

## EXPLORING EXIT CHARACTERISTICS AMONG CZECH FEMALE ANGEL INVESTORS: A CASE STUDY APPROACH

### IDENTIFIKACE CHARAKTERISTIK EXITU ČESKÝCH INVESTOREK NEFORMÁLNÍHO RIZIKOVÉHO KAPITÁLU: PŘÍPADOVÁ STUDIE

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**Abstract:** This article presents research findings on the identification of key exit characteristics of female business angels in the Czech Republic. The research is qualitative and based on case studies derived from semi-structured interviews with three female business angels. The primary data processing tool is content analysis of qualitative data, supported by quantification. The data included in the resulting data matrix are subjected to frequency analysis. The findings suggest that the main form of exit for female business angels is through trade sales. The share held by a female business angel is sold to a corporate investor, founders, or a venture capital fund. Furthermore, the research findings indicate that exits are the result of an opportunistic approach to planning the exit from the investee firm. Overall, it is concluded that a thorough grasp of these exit characteristics might improve the return on female business angel investments made in the Czech Republic, providing insightful information to both investors and policy makers and increased academic interest in this area.

**Abstrakt:** Tento článek poskytuje výzkumné výsledky z oblasti identifikace základních charakteristik exitu female business angels v České republice. Výzkum je kvalitativní a je založen na případových studiích vycházejících z polostrukturovaných rozhovorů se třemi female business angels. Hlavním nástrojem zpracování dat je obsahová analýza kvalitativních dat, která je podpořena kvantifikací. Data obsažená ve výsledné datové matici jsou podrobena analýze četností. Výsledky naznačují, že hlavní formou exitu female business angels je obchodní prodej. Podíl female business angel je odprodán korporátnímu investorovi, zakladatelům nebo fondu rizikového kapitálu.

*Z výsledků výzkumu dále vyplývá, že je exit výsledkem oportunistického přístupu k plánování. Obecně lze konstatovat, že důkladné pochopení těchto charakteristik exitu může vést ke zlepšení návratnosti investic female business angels v České republice, což poskytuje cenné informace jak investorům, tak tvůrcům politik, a zároveň zvyšuje akademický zájem o tuto oblast.*

***Klíčová slova:*** rizikový kapitál, neformální rizikový kapitál, andělský investor, ženy andělské investorky, charakteristika, exit, exit strategie, Česká republika

***Keywords:*** venture capital, informal venture capital, business angels, female business angels, characteristics, exit, exit strategy, Czech Republic

***JEL Classification:*** G12; G24; M13

## **1 INTRODUCTION**

Small and medium-sized enterprises (SMEs), particularly start-up businesses, play a significant role in economic growth and technological progress on a global scale. However, access to capital for start-ups remains challenging (Cosh et al., 2009; Reverte & Badillo, 2019; Sonius et al., 2015). As a result, the financial market segment represented by business angels (BAs) becomes essential. These investors engage in financial contracts characterized by a heightened degree of information asymmetry and risk (Akerlof, 1970; Glücksman, 2020; Gompers & Lerner, 2004; Joudi et al., 2019; Landström, 2017). Business angels operate in the venture capital market, which has garnered significant research attention in recent decades. Nevertheless, there remain under-researched or unexplored areas within this field. One such area is the study of female business angels (FBAs), despite the growing interest in this topic within the academic community. FBAs often appear in quantitative studies merely as part of the research sample (e.g., Zinecker et al., 2022).

This finding is surprising, as research by Becker-Blease and Sohl (2007) clearly shows that women-owned businesses tend to be more productive. Therefore, understanding the specific characteristics of FBAs is crucial to supporting female investors in their activities, especially since understanding exit characteristics is directly linked to the replication of investment funds, and hence to economic growth (Aernoudt & San José, 2020). The capital released

from the realization of BA exits is typically reinvested into new or innovative enterprises, i.e., start-ups (Wang & Sim, 2001). Additionally, there is potential for qualitative research on FBAs' exits to identify key exit characteristics and strategies. This is particularly relevant given the absence of articles on this topic in the current literature. Therefore, the aim of this article is to expand the existing knowledge on the fundamental characteristics of female business angels.

In the global context, this article builds on previously conducted studies on the key characteristics of business angels, such as Stedler and Peters (2010) on Germany and Wetzel (1983) on the USA. In the context of the Czech Republic, the article follows studies by Vejmělková (2023), the World Bank Group (2018), and Zinecker et al. (2022). Regarding exits and exit strategies, this article draws on the work of Botelho et al. (2019), Carpentier and Suret (2013, 2015), Collewaert (2012), Rigamonti et al. (2016), and White and Dumay (2020).

