

Black Female Entrepreneurs and Their Journey to Raising Capital

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Abstract

The purpose of this qualitative study was to explore and understand the experiences of Black female entrepreneurs who have successfully raised capital from investors. The study was guided through the conceptual framework of gap analysis, or knowledge, motivation, and organization framework developed by Clark and Estes. With venture capitalism framed as a field of practice, the study examined what the knowledge, motivation, and organizational influences were on BFEs' perceived ability to raise capital and how they navigate the field to do so. The study's relevance is rooted in the accelerated rate by which Black women are starting businesses compared to their counterparts, but lag behind them in their ability to raise the startup capital required to sustain that growth. Key findings of the study indicated that the participants (a) had minimal knowledge about the decision-making process of VCs before pitching to raise capital, (b) are motivated to pursue raising venture capital due to financial constraints and the limitations of bootstrapping, (c) they are confident in their ability to pitch investors and raise capital, and (d) there is a perception of little value placed on diversity and inclusion within the VC industry.

Dedication

To Natalie and Naomi, I dedicate this work to you. You both inspire and challenge me to be a better human. I will always be here to support you in your dreams and goals, just as you have done for me. Being your mom is one of the greatest joys of my life, and I love you more than you will ever know!

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Black Female Entrepreneurs and Their Journey to Raising Capital

Black women represent one of the fastest-growing groups of entrepreneurs in the United States, yet their ability to raise capital to grow and scale their ventures continually lags behind the success rates of their counterparts (American Express, 2018). In their quantitative analysis of data provided by the U.S. Census Bureau, Fairlie and Robb (2007) found that Black-owned firms have less startup capital than White-owned firms, and this variance is associated with business success for both groups. In a study of over 300 Black and Latinx female founders, 83% of whom self-identified as Black, 77% of respondents named limited access to funds or investments as a barrier to their business growth (Project Diane, 2020).

This study addressed how Black female entrepreneurs (BFEs) perceive their ability to raise venture capital. In 2018, the number of BFEs who have raised over \$1 million in funding was 34, and by 2020, that number increased to 93 (Project Diane, 2020). While this is a sign of growth, within the greater context of total funds raised, BFEs raised only 0.0006% of the \$424.7 billion raised in tech venture funding since 2009 (Project Diane, 2018). Additionally, Bates and Robb (2014) found that greater capital availability facilitates increased viability and endurance of small businesses in the minority community market segment. This data highlights that limited access to resources that allow for them to scale is a common and critical challenge faced by female entrepreneurs (Brush et al., 2009).

Context and Background of the Problem

Historical factors that hinder the success of Black-owned businesses in America include the lack of wealth, lack of intergenerational business inheritance, and the ability to obtain a loan (Fairlie & Robb, 2008). Specifically, limited access to startup capital is named as a significant contributor to the lag female-owned businesses experience behind male-owned businesses. For

Black women, race and gender magnify the challenges they face in their entrepreneurial pursuits. This group, who make up 20% of all women-owned businesses and see annual growth rates of 9%, start businesses at high rates out of necessity and for survival due in part to high unemployment rates and racial pay gaps (American Express, 2018). A contemporary exploration of how BFEs can obtain adequate funding and resources to support their business goals and subsequent survival is a timely and pertinent call for research.

Purpose of the Project and Research Questions

The purpose of this study was to explore and understand the experiences of BFEs who have successfully raised capital from investors. With venture capitalism (VC) framed as a field of practice, the study examined the knowledge, motivation, and organizational influences on BFEs' perceived ability to raise capital and how they navigate the field to do so. My intention was to collect qualitative data that can serve as a roadmap for future BFEs who decide to pursue venture capital as a growth strategy. To create that roadmap, the study was informed by the gap analysis, or knowledge, motivation, organization (KMO) framework, developed by Clark and Estes (2008). The following research questions were posed to design and guide this study:

1. What knowledge do Black female entrepreneurs have about raising venture capital?
2. What factors motivate Black female entrepreneurs to raise venture capital?
3. How do Black female entrepreneurs navigate the field of the venture capital industry?

Importance of the Study

The low percentage of BFEs that are able to successfully raise capital from venture capitalists was the driving force behind this study. This topic is important to address for two key reasons. First, on a broader level, entrepreneurship among Black Americans has been on the rise in recent years and continues to climb. Data from the U.S. Census Bureau's (2016) Survey of

Business Owners showed an increase of 34.5%, from 1.9 million to 2.6 million in Black-owned firms. Despite increases such as these, however, Black-owned businesses have not experienced the same forms of success as White business owners (Fairlie & Robb, 2007). This study sought to understand, from the lens of BFEs as the primary stakeholders, what factors are contributing to this disparity and explore how equity can be achieved in this regard for minority business owners (Reuben & Queen, 2015).

Second, among the aforementioned increase in Black American entrepreneurship, Black women are starting businesses at a faster rate than all of their counterparts (American Express, 2018). But with Black founders only receiving 1% of funding from venture capitalists, the sustainability of that growth is threatened (Sherry, 2015). Research has found that survival rates of businesses depend, in part, on the age and size of the venture, and with women- and minority-owned firms typically being smaller than those owned by White men, this puts BFEs at a disadvantage (Robb, 2002). The consequence of not examining this problem can result in fewer BFE-led ventures surviving in the marketplace, which can have economic repercussions, as entrepreneurship is tied to the economic stimulation and growth within communities (Reuben & Queen, 2015).

Stakeholder Group of Focus and Global Stakeholder Goal

The stakeholder group of focus for this study was BFEs who own and operate a business in the continental United States and have pitched investors for capital to fund their ventures. This stakeholder group was chosen because it is their specific experiences that are best suited for understanding the phenomenon of interest (Creswell & Creswell, 2018; Merriam & Tisdell, 2016). The stakeholder goal is to inform the field with recommendations that may best support an increase in the number of BFEs who are successful at raising capital. While the study also

sought to add to the literature about the experiences of BFEs within this field of practice, at its core, the goal of the study was to provide insights from Black women to other Black women that can help them on their journeys to raising capital.

Overview of Theoretical Framework and Methodology

The theoretical framework employed for this study was the gap analysis, or KMO framework, developed by Clark and Estes (2008). This framework is designed to help organizations diagnose and close performance gaps as a measure to maintain a competitive advantage in the ever-evolving new world economy. The authors identify knowledge and skills, motivation, and organizational barriers as the primary causes for performance gaps and the key elements that inform how a gap analysis should be conducted. Knowledge and skills assist in determining if people know how to achieve performance goals. Motivation addresses what happens internally and psychologically that drives people to achieve performance goals. This internal process is broken down further into three aspects: choosing to pursue a goal, persisting at it until it is achieved, and the mental effort required to complete it. Organizational barriers refer to things such as missing tools and procedures, or faulty processes, that can hinder organizational performance and goal achievement (Clark & Estes, 2008).

The KMO framework was appropriate for this study because it centers BFEs as the primary stakeholder group that exists in the field of VC, which in this context, serves as the organization. Because the study focused on a field of practice and not a singular organization, a formal gap analysis was not the result of this study. Instead, through each of the three aspects of knowledge, motivation, and organization, the problem and solution can be viewed from a wholistic standpoint (Clark & Estes, 2008). The knowledge and skills component of KMO allows for an assessment of what knowledge BFEs possess and need to successfully obtain

capital. The motivation component addresses what motivates this group to pursue venture capital and how efficacious they perceive themselves to be in accomplishing that goal. Lastly, the framework allows for an examination of what types of organizational barriers exist that may hinder BFEs from obtaining funding that are beyond their control. A qualitative approach is the methodology for this study, as this framework highlights the lived experiences of BFEs and examines how they make meaning out of the experience of raising venture capital (Creswell & Creswell, 2018).

Literature Review

The U.S. economy is comprised of more than 6 million establishments with paid employees (Haltiwanger et al., 2009). For the 25-year period between 1980 - 2005, the majority of new job creation in the United States was attributed to entrepreneurs and the business startups they run. This is a topic worthy of study because entrepreneurs make valuable contributions to society, primarily through job creation, which is tied to governmental policymaking that affects society at large (Dennis, 2011).

This literature review explores the factors surrounding the problem of the low percentage of BFEs who successfully obtain funding from venture capitalists. It begins with a foundational look at entrepreneurship and how it is defined. The subsequent subjects are narrowed down into the ties between entrepreneurship and women, Black Americans, and Black women, followed by a review of the current state of VC. This section concludes with an application of the knowledge, motivation, and organizational influences of the KMO gap analysis framework to the problem of practice.

Entrepreneurship

The field of entrepreneurship is vast, and an attempt to define it yields a variety of interpretations. Shane and Venkataraman (2000) posited that as a field of academic study, entrepreneurship lacks a conceptual framework due in part to the myriad definitions of what it means. A basic search in the dictionary results in the return to the base word of entrepreneur, which is defined as “one who organizes, manages, and assumes the risks of a business or enterprise” (Merriam-Webster, n.d.). Aulet and Murray (2013) separated entrepreneurship into two types: innovation-driven enterprises and small and medium enterprises. The former are businesses that focus on innovation as a means to gain a competitive advantage and high-growth potential on a global level, such as Google, iTunes, and Netflix, while the latter serves local markets with traditional business ideas. With contributions from multiple disciplines, including economics, business, management, psychology, and sociology, the lack of definitional clarity of entrepreneurship leaves room for even more perspectives to be added (Prince et al., 2021).

As the attempts to define entrepreneurship continue, it is important to ensure the perspectives of marginalized groups, such as Black women, are not left out of the conversation, which is part of the intention of this study. Entrepreneurship is enacted in as many ways as it is defined (Prince et al., 2021), and this study seeks to add to the literature an understanding of how and where BFEs and the success of their business ventures fit into the landscape of this field of practice and study.

Success Factors for Entrepreneurs

The concept of entrepreneurial success is framed as a construct with quantitative and qualitative dimensions associated with the entrepreneur and the business (Cabrera & Mauricio, 2017). Common factors that contribute to the success of entrepreneurs are access to human,

social, and financial capital (Juma & Sequeira, 2017). Baron (2000) argued that entrepreneurial success should be studied from a psychological standpoint that includes cognitive and social factors. The authors surveyed several hundred entrepreneurs in differing industries and identified a four-factor structure that applied to the data. The four factors of social perception, impression management, persuasiveness, and social adaptability were described as the key components that have an impact on the financial success of entrepreneurs (Baron, 2000).

A review and analysis of the literature from 2000 to 2017 by Guerrero et al. (2021) found that for entrepreneurs in developed economies, environmental conditions with the greatest impact on their success include professional support, incubators or accelerators, networking with multiple agents, and research and development investments. Venture performance hinges on multiple factors, and more scholarly research on the venture performance of firms owned by BFEs is imperative, as this group's success has profound economic impacts on the national economy (Juma & Sequeira, 2017).

Gender and Entrepreneurship

In a review of 81 research articles on the subject of women's entrepreneurship, Ahl (2006) concluded that female entrepreneurs are commonly studied from a place of subordination to men, and this has shaped the discourse on this subject. Wheadon and Duval-Couetil (2019) found in their literature review of research on gender and entrepreneurship in technology that there is a sense of tokenism present when women and entrepreneurship are studied together. The authors suggest that the ways in which gender inequalities and the disparity in women's participation in entrepreneurship compared to men are examined are insufficient. Citing Jones (2012), Wheadon and Duval-Couetil asserted that the stereotypes of men being deemed as

natural and successful entrepreneurs contribute to lower participation rates among women in entrepreneurship, especially in the technology field.

To encourage an approach that centers women and their experiences as entrepreneurs, as opposed to solely viewing them in comparison to men, Brush et al. (2009) developed a “5M” framework. The previously established framework this one builds upon named markets, money, and management as requirements for the launch and growth of ventures (Bates et al., 2007). The authors added the components of motherhood and a meso/macro environment to allow for broader considerations, such as the household and family environment and society and cultural norms, as a lens to study women’s entrepreneurship (Brush et al., 2009). It is important to explore women’s entrepreneurship to establish an understanding of what is happening in the field at a broad level in an effort to contextualize and understand the experiences of BFEs.

