepreneurs', relates to the 'familiarisation' stage, where the entrepreneurs prepare to meet the investors. The 'investment meeting' phase is directly translated from the 'meeting the entrepreneur' stage in Paul *et al.*'s (2007) framework. The final phase, the 'feedback round', relates to the 'screening' stage, where the business angels evaluate the investment opportunities. This study does not engage in the detailed screening or negotiation stages that are present in Paul *et al.*'s (2007) framework, as it is beyond our scope. However, we do report whether the entrepreneur obtained an investment or not.

INSERT FIGURE 1 ABOUT HERE

Figure 1 – Phases of the studied investment processes.

### **Information and Communication Challenges in Investment Settings**

Business angels are already an important source of financial capital for seed and early stage companies, and their importance is on the rise. However, the communication and information environment between entrepreneurs and business angels is a challenging one (Clark, 2008). The business angels are, to a large extent, concerned about the high search costs of finding good investment opportunities (Mason and Harrison, 2002) and argue that they lack adequate qualified possibilities (Van Osnabrugge and Robinson, 2000; Mason and Harrison, 2002). Among the reasons for this could be aspects of communication and information. Business angels normally have previous business experience and rely on this to evaluate and understand new investment opportunities (Mason and Rogers, 1997, Mason and Stark, 2004). The different backgrounds and experiences mean that business angels have different sets of knowledge they use to evaluate investment proposals. This means that 'the right information' for a business angel is difficult to define.

Previous studies have identified that the primary challenge for business angels in an investment process relates to the lack of investment readiness of the entrepreneurial venture and the credibility of the entrepreneurs (Fiet, 1995; Maxwell and Lévesque, 2010). The lack of credibility is found to affect the decision-making process from initial contact to the potential final negotiation (Mason and Rogers, 1997; Freeney *et al.*, 1999). Fiet (1995) addressed this investment readiness and credibility problem and suggested that one of the problems is that the business angels rely solely on the entrepreneurs' information set and communication to judge the investment (Fiet, 1995). The entrepreneur's ability to create understandable information and communication may be willingly or unwillingly for him/her the primary critical factor in the business angels' decision-making. The notion of what is 'the right information' and communication is ambiguous. Studies that have investigated which information business angels expect (Harrison *et al.*, 2015; Huang and Pearce, 2015) often result in information such as financing, liquidity and budget figures, market information, and the background of the entrepreneur/entrepreneurial team being the most important. However, information such as financial projections is difficult to produce for new and recently started companies, as no historical data exists. Furthermore, Mullins *et al.* (2002) identified that the ability to present the information has significant implications when entrepreneurs seek capital. Business angels have also been attributed high importance to subjective factors such as 'gut feelings' (Mason and Rogers, 1997; Van Osnabrugge and Robinson, 2000) making the notion of the 'right' information even more blurry.

The business plan has long been thought of as the main information vehicle between entrepreneurs and business angels (Karlsson and Honig, 2009). However, studies have shown that the business plan has become more of a symbolic exercise performed to please other stakeholders (Delmar and Shane, 2004), such as the bank, lawyers, and auditors.

Still, other studies have shown that investors often base their judgement on the first few pages of a business plan (Zacharakis and Shepherd, 2001). The lack of usefulness in writing an entire business plan has led to recommendations of adopting tools specific to the given situation (Karlsson and Honig, 2009). Unfortunately, studies have not determined or recommended a useful tool or frame for the situation in which an entrepreneur would approach a business angel. In other words, current research identifies a gap but does not offer much in the way of ‘gap-closers’. Hence, the literature raises the questions of what the right information is and how entrepreneurs can convey this to business angels to ensure an understanding.

### **Challenges of Communication**

While much attention has been given to the material information that business angels receive, such as business plans (Mason and Stark, 2004), other studies have argued that the material information is only a small part of the mosaic and have investigated more intangible elements, such as the social capital of the investor and entrepreneur (Sørheim, 2003) and especially the way the information is communicated to be essential (Cornelissen *et al.*, 2012). The importance of mutual understanding between the investor and investee, whether it regards material or intangible elements, has been considerably emphasised (Sørheim, 2003, Hsu *et al.*, 2014). Furthermore, other studies argue that facilitation is needed to mitigate the communication process during the investment process (Mason and Harrison, 2004).

However, the entrepreneur must first make sense of the company in his or her own terms and must be able to convey this understanding to others (Gartneret *et al.*, 1992). Thus, the entrepreneur creates parallels between domains of knowledge, expanding his/her own knowledge and becoming familiar with new fields (Cornelissen, 2005). This means that the entrepreneur is not only faced with the challenge of creating his or her own understanding of the business. The challenge emphasises the importance of enhancing the entrepreneurs’ communication skills to be able to formulate this understanding but must also expand this understanding towards what others need to know before it is possible to communicate with that counterpart.

The challenge for the entrepreneur is to make the unfamiliar familiar by framing the idea or company in terms, metaphors, or analogies that make the idea or project understandable (Lounsbury and Glynn, 2001, Maxwell and Lévesque, 2010). This articulation from the entrepreneur is often a challenging task, as the entrepreneur addresses many different stakeholders such as employees, partners, customers, banks, and investors, all with different prerequisites of understanding. The task will often be the most difficult when addressing external stakeholders with no or little prior knowledge of the entrepreneur or company (Cornelissen *et al.*, 2012). Hence, the frame must be adjusted to the stakeholder being addressed (Maxwell and Lévesque, 2010; O’Niel and Ucbasaran, 2016).

The utilisation of frames is often crucial in transferring understanding or sense to external parties. In creating a shared understanding (Lounsbury and Glynn, 2001; Cornelissen *et al.*, 2012) or assistance, the entrepreneurs obtain abilities to communicate with stakeholders (McAuley, 2013). This could explain why existing matchmakers and facilitators in the venture capital and business angel market often construct frames or templates for the presentations between investors and investees (Sohl, 2012). These templates are often constructed to assist the entrepreneur in conveying an understanding in a structured way, but they are not always found to improve communication, hence leaving a research gap in investigating whether the communication of entrepreneurs can be improved through the help of frameworks in investment situations with business angels.

