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THROUGH A FRACTURED LENS: WOMEN ENTREPRENEURS AND THE PRIVATE EQUITY NEGOTIATION PROCESS

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Access to financial resources remains an important aspect of new venture start-up and growth strategies. While women still obtain a small amount of total private equity investment, they are increasingly involved in developing high growth ventures which may be attractive investment opportunities for venture capitalists and business angels. Contract, or term sheet, negotiation is an important stage of the investment process. Although gender-related differences in negotiation styles are well documented in other fields, they have not been examined in entrepreneurship. This research utilizes a mixed method study of gender and negotiation strategies employed during the private equity investment process.

Keywords: Gender; negotiation; women entrepreneurs; private equity; self-efficacy.

1. Introduction

Gender-related differences in the negotiation process are well documented in the organizational behavior and conflict management disciplines; however, this topic remains unchartered territory in entrepreneurship research. Although women entrepreneurs still obtain only a small portion of total private equity investment, the importance of developing effective negotiation strategies with potential investors cannot be underestimated. Based on hundreds of case studies of negotiation strategies employed by women, Babcock and Laschever (2003) describe the "women don't ask" phenomenon where women often fail to recognize negotiation opportunities and accurately value their worth. The authors estimate the presence of a powerful multiplier effect from negotiations that leave women short-changed. In this research, we examine the negotiation process during private equity investment decisions and the role gender may play.

2. The Private Equity Investment Process and Contract/Term Sheet Negotiation

The private equity investment process has been researched and documented from the perspectives of the demand-side (entrepreneur) and the supply-side (venture capitalist or business angel). Tyebjee and Bruno (1984) identify the stages as origination, screening, evaluation, structuring and post investment. Fried and Hisrich (1994) suggested the stages as origination, VC firm-specific screen, generic screen, first-phase evaluation, second-phase evaluation and closing. In their study of women entrepreneurs, Amatucci and Sohl (2004, 2007) suggest three stages of the process — pre-investment, contract negotiation and post-investment. Focusing on business angels, Paul *et al.* (2007) adopted a qualitative approach to develop an iterative investment process involving familiarization, screening, bargaining, managing and harvesting stages moderated by communities of personal networks and investment objectives. Several other studies examine the private equity decision-making process from the perspective of the investor or the entrepreneur (Landström, 2007; Riding *et al.*, 2007; Sapienza and Villanueva, 2007; Van Osnabrugge, 2000; Wright and Robbie, 1998; Mason and Harrison, 1996; Zacharakis and Meyer, 1996).

Compared to other stages of the private equity investment process, there appears to be a paucity of research on term sheet/contract negotiation processes (Amatucci and Sohl, 2007). Existing research has primarily focused on the impact of trust and partnership relationships (Manigart *et al.*, 2001; Shepherd and Zacharakis, 2001; Harrison *et al.*, 1997), context (Kelly and Hay, 2003), decision-making processes (Van Osnabrugge, 2000; Shepherd and Zacharakis, 1999; Zacharakis and Meyer, 1996) and formality and comprehensiveness (Van Osnabrugge, 2000; Landström *et al.*, 1998; Mason and Harrison, 1996).

Several more practical resources describe the term sheet negotiation process from both the entrepreneur's and the investor's perspectives (Hoffman and Blakey, 1987). Wasserman and Robinson (2000) outline the interests and sources of negotiating power for both the entrepreneur (capital user) and the venture capitalist (capital provider). The sources of negotiating power for the entrepreneur include his/her expertise, team, the venture capitalists' (VC's) reputational concerns and the existence of alternative capital providers such as other VC's, angels, banks and corporations. He describes several mechanisms VCs use to manage the issues in the negotiation process with entrepreneurs including reducing information asymmetries, aligning incentives, controlling entrepreneurs' decision making and protecting financial downside.

In addition to establishing valuation and amount, Timmons and Spinelli (2007) indicate other aspects of the deal may involve (1) number, type and mix of stocks, (2) amounts and timing of takedowns or conversions, (3) interest rate in debt or preferred shares, (4) number of seats and who represents investors on the board, (5) possible changes in the management team and composition of the board, (6) registration rights for investor's stock, (7) right of first refusal to investor on subsequent offerings, (8) stock vesting schedule and agreements, and (9) payment of legal, accounting or other fees connected with putting the deal together. Additionally, entrepreneurs may have to consider co-sale provisions, ratchet anti-dilution protection, washout financing, forced buyout, demand registration rights, piggyback registration rights and/or key-person insurance. The authors warn against use of "boilerplate" proposals that do not give the entrepreneur the freedom to negotiate various aspects of the deal and they advocate Fisher and Ury's ***Getting to YES*** approach (Fisher and Ury, 1991).

