

An Analysis of the Profile and Decision Making Process of Business Angels

Giulio Mazzone

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Tutor: Giovanni Manfredini

Statement of authorship

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Summary Page

Title: An Analysis of the Profile and Decision Making Process of Business Angels

Abstract:

The business angels are one of the mysterious objects of today's economy based on start-ups and non-traditional investors. These individuals finance startup companies, one of the riskiest investments, sometimes for financial value sometimes for emotional value. Successful startups are the main mean to bring innovation in the economy (Google and Amazon are examples of successful startups financed with the help of BA).

This paper had three objectives: first, to define the profile of Business Angels, second, to explore different segmentations of Business Angels, and third, to identify the main Business Angels' investment criteria. Based on quantitative data on a sample of fourteen Business Angels this paper explored some of the most pressing gaps in the BA research. It was found that the current definitions does not reflect the way BA perceive themselves. This study suggests to align the definitions with the way BA perceive themselves and identifies three critical concepts, which are: early-stage investments, experience and to bring in value. It was also found that the current segmentation methods for BA are limited because unable to include multivariable. Since BA are such a heterogeneous population it is important to create new frameworks which are more flexible. This study explored a new theoretical framework of segmentation by combining management style and investment style segmentations. Finally this study compared the main criteria in the literature review

with its findings. It found that only some criteria are universal to BA and invites research to focus its efforts on identifying this criteria.

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Glossary

Term or abbreviation	Meaning or explanation
AI	Accredited Investors
BA	Business Angel
CAI	Conventional Angel Investments
CSES	Centre for Strategy & Evaluation Service
DD	Due Diligence
DDDI	Due Diligence Driven Investments
EBAN	European Business Angel Network
EVCA	European Private Equity and Venture Capital Association
FBA	Financial Business Angel
FVC	Formal Venture Capitalist
HNWI	High Net Worth Individual
IBA	Industrial Business Angel
IBAN	Italian Business Angel Network
PSI	Professional Safeguarded investments
SC	Startup Company
SME	Small and Medium Enterprises
VC	Venture Capital

Chapter 1: Introduction

1.1 Background

Small and Medium Enterprises (SME) are a crucial element in the European Union' (EU) economy but do not have sufficient access to equity capital (Brzozowska, 2008). Furthermore Brzozowska (2008) states that despite being the most developed equity capital market, the United States (US) still faces the same problem. According to Centre for Strategy and Evaluation Service (CSES, 2012) most SME are financed through bank loans. However the Italian Business Angels Network (IBAN, 2008) states that banks usually require positive historical performance and warranties that new enterprises do not have. According to CSES (2012) equity financing is a smaller branch of financing that involves giving equity in exchange for capital and is the most important source of financing for SME. Moneys disbursed from equity financing are called VC. According to the European Private Equity and Venture Capital Association (EVCA, 2012) the total VC invested in the EU economy amounted to 43 billion euros for 2010. However, only a small part of it was devoted to “startup” and “seed” areas (CSES, 2012). Seed stage is defined by EVCA (2012, p. 19) as “financing provided to research, assess and develop an initial concept” while startup is defined as “financing provided to companies for product development and initial marketing”.

Forbes defines startup companies (SC) as small businesses with unique ideas that are driven by top-end revenue and growth potential (Thanedar, 2012). Thus, a SC soon becomes a SME. According to the US Census Bureau 95% of all new businesses

started each year in the US are small, numbering around half a million every year (Cardon, Shinnar, Eisenman, & Rogoff, 2008). According to Wong, Bhatia, and Freeman (2009) funding is essential to transform an idea into a revenue generating company. In fact, 39 states in the US promote SC through tax benefits (Dekinder & Kohli, 2008). Thus, it is possible to conclude that SC are a high risk high return investment.

Brzozowska (2008) highlights that the main priority for SC is to solve the capital problem. She proposes SC to use venture capitalists such as Business Angels (BA) and formal venture capitalists (FVC) to fund their activities instead of banks.

According to IBAN (2008), the BA in the EU is an informal investor that, through autonomous research, invests its own capital in SC with strong potential growth in exchange of equity, becoming an active member in the management of that company. In contrast the US Securities and Exchange Commission (SEC, 2013) defines the standard for an accredited investor (AI as an individual “a net worth of at least \$1,000,000, annual salary of \$200,000 for the last three years, or \$300,000 salary between the BA and his or her spouse”. Wiltbank and Boeker (2007) suggest that this could be the standard for a BA.

IBAN (2008) segments BA into two main categories:

- Financial BA (FBA) are defined as investors who invest in the company having a minimum impact on the operating management and simply supervising the business

- Industrial BA (IBA) are investors that take direct involvement in the operations, adding value to the company with their skills and knowledge

The BA marketplace in the EU in 2010 was a total of four to five billion euros, which amounts to only 25% of the overall US market value (CSES, 2012). According to IBAN (2008) two conditions are needed for the EU to achieve the same results as the US for BA financing. These are: innovative ideas and the financial means necessary to put them in practice.

FVC are defined as formal investors of institutional nature who invest capital of other people with the aim to achieve the highest returns from the invested money (Harrison & Mason, 2000). Thus FVC are fund firms that invest VC in new companies.

According to IBAN (2008) the difference between BA and FVC is that the former enters a company in an earlier stage (seed and startup) than the latter (SME). Wiltbank and Boeker (2007, p. 2) suggest that “early-stage companies are far more likely to secure BA investment than to secure financing from FVC”. Brzozowska (2008) highlights that BA and FVC are complementary to each other. A BA might decide with the entrepreneur to involve a FVC to raise more capital for the SC at a later stage. She draws attention to the fact that BA capital is also called “elegant money” or “smart money” because of the added value of BA through their counseling, experience and help to get funds at a later stage.

1.2 Rationale

This paper will focus on that branch of entrepreneurship called “angel funding”. It is funding given from BA and it is the least researched method, although one of the most common in the US (Wong et al., 2009). The researcher strongly believes in the benefits that BA brings both to the economy and to SC and wishes to facilitate the access to BA in the EU by providing additional research.

Mason and Harrison (2008) state that the BA marketplace - even in the US - used to be largely invisible due to the BA preference of maintaining a low profile. They also suggest that this system is becoming a more transparent one through the birth of BA syndicates and associations. Zachary and Mishra (2013) add that the availability of data on BA is increasing thanks to groups such as the Angel Capital Association, IBAN or EBAN. This shift to a more transparent BA marketplace gives the opportunity to researchers to undertake more accurate studies than in the past. In fact a gap between the studies of the invisible angel system and new studies on the transforming system are obvious and although some research has been conducted, the depth and scope of the subject is questionable and this field of knowledge still seems to lack research. This study will look at both individual BA and BA syndicates.

Therefore the study is needed to:

1. Support the development of new research on BA
2. Identify and explain the rapid changes in the BA marketplace
3. Provide BA with a constant stream of data

This paper will focus on verifying through primary research the current validity of the main BA definitions and on exploring the BA. An additional effort will be to provide a new segmentation of BA according to their characteristics.

This paper will contribute in two main manners. The first contribution will be its focus on contrasting old assumptions from previous studies with new assumptions from this research to add a complementary but previously under-emphasized perspective to the ongoing debate on the BA's profile. The second is to simplify entrepreneur's access to funding by facilitating the interaction with BA by better defining the BA profile and the current criteria of the investment decision making process.

Because of the high impact of SC in the current digital economy the results of this study could also be beneficial to various stakeholders such as governments, policy makers, new entrepreneurs, BA and also to other researchers. After reading this study the government and policy makers might better understand the interaction between BA and entrepreneurs and could create new policies to facilitate the process. New entrepreneurs might use this study as a guide to present their ideas to BA in the most effective way. Consequentially BA will be able to cut their screening times. Ultimately this paper aims to direct the attention of researchers to the need of developing knowledge in this area.

1.3 Aim & Objectives

The study seeks to discover the Business Angel profile and the main factors influencing the investment decision making process. In order to answer this the following objectives will be followed:

1. To define the profile of Business Angels
2. To explore different segmentations of Business Angels
3. To identify the Business Angels main investment criteria

Chapter 2: Literature review

2.1 Startup companies, sources of Equity Financing and Business Angels

SC are “a new business, which stands alone, and is not tied to other organizations, except in the normal course of trading” (Stokes & Wilson, 2010, p. 252). Stokes and Wilson (2010) also highlight that at the core of SC there is an idea that can grow and expand in a chosen field. Thus, SC are extremely early-stage companies that need capital in order to expand.

Entrepreneurs have different choices to enter the market. The table below shows the alternative routes to market entry.

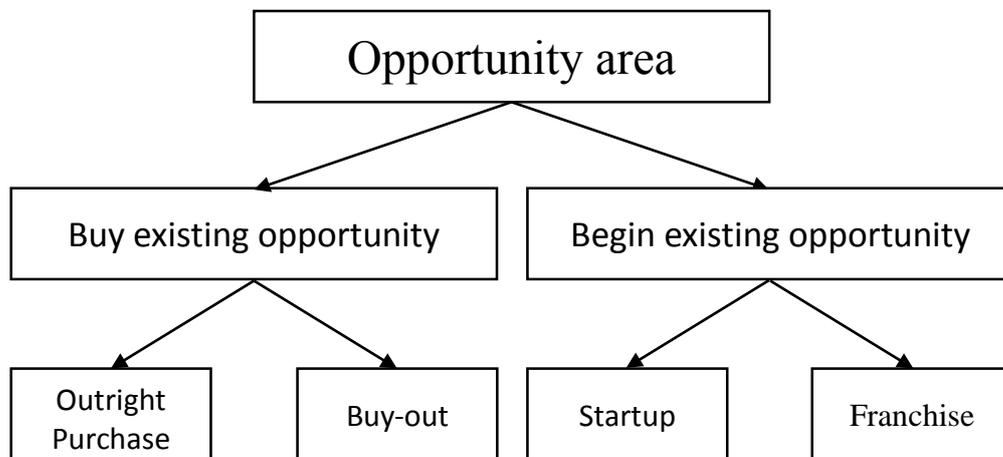


Figure 2.1: Possible routes to market entry for the small firm adapted from (Stokes & Wilson, 2010)

The graph shows that entrepreneurs start by identifying an opportunity area. This idea can then be developed by acquiring an existing business or by creating a new business. An existing business can be acquired with the aid of institutional capital such as banks because the purchased assets and the existing operating revenue can be used as a collateral for investors. On the other hand starting a new business cannot be financed through institutional capital because it assumes the creation of a company from scratch, thus there are no collateral assets and the entrepreneur cannot satisfy the interests payback requirements (Wong et al., 2009).