### **Business Models**

One way of framing metaphors of doing business is through the notion of business models. Recently, Lund (2014) discussed the use of business models as analogies for innovating businesses. Similarly, Carlson and Wilmot (2006) identified in their book how capabilities such as customer focus, shared language, and value creation processes in enterprises will assist the companies in enhancing the value to customers. Already in 2003, Bukh argued that the business model was a useful frame for aligning communication in a reporting context. In a later contribution, Nielsen and Bukh (2013) illustrate how business models become frames for communication between companies and investors. Magretta argues that business models are ‘stories that explain how enterprises work’ (2002, p. 4), and according to Zott *et al.* (2011), the power of business models lies in the emphasis on a holistic approach regarding how firms ‘do business’ and explains that understanding firms’ activity systems are important in the conceptualisation of the business model. As such, business models are typically focussed on explaining value creation and value capture. The ability to

communicate value is especially necessary for entrepreneurs to advance their endeavours, according to Gilmore *et al.* (2013). In line with the possible decaying role of business plans (Karlsson and Honig, 2009), the business model has the opportunity of becoming what the next generation of entrepreneurs will use (Magretta, 2002), in accordance with the key elements found by Carlson and Wilmot (2006).

Business models encompass many different directions and definitions. However, one concept has gained immense popularity, especially in entrepreneurship circles, and that is the business model canvas (Osterwalder and Pigneur, 2010). This framework has been found to offer entrepreneurs an enhanced understanding of the company's value creation and delivery with the notion of *value propositions* at the very centre of the business model analysis. The objective of using the business model canvas and its structure of nine building blocks is to provide the user with a clear understanding of the company's uniqueness. This objective of the business model canvas is what makes it a potentially helpful tool to entrepreneurs in their communication (e.g., with business angels). Furthermore, because the framework is widely recognised, chances are that potential investors are also knowledgeable about it. While the business model canvas has been used to frame business model innovation processes (Lund and Nielsen, 2014) and other business design processes, to date we have found no empirical evidence of investment processes where the business model canvas has been used as a mediating and facilitating model.

### 3. Method

This paper addresses the articulated research question by adopting a qualitative approach using case studies. Eisenhardt and Graebner (2007) argued that case studies are particularly suitable when investigating theories in new contexts to provide insight and potentially enrich theory with new cases. This reasoning is in line with the aim of the paper to investigate cases, make comparisons across cases to recognise and evaluate relationships among constructs, and hence provide new insight (Yin 1994; Eisenhardt and Graebner, 2007). The data collection follows the investment process structure as described in Section 2 above, including the utilisation of business models because it has shown the potential to structure relevant information to stakeholders (Bukh, 2003). Figure 2 below illustrates the applied data collection methods across the four phases of the investment process we study. As is evident, the data collection was performed in several ways, ranging from 27 semi-structured interviews with individuals to participative observation of 13 investment processes.

INSERT FIGURE 2 AROUND HERE

Figure 2 – Phases and methods applied during the investment process.

#### Interviews

The respondents in Phase 1 were identified using a snowball sampling method (Berg and Lune, 2012), which is often used in investment research, as the investors and entrepreneurs are difficult to identify and contact. This led to the 27 interviews—11 with key agents in the investment environment, such as capital mediators and government programme representatives, and 16 with business angels. Tables 1 and 2 illustrate the characteristics of the interviewed business angel respondents.

The interviews with the agents in the investment environment and the business angels used a semi-structured approach with a prepared interview guide. However, the interview sessions were allowed to follow interesting and relevant topics (Kvale, 1996; Kreiner and Mouritsen, 2005). During the interviews, focus was placed on asking for examples to support the answers. This was done to acquire practical and not representative answers, following the work of Czarniawska (2001). The main topics were regarding 1) the background of the respondent, 2) addressing the investment process and the challenges during an investment process, 3) the most important parts and information in the decision-making process, and finally, 4) general thoughts on the investment field. Each topic was covered during the interview but not necessarily in the described order, as the importance was to investigate the respondents' understanding of the investment process. In the interviews, both respondent groups focussed on gaining a detailed understanding of the business angels and the environment within which they operate as well as their expectations towards communication and information during the investment process.

INSERT TABLE 1 AROUND HERE

*Table 1 – Business angels' characteristics.*

INSERT TABLE 2 AROUND HERE

*Table 2 – Business angels' characteristics.*



INSERT TABLE 3 AROUND HERE

*Table 3 – Key agents (initials, length and organisation (a, b, etc., for different organisations)).*

### **Preparing the Entrepreneurs**

Initially, 20 entrepreneurs were taken into the preparation phase. These entrepreneurs were sampled in a convenient manner from local business councils that had contact with entrepreneurs who needed capital in a suitable size for a business angel to step in. However, during the initial meetings, six identified cases were found to be unsuitable either because they were not ready for business angel capital or lacked an idea that represented a viable business opportunity. The remaining 13 companies were used as cases for this study. In this preparation phase, these 13 companies were assisted to the degree they themselves deemed necessary before meeting the business angels. All of them had an initial meeting with the research team, and while some companies only received help in setting up meetings with business angels, others were assisted in enhancing their presentation towards the business angels. All the entrepreneurs were given the option of receiving assistance in preparing for the investment process using the business model canvas. Most of the entrepreneurs had heard of the business model canvas before, but none of them had already thought of incorporating it into their presentations and investment process or asked specifically for help with business models in the preparation phase. Assistance was given to the entrepreneurs who accepted help from the first contact, and also to those who would ask for help during the process.

In accordance with the above, the entrepreneurs were divided into two groups: 1) one group that did not receive any preparation assistance, and 2) a group that was supported by discussions about presenting the venture through the business model canvas. In other words, some entrepreneurs were confident in their own skills, whereas others were open to receive help in the way of the business model canvas. Table 4 shows the 13 investment cases and indicates whether the company received presentation help from the researchers or not. Furthermore, the table indicates whether they obtained financing because of the investment process.