Women and Entrepreneurship

A woman-owned business is defined as one owned by a female who holds more than 50% of the stock or equity in the business. In 2017, the Bureau reported that nearly 12 million women-owned businesses made up 37.6% of all businesses in the United States; and according to their Annual Business Survey, there was an increase of 0.6% in women-owned employer firms between 2017 to 2018 (U.S. Census Bureau, 2021). At 82%, the majority of those firms were led by White women in the Health Care and Social Assistance sector (U.S. Census Bureau, 2021). According to the State of Women-Owned Businesses Report compiled by American Express (2018), the number of women-owned businesses rose 21% between 2014 and 2019. These upward trends are encouraging, as female entrepreneurship is a catalyst for growth, employment, and wealth creation in all economies (Brush et al., 2006; Cabrera & Mauricio, 2017).

Women make the decision to become entrepreneurs for a variety of reasons. Research has categorized those reasons as push and pull factors. According to Dawson and Henley (2012), push factors are external and often borne of necessity, e.g., low family income, inability to find work, or low job satisfaction. Pull factors are internal factors such as the desire for independence, wealth, social status, power, autonomy, and perceived self-efficacy (Dawson & Henley, 2012; Ducheneaut & Orhan, 1997). In a qualitative study examining the reasons why women become entrepreneurs, Orhan and Scott (2001) identified additional push and pull factors among 25 French female entrepreneurs. These factors included taking over the family business or being acclimated to entrepreneurship through members of their networks and role models that inspired them to pursue running their own firms (Orhan & Scott, 2001). There is often a combination of pull and push factors that draw women into entrepreneurship, such as a desire for autonomy (pull) and a career choice that allows for a balance of work and home life (push; Dawson & Henley, 2012). This provides a glimpse into the gendered view of entrepreneurship, with the unescapable comparisons that are often made between male and female entrepreneurs.

Black Entrepreneurship

Historical, cultural, and psychological contexts are frequently used within the literature to frame, study, and document the experiences of Black American entrepreneurs (Jones, 2017). According to data released by the U.S. Census Bureau (2022), 18% of American businesses with paid employees are owned by minority groups, with African Americans owning roughly 134,567 of those businesses. A central theme to how Black entrepreneurship is discussed is often tied to an examination of the disparities that exist between this group and their counterparts, particularly when it comes to the accumulation of financial, human, and social capital. Despite recent increases in the presence and performance of Black-owned businesses, especially among Black

women (American Express, 2019), they still are not performing as well as their nonminority counterparts in certain areas. When it comes to startup capital, for example, 8.1% of Black businesses required at least \$25,000 in startup capital, compared to 15.7% of White-owned businesses (Fairlie & Robb, 2007).

In their analysis of research on the capital constraints faced by Black entrepreneurs, Reuben and Queen (2015) found that Blacks suffer adversely from unequal access to capital markets. The authors suggest that an increase in employer firms owned and operated by Black Americans in key, revenue-generating industries is a pathway to seeing growth. According to Fairlie and Robb (2007), Black-owned businesses are less successful than those owned by Whites for reasons related to less family experience in business, less education, and startup capital. This conclusion was derived from the authors' analysis of data compiled by the Bureau of the Census in its characteristics of business owner survey. The data revealed that lower levels of startup capital for Black-owned firms are linked to business success, and overall, they have lower profits and sales, hire fewer employees, and are more likely to close than White-owned firms (Fairlie & Robb, 2007).

Much of what has been written on this subject seeks to answer the question of why Black entrepreneurs do not fare as well as their counterparts and to identify the obstacles that impair their growth. Gold (2016) suggested critical race theory (CRT) as a north star for understanding why Black Americans are limited in their economic and entrepreneurial endeavors. Critical race theory is a movement that was first grounded in exploring how the law interacted with issues of race, racism, and power (Delgado & Stefancic, 2001). According to Delgado and Stefancic (2001), the five main components of CRT are that racism is a normal part of American society, racism serves the interests of elite and working-class Whites, race is a social construct, no

individual has one single identity, and voice or storytelling can allow people of color to communicate what Whites are unlikely to know. Using CRT as a lens to view Black entrepreneurship, Gold (2016) argued that improvement rates in Black businesses are contingent upon an acknowledgment of the pervasiveness of racism in the structures and systems that define American society.

Intersectionality

The concept of intersectionality was introduced by Dr. Kimberlé Crenshaw in 1989 in her paper entitled, *Demarginalizing the Intersection of Race and Sex: A Black Feminist Critique of Antidiscrimination Doctrine*. As a theoretical framework, intersectionality suggests that race and gender cannot be viewed separately when exploring issues pertaining to Black women. To do so contributes to the erasure of their lived experiences and identities because they cannot choose one construct over the other (Crenshaw, 1989). Considering the premise of intersectionality, race and gender must not be ignored when exploring the experiences of Black women and how their identities shape the way they operate their businesses.

A study employing a Q methodology, which is a research approach that examines the subjectivity or viewpoint of the participants, found that how leadership is perceived among women of color from a variety of professions varies between Black women and other minority groups (McKeown & Thomas, 2013; Sales et al., 2020). In the context of entrepreneurship, their unique cultural and personal perspectives, in addition to socio-economic conditions, influence their business motives, performance, and behavior (Juma & Sequeira, 2017). For example, according to Robb and Fairlie (2010), female-led businesses are less likely to hire employees than male-owned businesses. Black women, however, see providing opportunities for others to advance as a responsibility in their careers (Sales et al., 2020). Understanding this approach to

leadership in the context of entrepreneurship can be valuable in examining such things as the ways in which BFEs develop human capital, build their teams, and pursue financial capital.

Black Women and Entrepreneurship

Between 2007 and 2018, Black women started businesses at a faster rate than any other minority group of women, with 541 new businesses added per day over that time period (American Express, 2018). Between 2014 and 2019, the annual growth rate of minority-women-owned firms was significantly higher than that of their nonminority counterparts, and Black women-owned firms saw a growth rate of 50% during that time frame (American Express, 2019). With that kind of growth comes an emergent need for tools and resources, including capital, that can support the success and sustainability of these minority women-led ventures.

Environmental, interpersonal, and financial factors are all common contributors to the success of BFEs that have been explored through academic research and study (Awadzi, 2019). In a qualitative study of 20 BFEs, Anderson et al. (2015) found several existing tensions among this group and their perceptions of the costs and benefits of business ownership. The four dialectical tensions named were changing self vs. maintaining self, being suspicious and distrusting of others vs. being faithful and trusting in God, weak support from own ethnicity vs. strong supportive ethnic identity and being halted by others' perceptions vs. moving forward despite preconceived notions. Ultimately, the authors concluded that the participants rated themselves positively as businesswomen, but they felt as though they were viewed negatively by others due in part to their race and gender. This study reflected the breadth of experiences BFEs have and their varied perceptions of what it takes to succeed in business.

Challenges this group tends to face often extend beyond those representative of entrepreneurship in general. Existing literature suggests challenges that are unique to this group

include racially discriminating policies, institutions, and legislation related to business development (Anderson et al., 2015). Jones (2017) found in a qualitative study that explored the rhetorical narratives of Black entrepreneurs that the participants viewed entrepreneurship as a vehicle to push back against oppressive ideological structures and discriminatory economic systems. Jones concluded that despite discrimination and marginalization, Black entrepreneurs pursue business ownership as a statement of cultural empowerment, opportunity, and wealth creation.

Venture Capitalism

According to the Chamber of Commerce (n.d.), 99.9% of businesses established in the United States are defined as small in that they employ less than 500 employees. Of that number, 20% of them go under in the first year, half of which describe a lack of funds to pay staff and cover expenses as the cause of the business failure. Access to financial capital is integral for business strategy, development, and performance, and funding also helps to encourage innovation as entrepreneurs seek to solve society's problems (Uzuegbunam et al., 2017). There are multiple pathways for entrepreneurs to raise capital to fund, grow, and scale their ventures. Some of the options available include VC, traditional business loans from banks or the Small Business Administration, personal investing through savings or credit cards, financial support from family and friends, angel investing, and crowdfunding. As an industry, VC has been in existence for nearly 80 years, with the first true firm established in 1946 (Gompers & Lerner, 2001). It is defined as "temporary equity investment in young, innovative, non-listed companies that stand out in the market" (Statista, 2023, para. 1) and is pursued by companies that show growth potential to investors.

The Funding Process

The process of acquiring VC funding involves a series of “rounds” that require business owners to pitch their product or service to potential investors. It is recommended that the pitch (that is, an oral presentation accompanied by a slide deck) tells a compelling story and includes enough business and financial details to intrigue VCs and see the business as a viable investment opportunity (Cremades, 2016). With VCs only funding 2% of businesses they review and 97% of those funds going to businesses that are already established for new startups, pitching is a highly competitive and integral part of the fundraising process (Cremades, 2016; Van Yoder, 2003).

The types of fundraising rounds are pre-seed, seed, Series A, Series B, Series C or more. The pre-seed round is the least formal, with funds raised through family, friends, and possibly angel investors. This is an opportunity to gauge the viability of the business and get the idea off the ground. The capital raised from a seed round can range from \$10,000 to over \$100,000, and can be used to conduct research, testing product-market fit, hiring, and product development (Cremades, 2018). Series A–C are where venture capitalists and VC firms are more likely to be involved as the businesses seek to scale. At these levels, the business concept has likely been proven, profitability is indicated, and the valuation of the business is high (Cremades, 2018).

As of 2021, the value of venture capital investments in the United States reached an amount of \$345 billion (Statista, 2023, para. 1). According to Kaplan and Lerner (2016), 50% of entrepreneurial firms that go public with an initial public offering, are venture-backed, despite the industry being relatively small and only 0.2% of all firms receiving venture funding. In a review of the literature on the decision-making process of VCs, Sharma (2015) determined the basic categories of screening criteria are entrepreneurs’ characteristics, product, competitive strategies, and market size and growth. The authors named biases and heuristics as two pertinent

issues that affect the decision-making process. Biases the VCs may hold include how they evaluate a potential investment opportunity based on their individual beliefs and experiences. Heuristics is a problem-solving method that prioritizes expediency in decision-making but may not be the optimal solution in the long term (Sharma, 2015). These points regarding the decision-making process are important factors to consider in a discussion about VC, as it provides insight into the probability of what types of business are and are not successful at raising funds.

VC Industry and Diversity

Since its inception, the VC industry has been overwhelmingly male. The exclusivity of the VC industry is reflected in which types of businesses receive funding and who holds the decision-making power for how investments are made (Alexy et al., 2011). This section explores specifically how women and Black founders are impacted by the exclusive nature of the industry.

Women. In conjunction with the Ewing Marion Kauffman Foundation, Brush et al. (2004) released a report on the role and participation of women in the VC industry. The study explored why women have consistently been excluded, both as entrepreneurs and VCs themselves. According to the report, the typical VC is a White male between the ages of 35-50 with an MBA from a top business school and a small network of business associates who function as gatekeepers for venture deals (Brush et al., 2004). Without access to that investor network, women and minorities miss opportunities to gain financial and advisory support VCs often provide to the companies they invest in. According to Alexy et al. (2011), the social capital and network of a venture capitalist correlate to and have an impact on their willingness to invest in certain firms. In other words, they invest in whom they know and are connected to in their networks. With more women serving in senior leadership or partner roles in VC firms, an

increase in investments made in women-led businesses is likely (Brush et al., 2004). A later study by the Kauffman Foundation (2016) on emerging trends in the VC industry showed an increase in the number of women in decision-making roles in VC, as angel investors, and as founders. While that is a promising sign of growth, women still have much farther to go to reach parity with men.

Diversity. Historically known as a White-male-dominated industry, a prevalent lack of diversity in the field of VC has been pervasive. The National Venture Capital Association (NVCA, 2019), in partnership with the Deloitte Leadership Center for Inclusion, conducted a quantitative study of 217 VC firms in the United States to examine the state of diversity and inclusion (D&I) in the industry. Among the 2,500 VC employees sampled, the study found that only 3% of the VC workforce is Black, and there were no Black people in investment partner or financial decision-making roles. Hispanic or Latinx employees made up 4% of the workforce and held 2% of investment partner roles, while Asian/Pacific Islanders comprised 14% of the workforce (NVCA, 2019). There is an urgent need to increase the percentages of underrepresented groups in the VC industry because it has been found that firms with racial diversity bring in more revenue and profits (Herring, 2009). Additionally, a team member who shares a client's ethnicity is 152% more likely to understand that client and, in this context, could result in an increase in funding for Black and other minority-owned ventures (Hewlett et al., 2013).

