ANGEL INVESTOR SYNDICATION: SYNDICATE FORMATION AND NETWORKS IN FINLAND

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ABSTRACT

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Abstract

The purpose of this thesis is to examine the formation of angel investor syndicates in Finland. Angel investors have increasingly started to operate in groups or as a part of a network, changing the angel investment market from previously dominant individual activity to more collaborative activity. These angel networks and groups provide a more visible platform for companies to apply for angel funding and for investors to make syndicated investments. The study aims to contribute to the understanding of the process of how, why, and with whom angel syndicates are formed. This study uses mixed-method research with both qualitative and quantitative data. The data sample consists of quantitative angel investment data between the years 2013-2019 collected by the Finnish Business Angel Network (FiBAN) and qualitative interviews conducted with eight angel investors. The objective of the data collection is to produce information about how angel investors form syndicates and to visually map the basic structure of the angel syndication network. The study's results show that syndicate investing is common among Finnish angel investors. All of the investors see syndication as a way to diversify the risks related to startup investing, make larger total investments, and guarantee possible follow-up funding. Operating in syndicates also improves the quality of how the investments are assessed, given more knowledge is available through multiple investors. The angel investors typically form syndicates in two ways: either the syndicate is formed around the investee company through the formal investment process facilitated by FiBAN, or the angels collate the syndicate themselves from the investors in their network. Entrepreneurs searching for funding could also form syndicates if they bring potential individual investors together. Angels often syndicate with investors whom they have invested with in the past and who they trust. Furthermore, repeated syndications usually form between investors with similar activity and investment focus. The results of the study suggest that syndicate investing has taken its place among Finnish angel investors. However, syndicate formation seems to be rather informal and dependent on the existence of these investor networks that are formed through syndication. The study opens up many possibilities for further research on angel syndication that the current research has not yet exhaustively studied.

Key words
Angel investor, syndication, angel syndicate, syndication network, angel network

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TIIVISTELMÄ

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Tiivistelmä Tämän tutkimuksen tarkoituksena on tutkia enkelisijoittajien syndikaattien eli yhteissijoitusten muodostumista Suomessa. Enkelisijoittajat toimivat yhä enemmän ryhmissä tai osana enkeliverkostoja muuttaen enkelisijoituksen luonteen aiemmasta yksilötoiminnasta kollektiiviseksi aktiviteetiksi. Enkeliryhmät ja verkostot tarjoavat yrityksille näkyvämmän kanavan hakea enkelirahoitusta, ja antavat sijoittajille mahdollisuuden yhteissijoituksiin muiden sijoittajajäsenten kanssa. Tutkimuksen tavoitteena on tuottaa lisää tietoa siitä miten, miksi ja keiden kanssa enkelisijoittajat muodostavat syndikaatteja. Tutkimus toteutettiin monimenetelmätutkimuksena hyödyntäen laadullista ja määrällistä aineistoa. Aineisto koostui Suomen Business Angels Network FiBAN ry:n keräämästä sijoitusdatasta vuosilta 2013–2019 ja kahdeksasta eri sijoittajahaastattelusta. Aineiston keruun tavoitteena oli sekä selvittää enkelisijoittajien näkemyksiä syndikaattien muodostumisprosessista että tuottaa visuaalinen verkostokuva toteutuneiden syndikaattisijoitusten muodostamasta enkelisijoittajaverkostosta. Tutkimuksen tulokset osoittavat, että syndikaattisijoittaminen on yleistä suomalaisten enkelisijoittajien keskuudessa. Kaikki sijoittajat pitävät syndikaattisijoittamista keinona hajauttaa start up -sijoittamiseen liittyvää riskiä, osallistua rahallisesti suurempiin hankkeisiin ja turvata jatkorahoituksen tarve. Lisäksi syndikaattisijoittamisen koettiin parantavan kohteisiin liittyvää arviointia, kun useamman sijoittajan osaamista voitiin hyödyntää sijoituspäätöksenteossa. Enkelisijoittajat muodostavat syndikaatteja tyypillisesti kahdella tavalla: joko rahoitusta tarvitsevien yritysten ympärille FiBAN:in fasilitoiman sijoitusprosessin tuloksena tai itse oma-aloitteisesti omien sijoittajaverkostojensa kautta. Myös rahoitusta etsivien yrittäjien koettiin aktiivisesti muodostavan syndikaatteja keräämällä kiinnostuneet sijoittajat yhteen. Syndikaatteja muodostetaan usein samojen sijoittajien kanssa kuin aikaisemmin ja joihin enkelit luottavat. Toisaalta toistuvat syndikaattisijoitukset edellyttävät, että sijoittajat vastaavat toisiaan aktiivisuudessa ja sijoitusfokuksessa. Tuloksista voidaan päätellä syndikaattisijoittamisen ottaneen paikan enkelisijoittajien keskuudessa, mutta sen voidaan todeta olevan melko epäformaalia ja riippuvainen sijoittajaverkostojen olemassaolosta. Tutkimus avaa monia mahdollisuuksia jatkotutkimuksille enkelisyndikaateista, joita nykyinen tutkimuskirjallisuus ei ole vielä kattavasti tutkinut.	
Asiasanat Enkelisijoittajat, syndikaatti, enkelisijoittaminen, enkelisyndikaatti, sijoittajaverkosto	
Säilytyspaikka Jyväskylän yliopiston kirjasto	

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1 INTRODUCTION

1.1 Background of the study

Equity investments made to unlisted companies provide a crucial source of risk capital for many entrepreneurial ventures aiming for growth. Risk capital is considered a necessary resource for the growth and formation of entrepreneurial ventures, however, the seeking and securing of risk capital is not easy, especially for ventures in the early stages. The market of risk capital consists of three different segments: the public equity market, the professional venture capital market, and the market of informal risk capital (Wetzel, 1983). The market of informal risk capital, also known as angel investment, is estimated to be one of the largest sources of risk capital for many entrepreneurial ventures in their early stages of development (Mason & Harrison, 2000).

Angel investors have been described as wealthy private individuals preferring to keep their anonymity and privacy. The majority of them are former cashed-out entrepreneurs who after their own successful entrepreneurial ventures want to support the success of the next generation. Besides their financial investment, the angels often offer valuable non-financial assistance to their investee companies due to their entrepreneurial backgrounds (Sohl, 1999). Angel investors fill a crucial financing gap for businesses that have exhausted their cash funds received from founders or from family, friends, and fools (FFF) but are yet unable to receive debt financing or fulfill the funding requirements of later-stage equity investors (Mason & Harrison, 2000). However, due to the angel's preference for anonymity and privacy the angel investment market was early on noted by William Wetzel (1983) as inefficient and perhaps misunderstood as it was unable to bring investors and entrepreneurs together. Due to a lack of a common communication channel, the entrepreneurs were discouraged in their pursuit of angel funding, and investors limited in seeking new investment opportunities (Paul & Whittam, 2010).

A change was seen during the 1990s when angel investors in the U.S. started to collectively gravitate towards one another. The first angel organizations were formed around large innovative technology hubs where many entrepreneurial ventures needed funding (May, 2002). These angel organizations did not avoid publicity, challenging the invisibility and inefficiency commonly associated with the angel investment market (Paul & Whittam, 2010). Over time different angel organizations, also known as angel groups, clubs, or networks, have been established around the world to facilitate closer communication between the angels and the rest of the public. Simultaneously, as entrepreneurs have become aware of these angel organizations through which angel investment can be received, the angel investors have better access to new investment opportunities without compromising too much of their preferred privacy as they may function as a part of these groups and networks (Sohl, 2007).

One significant aspect that these angel groups and networks have spurred is the ability for angels to syndicate or co-invest typically with other investor members of the same group or network. Syndication is one of the striking features of venture capital investing where two or more investors share in on an investment deal, typically due to a large capital requirement, which no individual investor is able to match on their own (Brander et al., 2002). For angel investors syndication offers multiple advantages ranging from spreading of risk to the ability to make larger total investments. Furthermore, by working together and by leveraging other investors' networks and investment expertise the angel investors can improve their investment evaluation and better manage their investments due to a larger pool of resources. For companies, angel syndicates have been noted as a greater source of funding and possible follow-up funding as with an angel syndicate multiple investors are around the investee company, possibly saving entrepreneurs from the grueling task of searching new investors every time funding is required (Mason, 2006). Companies funded by angel syndicates have also been reported to perform better in terms of their survival rate, levels of employment, and in their ability to attract other types of funding as well as in achieving successful exits (Kerr et al., 2014).

It has been reported that syndicated angel investments have begun to take over a larger share of the overall angel investment activity (OECD, 2011; Sohl, 2007). According to Mason et al. (2016) the angel investment market has changed from a fragmented and invisible market of private individuals investing in early-stage companies into a market where visible angel groups and networks combine resources and channel their investments into entrepreneurial ventures. This evolution has largely been ignored by scholars (Gregson et al., 2013; Mason et al., 2016).

European Business Angel Network (EBAN) founded in 1999 is an umbrella organization for all the pan-European angel network organizations, including the Finnish Business Angels Network Association (FIBAN). According to EBAN's statistics (2019) the number of active business angel networks in Europe has developed to 404. These angel networks include approximately 34,500 individual investors. The total worth of the early-stage investment market in Europe including venture capitalists that invest in early-stage companies is estimated at 13.22 billion euros. The amount of visible angel investment is around 8.04 billion euros comprising approximately 60% of the total early-stage investment market. Syndication between angel investors has been noted as a growing trend amongst the EBAN member angel networks (EBAN, 2019).

FIBAN currently has 670 approved members and is one of Europe's most active angel networks. According to FiBAN's statistics (2021) 80% of their members have syndicated their investments with other investors. Around half of the syndicated investments were made with other angel investors and around 20% included cross-syndication with a mix of angels and VCs. The network has been active in increasing the number of investments done in investor syndicates (Fiban ry, 2017).

Based on FiBAN's statistics alone it seems clear that syndication is frequent for many angel investors who are members of FiBAN. However, there is no clarity as to how these angel investors make these syndicated investments as the business angel network itself is not a syndicate. Although a few studies into Finnish angel investors have been made during the past decades (e.g. Ali-Yrkkö et al., 2019; Lahti, 2011; Lumme et al., 1998), there is not much information available specifically on the formation of angel investor syndicates. Given that angels are more and more operating in these groups and networks, increasing syndication among angel investors, it should be of importance to try and understand this activity and what it possibly means for our knowledge on angel investors. Hopefully, with this study, useful information can be provided not only for the startups looking for angel funding but for anyone interested in angel and private equity investing.

1.2 Research questions and aim of the study

The objective of this master's thesis is to clarify how angel investors form syndicates in Finland. Majority of the literature on angel investing currently presents angel investing as a solo activity, highlighting the lack of empirical information about syndication in the angel investment context. While Finland's business angel network was only founded a decade ago, the statistics indicate that syndication among angel investors has also become common similar to other countries where angel syndication has been detected. Moreover, to fully capture the context of the angel syndicate formation, this study also focuses on who are the co-investors that the investors tend to syndicate their investments with. With more and more angel investors adopting syndicate investing, the investors have become connected via their joint investments. These syndication networks and their impact on syndication have raised a lot of interest in the VC syndication literature, which leads us to question how the syndication network of angel investors looks like and if it has an effect on how angels form syndicates. Accordingly, this study aims to provide answers to the following questions:

1. How do angels actually form syndicates in Finland?
2. With whom do angel investors tend to syndicate their investments with and why?

The first research question focuses on the process itself that is how angels in Finland form syndicates with other angels. The second research question follows the former by asking who are the investors that the angels form syndicates with, paying attention to the possible motive's angel investors might have in the selection of their syndicate partners. To receive answers to these research questions, literature on angel investing as well as available syndication literature on VCs and angels is reviewed. To understand and examine how angel syndication works with Finnish angel investors, FiBAN was contacted so that data about angel syndication could be received.

The research context in this thesis is on an angel network where angel syndicates are formed around individual investment targets. Each individual is free to make their own investment decision. A syndicate forms from those investors who agree on making a syndicated investment into a company in the same round of funding under the same terms of investment. The quantitative data for the thesis is provided by FiBAN. FiBAN has collected investment data from their members in their annual member surveys between the years 2013-2019. As in any survey the participation has been voluntary, so it cannot be claimed to represent all syndicated investment deals made by Finnish angel investors during this period.

1.3 Structure of the study

This thesis is structured as follows. The first chapter introduces the background of the study and acknowledges the current research gap surrounding angel syndicate formation. The chapter also presents the research question and outlines the scope of the research. The second chapter focuses on reviewing the current literature on angel investing and gives information about the current stage of the angel investment market in Finland. The third chapter concentrates on syndication. Because of the limited amount of literature yet available strictly on angel syndication, syndication is first presented through VC literature where the motives for syndication are introduced, followed by how VCs form these syndicates and how has that shaped a syndication network between VC firms. The chapter then continues to present the available findings specifically on angel groups and networks and angel syndication. In the fourth chapter, the research method of the study including data collection and data analysis methods are introduced. The fifth chapter presents the empirical results based on the qualitative and quantitative data collection and analysis. The chapter also includes quotations from the interviews with the angel investors to support the results of the qualitative data analysis. Chapter six is devoted to discussion on the results as well as their theoretical and practical implications. Furthermore, the chapter also considers the reliability and validity of the study and makes suggestions for further research. Finally, chapter seven concludes and summarizes the most important findings and arguments presented in this thesis.

2 ANGEL INVESTING

This chapter presents literature findings on angel investing, more specifically, who angel investors are, what is the nature of their investment, and how angel investors contribute to their investee companies. In addition, this chapter reviews the current stage of the Finnish angel investment market to provide context for the study.

2.1 Angel investors

Angel investors are private individuals who invest their own money mostly in private companies in their startup or early stages of business development. Angel investment is one of the most used sources for new entrepreneurial ventures (Wong et al., 2009). Mason & Harrison (2008) define an angel investor as "a high net worth individual, acting alone or in a formal or informal syndicate, who invests his or her money directly in an unquoted business in which there is no family connection and who, after making the investment generally takes an active involvement in the business, for example, as an advisor or member of the board of directors"(p. 309). The term "angel" originates from Broadway, where it was used to describe the wealthy individuals who acted as the financial backers of theatrical productions (Morrissette, 2007). The term was later extended to the wealthy private investors backing young businesses (Mason, 2006).

A typical angel investor has found to be a middle-aged male with previous start-up experience and reasonable net income and net worth, investing in one deal per year usually locally close to their home or current location (Landström & Mason, 2016, p. 4). Wong et al. (2009) describe that the angel's wealth is often accumulated through a successful cash-out from their own successful business ventures, however, others are simply wealthy businesspeople. In addition to their entrepreneurial experience, the authors note that angel investors are often well educated and possess either bachelor's or master's degrees.

Angels typically rely on their networks and business contacts to refer potential investment opportunities to them (Landström & Mason, 2016, p. 4). Traditionally, angel investors tend to prefer investments in high-technology or manufacturing where the prospects of financial gains are aligned with their personal interests and experiences (Landström & Mason, 2016, p. 4). Additionally, most angels have been found to invest in ventures in industries already familiar to them because they must evaluate the investment opportunities themselves (Wong et al., 2009). Many angels invest in a portfolio of companies, so not just in one or two ventures (OECD, 2011). Angels can invest either as individuals or collectively with others through many different types of structures (Da Rin & Hellman, 2020, p. 510).

Typical angel investment raised by a company is around 250,000 dollars in the U.S. from three or more investors each angel contributing approximately

25,000-50,000 dollars (Wetzel, 1987). Angel investment is often done as a minority equity investment and the angel investors take an active role in their investee companies in hopes of developing and improving the business so that an exit can be made from the company resulting in significant capital return (Mason et al., 2016). The capital that angels invest is sometimes referred to as "patient money" because the median expected holding period for an angel investment is around five to seven years (Wetzel, 1983).

The fact that angels invest their own money as opposed to someone else's distinguishes them from venture capital investors (VCs) in terms of their investment criteria and decision-making. In comparison to VCs, angels do not have to invest if they don't find an investment opportunity that is appropriate for them. As each angel has the power to choose their investments, each individual angel may have their own idiosyncratic investment criteria (Mason, 2006). Sudek (2006) describes that some investors might make decisions based on gut while others may have the same selected criteria across all screening candidates. However, he emphasizes that most angel investors put considerable focus on the evaluation of the team, the passion and trustworthiness of the entrepreneur, and the existence of an exit strategy from the venture. The assessment carried out by an angel investor hence goes much deeper than of traditional financers, placing a lot of focus on aspects such as the people, growth potential, and prospects (Etula, 2014).

2.2 Nature of angel investment

Van Osnabrugge & Robinson (2000) describe well the nature of angel investment by stating that angel investors invest not only "in the hope of financial returns, but also for the fun of being involved again in the entrepreneurial process"(p. 4). An angel investor makes his capital gain from the harvest, usually when the entrepreneur's successful business venture has either been sold to another company or been listed to the stock market (Mason, 2006). To many angel investors, the non-financial gains are often just as important, such as the fun element of being involved with the entrepreneurial process, the feeling of "giving back" to new entrepreneurs, or creating future employment within their communities (Mason, 2006; Wetzel, 1983).

The investment made by an angel investor is strongly linked with the active involvement of the investor and the non-financial value that the investor can provide for the entrepreneur and their business development. For this reason, many of the angel investors are known as "hands-on" investors (Mason, 2006). These contributions can take a variety of forms ranging from board work to active involvement in day-to-day operations to less formal consulting activities (Landström & Mason, 2016).

Previous research on angel investors also makes classifications between different types of angel investors, usually based on the amount of contact they have with the companies they invest in as they carry out their investor activities.

The most common categorization is the division of angel investors into passive and active investors. Passive investors are investors with no active involvement and active investors are commonly very involved with the company's operational activities (Macht, 2011). Ardichvili et al. (2003) captured the level of angel involvement as a ”continuum of involvement” (Figure 1). The continuum ranges from very passive angels who only provide financial resources to very active angels that contribute a lot of non-financial resources and are an active part of the investee's operational activities.

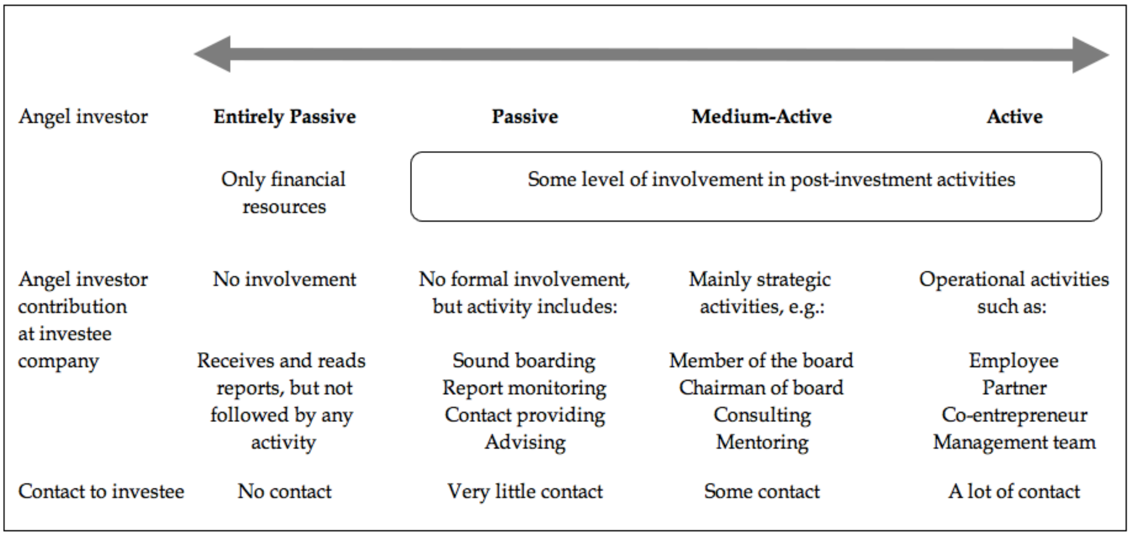

FIGURE 1 Continuum of angel investor involvement (from Macht, 2011, p. 270)

Figure 1 shows the various involvement activities typically found within this continuum of passive and active investors. The left end of the continuum represents the most passive angels who do not have regular contact with the entrepreneur and often only participate in post-investment activities if called upon. Moving right on in the continuum the contact to the entrepreneur increases and the investors take upon activities such as advising, mentoring, or board membership. The right end of the continuum represents the most active angels who may become partners or co-entrepreneurs, helping the companies in their daily operational activities (Ardichvili et al., 2002). Usually, angel investors tend to place their focus more on strategic activities than on operational activities (Macht, 2011). It is also worth noticing that angels can switch between active and passive roles, being active in one investment and passive on the other (Etula, 2014).

2.3 Non-financial contribution of angels

The distinctive feature of angel investors as the funders of seed and early-stage companies is their contribution of non-financial resources in addition to their monetary ones. According to Ardichvili et al. (2003), angels provide non-financial resources (human, social, organizational, and instrumental capital) in addition to the financial contribution they make to their investment targets. The authors note that by providing these resources, the investors attempt to increase returns and decrease risks for themselves as investors.

Wetzel (1983) explains that when angels invest in a company, the risk they take is significant because the majority of the companies are not yet performing profitably, so uncertainty regarding the investment is high. He notes that angels face two types of risk when investing in early-stage ventures: market risk and agency risk. Agency risk arises because angels often depend on the information provided by the entrepreneur and their ability to act in the interest of the investor. Market risk relates to both the competition and uncertainty in the market that the company operates in. Typically, angel investors place more importance upon agency risk that can be reduced by screening the entrepreneurs (Fiet, 1995). Market risk for angel investors can be reduced by concentrating on investments where their area of expertise is and via co-investing with other investors (Ardichvili et al., 2003).

Angels often contribute to their investee firms by offering strategic advice, business skills, and networks. The majority of angels above all else have been found to rely heavily on the resources that their personal networks carry (Harrison & Mason, 1996; Paul & Whittam, 2010; Sørheim, 2003). However, angels are different in their ways to contribute non-financial resources. Some may prefer network introductions to key players in the market while others may focus more on practical functions such as improving business plans (Ardichvili et al., 2003). More importantly, many angels act as coaches or mentors to the entrepreneur, which is considered valuable due to their own entrepreneurial experience (Mason & Harrison, 1996). Politis (2008) describes that in the role of a mentor, angels often utilize their own entrepreneurial experience and try to build a stable working relationship with the entrepreneur. She notes that often the angel's goal in the role of a mentor is to be a helpful and trustful partner offering moral support and be someone to discuss ideas and problems with.

Entrepreneurs, when they look for angel investors, often want angels to contribute to their businesses not only in financial terms but also via these non-financial resources. The non-financial resources that business angels provide post-investment are crucial as they improve the development and performance of a firm (Kerr et al., 2014; Madill et al., 2005). Additionally, the business knowledge and expertise provided by angels is seen as a strategic asset for the companies as it is not easy to substitute or imitate (Politis, 2008). Most of the entrepreneurs have been found to prefer an angel with the most relevant network connections (Sætre, 2003). The vast networks of angels are seen as the most advantageous as angels can leverage these networks to provide valuable assets to their investment companies (Politis, 2008). Angel investors are often referred to as "smart" investors" or their investments as "smart money" due to these value-added contributions they make. A lot of the time, the opportunity to provide relevant non-financial resources is as important for the angel investor as it is for the entrepreneur (Madill et al., 2005).

2.4 Angel investor market in Finland

The growth of startup companies has a positive economic impact as they are often the source for innovation, technological development, and future job creation. However, one of the central requirements for the growth and development of startup companies is access to funding. In Finland, enough funding for startups is generally available, but the problem is finding the right kind of funding at the right time (Halme et al., 2015, p. 70).

The early-stage startup funding in Finland has experienced growth in the past few years (figure 2). Especially the number of international investors has grown each year as shown in the figure. In 2019 the startups in Finland raised a record amount of funding with 511 million euros (FVCA, 2020). Of this 511 million, domestic and foreign VCs invested a total of 293 million euros. The share of angel investment was 54 million euros. According to FiBAN (2021), 6% of this 54 million went to pre seed-stage companies, 57% to seed-stage companies, 22 % to A-round companies, and 15% to later round companies.