The business model canvas was used to structure the information and communication of the entrepreneurs. The entrepreneurs typically turned up to a workshop with a ready information set and a PowerPoint presentation to pitch. At the workshop, at least one researcher with experience with both the business model canvas and investment processes would assist the entrepreneur providing inputs and feedback, in turn creating an iterative process during the workshop. We applied the business model canvas as a checklist to determine and discuss whether the information from the entrepreneur was complete regarding notions of value creation, value capture, and value delivery (as found in Osterwalder and Pigneur, 2010). Next, we used the business model canvas to form arguments about the key value drivers of the venture, for example, in the form of the most vital connections between building blocks. This was performed by introducing the entrepreneurs to the business model canvas and, if desired, a workshop session on applying the business model canvas to their company was offered. The important aspect was to teach the entrepreneurs to use the vocabulary and value thinking from the framework. This was an iterative process until the entrepreneur felt adequate in the use of the business model canvas and the key aspects of the frame and value proposition line of thought. In the end, this led to revised information sets and presentations.

The process described above between the researchers and the entrepreneurs was observed, and the researchers made ‘running notes’ of the events with both observations and potential interpretations, following the guidelines of Van Maanen (1988) and Eisenhardt (1989). These interpretations are important, as they complement the observations (Eisenhardt, 1989) with ideas about whether the observations would be actual practices or representative actions (Czarniawska, 2001).

INSERT TABLE 4 AROUND HERE

*Table 4 – Investment process cases.*

### **Investment Meetings**

The investment meetings were all voice recorded or video recorded, depending on the opinions of the participants about such documentation practices. The business angels were invited according to their interest in the industry within which the entrepreneurs were operating or planned to operate. This would ensure a preliminary fit and interest between the investor and investee, as found in normal investment network contexts (e.g., Mason and Botelho, 2016). In this way, each investment meeting had between one and five business angels and one to three entrepreneurs presenting at each meeting. This allowed the researchers to get the perspectives of different actors and not just that of a one-to-one setting.

The investment meetings start with an initial introduction to participants in the room, typically taking 5-10 minutes, and the presentation by the entrepreneur, typically taking around 20 minutes, followed by approximately an hour of discussing the venture as an investment case primarily driven by the business angels' curiosity and questioning. A facilitator<sup>1</sup> mediated the session as necessary with the intention of minimal interference of the process. The intention was to create a discussion around the company and the entrepreneurs as a business opportunity and the potential business case. However, considering that some of the participating business angels and entrepreneurs would have been introduced to the business model canvas in advance and some not, this would allow the researchers to observe differences in attitudes and discussions among the attendees.

As with the preparation process, the investment meetings were documented with 'running notes' in addition to the recording. For example, the entrepreneurs sometimes expressed that they knew what the facilitator was talking about concerning the business model canvas, but when explaining it themselves, they failed to use the vocabulary and mindset from the framework. Such an instance would be noted, as the entrepreneur did not yet have the right practices or understanding, even though the initial observation may have indicated otherwise. Furthermore, following each investment meeting, the researchers made notes of the most important or noticeable findings that occurred during the session (Eisenhardt, 1989). The researchers observed and noted as much as possible, but it was a priority not to disturb the sessions with these actions (Berg and Lune, 2012).

### **Feedback Phase**

After each meeting, the researchers contacted the business angels and entrepreneurs separately for general feedback and to confirm observations from the sessions. This follow-up feedback would also allow the business angels and entrepreneurs to reflect on the process and the data, enriching the dataset around the investment process analysis. This was documented using 'running notes'. Furthermore, the feedback and follow-up session was used to investigate whether the entrepreneurs had received an investment by the business angels.

### **Analysing the Data**

#### *Interviews*

The recording of all the interviews and investment meetings meant that these could be transcribed so they could be navigated and analysed (Berg and Lune, 2012). The analysis of the interviews was commenced with an open mind of letting the data speak to the researchers (Suddaby, 2006). This was done to identify the challenges emerging from the data without predetermination from the theories in the investment literature. This was initialised with open coding (Locke, 2001) and led to the initial categorisation of the data (Van Maanen, 1979) relevant to the research question. These categories formed into more common nodes (Van Maanen, 1979), which was a continuous process until themes started to emerge within which the categories and data would fit (Locke, 2001). The final themes ended up being understandability, information, and communication, and they include most of the relevant data.

#### *Observations*

These themes are used to analyse the preparation phase and investment meeting phase to identify relationships (Locke, 2001). The approach was to formulate plausible understandings and patterns of the observed phenomena within the themes. However, not only were the consistent patterns brought into the analysis, the unexpected, or non-equivalent,

<sup>1</sup> The facilitator was a researcher with competences and experiences within both facilitating business model workshops as well as investment processes. The facilitator was likewise present during the preparation meetings with the entrepreneurs. On some occasions an additional researcher was present, but the main facilitator was always present.

patterns were also explored (Yin, 1994). The observations were clustered according to the three themes derived from previous theoretical findings and patterns among the interview data. The observations made during the process and especially during the investment meetings were then assigned subjective ratings low/medium/high as perceived by the researchers. Furthermore, the feedback phase was utilised to verify the findings from the investment meetings and to verify the subjective understanding the researcher experienced during the meetings. The patterns were both examined within the different groups of cases and across the cases in the effort to find plausible explanations regarding the research question. This analysis of patterns was performed to 'flesh out' the theoretical skeleton as much as possible (Laughlin, 2004). This was an iterative process, going from existing theory to the empirical data following the lines of Eisenhardt (1989) and continued until an explanation developed fitting both the data and the existing literature. This process was repeated until the research question was addressed satisfactorily.

#### **4. Empirical Findings**

##### **Interviews**

The first part of the study aimed to construct a general understanding of the business angel investment environment in Northern Jutland, Denmark. This was attained through interviews with 11 key agents related to the investment environment as well as 16 business angels. The group, namely the 11 key agents, were selected to provide different perspectives on the investment process. The interviews provided insight about how the business angels often felt misunderstood and not addressed correctly when entrepreneurs approached them. One interviewee stated, 'They [business angels] often read the first page or two of the business plan, and if they do not understand it, they will throw it away'. This quote illustrates the importance of the entrepreneur's ability to make an idea or product understandable to the investors. Similar to this statement, many respondents emphasised the nature of business angels as private persons with an industrial and/or entrepreneurial background who normally do not invest in a business case they do not understand, no matter how high the expected yields might be. These 11 interviews highlighted the following major challenges for the entrepreneurs: 1) the story needs to be compelling and understandable, 2) communicating with business angels is different than communicating with other stakeholders such as banks, 3) the market knowledge and market projections need to be validated, and 4) presentation skills are important.