Fisher *et al.* (2011) explain strategies for successful negotiation that produce mutually beneficial or win-win outcomes rather than win-lose. First, they propose that focusing on positions detracts from emphasis on the concerns of individual parties. Second, they advocate separating the people involved in the negotiation process from the substance of the bargaining problem. Awareness of potential perceptual errors, the role of emotions and communication barriers can be helpful. Third, the participants should focus on interests such as security, guidance, wisdom and power as the objectives of a negotiation event. Fourth, create options for mutually beneficial outcomes and don't assume a zero sum event. Fifth, they emphasize the importance of using objective, fair criteria and procedures. Finally, individuals in negotiation should know their "Best Alternative To a Negotiated Agreement" or BATNA, the minimum offer leading to rejection and the standard against which any proposal is measured.

2.1. *Gender differences in negotiation*

There is an abundance of research on gender and negotiation in the organizational behavior, psychology, and conflict management disciplines. However, earlier studies revealed inconsistent and contradictory results. Babcock and Laschever (2003, 2008) describe the differences between men and women in the negotiating process. Their research suggests that women tend to be satisfied with less optimal outcomes and do not aggressively seek more favorable conditions for themselves when compared to men. Men viewed negotiation as a zero sum, competitive game while women view it as a more collaborative, win-win undertaking. As summarized in Bowles *et al.* (2005), a second generation of researchers proposed a contingency approach that moved away from strict adherence to preconceived stereotypes and sought contextual variables that moderated the gender-negotiation relationship. In their study of negotiation processes and outcomes in *low conflict negotiation* events, Halpern and Parks (1996) found evidence of clear gender differences and encouraged future researchers not to exclude gender in examining negotiation processes *but also not to ignore the importance of social context*. A selective view of extant research in the organizational behavior and psychology disciplines reveals the moderators listed in Table 1.

Drawing from psychological theory, Bowles *et al.* (2005) propose situational ambiguity and gender triggers as moderators of gender effects in negotiations. Increased situational ambiguity, or uncertainty about the economic aspects of the negotiation, may facilitate the emergence of gender effects. A gender trigger is a situational factor that prompts gender-related behavior. Previous research suggests that the number of issues on the table (Stuhlmacher and Walters, 1999), sex stereotypes (Kray *et al.*, 2001; Kray, 2007)

Table 1. Moderators of the gender and negotiation process.

Moderator	Authors
Gender composition of the dyad	Bowles and Flynn (2010)
Negotiation topic	Bear (2009)
Framing, relative power	Small *et al.* (2007)
Situational ambiguity and gender triggers	Bowles *et al.* (2005)
Shadow negotiation	Kolb and Williams (2000, 2003)
Gender stereotype threat	Kray *et al.* (2001)
Relative power, mode of communication	Stuhlmacher and Walters (1999)
Low conflict negotiation vs. high conflict	Halpern and Parks (1996)

and representation role, or whether negotiating for self or others, (Amanatullah and Tinsley, 2009) are potential gender triggers. This study does show evidence of representation role as invoking stronger responses in men than women and, thus, improving female negotiator performance. They posit "gender does not always matter in negotiation" and "a situational approach" to research leads to better understanding. A follow-up study also examining the role of situational moderators suggests the propensity to initiative negotiations can be influenced by the differential treatment men and women encounter when they attempt to negotiate (Bowles, Babcock and Lai, 2007).

Small *et al.* (2007) found that the framing of the negotiation situation is an important moderator of gender differences. Framing situations as opportunities was intimidating to women while framing situations as **opportunities to ask** was less intimidating. Equalizing the relative power positions of the male and female negotiator also decreased gender differences. Kolb and Williams (2000, 2003) propose the notion of *shadow negotiation* that parallels the negotiation over substantive issues and focuses more on the underlying process of building relationships through advocacy and connection. Although initially developed through interviews with hundreds of women, *shadow negotiation* is not gender-specific. Kray (2007) described gender stereotypes and *stereotype threat*, which suggests that because men are thought to be more rational, assertive and highly protective of their own interests, they are more effective negotiators than women who are thought to be more passive, emotional and accommodating to other's needs.

Bear (2009) introduced the negotiation topic as important in examining how men and women negotiate differently. Her research showed evidence that women were more likely to avoid negotiating issues related to compensation as compared to access to a workplace lactation room with men displaying the opposite effects. This interaction was mediated by feelings of aversion to the negotiated situation. Thus, the incongruence between gender role and the negotiation topic leads to avoidance of negotiating at all.