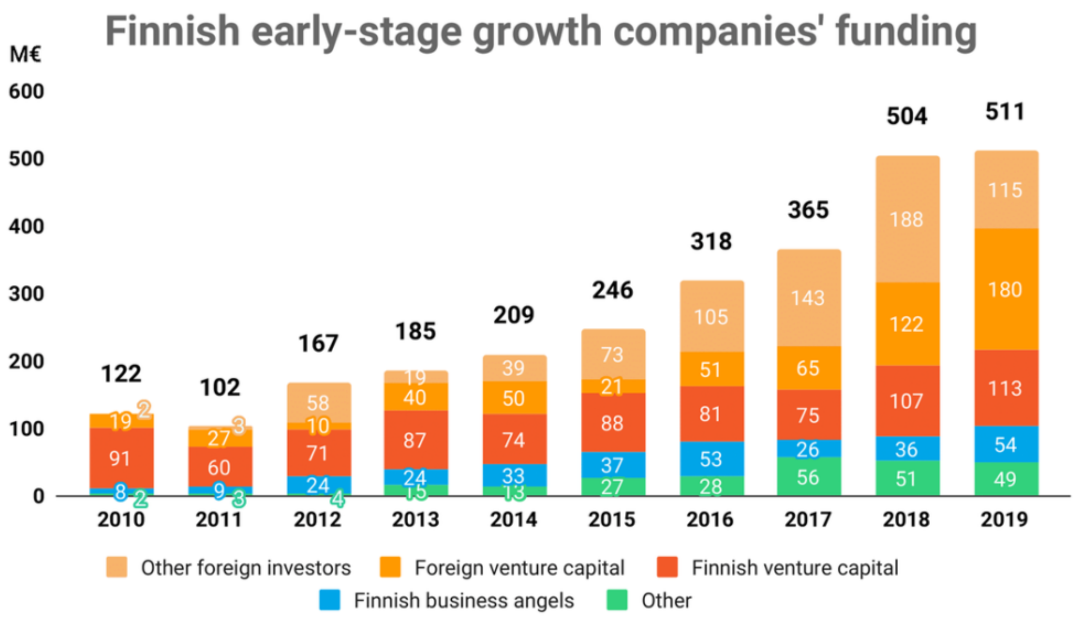

FIGURE 2 Finnish early-stage startup funding (from FVCA, 2020)

The share of angel investment in the funding of early-stage companies has increased steadily over the years. Finnish angel investors provide funding typically to hundreds of small startup firms in knowledge-intensive industries such as ICT each year (Ali-Yrkkö et al., 2019, p. 27). The top industries that the angels invest in have been Business Services, Healthcare and Meditech, and Cleantech and Bioeconomy (FiBAN ry, 2021). Angel investors prefer investments close to their area of knowledge and expertise as well as their location. Only a few angels make solo investments into companies located further than 200km from their home (Etula, 2014). The preferred mode of involvement for Finnish angel investors is through board membership (Lahti, 2011).

Typical angel investment in Finland is between 10,000-50,000 euros per investor per funding round with a maximum investment around 1 million euros (Etula, 2014). According to FiBAN's (2017; 2021) statistics, their member's median investment per investor per investment round is at 20,000 euros (table 1). The total size of an angel investment round in Finland is around 200,000 euros. For comparison, the median angel investment per company per funding round on the European level is 256,000 euros, and the average investment per investor 25,500 euros (EBAN, 2019). Hence, the median angel investment round and investment per investor in Finland is slightly below the European average.

TABLE 1 Angel investing statistics in Finland

Year	2016	2017	2018	2019	2020
Number of target companies	324	273	435	426	321
Median investment per investor	20,000 €	20,000 €	18,000 €	20,000 €	20,000 €
Median investment per round	200,000 €	200,000 €	200,000 €	240,000 €	226,500 €
Median company valuation	1,03 M€	1,09 M€	0,99 M€	1,49 M€	1,35 M€

Table 1 also shows that while the median angel investment round has remained stable, the median company valuations are climbing slowly. In Finland, the median valuation of the companies has remained below 1.5 million euros whereas in Europe the median seed-round pre-level valuation is already at 3.7 million euros (EBAN, 2019). According to Etula (2014), the stake acquired by an angel investor varies between 10-30 percent and the average investment period is over eight years. On average 40 percent of the investments that the angels make result in losses (FiBAN ry, 2021).

Finland currently has one of the most active angel networks with its 670 angel investor members, however, the absolute number of Finnish angel investors is difficult to estimate accurately. Lahti (2011) reports that most Finnish angels are former entrepreneurs as 83% of the angel investors in his study had founded a company. He noted that the angels who did not report any entrepreneurial experience had then either managerial experience from large incumbents or experience from the financial sector.

The active development of the Finnish angel market began after Lumme et al. (1998) conducted a pioneering study in collaboration with Sitra (Finnish Innovation Fund) into the Finnish informal venture capital market in the early 1990s. The study revealed the underdeveloped stage of the Finnish private equity market and SMEs' strong reliance on debt funding. One of the authors' findings, in particular, was that Finnish angel investors seemed to favor a computer-based matching service, an angel portal, which would match the investor's investment preferences with entrepreneurs' business plans. As a result, Sitra together with Finnish Venture Capital Association created "Matching-Service" in 1996 establishing the first business introductory service for Finnish angel investors.

The establishment of the matching service substantially changed the conditions for angel investment in Finland. The Matching Service acted as the first step towards enabling entrepreneurs to find angels and vice versa, improving the transparency in the market as well as provide opportunities for angels to co-invest with other investors registered in the service (Lahti, 2011). The Matching-Service was later extended into venture capital as well when PreSeed-service called INTRO was introduced (Mattila, 2017). INTRO acted as a platform for all Finnish pre-seed companies, including a pitching event where companies chosen by Sitra could pitch for the 400 angel investors and major venture capital funds. In 2010 an independent non-profit angel association Finnish Business Angels Network (FiBAN) was founded, which gathered all angel investors under one association similar to other European countries.

2.5 Summary of the literature on angel investing

Angel investment is a crucial source of funding for many young, early-stage entrepreneurial ventures. Angel investors typically provide funding anywhere from 10,000 euros to 300,000 euros, satisfying an investment need for companies who have exhausted their cash funds but are yet too out of reach for venture capitalists. Angel investor can invest alone or collectively with other investors.

Many angel investors are often former cashed-out entrepreneurs, investing locally into businesses close to their area of expertise. Many times, the angels are not only in the business of investing their accumulated wealth but also in the business of giving back to the next generation of entrepreneurs. Due to their entrepreneurial experiences and hope of being part of the entrepreneurial process again, angel investment is often associated with the investor's active involvement in their investee firms. The angels differ in their ways to contribute, some may be very active while others mainly passive. Even so, most angels have been found to participate via board membership or through advising or mentoring. Many angels rely heavily on their networks for resources and investment opportunities.

In Finland, angel investment has increased over the years. In 2019 the angels provided a total of 54 million euros in funding, the majority of which was directed to companies at their seed stage in knowledge-intensive industries such as business services or healthcare. A median investment round is between 200,000-250,000 euros and the median investment per investor 20,000 euros. The Finnish angel market has also become more visible through the establishment of a countrywide business angel network in 2010, which has gathered all angel investors together under one organization. Today, the FiBAN is one of the most active networks with its 670 angel investor members.

3 SYNDICATION

A syndicate forms when investors make a joint investment sharing the profits and risks of their investment. An economist Robert Wilson (1968) described a syndicate as “a group of individual decision makers who must make a common decision under uncertainty that will result in a payoff to be shared jointly among them” (p. 199). Syndication in the private equity markets has commonly been a distinct feature of venture capital (VC) investments yet it is not exclusive to just equity investors as it occurs also among other financial institutions such as banks. To understand syndication as an investment strategy, this chapter presents syndication first through VC syndication literature before reviewing available literature on angel syndication.

3.1 Venture capital syndication

3.1.1 Why do investors syndicate?

To fully fund a venture funding round, syndication with other investors is often necessary. Lockett and Wright (2001) explain that syndication in VC investing has developed as a form of response to the riskiness, deal selection, and monitoring requirements of investments. The authors describe that a VC syndicate is formed when two or more VC firms jointly invest into an equity stake in a single firm on the same round of funding. These VC syndicates then typically work together to manage and nurture the investment.

Prior research offers several rationales that have motivated the use of syndication. The first rationale for syndication stems from finance theory, which views syndication as means of sharing risk and achieving portfolio diversification (Lockett & Wright, 1999). Syndication allows the spreading of capital across multiple investments without reducing the expected return (Wilson, 1968). According to Lockett and Wright (2001), obtaining a well-balanced portfolio is more difficult for VCs because of the high information asymmetries and the illiquidity of their investee companies shares. The authors note that for this reason syndication for VCs is often necessary as it allows them to achieve more a balanced portfolio, reducing any unique risks related to specific investment companies.

The second rationale for syndication stems from the resource-based view, which sees syndication as a response to the need to share resources in the deal selection as well as in the management of investment opportunities post-investment (Lockett & Wright, 1999). Lerner (1994) argues that at pre-investment, syndication is a tool for VCs to improve the quality of their investment decisions. He notes that when VCs find a promising deal, they don’t often firsthand make binding commitments as they rather send the deal to other VCs for review. He found that syndication was used as a way to check the investor’s thinking against other independent investors. Via syndication the VCs' decision-making process was considered superior in contrast to an investment decision made solo as in a syndicate the investors have a greater range of skills available to analyze an investment deal decreasing adverse selection (Lockett & Wright, 1999). As for post-investment, syndication offers the investors the ability to take advantage of the larger networks that syndicates provide and to share the workload related to the management of the investment (Da Rin & Hellman, 2020, p. 271). Bygrave (1987) noted the principal reason for syndication among VCs was the need to share information and expertise rather than to share risks. He found when there was more uncertainty, there was also more co-investing as the VCs relied on their networks to provide any needed knowledge. Syndication can thus be motivated by the investor's need to increase their value-added capabilities post-investment as syndicate partners can provide complementary resources that the investors themselves may be lacking (Brander et al., 2002).

The final rationale for VC syndication is the deal flow perspective. Lockett and Wright (2001) stated that deal flow for venture capitalists is considered vital so that they can take their pick from a wide number of alternatives. Hence, they proposed that syndication was the investors' response to create more deal flow. They explain that when a VC syndicates a deal out to others, they intend that the other investor will reciprocate the gesture in the future. Ferrary (2003) examined this VC deal sharing and noted it as "gift exchange" that takes place between legally independent economic actors who are yet economically reliant on each other to exchange information. He expressed that when VCs syndicate a deal out to others, they establish an expectation in the other to return the gift in the future. If the gift is not returned, the information sharing stops. Therefore, syndication can act as the means to maintain, if not increase, future deal flow (Manigart et al., 2006).

While syndication carries many benefits and can be seen as an efficient strategy to invest in young high-risk ventures, research also draws attention to some downsides of syndication. The potential costs of syndication include firstly the cost of sharing profits with syndicate partners, which investors could avoid from incurring if a project was worth investing in solo (Brander et al., 2002). Secondly, syndication can incur transaction costs that stem from delays in decision making and coordination due to the larger number of investors involved (Wright & Lockett, 2003). Finally, Meuleman et al. (2009) point out that while syndication may be used to lower any agency risk between the investor and the investee, it does not escape from agency costs that may arise within the investor syndicate. They identify that because the non-lead investors delegate many monitoring functions to the lead investors, it makes the lead investors agents for the non-lead investors of the syndicate. Furthermore, as lead investors typically hold a larger equity stake in comparison to other syndicate members, it can lead to these investors having more informal control and access to privileged information in addition to their residual rights of control creating information asymmetry and possible conflicts of interest (Wright & Lockett, 2003).

3.1.2 How do investors syndicate?

A syndicate is formed as an outcome of the decision to syndicate. Syndicates are usually formed when an investor with the cooperation of the investee company invites other investors to participate in the same deal in the same round of funding (Keil et al., 2010, p. 85). According to Wright and Lockett (2003), each syndicate contains a lead investor and one or more non-lead investors. They express that usually the lead investor is the investor with the largest equity stake in the investment. In many cases, the lead investor is also the one who has discovered the deal in the first place, making the division of roles in the syndicate rather clear (Da Rin & Hellman, 2020, p. 273).

Sohl (1999) states that the lead investors often initiate the formation of the syndicate as they introduce the investment opportunity to other investors in the means to share risk and pool more capital. He describes that before the lead investors share or present a deal to other investors, they pre-evaluate the deal. This pre-evaluation is crucial because when lead investor syndicates a deal out, they also simultaneously signal their willingness to back the deal with their reputation to the other syndicate partners (Manigart et al., 2006). Da Rin & Hellman (2020, p. 273) note that sometimes the lead investor can also persuade more hesitant investors, especially in the case where the lead investor is of high reputation, attracting more momentum to the funding round. They continue to describe that after the lead investor has managed to gather enough partners that are interested in investing, the lead investor manages the due diligence process as well as divides any workload between the syndicate members, taking charge of the pre-investment actions in the syndicate.

As reported by Wright and Lockett (2003), lead investors are often in more frequent contact with the investee management and often represent the syndicate in the investee company's board. Due to this, they note lead investors as the hands-on investors as they handle most of the post-management activities. However, the authors state that the decision-making process in syndicates is still mostly based on collective discussion and the reaching of consensus between the lead and non-leads, even though the lead investors often hold the most influence. They state that this may result from the fact that syndicates exist for several years before an exit is made, requiring interaction and coordination between the syndicate members. For the non-lead investors, the management of their syndicate investments requires less of a resource commitment (Jääskeläinen, 2009, p. 16) Then again, the non-lead investors are left reliant on the managing capabilities of the lead investor as they are the ones handling most of the post-investment activities (Wright & Lockett, 2003).

Regarding syndicate formation, Jääskeläinen (2009) points out that successful syndication requires that other investors are willing to join the syndicate. The lead investors often aim to select syndicate partners that would add the most value to the investment by contributing through complementary expertise and network contacts (Lockett & Wright, 2001; Manigart et al., 2006). Resource complementary in the determining of a syndicate partner has been found to play a significant effect for example with investment banks (Singh &

Lee, 2000). In VC partner selection, relevant industry experience and previously established relationships are typically the most common factors that VCs consider when looking for partners to cooperate with (Hopp & Lukas, 2014). When risks are high with an investment, the VCs tend to partner up with other investors similar to them in their levels of experience (Lerner, 1994), geographic proximity and industry allocations (Sorenson & Stuart, 2008).

Status similarity has also been found to play a role in the choice of a syndicate partner (Singh & Lee, 2000). The choice of a more prominent VC syndicate partner seems to be more desirable in investments made to early-stage companies where the investment decisions are considered riskier (Lockett & Wright, 2001). The reputation and the value-adding capabilities that a VC carries matter to entrepreneurs too as startups have been more likely to accept offers from prestigious VCs (Hsu, 2004). Nonetheless, Walske et al. (2007) reported in their study that a VC's status alone was not enough as at the end of the day past relationships between syndicate members seemed to matter more than prestigious names. Similarly, Singh & Lee (2000) stated that when faced with market uncertainty, syndicate partners are often selected based on past relationships.

The choice of a syndicate partner has also been related to trustworthiness as VCs tend to form syndicates with other VCs who they deem reliable (Lockett & Wright, 2001; Sorenson & Stuart, 2001). Both the extending and offering syndicate proposals require trust because not only are the investors faced with uncertainty about the quality of the target company but also of the quality of the syndicate partner and their ability to add value to the company (Sorenson & Stuart, 2008). Wright and Lockett (2003) argue that repeated interactions between syndicate members lead to high levels of trust, which help the investors to evaluate their partners' performance and the competencies they carry. The authors also discovered that successful syndications not only built trust but also had reputational effects, which encouraged the parties to invest together in future investment rounds or join forces again in other deals later on.

Research on the choice of syndicate partner finds that while each syndicate is temporary, VCs tend to usually prefer and repeat syndication arrangements with other investors with whom they have successfully invested before, alternating the deals in which they act as a lead investor or as a non-lead investor (Walske et al., 2007; Wright & Lockett, 2003). However, Walske et al. (2007) considers that not all syndication partners are the same and some may be ill-advised. The authors raised an important question about the importance of a good syndicate team that has yet to be clearly covered, despite that in the investors' appraisal of entrepreneurial ventures it is often the team that matters the most.

3.1.3 VC syndication networks

As a result of syndication, VCs are strongly linked to one another via the shared investments each of them hold in their portfolios (Bygrave, 1987). These links result in a social structure, i.e., a syndication network. Research on VC syndication suggest that through these syndication networks, the investors build their social capital, which the investors actively use to improve the success of their investments (Alexy et al., 2012).

In network literature, the structure of an actor's social network is argued to create social capital. Social capital is often used to explain why some individuals do better than others. Robert Burt (1992) describe social capital as "at once the structure of contacts in a network and the resources they each hold. The first term describes how you reach. The second describes who you reach" (p. 61). Likewise, Lin & Smith (2001) describe social capital as an "investment in social relationships through which resources of other actors can be accessed and borrowed" (p. 24). Much of the VC's success is determined not by the resources it possesses, but what resources it can access and leverage via its networks. The more an investor can build and leverage social capital in their internal and external relationships, the more value creation benefits should they expect as a result (Maula et al., 2003). The social capital of investors is also something the startups seek to access (Alexy et al., 2012).

Research has linked better syndication networks to improved entrepreneurial firm success (Bygrave, 1987) and better fund performance (Hochberg et al., 2007). According to Hochberg et al. (2007) the two main drivers that affect VC's fund performance is their ability to nurture their investments as well as their capability to source high quality investment deals. They state that syndication supports both of these activities as via their syndicate partners VCs can gain access to economically wider range of deal flow and larger resources that their co-investors have, for example, with different service providers, head-hunters, investment banks, and lawyers, adding more value to their investee companies.

Bygrave (1988) was one of the firsts to examine the structure of VC networks. He found that VCs tend to form tightly coupled cliques that exchange information swiftly. For example, those VC that focused on high innovation ventures formed a tightly coupled group. This group was consistent in maintaining these existing relationships within this clique. Although, Bygrave noted that VC networks went beyond these strong ties as even the most tightly coupled groups invested with VCs outside of their immediate group, i.e., with whom the VCs had weak ties to. He argued that this finding supported Granovetter's (1973) strength of weak ties argument, which highlights the importance of weak ties in a social network, that is connections to people outside of our immediate circles that are most likely to transmit nonredundant and unique information across large otherwise disconnected social networks. This unique information is key for the VCs, as they are looking to perform better than their peers.

Lin & Smith argue (2001, pp. 19–20) that embedded resources in social networks enhance the outcomes of actions as social networks facilitate the flow of information and provide unique knowledge about opportunities not available to a person otherwise. For these reasons, syndication networks are considered crucial as they provide privileged information about existing and promising investments (Bygrave, 1987). VCs are often determined to invest in the most promising ventures as it directly affects their ability to raise more funds in the future (Fund et al., 2008). Each syndicated investment extends VCs information network not only with other investors but also with entrepreneurs and industry experts, creating flow of information for the investors (Sorenson & Stuart, 2001).

Large syndication networks can also expand the radius of the VC's investments. According to Sorenson and Stuart (2001) VCs with large syndication networks are more likely to invest outside the range of their geographic and industrial proximity, which in turn allows for better portfolio diversification. The authors found that the key to this was trust that had been built through previous investments together. They reported that trust allowed VCs to rely in the lead investor VC's ability to manage the investment thus loosening the VCs constrains to invest outside of their immediate investment focus.

Social capital also plays a key part in the formation and development of syndication relationships in the long run (Singh & Lee, 2000). From a set of potential syndication partners, lead investors tend to prefer syndicate partners that have a central or high-status position in the syndication network (Meuleman et al., 2009; Sorenson & Stuart, 2001). As better networked VCs have been linked with more successful exits, VCs with more central status are seen as the better strategic choice as a syndicate partner as via their larger social capital more resources can be accessed (Hochberg et al., 2007). Additionally, syndication with more centrally positioned VCs can also act as a way to improve one's own network position and social capital (Hochberg et al., 2007). Syndication with highly central investors increase the chances of being invited to other profitable deals in the future (Hopp & Lukas, 2014). Hochberg et al. (2010) state that dense syndication networks can at times be a barrier for new VCs to enter the market. However, they found that even the densest syndication networks could be successfully joined if offering access to one's own deal flow. They noted that the price of "joining the club" was to offer cases first to others, hoping that they reciprocated the gesture in the future.

3.2 Angel investor syndication

3.2.1 Angel groups and networks

The angel groups and networks formalize what has previously been a chaotic and loose network of investors, entrepreneurs, and businesspeople (May, 2002). However, these groups and networks of angels can take many forms, which has led that the terms angel group, network, syndicates, associations, and funds, are often used interchangeably, leading to confusion and unclarity in all the collective ways to describe angel syndication (Mason et al., 2019).

There are commonly two main types of angel organizations: business angel networks (BAN) and angel groups. BANs are large network platforms, typically organized as non-profit or for-profit organizations. Their goal is to provide a networking platform for investors looking for companies and vice versa. In contrast, angel groups are often smaller but more structured groups of individual investors who have pooled their resources into a single entity such as a limited liability company. The groups may also have a specific investment focus. Most groups operate on a local level. Table 2 summarizes the main differences between angel groups and business angel networks presented in the current literature.

TABLE 2 Angel group vs. business angel network

	Angel group	**Business angel network (BAN)**
Description	Structured group of individual angels that have joined to pool more financial resources and to attract more deals due to their high visibility within their communities.	Matching network to help investors and entrepreneurs find each other. Provide investors more efficient way to screen deals and network with other angels.
Structure	Typically, a single entity such as a limited liability company	Non-profit organization or For-profit organizations
Membership	Accredited investors Limited and selective membership Invitation only	Open application for all angel investors Less stringent membership requirements
Organization	Hired staff or selected group of members handle deal screening and investment proposals. Approved opportunities get presented to rest of the group members.	Network management has an active role in screening of deals and in organizing different support functions. Provides a matching service and pitching event for their members to find investment targets.
Investment decision	Group decides yet individuals may retain decision making power	Individual investment decisions

A typical angel syndicate deal is described by Sohl (1999, p. 111) between 100,000 to 1 million dollar range, raised from six to eight investors. The amounts invested per angel syndicate can differ greatly depending on the location and maturity of the market. With angel groups, the term syndicate is often used to describe the structured group in itself, in which defined members of the group come together for the purpose of co-investing (Gregson et al., 2013). In the United States and a number of other countries, syndicated angel investments are done through these formalized groups due to legislative constraints. With BANs, the network itself is not a syndicate as found with angel groups. The European Business Angel Network (EBAN) defines angel syndicate as: "the gathering of several business angels into an informal consortium for the purpose of creating a critical mass of funds above what each business angel could – or would be prepared to – invest. This term also applies to the pooling of competencies" (OECD, 2011, p. 30). The angel syndicates in markets with BANs are typically more informal gatherings of investors around each specific investee company. The next sub-chapters review angel groups and networks in more detail.

3.2.1.1 Angel group

Angel groups are often referred to as "structured angel groups" that are defined as a consortium of individual angels who have joined together to pool their capital to make larger investments and to collaborate in the evaluation and managing of entrepreneurial ventures (Angel Capital Association, 2021). These groups meet regularly to manage deal flow and deal processing together. Angel groups aim to aggregate the investment capacity of the member investors and make collectively larger investments into companies (Angel Capital Association, 2021; Mason et al., 2019). In comparison to BANs, angel groups often pool their funds before finding deals and making investment decisions (May, 2002). Most groups allow members to make their own investment decision deal-by-deal base, however, some groups may have set annual minimum investment requirements (OECD, 2011, p. 36). The angel syndicate is often the group itself and one of the group members takes the role of a lead investor in each deal (Sohl, 2007).

The angel groups have been mostly adopted in the US as BANs are not the best-suited model to match the US institutional framework. According to Lahti & Keinonen (2016), the angel investors in the US need to be accredited investors displaying both required net worth and expertise in business and finance, which in turn limits the number of active angel investors. The authors also note that with BANs in the US, the managers running the organization cannot partake in the evaluation of investments or receive any compensation due to legislative constraints, which makes the BAN model rather unattractive. Angel groups on the other hand, which are structured as limited liability companies, are seen as the more suited model for the accredited angels and the management, so that angel investing can be made easy for all parties involved (May, 2002).