The second group of interviews with 16 business angels illustrated interesting similarities regarding which information was perceived as the most important and what the main challenges were when receiving information from entrepreneurs. In general, the business angels wanted the opportunities to be introduced as business cases. As one business angel explained: 'I want to get the whole picture of the company. [...] I do not understand the potential of a business opportunity just from understanding the product. Don't get me wrong; the product is the key, but the business case is what makes it come together'. This confirmed the problems identified by other key agents above.

In addition to the four challenges identified by the stakeholder group, timing and trust were added as important aspects. Timing concerned whether the business opportunity was too late or too early for the market. These interviews also indicated that the communicative abilities of the entrepreneurs were the primary trust builder in the investment process. The business angels generally desired to see the investment opportunity and company presented as a whole. However, they emphasised that this was not equivalent to a 100-page business plan, but rather a brief overview illustrating the main value drivers of the potential business opportunity. As one business angel stated: 'I don't want to look through several hundred pages of information. It is okay if it is there, but I want it explained within one or two pages.' This overview of the company would include information about customers, markets, and the key numbers of the investment opportunity. Hence, the interviews showed that business angels and key agents had similar concerns regarding the challenges of interaction between business angels and entrepreneurs. The primary concerns related to the way the entrepreneurs communicated with the business angels, and their lack of ability to make themselves understandable and present the right information.

##### *Preparation phase*

The preparation process of the entrepreneurs provided insight into how they attempted to make their potential business cases understandable and into which frames and tools they applied to achieve this result. Even though the entrepreneurs often had a presentation template from a venture capital association or associated business network at their disposal, they generally spent a lot of time talking about the technical abilities of their products rather than the business case,

even though both were equal headlines in such templates. Even though the templates helped the entrepreneurs in structuring their communication, our study demonstrates that they overemphasised their knowledge about the product and technical aspects, rather than the business case. Several of them reasoned that they simply felt more comfortable with the technical data. The entrepreneurs with no templates sometimes did not even include headlines like ‘business case’, ‘market projections’, or similar information, showing that the templates did have at least some sort of market-orientation effect.

This seeming lack of alignment between the entrepreneurs’ current information provisions and the desires of the business angels inspired the introduction of the business model canvas to those entrepreneurs who asked for assistance in preparing for the meeting e.g. with the presentation or information required.. Hence, the research team could observe the introduction processes of the entrepreneurs to business models in general and the business model canvas more specifically. The entrepreneurs generally showed a quick understanding of the basic notions behind the business model canvas, and some were slightly acquainted with the business model canvas in advance as the following quotation illustrates. Entrepreneur (Case 5): ‘Well I have heard about that tool (business model canvas), but I have never thought of using it to get money (achieve an investment)’.

One aspect that was observed during this process was that the entrepreneurs quickly prescribed to the business model canvas mindset of thinking about value propositions, value creation, value delivery, and value extraction instead of focussing only on the product. This value-based mindset prompted more frequent and rigorous discussions of the venture as a business case instead of a product, service, or technical understanding. We found this to be in line with the desires of the business angels. The entrepreneurs generally liked the intuitiveness of the business model canvas. As one entrepreneur proclaimed during a session (Case 1): ‘Of course! This is where my value is, this is where my product make[s] sense to the customers and why the business is marketable’. Even though the entrepreneurs still tended to use the word ‘product’, we found that they began to apply it in a more general notion and spoke more often about the value of the product characteristics instead of discussing the technical features.

However, the introduction of the business model canvas was not a success for all entrepreneurs, as some struggled to understand and adapt the notion of the value propositions it instigates. While most entrepreneurs found the canvas to be intuitive, for some, it was a struggle to alter their technological mindset. One entrepreneur (Case 9) stated, ‘The value of my company is the product and its features. [...] I do not understand what else would consist of value in my company’. The problem was that this entrepreneur could not see himself as an asset in the company or what the product did for the customer. This difficulty understanding the value concept eventually prevented some of our entrepreneurs from adopting the frame.

### *Investment meetings*

The investment meetings between the entrepreneurs and the potential investors provided several characteristic observations. First, the facilitators regularly had to mitigate the different interpretations between the business angels and the entrepreneurs, illustrating the ‘communication’ aspect. Second, the ‘understandability’ challenge was often identified by the number of questions and time spent on the discussions needed to create a common understanding. Finally, the ‘information’ aspect concerns the types of information that were presented and most frequently used by the entrepreneurs during the investment meetings. These findings can be found summarised in Tables 5 and 6. The tables illustrate how the cases of investment processes in Table 5 (business model frame introduced) were assessed lower in all aspects compared to the cases in Table 6 (business model frame introduced).

The difficulties regarding understandability were showcased in Case 4 (see Table 5). In this case, the entrepreneur was talking vividly about product features and components. One business angel then asked about the reasoning behind the inclusion of a few specific components and how they improved the value of the product towards the customers. The entrepreneur replied: ‘I can’t see why you ask how the components add value to customers, they are parts of the design we have chosen’. The entrepreneur did not comprehend that the business angel wanted to understand how the distinctive features or components offered value to the customers and if other designs could be more value-added to customers. Instances of lacking understandability between the parties were observed more frequently during the investment meetings in which the business model canvas had not been introduced. This further affected the communication during the meetings, as those meetings between business angels and the entrepreneurs who used the business model canvas frame showed less need for a facilitator. The communication tended to flow more naturally, even

though no patterns were found among the use of the business model canvas in the presentations e.g. presentation order according to the building blocks. The facilitators had to mitigate less, and most of the time they sat quietly at the table.

The investment sessions showed an improved understanding through using the business model canvas as a discussion framework in most cases. However, there were a few cases where the framework did not improve the process, and in fact even hampered the process. This occurred in instances when the potential investor and the entrepreneur had different ideas of what the value of the company was. In one instance, the investor identified the value of the case venture in a specific market. This idea of value to the specific market was not understood or supported by the entrepreneur, who was more interested in a different market. The business angel ended the discussion by stating: 'We do not agree on which market is more appropriate and where the value is the highest... and we do not have to.' This difference in where the value of the product could best be exploited drove the investor and entrepreneur apart during the investment session. However the difference in opinion could have occurred with other frameworks, but the value discussion made it clear that the future perception of the company meant the investor and entrepreneur recognised they would not make a good match.