Adopting the "gender-in-context" perspective, Bowles and Flynn (2010) cite the social psychological research to suggest that women are highly attuned to the need to be discriminating in how to respond during social interaction, using either lower-status or assertive behaviors as befit the circumstances. First, they cite Deaux and LaFrance (1998) on gender and social interaction to suggest that women tend to modify their behavior in line with the gender of their "opponent." Women tend to be more aware of the need to reach out, bridge to opponents and be sensitive to situation cues. These behaviors are those typical of low-status actors in situations in which they lack control over outcomes. Additionally, women finely modulate their speech patterns to the gender of their opponent during a disagreement, using more tentative (lower-status) speech patterns with male than with female opponents (Carli, 1990; Carli *et al.*, 1995). The outcome was that women were more successful with men during such interactions. Finally, Bowles and Flynn suggest that research on social interaction among children suggest that girls, more than boys, change their behavior to be more assertive when interacting with boys. In essence therefore, women do not *always* adopt one behavior modality and discriminate when to adopt appropriately assertive and less assertive behavior to achieve desired outcomes.

2.2. *Gender, negotiation and private equity*

Although research in organizational behavior and conflict management suggests there is a "gender divide" regarding negotiating styles, very little research has examined the role gender may play during contract negotiation in the private equity investment process. In their study of the impact of gender on financing women-owned ventures, Constantinidis *et al.* (2006) call for more programs to develop knowledge in areas such as accounting, business plan development and human resource management, and behavioral skills, such as assertiveness and negotiating aptitude. In their study of women entrepreneurs who succeeded in obtaining business angel investment, Amatucci and Sohl (2004) found several respondents who, in retrospect, wished they had asked for more and underestimated their venture's financial needs. They also expressed concerns about not understanding some of the "hidden costs" such as subordinated debentures, anti-dilution or extra legal fees. Although Brush *et al.* (2004) identify many of the hurdles women entrepreneurs may encounter including motives, human capital, financial knowledge and business savvy, growth orientation, social capital, building a management team and funding connections, differences in gender-related negotiation styles are not specifically mentioned. Amatucci *et al.* (2008) identified the need for research that integrates gender and negotiation processes in seeking private equity investment.

Nelson *et al.* (2009) suggest that women's travels along the path of securing venture capital (VC) can best be understood by employing a sociological perspective that makes sense of women's behavior by using the lens of institutional theory and symbolic interactionism. Symbolic interactionism (Goffman, 1959) is the sociological theory that the 'self' is constructed through our social interactions. Therefore, the focus shifts from the gender divide to other social factors to explain the observed differences in participation rates in VC between male and female entrepreneurs. They posit that VC interactions inhabit a space highly circumscribed by a cultural-cognitive environment. Therefore, the focus should be on the preparedness of the individual to participate in the VC game. More importantly, the qualitative data suggest understanding the rules of the game is as important as participating in the game. Moreover, respondents reported evidence of the existence of a shadow negotiation process that underpins the actual negotiation process taking place. The authors suggest this sphere contains certain second generation negotiation issues that provide narratives illustrating how participants sought to gain a measure of control during their interactions with VC.

In summary, it is clear that negotiating a term sheet or contract is an important stage of the private equity investment process. Also, there is an abundance of research examining the role of gender and negotiation processes. Given the low representation of women entrepreneurs receiving private equity financing and the paucity of research focused on the contract negotiation process, this paper addresses a significant gap in the literature that can make a meaningful contribution. The specific research questions we address in this research are as follows:

(1) Are women entrepreneurs' negotiating styles problematic as they participate in term sheet/contract negotiation for private equity investment?
(2) What strategies have been effective in closing the deal for women entrepreneurs?
(3) What are some of the major challenges to closing a successful deal for women entrepreneurs?

3. Research Methodology

Given the research questions and nascent stage of theory development on the topic, an exploratory, mixed method research methodology was adopted (Gartner and Birley, 2002; Neergaard and Ulhoi, 2007). A comprehensive survey with many open-ended questions for in-depth responses was developed. In addition to demographic information, the questionnaire was divided into three sections representing the pre-negotiation period, the negotiation event and the post-negotiation period. These stages of the negotiation event were divided into inquiries about the substantive issues of the deal and inquiries about the underlying parallel processes. The survey was available through an Internet link which was closely monitored. See Table 2 for a sample of the questions included in the survey.

Inclusion criteria for respondents in the sample were that they were women who had participated in a negotiation event for private equity. We quickly encountered challenges associated with access to and cooperation from women entrepreneurs with time constraints who may be reluctant to participate, even though we guaranteed anonymity. We used the "scattergun" approach based on our personal and professional networks because no single sampling frame would provide the access to respondents we were seeking. We contacted Springboard Enterprises, Inc, which sponsors venture capital forums for women seeking capital, and several women's business networks. We also identified potential respondents through our own personal networks and content analysis of business media, alumni magazines and entrepreneurship publications such as Inc. Beginning in late spring of 2008 through summer of 2009, we were able to contact thirty women. After several attempts to follow-up through e-mail or telephone, we obtained a convenience sample of twelve women entrepreneurs who responded to the survey. Of these twelve, five of the responses were collected through telephone interviews conducted by one of the lead researchers. When telephone interviews were not possible, the respondent was able to access the

Table 2. Issues and process during the pre-negotiation, negotiation, and post-negotiation periods.