To achieve the article's objective, the following research question (RQ) is defined: "*What are the exit characteristics of female business angels in the Czech Republic, and what approach do they take to exit planning?*" A qualitative research methodology is employed to address this question. The primary data were collected between July and October 2022 through three semi-structured interviews with Czech female business angels. The data were analyzed using qualitative content analysis. Based on the qualitative content analysis, a model of transformation and quantification of qualitative data was applied to enable evaluation through frequency identification of selected responses. The qualitative content analysis was conducted in Microsoft Excel, while the quantified data were subsequently processed using IBM SPSS Statistics.

According to the research findings, trade sales represent the most common form of exit strategy for female business angels. Czech female business angels typically sell their equity to corporate investors, founders, or venture capital firms. The research further indicates that exits are often opportunistic rather than the result of a planned exit strategy, suggesting that the approach to exiting is usually influenced by market conditions rather than a pre-defined plan. The duration of these exits varies significantly, ranging from seven months to seven years. Prior to exit, female business angels generally invest between 4,000 and 40,000 euros, although in some cases, investments can reach as high as 400,000 to 4 million euros.

The structure of the article is as follows. Chapter 2 provides a comprehensive review of the existing literature focused on the characteristics of informal venture capital investors, specifically female business angels, and the fundamental characteristics of exits and exit strategies for business angels. The following chapter, Methodology, outlines the methodological approaches used in this study, including the research base, data collection methods, and the process of data evaluation. Section 4 offers a detailed presentation of the research results. Finally, the results are discussed, with potential recommendations provided, and a summary of the article's overall findings is given.

## **2 BUSINESS ANGELS**

The market for business angels is a significant source of financing for small and medium-sized enterprises, as access to external capital is largely challenging for them (Glücksman, 2020). Harrison et al. (2010) describe the BA market as an informal venture capital market where private individuals provide equity investments and unsecured loans to unlisted companies. Additionally, in these enterprises, BAs have no familial ties and primarily invest in newly established companies with high growth potential (Mason, 2006). On the demand side for venture capital are primarily innovative companies, diversified and competitive firms from various industrial sectors, and operational institutions in the field of knowledge capital creation. The founders of the business, known as "founders," represent the enterprise.

Regarding the supply of investments in general, their type depends on the company's position within its life cycle. Financing can occur in the early stage in three ways: first, in the form of public grants; second, through venture capital; and third, innovative businesses can be financed through banking products (World Bank Group, 2018). The crucial supply side of venture capital for the purposes of this dissertation is represented by business angels, specifically informal venture capital investors, and it is also possible to include angel networks and angel groups in the supply side (Harrison & al., 2010; World Bank Group, 2018).

Business angels are private investors who provide venture capital for new and growing businesses in which they have no familial connections (Mason & Harrison, 1996). BAs may invest either independently or informally alongside other investors, such as friends or business partners (Mason & al., 2016). BAs primarily invest their own financial resources into startups (Harrison & al., 2010; Pierrakis & Saridakis, 2017) or into the growth phase of existing

businesses, where business angels enhance the structure of potential sources of financing, including personal resources, family, and friends (Sohl, 1999), often referred to as the “3Fs” (founder, friends, family), as well as institutional investors (Grilli, 2019; Sohl, 1999; Zinecker et al., 2022). They are “practical” investors who provide not only financial resources but also general expertise, skills, or specific information in the context of strategic and operational management of the company, often termed as smart money (Mason & Harrison, 1996; Politis, 2008).

In the area of fundamental characteristics of business angels in the Czech context, the study by Vejmělková (2023) significantly contributes to expanding the current state of knowledge. The quantitative research was conducted on a sample of nearly 80 Czech business angels and represents the first comprehensive attempt to analyze the basic sociodemographic data and investment characteristics of business angels in this field. Moreover, the increasingly popular Pitchbook database served as the data source. The methodology employed data triangulation, which included secondary data from Pitchbook and subsequent evaluation through descriptive and inferential statistical analysis in the form of cluster analysis. The results suggest that Czech business angels can be divided into two groups. The first group has an extensive portfolio of venture capital investments, while the second is characterized by a smaller number of investments, with these BAs often acting as founders of startups. The majority of investors are middle-aged men with a completed master's degree in economics who primarily invest in startups in the ICT sector.