### *Feedback phase*

The feedback from the investors not assisted by the business model canvas frame was often moderate in the evaluation of the entrepreneurs. The investors, as stated in the interviews, often felt the entrepreneurs were not making themselves understandable and lacked the 'greater picture'. The facilitators mitigated some of the problems, but as one investor (Case 4) stated, 'The problem is I do not have a facilitator if I enter the company. He [the entrepreneur] and I need to understand each other from day one'. This illustrates both the understandability and communication problems perceived by the investors and supported by the observations of the researchers. Another indicator of the business angels' negative opinion of the cases not introduced to the business model canvas is illustrated by the fact that none of these cases ended up getting an investment from the business angels. However, Case 3 did obtain financing in the form of a bank loan.

The feedback received from business angels tended to be more positive in relation to the meetings with the entrepreneurs who adopted the business model canvas. The business angels were overall more positive about the presentations, and they highlighted that they felt they could have more in-depth conversations with the entrepreneurs during and after the meeting compared to the instances where the business model canvas was not applied. One business angel (Case 5) stated, 'It was really nice... As such I am not sure I understand the product 100%, but I understand the business case and the value of the product, which makes it an interesting opportunity for me'. The quotation is a good illustration of many of the statements from the business angels, who agreed that they more often understood the business case, even though they did not always understand the specific details of the product. Tables 5 and 6 summarise the findings of each case according to the three parameters of communication, understandability, and information. Table 5 includes the findings of the cases not using the business model canvas, while Table 6 includes the findings of the cases using it. Furthermore, the tables illustrate the differences between the two groups of ventures.

### *Summarising the empirical findings*

The tables summarise the findings from all cases with the in-depth examples and explanations given above. The tables show how the investment cases in Table 5 where the framework was not introduced often had more difficulties along the notions of communication, understandability, and information in comparison to the cases in Table 6. In most of the cases in Table 5, frequent communication issues were present, leading to misunderstanding between the entrepreneurs and investors and forcing the facilitator to help the process along. Furthermore, most information given from the entrepreneurs without the framework led to mostly technical information being presented, which was often inadequate in the holistic business case perspective desired by the business angels.

## INSERT TABLE 5 AROUND HERE

*Table 5 – Observing investment sessions with no business model frame introduced.*

The investment cases introduced via the business model canvas framework facilitated a better ability to communicate and create understanding without the help of a facilitator, as is evident in Table 6. Likewise, the cases displayed a higher degree of relevant information provided to the business angels.

INSERT TABLE 6 AROUND HERE

*Table 6 – Observing investment sessions with the business model frame introduced.*

## **5. Discussion and Concluding Remarks**

The empirical evidence in this study confirms some of the challenges found throughout the literature concerning investment processes where business angels are involved, particularly regarding the ability of entrepreneurs in making their project or idea understandable to investors. This section discusses the implications of using the business model canvas as a frame of reference in this setting.

According to Sohl (2012), entrepreneurs would benefit from an improved understanding of business angels' information requirements. This is supported by literature emphasising that creating understandability is the key performance point for the entrepreneur in an investment process (Lounsbury and Glynn, 2001; Maxwell and Lévesque 2010). Our findings confirm that, for business angels, information about the business case and value propositions, and providing a general overview of the venture's value drivers are crucial to them. Our findings furthermore indicate that understandability of business opportunities combines elements of intangibility (Sørheim, 2003; Hsu *et al.* 2014) and materiality (Mason and Stark; 2004; Harrison *et al.*, 2015) and lies in the combination these two dimensions.

Following several studies outside of the present context that emphasise the advantage of a common framework in enhancing communication between stakeholders (Navis and Glynn, 2011; Cornelissen *et al.*, 2012; McAuley, 2013; Huang and Pearce; 2015), this study introduces a business model canvas frame to the investment processes. In observing the entrepreneurs during the preparation phase, we found most of them to have identified a standard frame or procedure to structure their communication and information. Often, they had obtained this frame from matchmaking agencies or similar organisations, although at times it was constructed entirely by themselves. The entrepreneurs solely using these frames or procedures showed the same inadequate communication and information processing when making presentations for business angels, as is found in the literature (Huang and Pearce, 2015). Like similar studies in this direction (Karlsson and Honig, 2009), we confirm that a superficial introduction or familiarity with any given frame, such as a business plan or predefined headline presentation, is not sufficient to ensure correct communication and information for the business angels.

The communication of the entrepreneurs is often limited by them being at the edge of their knowledge, as articulated by Hill and Levenhagen (1995). Besides being forced, in many instances, into communicating outside of their core expertise, they also often must navigate multiple stakeholder groups (Lounsbury and Glynn, 2001; Cornelissen *et al.*, 2012). This study contributes by illustrating how the entrepreneurs often use technical information rather than business cases and the customer/market information desired by the business angels. Following the preparations of entrepreneurs in presenting their venture, this study supports previous findings showing that the business plan is not sufficient (Karlsson and Honig, 2009) in conveying and facilitating investment processes.

Following the workshops where the business model canvas framework was introduced to the entrepreneurs, it was observed that the information provided by the entrepreneurs moved away from a technical point of view and into a value-based perspective. The adoption of the business model canvas framework showed potential, as the entrepreneurs demonstrated the ability to make sense using the tool, vocabulary, and thinking introduced in it to a much greater extent. This demonstrates the applicability of the business model canvas in assisting with understanding value. This contributes to the findings that a framework has the potential to change the information the entrepreneurs produce (Karlsson and Honig, 2009) and produce information and mutual understanding towards stakeholders (O'Neil and Ucbasaran, 2016).

The investment meetings where the entrepreneurs had declined to apply the business model canvas as a frame illustrated a series of issues. In some cases, the entrepreneurs communicated a lot of the information that was desired by the business angels, but often this information was communicated poorly. These cases showed that if the business angels could not understand the information, then they tended to be very sceptical towards the business case. While previous studies have been concerned with what 'the right information' is (Mason and Rogers, 1997; Mason and Stark, 2004), our results underline that merely knowing the right information is not sufficient. Rather, in conjunction with the suggestions by Bukh (2003), the information must be conveyed in an understandable way. Otherwise the right information is irrelevant because the business angels will not appreciate it.