	Pre-Negotiation Period	During Negotiation	Post-Negotiation Period
Issues	What were your primary concerns?	What were the primary issues that were discussed? Amount/ valuation	What issues should have been discussed but weren't?
	How much were you seeking?	Stock types and numbers Interest rates Board representation	What issues could have been addressed more effectively?
	For what purpose?	Changes in management team	How satisfied were you with the negotiated terms?
	How did you meet the investor(s)?	Subsequent offerings Registration rights Stock vesting schedule Payment of fees	
Process	How did you develop your team of consultants?	Who took part in the negotiation process?	
	How did you prepare for the negotiation event? What types of information did you assemble?	Were there matters of process that concerned you?	
		Was the process confrontational, cooperative or both?	
		How long did it take to come to an agreement?	

interview link on-line and complete the survey at her own convenience. The open-ended questions and interviews provided rich anecdotal data that could be analyzed for content and emerging patterns.

Descriptive statistics show that ten of the twelve respondents had obtained private equity funding and participated in the negotiation process. They represented geographic dispersion across the United States from New England to California. Industry sectors primarily included telecommunications, Internet-related, financial services, biotechnology and music. As shown in Fig. 1, respondents had prior business experience in marketing (72.2%) and research and development (54.5%) with the remaining in sales, human resource management and finance or accounting. Fewer than half of them had some experience negotiating a term sheet and were between the age of 41 and 50 years. Nine of the twelve respondents had a graduate degree and one had a four-year college degree.

4. Findings and Discussions

Our findings suggest that women utilize multifaceted approaches and responses to the challenge posed by raising private equity. We note that although some common threads emerge that speak to a sample of women who are highly sophisticated in personal and professional qualifications and backgrounds, differences are visible in the manifestation of the competences and capabilities they bring to the negotiation event. We allow the data to provide the narrative and we present and discuss our findings under the categories we used to structure our online survey instrument.

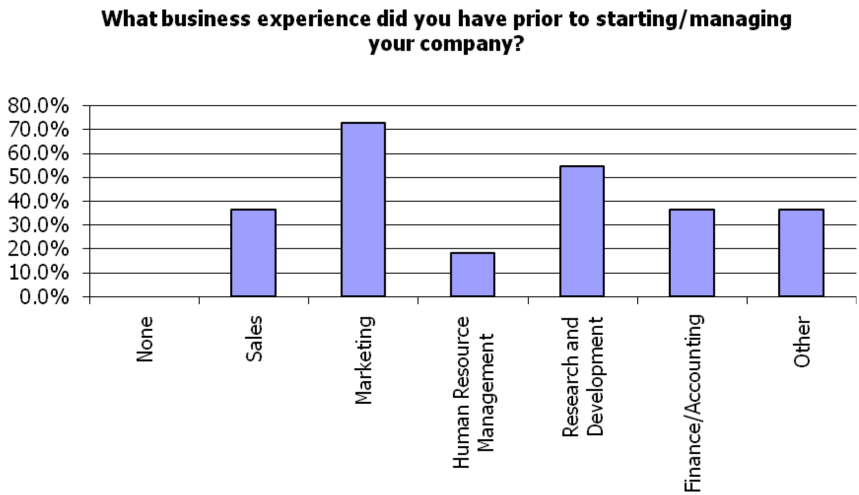

Fig. 1. CEO experience.

4.1. *Issues and process — pre-negotiation event*

Our sample of women entrepreneurs included seven who had previously negotiated term sheets and emphasize a crucial issues highlighted by respondents — prior experience. In addition to familiarity with term sheets, prior experience also includes entrepreneurial careers. Many of the women had previously experienced an entrepreneurial event; this prior experience would emerge for these individuals as vital to enabling them to feel comfortable with raising private equity for their businesses. One of the Californian respondents had multiple entrepreneurial experiences, including one as an undergraduate student. The digital advertising entrepreneur also participated as an employee in entrepreneurial companies, including one where the founders had grown and sold the business for $98 million.

These are extremely important manifestations of 'mastery events' (Bandura, 1997; Stevens and Gist, 1997; Gist, 1987) that lead to a sense of self-efficacy, or confidence in one's ability to perform specific tasks. Successful mastery events heighten the chances of an individual developing a greater sense of self-efficacy, while failure lowers those chances. One of the youngest respondents inadvertently hinted at this when she stated she had grave concerns about how some VCs may view her youth while being less concerned with her gender. However, it emerged that the VCs appreciated her youth because they saw her as having "lots of energy and not yet being jaded because of experiencing failure…"

Capital was mainly raised for startup and growth rather than acquisition though all the companies had developed beyond seed stage. Nine out of the twelve entrepreneurs were seeking capital in amounts that seem consistent with the sources they were tapping. Of course, we do not know whether the amounts were appropriate or sufficient for the intended purpose. At least one respondent indicated she did worry about this issue and she was very aware of the need to accurately assess the relative proportions of capital, equity

Table 3. Source of investors.