## 2.1 Female Business Angels

Business angels are typically middle-aged men, a fact supported by scientific articles and analyses from angel investor associations worldwide (e.g., Angel Capital Association, 2019; Invest Europe, 2018; Stedler & Peters, 2010; Zinecker et al., 2022). This observation aligns with the research interests of the academic community, which tends to focus on angel investors in a general context. Female business angels are included in the research primarily as part of a research sample dominated by male business angels. Specifically, in North America, female business angels account for nearly 20% of the total number of BAs (Angel Capital Association, 2019), while in Europe, this figure rises to 30% of the total 335,000 business angels (Invest Europe, 2018). However, when

analyzing individual countries, the percentage representation of FBAs hovers around only 10%. For instance, in Germany 5% (Stedler & Peters, 2010) and in Croatia, the representation is 0%. In the Czech Republic, FBAs make up approximately 3% (Zinecker et al., 2022).

On the other hand, it should be noted that despite the low representation of FBAs in the angel investor market, there is an increasing interest in gender issues, as evidenced by both the authors of scientific publications (e.g., Harrison & al., 2020) and the continuously growing number of articles since 2010 in databases such as Web of Science. Investment by FBAs presents significant potential for economic growth, as research by Becker-Blease & Sohla (2007) indicates that businesses co-owned by women are more productive. According to the European Business Angels Network, the increasing number of women in the business angel market is expected to elevate the European Union's economic level by more than three trillion euros by 2050 (EBAN, 2022).

## 2.2 Exit

At its simplest, an exit from a company is a situation where an investor receives their funds back, hoping that the amount of this capital exceeds the initial investment (Cowley, 2018). The exit phase is the final stage in the investment process, or rather the investment lifecycle, but it is also the most critical, allowing for the recycling of venture capital. Specifically, business angels achieve financial returns through exits from companies in which they invested during the early stages of their existence. Despite its significance, research in the area of exits and exit strategies is lacking (Pisoni & Onetti, 2018). According to the authors, this shortcoming arises from the fact that an exit, or “divestment,” is perceived as the final phase of investment. The crux of the matter is that divestment can be understood as the starting point for another round of investing, during which the invested funds are recycled (Wang & Sim, 2001).

Exit research is typically focused, as noted by Botelha et al. (2019), on entrepreneurs and the business itself (DeTienne & Cardon, 2012; Wennberg et al., 2010), and the area of exits concerning business angels has largely been overlooked in both academic and professional literature. On the other hand, several studies have explored forms of investment termination from the investor's perspective, with these studies primarily focusing on return on

investment (Gregson et al., 2017; Mason & Harrison, 2002; Wiltbank et al., 2009).

The specific form of exit for venture capital investors, or BAs, from a startup is referred to as an exit strategy (Wang & Sim, 2001), with the goal of maximizing investment returns (Sonius et al., 2015; Wonglimpiyarat, 2009). According to Wang and Sim (2001), there are six types of exit strategies: initial public offering (IPO), involuntary exit, buyback by the company, trade sale, secondary sale, and, lastly, company reorganization. It is evident that investors have a relatively wide range of options for terminating venture capital investments; however, due to the volume of invested funds, business angels typically choose only a few of them. Business angels usually exit from startups through a trade sale exit strategy or an IPO. In the case of a risky or loss-making investment, liquidation occurs (Carpentier & Suret, 2015).

Trade sales are categorized under mergers and acquisitions according to Wenhui (2016) and represent the primary form of transaction for ownership rights of a business. Conversely, an IPO is the exit method with the highest returns (Dvořák & Procházka, 1998) and a relatively short time frame for investment recovery (Wenhui, 2016). Exits through liquidation are not extensively studied in the literature, primarily because liquidation issues are perceived as taboo by investors according to research (Wang & Sim, 2001). An exit in the form of liquidation typically occurs when the investment is insolvent, resulting in zero or negative returns for the investor. Furthermore, it can be stated that liquidation is chosen as the last resort for exit (Wang & Sim, 2001).

The research on exit strategies and business angels has also been previously addressed by Carpentier and Suret (2013, 2015). Their research was based on qualitative investigation, where they sent a questionnaire to BAs during October and November 2012 electronically. The authors distributed the survey to 110 business angels (with a 35% response rate) who are also active within an angel group. Most of these angel investors had never exited an investment via an IPO exit strategy. Based on the survey results, Carpentier and Suret (2015) concluded that the main barriers to business angels exiting through an IPO include, in descending order: enormous costs of the IPO, illiquidity, securities regulations, the size of firms entering the market, low demand for shares, and overly lengthy processes.