Summary

In summary, this literature review provided an exploration of entrepreneurship and the acquisition of venture funding while examining studies that centered the experiences of women and minority entrepreneurs. To provide a relevant contextualization of this topic, a foundational

look at entrepreneurship and how it is defined and carried out was taken. This was followed by a review of why women become entrepreneurs and the gender differences present in the field of entrepreneurship. A brief historical overview of Black entrepreneurship in the United States provided insights into the specific issues that affect BFEs and their pursuit of business ownership. Lastly, the literature review highlighted the venture capitalist industry, what the pursuit of funding entails, and explained how the exclusive nature of the industry impacts women and people of color. Using the KMO gap analysis framework by Clark and Estes (2008), the next section will identify the knowledge, motivation, and organizational influences that will guide this study.

Stakeholder Knowledge, Motivation, and Organizational Influences

Knowledge, motivation, and organizational barriers are the three critical factors of the KMO gap analysis framework established by Clark and Estes (2008) that allow for organizations to identify, assess, and close performance gaps. According to the authors, all three factors must be in place and in alignment with each other in order for successful goal achievement to be made possible. In this section, each of these factors in relation to BFEs and their perception of their ability to be successful at obtaining funding for their ventures will be discussed.

Knowledge

In order to close a performance gap, the knowledge and skills of the people within the organization or field of practice is a crucial first step. Oftentimes, people are unaware of their lack of knowledge or are hesitant to disclose their weaknesses (Clark & Estes, 2008). If a particular goal has not been achieved by others in the same organization or field, more knowledge may be needed in order to solve for this component of the gap analysis. In a revision of the taxonomy of educational objectives, a framework for classifying the learning expectations

of students based on instruction (also known as Bloom's taxonomy), Krathwohl (2002) names four categories to study the knowledge dimension. The four categories are factual, conceptual, procedural, and metacognitive. Factual knowledge has to do with basic facts, information, and terminology. Conceptual knowledge reflects how multiple concepts work in relation to one another. Procedural knowledge speaks to the "how" of accomplishing a goal, as in the specific tasks or steps to take. Metacognitive knowledge is reflective in nature and addresses the self-knowledge a person has about the strategy or approach they took to accomplish a goal (Krathwohl, 2002). Each of these categories applies to BFEs and their pursuit of VC funding; however, this study will focus on factual, procedural, and metacognitive knowledge.

Factual Knowledge: VC Decision-Making

Clark and Estes (2008) name information, job aids, training, and education as key components of knowledge and skill enhancement. Information is described as what people are told or given in order to be successful at doing their jobs. To be successful at obtaining funding, BFEs need to know what the decision-making process of VCs entails.

Understanding what approaches VCs take in their decision-making process is valuable information BFEs need to know. For example, Cheng et al. (2018) noted that the decision phase is a multi-attribute decision-making process that involves significant risk for VCs. The authors also suggest that this process is influenced by the characteristics, beliefs, and limitations of the VCs themselves. Considering this, then, it would be beneficial for BFEs to conduct research on the investors they are pitching to and study what their investment portfolios look like. This behavior would allow for them to tailor their pitches to the needs of the investors and improve their impression management and success rates (Hoegen et al., 2018). Further, BFEs need to know that in addition to assessing any apparent financial risks, investors with extensive

experience are also considering the level of product passion and openness to feedback the entrepreneurs have (Warnick et al., 2018). Investors want to know that entrepreneurs are coachable and do not take feedback as an attack on their identities because feedback is an important part of the investment relationship and assists in uncertainty reduction (Kuratko et al., 2021; Warnick et al., 2018).

Procedural Knowledge: Pitching to Investors

Procedural knowledge speaks to how to do something and reflects a knowledge of the skills and procedures involved with completing a task (Kratwohl, 2002). For BFEs in pursuit of funding, the task at hand is to pitch their businesses to investors and receive funding as a result. To achieve that goal, BFEs need to know how to put a pitch or business presentation together and deliver it to investors.

An investor pitch is defined by Daly and Davy (2016) as “a clear, structured presentation of an idea or product/service ... lasting about two minutes, with the intention of securing funding or business advice from potential investors” (p. 183). The steps involved in developing a pitch include creating a compelling narrative or brand story about the business, in addition to showcasing data that reveals the performance of the business or viability of the business concept (van Werven et al., 2019). A strong pitch combines the elements of persuasion, emotion, and storytelling, and demonstrates the entrepreneur’s knowledge, expertise, and credentials (Daly & Davy, 2016). To assist in their learning of how to develop a pitch that gains investor interest, BFEs can participate in business development programs for startups, also known as accelerators or incubators. In a comparison study of 10 American to European incubators, Chengappa and Geibel (2014) found that American incubators more frequently lead to funding for startups with high potential. Accelerators are short-term, cohort-based programs that provide education and

coaching to startup founders that often culminate in a public pitch event, giving the participants experience in pitching in front of potential investors and receiving feedback (Cohen & Hochberg, 2014; Mansoori et al., 2019). When crafting a pitch, BFEs need to know that there are biases present that may affect their success rate. For example, investors are more persuaded by pitches made by men, and there is a negative bias held by investors toward communication styles that are perceived as too feminine (Balachandra et al., 2021; Brooks et al., 2014). In a field study that analyzed three pitch competitions and two controlled experiments, Brooks et al. (2014) found that investors prefer pitches made by men over those made by women, even when the pitch content is the same because they considered them to be more persuasive. Knowledge of these influences can shape how BFEs prepare for pitching and strategize to leverage pitching investors to meet their goal of raising funds.

Metacognitive Knowledge: Strategic Knowledge

Metacognitive knowledge reflects the level of awareness and knowledge learners have about their own cognition or learning (Krathwohl, 2002). A type of metacognitive knowledge is strategic knowledge, which refers to the learner being able to self-reflect on the strategic approach they took to complete a task (Pintrich, 2002). Black female entrepreneurs as learners, then, need to know what strategies will help them be successful at gaining access to funding and reflect on why they chose those strategies.

A strategy that would be useful to BFEs is knowing what other funding options are available to them to raise capital for their ventures. To aid in their self-reflection, BFEs can ask themselves questions about their goal to obtain funding, e.g. “Is the strategy of pitching to investors working?” and “Do I need to try something different to achieve my goal of raising capital?” (Pintrich, 2002). Further, setting subgoals to increase their knowledge of additional

funding opportunities is a way to plan their cognition (Pintrich, 2002). Exploring other funding pathways, such as the growing trend of crowdfunding, for example, can make for a suitable subgoal. Venture capital firms in the United States historically invest in high-growth sectors, such as technology and healthcare, as those sectors can yield significant returns (Stevenson et al., 2019). Consequently, “Main Street” or non-tech businesses such as retail stores and consumer services may find it difficult to obtain funding. An industry response to that trend is the increase in popularity of other funding avenues like crowdfunding, which involves raising funds through small amounts of money from the general public, usually via the internet (Stevenson et al., 2019).

Crowdfunding platforms such as Kickstarter have successfully funded over 200,000 ventures through over \$6 billion in financial pledges since it launched in 2009 (Kickstarter, n.d.). These platforms are heralded as a source of innovation in the field and are increasingly becoming viable options for founders (Stevenson et al., 2021). With the VC industry still being overwhelmingly male, and Black and Latinx founders receiving 0.64% of VC investment since 2018 (Brush et al., 2004; Project Diane, 2020), BFEs can benefit from knowing the full spectrum of funding paths available to them. This information aids in helping them find what Stevenson et al. (2019) call a perceived funding fit. That is, an approach to fundraising that best fits their specific needs and circumstances at a given point in time.

Motivation

Motivation is a psychological system that works in tandem with knowledge to help human beings decide how much effort to put forth toward their goals (Clark & Estes, 2008). The motivation to accomplish tasks can be examined through the three motivational processes of active choice, persistence, and mental effort. According to Clark and Estes (2008), active choice

is when people choose to pursue a goal. A persistence problem is present when we get distracted from the goal, and there is a certain level of mental effort required for us to accomplish the goal. The following section will review the motivational influences of expectancy value and self-efficacy present for BFEs.

Expectancy Value Theory

Psychologist John William Atkinson developed the expectancy value theory (EVT) in the 1950s to understand and explain the achievement motivation of individuals and was expanded to the field of education by Wigfield and Eccles in the 1980s. The foundation of EVT is an exploration of the relationship between the choices people make and the behaviors they exhibit related to achievement. The two factors this relationship hinges on are value and expectancy (Wigfield et al., 2018). Value speaks to the value placed on the goal, while expectancy speaks to how successful the individual expects to be at achieving the goal (Wigfield et al., 2018). There are four components that influence how task value is determined. They are attainment value, or how important it is to perform well on a task; intrinsic value, or the interest and enjoyment in completing the task; utility value, or how useful a task is and how it fits into one's future goals; and cost, which is where an individual assesses how much time, effort, or energy completing a task will cost them (Wigfield & Eccles, 2000).

When applied to the experiences of BFEs, this theory is useful in exploring their perspective on the value, purpose, and importance of pursuing funding for their ventures. In other words, BFEs need to feel there is value in raising capital. According to Digital Undivided's Project Diane (2020) report on Black and Latinx founders, 60% of BFEs declare securing external funding as a business goal. Thus, EVT helps frame this as a worthy goal to pursue, making value present in their motivational efforts. Additionally, how successful they believe

themselves to be in accomplishing the goal (expectancy), and how connected the goal is to their perceived identity as a founder that has a venture worth investing in (attainment value). A deeper look into utility value can demonstrate a clear connection between the impact securing funding can have on the BFEs future goals for their businesses, such as growth and scalability (Project Diane, 2020).

Social Cognitive Theory and Self-Efficacy

Social cognitive theory (SCT) provides a framework for understanding the way social environments impact the way people learn. Advanced by the work of psychologist Albert Bandura, SCT proposes that people learn from watching and interacting with others (Schunk & Usher, 2019). A central tenet of Bandura's SCT is that human behavior is most prominently influenced by the reciprocal interactions between three key influences: person, behavior, and environment. How these three influences work together impacts the ways learning, performance, and self-efficacy, or the way an individual perceives how capable they are at completing a task, are accomplished. As it relates to self-efficacy, specifically, BFEs need to believe they have the ability to grow their businesses by way of obtaining capital from investors.

According to Clark and Estes (2008), motivation is the product of an interaction between people and their work environment. For BFEs, the work environment within the field of entrepreneurship is comprised of their respective ventures, the customers they serve, and the communities they are a part of. These communities, often known as incubators or accelerators, are where learning, performance, and self-efficacy are interwoven for BFEs. Through programs such as these, they are able to find the mentorship, coaching, and educational support and that can advance venture development (Kuratko et al., 2021). Despite having fewer business role models within their families and fewer opportunities to inherit capital from them than their

counterparts, BFEs often rely heavily on their families and personal networks for emotional support, which can have a positive effect on their desire to be effective and level of self-efficacy in pursuing their business goals (Clark & Estes, 2008; Fairlie & Robb, 2007; House, 2000).

Organizational Influences: Cultural Models

Performance gaps within organizations are caused by the absence of efficient and effective processes and material resources (Clark & Estes, 2008). These elements affect how results are produced and they also have an impact on organizational culture, which is defined as, “the conscious and unconscious understanding of who we are, what we value, and how we do what we do” (Clark & Estes, 2008, p. 107). Conducting interviews with people inside the organization is useful in identifying and closing the organizational performance gaps. This approach mirrors the intention of this study, where the field of entrepreneurship and VC is framed as the organization and BFEs are stakeholders within the organization that provide feedback on how it is performing.

Cultural models are the unspoken understandings of how things work or ought to work in an organization (Gallimore & Goldenberg, 2001). They are often invisible and go unnoticed by the people who hold them, but are evident in the culture-defining beliefs, values, and behavioral norms held within an organization (Gallimore & Goldenberg, 2001; Schein, 2017). Through this lens, it would seem as though the field of VC values White men, both as founders and investors, above any other group. Women and minorities lag behind men on both sides of the table in the VC industry (Brush et al., 2004). As cited in a report released by the NVCA (2019), data compiled by Forbes and Tech Crunch revealed only 6% of all decision-makers at VC firms are female, and only 7% of women are partners in VC firms. This same report found that non-White employees make up 22% of the VC workforce (NVCA, 2019).