The observations during the investment processes between the entrepreneurs and business angels showed that the need for mitigation by the facilitator was reduced when using the business model canvas framework. This indicates that the information given was more fluently converted into meaningful communication by the entrepreneurs and created the understanding desired by the business angels, further improving the mutual communication between the parties. This confirms the thoughts of Cornelissen *et al.* (2012), who stated that new arguments may be identified when new parallels are made between domains of knowledge and a familiarisation has taken place. Most investment processes in which entrepreneurs were introduced to the business model canvas displayed these indications.

Evidence of the more positive attitudes from the business angels towards those entrepreneurial business cases that adopted the business model canvas was found both in the feedback from the business angels and the hard evidence of actual capital investments obtained by the entrepreneurs. The entrepreneurs that did not adopt the business model canvas generally received poorer feedback and only one case obtained financing (from a bank). In contrast, the entrepreneurs adopting the business model canvas generally received positive feedback, and four out of seven cases received investments from the business angels. In addition to these, one additional case received an investment from other funding sources because of the preparation done in this project. One explanation of this could be that, by adopting the mindset of the business model canvas frame to improve the information structure and communication, there is an additional effect of creating positive perceptions of the entrepreneur as someone with business knowledge, which in turn improves the investment willingness of business angels (Huang and Pearce, 2015).

The study also contributes to business model theory by illustrating how the business model canvas can be applied in different entrepreneurial contexts as proposed by Oyedele (2016). Bukh (2003) identified business models as potentially potent communication platforms, and the present study contributes to both statements by illustrating the business model canvas as an effective approach in the contextual setting of entrepreneurs and business angels who engage in investment processes. Furthermore, elaborating on Carlson and Wilmot (2006) regarding how the notions of customer focus, shared language, and value creation are key ingredients in a successful business endeavour. The study likewise exposes some limitations regarding the theory, namely, that when the investors and entrepreneurs have different opinions of the value proposition, it can obstruct further constructive discussion unless some agreement is reached, which did not always occur during our empirical sampling.

This paper develops important considerations for how entrepreneurs can improve the marketing of their business opportunity in an investment process through the application of the business model canvas as a mitigating framework between entrepreneurs and business angels. The results have important implications for the managers of entrepreneurial ventures looking for capital. We illustrate that the business model canvas has the potential to improve communication, information, and understandability of investment cases because it forces the entrepreneurs away from technical details and toward thinking in terms of value propositions. Hence, applying it as a platform for discussion solves a series of problems readily identified throughout the literature on investment processes. Our results show a clear improvement of the observed parameters. Furthermore, positive feedback from business angels was vastly higher, and there was a clear pattern in the number of investments achieved when the entrepreneurs adopted the business model canvas. This indicates that the business model canvas has the potential both for practitioners and further theoretical investigation. Our results are also indicative of the importance for managers in accepting external help with the formulation of their investor pitches, presentations, and business plans. Our results here thus have important implications for how the entrepreneurs should prepare for meeting investors. In addition, this paper illustrates how investor matchmakers can make use of the business model canvas in facilitating the discussions between entrepreneurs and investors.

The results of the paper illustrating how the business model canvas can be a tool to improve understandability and communication from entrepreneurs towards external stakeholders should likewise be related to the context of improving

future entrepreneurs. Higher education institutions should consider using the business model canvas as part of their curriculum to help the next generations of entrepreneurs improve their communication to potential investors as this “new language” potentially will increase their chances of building a successful growth company. How best to teach and implement such an approach should be a topic for further research.

Lastly, there are potential limitations to these conclusions. The findings from the empirical evidence simultaneously show that the notion of value in the business model canvas is problematic to some entrepreneurs. The entrepreneurs received a brief introduction to the canvas, and afterwards most could intuitively use the framework themselves. However, some needed further direction in the use of the canvas, and some never came to terms with the value concept offered. When the entrepreneurs could not understand the value concept, the business model canvas frame utilising it would be futile, as the value concept is the key notion. Further, for the entrepreneurs who did not understand the concept of value, the framework did not improve and even worsened, in some cases, their ability to make themselves understandable, demonstrating that the business model canvas frame is not a ‘one-solution-fits-all’, but an approach that helped many entrepreneurs in the current study. Finally, the usual caution associated with conclusions based on case studies should be noted by the reader.



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## Tables and figures in fixed format

<b>Phase</b>	1	2	3	4
	Identification interview	Preparation of the entrepreneurs	Investment meetings	Feedback round

Figure 1 – Phases of the studied investment processes

<b>Phase</b>	1	2	3	4
	Identification interview	Preparation of the entrepreneurs	Investment meetings	Feedback round
Method applied	Semi-structured interviews	Participative observation	Participative observation	Interview with BA and entrepreneur

Figure 2 – Phases and methods applied during the investment process

Investor	Occupational experience	Investment experience	Competence	Stage of company	Industry
ES	Consultant, CEO (multiple)	Multiple investments, own company	General management, team management	Turn-around	Energy, life-science, environmental, food
KK	Board of directors, CEO in SMEs	Some Investments in turn-around	General management, efficiency improvement	Generational succession, turn-around	Manufacturing
CØ	CFO (multiple)	None	Economy, general management	Established companies	Manufacturing
SK	Own company, positions in the financial sector	Own company, few investments	General management, efficiency improvement	Generational succession, established companies	Software, IT, Apps
AJ	Company broker, positions in the financial sector	Company broker, own company, no external investments	Economy, general management, valuation	Generational succession, established companies	Manufacturing
BP	Consultant, CEO (multiple), board of directors	Few investments, found capital for several SMEs	General management	Established companies	Something tangible/understandable
KS	Fulltime chairman and member of boards of directors	Multiple investments	Internationalising, acquiring funding, general management	Established companies	Technology/IT
TS	Chief of innovation	Multiple corporate investments	Merging companies, efficiency improvement	Established companies	Technology/electronics
JR	Consultant, organisational development in banks	Own company	General management	Newly founded companies	Innovative growth segments
CH	Own company, consultant, board of directors	Multiple investments, own company	General management, business development	Idea stage, newly founded companies	Electronics
JW	Consultant, director of development	Some investments, own company	Product development, product introduction to market	Newly founded companies with a product	IT or electronics
OK	Engineer, CEO (multiple)	Multiple investments, own company	General management	Newly founded companies with a business plan	Software
NJ	Engineer, CEO (multiple)	Some investments, own company	General management focus on newly founded companies	Newly founded companies	Technology (not software)
LK	CEO, Company broker, capital finder	None	General management, acquiring funding	Newly founded companies	Cleantech, environmental, IT
MK	CEO, own company	One investment through internal deal	General management	Newer company with a product	IT / semi-knowledge company
PA	CEO, Consultant, Own company	Some investments, own company	Product development, idea realization, product to market	Newer company pref. With a product at least idea	Technology/apps /IT / electronics