Research on exits and exit strategies of BAs has primarily been conducted at the quantitative level. The evaluation of the obtained data was carried out using descriptive analyses (e.g., Carpentier & Suret, 2015; Rigamonti et al., 2016; Félix et al., 2014; Giot & Schwienbacher, 2007; Guo et al., 2015) and statistical analysis methods. Evaluations were conducted using regression analysis (Félix et al., 2014) or correlation analysis (Guo et al., 2015), as well as risk models (Giot & Schwienbacher, 2007; Rigamonti et al., 2016). Azarmi (2016) also employed the Delphi method for evaluation, which was based on the consensus of selected venture capital investors within qualitative research.

### **3 METHODOLOGY**

The research presented in this article is based on a qualitative research approach and the analysis of three in-depth case studies. The rationale for employing a qualitative approach lies in the researcher's ability to understand the phenomenon under investigation based on a diverse set of factors (Reichel, 2009). This is particularly important as the sizes of research samples focused exclusively on women are very small, typically in the single digits (e.g., Harrison & Mason, 2007). For the Czech Republic, this situation is even more pronounced, as according to EBAN (2022), there are approximately 300 business angels in the Czech Republic open market. Moreover, studies focusing on the Czech informal venture capital market (e.g., Vejmělková, 2023; Zinecker et al., 2022) indicate that female business angels account for approximately 3% (Zinecker et al., 2022), corresponding to about 8 female business angels in the country. Consequently, the research sample in this article represents nearly 40% of the total number of FBAs in the Czech Republic, making it a significant and representative sample for qualitative analysis of FBAs exit strategies in the Czech context.

Therefore, this article builds on the methodological approach of first, Iqbal et al. (2019), who utilized an exploratory sequential approach alongside standard qualitative content analysis. Second, it draws on Eisenhardt's method, which, according to Gehnam et al. (2018), is suitable for qualitative research within the units under observation and analysis. Regarding the sequential approach, the Data Transformation Model is also utilized, as recommended by Creswell and Clark (2017), specifically in the form of quantifying qualitative data for the purpose of sophisticated evaluation.

Eisenhardt's method is based on a combination of two strategies: case study and grounded theory (Gehnam et al., 2018), with the aim of interpreting general reality (Langley & Abdallah, 2011). The first part of Eisenhardt's method, the case study, is based on Yin (1994). In this context, the case study is understood as an inductive approach capable of identifying phenomena that quantitative research does not capture, albeit at the expense of generalizability (Hendl & Remr, 2017). The case study utilizes a predetermined theoretical concept, while grounded theory arises solely from the researcher's conception of the structure of the examined relationships. The goal of grounded theory is to interpret research results based on individuals and their perceptions of how things work (Gehman et al., 2018; Langley & Abdallah, 2011).

The respondents (R) were selected from the target population through a deliberate non-probability sampling method, with the population consisting of all Czech business angels. This sample was reduced by excluding unreachable cases, as some angel investors operate covertly. However, EBAN (2022) indicates that the open market for Czech business angels comprises 300 BAs. The outreach to respondents took place in July and August 2022. The sources of contacts for outreach were derived from the Pitchbook database, Google, angel clubs, social networks such as LinkedIn, Facebook, Instagram, and personal contacts. A total of eight female business angels were contacted, and five semi-structured interviews were arranged, of which three were actually conducted (R01, R02, R03). During the realization of these three semi-structured interviews, a list of topics and questions was utilized, covering the characteristics of basic sociodemographic data, the characteristics of exits and exit strategies, and exit planning among female business angels. The specific procedure for collecting the primary data is presented in the following Table 1.

**Table 1: Sampling Characteristics**

Characteristics	R01	R02	R03
Contact	LinkedIn	Google	LinkedIn
Addressing Medium	text message	e-mail	text message
Addressing Date	20. 07. 2022	19. 08. 2022	28. 08. 2022
Interview Date	28. 07. 2022	01. 09. 2022	07. 10. 2022
Duration (in minutes)	54	36	40
Interview Medium	Google Meet	Google Meet	Google Meet

Source: Own processing

All interviews were recorded with the respondents' consent, making the transcriptions of the primary data the basis for their evaluation, which took place in the first quarter of 2023. During this period, the three interviews were transcribed into a summary protocol, which has the advantage of providing a verbatim record of only the essential information. These summary protocols were subjected to qualitative content analysis in April 2023 to evaluate the obtained primary data.

First, the data were segmented and categorized, with information sorted into analytical units corresponding to the themes and areas discussed in the interviews. Second, open coding and notation were conducted. In this case, the segmented data were described using relevant codes, resulting in a data matrix with 39 variables. Finally, the primary data were identified, represented, and interpreted.