On the investment side, Bates and Bradford (2008) found that minority firms perform well and provide returns that are similar to mainstream investments. Despite this, however, minority firms continue to be underserved and underrepresented in the VC industry, with Black founders receiving only 1.2% of the \$147 billion invested in U.S. startups in early 2020 (Crunchbase, 2020). Within the field of VC, BFEs need to believe the industry values D&I. In addition to an investment in more D&I initiatives (NVCA, 2019), organization leaders must undergo mental and behavioral shifts on an individual level, in order for sustainable change to take place across the organization, for as research has shown, diversity trainings unto themselves are not effective at reducing bias (Dobbin & Kaley, 2018; Ely & Thomas, 2020). Considering this as a cultural model, BFEs need to believe that the decision-makers are open to change that leads to an increase in successful funding rounds for this group. For changes to occur, leaders have to see the necessity of the change (Kezar, 2001) and BFEs need to perceive the process of pitching investors as fair and equitable. Table 1 provides a summary of the knowledge, motivation, and organizational influences present in this study of BFEs, and their ability to raise capital from venture capitalists and firms.

Table 1

Knowledge, Motivation, and Organizational Influences on Black Female Entrepreneurs' Journey to Raising Capital

Influence	Influence type
BFEs need to know what the decision-making process of VCs entails.	Knowledge: Factual
BFEs need to know how to put a pitch or business presentation together and deliver it to investors.	Knowledge: Procedural
BFEs need to know what strategies will help them be successful at gaining access to funding.	Knowledge: Metacognitive
BFEs need to feel there is value in raising capital.	Motivation: Expectancy value
BFEs need to believe they have the ability to obtain capital from investors.	Motivation: Self-efficacy 1
BFEs need to have confidence in their ability to deliver an effective pitch presentation.	Motivation: Self-efficacy 2
BFEs need to believe the venture capital industry values diversity and inclusion.	Organizational: Cultural Model 1
BFEs need to believe the decision-makers in the venture capital industry are open to change that leads to an increase in successful fundraising rounds.	Organizational: Cultural Model 2
BFEs need to perceive the process of pitching investors in the venture capital industry as being fair and equitable.	Organizational: Cultural Model 3

Conceptual Framework

The conceptual framework of a researcher formulates their research problem, influences how they investigate the problem, and informs what meaning they attach to the data (Imenda, 2014). For this study, the conceptual framework used is the KMO gap analysis, which frames the knowledge and skills, motivation, and organizational influences needed to assess and close performance gaps in an organization (Clark & Estes, 2008). This study does not address a specific or singular organization, but instead, frames the field of VC as the organization and

names BFEs as the primary stakeholder within the field. This study will adapt the KMO framework as a tool for determining what knowledge and skills BFEs need to be successful at gaining access to capital for their ventures; what motivational influences are present that encourage them to pursue venture capital; and finally, what organizational barriers exist within the field that prevent them from achieving the goal of raising capital from investors.

Because a research problem is seldom defined by one theory alone, the key theoretical principles used for this study are intersectionality, EVT, and SCT (Imenda, 2014). Expectancy value theory explores the connection between the choices people make and their achievement related behaviors (Wigfield et al., 2018). Social cognitive theory provides a framework for understanding the way social environments impact the way people learn (Bandura, 2005). How each of these theories and concepts interact with each other in relation to the stakeholder and the field of study is illustrated in Figure 1.

Figure 1

Access to Capital for Black Female Entrepreneurs Conceptual Framework

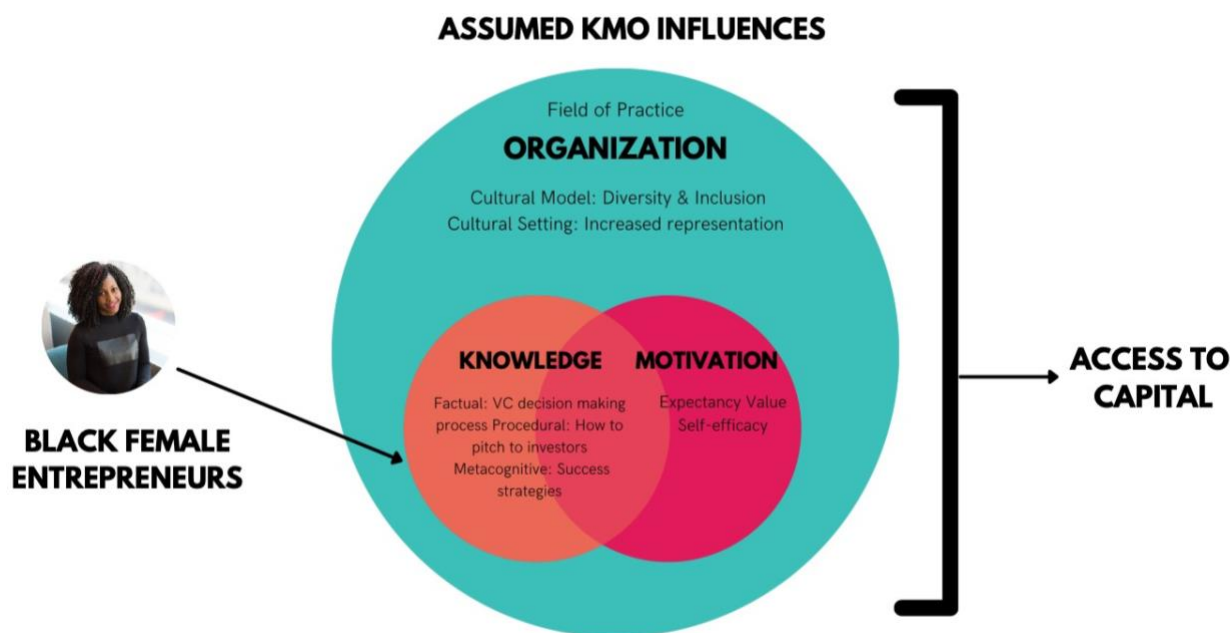


Figure 1 illustrates the interaction between the KMO influences that may influence BFEs' ability to gain access to capital. In the illustration, BFEs enter the field of VC, which embodies the assumed influences of knowledge (factual, procedural, and metacognitive) and motivation (expectancy value and self-efficacy). The Venn diagram depicts the interdependence of the assumed influences within the organization and its cultural models and cultural settings. As described in the literature view, these elements have a collective impact on the stakeholder goal of receiving investor capital to grow their businesses.

Methodology

Informed by the low percentage of BFEs that receive access to funding from venture capitalists, the research design for this study was qualitative. As defined by Creswell and Creswell (2018), "Qualitative research is exploring and understanding the meaning individuals or

groups ascribe to a social or human problem” (p. 32). An important facet of qualitative research is to gain an understanding of a phenomenon through the participant’s perspectives, versus that of the researcher (Merriam & Tisdell, 2016).

A qualitative research design aligns with the purpose of this study because it employs a phenomenological approach, which is to use the lived experiences of participants to describe a phenomenon (Creswell & Creswell, 2018). This approach is appropriate and adds to the validity of this study because it seeks to understand the underlying structure of the phenomenon through the lived experiences of BFEs as they raise capital for their businesses (Merriam & Tisdell, 2016). In other words, this approach examines how BFEs make meaning out of the experience of pitching investors as a strategy for raising capital, and how they perceive their ability to be successful at accomplishing that goal. In a phenomenological study, it is assumed that there is an essence to shared experiences, and the goal of this study was to depict the essences of being a BFE who is actively seeking capital as a means to grow and scale a venture (Merriam & Tisdell, 2016). The following section will describe how the study was conducted, starting with Table 2, which outlines the research questions and two data sources for the study.

Table 2

Data Sources

Research questions	Interviews	Reflection prompt
What knowledge do BFEs have about raising venture capital?	X	X
What knowledge do BFEs have about raising venture capital?	X	X
What factors motivate BFEs to raise venture capital?	X	X

Research Setting

The research setting was virtual, with all of the interviews conducted online. The rationale for this choice is that the majority of Black and Latinx women-led startups are located in California and New York (Project Diane, 2020). Silicon Valley in Northern California, for example, is a primary hub of VC activity, as it absorbs 20% to 26% of the total of venture capital investments in the United States (Zhang, 2007). Scheduling the interviews virtually created an opportunity to gather a group of participants with varied experiences, without restriction to geographic location. Meeting with BFEs in person or on-site at their place of business was not required to effectively address the research questions.

The Researcher

According to Merriam and Tisdell (2016), a key characteristic of qualitative research is that “the researcher is the primary instrument for data collection and analysis” (p. 15). The researcher as the human instrument promotes immediate responsiveness, which can be useful in data collection, particularly when seeking understanding is the focus of the research. As the researcher for this study, my identities have informed my understanding of the topic in multiple ways. First, I identify as Black and female. Second, I am an entrepreneur with 10 years of experience as a service provider with an e-commerce component of my business. Third, in my work as an executive coach and consultant, BFEs make up the largest majority of my clientele, which has provided me with an inside look into their challenges related to raising capital, and ultimately inspired this study.

In a phenomenological approach, the researcher must set aside or temporarily suspend their beliefs and refrain from judgement (Merriam & Tisdell, 2016). My shared identities with the participants can become a form of bias I need to be aware of as I approach the research

process. To mitigate this issue, I diligently approached examining the problem as a neutral party, only making observations based on research and data and not through the use of my own experiences as a lens by which to filter data through.

Data Collection: Interviews

The primary data source for this qualitative study was interviews. The rationale for this form of data collection is that qualitative interviews allow researchers into the perspective of another person (Patton, 2002). This is also a phenomenological study, which employs interviews as the primary method to understand the meaning participants make of an experience (Merriam & Tisdell, 2016). Phenomenological interviews explore the deep meanings that events—in this case, raising capital from investors—have on individuals, with the assumption that the individual's actions and interactions are guided by those meanings (Marshall & Rossman, 2015). The interviews were conducted in a semistructured format, which allowed for a conversation-style interview that had both structure and flexibility (Merriam & Tisdell, 2016). Each participant was asked the same 12 pre-written questions, with room allowed for follow-up questions based on responses. This approach ensured that there was continuity and flexibility in the questions and provided an opportunity to identify any recurring themes during data collection.

Reflection Prompt

Another data source for this study was a reflection prompt for the participants to complete that served as a private or personal document. Creswell (2014) states that private documents are a form of qualitative data collection procedures that can include journals and diaries, letters, and e-mails. Personal documents are a first-person narrative that serve as a subjective data source that concerns an individual's actions, experiences, and beliefs (Bogdan &

Biklen, 2007; Merriam & Tisdell, 2016). The purpose of the reflection prompt was to provide the participants with an opportunity to reflect privately on their experiences. The reflection prompt addressed all three research questions, as it encouraged reflection on the journey to raising capital in its entirety, which included knowledge, motivation, and organizational factors. Their written responses to the prompt were intended to provide additional data about the totality of their experiences that may not have emerged in the interviews (Creswell, 2014).

Participants

The participants for this study were recruited via purposeful sampling, which is to select participants that are the best fit for helping to understand the problem (Creswell & Creswell, 2018). The targeted number of study participants was eight to 10, with eight being the final count. Criteria for eligible participants was defined as follows.

- a person who identifies as Black or African American
- a person who identifies as female or a woman
- a person who has founded a business that they currently own and operate in the continental United States
- a person who has pitched venture capitalists and has successfully raised capital

This group was appropriate for the study because it is their specific experiences that assisted in understanding the phenomenon of interest (Merriam & Tisdell, 2016). The recruitment strategy involved a call for participants within my professional network that included a large number of BFEs. The call for participants was sent out via email, social media, and word of mouth. Candidates that expressed interest in participating in the study and met the criteria were sent a calendar link to schedule an interview at a time that aligned with their availability. This sampling approach and recruitment strategy supported the validity and credibility of the

study because it provided a foundation for gathering qualitative data from participants that understand the problem, have experience with it, and are willing to share their stories as a measure to aid in solving it (Merriam & Tisdell, 2016).

Instrumentation

The semistructured interview format for this study consisted of 12 open-ended questions that were designed to retrieve the information desired, reflect a standardized open-interview format, and allow for respondents to express their own understandings (Merriam & Tisdell, 2016; Patton, 2002). The interview questions were aligned with the knowledge, motivation, and organizational influences that impact BFEs' ability to obtain capital, and how they perceive their ability to do so successfully. The questions were intended to represent how these influences emerge as depicted in the conceptual framework in Figure 1.