Startup and franchises are the only way to “begin an existing opportunity”. Stokes and Wilson (2010) state that SC are the only method available to enter the market with new ideas that have not been established yet. Thus, SC are the best means to implement innovation in the economy of a country.

SC owners have to make decisions on how to raise their capital. Due to the lack of collateral, SC owners need to trade part of their company shares with investors in order to raise capital (Morrison, Rimmington, & Williams, 1999). The VC providers share the risk of the venture but similarly share the possible earnings (Morrison et al., 1999). Scarborough (2012) suggests that entrepreneurs should raise the first round of money from their own pocket, friends and family members as it is the cheapest resource. However this resource is usually insufficient to create a lasting business. Once the first round of money is over the investor needs to seek VC. Probably at that stage the company is both too small and lacking in collateral to attract investments from FVC. Therefore a second round of investment can be started through informal

venture capitalists, the BA. As shown from the research above, BA seem to cover a gap in equity financing where the SC are at such an early-stage that they are still deemed too risky for the FVC and institutions. In fact Wong et al. (2009) point out that BA cover the gap between family or friend capital and FVC that does not consider smaller deals. However, Morrison et al. (1999) show that after BA intervention there can be another round of funds that can be covered by FVC. This suggests that BA investments sustain SC in their early-stage and that later stages should be funded through other means, such as FVC. In fact FVC usually fund bigger investments than BA (Morrison et al., 1999).

2.2 Ambiguity on the definition of a Business Angel

Wetzel (1983) first proposed the definition of BA simply as people who invest on new entrepreneurial ventures. The term was adopted from investors that financed theater plays in Broadway (Wong et al., 2009). Mason (2005) points out that before the 1960s and 1970s BA were simply defined as “business investors” and that it was with the development of Silicon Valley that BA activities became distinct from other investors. As Wong et al. (2009, p. 222) state “there are many definitions of angel investors”. Despite years of discussion amongst researchers, no globally agreed definition of BA has yet been reached.

According to Wiltbank and Boeker (2007, p. 2), SEC standards for a BA (mentioned previously in the introduction as the standards for identifying AI) require “a net worth of at least \$1,000,000, annual salary of \$200,000 for the last three years, or \$300,000 salary between the BA and his or her spouse”. However, Wong et al. (2009) explain

that SEC uses this definition to note the general term AI in US more than the term BA. A study by Shane (2008) shows that at the time only 23% of the total BA population met the definition of AI thus proving SEC definition unrepresentative of the BA population. The misinterpretation by Wiltbank and Boeker (2007) highlights the existing ambiguity on the definition of a BA.

Two years later Wong et al. (2009, p. 221) defined a BA as a “high net-worth individual who typically invests in small, private firms on his or her own account”. However this definition is too general and fails to show some critical aspects of BA. A more complex definition is given by Mason and Harrison (2008):

A high net worth individual (HNWI), acting alone or in a formal or informal syndicate, who invests his or her own money directly in an unquoted business in which there is no family connection and who, after making the investment, generally takes an active involvement in the business. (p.309)

This is a more accurate description of a BA since it excludes family and friends. The definitions above are generated by US researchers and can be compared with those of European researchers to determine if there is a difference in the meaning according to location. According to Brzozowska (2008, p. 7) BA are “HNWI individuals, senior managers from large companies, or serial entrepreneurs, who invest (on their own or in groups) a small proportion of their own wealth in SME”. This differs from Mason and Harrison (2008) because it introduces the concept of early-stage companies and of experience (managers or serial entrepreneurs). Another European researcher, Aernoudt (2005) bases his study on the definition by Harrison and Mason (1999, p. 95) to define BA as “Informal VC-equity investments and non-collateral forms of

lending made by private individuals using their own money, directly in unquoted companies in which they have no family connections, plays a key role in the financing of emergent businesses". This definition introduces the concepts of early-stage and BA being an informal group. This ideas are not included in the other definitions. Aernoudt (2005) serves as an example to show the limitations of this comparison: much of the research and knowledge on BA in the EU comes from the US and the definitions by European researchers have been influenced or taken from American studies.

According to the literature review there is little agreement upon definitions of the relevant criteria to define a BA. The definition by Wong et al. (2009) is too general and defines a wealthy investor more than a BA. Mason and Harrison (2008) introduce the concept of active involvement but lose the early-stage investments concept from their previous work (Harrison & Mason, 1999). To conclude it is impossible to find a global definition that encompasses the majority of the BA population with the current amount of research. The reason for this is suggested by the remark of Mitteness, Sudek, and Cardon (2012) who state that BA should not be considered a homogenous group. Wong et al. (2009) further highlights this by showing that BA have great heterogeneity as a group. The search for a global definition of BA is hindered by the fact that the BA market is largely invisible (Harrison, Dibben, & Mason, 1997). A solution suggested by Lahti (2011) is that the market can be homogenized through the spreading of information exchange such as syndicates.

Wide enough heterogeneity might suggest that BA might be better defined in groups according to common characteristics rather than through a global definitions that will

not be representative of the whole BA population. Therefore clustering BA in groups could help to better identify their profile.

2.3 How to segment business angels

This study sets to identify BA through their segmentation. As mentioned previously in the introduction, IBAN (2008) proposes a way to segment BA through their management style:

- FBA, who are more focused on the return on investment and on hedging the risk through control measures
- IBA, who are more focused on bringing added value to the company through their management and expertise rather than merely investing in it

On the other hand Lahti (2011) proposes to segment BA not according to their profile but according to their investment style. His segmentation is based on a previous one by Avdeitchikova (2008). He categorizes them according to due diligence (DD) and level of involvement therefore adding a second dimension to it. The study by Lahti (2011, p. 57) considered investors to be BA if “they perceived themselves as BA, they expected a return on their investment and the investment was above 10,000”.

I n v o l v e m e n t	High	<i>Cluster 2</i> Conventional angel investments	<i>Cluster 4</i> Professionally safeguarded investments
	Low	<i>Cluster 1</i> Gambles	<i>Cluster 3</i> Due diligence driven investments
		Low	High
		Comprehensiveness of due diligence	

Figure 2.2: Segmentation of Business Angels adopted from (Lahti, 2011)

Lahti (2011) clusters BA investment in four different types presented above:

- 1 Gambles: BA with low involvement and low assessment of the risk carried
- 2 Conventional angel investments (CAI): BA that assess the opportunity through intuition and control the risks by controlling post-investment activity
- 3 Due diligence-driven investment (DDDI): BA focus is on diligence instead of active involvement. Assessment of investment opportunity through thorough analysis
- 4 Professionally safeguarded investments: BA assessing the opportunity through comprehensive diligence and reducing the risk through controlling activities post-investment. Emphasis on risk minimization and hazard reduction

There are many limitations to Lahti's segmentation model and in categorizing BA in general. Avdeitchikova (2008) highlights that a segmentation based on investments might provide a too static and simplistic picture of the market. This is because BA investment behavior might vary in different circumstances. Furthermore, she suggests that the BA style of investment might change together with their wealth and experience. McMullen and Shepherd (2006) indicate that BA might use a sequential

decision process on their investment style. This suggests that BA might have different mindsets according to the different stages of the decision making process. As Mitteness, Sudek, et al. (2012) state, BA are not a homogenous group. The BA population has different characteristics such as different age, background and experience which might lead to difficulties in categorization. For instance BA might have different degree of risk aversion which might also depend on age and experience. Therefore it is necessary to create multi-dimensional segmentations that are capable of taking into account multiple variables in order to create more accurate clusters.

Lahti (2011) suggests that it is impossible to create cluster groups that BA will always fit in. On the contrary the researchers mentioned above prove that it might be difficult but not impossible. This study will try to provide a new theoretical framework of segmentation of BA by combining the two approaches mentioned above to create a more insightful segmentation.

Lahti (2011) provides a relevant segments proposal focusing mainly on the investment part of the process, while IBAN (2008) provides a segmentation based on the management style (management being posteriori to investment in the decision making process). Therefore the researcher tries to minimize the limitations mentioned above by overlapping and integrating the management and investment dimension. Aim of the researcher is not to validate this model but to highlight the importance of multiple variables on future segmentation models.

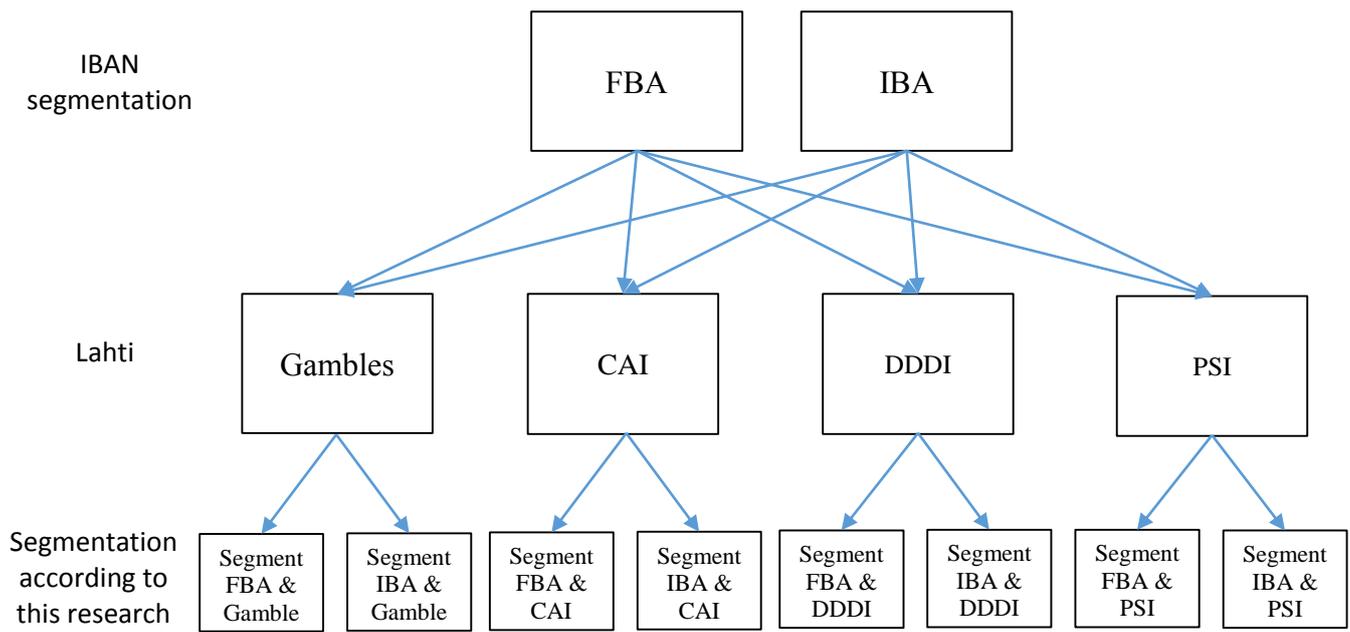


Figure 2.3: New theoretical framework on the segmentation of BA through investment and management style (combined theory)

2.4 What are the main criteria to angel funding

There is much confusion and disagreement on the criteria applied by BAs for the investment decision making process (Paul, Whittam, & Wyper, 2007). Furthermore Feeney, Haines Jr., and Riding (1999) highlight the importance for entrepreneurs to understand the investment decision making process due to high rejection rate.