How did you meet the potential investor?		
Options	Percent	Response Count
Prior working relationship	27.3%	3
Personal network	45.5%	5
Formal business networks such as entrepreneur clubs	36.4%	4
Venture fund organization	27.3%	3
Angel network in local county or state	18.2%	2
University contact	9.1%	1
Other	27.3%	3

and control of the company. She further indicated a concern that during negotiations she came across as extremely aggressive. Furthermore, she was certain that the Israeli founders of the company had brought her in to raise capital but not to allow the VC to gain control over the venture. Similarly, the biopharmaceutical company in our sample was headed by an entrepreneur with a finance background. She “knew the numbers” because she had worked in corporate finance roles and had been through buy-out situations prior to the experience of raising capital for this negotiation event.

Personal and professional networks appear to have been the most valuable source of unearthing potential investors. Table 3 shows the range of sources that women used and attest to the fact that these entrepreneurs were able to use a rich variety of sources, including more socially complex networks than had been believed common of women’s networks in the past. Support networks and sources extend to ones that can lead to contacts with social capital, including ones on the golf course!

This theme also emerges in the data on formal and informal advisory boards. Far from women being limited in the range and culture of their networks, our sample appears to bring to the negotiating table a rich milieu educationally, experientially and professionally. The strategy most used for developing advisors was very deliberate and drew upon professional and prior work relationships in the industry in which their company was located. Consistently, our sample of respondents also used legal experts and experienced entrepreneurs on advisory boards. Two individuals indicated how crucial their relationship or friendship with a VC had been, who then came on board as an advisor. In other words our sample understood the importance of using a full range of individuals who knew what they did not — a proxy agent or agencies (Bandura, 1997). In the words of one entrepreneur, “when you are swimming with the sharks… you need to be realistic if you wish to have success. So, most of the preparation occurred *before* the negotiation event… called Harvard Business School colleagues to get input on deal structures at the time (early 2007)… pitched and then made a counter-proposal to the term sheets that were sent to me” (IT Entrepreneur).

Therefore, preparation for the negotiation was, for the most part, extremely thorough, although some of the women did not appear to have access to as wide a range of support sources as others: “We prepared a term sheet that we asked investors to look at.”

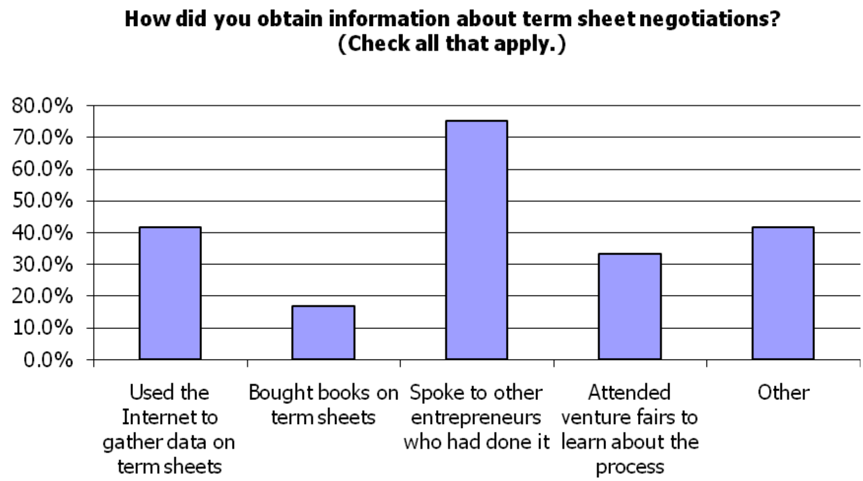

Fig. 2. Source of information about term sheet negotiation.

Similarly, the documentation that entrepreneurs consulted varied but spans the entire range of sources that would be expected. Figure 2 summarizes these sources showing nearly seventy percent of the respondents had spoken to other entrepreneurs who had previously obtained equity capital. Information gleaned from the Internet and venture fairs were also popular.

4.2. *Issues and process — negotiation event*

In rating the importance of terms of the negotiation event, amount/valuation was most important with board representation and changes in management team being secondary concerns. Ratchet anti-dilution protection, co-sale provisions and payment of legal and accounting fees were moderately important. As shown in Fig. 3, 54 percent of the respondents raised 100 percent of the dollars they actually sought while 45.5 percent raised less than 50 percent or none at all. Sixty percent of the respondents gave up more than 35 percent of their company with two respondents giving up more than 50 percent of the equity. Consistent with these results, 45.5 percent of the respondents were "completely satisfied" with the outcome while 45.5 percent had concerns.