The interview questions were designed to collect responses that revealed what basic information regarding raising capital the participants had (factual knowledge); what steps they understood to be necessary to pitch investors (procedural knowledge); and in what ways did they self-reflect on their ability to raise capital from investors (metacognitive knowledge; Krathwohl, 2002). Motivation questions addressed how confident or efficacious the participants felt about their ability to raise capital (Clark & Estes, 2008). Open-ended questions were asked to address the cultural models (invisible values, beliefs, and attitudes) and cultural settings (visible manifestations of the cultural models) that are present in the field of the venture capital industry with relation to D&I (Gallimore & Goldenberg, 2001). The interview protocol used for the study can be found in Appendix B and an informed consent form in Appendix F.

Data Collection Procedures

Data collection occurred through virtual interviews hosted on Zoom, that lasted up to 60 minutes. This format allowed access to a wider group of potential participants during recruitment and removed the limitation of only meeting with BFEs in one geographical area. Virtual interviews also allowed for interpersonal or face-to-face interaction, which added to establishing trust and building rapport with the participants. The interviews were recorded and upon their completion, a verbatim transcription of the interviews was created through transcription software. The transcripts were then reviewed for any errors or corrections that needed to be made. Any identifying information about the participants was also redacted from the transcripts to ensure confidentiality during the review process. The recruitment email can be found in Appendix D and the pre-screen survey can be found in Appendix E.

The reflection prompt was sent via email to the study participants after the interviews concluded. The participants were asked to voluntarily submit a reply to the prompt via email, using a maximum of 300 words. The reflection prompt request can be found in Appendix C.

Data Analysis

The data for this study were analyzed through the coding software Atlas.ti. Each interview transcription document was uploaded to the software, which allowed for efficiency in the coding process. Through each pass or review of the interview data, I highlighted and noted any words, phrases, or statements of interest that related to the research questions. The raw data and codes were then grouped together based on the knowledge, motivation, and organizational influence categories they were aligned with (Creswell, 2014). After several rounds of coding, a codebook was created and exported from the software into a spreadsheet. The data were analyzed more closely with the codebook and notes were taken to describe the emergent themes

and make sense of the data, which helped crystalize the preliminary determination of findings (Creswell, 2014).

Validity and Reliability

This study was conducted in accordance with the guidelines set forth by the Institutional Review Board that protect against human rights violations and access risk to the participants (Creswell & Creswell, 2018). To ensure credibility and trustworthiness, and to fortify the participants' confidence in the interview process, the following strategies were employed. First, it was reiterated to participants that their information was to be kept confidential and exclusively used for the purpose of the study. Second, it was explained to the participants that the recordings would be deleted after the interviews are transcribed and the study is completed, in adherence to the ethical considerations expressed in the interview protocol. Third, the interviews were conducted virtually and there was no site for the participants to be observed in, which added to their comfort or confidence in participating in the study (Merriam & Tisdell, 2016). The fourth strategy was to conduct member checks to gain feedback from the participants through paraphrasing responses during the interviews, which helped to ensure what I intended to learn was congruent to what was being shared.

Summary

An overview of the methodology for this study on BFEs' ability to gain access to funding from venture capitalists was discussed in this section. The choice and rationale for designing this as a qualitative study with a phenomenological approach was explained. The processes for data collection and analysis were reviewed and the section concluded with comments on the validity of the study and limitations. The following section will present the findings that emerged from the data.

Findings

The purpose of this study was to explore and understand the experiences of BFEs who have successfully raised capital from investors. This section will present findings from the data collected through qualitative interviews, based on the assumed knowledge, motivation, and organizational influences on raising capital. To validate the assumed KMO influences, data were collected from semistructured, virtual interviews with eight participants that were purposely sampled.

Participating Stakeholders

All of the participants self-identified as Black women with experience in pitching investors to raise capital to fund or scale their ventures. As the participating stakeholders of focus for this study, they represented a variety of industries. The breakdown by industry is as follows: food ($n = 1$), nonprofit ($n = 1$), personal care ($n = 1$), and hair care ($n = 5$). Four of the five participants sold hair care products in retail outlets, both online and in brick-and-mortar stores. The fifth participant from this group was also in the hair industry, but developed an app designed to provide women with resources on how to care for their hair. In terms of location, the participants lived predominantly on the east coast and southern region of the United States. Specific locations included New York, North Carolina, South Carolina ($n = 2$), Maryland, Illinois, Georgia, and Texas. Table 3 depicts this summary of the participants and is followed by brief profiles for each of them.

Table 3*Participant Overview and Business Demographics*

Participant	Pseudonym	Location	Business type	Business industry	Years in business
1	Kyla	New York	For-profit	Foods	3–5
2	Janelle	South Carolina	Nonprofit	Wellness	3–5
3	Angela	Maryland	For-profit	Personal care	5–10
4	Kelly	Illinois	For-profit	Haircare	5–10
5	Tanisha	North Carolina	For-profit	Consumer goods	5–10
6	Gina	South Carolina	For-profit	Haircare	5–10
7	Crystal	Georgia	For-profit	Haircare and tech	10–15
8	Briana	Texas	For-profit	Haircare	5–10

Beyond the explicit criteria listed in the study information material, no other business financial information was requested from the participants, such as their business valuation or how much capital they have raised. The amount of capital raised was not requested or specifically discussed, as I did not want to further limit the scope of participants by excluding those who had not raised a certain amount. The intention of the research was to receive a variety of experiences and perspectives with relation to the process of raising capital.

Kyla was the owner of a New York-based business in the food industry. Her journey to raising capital ranged from winning financial awards from pitch competitions to working directly with private investors. Much of her knowledge about raising capital came from participating in accelerator programs that served BFEs.

Janelle was the owner of a nonprofit organization based in South Carolina. Her journey to raising capital started on a grassroots level by raising funds from other local businesses to

support her community-focused initiatives. Over time, she strengthened her pitching skills, and her confidence grew as she pursued larger investments from investors.

Angela was the owner of a personal care business based in Maryland. Her journey toward raising capital included studying the industry and learning the language of investors before she started pitching. She wanted to have an understanding of what raising capital would require in order to make her meetings with potential investors more productive.

Kelly was the owner and cofounder of a hair care company based in Illinois. Her journey toward raising capital was driven by her desire to scale her business and hire a good team to support the growth. Her knowledge of raising capital came through building relationships, studying the industry, and honing her presentation skills for pitching.

Tanisha was the owner of a consumer goods business based in North Carolina. Her journey to raising capital was punctuated by learning the power and importance of storytelling when pitching. Crafting a compelling story that explained the nature of her business, the problem her products solved, and what the company's plans for the investment funds were, was a winning formula in her experience with pitching to raise capital.

Gina was the co-owner of a hair care product and accessories business based in South Carolina. Her journey to raising capital was shaped by the constant quest for knowledge and information that could help her business grow. In her experience, telling an interesting story that was memorable and cohesive, helped in the process of pitching to raise capital.

Crystal was a serial entrepreneur and the owner of multiple businesses. For this study, her focus was a tech company she cofounded in the hair care industry in Georgia. Her journey to raising capital started with crowdfunding, participating in pitch competitions and accelerators,

and getting engaged in her local startup community, which led to developing relationships with investors.

Briana was the owner of a hair care company based in Texas. Her journey to raising capital began by participating in local pitch competitions. As her business grew, she learned the importance of being very granular with the financial data and details pertaining to her business. To strengthen her abilities and confidence in pitching to investors, she leveraged her presentation skills from her former corporate career and sought support from a pitch coach.

Knowledge Influences

Influences on the knowledge BFEs possess is categorized by their factual, procedural, and metacognitive knowledge (Krauthwohl, 2002). This section summarizes each of the knowledge influences and their respective categories, along with the findings derived from the data. In accordance with the table of KMO influences found in Appendix A, the knowledge influences were framed by interview questions that were in support of Research Question 1, which is, “What knowledge do Black female entrepreneurs have about raising venture capital?”

VC Decision-Making (Factual Knowledge)

Of the study participants, five reported having minimal knowledge or understanding of how VCs decide which businesses they will invest in. For example, Gina shared, “But when it comes to decision-making, particularly for VC and equity, I am learning now and we’re 8 years into business.” The other three participants reported having some knowledge of the decision-making process before they embarked on the pursuit of raising capital from VCs. Of this group, reading books about the nature and structure of VC and conducting research on the language or professional jargon used within the VC industry was how they acquired their knowledge. As Angela stated:

Knowing the metrics that mattered to investors, knowing the traction points that I would be expected to have as a Black woman where my White peers would not; and understanding the language was of the utmost importance to me when I started in venture capital.

In general, the participants discussed having an idea of what investors might be looking for but were not sure what the decision-making process fully entailed. In response to how much knowledge she had, Briana explained,

I would say not very much. And it wasn't even about how much money we had generated or anything like that. It was more like, hey why is your business different and is it on a growth trajectory? So, I knew that, but honestly beyond that, I didn't know much more.

Janelle reported a similar experience, despite owning a nonprofit business. She shared, "I can't speak to any other industry, but the industry that I'm in, I'm learning that it's really no different when it comes to what investors wanna see. ... They will still wanna know how much revenue did I bring in?"

For most of the participants, knowledge of how the VC industry works and how investment decisions are made was acquired over time and through experience. Access to and participation in accelerator programs or incubators for entrepreneurs, was reported as a helpful resource that aided in their learning. Kyla shared, "The coursework within that (accelerator program for Black women) was intense and very helpful. And so, they had an accelerator program where basically at the end of the program they would take seven people and narrow you down to pitch." For Crystal, accelerator programs were also very helpful knowledge centers. About her early startup experience, she shared,

I don't know how many startup accelerators we were in; we were in like all of them. So, of course, since we ain't really have no customers, we had time to pitch and to be in these

accelerator programs, which were phenomenal. A lot of them funded our early mistakes and we were able to have some valuable lessons on other people's dimes.

Pitching to Investors (Procedural Knowledge)

From the study's qualitative data, it was determined that a key component of understanding the decision-making process is to possess knowledge of assembling and delivering an effective pitch to investors. The participants understood that an important aspect of raising capital from VCs is to have an effective pitch. According to the participants, the most significant elements of delivering an effective pitch are telling a compelling story and knowing your numbers or business data.

A theme that emerged from the data is that BFEs believe pitching involves a solid grasp of storytelling, as a way to set oneself apart from others and gain the interest of investors. Tanisha stated, "Storytelling is essential, ... but basically telling why you started your business, that's a big factor. You can have an amazing product but your why is always like the leading factor to your story." According to Crystal, this is valuable procedural knowledge for BFEs to have because, as she stated, "investors invest in people, not the product." She went on to discuss,

So, first of all, you have to know that storytelling piece, telling it like a story. So, I'm gonna say develop a formula and ... tell it like a storyteller using a formula. Why are you solving the problem? Why is your thing relevant? What traction have you made? Who have you talked to? Who's your competition? What makes your team capable of delivering this? What's the actual, what's the scope of the, the industry that, is it even worth you even presenting this? Right? What's the scope of the industry? How transformative is how much money can you potentially make? What's your, what's your

business model? How are you selling it? Who are you selling it to? What's your target audience?

Gina affirmed the importance of storytelling and creating a memorable pitch to capture the attention and interest of investors:

The story is so important. As I've learned through the years, continuing to pitch and get in front of, whether it's committees that are issuing grants or people who want to invest in companies, they want to invest in the person, the founder. They're looking for certain traits and qualities about the founder. And you've got to be able to, in one minute or 2 minutes, communicate who you are what your brand is about. I think they're looking for passion and looking for drive.

In addition to storytelling, "knowing your numbers" was another prominent theme that emerged from the interviews. Learning the specific information to include in the pitch that VCs would be interested in seeing, came over time for the majority of the participants. For Janelle, this came in the form of including in the pitch information such as, "all of the correct data and you know, my business plan for the year, showing the numbers, showing how much we've grown and how their money has allowed us to grow." In general, as part of the business story, information that transparently describes the financial health and viability of the business is important. The ability to showcase that the business has "hockey stick growth," as Kelly stated, is knowledge BFEs must possess and deliver with competence.

Strategic Knowledge (Metacognitive Knowledge)

From the lived experience of pitching VCs and investors, the participants developed strategies that helped them successfully raise capital. The first strategy that the majority of the participants employed was conducting research in advance, whenever possible, on the investors

and using what they found to personalize the pitch to reflect the interests or background of the investors. This strategy supported the notion that BFEs have to know their audience and understand how to pitch based on what the investors may find attractive or unique about their businesses. Kelly shared:

You always need to know the audience you're pitching to. That changes how you pitch. So, say for example, if I am pitching to Shark Tank investors, you know, I'm gonna look and say, okay, who is Lori? What kind of businesses has she invested in the past? What does she like to see? And then I'm going to know a question she's gonna ask me so I can make sure I even maybe hint at something.