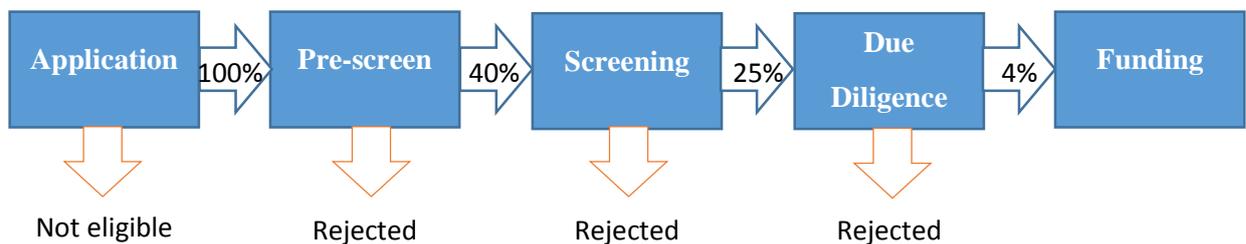


Figure 2.4: Source: The angel funding decision process adapted from (Mittiness, Baucus, & Sudek, 2012)

There are different methods for the funding decision making process. Mitteness, Baucus, et al. (2012) describe the process used by Tech Coast Angels (TCA), the largest BA group in the US. It starts with an online application stage. If this is passed there is a pre-screening stage where the entrepreneur meets a group of BA. The screening stage is a presentation from the entrepreneur to the BA attending it and usually require at least ten BA to approve it. DD is the last stage before the funding and requires a group of angels to review the business plan (Mitteness, Baucus, et al., 2012). Generally only four percent of all new venture make it to the final stage (Mitteness, Baucus, et al., 2012). While the decision making process of TCA might be different from that of individual BA, it is a standard format for most syndicates around the world and is a valid template for a typical decision making process.

According to Hall and Hofer (1993) the BA investors will weight different criteria at different stages. For instance, during the screening stage BA put more emphasis on the potential value of the idea in the market than in other stages, while the entrepreneur's skills might be reviewed more during the application and at the informal meetings during the process, while the idea might be assessed more during the screening and the DD (Mitteness, Baucus, et al., 2012).

In general BA look for the human capital of the team, the potential to stay on top of the market and a clear competitive advantage (Scarborough, 2012). Scarborough (2012) also suggests that BA motivations to invest in businesses are not for mere economic reasons. This suggests that the criteria are not purely financial but might involve other factors such as emotional value. On the other hand Sudek (2006)

identifies in his study four top criteria: “trustworthiness of the entrepreneur, quality of the management team, enthusiasm of the lead entrepreneur, and exit opportunities”. Generally BA invest locally so that they can easily supervise the investment (Scarborough, 2012).

According to Brush, Edelman, and Manolova (2012) many researchers have shown that capitalization (such as evidence of marketplace acceptance, patent protection) and human factors (such as industry experience and track records) are some of the criteria taken into account by BA.

Mittiness, Baucus, et al. (2012) emphasize the fact that the knowledge of the entrepreneur must be complementary to their idea. The BA trust in the entrepreneur is an important factor to this criteria. In fact entrepreneurs might have ideas that do not fit their competencies (Fiet & Patel, 2006). But Harrison et al. (1997) suggest trust is based on the risk and utility of the entrepreneur as well as the BA perceived ability of the entrepreneur, thus influencing the judgment of the BA on entrepreneur-idea fit. Additionally, BA do not only look at the entrepreneur-opportunity fit but also at the BA-opportunity fit, that is, whether they have enough knowledge to help the business (Mittiness, Baucus, et al., 2012). Similarly to entrepreneurs the BA needs to trust himself in that specific domain.

The work by Haar, Starr, and MacMillan (1988) highlight the importance of the entrepreneur’s management skills and the relevance of the idea in the market. The

entrepreneur's passion for the venture helps the investment decision making process only in specific conditions. According to Mitteness, Baucus, et al. (2012) older BA with more open personalities are more likely to see it as a relevant criteria. On the other hand BA who are extroverted do not consider it a relevant factor. An assumption can already be made that age might lead to different criteria.

Scarborough (2012) highlights the importance of being suggested by a friend. If the person who made the suggestion is trusted by the BA, part of this trust will be transferred to the entrepreneur.

Regarding the stage of the SME, Lahti (2011) expresses BA preference to invest in the seed and startup phases of a company as they are more rewarding. In fact 34% of the deals were done when the venture was in the seed stage, and 41% in the startup stage in 2007 (Wiltbank & Boeker, 2007).

The main criteria that can be identified from the research are: The emotional value for the BA, the entrepreneurial passion, the human capital of the team, the market potential, the product, the entrepreneur-opportunity fit and BA-opportunity fit, the trustworthiness of the entrepreneur, being referred by someone else, the early-stage investments and the exit opportunities. The literature review suggests that BA change the prioritization of their criteria according to the situation and the stage of the decision making process they are in. Unfortunately most of the research mentioned above merely investigated the criteria without describing the situation, therefore it is impossible to consider the criteria mentioned above to be absolute.

2.5 Literature summary

The first objective of this study is to define the profile of BA. The literature review shows that there is much ambiguity in the meaning of this term. The definitions analyzed have different key concepts that contrast with each other. Therefore it is clear that research needs to explore the key concepts regarding the definition of BA and to compare them with the existing ones. This research will investigate, through interviews, the most relevant criteria according to the BA to be defined as such. This will provide future research with a framework to develop new, more precise definitions.

The second objective that this study seeks to explore is different segmentations of BA. The literature review shows that there are two methods to segment BA. The first one developed by Lahti (2011) focuses on the investment style of BA. The second one by IBAN (2008) groups them according to their management style. The research highlights the limitations of the current traditional segmentation of BA. A major criticism on all of them is their rigidity. A way to achieve a more flexible segmentation framework could be to combine the two models presented above. The researcher hopes to provide evidence that multidimensional segmentation could be possible.

The third objective of this study is to identify the BA investment criteria. From the literature review it is possible to summarize the main criteria shown by the previous research, which however are not proven to be universal. This research sets to verify

the criteria identified in the literature review and to discover if there is any criteria that BA recognize as universal. Also the study would like to analyze the relationship between criteria and BA with common elements (according to the second objective) if and how these elements influence their investment criteria.

Chapter 3: Methodology

This chapter explains and justifies the methods used by the researcher to answer the research questions. The role of the researcher, the approach to research and the different techniques used to collect and analyze results will be covered.

The research onion presented below shows each step taken by the researcher throughout this investigation starting from the outside towards the inside.

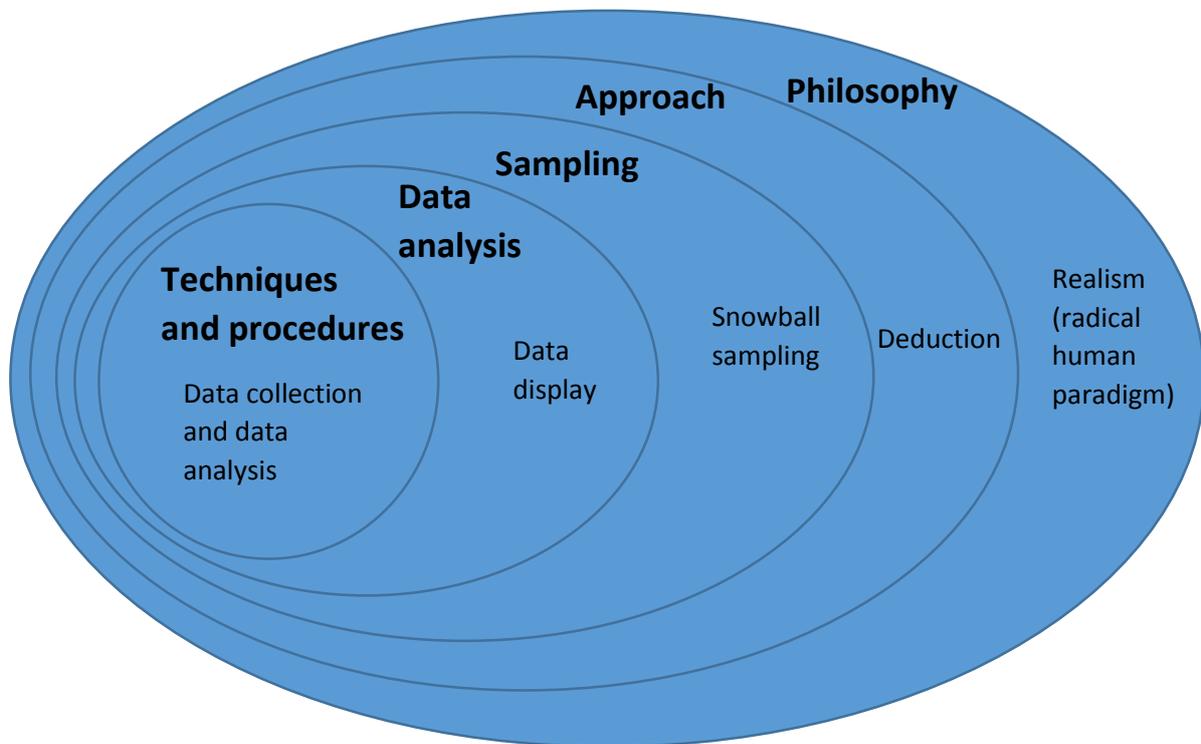


Figure 3.1: “Research onion” of this research adapted from (Saunders, Lewis, & Thornhill, 2012)

3.1 Research Philosophy

Saunders et al. (2012) define research philosophy as the overarching term relating to the development of knowledge and the nature of that knowledge in relation to research. Throughout the study the researcher has to make assumptions conditioned by its approach to human knowledge (Crotty, 1998). Thus, research philosophy is the sum of the assumptions with which the researcher views the world. Johnson and Clark (2006) note that business and management researchers more than others have to be especially aware of their philosophical stand when making choice because this will also influence their understanding of the researched subject.