The distinctive feature of the angel group in comparison to BAN is that they tend to have more limited and selective membership. The groups can have different levels of formality and structure (large or small, structured or unstructured) but all of them have a name and identity (Mason et al., 2019). These groups may also have two types of memberships or use the "two-ring model" as referred by Gregson et al. (2013, p. 102). In these groups the angels in the core of the group act as the lead investors that screen and evaluate investment opportunities. The core group of angels then invite the outer group of angel members to invest in selected investments case-by-case. The angel group operations may be structured in a variety of ways. However, the point of these angel groups is that the group's management bears the responsibility for attracting and screening deals, taking some of the workload off from the individual angels (May, 2002).

Angel groups are not to be confused with pooled investment vehicles, i.e. angel funds, which angels sometimes use similar to venture capitalists (Payne & Macarty, 2002). According to Mason et al. (2016), these funds are typically below 10 million dollars and owned by active and passive investors, where the active manage the fund on behalf of the passive ones. Angel funds have recently several countries become state-sponsored co-investment funds that mix both public and private capital (Paul & Whittam, 2010).

3.2.1.2 Business angel network

Angel networks are often referred to as business angel networks (BANs) that attempt to overcome the problem of investors and entrepreneurs finding and communicating with each other. For this reason, BANs are sometimes referred to as “matching networks”. Their objective is to help private investors conveniently identify and examine a wider range of investment opportunities while retaining their anonymity until taking part in investment negotiations (Mason & Harrison, 1997). Sohl (2007) describes that most BAN’s offer three core functions to their members: a matching database, venture forum, and educational seminars. He reports that networks usually do matching between entrepreneurs and investors by publishing an investment bulletin of companies looking for investment or by providing computer-based matching. Venture forums according to Sohl typically refer to a pitching event where companies can present their request to the investors while educational seminars are training events for investors and entrepreneurs on various themes related to early-stage investing.

The business angel network itself does not make any investments, or function as a dealer or advisor in investment transactions (Mason & Harrison, 1997). Most BANs are commonly structured as non-profit organizations. The earlies BAN was founded in the early 1990s in the UK, followed by numerous other countries such as the Netherlands, Finland, Belgium, and Germany (EBAN, 2019; Lahti & Keinonen, 2016).

In comparison to angel groups, networks typically have less stringent obligations and engagement rules for membership (Bonini et al., 2018). There may not be any organized deal group processing and the individual investors in angel networks remain in control of choosing which deals best meet their preferences and how much they want to invest in each deal (Mason et al., 2016). If angels decide to look for co-investors to do a syndicated investment, they usually look within or outside the angel network and then share the work related to due diligence, investment negotiations, and term sheets (Bonini et al., 2018). However, many angel networks also promote syndicate investing among their members, taking an active stance in helping the members form syndicates around the investment targets (Mason & Harrison, 1997).

3.2.2 Group investment process

With angels increasingly organizing into different forms of groups and networks, the angel investment market where angels invest alone is replaced more and more with a market where angels invest together (Mason et al., 2016). Consequently, angel groups and networks have transformed the angel investment process (Mason et al., 2019). Research on angel syndicates has found that angel groups and networks have established their own investment processes with various sequential stages. However, common stages have been found in the angel groups and network’s investment process (OECD, 2011, p. 34). In figure 3, the typical angel group investment process is summarized.

1. Deal sourcing	• Deal sourcing proactive or reactive • Most of deals come through members
2. Deal screening	• Applications centralized to an online software • Pre-screening informally or formally by selected members or by a manager
3. Initial feedback and coaching	• Companies are contacted and given feedback • Some may receive coaching before invited to present their proposal to the investors
4. Company presentation	• Selected companies invited to a pitching event held on regular basis. • Investors gather to discuss potential investment opportunities into a "closed session"
4. Due diligence	• Interested investor members form a team to conduct due diligence (DD) • A lead-investor is selected to coordinate the activities
5. Investment terms and negotiations	• If members remain interested, term sheets and company valuation negotiated • Term sheet templates usually standardized
6. Investment	• Syndicate forms from the investors deciding to invest in the company • Final documents signed and funding is collected
7. Post-investment	• Syndicate members monitor, mentor, and assist the company with their expertise and connections with the goal achieving an exit at the appropriate time in the future.

FIGURE 3 Angel group investment process (adapted from OECD, 2011, p. 34)

As shown by the figure, the process consists of seven stages. The process starts with deal sourcing, which is how the angel group or network becomes aware of the investment opportunities. Most organizations have online platforms where entrepreneurs may submit an application to the group or network including their business plan (Kerr et al., 2014). Some groups also rely heavily upon their members to bring quality investment opportunities to the group (Sohl, 2007). Next, the applications go through individual screening, usually by selected members of the group or by the management of the angel group. The screened deals receive initial feedback on whether the deal is fitting for angel investment. In some cases, coaching can take place if the proposal is not yet ready to be introduced to a wider audience (Mason et al., 2016). The fourth stage is company presentation, in which the most promising companies are invited to pitch their investment proposal to the angels (Kerr et al., 2014). Mason et al. (2016) have noted that this pitching can happen in a variety of ways. One option is that either the company comes to pitch in front of a small group of angels, and if this group after the pitching and detailed evaluation decides to invest, the investment opportunity is opened to the rest of the group members. Another option is that the company is invited to present to an open pitching event where all investor members may participate. After the pitch, if enough angels are interested in a specific company, a sub-group of the interested angels is formed to carry out due diligence and negotiate the terms of investment. When the investment is made, a syndicate forms from those investors that invested in the deal. The syndicate then begins their post-investment activities by joining the board or through other ways of contributing.

This group investment process offers several implications for entrepreneurs and angel investors (Mason et al., 2016). Firstly, angel groups and networks lower the search costs of funding for both angels and entrepreneurs (Paul & Whittam, 2010). These angel groups and networks are usually more visible and active in their communities attracting more deals while individual angels are more limited in their resources to search for investment deals. Secondly, if investing as a solo angel all of these steps need to be undertaken alone (Mason et al., 2016). For this reason, angels often seek networks or groups, where the work related to investing can be shared or conducted by professionals or much more experienced investors (OECD, 2011, p. 72). Thirdly, the angel investors members of an angel group or network are more likely to conduct more thorough due diligence than those investing solo (Ardichvili et al., 2003) as angel groups often have established routines and procedures for due diligence (Shane, 2009). Conducting due diligence on companies at their startup and early stages can be difficult due to the limited data availability plus it can also be a time-consuming process to conduct alone (Van Osnabrugge, 2000). Finally, angel investors investing through groups or networks can also leverage their members' expertise and resources post-investment, adding more value to the ventures they invest in (Paul & Whittam, 2010).

For companies the flip side of this investment process is that the pitching of their investment opportunity grows in importance, highlighting the importance for entrepreneurs to communicate their idea clearly and understandably to the investors (Kelly & Hay, 1996; Mason et al., 2016). Furthermore, the length to secure an investment from an angel group is longer than in the case of a solo angel due to the multiple stages in the group investment process (Mason et al., 2016). However, Paul & Whittam (2010) note as an upside the companies that receive syndicated investment have larger pool of resources available for them. Additionally, they report that companies with angel syndicate funding are seen more creditable in the eyes of VCs, potentially positioning them better for future funding. At exit, syndicates also tend to have more knowledge and experience on different exit strategies (Paul & Whittam, 2010) that can be used to find the most optimal exit strategy to benefit both the entrepreneur and the investors (Shane, 2009).

3.2.3 Drivers for angel syndication

According to Mason et al. (2016), angel syndicates have emerged to fund early-stage ventures for two main reasons. Firstly, they report that angel investors have perceived it difficult to invest alongside VCs because of the different investment objectives that the two investors have regarding exit. They explain that venture capitalists will often refuse to exit at a valuation that is below their minimum acceptable rate of return. Moreover, the authors mention the differences in the investment instruments, which can cause friction between the investors. For example, VCs often use liquidation preferences and anti-dilution rights, which the angels commonly do not. Liquidation preferences give an investor preferential access to cash flows over common stock in the case of a liquidation or redemption, and anti-dilution rights are clauses used to shield investors from dilution risk in future funding rounds if the company issues shares below what the investor paid for in the previous round (Anders, 2021, p. 166,177). Secondly, Mason et al. (2016) note that there are fewer sequential investment opportunities between an angel investor and VC as the VCs have slowly moved on to later-stage deals increasing the gap between angel investment and VC investment, forcing angels to make follow-up investments themselves. Due to these reasons, angels have recognized the advantages of investing as a group instead of investing as individuals.

Mason et al. (2016) argue that with an angel syndicate, the angels can bring a larger total investment to the table as well as provide better follow-up financing as there are more investors involved. Furthermore, they point out that when angels join these groups or networks, they angels increase their deal flow and may be present with more investment opportunities they could never have come crossed as individuals as the group is able to process more investment applications. According to Shane (2009), angel investors also benefit from the group learning that takes place in syndicates and from the pooling of non-monetary resources. He notes that when joining an angel group or a network, the angel investors can share information and expertise not only about investment deals reducing potential risks of an investment but also to exchange information and learn about each other's experiences and practices. With larger non-monetary resources angels can improve the efficiency of their investment activity as labor related to the investment can be divided. Moreover, he notes that because many angel groups have put together standardized terms sheets and approaches to negotiations, it also decreases the investors' time and money spent on negotiating each deal. Additionally, he reports that as angel groups and networks provide the angels a natural platform to network with like-minded individuals, many angel investors join the organizations simply for social reasons.

The recent emergence of angel syndicates is also significant for the development of the entrepreneurial economy. Mason et al. (2016) report that the formation of angel groups and networks has reduced the inefficiency of the informal venture capital market as entrepreneurs can better find these visible, established groups of angels, lowering the search costs for both investors and investees. The authors also state that angel groups can attract more passive investors and their capital to angel investing, increasing the total financial resources available. Furthermore, they point out that as angel groups and networks have professionalized the market with established routines for investment screening and due diligence, it may lower the potential risks related to the investments.

While the available research on angel syndicates mainly focus on their many upsides, some concerns have been raised about this evolvement of the angel investment market. The first concern relates to whether this evolvement of professional and organized angel syndicates will change the essence of angel investing as these groups are focusing more on larger investments similar to VCs (Mason et al., 2016). On a similar note, Sohl (2007) states that the angel groups and networks should remain the ideology that they represent collections of angel investors that make individual decisions rather than act as the managers of pooled capital like VCs. He notes that the movement towards an institutionalized angel market will have consequences on the supply of seed and start-up capital as angels move to later-stage deals making the gap between FFF-funding and angel funding even worse. Additionally, the emergence of angel syndicates could open up a "second equity gap" for investments above 1 to 2 million, beyond the capability of any angel syndicate yet still unattractive for many VCs (Mason et al., 2016). The angel market typically is more active below 1 million while the VC industry has slowly progressed to larger and later stages of funding starting from 4 million dollars and upwards (Sohl, 1999). Lastly, Shane (2009, p. 177) emphasizes that angel syndicates can raise many governance issues within the group of investors that are not present when an investor invests alone. For example, he mentions that the investors in a syndicate may disagree on who gets to sit on the board of the investee company and whether or not they should be paid for it. Additionally, he points out that as in any group decision-making, angel syndicates do not escape from possible biased decision-making or horse-trading between members. Hence, group dynamics within the syndicate can play a significant effect in how successful the syndicate is in its operation.

3.2.4 Networks in angel syndication

Similar to VCs, networks play a crucial role in the angel investor's ability to source investment opportunities. Despite the formation of formal angel groups and networks, angel finance seems to still be best accessed via informal networks as the majority of the deals originate from angel's personal networks and from trusted referrals (Morrissette, 2007; White & Dumay, 2020). For example, Kelly and Hay (1996) found in their study of very experienced and wealthy angel investors in the UK that angel investors still seem to find the best deals through individuals or organizations they have dealt with in the past. Likewise, Ardichvili et al. (2003) found in their study of US angel investors that most of the deals that the angels oversaw came from other investors. Thus for angel investors, informal personal contacts are often the most significant source of deal flow (Mason, 2006, p. 21). However, sometimes angels can have very visible positions in their communities making it possible for entrepreneurs with no connections to also contact them directly, so at times cold contacts can also be an interesting source of unique information (Sørheim, 2003).

The angels then can choose whether to share the interesting investment opportunity and look for co-investors within their networks. When angel investors syndicate they tend to do so with other trusted angel investors of their choice indicating the importance of trust in angel syndication (Sohl, 2007, p. 366). It is also not uncommon for the syndicate members to know each other beforehand as syndication usually takes place with other angels in the same regions they work or live, or through contacts they have dealt within the past in their specific industries (Sørheim, 2003). According to Kelly and Hay (1996) angel investors who invest in syndicates, majority of the time had a personal connection to the syndicate members or the person referring the deal. Much like in VC syndication, the deal referrals tends to significantly influence how a syndicate investment proposal is perceived among angels (Sørheim, 2003).

All in all, the angel investors utilize their networks to provide them interesting deal flow as well as potential co-investors (Sørheim, 2003). With the establishment of angel groups and networks, the angel investors now have a better opportunity to meet other investors more regularly and create social ties to other angels (Mason, 2006). Research on angel investment has also linked the angel investors use of networks to better investment appraisal and it seems that syndication and superior networking skills also increase angel investors' confidence in their investments (Bonini et al., 2018).

3.3 Summary of the literature on syndication

Syndication is an investment strategy used when two investors jointly invest in a venture together sharing the risks and profits of the investment. The motives for syndication relate to the desire to share risk, to source more capital, and to combine resources for superior management of the investment. Literature on venture capital syndication has established a positive relation between syndicates and performance, indicating that investors with larger access to resources help their investee companies perform better.

Syndicates are typically formed by one investor sharing the deal with another investor. The deal initiator often becomes the lead investor, coordinating the investment as well as being responsible for the post-investment activities. The current literature on syndication has found that investors tend to syndicate their investments with other investors who they consider to be trustworthy partners and who carry access to relevant resources and experience. While each syndicate is temporary and structured around a particular deal, investors tend to repeat syndications with the investors they have successfully invested with before, building syndication networks between the investors.

These syndication networks are crucial as they facilitate the sharing of resources and privileged information. The finding of most promising deals in private equity markets is not the same as in the public market. By operating as a part of a larger network, the investors can take part in investments they necessarily would not have come across as individuals. Additionally, investors build their social capital through these networks. Syndication is also an investment in someone else's social capital. For this reason, networks have received considerable attention in syndication, especially amongst VCs.

Much like VCs, angel investors are also beginning to increasingly syndicate with other angel investors. Similar to VCs, angels are motivated to syndicate because it allows them to share risks more efficiently and to pool more capital which in turn enables the angels to make larger total investments. The angels also benefit from the combined expertise, knowledge, and networks within the syndicate that allow better decision-making and workload management.

Syndication among angels has to a greater extent been the by-product of angel groups and networks, which have developed rapidly in many countries. These organizations include angel groups and networks that have formalized what has previously been rather unorganized, bringing the angel investors closer to each other and to the entrepreneurs who are looking for funding, reducing the invisibility commonly attached with angel investing. These angel groups and networks have also transformed the angel investment process, which in many organizations follow predefined investment steps, helping the investors with the screening and evaluation of the investment opportunities. Part of the reason why angels have joined these angel groups and networks is that these investment processes give angels easy access to deal flow and assist them with the deal evaluation, which for an individual angel can be a daunting and time-consuming task to perform.

While the literature on syndication has well established the advantages of syndication, the research has not specifically addressed how syndicates are formed. With VCs, it seems that deals are structured through a lead investor and the lead investor's networks to other VCs. However, with angels as they operate within these groups or networks, there are no specifics on how these syndications take place inside these organizations as depending on the structure of the group or network, syndication can take place with all of the members of a group or with a selected group of individuals within the group. If VCs extensively use their syndication networks in the formation of a syndicate, do angels do it too? If VCs are intentional about their choice of a syndicate partner, are angels undertaking such evaluation too?

4 RESEARCH METHODOLOGY

This chapter describes the research approach and the research method used in this study. The chapter clarifies the research design, the data collection methods, and the data analysis methods that were used to conduct this study.

4.1 Mixed-method research

This thesis applies a mixed-method research design that includes both qualitative and quantitative research methods. Mixed-method research is a method in which the researcher mixes or combines both quantitative and qualitative techniques, methods, concepts, or approaches in a single study (Johnson & Onwuegbuzie, 2004, p. 17). The use of mixed-method research provides scope for a richer data collection, analysis, and interpretation of a studied phenomenon than what a single research method would (Saunders et al., 2012, p. 164). In business and management studies, empirical research has typically been either qualitative or quantitative, but in the past few decades, there has been an increase in research designs where both methods are applied (Puusa & Juuti, 2020).

Johnson & Onwuegbuzie (2004, p. 17) state that in mixed-method research design, the research questions play a fundamental role. They express that to achieve the most useful and comprehensive results, the methods should follow the research questions. According to Saunders et al. (2012, p. 184), quantitative and qualitative methods may be used concurrently or sequentially. The authors describe that one methodology, depending on the purpose of the research, may be in a more dominant role while the other is more in a supporting role. They note that methodologies may be mixed in different ways and depending on the research design mixing can take place across all the stages of the research process, only at one stage, or they may be used separately. Nevertheless, they see that the key decision in the construction of a mixed-method research design relates to the roles and order of the methods.

In this study, the aim is to produce information about angel investor syndication in Finland. As the topic of syndication and syndication networks is not a well-researched subject in angel investment, it called for both quantitative and qualitative data that would provide the necessary scope and richness into the topic. Mixed-method research was chosen because the quantitative data alone would only illustrate the syndication network yet leave the meaning of the network ties and how they form between angel investors unanswered. Therefore, the quantitative data is complemented with a separate qualitative data collection to produce the most comprehensive answers to the research questions surrounding angel investor syndication. The next chapter describes the type of data collected in more detail.

4.2 Data collection

4.2.1 Quantitative data

Quantitative data used in this study consisted of longitudinal investment data collected during 2013-2019 by FiBAN. The investor members of the angel network have voluntarily reported their investments made into companies each year as a part of an annual member survey. They have also reported a description of whether the investments were made solo or in a syndicate. The data set was in Excel format in which the angel investors appeared by their member numbers and companies by their anonymized company IDs. The data contained only investments made into companies with Finnish company IDs (y-tunnus).

The response rate in the annual member surveys has been between 44 and 67 percent. Hence, the data does not capture all possible investments made by the members during the data period. The data contained 3,831 entries and includes both those companies that have received investment through FiBAN's deal flow platform and those deals done outside of the network as the members could have reported any investment they had done. In the data, empty cells also appear in the case when an investor has not reported the ID of the investment target. In addition, the data collected for the year 2016 included a survey error that has caused the missing of the member numbers for that year. The missing information will cause a slight error in the social network analysis because investors that have invested in the same firms cannot be traced. However, due to the extensive amount of data, individual missing information is not considered crucial for the overall visual mapping of the angel syndication network structure.

4.2.2 Qualitative data

In qualitative research, interviews are the most common form of data collection because they directly target the perspectives of the people wished to be studied (Saldana, 2011, p. 75). At its best, interviews allow the researcher access, to the thoughts, experiences, preferences, impulses, and expectations of the people studied (Puusa & Juuti, 2020). To understand the formation of angel syndicates and the effect that networks possibly have in angel investing it was crucial to go to the source. Consequently, interviews with angel investors were selected as the qualitative data collection method.

Interview methods can range from highly structured to unstructured interviews, the former consisting of specific questions asked in a particular order and the latter consisting only of a list of possible conversation topics to explore with the participants (Saldana, 2011, p. 32). Between these two interview methods is the semi-structured interview. In semi-structured interviews, the interviewer has prepared an outline of topics or themes but has the option to vary the order of the questions and wordings in each interview depending on the answers of the participants (Eriksson & Kovalainen, 2008). Puusa & Juuti state (2020) that the benefit of a semi-structured interview in comparison to a structured interview is that due to its freer structure it leaves room for discussion on unexpected new topics that the researcher may not have expected beforehand. However, the authors point out that in contrast to an unstructured interview, the use of semi-structured or structured interviews ensures that relevant information about the research topic is collected during the interview.

The semi-structured interview framework (Appendix 1) was constructed around themes drawn from the literature review. Under these main themes, several discussion points and additional questions were drafted to help guide the interview. The construction of an interview framework helped the researcher prompt meaningful answers and conversations during the interview. Participants received the interview framework beforehand. The order of the covered themes varied depending on the flow of the conversation.

In qualitative research, the purpose is to describe a phenomenon or an event, to understand a specific action, or to give a theoretical interpretation of a phenomenon (Tuomi & Sarajärvi, 2018). This often leads that the source for data collection is people who know about or have experience with the researched phenomenon. For this reason, the selection of participants should be intentional and appropriate so that it fits the purpose of the research at hand (Puusa & Juuti, 2020). As the purpose of this thesis was to produce information on angel syndication, the data collection criterion for the interviewees was that they should have at least some syndication experience. This data collection criterion thus excluded those investors that had no syndication experience from this study.

FiBAN assisted in the identification of the first few potential interviewees and helped in contacting these angel investors. After the initial contacts, the author used the snowball method, where interviewees were asked to name potential other investors that they knew and could be approached with an interview request (Eriksson & Kovalainen, 2008). A total of 15 angel investors were identified and contacted via email or LinkedIn, after which eight angel investors agreed to partake in the study and with whom interviews were arranged. The interviews were conducted as online interviews via Google Meet, Zoom, and phone, due to the ongoing circumstances of the Covid-19 pandemic and the practice of social distancing. In addition to the forcing circumstances of the pandemic, online interviews as a choice of interview method provided an effective way to reach usually very busy angel investors all over the country that may not have had the time to agree on a face-to-face meeting due to their hectic schedules. The interviews were conducted from mid-April to the beginning of June 2021.

Each interview was audio-recorded because conducting an interview via phone or online tools and taking notes at the same time may be difficult (Saunders et al., 2012, p. 405). All interviewees were informed about recording beforehand and everyone gave their verbal consent for recording at the beginning of the interview. Each interview began with asking a general description of the investor’s background and current role as an angel investor. Table 3 below summarizes the descriptive statistics on each interviewed angel investor to provide context to the collected data sample.

TABLE 3 Description of the sample

Investor	Current role	Background	Investor experience in years	Current number of portfolio companies	Investment focus
Angel 1	Full-time investor	• Master's degree • Corporate jobs, founded a company • After exit became a full-time angel investor and board professional	6	20+	B2B SaaS
Angel 2	CEO Investor	• Master's degree • Corporate jobs, founded a company • No exit, CEO, angel investor and mentor	10	n/a	FinTech IT SaaS
Angel 3	Full-time investor	• Master's degree • Co-founded a company • After exit became a full-time angel investor, board professional and a coach for startups	4	30+	B2B SaaS Analytics Artificial Intelligence
Angel 4	Full-time investor	• Bachelor's degree • Corporate jobs and startup projects • Full-time angel investor, board professional and mentor	6	20	B2B SaaS IT
Angel 5	Full-time investor	• Master's degree • Corporate jobs, co-founded a company • After exit became full-time angel investor, board professional and mentor	3	3	IT SaaS Artificial Intelligence
Angel 6	Full-time investor	• Attended university, no degree • Founded a company • After exit became a full-time start-up investor, board professional, and public speaker	7	30	B2B
Angel 7	Full-time investor	• Master's degree • Corporate jobs, founded several companies • After latest exit became full time-angel investor and public speaker	7	30+	IT Software, Education
Angel 8	Full-time investor	• Master's degree • Founded a company • After exit became full-time angel investor, board professional and mentor.	15	30+	FinTech Gaming Ecommerce SaaS

From table 3 each investor's approximate investor experience in years, the approximate number of their current portfolio companies, and their typical investment focus can be viewed. All of the eight interviewees were Finnish males and members of FiBAN. They all have versatile educational and work-life backgrounds. Most of the investors possessed either a bachelor's or master's degree. The majority of the investors had started their careers by working in corporate jobs in their respective fields usually both domestically and internationally. The common factor among all was their entrepreneurial experience, all eight investors had founded or co-founded one or several companies. These entrepreneurial ventures had turned out to be successful over the years. All but one investor had already exited from their companies commonly as the result of an acquisition. Nowadays, all of the interviewees reported being full-time angel investors, board professionals, mentors, advisors, public speakers, or a combination of all, investing in various fields of startups in Finland and abroad. Additionally, the majority of the interviewed angels had been active in different FiBAN activities.