Table 1 – Business angels' characteristics

Investor	Syndication openness	Geography	Involvement	Part in the investment	Capital (mio. DKK)	Owner's share	ROI	Exit-strategy
ES	Already doing with own partners	45 min	High	Director	What is necessary	Majority	Dependent	Dependent
KK	Using venture capital	60 min	High	Director/ board of directors	0,5 - 2	Majority	Factor 2-3	5 years
CØ	Interested	60 min	High	Director	0,5 - 1	A fair share	?	Not important
SK	Searching	90min	High	Director	1 - 10	Majority	Greater than interest rate	Dependent
AJ	Already doing with own partners	Close by	Semi	Board of directors	?	?	10 - 25%	5 years
BP	Interested	None	Semi	Director / board of directors	0,5 - 2	Minority	?	?
KS	Tried and interested	None	Semi	Board of directors	0,5+	Focus on value not share	Dependent	Dependent
TS	Interested	none	Semi	-	0,5 - 5	Majority	Dependent	Dependent
JR	Interested	Denmark	Dependent	Director / board of directors	0,5 - 5	Situational	15 - 25%	?
CH	Already doing with own partners	Denmark	Semi/high	Board of directors	0,3 - 0,5	Situational	25% +	Dependent
JW	Tried and interested	?	Semi/high	Director / board of directors	0,25 - 1	Situational	min. 10 - 20%	Dependent
OK	Always using	Denmark	Semi	Director / board of directors	1 - 1½	Situational	Dependent	None
NJ	Interested	Denmark	Semi/high	Board of directors	0,25 - 0,5	Not relevant	Factor 3-5	3 - 5 years
LK	Interested	Dependent	Semi	Director / board of directors	?	?	?	?
MK	Interested	90 min	High	Director	0,5 - 2	Situational	Less relevant	Dependent
PA	Interested	90min	High	Director / board of directors	0,5 - 2	Situational	Dependent	Dependent

Table 2 – Business angels' characteristics

CM	63:59	Central government organisation
CL	82:41	Venture capital manager (a)
NN	60:01	BA network (a)
JR	79:45	BA network (b)
PF	84:36	BA network (a)
TV	75:18	Business Council and BA network (c)
JV	52:25	CVC investor (a)
UH	57:50	CVC investor (a)
GP	48:07	BA nongovernment organisation
SP	83:15	Venture capital manager
U	67:37	BA network (d)

Table 3 – Key agents (initials, length and organisation (a, b, etc. for different organisation)).

Case	Industry	Invest. Meeting in GC*	Introduced to Business model frame.	BA investment	Other financing / investment
1	Electronics		X	X	
2	Safety equipment	X			
3	Manufacturer				X
4	Electronics	X			
5	Software	X	X	X	
6	Farming equipment	X			
7	Furniture	X			
8	Sports goods		X	X	
9	Medical equipment	X	X		
10	Food vending	X	X		
11	Logistics	X	X	X	
12	Gaming	X	X	X	
13	Logistics	X			

Table 4 – Investment process cases

Case	Industry	Invest. Meeting in GC*	Introduced to Business model frame.	BA investment	Other financing / investment	Observations regarding:		
						Communication	Understand ability	Information
2	Safety equipment	X				Medium - Some mitigation by facilitator	High - little misunderstood questions and information	High - Business case, financial information
3	Manufacturer				X	Low – prospect was not prepared good	Low – never on the same “page” as investor	Low – gave information desired by banks
4	Electronics	X				Medium/high – little intervention by facilitator	Low – major misunderstandings and few times agonised BAs and Ent.s	Medium – Technical knowledge, little business case
6	Farming equipment	X				Low – Facilitator intervening a lot to help explaining	Low – many misunderstandings and a lot time spend explaining certain subjects	Low/medium – Technical information and some financial
7	Furniture	X				Low – not interesting in changing perspectives	Low – never got on the same page as the investor	Medium – had Business plan, but mostly technical information
13	Logistics	X				High – no need for facilitator	Medium – an amount of extra explanation needed	Low – Primary technical and a little financial

*Table 5 – Observing investment sessions with no BM frame introduced*



Case	Industry	Invest. Meeting in GC*	Introduced to Business model frame.	BA investment	Other financing / investment	Observations regarding:		
						Communication	Understand ability	Information
1	Electronics		X		X	High – no facilitation needed	Medium – some clarifications needed	Medium/high – talked about customer perspective but some technical
5	Software	X	X	X		Medium – some facilitation needed	High – few misunderstandings	Medium – business case but too much technical
8	Sports goods		X	X		High – good dialog and no intervention needed	High – agreement among majority of topics	Medium/high – business case some technical
9	Medical equipment	X	X			Low – Facilitation needed several times	Medium – a lot of discussion back and forth about the idea/product	Medium – Primarily non-validated data and technical
10	Food vending	X	X			High – none facilitation needed	High – constructive dialog of key issues with same terms	Medium – Business case, financial but more towards banks
11	Logistics	X	X	X		Medium - clarifying help needed from facilitator	Medium – some topics needed further clarification	High – Business case, financial, market
12	Gaming	X	X	X		Medium – clarifying help needed from facilitator	High – few misunderstandings	Medium – technical, business case, market

Table 6 – Observing investment sessions with BM frame introduced

### Tables and figures in word format:

Phase	1	2	3	4
	Identification interview	Preparation of the entrepreneurs	Investment meetings	Feedback round

Figure 1 – Phases of the studied investment processes

Phase	1	2	3	4
	Identification interview	Preparation of the entrepreneurs	Investment meetings	Feedback round
Method applied	Semi-structured interviews	Participative observation	Participative observation	Interview with BA and entrepreneur