This study adopts a realism research philosophy approach. According to Bhaskar (2010) knowledge can be comprehended only if the social structure that created the phenomenon is understood. The position of the researcher is that the decision making process of BA is influenced by social conditioning and to be understood the social actors need to be studied (Dobson, 2002). In fact the topic is a multilevel study which is constantly transforming with changes over time in the determining factors of the topic, such as structures, procedures and their interactions.

The definition used by this study for a paradigm is “a way of examining social phenomena from which particular understanding of it can be gained and explanations attempted” (Saunders et al., 2012, p. 140).

The four paradigms for the analysis of social theory done by Burrell and Morgan (1982) are a fourfold categorization of social science paradigms that represent the

major belief system in management and business. They believe that the four social paradigms help the researcher to identify and clarify assumptions and to move into a definite direction for the study.

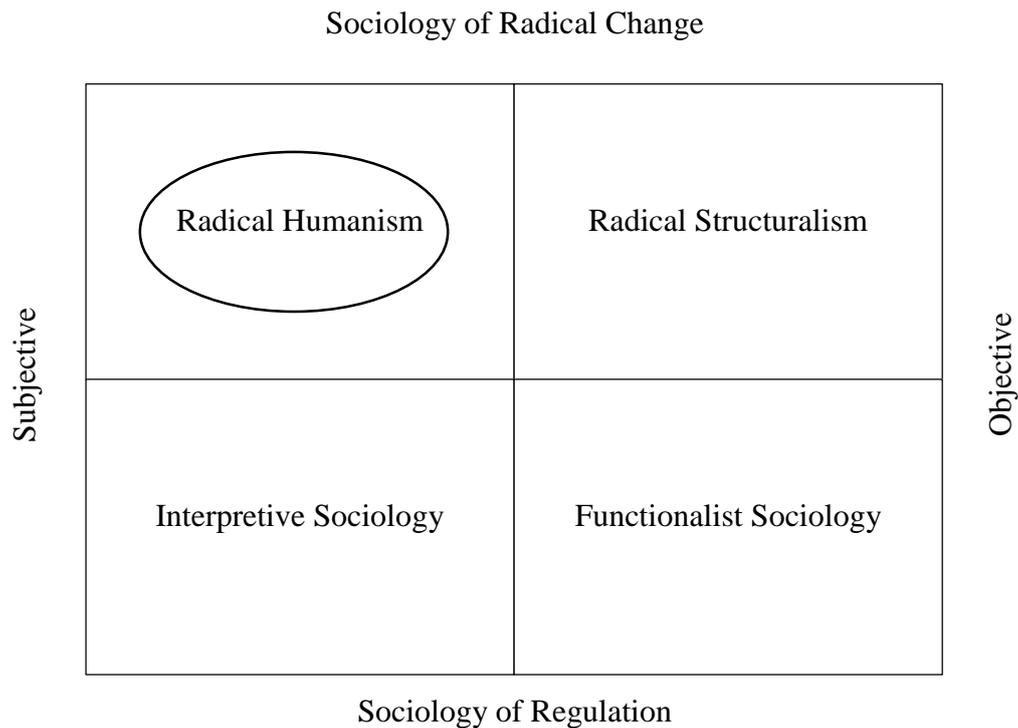


Figure 3.2: Research paradigms adopted from (Burrell & Morgan, 1982)

The study has identified a radical humanist paradigm for this research. As shown in the table above this paradigm is located near the sociology of radical change and subjective area. The study explored the decision making process of BA and how it could be influenced.

3.2 Research approach and research method

The literature review has shown some critical areas among researches that need to be tested against observations to draw a conclusion. Babbie (2010, p. 52) says that “deduction begins with an expected pattern that is tested against observations”. As stated by Wilson (2010) a deductive approach develops a hypothesis from the existing research and then tests it through research strategy. Therefore the hypothesis derived from the literature review was developed and tested against observation.

This study followed the deductive approach. As suggested by Gill and Johnson (2010) a structured methodology was used so that the research can be easily replicated.

The researcher sought to understand the social structure that created the phenomenon. According to Mack, Woodson, MacQueen, Guest, and Namey (2005) qualitative research is useful to find information and the human side and to identify intangible factors such as social norms and socioeconomic status. Carson, Gilmore, Perry, and Gronhaug (2001) add that qualitative data is efficient to explore critical subjects and provide insights. Therefore qualitative research seeks to explore the phenomenon rather than confirming hypothesis. This research was performed to shed the light on some pressing issues regarding the BA marketplace. Interviews looked at a smaller sample of BA but helped to better reflect their mental processes and behaviors.

3.3 Data collection

The researcher conducted interviews and analyzed using a deductive method. The researcher was responsible for interpreting the ideas expressed by interviewees and

the analysis was conducted through the use of conceptualizations. The interviewees were taken from different working sectors and different countries within Europe.

As stated by Adams, Khan, and Raeside (2014) one can get some subjects in the sample to complete an “interview” questionnaire if:

- Done under an interview format
- Target relevant stakeholder of the research
- The interview is less than 20 minutes and cover important aspects of the research

According to Saunders et al. (2012) structured interviews are questionnaires which use exactly the same set of questions for all the subjects in the sample. Therefore the researcher conducted some interviews one-on-one and some interviews through e-mails.

E-mailing interviewees was limited in the sense that important means of communication such as body language was lost and the researcher risked misinterpreting the results. Furthermore, if the interviewee does not understand the question the interviewer cannot reformulate it. However, this was the most viable method for this research because the BA population has limited amount of time and potential candidates could be lost.

The one-on-one interviews were conducted through Skype due to cost restriction and time flexibility and were carried with individual BA. The email interviews were sent to contact members of BA groups through their associations and BA who are not available for one-on-one interviews. The questions were designed to be few, well-aimed and time friendly.

One-on-one interviews were transcribed. Taking into account the suggestion by Kvale and Brinkmann (2009) related to transcriptions, the researcher considered and noted important communications methods such as the participants' tone and nonverbal communication.

Pilot testing was carried out before starting the final interviews. According to Saunders et al. (2012) the pilot testing is essential to ensure that the interview questions are well prepared and to facilitate the communication between the participant and the interviewer. Feedback from a group of experts was taken to assess the validity and utility of the questions asked in the interviews.

3.4 Sampling

It was impossible to select a sampling frame for this research due to the nature of BA dispersion, their number and their "invisible nature". Therefore a non-probability sampling method has been used. According to Saunders et al. (2012) this means that the sample is randomly selected from a sampling frame. To answer the objectives of

the study the researcher had to select BA that could represent the BA population in Europe. In this specific case the sampling frame was all the BA from any part of Europe who are willing to take the interviews. The sample was expected to be heterogeneous as mentioned in the literature review.

Snowball sampling technique was used to select members among the sampling frame. According to Saunders et al. (2012) this method is best when it is difficult to identify members. In fact participants have to volunteer rather than being chosen by the researcher. The technique requires that each participant suggest another potential participant to add to the research and so on until the maximum sample size is reached. As indicated by Wetzel (1983) BA tend to group in cluster of friend and business associates, making snowball sampling the best method for them.

According to Guest, Bunce, and Johnson (2006) a maximum sample size of 12 is enough to get accurate results from an interview. It was important to consider how difficult it is to contact and convince BA when undertaking the research. Also the sampling frame included individual BA and members of BA syndicates.

3.5 Pilot Study

A pilot study was done to assess the quality and validity of the questions prior to interviews. Fink (2009) suggests that interviews carried by students should have a minimum of ten pilot tests. However this depends on the objectives and aims of the

research. This research did not have access to such a large sampling frame and was not be able to obtain ten pilot studies. However the interviews have been presented to the IBAN and EBAN associations and to individual BA and their validity has been tested in such way. On the basis of their feedback the original questions have been entirely reviewed and aligned to the objectives.

3.6 Data Analysis

Miles and Huberman (1994) identified that the data analysis process consists of three main steps: data reduction, data display and drawing conclusions. This study followed the same approach.

Data collected was transformed and reduced by summarizing the main idea behind each one of them. Thus the main concepts expressed by each respondent have been expressed in keywords or labels and categorized accordingly.

Data display is showing the data in an appropriate manner. Miles and Huberman (1994) indicate that the process of data display encourages data reduction and help to analyze and draw conclusions. The study displayed the labels into tables which show the relation between the concepts and the respondent.

This study displayed the main concepts expressed by the respondents in a numerical way, to quantify the results. It has also included a full results table in appendix C (p.

59) to provide further information on the mental processes and behaviors of each respondents. This will be the means used to analyze the data.

3.7 Trustworthiness

Credibility

For data analysis the concepts have been broken down into keywords. A limitation of this technique is that the selection of keywords to aggregate similar concepts is done at the discretion of the researcher and is therefore a very subjective process. The full result table has been provided in the appendix C (p. 59) to provide an unbiased summary of the responses and to show the link the researcher has made between answers and keywords. This mitigates the risk of bias on aggregation since the reader can evaluate this process.

Transferability

In this study, the researcher tried to make the data valid by carefully selecting a sample which is heterogeneous. This has been done by selecting interviewees from various countries, some members of syndicates and others not, with different backgrounds and specializations. On the other hand this is limited by the snowball sampling method.

The structured interviews were designed to ensure specific objectives and a qualitative interview table is provided in appendix E (p. 72).

Dependability

The researcher cooperated extensively with IBAN and EBAN and had to receive their approval on the interview questions. The interview questions have been redesigned after the validation of the association and pilot studies.

The associations that have been involved in the research will be provided with the results of the study and will read and evaluate the study. Thus, the researcher has to analyze the data in the most dependable way. This will contribute to filter eventual personalization of the researcher and to make a more general consensus on the key concepts of the study.

Confirmability

The researchers provided his research philosophy approach in the methodology section to help third parties to understand the thought processes and the approaches used to collect and analyze data. A conceptual framework and a mind map are other tools used by the researcher to explain carefully his vision of this research and the means used to achieve it. It is impossible for the researcher to eliminate his personal views from the results. However, by displaying data results in a transparent way through the full results list shown in appendix C (p. 59) the reader can evaluate the reliability of the study

Limitations

The number of interviews is limited and not sufficient to test the validity of the findings. Many hypotheses have been put forward and research questions explored. The aim of the study was not to validate or discredit any of the findings but to set the attention of future research on the concepts expressed throughout this study. All results will be valid only if objects of a quantitative study.

The aim of the study was to provide a tool for a better understanding between entrepreneurs seeking capital and BA seeking SC where to invest. The results of the researcher strive to facilitate this relationship and to establish better conditions for reciprocal understanding. Nevertheless the results do not guarantee the success of the interaction and do not measure the degree of success of new ventures.

Last but not least this research was conducted in a time constrained environment and the obligation of attending courses has made it impossible to conduct face-to-face interviews that would have been the most effective way to collect qualitative results.