The qualitative content analysis was carried out in Microsoft Excel, employing the Data Transformation Model according to Creswell and Clark (2017) to quantify the qualitative data, which were subsequently analyzed in terms of sample frequencies using IBM SPSS Statistics 29. This means the data were evaluated through first-level sorting (see Reichel, 2009) and later interpreted in the form of tabular and descriptive representations. The basic sociodemographic data of the respondents included in the qualitative research of this article are depicted in the following Table 2.

**Table 2: Respondents and Socio-demographic Profile**

Characteristics	R01	R02	R03
Gender	female	female	female
Age	46	57	55
Residence	Ostrava	Prague	Prague
Education	master's	secondary	master's
Field of Education	economics	hospitality	ICT
Current Position	investor and founder	investor and founder	investor and founder
Current Investment Focus	finance	finance	consumer goods
Previous Position	founder	founder	top manager
Previous Investment Focus	finance	finance	ICT

Source: Own processing

## 4 RESULTS

The results show that female business angels in the Czech Republic are significantly active. This conclusion is suggested by the number of projects realized (R01 = 3 projects; R02 = higher tens of projects; R03 = 14 projects), as well as the number of exits already completed. All respondents have executed an exit in some form, with nearly 70% of respondents (66.67%; n = 2) having already achieved a successful exit. Specifically, R02 has realized 10 exits, while R03 has completed as many as 12 exits. The success rate of these exits varied significantly. In the case of R03, all exits were successful, meaning the investments were closed as profitable; however, for R02, the investment was only closed as profitable in 20% of cases. On the other hand, no exits from the company needed to be realized in the form of liquidation. R02 (2022) states: *“There were eight write-offs of investments. I don’t see it as liquidation, but rather as the fading out of cooperation because it didn’t meet my expectations.”* Regarding liquidation, R01 has experience with this form of exit strategy, having undergone two liquidations of investments. R01 (2022) states: *“Bankruptcy, no, you don’t want that; that’s a reputational issue, but liquidation, yes, some low units. We agreed that we would just clear it out. We’ll close it quietly; we don’t owe anything to anyone; that’s just the end.”*

Successful exits were always realized in the form of trade sales. This conclusion is not surprising, as R02 (2022) states: *“A start-up could never go public because it doesn’t have the money. Of course, we could discuss the definition of a start-up, but an IPO is such a complex and costly financial process that you really need to think it through a lot; plus, I have my own opinion about the stock market in the Czech Republic. I probably wouldn’t go for an IPO here.”* Regarding the buyers of shares from female business angels, R02 sold her shares to venture capital funds, while R03 has experience with selling shares to both founders (4 exits) and corporate investors (4 exits), as well as to venture capital funds (4 exits). According to the respondents, the value is determined either by the buyer alone (33.33%; n = 1) or by the buyer in collaboration with the founders (66.67%; n = 2).

The specific value of the shares and the methodology for calculation are always based on negotiations between the buyer and the company owners. The problematic aspect in this case is that start-ups at this stage of the business life cycle rarely report profits, and negotiations are primarily based on the initial

offer from the buyer or buyers. On the other hand, if profit in the start-up has already been realized, in most cases, the resulting valuation is based on revenue multiples. Table 3 below displays qualitative statements from the respondents regarding the negotiation of exits between the founders and the buyer, including the valuation methodology and identification of the buyer’s investment codes.

**Table 3: Investors and the Methodology for Valuing Shares in an Investee Company**

ID	Quan codes	Qual codes	Answers
R01	0	corporate investors	Certainly, the evaluation is always conducted by the buying party. Since small startup companies rarely report profits in fact, they often show losses. The valuation is typically based on revenue multiples, which can range from four to eight times the revenue.
R02	1	corporate investors, founders	It is a negotiation process. You are selling the future and the character of the founders; you trust that they are the individuals who will lead the venture to success.
R03	1	corporate investors, founders	The exit occurs in collaboration with the founders. Exits have always been executed in partnership with them to ensure that the valuation makes sense.

Source: Own processing

The shortest duration before an exit from the investment occurred in 66.7% of cases within 2 years (n = 2), specifically for respondents R01 and R03. R02 achieved the shortest exit within 7 months. In contrast, the longest durations were R01: 3 years; R02: 5 years; and R03: 7 years. R02 (2022) states that the average investment duration for *female business angels* is approximately 5 years and adds: “Of course, there are companies that I have grown fond of, but let’s be realistic; if an opportunity arose for a multiple valuation, I would certainly be willing to consider a sale within a few years.” In the case of successful exits, the sale amounts for shares range from 4,000-36,000 euros to

400,000-3,600,000 euros. Table 4 below summarizes the responses from R01-R03 regarding the timing of exits and their valuations.