Figure 2 – Phases and methods applied during the investment process

Investor	Occupational experience	Investment experience	Comp
ES	Consultant, CEO (multiple)	Multiple investments, own company	Gener
KK	Board of directors, CEO in SMEs	Some Investments in turn-around	Gener
CØ	CFO (multiple)	None	Econo
SK	Own company, positions in the financial sector	Own company, few investments	Gener
AJ	Company broker, positions in the financial sector	Company broker, own company, no external investments	Econo
BP	Consultant, CEO (multiple), board of directors	Few investments, found capital for several SMEs	Gener
KS	Fulltime chairman and member of boards of directors	Multiple investments	Intern
TS	Chief of innovation	Multiple corporate investments	Merg
JR	Consultant, organisational development in banks	Own company	Gener
CH	Own company, consultant, board of directors	Multiple investments, own company	Gener
JW	Consultant, director of development	Some investments, own company	Produ
OK	Engineer, CEO (multiple)	Multiple investments, own company	Gener
NJ	Engineer, CEO (multiple)	Some investments, own company	Gener
LK	CEO, Company broker, capital finder	None	Gener
MK	CEO, own company	One investment through internal deal	Gener
PA	CEO, Consultant, Own company	Some investments, own company	Produ

Table 1 – Business angels' characteristics

<b>Investor</b>	<b>Syndication openness</b>	<b>Geography</b>	<b>Involvement</b>	<b>Part in the investment</b>	<b>Capital (mio. DKK)</b>	<b>Owner's share</b>	<b>RO</b>
ES	Already doing with own partners	45 min	High	Director	What is necessary	Majority	De
KK	Using venture capital	60 min	High	Director/ board of directors	0,5 - 2	Majority	Fa
CØ	Interested	60 min	High	Director	0,5 - 1	A fair share	?
SK	Searching	90min	High	Director	1 - 10	Majority	Gr int
AJ	Already doing with own partners	Close by	Semi	Board of directors	?	?	10
BP	Interested	None	Semi	Director / board of directors	0,5 - 2	Minority	?
KS	Tried and interested	None	Semi	Board of directors	0,5+	Focus on value not share	De
TS	Interested	none	Semi	-	0,5 - 5	Majority	De
JR	Interested	Denmark	Dependent	Director / board of directors	0,5 - 5	Situational	15
CH	Already doing with own partners	Denmark	Semi/high	Board of directors	0,3 - 0,5	Situational	25
JW	Tried and interested	?	Semi/high	Director / board of directors	0,25 - 1	Situational	m
OK	Always using	Denmark	Semi	Director / board of directors	1 - 1½	Situational	De
NJ	Interested	Denmark	Semi/high	Board of directors	0,25 - 0,5	Not relevant	Fa
LK	Interested	Dependent	Semi	Director / board of directors	?	?	?
MK	Interested	90 min	High	Director	0,5 - 2	Situational	Le
PA	Interested	90min	High	Director / board of directors	0,5 - 2	Situational	De

Table 2 – Business angels' characteristics

CM	63:59	Central government organisation
CL	82:41	Venture capital manager (a)
NN	60:01	BA network (a)
JR	79:45	BA network (b)
PF	84:36	BA network (a)
TV	75:18	Business Council and BA network (c)
JV	52:25	CVC investor (a)
UH	57:50	CVC investor (a)
GP	48:07	BA nongovernment organisation
SP	83:15	Venture capital manager
LJ	67:37	BA network (d)

Table 3 – Key agents (initials, length and organisation (a, b, etc. for different organisation)).

Case	Industry	Invest. Meeting in GC*	Introduced to Business model frame.	BA investment	Other financing / investment
1	Electronics		X	X	
2	Safety equipment	X			
3	Manufacturer				X
4	Electronics	X			
5	Software	X	X	X	
6	Farming equipment	X			
7	Furniture	X			
8	Sports goods		X	X	
9	Medical equipment	X	X		
10	Food vending	X	X		
11	Logistics	X	X	X	
12	Gaming	X	X	X	
13	Logistics	X			

Table 4 – Investment process cases

Case	Industry	Invest. Meeting in GC*	Introduced to Business model frame.	BA investment	Other financing / investment	Observations regarding:		
						Communication	Understand ability	Information
2	Safety equipment	X				Medium - Some mitigation by facilitator	High - little misunderstood questions and information	High - Business case, financial information
3	Manufacturer				X	Low – prospect was not well prepared	Low – never on the same “page” as investor	Low – gave information desired by banks
4	Electronics	X				Medium/high – little intervention by facilitator	Low – major misunderstandings and few times agonised BAs and Ent.s	Medium – Technical knowledge, little business case
6	Farming equipment	X				Low – Facilitator intervening a lot to help explaining	Low – many misunderstandings and a lot time spend explaining certain subjects	Low/medium – Technical information and some financial
7	Furniture	X				Low – not interesting in changing perspectives	Low – never got on the same page as the investor	Medium – had Business plan, but mostly technical information
13	Logistics	X				High – no need for facilitator	Medium – an amount of extra explanation needed	Low – Primary technical and a little financial

Table 5 – Observing investment sessions with no BM frame introduced

Case	Industry	Invest. Meeting in GC*	Introduced to Business model frame.	BA investment	Other financing / investment	Observations regarding:		
						Communication	Understand ability	Information
1	Electronics		X		X	High – no facilitation needed	Medium – some clarifications needed	Medium/high – talked about customer perspective but some technical
5	Software	X	X	X		Medium – some facilitation needed	High – few misunderstandings	Medium – business case but too much technical
8	Sports goods		X	X		High – good dialog and no intervention needed	High – agreement among majority of topics	Medium/high – business case some technical
9	Medical equipment	X	X			Low – Facilitation needed several times	Medium – a lot of discussion back and forth about the idea/product	Medium – Primarily non-validated data and technical
10	Food vending	X	X			High – none facilitation needed	High – constructive dialog of key issues with same terms	Medium – Business case, financial but more towards banks
11	Logistics	X	X	X		Medium - clarifying help needed from facilitator	Medium – some topics needed further clarification	High – Business case, financial, market
12	Gaming	X	X	X		Medium – clarifying help needed from facilitator	High – few misunderstandings	Medium – technical, business case, market

Table 6 – Observing investment sessions with BM frame introduced