Gina spoke about adding flair to her pitches, especially when pitching in competitions, which is a common way early startups raise capital. She stated,

Storytelling was definitely key, but also if there was a competition involved, which a number of our pitches have been, we're one of 10 finalists. So, we really had to make sure we stood out. So, there was a little bit of theatrics involved too. I remember a time when we were describing and demonstrating how our patented invention works, you know, it's one thing to say that it doesn't slip off and just kind of show this functionality. It's another thing to show the functionality and then go through examples of customers who have played baseball in it, who swam in it, who dance in it. And then at the end of her [cofounder's] example about dancing, she took a ballet twirl. And the audience was just, Oh, my god!

These elements, combined with a compelling story—one that is both interesting and informative or detailed—are what the participants reported as effective strategies that helped create and deliver pitches that aided in their ability to raise capital. This knowledge was acquired

through experience and external support in the form of participating in accelerator programs and working with pitch coaches.

Motivation Influences

The next KMO influence to be explored in the following section is motivation. The research question guiding this portion of the study was, “What factors motivate Black female entrepreneurs to raise venture capital?” The three specific influences explored were EVT, self-efficacy in raising capital, and self-efficacy in pitching successfully. In other words, the study sought to understand if BFEs believed there was value in raising capital and how confident they perceived themselves to be in their ability to pitch investors and succeed in their goal of raising capital.

Expectancy Value Theory

The majority of the participants believed there was value in raising capital and were motivated to do so. While the reasons for deciding to raise capital from VCs varied, 87% of the participants believed it was a good and, in many cases, a necessary choice to make. For many of the participants, raising capital was the next step to take in order to scale their businesses. Other motivating factors included an exhaustion of personal resources and finances, bootstrapping (or self-funding through business cash flow) was not effective, difficulty in obtaining funding from traditional banks, and a lack of a personal network from whom they could request seed or startup funding from. Gina’s journey toward raising capital included nearly all of the previously named factors. She stated,

In order for us just to get started, I had to go into my retirement fund. ... That was the majority of the capital at the beginning because nobody was going fund what we were working on. It took years before a bank said, okay, let’s give them a small micro loan. So,

in the process of us trying to get loans, we were constantly finding pitch competitions. You know, \$2,000 here, \$500 there, a thousand there, \$10,000 there.

Tanisha also reported difficulty acquiring a loan in the beginning and how challenging it was to operate on cash flow alone. She explained,

So, one thing when you're in the process of either starting a business or as you're growing, no one really talks about the need to raise capital because as you expand, it's either you're using your cash flow, which we did for the first 3 years because we just didn't know better. We were just using cash flow because no bank was gonna give us a loan. So, I remember even just like trying to get business information was super hard because no one would return our call. So, we weren't educated on like, hey, you know, there are grants out there, there are investors out there that may wanna invest in your company.

Similar to Tanisha, in Briana's experience, bootstrapping was an ineffective way to run her business and was part of what compelled her to pursue venture capital. As she shared,

I realized, like, I needed to launch more products quickly, but that takes a lot of money. I knew that was gonna take me at least, you know, \$50,000 that I didn't have because everything that I had in working capital was going back into the business. So, I had to try to raise money, and I'm still always trying to raise money because bootstrapping just, it, it's difficult when you really wanna scale.

An additional finding that could lower the expectancy value in participants was an expressed preference of venture capitalists toward companies with a technological focus. For those without a tech component in their business, some of the participants feared this would impact their ability to raise capital. The rationale one participant who sold consumer goods and

did not have a tech element to her business held for pursuing nonequity funding vs. VC funds, was based on this specific feedback from multiple investors. Specifically, she was told her company was not an attractive investment because they lean toward being capital intensive and have a longer trajectory toward an exit. This influenced how valuable she perceived raising VC funding to be and how motivated she was to pursue it. Tanisha reported, “I remember talking to investors and they’re like, to exit you need to be at like that 100 million dollar mark as a consumer brand to be taken seriously.” Crystal affirmed this by saying, “If you don’t have a tech component, it’s going to be really hard for you to get any VC funding because they want something that’s easily scalable and repeatable.” For BFEs with businesses without a tech component, this could prove to be a barrier to raising the amount of capital they need to scale and impact their perceived value or motivation to do so.

Self-Efficacy in Raising Capital

The study participants were confident in their ability to raise capital. For 87% of the participants, their confidence levels increased over time, as they acquired more experience in pitching and receiving actual investments. Other factors that impacted their self-efficacy in raising capital were gaining feedback from investors and intimately learning the financial details of their businesses. Kelly described her confidence level in raising capital as improving over time. She discussed,

I am much better at it now. So, I would say I am maybe like seven, eight out of 10. But back in the day, I would overshare, and I was very honest and authentic, but I think it would hurt me a lot because I would probably share too much. Like, you can share your fears or whatever, but that doesn’t necessarily mean that that will happen or that that is currently happening. And so sometimes I would do that, and it would hurt my fundraising

ability. I also learned the rules of the game, like you raised when you're up, you raised when you have money in the bag, you raised when, you know, I thought you wait until the end when you're running out and then you gotta go find money and then you're frantic and that's not how you fundraise. So, yeah, I'm pretty confident now.

The confidence in the ability to raise capital, despite low number of BFEs having raised \$1 million or more, is linked to mindset. Adopting a mindset of success, determination, and believing in their ventures, served as additional sources of motivation for the participants.

Angela stated,

I feel very confident about the ability to raise. My confidence level and my ability to raise is extremely high because I think the one thing that I did that I'm not hearing that my peers have done is master the language. Most people just say, oh, I need an investor, let me get the pitch deck together. You don't know the language. So, realistically you're going to people and ask for funding, and you don't even know what the best vehicle is for you. You don't know the industry standard terms. So, I feel confident, and my goal is to kind of leverage that confidence and help other people feel confident.

For Gina, her confidence in the ability to raise was moderate due to "needing more funding than what seems to be available in competitions, but not having the relationships to get in front of VCs." Briana's confidence was also relatively moderate for a similar reason as Gina. "I just don't have a whole lot of confidence [in my ability to raise] because I think I've applied for so many things and I haven't gotten it."

Self-Efficacy in Pitching Effectively

All of the participants were confident in their ability to deliver a successful pitch to potential investors. In response to the question, "Describe your level of confidence in delivering

an effective pitch,” 100% of the participants reported a high level of confidence. According to the participants, authenticity was an important aspect of pitching effectively. Tanisha explained this by reiterating the importance of storytelling in pitching. She shared,

I know I keep saying this, but it’s just being authentic. I think for me what I’ve learned over the years with storytelling is once you have a solid pitch deck and a pitch story, my pitch story never changes. What may change along the way is adding these successful factors to it. So, this is what happened after I did this. This is the amount of money that we were able to make, this is the amount of people we were able to impact, this is the amount of people I was able to hire. So, just adding those successful layers along the way ’cause people love a good story.

An effective pitch does not always guarantee funding, however, and the participants do not define a successful pitch in that way. The BFEs recognized that the decision-making process is varied and nuanced, meaning, their pitch could be well-delivered, but it may not match what the investors are looking for. BFEs perceive pitching as a means to an end, or a required skill for raising capital. Thus, they are motivated to invest the needed time and resources into how to do it effectively, which contributes to their confidence levels. Pertaining to her confidence in pitching, Gina was very confident but acknowledged that the outcome is contextual. She explained, “So, I feel very confident that if I get the opportunity, I can get the money I need if I’m in front of the right person. If I got the opportunity to talk to the right person that gets it and there’s a connection there, I can get the money.” Briana expressed, “I would say, like, on a scale of one to 10, I feel like I’m at an eight and a half, nine. I know that, ... if I prepare, I believe that I can win over whoever is listening.” She also worked with a pitch coach, which helped increase her confidence level in her ability to prepare and deliver a strong pitch. Her aforementioned lack of

confidence in her ability to raise capital, however, demonstrates that confidence in raising capital and pitching were not mutually exclusive.

Organization Influences

Organization is the final KMO influence explored in this study. For the purpose of the study, the organization was framed as the field of venture capital or the VC industry. The research question guiding this portion of the study was, “How do Black female entrepreneurs navigate the field of the venture capital industry?” The interview questions posed to participants to gain their perspectives were written around themes including D&I, a perceived openness to change by VCs, and whether or not the process of pitching was perceived to be fair and equitable. This section summarizes the findings related to those three themes.

Diversity and Inclusion

Black female entrepreneurs in this study did not believe there is much value placed on D&I within the VC industry. All eight of the participants reported not perceiving the industry as diverse or inclusive. An emergent theme from the interview data is D&I initiatives became a trend among investors and large corporations following the civil unrest in America after the death of George Floyd in 2020. According to half of the participants, after that incident, interest was high in prioritizing Black-owned businesses, and an increase in funding opportunities was available. The participants expressed that from their perspectives, an interest in D&I and investing in their businesses was a temporary trend on the part of investors and large corporations and not a true value the industry holds. Angela explained, “I don’t think it [D&I] is well-intentioned. I think it’s just something people decided to do after George Floyd was killed. I think it’s a buzzword.” Gina shared similar sentiments:

Because they're not thinking beyond just having their name on a list that says that they're helping Black-owned businesses after the murder of George Floyd, and not thinking about, okay, what do we do to prepare them to sustain or live beyond this open door? How do we help them grow? So, while I applaud that there's more interest in [D&I] in these rooms, I need them to think beyond just the first step of opening a door.

In relation to the perceived lack of value for D&I, the subsequent interview question asked if the participants believed the decision-makers in the VC industry were open to change that could result in an increase in funding opportunities for BFEs.

Identity and Decision-Making

The participants were asked in what ways, if at all, did they perceive their identity as Black women impacting the decision-making process. Overall, the finding here is that the participants perceived their identities as Black women as having a negative impact on their ability to raise. It was reported as being a challenge or obstacle in some instances because of both gender and racial bias in the VC industry, which is comprised predominantly of White men. For example, Kyla discussed how she felt her identity impacted her experience in the world of VC. She explained,

Oh, it impacts it a lot. ... I'm seeing a lot of young, White, Caucasian males get \$2 million in funding for really, I don't wanna minimize what they're doing, but really fluffy businesses. And I'm like, wait a minute, we're out here doing this, trying to make changes in the community, and we are getting, you know, I'm grateful but 10, \$24,000 as a Black business owner, you know, you can wipe that out in a month if you needed to do an X, Y, and Z.

One participant reported being mistaken for wait staff at an investor meeting. About her experience as a Black woman raising capital, Angela shared,

It's been interesting. For certain, the level of questioning that I get from some VCs is questionable. I have walked into meetings where people said, "Hey, we're gonna have a latte," and I have to, like, say, "Wait a second, who are you waiting for?" They're like, "Oh, we're waiting for the CEO of redacted." And then I have to casually flex that I AM the CEO of redacted.

Angela's approach to handling these kinds of interactions in the field of VC is to leverage her identity as a Black woman and approach her dealings with VCs from a place of power. She explained,

Historically you're dealing with the pool of White men, most often old White men. And they have actual power when you deal with, like, patriarchy and misogyny across the world in all cultures. I have found that in conversations with investors who are quite financially powerful, I'm actually the one in the room with the leverage because I'm the only one that can speak frankly and candidly about the situation while relating to them in a manner that they didn't anticipate. If that makes sense. As the head of the household in the leader of culture in my community, Black women drive trends, White men fund trends.

Angela was the only participant to express views from that perspective, and it was worth noting for other BFEs to gain insight from. Kelly shared that her identity presents a limitation to some investors because they assume her products are only for Black people and designate her business as a risky investment. Working to discredit those assumptions or pre-judgements can add weight to the already difficult challenge of raising capital. Kelly discussed,

Because I'm a Black woman, most people will automatically assume my product is for Black people and only Black people. Two, they assume, okay, she's gonna have a hard time fundraising because she's Black, which means she's gonna be a more risky investment. I think three, even if it is for Black people, they may not understand the problem 'cause they don't have it. And as an investor, it's easier to get behind a product that you would be using for yourself than it is for something where you're like, Okay, well, I don't know that market, and I don't know that customer. I can't really help you in this business. I'm just money. And sometimes, investors don't wanna be just money; they wanna have some kind of expertise they can offer.