**Table 4: Investors and Methodology for Valuing Shares in Investee Firms**

ID	Shortest Investment (years)	Longest Investment (years)	Lowest Valuation (euros)	Highest Valuation (euros)
R01	2	3	0	0
R02	0.6	5	4,000-36,000	40,000-360,000
R03	2	7	40,000-360,000	400,000-3,600,000

Source: Own processing

An important component of the exit and selection of exit strategy is also the legal framework, which stems from the founders' agreement and other clauses associated with the initiation of the investment relationship. Generally speaking, the investors indicated that, within the legal framework, exit clauses such as drag-along, tag-along, or liquidation preferences are discussed with the founders, with each investor adjusting these rights according to their own discretion. Specifically, R01 notes that convertible loan agreements are most commonly signed, or investors directly enter equity, which subsequently influences the exit arrangements. In the case of convertible loans, the exit is stipulated directly in the loan agreement, whereas in the case of an investor entering equity, individual exit clauses are typically included in the partnership agreement. R03 (2022) repeatedly emphasizes the importance of clear and understandable communication when closing agreements, stating: *“At the beginning of the investment, I always try to conclude a shareholders' agreement or a partnership agreement with the founders.”* In this case, according to R03, it is essential to have the basic principles articulated in plain language rather than in complex legal formulations, as conflicts may arise.

On the other hand, R02 refers to drag-along rights and liquidation preferences as “a bit of a distasteful matter.” She explains that these preferences are important for structured investors, but personally, she would hesitate to

collaborate with an investor who demanded such conditions. In this case, R02 (2022) states: *“If I were a founder and an angel came to me wanting to include these rights in the contract, I would probably reconsider whether I want to work with him.”* Table 5 below briefly illustrates the respondents' answers concerning the legal framework of exits for *female business angels*.

**Table 5: Legal Framework of Exits for Female Business Angels**

ID	Answers
R01	In the companies where I entered as an investor, there are no pre-emptive or preferential rights during the settlement process, meaning that none of them is favored.
R02	Drag-along rights and, notably, liquidation preferences are somewhat of a distasteful matter. Of course, there are liquidation preferences that are justified, but these are aspects that are truly utilized by structured investors, whereas business angels, like myself, tend to operate on a basis of trust.
R03	I try to position myself somewhat in the middle. At the beginning of the investment, I always strive to conclude a shareholders' agreement or a partnership agreement with the founders. I aim to ensure that these matters are described in more human language rather than purely legal terms. I believe it is important to have the basic principles established because, although everything may seem sunny at the start of the collaboration and everyone understands each other well, conflicts and more complicated situations will certainly arise in 80% of cases during the building process. It is beneficial to have a written document to refer back to, which can help calm any tumultuous discussions.

Source: Own processing

Regarding the overall friendliness of the Czech business environment in relation to the exits of female business angels (FBAs), the respondents point out the following facts. They assess the entrepreneurial environment in the Czech Republic as gradually improving. Among the positive aspects, they highlight the three-year tax shield, which exempts individual investors from capital gains tax after this period, as well as relatively low taxation on dividends. Specifically, R01 (2022) states: *“For a Czech investor, there is certainly a three-year tax shield, meaning that after three years, the investment is exempt from capital gains tax for individuals.”* On the other hand, they point out the insufficient liquidity in the Czech market.

Overall, the perception of the business environment has improved in recent years, with R02 (2022) adding: *“Today, the environment is much, much friendlier and much more flexible.”* Although the Czech business environment is friendlier than before, there are still opinions that society should better adapt and embrace entrepreneurs as an important part of the economy. Respondent R02 also emphasizes: *“It could be better, but if it were completely easy, everyone would do it.”* The following Table 6 summarizes the aforementioned responses from the respondents.

**Table 6: Friendliness of the Czech Business Environment in Relation to the Exits**

ID	Answers
R01	For Czech investors, there is certainly a three-year tax shield, meaning that after three years, the investment is exempt from capital gains tax for individuals. However, there is insufficient liquidity in the Czech market, as there are not many securities traders or sufficient trading volume. Additionally, there is a legislative issue, as there is no legislation in place to establish employee stock options or equity-based incentives for employees, as is common abroad.
R02	Today, the environment is much, much friendlier and much more flexible; however, there are still aspects that could be improved. For instance, I do not understand why labor is taxed while property is not. It could be better; on the other hand, when I want to do something, I must consider that there are some obstacles along the way.
R03	In a standard format, compared to how legislation looks elsewhere, it is true that special support is largely nonexistent. Generally, most exits utilize the tax advantages related to this time frame. When you want to execute an exit sooner, it is not particularly tax-advantageous. Therefore, there are usually efforts to find ways to leverage this time factor, and most of the time, it works out.