The duration of the interviews was on average 45 minutes, ranging from the shortest interview of 30 minutes to the longest of 73 minutes. Audio recordings were manually transcribed verbatim in MS Word within 24 hours of the interview. The 24-hour rule was used so that any personal notes, first impressions, and ideas had after the interviews could be also added to the document. This also acted as a way to review the interview framework to see if it needed to be developed for the next interview. Any off-topic conversation was left out of transcripts. All of the transcriptions were anonymized, and each angel investor was assigned a code name (Angel 1, Angel 2, Angel 3…) to ensure their privacy. In total, the qualitative data included 69 pages of text that were produced from the interview transcripts.

4.3 Data analysis

4.3.1 Social network analysis

In syndication, investors interact with other investors through their investments, linking them together as a social network. Wasserman & Faust (1994) state that "a social network consists of a finite set or sets of actors and the relation or relations defined on them" (p. 20). The authors explain that actors are social entities either individuals or collective units, and relations are social ties between the actors or between a pair of actors. They note that relations can be either directed or undirected, based on whether the tie is reciprocated or not.

Social network analysis (SNA) is a useful tool when studying a social phenomenon as it offers analytical tools to measure and model relational patterns (Wasserman & Faust, 1994). SNA is the methodological tool within social science studies that consists of "the application of graph theory to the study of relations among a set of items" (Bellotti, 2014, p. 5). In graph theory, data can be represented in the adjacency of matrices. Bellotti (2014, pp. 3–6) describes that all networks consist of two elements: nodes and relations between nodes. She explains that nodes are represented in the rows and columns of the adjacency matrix and they represent the unit of analysis or actors in a network. Relations between notes on the other hand are represented in the cells that link rows and columns, signaling a tie between two nodes. According to Belotti, many types of social networks can be studied in social network analysis. She notes one-mode networks as the most common in which only one set of actors is studied. Two-mode networks focus on two different sets of actors and it measures which actors from one set have ties to the other set of actors. Networks with more than two sets of actors are also possible, but very rare in research often due to their high complexity (Wasserman & Faust, 1994).

SNA is selected as the quantitative data analysis method as the aim is to visually map the basic structure of the angel syndication network to see if syndicated investments occur between different angel investors. Angel investors were considered to be linked if they had participated at least in one investment in the same company. As the investment data included two actors (companies and investors) its initial shape was a two-mode network. UCINET 6.0 (Borgatti et al., 2002) was used in the transformation of this two-mode network data into a one-mode visual representation of the syndication network (investors only) and in the computation of certain social network measurements. UCINET 6.0 was chosen as the SNA data software due to its user-friendliness and ability to work with Excel data files.

4.3.2 Thematic analysis

In qualitative data analysis, the purpose is to create a meaningful overall picture, which produces a rich and coherent interpretation and conclusion from the phenomenon at hand (Tuomi & Sarajärvi, 2018). The processing of qualitative data includes different stages of analysis, coding, classifying, and synthesis of the phenomenon to create a better overall picture (Hirsjärvi & Hurme, 2000, p. 143). Thematic analysis was chosen as the qualitative data analysis method to identify, analyze and report patterns within the data. Thematic analysis offers a systematic but flexible approach for qualitative data analysis (Braun & Clarke, 2006). Hirsjärvi and Hurme (2000, p. 173) describe that in thematic analysis, themes are often categories of data, common across multiple participants. They note that themes typically base themselves on the interview framework used in the data collection or the themes of the research, however, they point out that new themes may also arise from the data during the analysis.

In the thematic analysis, I followed Braun and Clarke's (2006) step-by-step outline for thematic analysis. The analysis began by reading each individual transcript so that I could better familiarize myself with all the collected data. The notes I had written during the transcription stage were also reviewed. Next, I created initial codes drawn from the interview framework and began coding the transcripts within MAXQDA 2020 software. According to Saldana (2011, pp. 95–96), coding is a method of discovery of the meanings in different individual sections of data. He describes that the codes function as a way to identify patterns, classify and later reorganize each code into emergent categories for further analysis. After each transcript was coded, the initial codes used were reviewed with the research questions in mind and re-grouped into larger themes and overall categories so that better analysis could be achieved within each theme. Within each theme, I compared the answers looking for any emerging patterns, similarities, and differences in emphasis. The transcripts were also re-read during the analysis to see if any coding was missed or needed to be altered. Throughout my analysis, I had my research questions in mind, so any themes that were interesting yet outside the scope of this study were left out. For the writing of the results, I purposely tried to include particularly vivid examples, as advised by Braun and Clarke (2006), which would best capture the point I was trying to make with my analysis.

5 RESULTS

In this chapter, the empirical findings of the study are presented. This chapter further explains and extends the knowledge we have on angel investor syndication in Finland. This results chapter will be presented via series of questions. The first sub-chapter presents findings on the frequency of syndication and motives that the angel investors have in justifying their choice for syndicate investing. The second sub-chapter describes the found syndication formation processes in more detail including the organization process that takes place in the formation of a syndicate. The third sub-chapter reports who the angels tended to select as syndicate partners and presents visually the syndication network that has formed between the angel investors. The fourth sub-chapter summarizes the key findings.

5.1 Why do angel investors syndicate?

Syndication among the interviewed angel investors turned out to be a rule rather than an exception. Table 4 shows in a summarized way how the angel investors indicated their frequency of syndicate investing and the motives they used to rationalize it. The angel investors syndicated their investments because it diversified the risks related to their investments, allowed the pooling of larger financial and non-financial resources, provided certain social aspects not achievable when investing alone, and accumulated better deal flow for them in the future. These motives are all presented after the table each in their own sub-chapter.

All of the eight interviewees confirmed that they practically always make syndicated investments instead of investing alone. Some investors mentioned that they had done a solo investment somewhere in the past but would not consider making one again today unless it would be an exception such as FFF investment (family, friends, fools) which Angel 1 noted. According to FiBAN's statistics around 80% of their members' investments are syndicated with other investors. While this study did not investigate the 20 % of investors that choose solo investing, the reasons for solo investing may be what Angel 1 pointed out, which is that the investment is not an angel investment per se but more like an FFF investment. Another aspect that was noted during the interviews by Angel 2 and Angel 3 was that as an angel you can still invest in the same round of funding with others but not be in a syndicate. In other words, a company may attract different investors, but they all invest on their own terms, making it possible to invest with others at the same time but not to invest as part of a syndicate. In addition, the angels explained that it's possible to invest in a follow-up round of a company that has initially received angel syndicate funding, but as they invest individually in the follow-up funding round, they are not part of the original syndicate that had made the initial investment in the previous round.

TABLE 4 Angel investors' syndication frequency and motives

Investor	Syndication frequency	Motives for syndication
Angel 1	"In practice, always. I have one investment, which I have done as solo investor and that like… I will not make another. Perhaps I could make an exception if it was more like a FFF investment rather than an angel investment itself."	- Diversification - Pooling of financial resources - Pooling of non-financial resources
Angel 2	"Let's just say it like this, that those who make angel investments in syndicates, I find it hard to believe that any of them would change back to the style of doing it just on their own."	- Diversification - Improving quality of investments (Due Diligence) - Social benefits
Angel 3	"In practice 100 %. It does not make sense to invest alone."	- Better deal flow - Improving quality of investments (Due Diligence) - Personal learning - Pooling of financial resources
Angel 4	"I would say that I barely ever invest alone. It is… even though you think you know what you are doing, in syndicates the control, critique, different perspectives and knowledge, it's just so much more productive. Going forward, I almost always invest in a syndicate."	- Pooling of financial resources - Better deal flow - Diversification - Pooling of non-financial resources
Angel 5	"I haven't invested in any of these alone-alone, there has been other investors involved."	- Pooling of financial resources - Pooling of non-financial resources - Social benefits - Workload sharing
Angel 6	"In practice all of my investments are always done in a syndicate, so together with someone else."	- Diversification - Improving quality of investments (Due Diligence)
Angel 7	"I can say that practically always. In other words, every time I invest, I invest with other angels. I can't remember that I would have in a long time in the past few years... I probably have never invested alone."	- Diversification - Pooling of non-financial resources - Social benefits - Workload sharing
Angel 8	"I would say almost always. It would have to be an exception to make the investment without other investors investing."	- Pooling of non-financial resources - Pooling of financial resources - Personal learning

5.1.1 Diversification

Early-stage ventures are very high-risk investments, which leads to the investors' need to diversify risk. All of the interviewees saw that syndication was the means to share risk and to achieve a well-balanced portfolio, which corresponds to the finance theory rationale for syndication (Wilson, 1968). It is said that statistically only 1 out of 10 entrepreneurial ventures succeeds, meaning that for an angel investor with a portfolio of 10, only one company statistically returns the investment multifold. Syndication allows angel investors to invest in a larger number of firms and avoid putting all the eggs in one basket (Angel 6). With syndication, the angel investors can make smaller investments into multiple companies diversifying their portfolio and increasing their chances to have companies in it that would beat the odds. Furthermore, the angels explained that because of the large risk exposure that an investor bears with a startup investment, rarely does one investor want to directly invest all their investment wealth into one target company. Additionally, as AI1 mentioned not very many angels even have the liquidity to do so, especially if you have collected multiple companies into your portfolio.

> It is the same solution as in Wall Street, do not put all your eggs into one basket. So, you diversify the startup investments by investing in many firms. Syndication is the way to do it. (Angel 6)

> We don't have many investors that could on their own take the 200,000-250,000 € investment on their own, let alone want to. It is also rational from the investor, you have to remember these are very high-risk investments. If you have invested in five companies, statistically you don't know whether you are winning or losing. It is very different to put 20 times 25,000 than 20 times 250,000. Some might have millions in investment wealth but not many have tens of millions. (Angel 1)

5.1.2 Pooling of resources

Depending on the stage of the company and the type of funding round, syndication was used to pool the necessary resources together, both financial and non-financial. The median angel investor ticket size in Finland per investor is 20,000 euros while the median angel investment round is between 200,000-250,000 euros. This already indicates that in order to close a median round of funding 10 median size tickets are required. Consequently, the majority of the time syndication was the way for angels to pool the required financial resources together.

This ability to pool financial resources also gave the angels the possibility to make larger total investments if more investors are involved with the deal. Angel 5 noted that it does not make sense to do too small investments because the investee companies need more. He wanted the companies in which he invests to be provided with enough money so that they could "achieve something remarkable" and that way potentially secure future funding from larger investors. Furthermore, Angel 3 and Angel 8 mentioned that with syndicate not only are larger total investments possible but also follow-up investments as well, so whenever when a company runs out of money new funding round is not necessarily needed as there are already multiple investors around the company.

> I think the primary reason is to pool the needed money together to make the investment and very rarely is someone ready to invest as much as the company needs. It inevitably leads to needing multiple sources. And in a way, there is no point in making a very small investment because it doesn't lead to anything, so you have to give enough money for the company to operate for at least a year or more. As an investor, I want to be assured that the company gets enough money so that it's able to achieve something remarkable. After which its chances to raise more funding in the future are a lot better. (Angel 5)

In addition to the pooling of financial resources, syndication allowed the angels to pool all of their non-financial resources together. These non-financial resources included the pooling of knowledge and experience to make better investment decisions, improve the quality of due diligence, and share the workload and resources related to post-investment management. The angel investors stressed that syndicates improve the decision-making related to the investment targets as with a syndicate you have more investors giving their opinion about whether the investment is worth investing in. Angel 3 described that when investing in a syndicate of three investors "you have three brains thinking is this a good or a bad case". Similarly, Angel 6 saw that a syndicate provided a "sanity-check" to see if the deal even makes sense. Likewise, Angel 5 noted that when investing with others it gives certain moral support to you as an investor if someone else besides you has faith in the investment too. Or as Angel 8 expressed it, if the investment turns out badly, you were not the only fool that lost their money.

> In a syndicate usually more heads think better than one, so to speak. I think it provides sort of a 'sanity check' to see if it even makes sense to invest. (Angel 6)

> Another thing is that from the investors point of view, it gives certain moral support if someone else has faith in the investment too. (Angel 5)

The evaluation of a startup is difficult, sometimes there may be only a team with an idea with no actual business yet, leaving a lot of room for risks. The actual evaluation of a startup, due diligence, was considered easier to do in a syndicate due to the larger resources and knowledge available in the syndicate. Angel 4 stated that the largest value that a syndicate provides is the combined networks and knowledge, which decreases the investment risk as different opinions and perspectives can be used in the evaluation process of an investment target. Likewise, Angel 2 saw syndication as a way to save time and improve the quality of the investment evaluation because with more investors involved, he is not the only one checking and assessing all the facts. He explained that this leads that the investment evaluation is of better quality as the information is shared within the syndicate. Additionally, for a single angel investor, due diligence and paperwork can be a daunting and time-consuming task. As Angel 5 noted: "if you do it alone, you will do all the paperwork alone too". Investing in a syndicate was thus seen as a response to share the work related to the evaluation, decrease risks and save time as a result.

> I think you could say it saves time, that's probably one important thing. Another thing is improving the quality. They go hand in hand because you have to get to know the investment target so in a syndicate the knowledge is shared. If we have a syndicate of 10 or 5 investors, we all know things and can evaluate the risk as much as our combined knowledge is. So, there is always someone bringing up risk or some other information. The things that concern us the most, everyone will bring them up and share with others. And we will then discuss if they are relevant or not, are they a concern or not, or could it be a possibility when we do this and that and so forth. When you share knowledge, it decreases risk, and the time saving comes from the fact that you do not have to do it alone. (Angel 2)

Investing in a syndicate was also seen as a way to share the workload that comes with angel investing. This workload sharing can already happen in due diligence, however with syndicate investing the investors often also have to agree on how the post-investment is handled. Angel 7 noted that in a syndicate the workload related to the investment can be shared better and when there are more investors involved, there are also more resources that could be used to help the company. Angel 1 also pointed out that if you invest alone, you are the only one that can help the entrepreneur, yet then have no one to help you. So, for angels, syndication was a way to share the work and to take advantage of the larger networks, resources, and experiences available, so that they can then help the entrepreneurs to the best of their ability.

> Maybe an even more important aspect is that you can share the work involved with the investment because in angel investing you are not only investing money but also your time, work, networks, and so forth. When you have more angel investors involved, you can share the workload amongst the angels. In this way you get more, one person is always little, but when you have at least few angels with you, there are usually always good ideas and experiences available, which then can be used and benefited from. (Angel 7)

> The benefit of investing in a syndicate is… or if you turn it around like this: when you are the only investor then you are alone. You are the only one that can help the entrepreneur but on the other hand, you have no one to help you. So, when you have a group of investors around, there are different people, different types of experience, different backgrounds, making it a stronger pool of resources available. (Angel 1)

5.1.3 Social aspects

Many of the angels pointed out some social aspects that come with syndication. One of these aspects was personal learning as in a syndicate you can learn from the thinking and experiences of others (Angel 3). To develop skills as an angel investor, it would be a natural starting point to examine what other angel investors do that you don't and what could you possibly learn from them. Additionally, investing in a syndicate is often the recommended way to operate if you are new to angel investing because with the help of more experienced investors you have a chance to "avoid the mistakes you usually make in the beginning" (Angel 7).

> You get so many benefits plus you also learn from the cases that get rejected. You also learn so much from the other angels on aspects such as the processes, thinking, markets... you learn a lot. This is the learning opportunity. (Angel 3)

> I think it is... or how I invest and teach, and also what FiBAN or EBAN teaches, is that when you come in as a new angel investor and you want to learn, you should join a syndicate that has a lot of experienced angels in it. This way you can learn and be able to avoid the mistakes you usually make in the beginning. So, it's definitely the way to operate. (Angel 7)

Another social aspect was the fun factor as working with others and doing things together as a team was considered more enjoyable in comparison to doing it all on your own (Angel 2 and Angel 5). Similarly, Angel 7 expressed that angel investing can be a lonely job unless you choose to work with others. Hence, for many of the angel investors syndication was a way to enjoy the company of other investors and make the job of being an angel investor more fun.

> It's also much more fun, it's much more enjoyable to make an investment with good friends than to make it on your own. (Angel 2)

> It's definitely more fun to make the investment for example with 5 investors than to do it on your own. (Angel 5)

> To some extent, there is also that side that angel investing in principle is a very lonely job to have if you only invest alone. It is way more fun to do it with a group of people. (Angel 7)

5.1.4 Deal flow

The final rationale that the angels noted with syndication was deal flow. The more you syndicate, the better chances you have of receiving future deal flow, which according to Lockett & Wright (1999) and Manigart et al. (2006) is one of VC's motives for syndication. Angel 3 stated that syndication is a way to pool deal flow, which to him is very essential so that he can achieve a diversified portfolio and increase the share of those companies that will succeed. Through relationships with other investors, the angels often got to hear about investment deals that they otherwise maybe would have not heard about. Likewise, Angel 4 saw that as an angel investor it was beneficial to operate as a part of a larger ecosystem, so that better deal flow could be accumulated. Angel 4 stated that by being a part of this larger ecosystem, it somewhat inevitably leads to syndication.

> Another thing about syndication is that you will pool your deal flow, which is very essential thing in order to diversify your portfolio and to have a share of those companies in it that will succeed. (Angel 3)

> Is beneficial to operate as a part of a larger ecosystem, so that you may get better deal flow, which easily then leads to syndication. (Angel 4)

5.1.5 Summary of motives for syndication

In sum, the motives that angel investors used to reason why they syndicated their investments matched well with what previous literature on VC and angel syndication currently provide. Not only was syndication the means to share risk and to have larger financial resources, but it was also a tool to pool more knowledge, skills and experiences together, which helped the angels to perform better evaluation and due diligence. With a stronger resource base, the angels were able to assist not only each other but the companies as well. Furthermore, syndication provided the investors the ability to learn from others and to enjoy the experience of working together. Through these syndicated investments with other investors, the angels also gained access to larger deal flow, which was considered essential if wanting to invest in the best deals out there.

5.2 How do syndicates form in Finland?

The interviews showed that there are commonly two ways for angel investors to form syndicates in Finland. These two formation processes are based on the fact that who facilitates the syndication process: is it the angel network (FiBAN) or is it an investor. The process facilitated by FiBAN was identified as the formal way of syndicating while the investor-driven process was considered the informal way of syndicating. These two syndicate formation processes are summarized in their essence in figure 4.

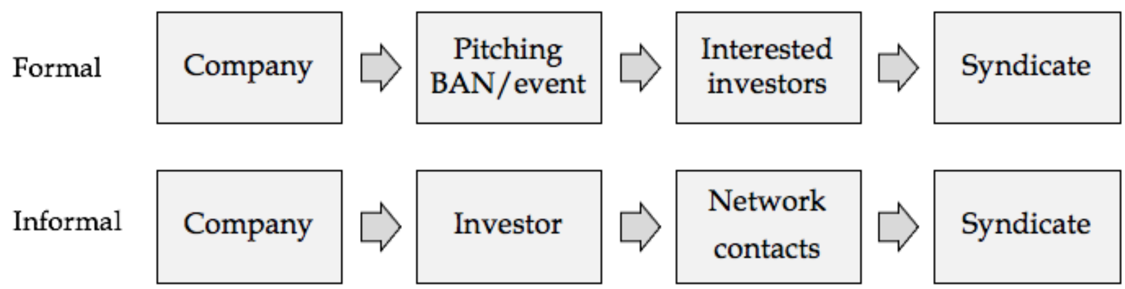

FIGURE 4 Syndicate formation processes

As shown in figure 4, both of the syndication formation processes begin the same: a company needs angel funding. The companies usually have two choices, apply for funding via the business angel network platform or contact an individual investor. Some companies may do both. However, in the next step is the difference between the two. An angel syndicate can be the outcome of FiBAN's investment process if a company raises interest among the network members, or the syndicate is formed via an individual investor and his/her network contacts if a company has managed to raise the interest of the individual investor. The formal process follows rather predefined steps of activities while the informal does not. The next chapter presents these two syndicate processes in more detail.

5.2.1 Formal syndication process

In the formal process, a company has submitted a formal application including executive summary, pitch deck, and financial information, to an online platform managed by FiBAN. After that FiBAN's deal flow manager views the submissions and if no information is missing, publishes the company profile for all angel members to view. Screening is conducted by FIBAN's investor screening board that has around 6 to 8 angel members who select the companies that will be invited to pitch. A major formal event to many angel investors is the pitching events hosted by the network that takes place on a regular basis. There the selected companies get to present their idea in three minutes to all the members of the network. After the pitching, the interested investors may discuss more with the entrepreneur or amongst the investors. If still interested, the angels may notify the network of their interest. Figure 5 summarizes the formal investment process in its essence, step 1 being the Pitch Finland.

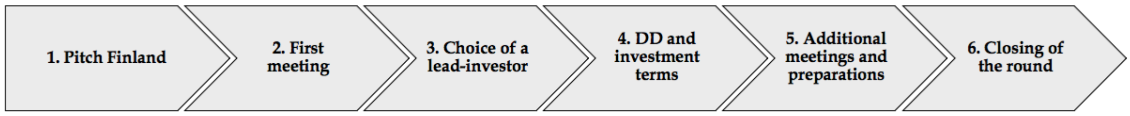

FIGURE 5 Formal investment process

The network will then gather the contacts of the interested angels and initiate an introductory meeting for all the potentially interested investors (step 2). The driving force for the investors to join this first meeting is the interest in that specific venture. In the first meeting, the company usually presents its investment request once more, and the company and investors may get acquainted. The investors then often discuss among themselves for example about the company valuation and syndication. During the first meeting or quickly after it if investors are still interested, a lead investor should be found (step 3) who would activate the next step in the investment process (step 4) that includes the division of roles and responsibilities between the investors, due diligence, and term negotiations. Only after that and all the final meetings and preparations (step 5) does the actual syndicate form (step 6) where the papers are signed and the funding round closed. It's important to note that the investors can also drop out during the process if they discover that the deal is not interesting enough or through simply discovering that this is not a deal worth investing. As Angel 8 explained sometimes the first meeting could have 10 investors of which none of them end up investing or then only a few of them invest. So, not all companies make it through the process and receive syndicated investment. Similarly, not all angel investors that were there at the start of the syndication process actually end up in the syndicate.

> In the FiBAN syndicates, the first meeting could have 10 investors and in the end none of them invest or three of them will invest. So, during the process people drop out either because they lose interest, or they start to feel that this is not a good investment. In this way too it is sort of an ameba that it lives on. Until the papers are signed you only know who is in. (Angel 8)

FiBAN plays a large role as the facilitator of the angel syndicate formation as it gathers all the interested parties into one meeting. This coincides with Mason & Harrison's (1997) finding that angel networks take a pro-active stance in the formation of syndicates amongst their members. In addition to FiBAN, other professional angel networks such as European Business Angel Network and Nordic Angel Program, or other large startup events such as Slush in Finland or Artic15 in the Nordics, also facilitate angel syndication as they gather interested entrepreneurs and investors together. These organizations play an active role in reducing the invisibility commonly associated with angel investment and also make it easier for the investors to form syndicates as they are all gathered together.

This facilitated process was also noted as a good way to get acquainted with syndication. Angel 1 noted that one of his first syndicate investments was through the formal process and it served as a good way to get familiar with the process. Similarly, Angel 2 noted that as the formal process is open to all members it's rather easy for the angels to try syndication. He stated that rarely does anyone who has tried the formal process want to invest again as "a lone wolf" because of the advantages that syndication offers for the investors. Angel 4 concurred by saying that the reason why the angels in Finland invest in syndicates is partly because FiBAN is active in pursuing it, which then makes angel syndicates "an extension of an existing process".

> I do think that rarely does anyone who has syndicated and been a part of the FiBAN's formal process invest again as a lone wolf, it's just so much easier to do the job in a syndicate. (Angel 2)

> Inherently the syndicate is an extension of an existing process, so in the case of FiBAN, syndication is actively pursued because it is known to be a very well-functioning model. (Angel 4)

5.2.2 Informal syndication process

In the informal syndicate formation, a company usually manages to raise interest in one individual angel investor, who then if interested in investing, shares the case to other investors in his/her network. A syndicate forms rather informally from the investor's network contacts who agree to join the deal. Compared to the formal syndication process, information about a possible investment deal is not shared evenly, so not all investors get presented with every investment opportunity.