Chapter 4: Results and Discussion

The results were displayed according to the objectives and not according to interview questions order. This is because the order of the questions in the interview was designed with the aim to facilitate communication.

4.1 Objective 1: To define the profile of Business Angels

QUESTION 3 -	Which of the following definitions of BA fits you best?														
Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
B	X	X	X			X	X								5
A			X					X			X			X	4
C				X		X			X				X		4
D												X			1

Table 4.1: Which of the following definitions of BA fits you best?

The definitions asked in the interviews were by Harrison and Mason (1999), Mason and Harrison (2008) and Wiltbank and Boeker (2007) and can be found in appendix A (p. 55).

The majority (five out of twelve respondents) answered B, indicating that this is the most valid definition among the three. A and C were equally valid with four answers each. R3 and R6 identified themselves in multiple definitions suggesting that the boundaries between each other are not well defined. On the other hand only one person (R12) answered D suggesting that the three definitions given are to a certain degree representative of the BA population. One of the limits of answer D and a possible explanation to why only one person answered is due to the fact that it is more

time consuming than all the other options. R12 suggests that a BA brings in value, invest in early-stage companies, and has an experience in SC. Similarly R9 provided his own definition of C, suggesting that there are some key concepts to being a BA for him that are not present in the definition.

QUESTION 4 -		Why does it fit you best?														
Respondent		1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Those who fit in definition A:																
Income stream				X					X			X			X	4
HNWI									X							1
Those who fit in definition B:																
Active involvement		X	X	X			X	X								5
HNWI		X					X	X								3
Alone or in BA group		X		X				X								3
Own money in unquoted business		X						X								2
No family connection		X						X								2
Those who fit in definition C:																
Early-stage investments					X									X		2
Informal VC										X						1
Own money in unquoted companies																0
No family connection																0
Private individuals																0
New concepts expressed in D:																
Early-stage investments														X		1
Bring in value														X		1
Experience														X		1

Table 4.2: Why does it fit you best?

Each definition has been broken down in its main concepts. The concepts shown by the respondents' answers have been aligned with the definitions chosen to highlight which element in the definition is most relevant for the sample.

A was selected by four respondents out of twelve and four out of four that income stream is relevant for BA. This criteria is unique to this definition. B was the most common answer. The main concepts expressed from this definitions were: active involvement, HNWI, and working alone or in a BA group. All definition B concepts have been expressed at least twice. This could be because this is the most common answer. On the other hand it could be because it reflects the BA perception the best among the three definitions. Respondent P1 replied that B fits him perfectly because it is exactly what he does. This suggests that he finds all concepts in the definition to be relevant to him. However this answer does not measure the most relevant concepts to P1 and could be misleading. For instance own money in unquoted companies and no family connection are common concepts between definition B and C. While both concepts were answered twice for definition B, no one mentioned them in definition C. This could mean that: definition B expresses these two concepts in a better way; or these two concepts have been chosen because being part of other more relevant concepts in the same definition. Active involvement is the only concept unique to definition B and seems to be relevant to BA. Finally the results show that definition C has been chosen by four respondents but only three answered why it fits them best. Those three expressed that their main motivation behind their answer was the concept of early-stage investments (two out of three answers) and the informal VC (one out of three). This two concepts are both unique to the definition and might be relevant to some BA. The results identify five main criteria essential to be defined a BA. Those are: income stream, HNWI, active involvement, working alone or in a group and investing in early-stage companies.

QUESTION 1 -	How do BA perceive themselves														Total
Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Bring in value (active inv.)					X		X	X	X	X		X		X	7
Experience			X		X	X				X	X	X	X		7
Early-stage investments	X			X				X				X	X		5
Related to job		X							X						2
Unquoted companies	X														1
Hobby		X													1
Challenge		X													1
BA groups						X									1
Full time job							X								1
Money availability									X						1
Support in the past										X					1
Passion in entrepreneurship											X				1
Network of knowledge													X		1

Table 4.3: How do BA perceive themselves?

Appendix E (p. 72) shows the reasoning behind asking this question. The results bring four main criteria which also seems to be relevant to BA. Those are in order of importance:

1. To bring in value (identified as active involvement)
2. Experience
3. Early-stage investments
4. Being related to the previous job

The concept of early-stage investment which was mentioned in question four as one of the most common, reappears in this question with five out of fourteen respondents mentioning it. It seems that BA do not perceive themselves according to the concepts of bringing in value, and experience.

As suggested in the literature review, BA usually cover the gap between family and friend funding and VC capital. The results shows that five out of fourteen respondent perceive themselves as a BA if investing in early-stage companies. This supports Wong et al. (2009).

QUESTION 5 -	What would you add to it?														Total
Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Early-stage investments								X	X	X		X			4
Bring in value (active involvement)							X	X				X			3
Experience	X											X			2
Human factor		X				X									2
Coaching	X														1
Active/inactive involvement		X													1
Desire to help									X						1
Evolution									X						1
Innovation										X					1
Due Diligence process											X				1
BA groups investments													X		1

Table 4.4: What would you add to it?

If there is a contrast among the definitions given and their perception then interviewees are expected to show that in question five. This can be seen from the fact that the three most common answers to the question above are early-stage investments, to bring in value, and experience. Those are common to the elements identified in question one and four. These results suggest that there is a gap in the way BA perceive themselves and the current definitions of BA. Thus, current definitions can still be improved. As suggested by one respondent the three definitions are too static and do not evolve with BA over time. This result hopes to focus the attention of the researcher on the problem of sought dynamic of the term and hopes that future research in the future will provide new, more detailed definitions.

Generally the answers given were very different. This shows that the BA population is heterogeneous and that BA identify themselves as such according to different criteria that might change according to background and location.

4.1.1 Conclusions

The results show that the definition by Mason and Harrison (2008) is the most valid among the three definitions. This is because the concept of HNWI, active involvement, and working alone or in a group, are essential to the definition of a BA. From the other definitions the concepts of income stream and early-stage investments have been identified and should be included in the definition. Furthermore, the results show that the three definitions analyzed by this study are unrepresentative of the BA population. This could be due to the fast evolving BA marketplace. To keep the definitions up-to-date the main concepts of experience, early-stage investments and bring in value should be added. It is possible to see that people who chose the same definition have absolutely no correlation with the way they perceive themselves as BA. As mentioned in the literature review this might be because BA are a very heterogeneous population (Wong et al., 2009). The sample gave a wide range of different criteria on their perception of a BA. This seems to support the concept of BA heterogeneity. It seems that a global definition of BA cannot be found due to the great differences in the population.

4.2 Objective 2: To explore different segmentations of Business Angels

In the literary review two frameworks of segmentation were given: one from Lahti (2011) and another by IBAN (2008).

QUESTION 7	Segmentation of BA profiles - Lahti (2011)														
Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Due Diligence Driven Investments		X	X			X	X		X		X		X		7
Conventional Angel Investments				X		X					X			X	3
Gambles		X													1
Professionally Safeguarded Investments												X			1

Table 4.5: Lahti (2011) segmentation

Lahti (2011) segments BA according to their investment style. He creates four segments of BA according to the different degrees of involvement and DD. The results show that the majority of BA in the sample perceive themselves as DDDI and the second largest was CAI. Among the respondents P6 and P11 declared themselves to be in-between segments types. This suggests that the segments could be inaccurate or not representative of the sample. Furthermore two interviewees replied that they did not support such categorization. As shown in appendix C (p.59), P8 answered to be against because a lack of DD is irresponsible. On the other hand P10 argued that it is irrelevant to cluster BA according to investment style because BA are always gambling and because SC are at too early a stage to do DD. The statement by Lahti (2011) that it is impossible to create cluster groups that BA will always fit in shows to be particularly true in face of this two contrasting opinions. The answer to this is the great difference in BA profile and opinion. Only one member of the sample answered PSI and gambles. While this does not prove the segmentation by Lahti to be invalid, it shows that the majority of BA are focused among the top two categories

(DDDI and CAI) and the latter could represent a minority. Two BA stated that early-stage investments will always be a gamble despite, however only one respondent answered gambles

QUESTION 8 -	Segmentation of BA profiles IBAN (2008)														
Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Industrial	X				X		X	X	X			X		X	7
Financial		X	X	X							X		X		5
Depends						X									1

Table 4.6: IBAN (2008) segmentation

IBAN (2008) segment BA according to their management style. There are FBA and IBA. The sample is fairly divided among the two segments where seven BA answered to be the industrial type, five answered to be the financial type and one stated that it depends according to the situation. Looking at appendix C (p. 59), the majority of people who identified themselves as being industrial explained that it was because they like to bring in value to the company. Those that answered to be FBA stated that they trust the expertise of the team or because they believe that numbers matter. One respondent, P10 stated that “it is not relevant to cluster BA”.

QUESTION 9 -	Is your investment style influenced by your management style?														
Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Yes	X	X	X	X			X	X	X	X	X	X	X	X	12
Probably			X												1
No															0

Table 4.7: Is your investment style influenced by your management style?

The majority of the respondents answered that their investment style is influenced by their management style (twelve out of thirteen). The only one who did not answer

yes, said that probably it does. Looking at the detailed answers that are in appendix C (p. 59), interviewees replied that the reason for their investment style being influenced by their management style could be because of coaching and their experience, trust in the team and the project, the opportunity to bring in value and creating a vision of the team and sharing it broadly to the team. Thus the respondents suggested that their management style can change the criteria used in the decision making process. Furthermore this indicates that by clustering BA through investments and management style more accurate criteria could probably be found.

QUESTION 10 -	What are the risks and limitations of clustering BA according to their investment and management style?														Total
Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Clustering reduce diversity and benefits			X				X	X	X			X			5
No risk	X			X											2
Inaccurate		X											X		2
Miss entrepreneur-BA match										X					1

Table 4.8: What are the risks and limitations of clustering BA according to their investment and management style?

The results presented above shows that the majority of BA disagree with clustering the BA population according to their investment and management style. Five respondents express the risk of reducing diversity and its benefits. Two state that there are no risks involved. Two states that the segmentation will be inaccurate and one expresses concern regarding the concept of entrepreneur-BA match. These results are aligned with Wong et al. (2009) and Mitteness, Sudek, et al. (2012) that state that BA are a heterogeneous groups and are difficult to represent in segments.

QUESTION 6 - What can be done to homogenize the BA group?															
Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Against	X	X	X		X	X	X	X	X	X		X			10
For															0

Table 4.9: What can be done to homogenize the BA group?