Although six respondents used lawyers during the negotiation process, very few had prior legal experience themselves. One entrepreneur completed her undergraduate studies at Wharton and had benefited from a class in which negotiation of term sheets had been discussed. However, she was unaware of where she might go to obtain additional knowledge in this area and indicated a lack of familiarity with some of the more technical terms included in the questionnaire. This was also a common trend among other entrepreneurs in our sample.

In most cases (8), the respondents were negotiating with male investors. They stated that nearly half of the time, there was a mix of both confrontational and cooperative behavior while the other half was fully cooperative. In all cases but one, the respondents

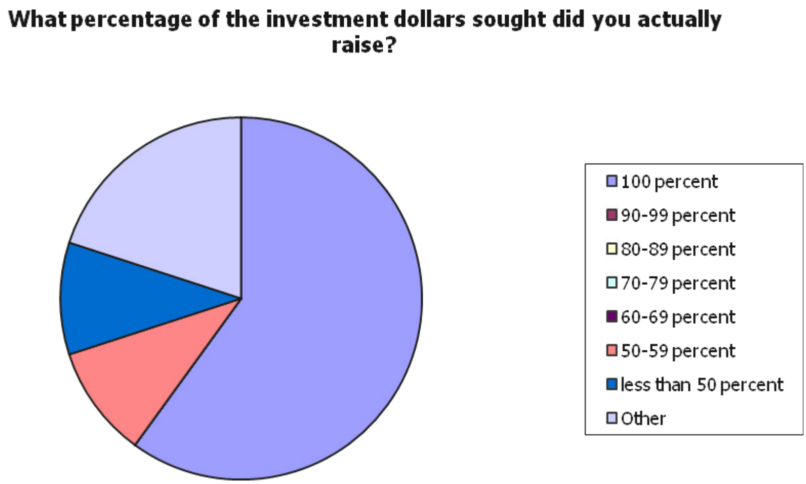

Fig. 3. Percentage of dollars sought and actually raised.

felt that they had been treated fairly. Building a trusting relationship with the investors was considered to be extremely important for 11 of the 12 respondents. In six cases, the negotiation event took a month or longer. CEO concerns about substantive issues during the negotiation event are summarized in Table 4.

Four of the respondents stated there were issues related to the negotiation process itself that concerned them, and it become known that at least one CEO was negotiating with two angel groups at the same time, adding a layer of complexity and stress to the negotiation experience:

"…lots of inefficiencies in the process as I was dealing with two angel groups. This meant that documents had to be shared multiple times and created potential for conflict. One angel group dropped out after trying to change the terms of an agreed term sheet and the owners refusing to continue with discussions" (Software CEO).

Table 4. CEO concerns about terms of the contract.

Co	CEO concern
1	It was best that the negotiations were not concluded as the original founder became difficult to deal with and did not negotiate in good faith.
2	Dilution was a concern.
3	There were mixed feelings. On one hand, given the negotiations were with existing investors, there was the feeling that there were no options.
4	At that time I wasn't sure because I did not have examples to base it on. Now I am much more educated about business and partnerships.
5	The high interest rate, payback terms and security.
6	Angels did not want to pay back the initial owner's equity and also insisted on officers of the company cutting their salaries.
7	Concerned about valuation and dilution of my angel investors and seed investors.

A second CEO noted that, although investor behavior appeared to be cooperative, the investor clearly had more leverage during the negotiation process. Such an awareness of a disparity in power relations is also evident in the experience related by the CEO of a sophisticated software/IT company. At the start of negotiations this entrepreneur found that negotiation with investors was essentially negative in nature, primarily because the company was not in very robust form:

"…first it was confrontational but changed once I changed tactics. In September, 2007, they gave the company a low valuation and I walked away (you need to know what is not acceptable). They were angry at me but I knew that this (low valuation) was not good for the company. I was able to recruit an important customer and get a signed contract. Then, I contacted them again and renegotiated and they moved on the overall valuation. The two groups most willing to do this were all male. One women-owned angel investor group was the hardest to negotiate with. They were very draconian and were pulling other (angel) groups down in (the) valuation of the company. There was a private meeting with them that became confrontational and they dropped out. I felt they were trying to take advantage of a women-owned company and they were dogmatic in their vision of how the contract should look. They were used to dealing with women whose companies were not technology based and tried to impose that type of term sheet on my company. They also did the unforgivable and insisted on changing deal terms for more investment dollars. That is not something that is ethical."

The responses to whether respondents regarded themselves as having been treated fairly, as shown in Table 5, provide insight into the range of experiences they had during the process and how they viewed access to equity investment:

These views are very divergent and, in the one case where a respondent mentioned the issue of gender, she also expressed the view that it could equally be used to *further* a negotiation position. Those who admit the imbalance in the power relationship(s) with the investor(s) appear to highlight status issues and outcomes rather than gender as factors they recognized as influencing their sense of equity during the process.