Decision-Makers Being Open to Change

Five of the participants did not believe the VC industry is open to changing in a way that leads to an increase in funding rounds for them. The lack of diversity in the industry and it being established as an environment that was “never intended to be equitable or inclusive,” as Kelly stated, are the greatest contributors to their lack of confidence in a change among decision-makers. As Angela shared, “I don't think they're open to change. I mean, why would you break down a construct that you benefit from? I think that the only difference that really could be made is to have more diverse VCs.” The remaining three participants believed the industry was open to change, but it will take time. The driver for that change, in time, will be, as the previously quoted participant shared, through a rise in more diverse investment funds and firms led by people of color. Crystal noted, “I think a lot of Black and Brown firms ... We are creating our own startup accelerator programs and our own incubators. And so yeah, I think it's changing. If you don't want to give us money, we're gonna create ways and systems to give us money.”

A Fair and Equitable Pitching Process

The process of pitching to VCs is not perceived to be fair and equitable by BFEs. Because pitching is such an integral part of the process of raising capital, it is explored here in an effort to understand how BFEs navigate the field of venture capital. The participants expressed their dismay over the VC industry being run predominately by straight, White men, which they believe contributes to how the pitching process is facilitated and impacts outcomes. Kyla shared how it's been a challenge to raise capital because the people in the pitch meetings "don't look like me." From her perspective, White males do not have the cultural awareness or sensitivity to understand her unique needs as a Black woman and entrepreneur. To further illustrate this point, Kelly talked about how in raising a Series A, which of \$1 million are more, the audience for those types of pitch meetings is almost exclusively White men. She shared,

So, at that level, I'm not looking at Black women. I'm talking to them about \$10 million checks, \$20 million checks. I'm looking at like straight White men. ... The pitching process is not equitable. You have to make a name for yourself, and you have to get one-on-one intros or personal intros from founders or other VCs. So, it is a who's who network, and it's who do you know? And so how do you infiltrate a network you don't have access to?

Recommendations from the participants for how the pitching process can be made more equitable included a shift in the beliefs and attitudes of VCs. For example, Angela shared, "I have come to understand that there is systemic racism in venture; there's pattern matching. Investors don't invest in what they haven't seen. They haven't seen enough Black women billionaires." In order to see the number of BFEs who have successfully raised venture capital increase, the need for greater diversity in the industry and among decision-makers is apparent.

Reflection Prompt

Following the interviews, the study participants were asked to respond to a reflection prompt via email about raising capital. As an additional source, the prompt was, “If you could take the journey of raising capital over again, what, if anything, would you do differently?” The purpose of the prompt was to encourage private reflection post-interview and gain additional insights into how BFEs perceive the experience of raising capital in their own words (Creswell, 2014). Only one of the eight participants submitted a response to the reflection prompt due to presumed time constraints. Kyla expressed, “If I could take the journey of raising capital over again, what I would do differently is focus more on generating sales through social media to build up savings for the business and then apply for capital.” This response echoes the aforementioned knowledge and motivation influences on BFEs’ ability to raise capital. By leveraging social media to drive sales, the respondent confirms that strategic knowledge is beneficial to BFEs in their approach to raising capital. Using the revenue generated from social media sales to establish business savings can strengthen the financial health of the business and potentially make it more attractive to investors, thereby improving the participant’s confidence level with pitching. Her response also affirms that raising capital is a process that leaves room for BFEs to do things their way that fit the unique needs of their respective businesses.

Summary

The findings from this study on the journey to raising capital for BFEs were presented in this section. The qualitative data collected from semistructured interviews with eight participants who met the study criteria were organized and examined using the KMO gap analysis framework developed by Clark and Estes (2008). There were nine assumed KMO influences on the participants’ ability to raise capital. The first three influences were on their factual, procedural,

and metacognitive knowledge about how to raise capital from VCs. The second set of influences examined their motivation for raising capital and the level of self-efficacy they had with regard to accomplishing that goal through pitching to investors, which is an integral component of raising capital. Finally, the influences on how they are able to navigate the field of venture capital through a D&I lens were explored.

Findings from this study revealed the presence of gaps pertaining to the assumed KMO influences. Each of the three knowledge influences was validated. The study participants reported a need to have knowledge of the decision-making process of VCs, which includes knowing how to put a pitch together and deliver it. Strategic knowledge, such as researching investors to tailor information toward their investing patterns and interests, was validated as helpful knowledge BFEs should have. To acquire this knowledge, studies such as this one can serve as an informational guide relevant to BFEs who are preparing to raise capital from VCs.

Each of the three motivation influences were also validated by the study data. The expectancy value among the participants was high, as an overwhelming majority of them found value in raising capital and were motivated to do so, albeit for various reasons, financial need being the most common. The sources of their motivation were driving forces behind their ability to navigate the field of VC, even as they learned new things along the way. With regard to self-efficacy, the BFEs reported high levels of confidence in their ability to raise capital in general and to deliver effective pitch presentations. Because pitching is a necessary part of raising venture capital, confidence in being able to do it effectively is linked to their confidence levels in being able to raise capital at all. This has less to do with VCs and more to do with how competent the participants see themselves as. In other words, even if they do not receive a yes from an investor, that doesn't mean it was because their pitch was not effective.

The assumed organization influences were not validated by the study data. The data revealed that BFEs do not believe there is a value placed on D&I in the VC industry nor that the decision-makers are open to change. They also do not perceive the pitching process to be fair and equitable. The implication of these findings is that while it would be helpful to them if these influences were affirmed, they are not required in order for them to pursue raising capital. The participants understand these influences to be a part of the cultural models that exist within the VC industry that they simply have to confront and not let deter them from achieving their goals. Recommendations for how change within the industry can occur will be discussed in the following section. Limitations and delimitations for the study will also be discussed.

Recommendations for Practice

The purpose of this study was to explore and understand the experiences of BFEs who have successfully raised venture capital. In the previous section, the findings of the study were summarized, with a focus on the knowledge, motivation, and organizational influences that impact the ability of BFEs to raise capital. Based on those findings, this section provides recommendations within the context of the established research questions and assumed KMO influences for how other BFEs who pursue this route to funding can succeed at accomplishing that goal. Following the recommendations for practice, the limitations and delimitations of the study are addressed, followed by recommendations for future research and a conclusion.

Increase BFE Access to VC Networks

The first research question that guided this study was, “What knowledge do Black female entrepreneurs have about raising venture capital?” The findings of the study revealed that BFEs often have minimal knowledge about raising venture capital, the decision-making process of VCs, or how the industry works before they begin the process of pitching to raise capital. While

some knowledge is acquired through participation in accelerator programs for startups, a large contributor to this knowledge gap can be linked to the lack of connections BFEs have with actual VCs from whom they can learn insights into investment trends and patterns and how the industry functions. With straight, White men existing as gatekeepers in the industry, Black women continue to be excluded from building the network and social capital required to interact with VCs (Brush et al., 2004).

A quantitative study on the structural and relational aspects of VC social networks found that the more diverse a VC's network is, the higher amount of funds raised by startups in the first funding round (Alexy et al., 2011). The researchers of this study reviewed more than 1,500 first funding rounds in the internet and technology sector, and their findings confirmed their hypothesis that the social capital of VCs has direct and measurable effects on the funding decisions they make. As this relates to BFEs, if they are not part of the social networks of venture capitalists, it can be a challenge to build the relationships that help facilitate introductions and meetings with VCs. It is recommended, then, that VCs that value a diverse portfolio seek out Black female founders across the country. A strategy for carrying out this recommendation is for VCs, both individuals and firms, to partner with existing programs that support BFEs to help expand their reach. Partnering with national programs that focus on BFEs is important due to the high concentration of VC activities and networks being based in Silicon Valley or New York (Zhang, 2007). Potential partnership opportunities can come by way of collaborating with program operators to sponsor networking events where connections are made, but pitching is not the sole focus. These events can also be done virtually to allow for even more participation between VCs and founders outside of the hubs for VC activity. Information sessions, both virtual and in person, that feature conversations with VCs about what they are

looking for investment opportunities can also help close the knowledge gap for BFEs in the decision-making process.

Increased Financial Support Before Raising Venture Capital

Before they embark on the journey to raising venture capital, BFEs need more financial support that facilitates their early growth. The findings of this study indicated that lack of startup capital, stagnant cash flow, and the limits of bootstrapping are significant challenges some BFEs faced in their growth trajectory. As their businesses scale, so do their financial needs, making smaller awards from pitch competitions insufficient for the type of demonstrable growth required to make raising venture capital a viable option. This is directly linked to the second research question: “What factors motivate Black female entrepreneurs to raise venture capital?” The study findings revealed that financial need is the most significant motivating factor for raising capital for BFEs. From a historical standpoint, BFEs differ from their counterparts with regard to how they enter entrepreneurship. Orhan and Scott (2001) found that reasons for entering entrepreneurship for female entrepreneurs include taking over the family business. In their review of quantitative survey data on the characteristics of business owners, Fairlie and Robb (2007) found, however, that Black business owners are less likely than White business owners to inherit a family business and the resources that come with such an inheritance. This, along with limited access to startup capital, were determined to be key factors associated with business outcomes for Black business owners.

It is recommended that there be an increase in competition awards, grants, and nonequity funding amounts made available to this group, as this can have a significant impact on the motivation of BFEs to raise capital. A strategy for carrying out this recommendation is to garner larger commitments from VCs and corporations that support or sponsor funding opportunities for

early startups, such as pitch competitions, for example, to raise the award amounts. The median seed totals for BFEs who raise less than \$1 million is \$125,000, and without the ability to raise a family and fund pre-seed round, startup growth can be stalled for BFEs, making the need for investments from VCs more pronounced (Project Diane, 2020). As such, award amounts should be commensurate with the growth data or potential of BFE-led ventures.

Increase the Value Placed on Diversity and Inclusion

An indication from the study findings is most of the participants perceived there to be little to no value placed on D&I in the venture capital industry. Interest in funding their businesses was considered by the participants to be a trend that became popular in response to the civil unrest of 2020 and has since declined. In order to see greater D&I measures carried out within the industry, the recommendation is for venture capitalists and their firms to demonstrate a continued commitment to invest in businesses owned by BFEs and other people of color, which contribute over \$600 billion to the U.S. economy (Fairlie & Robb, 2010). A strategy for a recommendation of this kind has to be measurable in some form, such as by ensuring a certain number or percentage of the businesses in VC investment portfolios are Black-owned. An example of how this recommendation can be carried out is the 15% Pledge, which is an initiative established by a nonprofit organization that “encourages retailers to pledge at least 15% of their shelf-space to Black-owned businesses”; and has shifted nearly \$10 billion of revenue to Black-owned businesses as a result (Fifteen Percent Pledge, n.d.). Similarly, VCs that are intentional about D&I can deepen their efforts by prioritizing the support of the over 350 Black and Latina female founders that have raised over \$1 million through financial investments (Project Diane, 2020). These ventures have documented growth and are poised for scalability, and the number is small enough to be a viable starting point for VCs to research potential matches.

A second recommendation in response to the lack of diversity in the VC industry is to increase the representation of Black women on both sides of the capital table. That is, not only do BFEs need support and financial resources to grow their ventures, but more Black women should sit in the seat of decision-makers in the industry. According to a report on the status of representation in the VC industry, the number of Black partners and fund managers, or “check writers,” is increasing, with 27% of Black partners launching new funds between 2020 – 2022 (BLCK VC, 2022). Of the 122 Black partners studied for the report. However, only 20% or 24 of them were Black women. A strategy to carry out this recommendation is for more Black women to start their own funds and to also be hired for leadership roles in existing firms. Findings from this study indicated that there is a slow shift in this area, as more Black investors are starting their own VC funds and firms as a pathway to increasing representation. According to Gompers and Calder-Wang (2021), homophily affects hiring decisions in the venture capital industry. In other words, hiring managers in the industry will be drawn to and hire people who are similar to themselves. Thus, as more Black women ascend to leadership roles in the industry, the greater the likelihood of an increase in representation and funding opportunities for this group.

Limitations and Delimitations

Two limitations of this study included the sample size and sufficient data collection. The first limitation of this study was the small number of participants interviewed. The initial range of eight to 10 participants was deemed appropriate at the start of the study, with eight participants being the final number achieved after recruitment concluded. As a qualitative study, additional perspectives from a larger sample would have added to the depth and richness of the data. A second limitation is linked to the first, in that only one of the eight participants replied to the reflection prompt, thereby limiting that aspect of the data analysis. Receiving more replies

would have aided in conducting a thorough data analysis and explore additional insights from the participants that did not arise during the interviews.