The whole sample was against homogenizing the group (ten out of ten people who answered) although respondents were not required to be either for or against. Looking at the detailed data in appendix C (p.59) the majority of people expressed that specialization is necessary to the BA market place. R5 answered that it is impossible to homogenize BA and that heterogeneity helps to assist SC. R6 answered that while heterogeneity jeopardizes research it is beneficial to BA because of the complementary areas of expertise. Among the solutions given to homogenize the group (even though the respondents were against the process) people suggested that BA groups and syndicates are the only good way to homogenize the process. P2 suggested to have local groups of BA in every town with more than 100,000 inhabitants (for instance). R13 suggest to use empirical data from international research to find an appropriate BA definitions. Finally, R7 suggests that heterogeneity might jeopardize research but this does not mean that homogeneity would be good.

4.2.1 Conclusions

The results prove that existing segmentations are limited. Lahti (2011) segments are unrepresentative of the BA population. The segmentation by IBAN (2008) is valid although one respondent suggested that it is irrelevant to cluster BA. The total of the sample confirmed that their investment style is influenced by their management style

suggesting that research should focus its efforts on the relationship among this two factors. Furthermore the whole of the sample disagreed on homogenizing the sample. Therefore while the results suggest that there is a relationship among investments and management style the conceptual framework segmentation provided by this study and any clustering of BA seems limited. BA believe that the only good effort to homogenize the group is to promote BA syndicate and groups, especially at a local level.

4.3 Objective 3: To identify the Business Angels investment criteria

QUESTION 11 -	Main criteria														Total
Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Human capital of team	X	X	X		X	X	X	X		X	X	X	X	X	12
Market potential		X			X		X	X							4
Product		X				X	X					X			4
Ability to execute								X	X						2
Company's vision									X	X					2
Idea					X						X				2
Environment	X													X	2
Founder						X				X					2
Investment required			X											X	2
Valuation		X											X		2
Business model											X			X	2
Project quality	X														1
Growth potential													X		1
Time-horizon			X												1
Motivation	X														1
Early-stage investment					X										1
Transparency							X								1
Alignment with BA strategy									X						1
Humility								X							1
Coaching										X					1
Exit opportunity											X				1
Risk			X												1
Development plans												X			1

Table 4.10: Main criteria

Paul, Whittam, and Wyper (2007) state that there is much confusion on the main investment criteria of BA. The wide range of different results given by the sample seem to prove this statement. The main criteria identified in the literature review are:

- Emotional value for the BA (Scarborough, 2012)
- Entrepreneur passion (Mittiness, Baucus, et al., 2012; Sudek, 2006)
- Human capital of the team (Brush et al., 2012; Haar et al., 1988; Harrison et al., 1997; Scarborough, 2012; Sudek, 2006)
- Market potential (Brush et al., 2012; Scarborough, 2012)
- Product (Haar et al., 1988; Scarborough, 2012)
- Entrepreneur-opportunity fit and BA-opportunity fit (Mittiness, Baucus, et al., 2012)
- Trustworthiness of entrepreneur (Harrison et al., 1997; Sudek, 2006)
- Being referred by someone else (Scarborough, 2012)
- Early-stage investments (Lahti, 2011)
- Exit opportunities (Sudek, 2006)

The results show that the human capital of the team is the most common criteria with twelve respondents out of thirteen. Market potential is the second most important criteria, given by four BA in the sample. The third most important was the product. The ability to execute, company's vision, the idea, the environment, the founder, the growth potential, the valuation and the business model were mentioned by more than one interviewee. Thus, the results are aligned with the literature review and show that the human capital of the team, the market potential and the product are the most common criteria. Also the early-stage investment and exit opportunity criteria

mentioned in the literature review were answered once. Two respondents answered the founder as a criteria. The founder is also the lead entrepreneur. The literature review relates to the criteria of “entrepreneur” the passion, the trustworthiness and the entrepreneur-opportunity fit. However the results presented above do not provide enough information regarding what is important in an entrepreneur. The research did not receive any answer expressing the criteria of “being referred by someone else” and the “emotional value for the BA” that –on the contrary- have an important role according to the literature review.

QUESTION 2 -	In which geographical area do you work in?														
Respondents	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Multiple locations	X								X	X	X			X	5
Shouting distance		X				X	X					X	X		5
Shouting distance with some exceptions			X												1

Table 4.11: In which geographical area do you work in?

Half of the BA stated that they have investments in multiple locations and the other half stated that they have investments at shouting distance. One stated that he makes investments at shouting distance with some exceptions. This is a confusing results because it is in between the two others. The results proves that Scarborough (2012) theory on BA local investments needs to be revised or that its theory applies mainly to the US (from the literature review), but not necessarily to the much smaller European market (from the sample).

QUESTION 12 -	Do you change those criteria according to the situation?														
Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Universal	X	X				X		X		X	X	X		X	8
Change			X		X		X		X				X		5

Table 4.12: Do you change those criteria according to the situation?

The majority of respondents answered that the criteria mentioned above are universal. The minority said that they are willing to change them according to the situation. This does not confirm the theory by Hall and Hofer (1993) that BA change their criteria according to different stage or situation. Looking at appendix C (p. 59) it seems that while some minor criteria might change, some BA believe that they have to stick to their criteria which are “critical for success” (R8).

4.3.1 Conclusions

This cluster of answers shows that the criteria of investments for BA proximity depends according to the different BA. It also shows that for the majority of interviewees BA apply the same criteria whatever the circumstances.

The primary criteria on which BA base their selection of projects to invest in is the quality of the team, confirming what is the most supported theory of the literature review (Brush et al., 2012; Haar et al., 1988; Harrison et al., 1997; Scarborough, 2012; Sudek, 2006). The second most important criteria that emerged is the market potential, also confirming the literature (Brush et al., 2012; Scarborough, 2012). Third is the product (Haar et al., 1988; Scarborough, 2012).

Chapter 5: Conclusions and Recommendations

The aim of this study was to discover the Business Angel profile and the main factors influencing the investment decision making process. This aim has been achieved through three objectives:

- 1 To define the profile of Business Angels
- 2 To explore different segmentations of Business Angels
- 3 To identify the Business Angels main investment criteria

5.1 Objective 1

There were five questions dedicated to objective one (Q1, Q3, Q4, Q5 and Q6). The overall results show that the definitions given by literature research are not aligned with the perception of the BA in this sample. The main criteria used by the literature review to define BA are HNWI, own money in unquoted businesses, and have no family connection with their investments which are common among the three definitions. On the other hand the interviewee answered that they perceive themselves as BA because they invest in early-stage companies, they bring in value or have an active involvement in the company and because of their experience in the field. This study suggests other researchers to align the definition of BA according to their perceptions, and thus to integrate the findings above (early-stage, bring in value and experience) into the definition.

The literature review shows that there is ambiguity in the term BA. Ultimately the real question explored was whether it is possible to find a global definition for BA. This is jeopardized by the fact that BA are a heterogeneous population. This research asked the BA sample what could be possible solutions to homogenize the group, however the majority has expressed concerns on question six about any attempt to homogenize the group. According to results the only effort regarded positive by BA is to spread the influence of BA syndicates. This suggests that it could be impossible to find a global definition of BA even in the future.

5.2 Objective 2

There were four questions dedicated to objective two (Q7, Q8, Q9 and Q10). These are based on the two main theories identified in the literature review about possible segmentations of BA. By investment style (Lahti, 2011) or by management style (IBAN, 2008). The results of the interviews shows that the respondents felt comfortable with both definitions (they could fit into Lahti and IBAN segmentation at the same time). This suggests that the two theories are not mutually exclusive. Question 9 results show that there is a high correlation between the investment style and the management style. This suggests that a new segmentation through the combination of the two existing theories, as shown in figure 2.3 in the literature review, is feasible. Question 10 finally shows that there is a high resistance from BA to be clustered either through investment or through management style. This suggests that BA perceive IBAN and Lahti's clustering to be unrepresentative.

This helps researchers to understand that a new theoretical framework of segmentation by combining existing theories is needed but probably IBAN (2008) and Lahti (2011) are not helpful enough because the BA phenomena is more complex than their theories allow for.

5.3 Objective 3

As shown in the appendix C (p.59), three questions were dedicated to objective three. The literature review and the results of the interview agree that the human capital of the team, the product and the market potential are common criteria which are relevant to BA. The other criteria show a smaller degree of correlations and seem to depend on the different individuals. The sample was asked if they change their criteria according to the situation. The majority with a small margin agreed that some criteria are universal and are critical to the success of a SC. It is possible to conclude that there are some criteria which are universal and some other that will change according to the situation the BA is in during the investment decision making process. It is important for the research to focus its efforts on the universal criteria since they are the one that can truly help the interaction between BA and entrepreneur. This research suggests that human capital of team, market potential and product might be some of those universal criteria.

Another research question put forward by this study is that different BA with similar characteristics have similar investment criteria. Referring back to figure 2.3 there are eight different segments obtained by combining management and investment style

segmentations together. These segments would represent the BA clusters with similar characteristics. The researcher believes that if enough results had been obtained there could be a correlation among the clusters and the main criteria identified. For instance the human capital of the team could be a universal criteria to people who are professionally safeguarded investors and FBA and could be completely irrelevant to segments that are gamblers and IBA. The study fails to get a relevant enough sample of BA to create valid results but still hopes to focus the attention of future research on this question. A quantitative research could help to validate this hypothesis.

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Appendix A – Interview Questions

1. Why do you perceive yourself as a BA?
2. In which geographical area do you work and in which sector (if any) do you specialize in?
3. Which of the following definitions of BA fits you best?
 - A. An individual with “a net worth of at least \$1,000,000, annual salary of \$200,000 for the last three years, or \$300,000 salary between the BA and his or her spouse” (Wiltbank & Boeker, 2007, p. 2)
 - B. Mason and Harrison (2008):

A high net worth individual (HNWI), acting alone or in a formal or informal syndicate, who invests his or her own money directly in an unquoted business in which there is no family connection and who, after making the investment, generally takes an active involvement in the business (p.309)
 - C. “Informal VC-equity investments and non-collateral forms of lending made by private individuals using their own money, directly in unquoted companies in which they have no family connections, plays a key role in the financing of emergent businesses” (Harrison & Mason, 1999, p. 95)
 - D. None of them. Please provide your definition of a BA
4. Why does it fit you best? (Please give feedbacks only on the definition chosen)
5. What would you add to it? (Please give feedbacks only on the definition chosen)

6. Studies show that BAs are a heterogeneous population. These differences between BAs strongly jeopardize research on the definition of BAs. According to you what can be done to homogenize the group?
7. Lahti (2011) present a clustering of BAs through their investments style. He proposes four different segments: 1. Conventional Angel Investments, 2. Professionally Safeguarded investments, 3. Gambles and 4. Due Diligence Driven Investments. Which one best reflects your investment style and why? (Please find the definitions attached in the references below)
8. The Italian Business Angels Network clusters BAs through their management style. It segments them in 2 broad categories: Financial BAs and Industrial BAs. Which one best reflects your management style and why? (Please find the definitions attached in the references below)
9. Is your investment style influenced by your management style? In which way?
10. What are the risks and limitations of clustering BAs according to their investment and management style?
11. What are the main criteria you use for the funding decision making process? (List the 4 most important to you and briefly explain why they are relevant to you?)
12. Do you change those criteria according to the situation? (Provide some scenarios in which your criteria might change).