In informal syndication, angels are presented with a case found through their own deal flow. The angels accumulate deal flow from a variety of sources, for example, from FiBAN, different startup accelerators and events, personal networks, and cold contacts. When an angel investor then receives an interesting investment case in which they are interested investing, they usually initiate the syndication process by sharing the case with their investor network. Angel 3 mentioned that this network is often accumulated through different networking events that for example FiBAN organizes, and many times the "taste" of the investors is similar as in they both like a certain industry or a specific type of company. Angel 7 stated that often there is this group of investors usually bringing cases to each other's attention. In this group then, cases are shared, and syndicates are formed based on who is interested in what.

Informal syndicate formation was found to be a frequent way for the angel investors to syndicate their investments as Angel 7 confirmed it "it's how I and very many of us operate". Likewise, Angel 2 noted that most of the syndication cases go outside the formal process as the deal proposals come directly to them. Then it's about considering who would you like to have as co-investors. However, the condition for informal syndicate formation is that it requires an angel investor to have a network of other angel investors who are available to join in as co-investors.

> Majority of the cases go outside the formal process. In other words, someone contacts me for example by e-mail, phone, or both. Then if I find that this is a really good thing and I am interested in investing, I think to myself who would I like to have as co-investors in this case. (Angel 2)

> A syndicate forms when an angel has found a good case, so they have gotten a lead on something, then this person will also become the lead investor and start to present the investment deck to other angels that he has usually met in different functions such as FiBAN networking events, and often the investor's taste is similar so they like certain type of companies that are at a certain stage (Angel 3)

> Typically, it would work that someone in this kind of a group of people… someone from these people will know or receive the contacts of a company somehow, meaning that the company has pitched in a way or it has become familiar in some other way, and the case is brought to the table. And then I have looked at a case and thought that this looks pretty good and sent it to a few other investors and ask for their opinion as what do they think if I know that they could be interested in a case like this. And there the syndicate starts to form, if more than one person is interested in whatever the company is doing. (Angel 7)

The angel investors frequently utilized these deal referrals from other investors, and they were an important source of deal flow. Firstly, the deals that included an angel investor reference made the investors even open up the investment deck. Many of the interviewees received hundreds if not thousands of proposals per year, so the time to look at them all is very limited. Hence, if a deal or syndicate proposal came in with a reference, the angels often took them seriously and put some time into evaluating it. Secondly, referenced deals were seen as inherently more interesting. Angel 5 stated that referred cases by angels are usually "ten times more interesting". In the same vein, Angel 1 expressed that often the best cases come from other angel investors. The reason why the angels thought referred cases were better or more interesting was that they often were also a sign of higher quality. Angel 2 explained that the deals with an investor reference often meant that the case was better than the average deal the angels usually receive. If an investor had thought it to be good enough to refer it to him, Angel 2 knew it was something worth at least looking into.

> You have to understand that from the thousand cases there is so much rubbish that there is no point in the whole thing, a really bad team, a really bad idea, a really bad execution… there is nothing. So, a case with a reference then sort of has a quality stamp on it, saying that this is clearly better than the average. (Angel 2)

Nonetheless, a referenced deal did not equal investing. The decision of whether to invest was still found to be made mostly through each investor's own investment criteria. The most common reasons for turning down a deal was that it did not fit their investment criteria, it had some type of an uninteresting feature for example industry, or they felt that they specifically had nothing non-financial value to contribute to that venture (Angel 5). While most investors took a referenced deal seriously, the reference itself according to the investors rarely impacted their investment decision. Additionally, the fact that many investors have a predefined investment focus, makes the angel investors also pay attention that they don't just refer a case to another investor but a case that they think might fit the other investor's interests. As Angel 1 pointed out if referring deals that do not fit the other investor at all, it can have an effect on your investor brand and how your case references will be received by other investors.

> I only invest directly to those that interest me, in which I want to be a part of, and feel that I can contribute in some way and that I can learn something. If it's not something I don't want to be part of, then I don't really want to invest in it. (Angel 5)

> I have to know that it's the right investor for that specific company, and the company is right for that investor. And I'm very particular with this that I won't offer a case to another investor if I don't think that it will fit them. And there is for example those investors too that then just shoot out the decks everywhere. For me too, if I get a deck like that from an investor, it will stay unopened in my email for a few weeks to wait for a quieter time when I maybe feel like opening it. So, it directly effects your investor brand then. (Angel 1)

VCs or entrepreneurs searching for funding could also be active in the formation of angel syndicates. Angel 1 described a particular syndicate with two VCs he had previous connections with. The VCs had already planned to invest in the company, however, due to the niche industry that the company operated in Angel 1 was asked to join them. Angel 6 described that one of his recent syndications was a personal connection to a CEO he knew and had asked him if he would be interested in investing alongside a few other angel investors that the CEO knew. Likewise, Angel 5 also joined an angel syndicate that was gathered via an entrepreneur he knew beforehand and who had after a while found enough interested angel investors who then formed a syndicate. Hence, VCs and entrepreneurs and their network contacts also play a key role in the angel syndicate formation if they take an active role in the search for investors and in the introducing of one investor to another. Angel 8 described this as a "backward-driven process" as the syndicate is the outcome of an entrepreneur having attracted individual investors first, who then almost automatically come together to form a syndicate.

> There is sort of an engagement period first, so the company may introduce themselves to multiple investors and then everyone is getting to know the company, sort of going back and forth whether this is good or not. If the decision is that it's good and you want to look at it more closely, only then do the wheels start turning. Usually, this means that it's a backward-driven process that the formation of the syndicate takes place almost automatically as the entrepreneur has created the syndicate from the investors. (Angel 8)

5.2.3 Organizing the syndicate

After the syndicate formation has been initiated by the business angel network or by an individual investor, the syndicate needs to organize itself. Often the syndicate naturally structures around the lead investor. In informal syndicates, the lead investor is usually the investor who has brought the deal to the table or to the attention of other investors. Angel 7 stated that part of the lead investor's job is to gather the deal, so it is almost inevitable to avoid the role of a lead if you are the one gathering the syndicate. In the formal syndicates, there may be more discussion on who will become the lead investor as the investors have gathered together as the result of a company pitch. As for the choice of a lead investor either way, Angel 1 said that as a rule of thumb it should be the angel who is the most excited about the case. Angel 3 concurred by saying that the lead investor should be the investor with the most passion towards the case and who has wanted to pursue the deal in the first place. Angel 8 summarized that usually the lead is the investor with the most interest or who has the most relevant expertise or who makes the largest investment, or all of these things combined.

> Usually, it is the investor who has the most experience from that area or who is most interested in this specific company or who makes the largest investment. Or all of these combined. That person usually becomes the lead investor. (Angel 8)

Angel 2, Angel 4, Angel 5 and Angel 8 mentioned that at times the situation very often is that there is no one really wanting to be the lead investor. The role of a lead investor also means a lot of work related to the investment. At pre-investment lead investor's tasks typically included the coordination of the due diligence process, potential workload sharing among the syndicate members, and ultimately negotiating the terms of the investment with the company and checking the investor tickets. At post-investment, the syndicate requires a seat at the company's board, which commonly is filled by the lead investor. Especially active angel investors with multiple companies in their portfolio, have to consider in which cases to lead and which not, otherwise as Angel 4 pointed out "you will run out of time". Some angels were also passive investors by nature and preferred to leave the leading to others. However, most of the angel investors took the role of a lead in cases where they felt the most passion towards the company or where they felt they could contribute the most.

> Quite often the situation is, more than often, that no one really wants to be the active one, so in the formation of the syndicate we can't find the angel that would want to spend time and be active with the investment target. Of course, that is understandable because that time is then away from other things, and it's not really possible to be a very active angel investor and build a large portfolio where you are active in every company, you will run out of time. (Angel 4).

The role of the lead investor in the syndicate formation was considered crucial, because without the lead investor the syndicate may not form. Lack of engagement and activity from the lead investor during the deal structuring or the failure for anyone to take the role of a lead was seen as the potential obstacle for angel syndication. Angel 6 said that "I don't know if a syndicate can be formed if someone really isn't a lead". He continued to say that the lead investor's role is crucial in the gathering of the syndicate and coordinating the deal with the syndicate members and the investment target so that the syndicated investment would take place. Angel 4 evaluated that angel investors could syndicate even more, yet the problem is that every syndicate needs a lead investor. If there is no one willing to be the lead investor who would pursue the investment and activate the rest of the investors, the syndicate very easily falls apart and the investment is compromised (Angel 8). This brings us back to the point Angel 6 made above that it is hard to form a syndicate if there is no one to officially or unofficially coordinate the investment.

> We have significant, statistically significant and very likely also potential wise, a serious problem that syndicates are not formed as much as there could be in regard to the amount of deal flow and available interest. So, I see a challenge first and foremost in the finding of the deal leaders and the activation of them, sort of making the whole process possible. (Angel 4)

> The biggest problem is usually that we can't find the lead investor or some leading guy or a gal that would take on the lead role and start running the project. If we can't find one to do it then it tends to sort of float in the air, which can compromise the whole investment when everyone kind of wants to be involved but no one is willing to do the work, take a seat on the company's board or be in charge. Someone has to officially or unofficially take the role. (Angel 8)

One option to beat this activity issue has been to incentivize the role of lead investor by linking it with compensation. Lead compensation in its core acts both as an incentive to be lead investor and as compensation for the extra work that a lead typically has to undertake. The mentioned lead compensation included, for example, an investor carry-on interest model where the lead investor would receive a set percentage from the other investors when the syndicate makes its exit from the company. Based on the interviews the consensus was that the lead should be compensated for the work they do, yet it was not always used in the angel syndicates. The reason why resulted partly from hesitancy towards asking for compensation, for example, Angel 5 considered that "it may be a bit uncomfortable to ask will I be compensated for this". Angel 8 saw that part of it has to do with the Finnish culture where everyone is considered equal, making it hard to introduce a model where one gets better terms than someone else, despite the other one doing most of the work. Additionally, there were some concerns that the lead compensation could be a cash flow leak for the syndicate. Angel 2 pointed out that in theory, all investors should be positive investors and not negative, so any contributions that you get paid for by the syndicate must then add value to the investment. To prevent any possible fraudulent behavior, Angel 6 said that the compensation model should be agreed upon beforehand so that no misbehavior can take place afterward. On a similar note, Angel 1 noted that investors should agree on the contributions made to the company within the syndicate already at the beginning, especially if the company requires a lot of hands-on assistance, otherwise the gaps in the investor contributions may become substantial. Although, if the syndicate is small, it is easier for the investors to not be as formally organized. But when the syndicate gets larger in terms of the number of investors, all of the angel investors emphasized the importance of allocating roles and responsibilities. If not properly organized, it definitely can have its "ingredients for a mess" as Angel 5 considered it. Naturally, in a syndicate there are as many opinions as there are investors, but the crucial aspect was related to the investors' ability to form a consensus and put on a united front for the entrepreneurs. Many of the angels by no means wanted the complications of the syndicate to interfere with the investee company's management, so organization was considered the key component in making the process work for everyone involved.

> In many other countries, there is this VC type of carry-on interest to the lead investor so that when an exit comes the other investors pay for example 10 or 20 percent from their share of investment to the lead investor, sort of like a reward afterward for running the syndicate. But in Finland, we don't have these compensation models and I've not been active in introducing one either. In Finland we have this equal thinking that everyone shall have the same terms, one shall do the work, and others will then enjoy it if it succeeds. (Angel 8)

> The investors should also agree on the division of labor, so who should help out in which areas so that the contributions between the investors are in balance. For example, if there are four investors and one uses four hours per week in the case and the others none, and if all the investors have made the investment with the same valuation and equal shares then it's not really a fair game. After the first week it's four hours but after the first year it's 200 hours, so that already is a substantial difference in contribution. (Angel 1)

> There are a lot of moving parts, if there are 10 investors it can mean 10 different opinions and all. It does sort of have its ingredients for a mess. FiBAN has also tried to address this, we have had training that I have also participated in, and where we have tried to open up this and figure it out and come up with these models how the lead-angels would be compensated, and so on. But often it's not probably that organized, which leads that the investment does not happen, or then the organization is weak, paperwork is weak, and so forth. And it's obviously not nice for the entrepreneurs, I'm sure they want it to be efficient, easy, and straightforward. If there is not anyone really active or then if there are too many active investors, then there are too many ideas, suggestions, and papers and stuff. So, it's frustrating by all means. (Angel 5)

The non-leads in the syndicate seemed not to have any specific roles in comparison to the lead investor. The angel investors pointed out that you do not have to be a lead investor in order to contribute, for example, advising or mentoring could be done more on informal basis or whenever needed. Hence the non-lead investors could participate depending on their interest, or simply remain passive. If the syndicate was large in terms of investors and the company more later-stage, then the role of non-lead was often to just provide money. Angel 4 mentioned that the roles can change as a function of time. Similarly, Angel 1 pointed out that sometimes situations change and due to the long investment periods the boards of companies can also change, and the non-lead investors may become the lead investors during post-management. Also, in the case if the company grows fast and becomes more mature, new and larger investors may come along and in those cases as Angel 2 stated "usually new money speaks", so the larger investors tend to take the reins from the angels.

> Money. That's the role no doubt. But it can also be that the roles change as a function of time. In the beginning it could be that someone has the relevant knowledge and time available to steer the company but then time goes forward, and the company's maturity or situation can change and so forth, so it's not set-in-stone or anything. Even though a passive investor gets no official role in the syndicate or in the company, they can still technically be active, so there may be like niche experience or knowledge that is useful for the company or for the other angels in the syndicate, so we can always ask them if needed. I do have a few companies where I have been involved more unofficially on an advisor status, so for example once a month we have a call even though I'm not in the board and go over some particular problems or questions they have on the table at the moment. And that's also rather recommended way to operate, so the companies should actively use their investors for advice if they have the time and relevant expertise or contacts. (Angel 4)

5.2.4 Summary of syndicate formation

Angel investors were found to form syndicates commonly in two ways: formally through FiBAN's investment process or informally through the investors' vast networks. Entrepreneurs who were looking for angel funding could also be active in the syndicate formation by gathering individual investors around the company, thus facilitating the formation of a syndicate. Part of the reason why the angels invested in syndicates was FiBAN's active stance in pursuing it and making it possible for the angels to form syndicates with one another. Through these formal syndicates, investor networks were also accumulated, which could be then later on used in informal syndication.

No matter which way the syndicate was formed, all the angels agreed that a syndicate should have a lead investor, official or unofficial, who would drive the investment process and activate the rest of the syndicate members in the pursuit to invest. The role of lead was considered crucial as they are often responsible not only for the investment to take place but for the post-investment management as well. Usually, the lead was the investor who either gathered the deal or who had the most interest in the investment target. At times the lead investors were hard to find, either due to angels' passivity or reluctance to take on all the work that comes with the role of a lead investor. One option to beat this problem has been to incentivize the role of lead by linking it with compensation, however, this compensation practice has not yet eased its way into the angel syndicates in Finland.

The angel investors saw that the syndicate should agree on the roles and responsibilities within the syndicate before the investment, so that everyone is on the same page on how to proceed in helping the investee company going forwards. The need for clear roles and responsibilities grew when there were more investors involved. If failing to organize, the syndicate can potentially cause harm not only for the investors but for the entrepreneurs as well. The strength of the syndicate lies in its ability to provide more than what a single investor could, but for it to work properly it has to be an alliance.

5.3 With whom do angels tend to co-invest and why?

5.3.1 Partner selection

To understand how syndicates form among angels, we must also understand with who do angels tend to syndicate with. Based on the interviews, angel investors seemed to have an inclining to form syndicates with other angel investors who they knew, who were interested in similar companies, and who they trusted. Depending on the circumstances, the angel investors ability to contribute or their ability to provide relevant expertise were also seen as a factor influencing the choice of a syndicate partner. These mentioned criteria held especially for informal syndicate formation, where the angels have the power to choose their syndicate partners. In the formal syndication, where the process is driven by interest towards a specific firm, other aspects such as knowing someone beforehand mattered less. Table 5 summarizes the four main criteria found to influence the selection of a syndicate partner and how each investor expressed these four aspects. Not all investors emphasized all areas. For example, Angel 5 only considered resources when it came to the selection of a syndicate partner while Angel 2 brought up all four areas. Each of the four areas affecting the choice of a syndicate partner are presented next in their own sub-chapters.

5.3.1.1 Relationships

Firstly, as table 5 shows, for majority of the angels, relationships mattered. The investment cases that the angel investors found were frequently reported to be shared with a close circle of other angel investors who they knew well and with whom they have invested with in the past. These relationships could be based on personal life connections, however, most of the angel investors have met each other through FiBAN or through different investment cases in their years of investing. Angel 1 stressed that he has to know that the investor was right for the investment, so usually the syndicate partners were sourced from his network of other investors. Similarly, Angel 4 said that he shared cases predominantly with his inner circle, rarely sharing information about an investment case to a larger audience. Along the same lines, Angel 3, Angel 6, Angel 7 and Angel 8 emphasized that they share cases to the people they knew and have invested with before. Therefore, in the selection of as syndicate partner, the knowing of the investor clearly mattered.

Conversely, when asked about joining a syndicate and whether then the knowing of the other investors mattered, a bit of variation was received. On one hand a few of the angels saw investing with new or less-known people as a way to network and get to know them better. For example, Angel 4 said he often invests with the people he knows but he knows it limits his networking opportunities. He noted that is why he sometimes invests in the formal process that FiBAN runs, as there is usually always someone you don’t know that well.

TABLE 5 Partner selection

Investor	Relationships	Interest	Resources	Trust
Angel 1	They are all **from my own networks, so I have to know** that it's the right investor for the company and the company is right for the investor.	You know that to this person this case fits and that sort of brings us that I have a **predefined investment focus** and I'll mostly look at cases that fit it.	I think it starts from **what we need in that case.** Now it can be on both sides, so what the company needs or then what do we on the investor's side think that this case still needs.	
Angel 2	If I'll start to collate the syndicate, **I won't call people that I don't know.**	Another thing is if the network is large, then I sort of know beforehand that **this person could be interested in this** and that person in that.	Or sometimes I think that this person would be really good to get along, because **they know about this a lot and have, for example, contacts ready**, have something similar in their portfolio already so they know how to do this.	I call the people **I know and trust and who I also want to reward** because in a way it's a reward if you have found a really good target.
Angel 3	Well, **I know them and** have usually invested with them before.	We have **similar focus** in industry and stage, we have similar type of companies, and are **interested in this startup** in the same way.		It's the people who you enjoy working with, who are interested in similar a thing, with **whom you have established trust already**. So, with those people, you trust them. You trust their judgement which as a result leads to this bias that you want to work with them.

Investor	Relationships	Interest	Resources	Trust
Angel 4	It's mostly to my inner circle, angel investors **who I know** very well.	Or other investors that are **familiar to me who I know could be interested** in a case like that.		Angel investing is a **business based on trust.**
Angel 5			Usually, we are looking for **money** so that's the primary reason, but I'm sure there may be cases that we are looking for something such as resources.	
Angel 6	It usually goes that **you know someone in the syndicate**, who brings one or more co-investors who then bring one or more co-investors.		It's not beneficial for the syndicate to have five great persons that can count. It's good to have someone with product-knowledge, someone from sales, another one from HR and so forth. In the best syndicates, **there is diversity.**	So, a syndicate is **based on trust,** if you don't know anyone you won't join it.
Angel 7	I think the starting point is that **you have to know these people** so that you know they are good at what they do. That's like one thing.		But then the other thing is of course that **there is no point in bringing these people to the case if they don't have anything to give.**	I think it's impossible to do this if you don't have a **relationship based on mutual trust** with the other investors.
Angel 8	Or some way I have worked with them before in another case, **so it has to be someone I know,** the person that I'll ask along.	There's no one in the syndicate that is not **interested** obviously.	I contact those persons that have **experience** in the area.	

One of the points of these angel networks is to provide their members the opportunity to network, so particularly with the formal process where the motivation to syndicate is mostly interest driven, it inevitably leads to new acquaintances. As Angel 4 noted “sometimes that is sort of the purpose”. Similarly, Angel 2 said that with the formal syndicate process, it’s almost interesting to invest with new people as it is a way to get to know more investors better, however, should he be the one to collate a syndicate he would not call someone he did not know. On the other hand, for some of the angels investing in a syndicate where you did not know the other investors was considered difficult, so for them the knowing of the syndicate partners mattered significantly. As Angel 8 phrased it: “I think it would be a bit weird if I did not know anyone in the syndicate especially in Finland...why would I be in the table then?”. Though, many investors also pointed out the larger the syndicate gets, the harder it is to know everyone, but usually there is at least someone you know. Angel 7 mentioned that angel investing is sort of based on the fact that you know the people who you invest with. And sometimes, as Angel 6 described it, with some people you just like working with and even if the case would go badly, he would not mind.

> So, we have these angel networks or different events or something else where the syndicates are formed like especially amongst the people who you know but also with others who you don’t know that well. Sometimes that is sort of the purpose. If you always invest with the same angel investors it means that your network shrinks every time. Luckily the situation is not like this, as with FiBAN syndication it is very typical even if you have done angel investing for many years that one or two thirds of the investors are familiar but there is practically always someone you don’t know yet and that is only a good thing. (Angel 4)

> If it’s a complete stranger saying would you join a syndicate, it would be a bit hard. Usually, there is someone I know or sort of know. With some people it’s just nice to work with, even if that means that I'd lose a bit of money with the investment. (Angel 6)

5.3.1.2 Interest

Secondly, for investors to invest together, they would naturally have to be interested in similar types of companies in similar stages. Interest in a company was a prerequisite to join a syndicate formed by FiBAN’s formal process. Angel 8 explained that especially with the FiBAN’s process there’s no one in the syndicate that is not interested. However, interest also played a part in informal syndication as the angels oftentimes before asking someone on a case considered whether or not the case would interest the other investor in terms of their investment focus. As explained earlier, the investors still a majority of the time invest according to their own investment criteria. Hence, offering a case to someone that was completely out of the scope of their focus was rather unusual to take place. Often the angels mentioned relationships and interest hand in hand, as to know someone’s investment criteria you would also have to know them somehow already to know if they could be interested or not. Although, as Angel 2 pointed out that in the end you only know by asking if the other person is interested, however he often has a pretty good idea about the investor's interests or previous investment history, which he takes into consideration when looking for a syndicate partner.

> Another thing is if the network is large and the target is not too big, then I sort of know beforehand that this person could be interested in this and that person in that. In the end you only know by asking, but I usually have an idea about who this case might be interesting for. (Angel 2)

5.3.1.3 Resources

Thirdly, the co-investor's ability to contribute to the case mattered too, especially if the case required expertise on something that the other investor lacked. For example, Angel 1 described an interesting case he found but could not really invest on his own because he did not have knowledge in that specific market area that the company operated in. He brought the case to another angel he knew would have the market knowledge that he was lacking, and a syndicate was formed from the two investors. Along the same lines, Angel 7 expressed that while relationships with the other investors were the foundation for a syndicate partner, it does not make sense to bring someone on a case if they have nothing to contribute it, so to him, both were important factors to consider. Angel investment at the startup stage is often attached with heavy investor involvement, so unless the requirement for an investor is only money, it is ill-advised both to the investor and the company to bring on someone that could not help the company going forwards. Additionally, Angel 6 pointed out that in a good syndicate there should be diversity. With a complimentary resource base, the syndicate can help the company better than if the resource-base was very heterogeneous. However, investor-specific expertise was not a requirement all the time, on some occasions as mentioned the resource could just be money and then it's less about who do I need as opposed to "who have I not called yet" as Angel 1 stated.