Delimitations help define the parameters of a study and reflect boundaries that are established by the researcher (Creswell & Creswell, 2018). A delimitation for this study was in the participant sampling. The scope of the study was affected by centering BFEs, and not a generalized group of women of color in business. For example, as outlined in the literature review, there has been a long history of exclusion and unique challenges within the Black community in relation to entrepreneurship in America. By focusing on self-identified Black women who operated businesses in the continental United States, the purpose of the study was met by calling forward the experiences of this particular group. With this target population as the key stakeholder group, the research is explicitly focused on their direct experiences with the research problem, thereby making the recommendations a reflection of their specific needs.

Recommendations for Future Research

The findings of this study indicated that BFEs have robust stories to tell about how they navigate the field of VC. They have valuable insights that can serve as a guide for other BFEs who seek to also raise venture capital. It is recommended, then, that additional studies of this nature that center the experiences of BFEs should be conducted. A specific recommendation is for a long-term case study to be completed that follows a small group of BFEs who complete multiple funding rounds and scale significantly enough to make an exit from their businesses. As the number of BFEs who have raised over \$1 million slowly trickles upward, more academic research should be conducted to document the complexities of their journeys. This is a worthy topic for continued study because minority-owned businesses positively impact the economy but lack the access to capital that is essential to sustain their growth (Fairlie & Robb, 2010).

A second recommendation for future research is a closer examination of the lack of D&I within the VC industry. Additional qualitative and quantitative research conducted on this issue can aid in understanding the problem and developing relevant solutions or implementation plans that affect change. For example, a study on the investment patterns of Black “check writers” can help determine if the aforementioned recommendation to hire more Black fund managers and partners actually results in an increase in funding for Black-owned ventures and that their habits do not merely mimic those of White investors. Studies of this kind can add to the understanding of how D&I efforts are established and measured and the impact they have in the industry.

Conclusion

The purpose of the study was to explore how BFEs perceive their ability to raise capital and understand how they make meaning of that experience. Through the conceptual framework of the KMO gap analysis by Clark and Estes (2008), the knowledge, motivation, and organizational factors that influence BFEs’ ability to raise capital were explored. Key findings of the study indicated that (a) BFEs acquire the knowledge they lack about how to raise successfully through experience; (b) they are motivated to pursue raise venture capital due to financial constraints and limitations; (c) they are confident in their ability to pitch investors and raise capital; and (d) the VC industry does not value D&I.

This subject was important to address because the current number of Black women who have completed fundraising rounds that exceed \$1 million remains below 100, despite this group outpacing their counterparts in startup creation (American Express, 2018). For that number to rise, more research such as this has to be conducted to assess the unique and specific needs and challenges of this group. Research of this kind that centers Black women may serve as an insightful guide for other BFEs who intend to pursue the same goal as a way to grow their

businesses, generate wealth, create jobs, and impact their communities. Future studies such as these can shed light on the barriers to gaining access to capital and help determine what has to be done to eliminate those barriers.

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Appendix A: KMO Interview Question Crosswalk

Assumed influence	Interview question
Knowledge	
BFEs need to know what the decision-making process of venture capitalists entails. (K-F)	<p>What do you know about the decision-making process of venture capitalists? (IQ-4)</p> <p>In what ways, if at all, do you think your identity as a Black woman impacts the VC decision-making process and your ability to raise capital? (IQ-5)</p>
BFEs need to know how to put a pitch or business presentation together and deliver it to investors. (K-P)	<p>What information was most helpful to you in preparing to pitch for venture capital? (IQ-1)</p> <p>What elements are needed to deliver a successful pitch deck or presentation to venture capitalists, VC firms, or pitch competitions? (IQ-2)</p>
BFEs need to know what strategies will help them be successful at gaining access to funding. (K-M)	<p>Reflecting on your experience with pitching, what strategies did you use that you believe helped you raise capital successfully? (IQ-3)</p> <p>What information would be helpful for other Black female entrepreneurs to know on their journeys to raising capital? (IQ-6)</p>
Motivation	
BFEs need to believe there is value in raising capital. (Expectancy value)	What factors led you to decide to raise capital from venture capitalists for your business? (IQ-7)
BFEs need to believe they have the ability to raise capital from investors. (Self-efficacy)	How confident do you feel about your ability to raise capital for your business? (IQ-8)
BFEs need to have confidence in their ability to deliver an effective pitch presentation. (Self-efficacy)	Describe your level of confidence in delivering an effective pitch presentation. (IQ-9)
Organization	

Assumed influence	Interview question
BFEs need to believe the venture capital industry values diversity and inclusion.	How do you perceive the value placed on diversity and inclusion within the venture capital industry? (IQ-10)
BFEs need to believe the decision-makers in the venture capital industry are open to change that leads to an increase in successful fundraising rounds.	How open to change do you perceive the decision-makers in the venture capital industry to be? (Prompts – Do you consider the decision-makers to be resistant to change? Why or why not? How does their openness or resistance to change impact your efforts to raise capital?) (IQ-11)
BFEs need to perceive the process of pitching investors in the venture capital industry as being fair and equitable.	What recommendations do you have for how the process of pitching investors can be perceived as fair and equitable? (IQ-12)

Appendix B: Interview Protocol

Thank you for agreeing to participate in this study. I appreciate you making time to meet with me and answering my questions. As I have shared previously, the interview should take about an hour to complete. Does that still work for you?

Before we begin, I want to remind you about this study, and answer any questions you might have about participating in this interview. I am a doctoral student at USC and am conducting a study on BFEs and their ability to raise capital. I am particularly interested in understanding what factors motivate BFEs to pursue funding and how they perceive their ability to successfully obtain it. I will interview several participants to gain information from a variety of perspectives.

I assure you that I am here today strictly as a researcher, which means I will not be making any judgments on your performance as a business owner or evaluating the success of your business. My goal is to understand your experience and perspective. As stated in the Study Information Sheet, this interview is confidential. Your name and feedback will not be shared with anyone outside of the research team. The data for this study will be compiled into a report, and while some of what you say might be used as direct quotes, none of this data will be directly attributed to you. I will use a pseudonym to protect your confidentiality and will do my best to de-identify any of the data I gather from you.

As stated in the Study Information Sheet, all data will be kept in a password-protected computer and all raw data will be destroyed after the study is complete.

I will be using the recording feature in Zoom to accurately capture what you share with me during the interview. The recording is strictly to help best capture your perspectives and will not be shared with anyone outside the research team. After the interview, I will have the

recording transcribed into a transcript, and the recording will be deleted. May I have your permission to record our conversation?

By participating in this interview, you acknowledge that you meet the criteria of being a Black woman who owns a business in the continental United States, who has pitched for and successfully raised venture capital. Do you have any questions regarding the study before we begin?

Starting the Interview

I would like to start by asking you some questions about your business and your experience with raising capital.

1. What information was most helpful to you in preparing to pitch for venture capital?
2. What elements are needed to deliver a successful pitch deck or presentation to venture capitalists, VC firms, or in funding competitions?
3. Reflecting on your experience with pitching, what strategies did you use that you believe helped you raise capital successfully?
4. What knowledge do you have about the decision-making process of venture capitalists?
5. In what ways, if at all, do you think your identity as a Black woman impacts the VC decision-making process and your ability to raise capital?
6. What information would be helpful for other BFEs to know on their journeys to raising capital?

Next, I would like to ask you some questions about your reasons for pursuing capital.

7. What factors led you to decide to raise capital for your business?
8. How confident do you feel about your ability to raise capital for your business?

9. Describe your confidence level in delivering an effective pitch presentation, as a strategy for raising capital.

Lastly, I would like to ask you a few questions about how you navigate the field of venture capitalism.

10. How do you perceive the value placed on diversity and inclusion within the venture capital industry?

11. How open to change do you perceive the decision-makers in the venture capital industry to be? (Prompts – Do you consider the decision-makers to be resistant to change? Why or why not? How does their openness or resistance to change impact your efforts to raise capital?)

12. What recommendations do you have for how the process of pitching investors can be perceived as fair and equitable?

Conclusion to the Interview

Thank you so much for sharing your thoughts and experiences with me. I appreciate your time and willingness to share. Your feedback is incredibly valuable for my study. If I have any follow-up questions, can I contact you, and if so, is email ok? Do you have any additional questions for me at this time? You are welcome to reach out to me should questions arise. Thank you again for your time.

Appendix C: Personal Document/Reflection Prompt Email Request

Hello, Participant Name.

Thank you for your continued participation in this research study on the journey to raising capital for BFEs. Your contributions have been invaluable to the study thus far. The final request in the process is a response to the reflection prompt below. Remember that your response is optional.

The purpose of the reflection prompt is to learn more about your perceptions of the journey to raising funding from venture capitalists. Your response will provide a final opportunity for you to reflect upon and share any additional thoughts or insights that may not have come up during the previous interviews.

You may deliver your response by replying to this email, using a minimum of 300 words, or 2–3 paragraphs.

Please reply within 7 business days from this email.

Reflection prompt: If you could take the journey of raising capital over again, what would you do differently?

Thank you,

Amber L. Wright

USC Rossier OCL Doctoral Student

Appendix D: Recruitment Email to Potential Participants

Hello, Prospect's Name.

My name is Amber Wright, and I am a doctoral student at the University of Southern California, in the Rossier School of Education. I am conducting a study on Black female entrepreneurs and their experiences in raising capital for their businesses.

I am interested in interviewing you as a participant in the study. The study will include an individual interview (up to 60 minutes), and a brief, written reflection, sent via email. Both interviews will be conducted and recorded via Zoom.

If you are willing to participate in the study, please click the link below to complete a brief 3–5-minute survey to help determine if you qualify for the study.

If you meet the criteria, I will contact you to schedule a date and time for your individual interview.

Participation in this study is completely voluntary and your identity will remain confidential during and after the study. [Survey Link]

If you have any questions, please contact me at alwright@usc.edu or (XXX) XXX-XXXX.

Thank you for your consideration!

Amber Wright

Appendix E: Informed Consent Form

University of Southern California
Rossier School of Education
3470 Trousdale Parkway, Los Angeles, CA, 90089

STUDY TITLE: Black Female Entrepreneurs and Their Journey to Raising Capital:

PRINCIPAL INVESTIGATOR: Amber Wright

FACULTY ADVISOR: Dr. Wayne Combs

You are invited to participate in a research study. Your participation is voluntary. This document explains information about this study. You are encouraged to ask questions about anything that is unclear to you.

PURPOSE

The purpose of this study is to add to the literature and inform the field of venture capitalism, on the experiences of Black female entrepreneurs who have pursued funding from investors. The study will explore the knowledge, motivational factors, and organizational influences that impact Black female entrepreneurs on their journey toward raising capital. The specific focus of the study is on how this group makes meaning out of the experience of pitching for funding. You are invited as a possible participant because you are a self-identified Black female entrepreneur with experience in raising capital for your business.

PARTICIPANT INVOLVEMENT

Interviews and a reflection prompt will be utilized to understand the lived experiences of the participants. Participation in this study will require a 60-minute interview and a written reply to a reflection prompt.

The individual interviews will be conducted and recorded online via the video conferencing platform, Zoom. All recorded interviews will be transcribed by a transcription service within the Zoom platform. Any identifying information will be deleted to protect your anonymity. There will be backup copies of the interview recordings stored on the researcher's computer. All video-recordings will be deleted after completion of the dissertation defense.

PAYMENT/COMPENSATION FOR PARTICIPATION

There is no financial compensation for participation in this study.

CONFIDENTIALITY

The members of the research team and the University of Southern California Institutional Review Board (IRB) may access the data. The IRB reviews and monitors research studies to protect the rights and welfare of research subjects. When the results of the research are published or discussed in conferences, no identifiable information will be used.

Your participation in this study is completely voluntary. There is no penalty for not participating. You may also refuse to answer any of the questions asked of you. You have the right to withdraw from the study at any time without consequence.

INVESTIGATOR CONTACT INFORMATION

If you have any questions about this study, please contact Amber Wright: alwright@usc.edu or Dr. Wayne Combs, faculty advisor, wcombs@usc.edu.

IRB CONTACT INFORMATION

If you have any questions about your rights as a research participant, please contact the University of Southern California Institutional Review Board at (323) 442-0114 or email irb@usc.edu.