Table 5. Perspectives on "fairness" of negotiations.

1	Yes, there was give and take. Nothing too unreasonable.
2	Gender and age could at times have been a hindering factor and at other times a great help, particularly in a market where technology is so important. I did wonder sometimes if my age was not an issue.
3	An imbalance of power between the two parties. A sense that the investors had the upper hand. There was only one term sheet.
4	My investor was very cooperative and understanding. He made the negotiations fun and uninhibited.
5	It is not about being fair or not fair. That is too subjective a way to think about negotiation. What was my "BATNA" is what guided me — the outcome is much more important. In the end, I got an outcome that was acceptable and those who invested did also.
6	I had been raising money for a long time and this was my only option. It was "fair" because I had no alternative. If I had an alternative I could have negotiated a better deal.

Table 6. Concerns about contract terms.

1	I knew as the first investors to go into the pool of funders that they would expect more so it was a bit more than I wanted but I think it will be worthwhile in the long run.
2	Felt at the time that the VC did not really give me an honest answer to why they would not fund us.
3	Valuations could have been improved.
4	I was concerned about repayment terms and security.
5	Two areas come in to play. Personal and company. I had no personal income for the first one and a half years of the company. The investment of $46k that I made was not recovered. I had my (and the technologist's) salary negotiated down and went from $175k to around $125k. However, the company benefited a great deal from the deal.
6	I had to agree to a trounced deal late in the process and had to agree to hire a new CEO.

4.3. *Issues and process — post negotiation event*

After the negotiation event ended, ten of the respondents stated they were "very satisfied" or "somewhat satisfied" with the contract terms and four stated there were issues or terms that could have been address more effectively. These are summarized in Table 6:

Asking for too little did not emerge as a concern in this question, but valuation and control over personal compensation for the CEO and technology officer of the software company appeared to be troubling. Table 7 provides comments regarding issues that could have been addressed more effectively and indicates that the CEOs were certain they did not have any leverage to further their negotiating position. In reflecting upon issues that could have been handled differently, there is a sense of either acceptance of the outcome or some learning about creating better options prior to entering the negotiating process.

Tables 8–10 provide comments by the respondents regarding effective and ineffective negotiation strategies, as well as final recommendations to women entrepreneurs who may participate in this type of negotiation event for private equity investment in the future. They demonstrate the value of assertively managing conflict, of having a trusted, competent advisory team and the need to clearly articulate and understand the financial foundations of your business.

Table 7. Issues that could have been addressed more effectively.

1	No. My lawyer and team of advisors were awesome at describing the possible confusing points.
2	Honesty about why no funding forthcoming from the VC.
3	Yes. If we had pursued getting two term sheets from two different investors, we could have created a competition between the investors and increased the valuation.
4	There must have been some, but no major regrets.
5	Quarterly meetings with objectives should be made. They lack concern in this area.
6	Since this was my first start-up venture, I was vulnerable and inexperienced. I was lucky to have faith and trust in the E-Magnify program. They help me establish a relationship with my investor. If I would have tried on my own, it would have been easy to fall prey to predatory lending.
7	Just did my best.
8	I did not have much leverage.

Table 8. Effective negotiation strategies employed by CEOs.

1	Seeking a cooperative win-win situation and backing up the negotiations with data.
2	My use of metrics when doing the pitch meant that the entire process was based on thorough analysis.
3	We were raising round B, so we made sure that we started early (a year before we would go cash-flow negative) so that our cash position would not force us to undesirable terms. And in fact that led us to walk away from such a deal early on. Having knowledge of comparables really helped. Also working with an attorney with a lot of experience in the startup space helped greatly.
4	Center the negotiation on financials! It is also important to use comparables — both quantitatively and qualitatively and to look for a middle ground. Identify why it is in the other party's interest to accept.
	Articulate the impact of a bad term on the future of the company (you could hurt yourself in the future).
	Articulate the impact of a bad term on the morale on certain key personnel (you need these people).
	Use the same negotiators from start to finish.
	Have a defined agenda in each negotiation session; for instance which are the terms to be negotiated in each session.
	Several shorter sessions are better than one long session.
	Try to come to agreement on terms that are easier first.
	Have a parking lot for open items. Call for recess if negotiating a difficult item drags on.
	At the end of each session summarize the agreed-upon terms and what is in the parking lot.
	At the beginning of the next session, ask for reiteration of agreed upon terms. Allow agreed upon terms of the previous session move back to the parking lot in the next session, but at a certain point in the negotiation, jointly agree that closed terms may not be reopened.
5	Being open and knowing what you want.
6	Patience, understanding your business and industry, and having a strong will.
7	My business plan was thorough and precise which helped a great deal in explaining my business. I worked with the principal investor to establish a relationship prior to agreeing to financing.
8	Walking away was extremely effective. CTO was very scared at that point and not comfortable with it. The first term sheet was well below the "no possible agreement" zone. Getting a contract with a reseller to demonstrate the viability of the technology was great. It immediately enhanced the value of the company because it provided proof of concept.
9	Bridging — especially to what was fair.