> I think the starting point is that you have to know these people so that you know they are good at what they do. That's like one thing. But then the other thing is of course that there is no point in bringing these people to the case if they don't have anything to give. Both are important things. (Angel 7)

> It's not beneficial for the syndicate to have five great persons that can count or are for example all investment bankers. It's good to have someone with product-knowledge, someone from sales, another one from HR and so forth. In the best syndicates, there is diversity. (Angel 6)

5.3.1.4 Trust

Finally, and if not most importantly, the choice of a syndicate partner was also affected by mutual trust. Trust was considered as the key character, particularly in the informal syndicate formation. Good cases contained privileged information and hold economic value, so trust was required for the information to be transferred. In the formation of an angel syndicate, the angel investors said to predominantly select other investors who they knew and trusted. As Angel 2 said: "if I'll start to collate the syndicate, I won't call people that I don't know. I call the people I know and trust". Furthermore, trust was the way for the investors to be able to rely on the abilities of the syndicate partner. As Angel 3 described it, when you trust the other investor, you also trust their judgment, which in turn makes you biased in wanting to work with them. Similarly, Angel 7 noted that it's almost impossible to co-invest with other investors if you don't know them and trust in their ability to add value. In conditions of uncertainty that surround the investment itself already, there is no point in adding any more uncertainty by investing with other investors that you don't think you can trust. As Angel 6 stated: "syndicate is based on trust, so if you don't know anyone in it, you won't join it."

> I would still stress, that it's the people who do you enjoy working with, who are interested in similar a thing, with whom you have established trust already. So, with those people… you trust them. You trust their judgment, which as a result leads to this bias that you want to work with them, with whom you have had fun before. So, it kind of locks… it's like it's fun going on a run with your partner, you don't look elsewhere if you are happy with the process. Conversely, if you are not happy, it will end rather quickly. (Angel 3)

> I think angel investing is sort of based on the fact that you know those people with whom you invest, you trust them, and you know that they will add value to the development of the investment company. It's really important and I think it's impossible to do this if you don't have a relationship based on mutual trust with the other investors. (Angel 7)

According to the angels, trust was established through previous encounters together, co-investing in the past being the most common. As described well by Angel 4: "It's the same way how you learn how to swim, in the water, so trust is built by investing". Angel 1 and Angel 3 noted that when investing together it often includes working together for example in the boards of the companies, so it is an easy way to see how the other investor works and if your styles of working fit together. Personal relationships or connections could also compensate for missing co-investment history, as for example Angel 7 mentioned that sometimes angel investors might know each other through previous working relationships. Yet, he also saw investing together as the main way to know if someone is trustworthy and enjoyable partner to work with in future investments.

> It's built through investing together or that you know the person possibly from somewhere else, for example, you have been co-workers in the past or then in some other way know each other already. Of course, it's often the working itself that builds it, you know, if someone has been with me in some angel investment case and I have enjoyed working with them and they are a trustworthy person then I have the confidence to do the next investment with them too. (Angel 7)

Another thing spurred by trust was reciprocation. Angel 3 expressed that by bringing in good deal flow, he hopes that the others would do the same for him. This also increases his share of good deal flow in the future, which to angel investors is crucial because access to good deals is key if you want your portfolio to contain the best of the best. Similarly, Angel 2 stated that he wants to give good tips to those people he respects and by doing so he hopes they will remember him first when they have a good tip on their hands. Hence, it could be that the choice of a syndicate partner was also affected by these favors that someone else has done for you in the past, although reciprocation was specifically mentioned by two of the eight investors. In VC syndication reciprocation is one of the investors' motives for syndication and partner selection because to choice of syndicating a deal to someone else creates an expectation for the other person to reciprocate the gesture in the future when a right case comes along (Ferrary, 2003; Lockett & Wright, 1999; Manigart et al., 2006).

However, reciprocation requires a certain level of trust. In the social capital literature, Coleman (1988, p. 102) explains that the value of social capital lies in these "credit slips", which in some social structures explain why people do things for one another. The credit slip, in this case, would be created when, for instance, Angel 3 syndicates a deal out to another angel investor creating an expectation in Angel 3 and an obligation in the deal recipient to return the favor. Yet for the credit slips to be realized, as noted by Coleman (1988), trust is essential because if trust is not established the debt may not be repaid. Therefore, trust mixed with hope for reciprocation could also be seen to influence an angel investor's choice of a syndicate partner.

> Another phenomenon in this syndication is that 'I scratch your back, you scratch mine'. Meaning that when I bring in good deal flow and bring other angels in the deals, they will then do the same for me, hopefully. So, reciprocation. (Angel 3)

> You are also sort of giving out money-worthy tips. I want to give these tips to those people that maybe I hope, and think will also then give good tips back to me someday when they have a really good case. You hope they'll remember you first. In good cases, it's easy to get people along, in those cases you sort of have to choose who do you want to bring on. (Angel 2)

5.3.2 Angel syndication network

Over time syndication networks between angel investors evolve. Each time an angel investor syndicates, it extends their network of investors with whom to syndicate with in the future. As a result, syndicated investments among angel investors create a social structure where repeated syndications can be made, and information can be exchanged swiftly. In this network structure, angel investors gain access to superior information about investment opportunities when deal sharing takes place with trusted partners. This same network structure is also utilized in syndicate formation when the investors look for syndicate partners.

A network sociogram was built from FiBAN's investment data sample. In the data sample, 676 unique angel investors and 1,287 unique companies were detected. As the purpose was to examine the co-investor network specifically, a one-mode representation of the angel syndication network was built with UCINET 6.0 (Borgatti et al., 2002). The investors were considered to be linked if they had invested at least once in the same company. The main investor network structure as a result of the network analysis is seen in figure 6. The investors not connected to this main network were left out of the picture below, each blue block representing an investor and the black lines the connections between the investors.

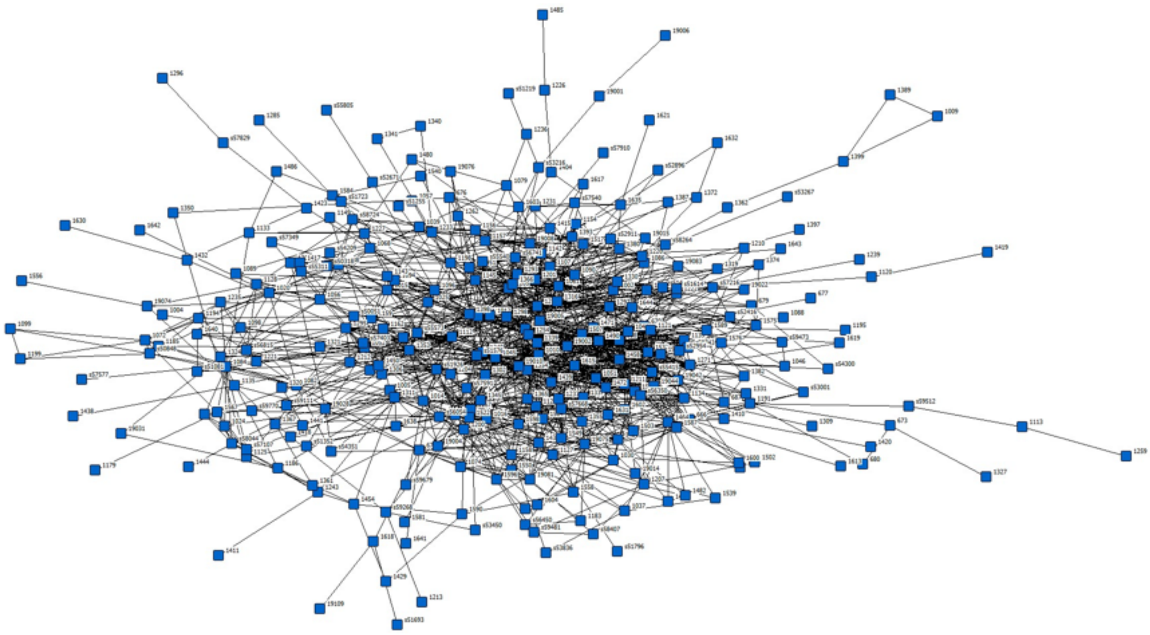

FIGURE 6 Illustration of the whole angel syndication network

Overall, the investor network turned out to be very loose based on the network density, which is 0.007. Density is a measure of cohesion, which is calculated as the total number of ties divided in the network by the total number of ties possible (Bellotti, 2014, p. 14). However, when a network is large, the more difficult is for all the people in it to interact with one another, so in large networks, the density may not be as high. Furthermore, as the investment periods in angel investing are typically long, this low density may also be impacted by investors' passive periods, where no new investments into companies are made. The network average degree was 4.573. Average degree is the average number of edges per node meaning that an average angel investor in the network had 4.5 connections to other investors.

To analyze this syndication network structure in more detail and to discover if repeated syndications between investors transpired, the frequency of investments between investors was increased. A core network of 62 angel investors remained when the number of syndicated investments was set to four. This network is illustrated in figure 7. The figure showcases that there is in fact a consistent group of investors who have made more than a few investments together over the period of seven years. However, no separation between initial investments and follow-up investments was made, so these repeated ties between investors could include follow-up investments made to the same investment companies.

Figure 7 shows the number of repeated investments between each investor in the core network. In the figure cut-off investors are marked with the color blue. These cut-off investors marked with the blue color represent the very core of the network without whom, if taken off the network, the other investors marked with red color would lose their connection to the network. This network structure illustration in figure 7 also draws attention to the nodes marked with arrows that are the most central investors in this network structure (investors 1011, 1052, 1490, and 1096).

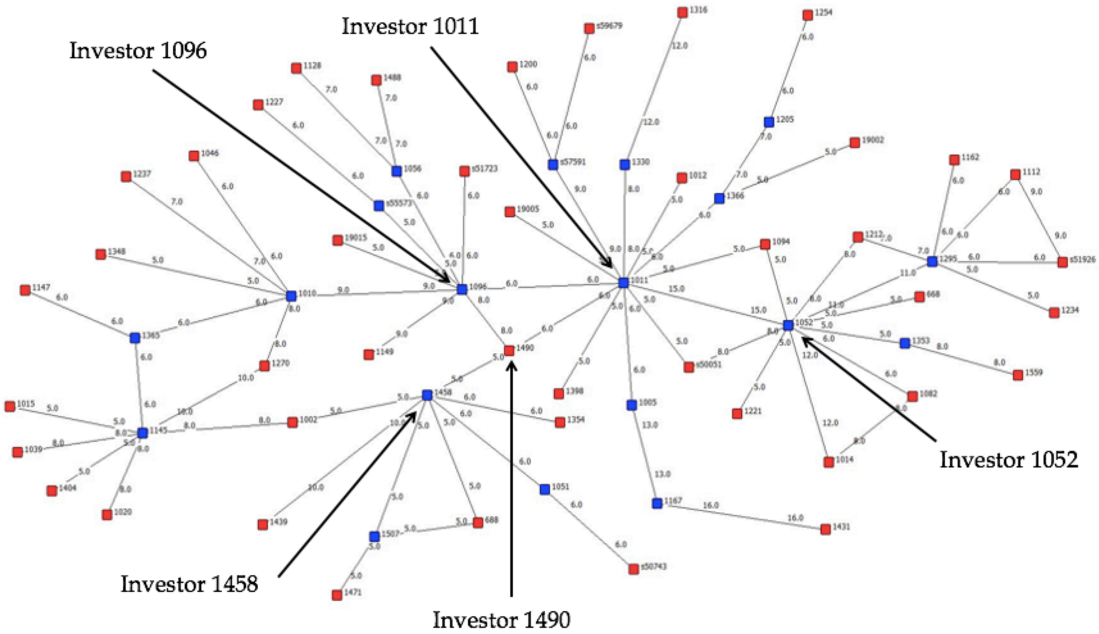

FIGURE 7 Illustration of the core angel syndication network

Investor 1011 has the highest degree centrality of 146, which is the largest number of ties to other investors in the network. Investor 1490 has the highest betweenness score of 4,393.21. Betweenness is a measure used to calculate an actor's positioning within the network, which relates to the information control that the actor has in deciding what information passes through them to other parts of the network (Bellotti, 2014, p. 67; Wasserman & Faust, 1994). Investor 1490 is strategically located to act as a bridge between investors 1458, 1096 and 1011. Investor 1490 thus brings different parts of the network structure more closely together and has strategic control over what information passes through to the other parts of the network.

The angel investors emphasized that for investors to repeatedly syndicate together they needed to encompass the previously mentioned conditions for a syndicate partner: someone they have a relationship with and whom they trust. Besides these factors, the angel investors that made repeated syndicated investments also commonly shared similar investment focus (industries, stage of companies) and frequency in investing. For example, those investors preferring FinTech companies, the majority of the time found themselves in syndicates with investors who also invested in FinTech. Furthermore, the investors who make investments more actively, for instance more than 1 per year and have larger portfolios of 10-30 companies, find themselves syndicating with other investors that match with their activity. Angel 1 explained that from the 670 members

FiBAN has, there are not many investors that meet both in activity and investment focus. Yet, those investors that do, often find themselves syndicating with one another repeatedly, having a "club-effect without it being a club".

> I do work more with the people I know, but it's not like it's a preference of sorts, it's just easy. You know that to this person this case fits and that sort of brings us that I have a predefined investment focus and I'll mostly look at cases that fit it. For example, I look at a lot of B2B SaaS solutions, so I have a lot of syndicated investments with other investors that also invest in B2B SaaS. That's how it kind of has this club-effect without it really being a club. It's just easier. And you have to remember that in reality FiBAN has around 670 members but it's not very large group of people who have more than 10 companies in their portfolios. This means that there is not many of those investors with whom you could have a case together more than once because there are not many investors with larger portfolios of more than 10 companies as a lot of the investors have typically 1-5 companies. So, if you make an investment once every two years and I make 2-4 per year, it's not really possible to syndicate with someone who invests less. (Angel 1)

Repeated syndications among the angels have built these "clubs" or "friend-syndications" as Angel 5 expressed it, which could be interpreted to be shown in the core network figure above (figure 7). Angel 3 explained that to him a syndicate consists of a group of people around him, "a circle of usual suspects", with whom he shares cases and forms syndicates with. This circle consisted of investors he knew, have previously invested with before, have similar taste in companies, and share views on how the startups should be helped. This circle of investors, look for investment cases, share them, and at times find other investors in their network to join too. Likewise, Angel 7 stated that he has gathered this group of people around him over the years that he likes to invest with. This group of investors oftentimes share cases and while not everyone invests in every case there are usually the same people investing. Additionally, Angel 3 mentioned that aspects such as availability influences too, when a good deal comes you have to act fast. You also have to join the deals that people offer, if you say 'no' all the time to the syndication proposals, people will stop offering.

> So, we have this tight group of people, these people that I mentioned, so in different types of compositions, we will look, and these angels will help in getting other interested angels on board. It's sort of like a living thing, so there is not one syndicate but different compositions but it's usually around this circle of usual suspects. This is like a very trust-based, loose, but intensive form of co-operation. You have no written obligations but you kind of have loyalty and respect for others. And as for your question why we are with certain people is that they can also make decisions quickly. Their wealth is large enough, so they have allocated some share for startups and they have the liquidity to say that 'yes let's do this', and not like you have to start figuring it out. When the deal comes you have to act rather quickly. You can't really dwell on it. That's why the people who stay in syndicates are the people that can say "yes, I'll join" or "no, I sit this one out". They don't dwell on it much, because they know that cases will come, so they may sit one out but still say that keep me updated. Although, if you say no too many times, then people won't bring you into the syndicate. No one really wants to remember you unless you say yes sometimes. (Angel 3)

With reference to Angel 3's description of a syndicate above, the interviews revealed the differences in the intensity of the angel syndicates. Some of the angels including Angel 3 and Angel 7 said they saw the angel syndicate to be this informal group of investors around them who they usually tended to syndicate with, resembling almost like an angel group. The exception being in contrast to angel groups that these groups were not formalized or structured, just mostly a group of active investors working together frequently. Alternatively, some angels expressed that syndicates take place more on an ad hoc basis, not necessarily containing your closest network contacts but someone you still know well enough to make the syndicated investment with. As Angel 4 noted, syndicates could also be coincidental, meaning that someone in your network happened to reach out and ask if you would be interested.

> But then of course, there are these ad hoc types of processes, so it could be that someone you know in your network, another angel investor calls for example in the middle of summer and says that he has this good case, would you be interested? So, syndicates can be coincidental like this. (Angel 4)

Regarding these differences in the intensity of the syndicates, Angel 8 explained that angel syndicates in Finland are like "amoebas" that rarely is there a fixed syndicate that would invest in an organized manner, so the syndicates form mostly from a group of investors that gather around the company in one way or another. So, syndicates could be very unorganized or "loose" as the angels described them, meaning that a syndicate was gathered ad hoc from the investors that were interested in a company and was temporary in nature. On the other hand, some syndicates were frequently formed between these informal groups of investors who shared previous investment history, matched in activity and in investment focus, and who simply enjoyed working with one another. Regardless of whether the syndicate was collated ad hoc or from a circle of usual suspects, the angel syndicates depended on the investor networks that the angels had built as syndicates were built via networking. For this reason, angel syndicates can be hard for outsiders to detect as it "just kind of happens" as Angel 8 phrased it.

> In Finland, it's a bit like this amoeba type of thing, so there is no or not a lot of syndicates that are fixed syndicates, so that this syndicate now for example invests into five different companies and we'll do it as a group. No, most of these syndicates will form in my opinion around the company in one way or the other. So, some investors become interested in a company and then form a syndicate. The term 'syndicate' sounds so fancy, it just kind of happens. But I think that networking has helped with this as these syndicates are usually only found through the people you know. (Angel 8)

5.3.3 Summary of partner selection and syndication network

The angels relied on their networks in the selection of syndicate partners, which the investors had built through the business angel network and via syndicating together. These syndication networks then lead to the formation of angel syndicates in a less organized manner as the angels can form syndicates through their investor networks, that they have built through investing together.

In the formation of a syndicate, the angel investors tended to partner with other angels who they knew, who could add value to the investment, and who they had invested with before. Previous encounters together helped the angels to trust in the abilities of their syndicate partner, consequently encouraging future syndication. Some angels described to invest frequently with a group of investors they had accumulated throughout the years of investing, yet for other investors syndicates happened more ad hoc or coincidentally, revealing differences in the intensities of the syndicates.

The overall syndication network within the whole business angel network was low in density, however, at the core of the network was a small but dense investor network where investors made repeated syndications with one another. These repeated syndications were mostly described to take place between investors with similar investment focus and activity, creating informal clubs that were not clubs, to the core of the angel syndication network.

5.4 Summary of the results

This chapter summarizes the results of the study. To make the angel syndicate formation process more comprehensible, the key findings on angel syndication are presented in figure 8. On the left side of the figure the motives that the angels used for syndication are pictured, which is the starting point for angel syndication as syndication in itself must be more advantageous than investing alone.

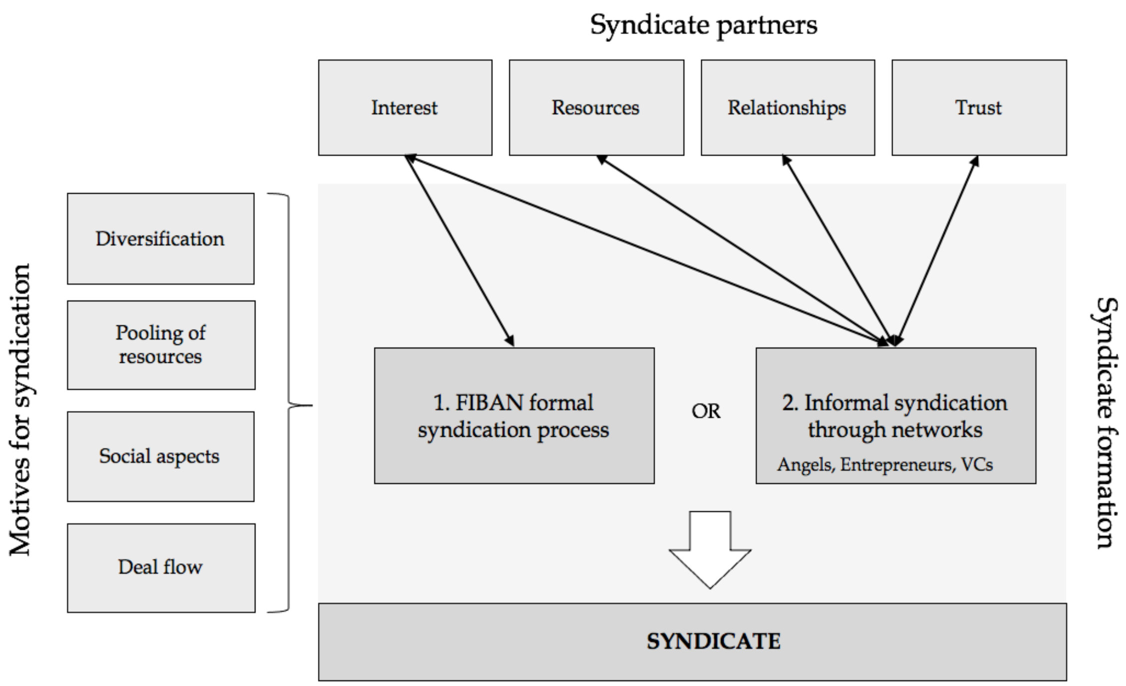

FIGURE 8 Summary of the key results

Next, syndication has to be made possible for the angel investors. The two ways for angels to syndicate are pictured in the middle of the figure 8. FiBAN has facilitated syndication for angel investors by providing a network platform and an investment process for the angels (option 1), which is driven by investors' interest towards a company presented through FiBAN's investment process and pitching event. Therefore, the formal syndication typically only has syndication partners that are interested in the same company. The angels can also rely on their own deal flow and form syndicates themselves through their networks with other investors (option 2). To form a syndicate implies that the angels have a network of investors willing to join the syndicate. If relying on investor network for syndicate partners, the angels tended to choose as syndicate partners the investors they knew, trusted, who were interested in the same thing, and who could potentially add value to the investment. The next sub-chapters summarize each key result in more detail.

5.4.1 Syndicate investing frequent among angels

The empirical results of the study revealed that syndication among angel investors was frequent. The angel investors syndicated due to the many advantages that syndication offered them. The angel investors saw syndication as a strategy to share risk and achieve better portfolio diversification, to pool more funds allowing larger investments, to accumulate larger deal flow, and to benefit from the larger non-financial resources. Larger resources in turn improved the angel investors' decision-making, investment evaluation, and post-investment management of the companies. Furthermore, many angels saw that in syndicates they could also learn from others and make the investment experience more fun. Not one of the investors would consider investing alone anymore as to them syndication was simply the better strategy.

5.4.2 Angel syndicates were formed by two different processes

The study found two processes that the angels commonly used to form syndicate pictured in the middle in figure 8. First option was the formal syndication through FiBAN and option 2 the informal syndication through investor networks. In the FiBAN's formal investment process, interested investors commonly gathered around a company after a pitching event hosted by the network. A syndicate was eventually formed if enough interested investors decided to invest, forming a syndicate around the investee company.

The second way for investors to form syndicates was through their informal networks consisting of angel investors, entrepreneurs, and other investors such as VCs. The distinction between the two processes being that the formal syndication was essentially open to all FiBAN members, while informal syndication was not as information access depended on these syndication networks that the angels often use to form new syndicates in the future. Moreover, to be able to form a syndicate informally it required the investor to have two things: deal flow through which they receive unique investment opportunities and a network of other investors willing to syndicate.

5.4.3 Syndicate partners sourced from investor networks

Figure 8 shows the four main characteristics found in the study that affected the selection of a syndicate partner: relationships, interest, resources, and trust. In formal syndication, the process was mostly driven by interest, meaning that the angels don't choose their syndicate partners as everyone who is interested in a company through FiBAN's pitching event is invited to the first syndicate meeting. The investment process provided by FiBAN offers a place to meet other investors and a way to access information about companies searching for funding, which many investors considered important. However, the more the investors invest with others, the larger their own network grows, facilitating the opportunity to form syndicates also informally.

In informal syndication, the angels considered more than just an investor's interest as they tended to lean towards the people that they knew or have invested with in the past, the people that they knew could add value to the investment, and the people that they trusted. Similarly, the angels who joined informal syndicates gathered by others also only joined if they knew someone from the syndicate, trusted them and their ability to manage the investment. Repeated syndications took place between the investors who have similar investor profiles regarding their level of activity and investment focus. Furthermore, under conditions of uncertainty and informal asymmetry, angel investors were more likely to exchange economic opportunities with other angels with who they have collaborated with in the past.

5.4.4 Lead investors crucial in syndicate formation

The outcome in figure 8 is the syndicate, formed either as the product of the formal or informal process. Although, the process does not quite stop there as the syndicate also needs to organize itself. The angel syndicates were often found to be structured around the lead investor. Without someone activating as a lead investor, there is a possibility that the syndicate does not form at all if no one from the investors actively starts to pursue the investment.