Source: Own processing

In the context of exit planning, the respondents exhibited slight differences in their approaches. The majority indicated that they do not plan for an exit (66.67%; n = 2), opting for an opportunistic approach to planning. On the other hand, one respondent stated that she does plan for an exit. R01 (2022) emphasizes the importance of monitoring the economic environment and the current market conditions, stating, *“If I say in advance that I will sell it in five years, I don’t know; in five years, a recession might occur, and it might be sold*

for double the revenue.” In this sense, she suggests that exit planning should be flexible and adaptable in response to changing conditions in both national and global markets. R02's response aligns with this assertion, adding that exit planning should be based on solid foundations, such as the potential of the industry and the founders' ability to capitalize on this potential, even though she herself prefers to be guided by opportunities and does not plan for an exit.

In this regard, respondent R03 actively plans for an exit, but emphasizes individual needs for each investment and bases exit negotiations on discussions with the team. She further notes that it is important to engage in dialogue about a potential exit during the company-building process. However, R03 (2022) warns against excessive exit planning, as circumstances can change dynamically: “*We plan more for our side to prepare...*” Finally, she adds that for a successful exit, it is crucial for the founders to be mentally and psychologically prepared to execute the exit, as during her tenure as an FBA, she encountered opportunities that were not realized due to the founders' lack of preparedness.

**Table 7: Exit Planning of FBAs from Investee Firms**

ID	Quan codes	Qual codes	Answers
R01	2	no	One must be aware of the environment, the economic situation in the markets, and the global context, continuously evaluating the situation. If I say in advance that I will sell it in five years, I cannot predict what will happen; in five years, a recession might occur, and it could be sold for double the revenue, or the situation could be favorable at that time.
R02	2	no	You can plan for anything, but this relates to whether you even want to pursue it from the beginning, whether it is an industry with potential, and whether the people involved have the ability to leverage that potential. For me, it is instinctive; I find it appealing, I connect with the people, and I find the opportunity interesting.
R03	1	yes	At the outset, we try to agree on a framework within which we believe it would be appropriate to execute an exit. This is, of course, very individual, because, as I mentioned, sometimes the founder wants to remain involved, which may lead to a partial exit or an increase in their stake. Therefore, it tends to be the case that we discuss these milestones, which we have outlined in the shareholder agreement or the agreement among partners.

Source: Own processing

## 5 DISCUSSION

The results of the research on exits among Czech female business angels (FBAs) reveal several key differences compared to previous studies and provide new insights that have the potential to influence both the academic sphere and investment practice. The main finding is that trade sales remain the dominant exit strategy for FBAs, which is consistent with the conclusions of studies by Wang and Sim (2001) and Botelho et al. (2019). A significant finding is that FBAs in the Czech Republic often plan their exits opportunistically rather than proactively. This difference is crucial, as, in contrast to foreign markets where exits are often thoroughly planned, there is a higher dependency on current market conditions in the Czech context, which may increase uncertainty and reduce potential returns (Botelho et al., 2019), as also confirmed by the quantitative research of Vejmělková (2023).

Regarding the duration of investments by FBAs, it varies widely from seven months to seven years. This range is attributed to the specific conditions of the venture capital market in the Czech Republic, where stable conditions and support from policymakers to facilitate strategic exit planning are lacking. The significant variability in investment duration reflects the fact that the Czech market continues to face various challenges in informal venture capital, as confirmed by the conclusions of Carpentier and Suret (2013). These findings are problematic, as the absence of a stable and predictive environment can hinder investors in effectively managing their investments, requiring greater flexibility and the ability to adapt to rapid changes in market conditions.

An important aspect of the research is also the gender difference among investors. As studies by Becker-Blease and Sohl (2007) indicate, women-owned businesses tend to be more productive, which could mean that increased female participation could bring significant economic benefits on a global scale. In this regard, the issue of representation of FBAs within the overall number of business angels (BAs) in the Czech Republic (only 3%) contrasts sharply with significantly higher numbers at the global level (Invest Europe, 2018). For example, according to the Angel Capital Association (2019), FBAs account for 20% of the total in North America and 12% in the UK. This gender disparity indicates the need for supportive measures to improve conditions for women in the investment market, which would lead to an overall improvement in the country's economic performance.