Table 9. Negotiation strategies that were not considered effective.

1	Not applicable.
2	Maybe at time I ruined my chances by being too aggressive and being hyper sensitive about NOT being fleeced and so asked for too much. I was also very forceful about the timeline that I wanted to adhere to. Perhaps came across as too pushy.
3	Often investors ask you about the company valuation. As a general rule, you don't want to volunteer that information since you may actually undersell. Let the investor offer you a value and if not fair, then negotiate toward where you think is the fair value.
4	Long sessions, either as a tactic or because of poor control of time.
	Openly confrontational style.
5	Anyone that was egotistical and arrogant.
6	I should have asked for more money.

Table 9. (*Continued*)

7	Being inexperienced, I felt the terms and conditions were not negotiable.
8	I don't know if I could have handled the venture capital investors differently. Perhaps a less confrontational approach would have been more effective. I told them their behavior was inappropriate because after agreement on a term sheet one usually expects the money and not to renegotiate. I gave them a choice and told them their behavior was distasteful. Perhaps I should call them to discuss.
9	Crying!

Table 10. Summary of recommendations regarding private equity investment negotiations for other women entrepreneurs.

1	Be 110% confident in your company and its future success. Know what your strengths are and those of your team members. Don't think you are going to be doing everything. Show that you are delegating those components which are not your expertise. Have a good, trusted group of advisors. Don't show them you are nervous...they can smell that.
2	Lead with your own term sheet if possible and have all of our due diligence materials in place ahead of time along with your data to back up the negotiation.
3	Network is the most important. Ask for the "right" amount. Fight for your story and think about execution.
4	Do your home work — Pick the right investor: study the firm, its culture, prior investment, do your own comparables, future rev projections, free cash flow and valuation range. Know your BATNA. Start early — never put yourself in a cash situation that you may have to compromise too much. Think of what you are giving away and how this round of investment may impact future rounds. You want to make sure that company is interesting to future investors. Be aware of your team's strengths and weaknesses and be open to new team additions as a condition of investment.
5	Know your industry, your investor, understand your goals and plan a time line for your goals. Have a planned advisory board and support group to bounce ideas too. Always stay confident about who you are and where planned to be in the future.
6	Establish a relationship with the people involved, be confident in your abilities and those on your team, if you are inexperienced... ask for help.
7	Be specific. Know market valuations — don't be unrealistic and be derailed. It is painful to go from a scenario of $10m to $3m. Varies with market conditions and simply has to be accepted. Know deal structures — read through term sheet information and be thorough. Ask questions and seek input from those who know. Be careful with legal fees. Lawyers are dishonest. "Do on cap". However, usually bill is for more. Have in writing their fees are a specific amount and specify what that it is for. Any additional work to be specified and agreed before done. No surprises.
8	Have alternatives.

Negotiation for private equity investment represents a high conflict, high structural ambiguious situation where women are required to behave contrary to traditional female gender stereotypes. There are obvious perceptions of low status, low power positions relative to the investors, which may mitigate negotiation approaches. Most often, the negotiation dyad is male-female with investors being male. The data from this limited sample of women entrepreneurs who were relatively experienced suggest myriad approaches and concerns.

5. Conclusions and Implications

As stated earlier, despite the growing number of women-owned ventures, women receive a very small proportion of total private equity investment dollars as compared to men. Moreover, term sheet or contract negotiation during the private equity investment process is critical to obtaining badly needed financial resources under reasonable conditions related to relinquishing equity and control. The practical relevance of this research focuses on identifying any gender-related differences that may exist for women entrepreneurs as they participate in contract negotiation for equity capital. Our review of the literature and the data collected and analyzed in this research supports other contributions to the second generation body of research which stresses the role of context when evaluating gender-negotiation processes. The qualitative data support the proposition that behavior among these female CEOs spans a gamut of multifaceted responses to the challenge of negotiating access to private equity. It is important to recognize the *real* rather than *apparent* challenges women encounter during the process of raising private equity capital. Then corrective measures may be developed to put women entrepreneurs on a more equal playing field with regard to successfully obtaining private equity investment.

We contend that research in the area continues along the lines of "gender-in-context" perspective suggested by others (Bowles and Flynn, 2010; Halpern and Parks, 1996; Carli, 1990), and that entrepreneurship researchers look at gender at the dyadic or group level rather than the individual level. Gender-related effects have to be examined within the social context of the negotiation event and not separately. Our research focus in entrepreneurship should shift to consider not gender differences in the abstract, but rather in practice.

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