According to the angels, the case quite often was, especially with the syndicates forming through the formal process, that there was no one really willing to be the lead as being it often also meant a heavier workload. In the informal process, this lead investor problem was often removed as the investor who gathered the syndicate almost automatically took the role of a lead. A way to beat this issue of finding a lead investor has been to incentivize the role of lead investor. However, it seemed that this lead-compensation model has not yet eased its way into the angel syndicates in Finland. Nevertheless, the role of lead investor was considered crucial as they drive the syndication process towards the investment.

6 DISCUSSION

The aim of this thesis was to understand angel investor syndicate formation. Two research questions were posed: How do angels actually form syndicates? With whom do angels tend to syndicate with and why? To answer these questions an empirical study that collected both quantitative and qualitative data was conducted. This chapter will discuss the key findings and reflect them to previous research findings on syndication. The chapter also presents proposals for future research, implications for practice, and the limitations of the study.

6.1 Theoretical implications

6.1.1 Angel investing: from solo investing to syndication

This study's empirical results contribute to the growing literature on angel syndication. Previous research on angel investing has mostly focused on describing angel investing as a solo activity but the rise of formal and professional angel groups and networks has challenged this notion, as angel investors are increasingly working and investing together. The results of this study showed that angel syndication was frequent among the Finnish angel investors as none of the investors in the study's sample invested alone.

The found frequency towards syndication could be argued to result from the investors' membership and activity in FiBAN as one of the purposes of the business angel networks is to encourage syndication among its members. The fact is that for a syndicated investment to take place, the availability of other investors is key. The establishment of the Matching Service by Sitra in 1996 was a first step towards enabling angel syndication (Lahti, 2011). FiBAN has continued this by providing an investment process for the angels, which supports syndicate formation among the angels. Despite the angel investors membership in FiBAN, the found preference and frequency for syndication could also be argued to result from the benefits that the angels receive from syndication. Syndication among angels has emerged partly because angel investors have recognized its advantages (Mason, 2006). By working together, angels can diversify their portfolios and decrease risk, make more individual investments yet partake in larger total investments, conduct superior investment appraisal and due diligence, and receive better deal flow. Accordingly, the angel investors stated that they simply would not want to invest alone because it does not make sense as the advantages over investing alone are just that much greater.

Finnish angels' choice to invest in syndicates is not atypical as the angels are increasingly noted to invest in syndicates in other countries as well. For example, in Norway more than half of the investors have experience in syndication (Reitan & Sorheim, 2000), in Sweden Månsson & Landström (2006) reported that over 90% of the angel investors made syndicated investments, in

Scotland where large angel syndicates almost completely represent the country's angel activity (Paul & Whittam, 2010) and in Italy where syndication among angels has been found to be more and more frequent (Bonini et al., 2018). Thus, this study adds to the notion in previous research (Mason et al., 2019; Paul & Whittam, 2010) that in markets where angel investing has matured, angel investors are increasingly investing in syndicates, changing the current knowledge we have on angel investing.

6.1.2 Relevance of networks in angel syndicate formation

As the formation of angels into larger organizations has only started to take place during the past two decades, the topic is still relevantly new and unexplored in many markets. This study's results contribute to the research gap by providing results on angel syndicate formation. The empirical results show that angel investors formed syndicates commonly in two ways: as a formal outcome of a process facilitated by FiBAN or informally through the investors' networks. Although FiBAN has spurred syndicate investing among the angel investors by providing a platform and a process for it, the majority of the angel investors still seemed to syndicate through their informal networks and via trusted referees, therefore supporting White and Dumay (2020) argument that angel finance still seems to be best accessed via informal networks despite the formation of professional and visible angel networks.

The reasons for this informal network's persistence alongside the formal syndication channel could result from multiple reasons. Firstly, one factor can be that the formal process does not fit all investment opportunities. The investment process for some companies may be too long or the cases are not in the shape to pass the inspection by the angel network before a company can even pitch. For example, one angel investor mentioned that he sometimes picked a company from FiBAN's deal flow platform, helped the entrepreneurs, and when ready, made an investment with a few co-investors. Another angel investor noted that because he invests mostly in later-stage firms, the deals suited for him are often found through other channels as FiBAN deal flow focuses more on companies in their startup and early-stage. Secondly, while the formal syndication process has made syndication possible for its members, the network only facilitates the process so far. The investors often need to divide responsibilities between the interested investors and select a lead investor, or an "investment champion" as described by Payne and Macarty (2002), who would take charge of the pre-investment activities so that the investment could take place. The success of angel syndication was partly linked with the success of the lead investor as they seemed to carry the majority of the work within the syndicate, which in its way resembles VC syndication where the deals are structured by one lead investor and non-lead investors then join for the ride. Lastly, the sourcing of syndicates through informal networks most of the time was the result of large networks that many of the angels have built. These networks provided them a lot of investment opportunities, hence making them less dependent on the angel network's deal flow. This network also allowed them to form syndicates informally. One of the angels mentioned that it was through networks that these syndicates were often found, so to be a part of one, you have to be in the network.

The angels repeatedly drew on their investor networks for syndicate partners. The syndicate partners were often investors similar and familiar to them from previous investments. It's been found that under conditions of uncertainty, investors choose trusted partners over resource complimentary. For example, Singh and Lee (2000) found that banks in the U.S. tended to syndicate with other banks that possessed complementary resources, however, under conditions of uncertainty, the banks exchanged resource complementary for trust and similarity in status. While the angel investors seemed to value complementary resources as it diversified the resource pool around them, in the syndicates that the angels formed informally, the choice was rather clear to reach out to the investors they knew, were similar to them, and who they trusted.

People tend to develop relationships with other people like themselves and socially similar people tend to spend time in the same places and have more shared interests, resulting in that these relationships are more easily maintained (Burt, 1992). Social networks are thus often organized through similarity and familiarity. Sorenson and Stuart (2008) discovered that homophily in VC syndicates was most likely under conditions of uncertainty. Similar signs for homophily could be observed with angel investors here as well, as repeated syndications between angels were mostly caused by similarity in investment preferences and activity. However, repeated syndications were also a personal choice to invest with the people familiar to you, people that you have enjoyed working with, and the people that you trusted. Often the angel syndicates or "the clubs that were not clubs" were a combination of both, so investors with similar interests and good working relationships.

This study used a syndicate to describe the group of individual angels investing into a company under the same terms in the same round of funding. Hence, applying the notion that each syndicate is temporary in nature and that each investor could be part of more than one syndicate. In comparison to the structured angel groups typically found in the US, where resources are pooled before deciding which companies to invest in, the angel syndicates here were mostly the opposite. The angel syndicates were commonly formed around the investment target in one way or the other. Certainly, this could be traced back to the difference in the angel organization model. In the business angel network model, syndication is facilitated through an investor network built between investors within the business angel network. Consequently, the syndicates that the angels formed here were not formal entities as found with structured angel groups. Although, differences in the intensity of the syndicates were noted as others related syndicates to their professional circle of investors while others saw syndicates simply as the outcome of their investment strategy. Nonetheless, the syndicates formed here were rather informal and depended on the investor's networks creating this "amoeba" effect, meaning that these angel syndicates were living and able to change their shape depending on the circumstances. As a result of this informality, angel syndicate formation may have been left unknown to the rest of us.

6.1.3 Future research suggestions

Angel investor syndication offers many avenues for future research to explore. First, for a more profound understanding of whether angel investing will change completely towards syndicate investing, it would be useful to compare the investors who deliberately choose to invest alone to those only investing in syndicates. Shane (2009, pp. 176–177) identifies that some of the reasons why angels still choose solo investing despite the formation of angel syndicates are their possible access to large financial capacity eliminating the need to pool resources, the absence of an investor network forcing the investor to make solo investments, and the desire to make independent decisions and to be highly involved with the development of the company him/herself, which possibly makes syndicate investing less appealing. Angels are individuals after all, so it would be interesting to study if the angel's personal characteristics play a part in the decision to syndicate.

Second, the study's data collection revealed cross-syndication between angels and VCs, which is another less known area of entrepreneurial finance. VC investment is often seen as a sequence to angel investment. Angels often find it hard to invest with VC due to their differing investment objectives. However, for the angel investors in this study, investing with VCs was found fairly frequent, which opens up many questions. What are the benefits of having a VC investing alongside an angel syndicate? How are roles in the syndicate divided? Does the inclusion of a VC in the syndicate change the syndicate dynamics for the angel investors?

Last, international or cross-border syndicates have been a recent topic both in VC syndication but also in angel syndication. For example, EBAN and the Nordic Angel Program have both advocated and offered training for international angel syndication. With cross-border angel syndication yet another traditional aspect of angel finance would be changed that is the known locality of angel investing. Investments across borders are usually hindered due to differences in legislation and long distances, which make the management of the investment difficult (Mäkelä & Maula, 2008). However, the lack of international contacts could be considered as the most significant obstacle because if investing in a syndicate domestically requires trust between the co-investors, this would naturally be extended to, if not demanded, from international syndication. Studies on VC cross-border syndication have already discovered that the local investor's international syndication network is the key in facilitating cross-border syndication (Mäkelä & Maula, 2008) and it is the trust between the investors that allows the parties to rely on the monitoring abilities of the other investor enabling more spatially distant investments (Hochberg et al., 2007). Accordingly, it would be interesting to study the effect of networks and trust in cross-border angel syndication. Moreover, it would be essential to study how angel investors see international syndicates as it takes away one key aspect that is their ability to be present in the companies in which they invest in.

6.2 Implications for practice

This thesis also offers practical implications, which are suggested for three main groups: angel investors, entrepreneurs, and the Finnish startup ecosystem including its policymakers. For investors, it appears that by participating in a syndicate the risks related to making a startup investment can be decreased. Many of the interviewed angel investors stressed that syndication was the way to operate, highlighting their awareness of the benefits of co-investing and the growing professionalism towards startup investing. For the investors, syndicates offered certain protection towards making imprudent decisions regarding the investment and decreasing the chances of making rookie mistakes. This protection also held softer characteristics such as moral and peer support for the management of the investment. Rarely did any one of the angels even want to go through with an investment unless they had co-investors with them to make the investment. Therefore, for any investors new to angel investing, the suggestion is to join a syndicate and co-invest with other investors, which for example FiBAN and EBAN both already encourage. However, what is crucial to note is that the experienced investors may not necessarily be active in the formal syndication process offered by these business angel networks. Due to their extensive investor networks, many of the experienced investors syndicated informally, emphasizing the role of networks in angel investing. Hence, the suggestion is to build these syndicate relationships within the business angel network because the absence of a network acts as a barrier for syndication.

For entrepreneurs looking to secure angel investment, this study can provide a glimpse into angel investor syndication and help in understanding why angels tend to syndicate their investments when investing in their entrepreneurial ventures. Only a small proportion of the investments made by FiBAN's members are not syndicated, indicating that majority of the investments that entrepreneurs can secure are from angel syndicates. Thus, when applying for angel funding from a single angel investor, they should note that rarely are the investors ready to make the investment themselves without other investors joining the deal. Additionally, this study notes that the entrepreneurs looking for funding can also be active in syndicate formation should they manage to attract different investor's interests before introducing one investor to another. Furthermore, after securing funding from a syndicate, this study may also help entrepreneurs understand how syndicates are structured. While it was found that the lead investor often takes the main responsibility in guiding and managing the investment as well as being the spokesman for the syndicate, at times the non-lead investors may also possess relevant knowledge or experience that may be advantageous. For this reason, the company should keep all its investors updated on a regular basis, so that any relevant resources around an investee company's pool of investors may be utilized whenever necessary.

Lastly, for Finland's startup ecosystem and especially for the policymakers in entrepreneurial finance, this study may serve as a helpful starting point for understanding angel investor syndication and syndicate formation among

Finnish angel investors. Not many studies have been conducted on how the angel investors in Finland form syndicates, consequently many actors within the field of startup venture funding may not be familiar with how the market of angel investment has developed during the past decade with the establishment of a countrywide business angel network. Furthermore, the Ministry of Economic Affairs and Employment and its working group for domestic ownership program (2021) has recently published their 2030 vision proposal, including a suggestion for the establishment of a co-investment fund of 100 million euros that would invest alongside business angel syndicates. This co-investment fund's aim is to increase angel investment activity and the size of the median angel investment round in Finland as the fund can assist the angels to make larger investments. While this proposal for the co-investment fund is still in its infancy, these funds are often seen as a continuum to angel syndicates, which increases this study's relevance in the future as it can offer relevant information on how angel syndicates are formed to begin with.

6.3 Evaluation of the study

Reliability and validity are terms and constructs that refer to the replicability and accuracy of the measures used in research (Saldana, 2011, p. 134). Both terms are classic evaluation criteria originating from quantitative research, however, it does not mean that these concepts could not be extended to qualitative research to argue how the study succeeded and if the arguments made accurately represented what happened (Eriksson & Kovalainen, 2008). In the following section, reliability and validity of this study is considered.

6.3.1 Reliability

Reliability is one of the most common criteria used to evaluate research. It refers to the extent that the research would yield the same results if replicated by another researcher (Eriksson & Kovalainen, 2008). Another way to ensure reliability of the research results is when two researchers both end up to similar conclusion (Hirsjärvi & Hurme, 2000, p. 186). However, in qualitative studies where measures relate to people's behavior, which is context specific, it would be unwise to assume that exactly the same results could be yielded even if the study was conducted by two researchers (Puusa & Juuti, 2020). Thus, in quantitative studies the issue of reliability often relates to the consistency of the measures used. Reliability of qualitative studies can be improved with careful documentation and by presenting detailed descriptions of the data collection phases and data analysis, which increases the transparency of the research and likelihood for the study to be replicated by others in the future (Gibbert & Ruigrok, 2010).

To improve the reliability and future replicability of this study, in chapter four, a detailed analysis is provided about the data collection and the used data analysis methods. To support the interpretations that I have made from the data, the angel's quotes are integrated to the results analysis. Naturally, showcasing all of the collected data is impossible, but extraction of those pieces of information that have guided me towards the conclusions I have made from the data have been attempted to be included in the study. Additionally, the translated quotations presented in text are included in Appendix 2 in their original language so that the quotes could also be reviewed in their true format.

6.3.2 Validity

Validity refers to the extent to which the conclusions that where drawn in the research are an accurate description of what happened, in other words, meaning that the findings represent accurately the phenomenon referred to and are supported by evidence (Eriksson & Kovalainen, 2008). The validity of this study is examined through construct validity, internal validity, and external validity.

Gibbert & Ruigrok (2010, p. 712) state that construct validity refers to the selection of the research procedure and the actions taken to reveal an accurate observation of what the research claims to investigate. The authors suggest two strategies to improve construct validity: triangulation of data with multiple sources and presetting a clear chain of evidence for the reader. By using multiple data sources, including archival investment data, interviews, and various theoretical sources, I have tried to present a more holistic view of on angel syndication. The social network analysis supports the qualitative data analysis by showing that in a large network of investors repeated syndications occurred. However, triangulation of data could have been improved, for example, by arranging interviews with all investors in one angel syndicate and with the investment company. This would have allowed to prompt descriptions on how the syndicated investment happened as well as explanations as to why it happened the way it did. This interview strategy would have made it possible for the researcher to also interpret the syndicate formation and reduce the researcher's dependency on the interviewees' interpretations. As for clear chain of evidence, I have tried to describe all steps taken during the research process as well as include the translated quotations to support the data analysis and my interpretations. The inclusion of these quotes also leaves a chance for the reader to read the interpreted quotes themselves.

According to Gibbert & Ruigrok (2010, pp. 713–714) internal validity refers to the construction of plausible causal claims that a researcher argues to be between the study's variables and results. They propose that a clear research framework should be formulated, which can help in establishing a causal relationship and to ensure internal validity. They also encourage comparison and discussion on the data patterns and results against previous studies as it improves any interpretation of the research findings and the rigorousness of the analysis. The research framework I used focused on the missing information about syndicate formation in Finland yet aligning it with what is known about syndication both in VC and angel contexts. Additionally, a syndication network approach was adopted, which has commonly been used in VC syndication research. The empirical findings and the patters found in the data sample were compared to the literature findings in both angel and VC syndication to check whether the interpretations made supported previous findings or in which ways did this study's results differed from the previous conclusions. In those instances where different opinions or emphasis were found from the interview data, re-evaluation of the data was conducted to see what could have caused the conflicting finding. Already the term 'syndicate' caused some conflicting views. For example, Angel 3 stated that he sees the word attached with a certain level of professionalism, linking the term to an informal group of investors with whom he usually co-invested with, resembling almost an angel group. In turn, for other angels, a syndicate merely was an investment strategy used to make a joint investment into the same company with the same terms in the same round of funding. For this reason, the nature of an angel syndicate was considered as not all investors had the same interpretation about the term of a syndicate.

External validity, or generalizability, refers to how well the results of the research can be extended to other settings not studied in the research (Gibbert & Ruigrok, 2010). Any generalizations made from this study to contexts outside of this study's scope should be made with caution. Firstly, as the objective was to produce information about syndicate formation among angel investors, the study excluded the opinions of those investors that may prefer to invest alone. Secondly, the interviewed investors represented a fairly active angels as all of them were full-time investors. They also all fit the typical definition of an angel investor as all of them were well-educated males with entrepreneurial experience. However, the investors varied in their years of investor experience, portfolio sizes, and preferred investment focus, bringing some diversity to the sample. Third, the number of interviewees was rather modest as it only included eight investors. One of the ways to solve the sufficiency of data collection is to consider saturation, a point where the collected data starts to repeat itself and no new information is received considering the research question (Tuomi & Sarajärvi, 2018). Saturation in the interviews was reached in the sixth and seventh interview where no new information about the phenomenon was received anymore, so eight investors was considered a sufficient number of participants for the study. Fourth, this study's context is limited to the Finnish angel market context where a large angel network has been established. For this reason, the results represent angel syndication in a market with a professionally managed business angel network. Also, certain cultural factors could have influenced the angel investor's investment behavior. An example of a cultural influence arose when discussing the lead investor compensation, which has been a complex to introduce here. As equality is deeply embedded in the Finnish culture, it could have explained the uneasiness and difficulty in adopting a model where one gets treated better than the others. Lastly, the study has tried to emphasize the case dependency that angel investing also includes, meaning that each syndicate is unique as each investment company has its unique circumstances. Furthermore, at the end of the day each angel is an individual person investing their own wealth, so it would be inappropriate to claim that all angels would exhibit similar behavior as found in this study's sample.

7 CONCLUSION

The angel investment market has developed rapidly during the past few decades as angels have coalesced into larger groups and networks, changing how angel investors operate. These groups and networks provide angel investors the opportunity to make syndicated investments and a more visible platform for companies to apply for angel funding. The objective of this study was to produce more information about the formation of angel syndicates and visually map the basic structure of the angel syndication network in a market that has an active business angel network.

This study showed that syndicate investing is frequent among the angels. The angels chose to operate in syndicates as it allowed for better risk-sharing and the ability to make larger total investments and guaranteeing possible follow-up funding. In syndicates, the quality of investment appraisal and the management of the post-investment activities were considered superior, given more knowledge and expertise was available through multiple investors. Angel syndicates were also considered as a learning opportunity and a way to make investing more fun. Angel syndicates were commonly formed either informally through their investor networks or formally through the business angel network's investment process. The business angel network's investment process was driven by interest while in the informal syndication the angels tended to invest with other angels they have invested with in the past and who they trusted, emphasizing the importance of networks and relationships in syndicate formation. The basic structure of the angel syndication network revealed that at the core of the network was a dense syndication network where repeated investments occurred between angels. Although, repeated syndications usually formed between the angel investors with similar activity and investment focus.

The study's results suggest that despite the formation of a professional angel network, the formation of angel syndicates is rather informal and depends on the investor's networks. Perhaps it is why angel syndication has not received much attention yet as the angel syndicates are more living than stable, able to reinvent and grow as more investors are introduced to the network. For angel investors new to angel investing this study demonstrates the important role of networks in angel syndication. The results also offer several implications for actors in the entrepreneurial finance ecosystem. Entrepreneurs, in their quest for angel funding, should be aware that the angels rarely invest alone. Although, this study shows that they can be active in the formation of angel syndicates if they bring potential individual investors together, improving their chances of securing funding. Considering the future proposal for a co-investment fund that would combine public funding with angel syndicates, this study lays a foundation for understanding how angel investor syndicates are formed in Finland, thus offering relevant information for the startup ecosystem and its policymakers looking to develop the Finnish private equity investment market.

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APPENDIX 1. INTERVIEW FRAMEWORK

Teemahaastattelu enkelisijoittajille

Pro Gradu, Paula Väätänen
A SOCIAL NETWORK ANALYSIS OF INVESTOR SYNDICATION
(työnimi) Jyväskylän yliopiston kauppakorkeakoulu

Puoli-strukturoitu haastattelurunko enkelisijoittajalle. Haastattelija johdattelee aiheisiin. Teemat voidaan käsitellä esimerkiksi viimeisen syndikaattisijoituksen kautta, voi myös peilata muihin sijoituksiin.

Haastattelut nauhoitetaan ja nauhat tuhotaan asianmukaisesti tutkimuksen valmistuttua. Haastattelutietoja käsitellään anonyymisti eikä tutkimuksessa käy ilmi ketkä ovat osallistuneet haastatteluihin.