Appendix B – Results

Question 1:	Why do you perceive yourself as a BA?	Keywords
1: Mr. Tawil-Kummerman	<ul style="list-style-type: none"> Invest in unquoted companies at early-stage 	Early-stage investment; unquoted companies
2: Ms. Besse Darfeuil	<ul style="list-style-type: none"> Invest as a hobby I like the challenge Similar to previous job 	Challenge; hobby; job related
3: Mr. Gerritzen	<ul style="list-style-type: none"> Financing and coaching entrepreneurs for the past 10 years 	Experience
4: Mr. Mercié	<ul style="list-style-type: none"> Invest in new companies even at seed stage 	Early-stage investment
5: Mr. Wallace	<ul style="list-style-type: none"> Great deal of experience and financial success Desire to share experience and expertise Invest only in companies where I can bring value 	Bring in value; experience
6: Mr. Wavre	<ul style="list-style-type: none"> Invested in 7 BA projects BA club member 	BA groups; experience
7: Mr. Rousset	<ul style="list-style-type: none"> Dedicate 130% time on SC as investor or mentor 	Bring in value; full time
8: Mr. Bulfer	<ul style="list-style-type: none"> Early stage funding Industry expertise, business network and other functions important to bring value 	Bring in value; early-stage investment
9: Mr. Dagaëff	<ul style="list-style-type: none"> Convergence of professional occupation Curiosity for “entrepreneur sparkle” Do not perceive myself as a BA but as being able to bring value to the BA world 	Bring in value, job related
10: Mr. Vanparys	<ul style="list-style-type: none"> BA supported me a long time ago and I do the same today Community calls me a BA Young entrepreneurs need money and expertise and I try to help 	Bring in value; experience; support in the past
11: Mr. Naim	<ul style="list-style-type: none"> Passion for entrepreneurship and study for MBA. Invested in 4 start-ups in past 3 years 	Experience; passion
12: Mr. Lacey	<ul style="list-style-type: none"> Someone who helps new businesses Providing finance and expertise Complementary to banks and FVC (seed capital, after family and friends but before banks) Made several investments in SC 	Bring in value; early-stage investments; experience
13: IBAN associate 1	<ul style="list-style-type: none"> Have financial resources Network of knowledge Management skills Track record of investments Buys equity in SC for high returns Goal to contribute to the economic success of company and to create new jobs 	Early-stage investments; experience; network of knowledge
14: IBAN associate 2	<ul style="list-style-type: none"> Actively participate in a company to turn Provide resources to turn it financially and operationally successful 	Bring in value

Question 2:	In which geographical area do you work and in which sector (if any) do you specialize in?	Keywords
1: Mr. Tawil-Kummerman	<ul style="list-style-type: none"> Switzerland and China 	Multiple locations
2: Ms. Besse Darfeuil	<ul style="list-style-type: none"> Two hours drive perimeter from Montreux Need to be physically close to the company. Invest if understand the business plan 	Shouting distance
3: Mr. Gerritzen	<ul style="list-style-type: none"> Areas easily within reach with a couple of exceptions 	Shouting distance with some exceptions
4: Mr. Mercié	<ul style="list-style-type: none"> Call centers 	No answer
5: Mr. Wallace	<ul style="list-style-type: none"> No answer 	No answer
6: Mr. Wavre	<ul style="list-style-type: none"> Geneva and Suisse Romande Legal degree, 18+ years as International Red Cross official abroad, 6+ years in political responsibility jobs and mandates and strong investments in associations. Invests in any sector where it can bring value and understand content of the business 	Shouting distance
7: Mr. Rousset	<ul style="list-style-type: none"> Invest in the Lake Geneva Region Exceptions at 250KM radius from Lausanne “Shouting distance” 	Shouting distance
8: Mr. Bulfer	<ul style="list-style-type: none"> No answer 	No answer
9: Mr. Dagaëff	<ul style="list-style-type: none"> Switzerland/Europe Expert in Web/Mobile/IT but I diversify my portfolio Generalist of high-tech and innovation. 	Multiple locations
10: Mr. Vanparys	<ul style="list-style-type: none"> Mostly in Benelux Anything that touches customer experience Investments are linked to a person, a team, an idea. 	Multiple locations
11: Mr. Naim	<ul style="list-style-type: none"> I am region agnostic but centered in EU (France and UK in most recent investments) European centric network thus less investments in US Specialized in financial services and wealth management Worked in Private equity and Asset Management 	Multiple locations
12: Mr. Lacey	<ul style="list-style-type: none"> Suisse Romande No sector specialization 	Shouting distance
13: IBAN associate 1	<ul style="list-style-type: none"> Live and work in Northern Italy Specialized in ICT sector 	Shouting distance
14: IBAN associate 2	<ul style="list-style-type: none"> Primarily working in Italy and France Focus on digital SC 	Multiple locations

Question 3:	Which of the following definitions of BA fits you best?	Keywords
1: Mr. Tawil-Kummerman	<ul style="list-style-type: none"> B 	B

2: Ms. Besse Darfeuil	<ul style="list-style-type: none"> • B 	B
3: Mr. Gerritzen	<ul style="list-style-type: none"> • In between A and B 	A-B
4: Mr. Mercié	<ul style="list-style-type: none"> • C 	C
5: Mr. Wallace	<ul style="list-style-type: none"> • No answer 	No answer
6: Mr. Wavre	<ul style="list-style-type: none"> • Rather B with some C 	B-C
7: Mr. Rousset	<ul style="list-style-type: none"> • B 	B
8: Mr. Bulfer	<ul style="list-style-type: none"> • A 	A
9: Mr. Dagaeff	<ul style="list-style-type: none"> • C, but willing to be a B 	C
10: Mr. Vanparys	<ul style="list-style-type: none"> • No answer 	No answer
11: Mr. Naim	<ul style="list-style-type: none"> • A 	A
12: Mr. Lacey	<ul style="list-style-type: none"> • Aligned with his answer on question one • Option A, B and C are inconsistent and mix personal wealth versus involvement with the SC 	D
13: IBAN associate 1	<ul style="list-style-type: none"> • C 	C
14: IBAN associate 2	<ul style="list-style-type: none"> • A 	A

Question 4:	Why does it fit you best?	Keywords
1: Mr. Tawil-Kummerman	<ul style="list-style-type: none"> • Because it is exactly what I do 	B: HNWI; Active involvement; Own money in unquoted business ; no family connection; alone or in a BA group
2: Ms. Besse Darfeuil	<ul style="list-style-type: none"> • Not fully professional process • Invest with brain, heart and guts 	B: Active involvement
3: Mr. Gerritzen	<ul style="list-style-type: none"> • A: Income stream is important to afford investments • B: active involvement • Part of a BA club, thus invest in a structured way 	A: Income stream B: Active involvement; alone or in BA group
4: Mr. Mercié	<ul style="list-style-type: none"> • Fiscal disposition in France allow you to release taxes if investing in early stage companies 	C: Early-stage investments
5: Mr. Wallace	No answer	No answer
6: Mr. Wavre	<ul style="list-style-type: none"> • Means to allow these risky and often not reasonable investments without putting at risk family's future • Like involvement of BA in the business • From C, interest in developing SC network in society 	B: HNWI; active involvement C: Not eligible

7: Mr. Rousset	<ul style="list-style-type: none"> Fits all 3 parts of the definition except for acting alone. HNWI, own money in unquoted business, no family connection, interested in active involvement, member of BA groups 	B: HNWI; active involvement; own money in unquoted business; alone or in BA group; no family connection
8: Mr. Bulfer	<ul style="list-style-type: none"> Qualify for that requirement by law 	A: Income stream; HNWI
9: Mr. Dagaeff	<ul style="list-style-type: none"> Willing to be B because of the active involvement Not in for money but for learning Look at the human dimension Will to be useful 	C: Informal VC
10: Mr. Vanparys	<ul style="list-style-type: none"> Invest in smart money If no initial support, management and guidance needed do not invest. Active function in the business short-term and long-term 	Not eligible
11: Mr. Naim	<ul style="list-style-type: none"> Fits annual salary and invest at the personal level. 	A: Income stream
12: Mr. Lacey	<ul style="list-style-type: none"> Because I wrote my own definition 	D: Early-stage investments, bring in value, experience
13: IBAN associate 1	<ul style="list-style-type: none"> 7% of available cash invested in BA marketplace. Generally Italian small companies Do not take active role in the company 	C: Early-stage investment;
14: IBAN associate 2	<ul style="list-style-type: none"> 250'000\$ annual salary 	A: Income stream

Question 5: What would you add to it?		Keywords
1: Mr. Tawil-Kummerman	<ul style="list-style-type: none"> Experience because it is the value I can bring any venture The intervention in the business is best described as "coach" 	Coaching; experience
2: Ms. Besse Darfeuil	<ul style="list-style-type: none"> "Active or inactive involvement". I am mainly inactive due to lack of time Invest in a company because I trust the team is capable Interfere only if a company is in real danger 	Active/inactive involvement; human factor
3: Mr. Gerritzen	No answer	No answer
4: Mr. Mercié	<ul style="list-style-type: none"> Not necessarily have a role in governing the business 	Not eligible
5: Mr. Wallace	No answer	No answer
6: Mr. Wavre	<ul style="list-style-type: none"> The human factors: individual entrepreneurs are an interesting group Their motivation, the risk they take, their weakness 	Human factor
7: Mr. Rousset	<ul style="list-style-type: none"> "Who invests his or her own money and time" 	Bring in value