Another key point is the role of the legal framework for exits, such as drag-along rights and liquidation preferences. These exit clauses can significantly influence the success of FBAs' exits. Despite the negative perception of these clauses by the broader informal venture capital market (Carpentier & Suret, 2013; 2015; Gompers & Lerner, 2004), these tools can also be viewed positively, as they facilitate smooth sales even in the face of minority shareholders' reluctance, which is crucial, especially when ensuring a rapid and effective exit. Liquidation preferences provide investors protection against financial loss, allowing them to better plan their investments. The broader implementation of these mechanisms could significantly enhance the attractiveness of the Czech market for both domestic and foreign angel investors.

The selling prices at the time of exit have proven to be another significant factor. The results of Vejmělková's research (2023) show that selling prices for FBAs range from 4,000 to 40,000 euros, and in some cases up to 400,000 euros, which corresponds with the findings of this article on Czech FBAs. On the other hand, higher selling prices were achieved by respondents who adopt a proactive approach to exit planning from investee firms and also utilize exit clauses when signing the articles of association or the shareholder agreement. This fact is also confirmed by studies by Azarmi (2016) and Félix et al. (2014). Regardless of gender specifications in the Czech informal market, the opportunistic approach to exit planning from investee firms still predominates (cf. Vejmělková, 2023).

However, the friendliness of the Czech entrepreneurial environment in relation to the exits of FBAs from investee firms presents several significant problems, notably limited liquidity and transparency in the venture capital market. This finding aligns with the conclusions of the research by Carpentier and Suret (2013). On the positive side, there is a growing interest from foreign investors in the Czech venture capital market, which could both increase liquidity and facilitate the exit process from investee firms.

Based on these findings, it is recommended that policymakers improve support programs for FBAs and promote transparency in the informal venture capital market, which would enhance the feasibility and efficiency of exit planning. Academic research should focus on a deeper analysis of legal mechanisms, such as drag-along rights and liquidation preferences, and their influence on exits

and exit strategies. These recommendations are crucial for the development of the informal venture capital market in the Czech Republic, which would also strengthen the investment environment and support the country's economic growth.

## 6 CONCLUSION

The aim of this article was to expand the current understanding of exits and exit strategies of female business angels (FBAs) in the Czech Republic, including the identification of basic socio-demographic data and characteristics within the Czech context. Given the involvement of women in investment on the Czech informal venture capital market, it was important to analyze the approach of female business angels towards exit planning. This research provides a new perspective on the gender gap, specifically regarding the influence of gender differences on exit strategies among female business angels.

To achieve the main objective of this paper, a qualitative approach was employed. The primary data were collected through qualitative research based on in-depth case studies, with primary sources being semi-structured interviews with three Czech female business angels. The data were analyzed using qualitative content analysis, which was subsequently quantified to express the frequencies of the research sample. The research sample included FBAs with investment experiences ranging from €4,000 to €400,000, with investment durations varying from seven months to seven years. The methodology of qualitative research enabled a deeper understanding of the subjective attitudes and investment decisions of the respondents, which was key to analyzing their approaches to exits.

The results of this research indicate that trade sales are the most common exit strategy among Czech FBAs, aligning with global trends identified in studies by Wang and Sim (2001) and Botelho et al. (2019). However, Czech FBAs are more likely to plan their exits opportunistically rather than proactively, relying more on current market conditions than on premeditated strategies. This approach increases the flexibility of their decision-making but also heightens the risks associated with the investment. Consequently, this can lead to poor timing in exiting investee firms. Furthermore, the research results suggest that FBAs invest across a wide range of amounts, and their investments exhibit diverse

durations, which can be explained by the significant variability and instability of the Czech venture capital market.

Among the limitations of this research is the small sample size, which reduces the generalizability of the results. On the other hand, this limitation is a commonly recognized and accepted drawback of qualitative research. Efforts to mitigate the impacts of this limitation were achieved through in-depth interviews with the respondents. It is also essential to consider the evolving nature of the Czech venture capital market, which cannot compete with developed economies and advanced venture capital markets on a global scale.

Future research could focus on a deeper analysis of gender differences in investment behavior between male business angels and female business angels. It would also be advisable to expand the research sample to include a larger number of respondents and attempt to identify various determinants of exits and exit strategies for female business angels, such as the impact of legal frameworks on exits, industry-specific factors, or socio-demographic characteristics. Additionally, an analysis of the impact of support programs on the investment behavior of female business angels, particularly in terms of their exits from investee firms, would be beneficial.

The findings of this research can also be applied to policymakers' programs. Support for women in the investment environment can be strengthened through educational programs focused on exit planning and the selection of appropriate exit strategies.

## **AFFILIATION**

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