Taustakysymyksiä:

- Lyhyesti koulutustaustasta/työhistoriasta
- Miten lähtenyt mukaan enkelisijoittamiseen
- Kokemus kanssasijoittamisesta
- Kanssasijoittamisen hyödyt sijoittajana

Käsiteltävät teemat:

Kanssasijoituksen muodostuminen
- Muodostumisprosessi
- Koko
- Lead-sijoittajan valinta
- Roolien jako

Kanssasijoittajat
- Kanssasijoittajien valinta
- Kanssasijoittajien tunteminen
- Verkostojen vaikutus syndikoinnissa

APPENDIX 2. ORIGINAL QUOTES IN FINNISH

Se on sama ratkaisu kuin Wall Streetillä, että ei laiteta kaikkia munia yhteen koriin. Eli sä hajautat sen startup sijoittamisen moniin eri firmoihin. Syndikaatti on se keino siihen. (Angel 6)

Meillä on aika vähän niitä sijoittajia, jotka yksin pystyisivät ottamaan 200,000–250,000 euron mediaanisijoitusta, saati että haluaisivat ottaa. Se on myös sijoittajien kannalta ihan järkevää, pitää muistaa, että nämä ovat tosi riskisiä sijoituksia. Jos on viidessä kohteessa sijoitukset niin tilastollisesti et vielä tiedä oletko voittamassa vai häviämässä. Se on aika eri asia laittaa vaikka 20 kertaa 25 tuhatta kuin 20 kertaa 250 tuhatta, että joltain voi lyötyä miljoona sijoitusvarallisuutta mutta harvemmalta löytyy 10 miljoonaa. (Angel 1)

Kyllä musta se primääri syy on ehdottomasti se, että riittävä rahamäärä pitää saada kokoon ja hyvin harva on valmis sijoittamaan niin paljon kuin yhtiö tarvitsee. Se johtaa väistämättä siihen, että pitää olla monta lähdettä. Ja tavallaan ei kannata niin kun pientä sijoitusta yleensä tehdä ollenkaan, koska sehän ei johda mihinkään, että kyllä sitä rahaa pitää antaa niin paljon, että se yritys pystyy sitten sen kanssa toimia vähintään vuoden tai pidempäänkin. Kyllä mäkin sijoittajana haluan sen varmuuden, että se saa niin paljon rahaa, että se pystyy saavuttamaan jotakin merkittävää, jonka jälkeen sen mahdollisuus hakea lisää rahoitusta on paljon parempi. (Angel 5)

Syndikaatissa yleensä niin sanotusti useampi pää ajattelee paremmin. Mun mielestä tulee kans semmoinen 'sanity-check', että katsotaan, onko tässä niin kun järkeä sijoittaa. (Angel 6)

Ja sit toinen asia tietysti, että kyllähän se nyt sijoittajan näkökulmasta antaa enemmän semmoista henkistä turvaa, jos joku muukin luottaa siihen sijoitukseen. (Angel 5)

Mun mielestä ehkä vois sanoa ajan säästö, on varmaan yks tärkeä asia. Toinen on laadun parantaminen. Ne kulkevat käsikädessä, että siihen sijoituskohteeseen pitää kuitenkin tutustua hyvin niin se aika hyvin jakaantuu se tieto sitten sen syndikaatin kesken. Jos meillä on 10 tai 5 hengen syndikaatti niin me kukin tiedetään asioista ja osataan arvioida sitä riskiä sen verran kun mitä me yhteensä tiedämme. Et joku tuo aina jonkun riskin esiin tai jonkun tiedon esille, ne asiat mitkä eniten epäilyttävät niin kaikkihan tuo ne esille ja kertoo muille. Ja muut sitten kertovat, onko tämä relevantti vai ei, onko se relevantti pelko, tai voihan se olla mahdollisuuskin, et tässä onkin sellaisia mahdollisuuksia kun tehdään näin ja noin. Kyllä kun tietoa lisää se riskiä pienentää ja se ajansäästö tulee siis siitä, että kaikkea ei tarvitse itse selvittää. (Angel 2)

Mutta sitten ehkä vielä tärkeämpi asia siinä on se, että voidaan jakaa siihen sijoitukseen liittyvää työtä, koska enkelisijoittamisessahan ei sijoiteta pelkästään rahaa vaan myös omaa aikaa ja työtä, yhteyksiä ja muuta. Sitten kun siinä on mukana useampi enkelisijoittaja, niin sitä työmäärää voidaan jakaa niiden enkeleiden välillä. Tietysti, siten saadaan enemmän, yksi on aina aika vähän mutta jos on muutama enkeli mukana niin yleensä aina löytyy niitä hyviä ideoita ja kokemuksia mitä ihmisillä on, joita voidaan sitten käyttää ja hyödyntää niissä asioissa. (Angel 7)

Syndikaateissa sijoittamisen etu on se, että.. tai jos käännetään se näinpäin, jos sä oot se ainoa sijoittaja niin silloin siinä on yksin. Silloin itse on se ainoa, joka voi sparrata sitä yrittäjää ja toisaalta ei ole itsellä ketään kenen kanssa voisi sparrata. Sitten taas kun on joukkosijoittajia siinä ympärillä, niin on eri tyyppejä, eri osaamista, eri taustoja, jolloin siinä on vahvempi pooli ympärillä. (Angel 1)

Sä saat valtavasti etuja, plus sä opit vielä caseista, jotka hylätään. Sä opit myös niiltä muilta enkeleiltä aspecteja, niin kun prosesseista, ajattelusta, markkinoista… Sä opit valtavasti. Tämä on se oppimistapahtuma. (Angel 3)

Mun mielestä se on niin, tai miten mä sijoitan ja opastan, ja esimerkiksi miten FiBAN sekä EBAN opastaa on, että silloin kun tulee uutena enkelisijoittajana ja haluaa oppia niin kannattaa mennä mukaan sellaiseen syndikaattiin, jossa on kokeneita enkeleitä mukana, silloin siinä oppii ja pysyy välttämään niitä virheitä mitä usein tulee alussa. Et se on ehdottomasti se tapa toimia. (Angel 7)

Se on paljon mukavampaakin tietysti, että mukavien kavereiden kanssa on kivempi tehdä sijoitus kuin yksinään. (Angel 2)

Onhan se nyt kivempi vaikkapa 5 sijoittajan kanssa tehdä se sama sijoitus kun tehdä se ypöyksin. (Angel 5)

Ja sit tavallaan on sekin puoli, että enkelisijoittaminen on lähtökohtaisesti aika yksinäistä puuhaa, jos ihminen sijoittaa vain yksin. On se paljon hauskempaa kun sitä tekee porukassa. (Angel 7)

Sitten toinen asia on tässä syndikaateissa, että sulla tulee poolattua deal flow, joka on tosi keskeistä sun portfolion hajautuksessa ja siinä osuudessa, että ne ovat niitä hyvin menestyviä. (Angel 3)

Lähdetään tavallaan siitä, että kannattaa toimia isommassa ekosysteemissä, jotta saa parempaa deal flowta, joka johtaa helposti syndikointiin (Angel 4)

Esimerkiksi nämä FiBAN syndikaatit niin aina ensimmäisessä palaverissa voi olla 10 sijoittajaa ja lopulta kukaan ei sijoita tai sitten siinä sijoittaa kolme, että siinä matkanvarrella tippuu, joko mielenkiinto alkaa vähenemään tai tuntuu et tämä ei ole hyvä kohde. Et se on siinäkin tapauksessa vähän sellainen ameeba, et se elää koko ajan. Sitten vasta kun on nimet paperissa tietää et ketkä on mukana. (Angel 8)

Mulla on semmoinen käsitys että, harvoin kukaan semmoinen, joka on syndikoinut ja ollut mukana Fibanin formaaliprosessissa, harvoin kukaan niissä yksinäisenä sutena lähtee enää sijoittamaan, syndikaatissa niin paljon helpompaa tehdä se homma. (Angel 2)

Lähtökohtaisesti se syndikaatti on olemassa oleva prosessin seurauksen jatko, eli esimerkiksi Fibanin tapauksessa pyritään aktiivisesti syndikointiin, koska tiedetään, että se on hyvin toimiva malli. (Angel 4)

Täytyy muistaa, että iso valtaosa casesta menee sen formaaliprosessin ulkopuolella. Eli toisin sanoen, vaikka muhun ottaa joku yhteyttä, lähettää s-postin tai soittaa tai molemmat, totean että tämä on tosi hyvä juttu. Olen kiinnostunut lähtemään sijoittamaan, mietin että ketä mä haluisin muita tähän sijoittamaan. (Angel 2)

Se syndikaatti muodostuu siten, että joku enkeli on löytänyt jonkun hyvän casen eli hänelle on tullut leadi, ja tästä henkilöstä tulee sitten myöskin se lead-enkeli, joka alkaa sitten esittelemään sen deckin useimmiten tutuille enkeleille, joihin he on tutustunut sitten jossakin tilaisuudessa, esimerkiksi FiBAN tilaisuuksissa tai muissa verkostointitapauksissa, ja usein näiden sijoittajien maku on samanlainen eli he tykkäävät saman vaiheisista yrityksistä ja samanlaisista yrityksistä (Angel 3)

Tyypillisesti se toimisi niin, että joku tässä tämmöisessä porukassa tai näistä ihmisistä, tietää tai saa jollain tavalla sen yrityksen kontaktit eli se yritys on jollain tavalla pitchannut jossain tai se on jollain tavalla tuttu tai jotain muuta, että se case on pöydällä. Sitten itse olen sen katsonut ja ajattelen, että tämä näyttää aika hyvältä ja lähetän sen parille muulle ja kysyn niiden mielipidettä, että 'mitäs ootte mieltä?' jos tietää, että he voisi olla tästä kiinnostuneita. Ja siitähän se syndikaatti alkaa ruveta muodostumaan, jos löytyy useampi ihminen, jotka ovat kiinnostuneita sen yrityksen jutusta. (Angel 7)

Ymmärrät varmaan, että niistä tuhannesta casesta on niin paljon kuraa, että niissä on niin paljon, että ei ole mitään järkeä koko jutussa, todella huono tiimi ja todella huono idea, todella huono toteutus… ei siinä ole mitään. Niin sitten kun se tulee tuolta sijoittajalta siinä on tavallaan "laatuleima" lyöty kylkeen, että tämä on keskimääräistä selvästi parempi. (Angel 2)

Mä niin kun sijoitan suoraan vaan sellaisin mikä mua kiinnostaa, missä mä haluan olla mukana, ja joissa mä koen, että mä pystyn antaa jotakin ja että mä pystyn oppimaan jotakin. Jos se on sellainen missä mä en halua olla mukana, niin en mä kyllä halua sijoittaakaan. (Angel 5)

Mun pitää tietää, että se on oikea sijoittaja sille yhtiölle ja sijoituskohde on oikea sille henkilölle Ja mä olen hyvin tarkka siinä, että mä en tarjoa jotain casea sijoittajalle, jos mä en usko, että se on sille sijoittajalle sopiva. Ja tuolla on esimerkiksi sellaisiakin sijoittajia, jotka ampuvat sitten niitä deckejä kaikkialle. Mullekkin, jos sellaiselta sijoittajalta deck tulee niin sinne sähköpostiin se jää aika moneksi viikoksi odottamaan sitä hiljaisempaa hetkeä, jolloin sen ehkä jaksaa avata. Et se ihan suoraan vaikuttaa sit siihen sijoittajabrändiin kuitenkin. (Angel 1)

Sitten on sellaista seurustelu vaihetta, että se yritys esittelee mahdollisimman useille sijoittajalle sitä hommaa yleensä, se on sellaista tutustumista ja kaikki vähän pyörittelee ja mietiskelee, että 'oisko tämä hyvä' ja sitten jos päätyy, että se on hyvä ja haluaa katsoa tarkemmin niin sitten tavallaan alkaa vasta tapahtumaan. Yleensä tämä tulee hyvin takapainotteisesti sitten se syndikaatin muodostaminen, se usein muodostuu vähän automaattisesti et se yrittäjä melkein luo sen syndikaatin. (Angel 8)

Yleensä se on sellainen sijoittaja, jolla on eniten osaamista siitä alueesta tai on eniten kiinnostunut juuri tästä yrityksestä verrattuna niihin muihin sijoituksiin tai tekee kaikista isoimman sijoituksen. Tai kaikki nämä yhteensä. Niin sellaisesta yleensä tulee sellainen lead investori. (Angel 8)

Aika usein on tilanne, aika yllättävänkin usein, että kukaan muu ei halua olla se aktiivinen, eli tämä syndikaatin muodostumisessa ei löydy sitä enkeliä, joka haluaisi käyttää aikaa ja olla aktiivinen sen sijoituskohteen kanssa. Toki se on ymmärrettävää, koska se on aikaa pois siitä muusta ja ei oo mahdollista olla ikään kun aktiivisena enkelinä, ei voi rakentaa hirveän isoa portfoliota, jossa on monessa yhtiöissä aktiivisena, sit loppuu aika. (Angel 4)

Eli meillä on merkittävä, tilastollisesti merkittävä, luultavasti myös potentiaalin näkökulmasta merkittävä ongelma syndikaatteja ei synny niin paljon kun niitä voisi syntyä suhteessa siihen deal flowhun ja kiinnostukseen nähden. Eli mä näkisin, että siinä on haaste ennen kaikkea deal leadien löytyminen ja aktivoituminen. Tavallaan sen prosessin mahdollistaminen. (Angel 4)

Suurin ongelma siinä yleensä on se, että ei löydy sitä lead investoria tai sellaista ykkösmiestä tai naista, joka ottaa siinä sen leadin ja alkaa vetämään sitä projektia. Jos sellaista ei löydy niin se tahtoo jäädä vellomaan ilmaan, että koko sijoitus voi vaarantua kun kaikki haluaa olla vähän niin kun mukana mutta kukaan ei halua tehdä töitä tai mennä hallitukseen tai olla vetovastuussa. Jonkun pitää ottaa virallisesti tai epävirallisesti se rooli. (Angel 8)

Monissa muissa maissa on sellaisia, että tulee tällainen VC tyylinen carry-interest sille lead investorille, eli kun tulee exit niin se saa tai muut maksaa vaikka 10 prosenttia tai 20 prosenttia siitä heidän osuudestaan tälle lead investorille tavallaan jälkikäteen palkkioksi siitä, että se veti tätä syndikaattia. Suomessa ei ole tämmöistä enkä itsekkään ole semmoista ajamaan, Suomessa on tämmöinen tasa-arvoinen ajattelu että kaikilla on samat ehdot, yksi tehkööt työt ja muut nauttii sitten siitä, jos se onnistuu. (Angel 8)

Sijoittajien tulisi tehdä keskenään työnjako, et kenen kannattaa auttaa missäkin ja myös niin että kontribuutiot on tasapainossa. Jos on sellainen tilanne, että on neljä sijoittajaa ja yksi käyttää caseen aikaa neljä tuntia viikossa ja muut ei yhtään mitään niin sitten jos jokaisella on samankokoinen sijoitus samalla valuaatiolla, samalla osuudella firmasta niin eihän se reilua peliä enää siinä vaiheessa ole. Ensimmäisen viikon jälkeen se on neljä tuntia mutta ensimmäisen vuoden jälkeen 200 tuntia. Niin, se alkaa olla jo iso ero kontribuutioissa. (Angel 1)

Onhan siinä paljon liikkuvia osia, jos on 10 sijoittajaa niin se voi olla 10 mielipidettä ja niin edelleen. Onhan siinä semmoisen sotkun ainekset. FiBAN on tietysti pyrkinyt siihen tarttumaan ja on ollut niitä koulutuksia, missä mäkin olen ollut, missä tätä konseptia yritetään aukaista ja selventää ja keksitty näistä malleja miten tämä lead-enkeli saisi sitten korvausta ja niin edespäin. Mut ei se varmaan usein ole riittävän hyvin organisoitua, siitä usein seuraa et jää sijoittamatta tai sitten organisointi on heikkoa, paperi työ on heikkoa, ja sillä tavoin. Eikä se nyt tietysti sille yrittäjällekään ole kauhean mukava, hänkin haluaisi että olisi tehokasta ja helppoa ja suoraviivaista. Ja jos siinä on ei ketään varsinaisesti aktiivinen tai sitten on liian monta aktiivista niin sit on vähän eri ajatuksia, ehdotuksia, papereita ynnä muuta niin onhan se turhauttavaa kaikin puolin. (Angel 5)

Raha. Se on ilman muuta se selkein rooli. Mutta voi olla tietysti niin, että roolit muuttuvat ajan funktiona. Alkuvaihe voi olla, että on relevanttia osaamista ja aikaa käytettävänä siihen kohdeyhtiöön mutta aika menee eteenpäin ja yhtiön kypsyys voi muuttua tai tilanne voi muuttua ja niin edelleen, se ei ole mihinkään kiveen hakattu. Vaikka virallisesti passiivinen ei saisi virallista roolia siinä syndikaatissa tai yhtiössä niin se voi silti olla käytännössä aktiivinen, eli voi olla semmoista osaamista tai kapean alan tietoa mistä on hyötyä sille yritykselle tai muille syndikaattienkeleille, josta tarvittaessa kysytään, että ʹmites tää juttu onko sulla kokemusta tästäʹ. Mulla on muutama yhtiö myös, missä oon ollut vähän epävirallisemmin ikään kun neuvonantajastatuksella ja voi olla niin että, esimerkiksi kerran kuukaudessa soitellaan vaikka en ole hallituksessa ja käydään yksittäisiä ongelmia tai kysymyksiä läpi, mitä sillä hetkellä on pöydällä. Ja se on tavallaan hyvä ja suotavakin malli, että se kohdeyritys hakee aktiivisesti neuvoja niiltä sijoittajiltaan, jos näillä on aikaa antaa ja relevanttia osaamista tai kontakteja. (Angel 4)

Pitää ottaa huomioon, että on myös muita ammattimaisia ja puoliammattimaisia verkostoja FiBAN lisäksi tai erilaisia tapahtumia tai näin, jonka ympärillä syntyy syndikaatteja ikään kun, varsinkin tuttujen kesken mutta myös vähän tuntemattomimpien kesken. Välillä niin se on tarkoituskin. Jos aina sijoittaa tuttujen enkeleiden kanssa niin sehän tarkoittaa silloin sitä että se verkosto kutistuu koko ajan. Ja onneksi tilanne ei ole ihan näin vaan esimerkiksi FiBAN syndikoinnissa on hyvin tyypillistä, että vaikka olisi tehnyt enkelisijoittamista jo jonkun aikaa, useita vuosia siis, niin ehkä yksi tai kaksi kolmasosaa saattaa olla tuttuja enkeleitä mutta käytännössä aina joukossa on myös entuudestaan tuntemattomia tahoja ja se on van hyvä asia. (Angel 4)

Jos se on ihan täysin tuntematon, ja sanoo et lähdekö johonkin syndikaattiin, kyllä se on aika vaikeata. Yleensä sillä on aina kuitenkin joku tuttu tai puolituttu mukana. Joidenkin ihmisten kanssa on vaan mukava tehdä töitä, vaikka mä vähän häviäisin rahaa sijoituksessa. (Angel 6)

Toinen on tietysti, että jos se kontaktiverkosto on laaja ja kohdekin on ehkä pieni niin sitten jonkun verran painaa sitten, että mä tiedän etukäteen tavallaan toi tyyppi voisi olla kiinnostunut tällaisesta tai toi taas tommoisesta. Lopuksihan se selviää vain kysymällä mutta kyllähän mulla usein on omat ajatukset siitä, että tämä voisi kiinnostaa tällaista ja tuo tuollaista. (Angel 2)

Mun mielestä se, että on lähtökohta se, että ne ihmiset pitää tuntea, että tietää että ne on hyviä tyyppejä siinä hommassa. Se on niin kun yksi asia. Mutta sitten toinen asia on tietysti se, että eihän niitä kannata ottaa mukaan, jos niillä ei ole mitään annettavaa siihen diiliin. Molemmat on tärkeitä asioita. (Angel 7)

Et, ei oo eduksi syndikaatille että siellä on viisi hyvää tyyppiä, jotka osaavat laskea tai investointi pankkiiri tyyppisiä, on hyvä olla joku tuote-ihminen, joku myynti-ihminen ja HR-osaaja jne. Parhaassa syndikaatissa on diversiteettiä. (Angel 6)

Edelleenkin painottuu se, että kenen kanssa on mukava työskennellä, ketkä on samoista asioista kiinnostunut, kenen kanssa on jo luottamus syntynyt. Niin, niitten kanssa on paljon… niihin luottaa. Niiden arvioon luottaa, jonka seurauksena tulee tämä ”bias”, että haluaa tehdä töitä niiden kanssa, joiden kanssa on aikaisemmin ollut kivaa. Eli se lukitsee.. se on, niin kun saman puolison kanssa on mukava lähteä lenkille, ei sitä haikaile, jos on tyytyväinen siihen prosessiin. Kääntäen, jos ei ole, niin se kyllä aika nopeasti kyllä loppuukin. (Angel 3)

Mun mielestä tää enkelisijoittaminen on sillä lailla semmoista suhteiden… tavallaan niin kun perustuu siihen, että sä tunnet ne ihmiset, joiden kanssa sä sijoitat, sä luotat niihin ja tiedät että ne tulee tuomaan siihen lisäarvoa siihen yrityksen kehittämiseen. Se on tosi tärkeää ja mun mielestä enkelisijoittamista on mahdoton tehdä, jos sulla ei olo semmoista luottamussuhdetta niihin muihin sijoittajiin. (Angel 7)

Kyllähän se syntyy siitä, että on tehnyt yhdessä tai tuntee sitten mahdollisesti jostain muusta, esimerkiksi vaikka ollut joskus työkavereita tai on jollain muulla tavalla tuttuja jo ennestään. Tietysti siitä tekemisestähän se usein muodostuu, että jos joku on ollut mukana jossain enkelisijoitus casessa ja sen kanssa on ollut kiva tehdä töitä ja se on niin kun luotettava henkilö niin sen kanssahan uskaltaa sitten tehdä seuraavankin sijoituksen. (Angel 7)

Toinen ilmiö tässä syndikaatissa on se, että 'I scratch your back, you scratch mine'. Eli kun mä tuon hyvää deal flowta ja otan sitten muita enkeleitä dealiin mukaan niin he tekevät sitten minulle samoin, toivon mukaan. Eli vastavuoroisuus. (Angel 3)

Eli sehän on tavallaan palkinto, jos sä oot löytänyt tosi hyvän kohteen, johon kaikki haluaa lähteä mukaan. Sähän vähän annat rahan arvoisen vinkin. Haluan antaa vinkin hyville tyypeille, joita ehkä sä sitten toivot ja uskot, että antaa myös hyviä vinkkejä sulle päin, joskus kun niillä on tosi hyvä case, et ne muistaa sut ensimmäisenä. Hyviin caseihin on helppo saada ihmisiä, ja niihin sä joudut valitsemaan tavallaan, että ketä ottaa mukaan. (Angel 2)

Eli kyllä tuttujen kanssa tulee tehtyä enemmän, mutta ei se oo niinkään että se on joku preferenssi vaan se on helppoa. Sä tiedät, että tolle tämä case sopii ja siitä tulee juuri tämä että mulla on määrätty sijoitusfocus, mä katon määrätynlaisia caseja. Mä katoin esimerkiksi paljon B2B SaaS ratkaisua, niin mulla on paljon kanssasijoituksia muiden sijoittajien kanssa, jotka sijoittavat B2B Saas. Jolloin siitä tulee semmoinen tietyllä tavalla klubieffekti, ilman että se varsinaisesti mikään klubi on. Se on vaan helpompaa. Ja se pitää muistaa myös, että onhan se fakta, että Fibanissa on noin 650 jäsentä niin se on aika pieni joukko, jolla on yli 10 yhtiötä portfoliossa eli sellaisia sijoittajia, joiden kanssa vois olla useammassa casessa mukana, niin niitä on aika vähän, koska ei ole sellaisia, jotka keräävät laajaa portfoliota vaan siellä on se 1-5 yhtiötä. Jos tekee yhden sijoituksen joka toinen vuosi ja mä teen sen 2-4 vuodessa niin ei se ole mahdollista sijoittaa yhdessä sellaisen henkilön kanssa, joka tekee vähemmän. (Angel 1)

Elikkä meillä on tiivis porukka, nämä henkilöt, jotka mainitsin, niin eri kokoonpanoilla katsotaan, ja sitten nämä toiset enkelit auttavat saamaan muita kiinnostuneita enkeleitä. Tämä on tämmöinen niin kun…elävä eli ei ole usein semmoista yhtä syndikaattia vaan sitten on eri kokoonpanoja mutta, että se on kuitenkin semmoisen "usual suspects" kehän ympärillä. Tämä on hyvin niin kun luottamukseen perustuvaa, löyhä, mutta intensiivinen yhteistyö. Eli sulla ei ole mitään kirjallisia velvoitteita, mutta sulla on tietynlainen lojaliteetti ja kunnioitus toista kohtaan. Aikaisempi kysymys sitten, että miten me teemme päätöksiä tai miksi ollaan tiettyjen kanssa, niin ne pystyvät tekemään nopeasti päätöksiä. Heidän omaisuutensa on sitä luokkaa, että ne on allokoinut jonkun startup osuuden, ja että heillä on likvidiä, että he voivat sanoa, että lähetään mukaan, tämä selvä. Eikä niin että sitä aletaan miettimään ja järjestelemään. Silloin kun se deal tulee pitää suhteellisen nopeasti sitten edetä. Siinä ei voi jäädä miettimään. Sen takia syndikaatteja jää vaan semmoiset, jotka pystyvät sanomaan, että 'joo mä lähden' tai 'okei mä en lähde nyt'. Eikä ne jää mutustelemaan, he tietää, että caseja tulee myöhemminkin ja voi sanoa, että nyt mä en tule mutta pitäkää mut loopissa. Mut jos sä sanot liian monta kertaa ei, niin ei sua oteta enää syndikaatteihin mukaan. Eihän kukaan halua sua muistaa, jos et sä joskus sano joo. (Angel 3)

Mutta sitten on tietysti tämmöisiä ad hoc- tyyppisiä prosesseja, että saattaa olla niin, että tutusta verkostoista joku toinen sijoittajaenkeli soittaa vaikka keskellä kesää ja sanoo, että hänellä on tällainen hyvä case, kiinnostaako. Myös tämmöisiä sattumanvaraisia. (Angel 4)

Se on vähän täällä Suomessa, tällainen ameebamainen homma, et täällä ei ole semmoisia tai ainakaan paljon sellaisia kiinteitä syndikaatteja, et okei tämä syndikaatti sijoittaa nyt vaikka viiteen firmaan ja tehdään se porukalla. Ei, vaan nämä kaikki muotoutuu sen yrityksen ympärille mun mielestä Suomessa tavalla tai toisella. Eli jotkut sijoittajat kiinnostuvat siitä yrityksestä ja muodostavat sen syndikaatin. Et se syndikaatti kuulostaa hirmu sellaiselta juhlalliselta mutta se vaan muotoutuu. Mut se verkostoituminen on auttanut varmaan tässä, kun nää yleensä aina vaan löytyy tuttujen kautta nää syndikaatit. (Angel 8)