8: Mr. Bulfer	<ul style="list-style-type: none"> • Aligned with the answer in question one • Direct funding is only one dimension to the role • Bring in added value otherwise it is dumb money • A BA provides early-stage funding 	Bring in value; early-stage investments
9: Mr. Dagaeff	<ul style="list-style-type: none"> • The possibility to evolve • The definitions given were rather static • Sought dynamic, ability to enter and will to help can be part of the definition • I.E. A BA is someone who to enter the world of startups (for various reasons, like believing that it is the place where innovation happens nowadays) and have a role in it while not being an entrepreneur. A BA is someone who wants to understand this world of startup, he wants to learn by contact, by failure, by success; to increase his business acumen. A BA sees the opportunity to lose or win his money in a meaningful way. Each invested dollar is part of a salary or resource acquisition and creates value for others. 	Desire to help; early-stage investments; evolution
10: Mr. Vanparys	<ul style="list-style-type: none"> • Work with new disruptive ideas • seed capital money instead of VC 	Early-stage investments; innovation
11: Mr. Naim	<ul style="list-style-type: none"> • Experience and capability to do their own DD 	DD process; Experience
12: Mr. Lacey	<ul style="list-style-type: none"> • "My understanding of the term Business Angel is someone who helps new businesses ('start-ups') get started by providing finance and expertise at a time when funding is unavailable from banks or from FVC. This funding is often referred to as 'seed capital', coming after family, friends and fools but before banks" 	Bring in value; early-stage investments
13: IBAN associate 1	<ul style="list-style-type: none"> • Investments can be made by private individuals organized in small group of investors (ex. Club of investors). 	BA groups investments
14: IBAN associate 2	<ul style="list-style-type: none"> • Not answered 	Not answered
Question 6:	Studies show that BA are a heterogeneous population. These differences between BA strongly jeopardize research on the definition of BA. According to you what can be done to homogenize the group?	Keywords
1: Mr. Tawil-Kummerman	<ul style="list-style-type: none"> • No need • Variety brings value • "Horses for courses" (specialize in the right sector for you) 	Against, specialization is necessary
2: Ms. Besse Darfeuil	<ul style="list-style-type: none"> • Complicated to homogenize • Group of individuals who make individual decisions • Knowing which other angels will invest helps when decision is not clear • More BA if easier access to local groups. For instance each town should have a BA club. 	Against, specialization is necessary. Means to homogenize: BA groups for each town with more than 100000 habitants

3: Mr. Gerritzen	<ul style="list-style-type: none"> • What is wrong with that? • Multiple experiences, educations and values make this rich 	Against, specialization is necessary
4: Mr. Mercié	<ul style="list-style-type: none"> • BA associations reunite BA with different competences on the same project 	No opinion BA groups are the best way to homogenize.
5: Mr. Wallace	<ul style="list-style-type: none"> • Impossible to homogenize BA, • Heterogeneity good for assisting early stage companies" • Various perspective from various BA • 	Against, specialization is necessary
6: Mr. Wavre	<ul style="list-style-type: none"> • No sense in homogenizing a group of BA • BA are a rich variety 	Against, specialization is necessary
7: Mr. Rousset	<ul style="list-style-type: none"> • May jeopardize research • Beneficial to BA and SC because of complementary areas of expertise • BA clubs are the only good method 	Against, specialization is necessary. Heterogeneity jeopardize research only. Best method to homogenize is BA groups
8: Mr. Bulfer	<ul style="list-style-type: none"> • Do not agree • The beauty of angels is the unique experience and motivators which allows companies many flavors to get funded 	Against, specialization is necessary
9: Mr. Dagaëff	<ul style="list-style-type: none"> • Nothing must be done! • It does not jeopardize the SC/investor ecosystem • It is good to diversify a portfolio and similarly it is good for a SC to have different standpoints • Important that BA do not have the same goal 	Against, specialization is necessary
10: Mr. Vanparys	<ul style="list-style-type: none"> • Should not be done • BA should act and stay on themselves • Lose BA/entrepreneur connection 	Against, specialization is necessary
11: Mr. Naim	<ul style="list-style-type: none"> • Challenging task • Could create a globally recognized BA club 	Difficult to task, Global BA group
12: Mr. Lacey	<ul style="list-style-type: none"> • No value in homogenizing the groups • Research need to deal with reality • SC are heterogeneous so why should BA be homogenized? 	Against
13: IBAN associate 1	<ul style="list-style-type: none"> • Important to find a BA definition through empirical data from international research 	No opinion Cooperative research to find global definition
14: IBAN associate 2	<ul style="list-style-type: none"> • Stimulate survey/enquiries to all BA around specific projects 	BA surveys

Question 7: Lahti (2011) present a clustering of BA through their investments style. Which one best reflects your investment style and why?		Keywords
1: Mr. Tawil-Kummerman	<ul style="list-style-type: none"> • Early-stage investments are always a gamble • Only security is good management team because good people always find a solution 	Gambles

2: Ms. Besse Darfeuil	<ul style="list-style-type: none"> • Due Diligence Driven Investments because need detailed business plan • Need to know the risks 	DDDI
3: Mr. Gerritzen	<ul style="list-style-type: none"> • Due Diligence Driven Investments 	DDDI
4: Mr. Mercié	<ul style="list-style-type: none"> • Conventional Angel Investments 	CAI
5: Mr. Wallace	<ul style="list-style-type: none"> • No answer 	No answer
6: Mr. Wavre	<ul style="list-style-type: none"> • Due Diligence Driven Investments with some Conventional Angel Investments because combine DD and follow up • Hopes to get the big one with gambles once 	DDDI and CAI
7: Mr. Rousset	<ul style="list-style-type: none"> • Due Diligence Driven Investments 	DDDI
8: Mr. Bulfer	<ul style="list-style-type: none"> • Do not agree with this categorization • Lack of DD is irresponsible • Source deals individually, not through BA groups • Calculated risk taker • Supportive of good teams 	Against categorization
9: Mr. Dagaëff	<ul style="list-style-type: none"> • Due Diligence Driven investment • DDDI is aligned with vision of BA: Learning, progressing, being useful 	DDDI
10: Mr. Vanparys	<ul style="list-style-type: none"> • Useless and not relevant to cluster BA • It is a personal business and not a segmented business • BA are always gambling • Most BA do not do DD because too early in the business 	Against categorization
11: Mr. Naim	<ul style="list-style-type: none"> • Blend 1 and 4 due to personal background 	DDDI and CAI
12: Mr. Lacey	<ul style="list-style-type: none"> • Professional Safeguarded Investments • Need to understand the investment • Wants to help reduce the risk • Enables to understand background if additional investments are needed 	PSI
13: IBAN associate 1	<ul style="list-style-type: none"> • Due Diligence Driven Investments • Invest smaller amounts into more companies • Careful DD • Low involvement 	DDDI
14: IBAN associate 2	<ul style="list-style-type: none"> • Conventional Angel Investments • Spend time on DD but I am driven by quality of the company, idea and financial requirements 	CAI

Question 8: The Italian Business Angels Network clusters BA through their management style. Which one best reflects your management style and why?		Keywords
1: Mr. Tawil-Kummerman	<ul style="list-style-type: none"> Industrial Direct involvement not always the best idea The right way is coaching but non-intrusive and not too time consuming dialog Good reporting 	Industrial
2: Ms. Besse Darfeuil	<ul style="list-style-type: none"> FBA because I trust the team 	Financial
3: Mr. Gerritzen	<ul style="list-style-type: none"> FBA because I am a rational, number oriented person. Numbers reveal the truth 	Financial
4: Mr. Mercié	<ul style="list-style-type: none"> FBA 	Financial
5: Mr. Wallace	<ul style="list-style-type: none"> IBA Invest only where can lend great assistance beyond monetary contribution/investment 	Industrial
6: Mr. Wavre	<ul style="list-style-type: none"> IBA but it depends. Usually participative but if management is good it becomes financial 	Industrial but according to situation
7: Mr. Rousset	<ul style="list-style-type: none"> Industrial because pre and post investment Sometimes only bring expertise and no money 	Industrial
8: Mr. Bulfer	<ul style="list-style-type: none"> If I put money into something I like to be close to operations and have a meaningful impact 	Industrial
9: Mr. Dagaëff	<ul style="list-style-type: none"> Industrial from background and objectives 	Industrial
10: Mr. Vanparys	<ul style="list-style-type: none"> Not relevant to cluster BA. 	Against categorization
11: Mr. Naim	<ul style="list-style-type: none"> FBA 	Financial
12: Mr. Lacey	<ul style="list-style-type: none"> IBA 	Industrial
13: IBAN associate 1	<ul style="list-style-type: none"> FBA Low involvement 	Financial
14: IBAN associate 2	<ul style="list-style-type: none"> Industrial investor Because I can better control my investment, bring value and enjoy discovering new area and improve network 	Industrial

Question 9: Is your investment style influenced by your management style? In which way?		Keywords
1: Mr. Tawil-Kummerman	<ul style="list-style-type: none"> Yes, always chosen the ways of the coach and the peacemaker 	Yes
2: Ms. Besse Darfeuil	<ul style="list-style-type: none"> Yes, experience is essential in the decision process 	Yes
3: Mr. Gerritzen	<ul style="list-style-type: none"> Probably Trust people and people need to be appropriate to the project to work at their best 	Probably
4: Mr. Mercié	<ul style="list-style-type: none"> Yes, experience drive me to work only in sectors I know 	Yes

5: Mr. Wallace	<ul style="list-style-type: none"> • Yes, invest in people and then ideas • Seek out people/teams similar to my management style. 	Yes
6: Mr. Wavre	<ul style="list-style-type: none"> • No answer 	No answer
7: Mr. Rousset	<ul style="list-style-type: none"> • Yes, a company which is pathetic will not convince me 	Yes
8: Mr. Bulfer	<ul style="list-style-type: none"> • Yes • Prefer to have smaller number of bets with more influence and depth than a larger portfolio 	Yes
9: Mr. Dagaeff	<ul style="list-style-type: none"> • Yes, I am managing as a leader, co-constructing a vision of the team, sharing it broadly • Focus on short implementation loops, creating value and bringing learnings. • This agility is reflected in DD style and focus 	Yes
10: Mr. Vanparys	<ul style="list-style-type: none"> • Yes • If I could have an argument with the CEO/founder at the first board meeting I do not invest 	Yes
11: Mr. Naim	<ul style="list-style-type: none"> • Yes, invest in a team that match the BA • What matters is the implementation, therefore invest in teams I identify with 	Yes
12: Mr. Lacey	<ul style="list-style-type: none"> • Yes • Invest in SC that need BA to involve 	Yes
13: IBAN associate 1	<ul style="list-style-type: none"> • Yes • Management style characterized by low level of involvement, thus DD is very important 	Yes
14: IBAN associate 2	<ul style="list-style-type: none"> • Yes • Follow my instinct while spending time on details 	Yes

Question 10:	What are the risks and limitations of clustering BA according to their investment and management style?	Keywords
1: Mr. Tawil-Kummerman	<ul style="list-style-type: none"> • No real risk 	No risk
2: Ms. Besse Darfeuil	<ul style="list-style-type: none"> • Very dangerous if cluster only by "unique decision of investment for a group of BA because high risk of mistake 	Innaccurate results
3: Mr. Gerritzen	<ul style="list-style-type: none"> • Multiple experiences, educations, values and visions make this rich. Clustering would mitigate this benefit 	Clustering reduce diversity and benefits
4: Mr. Mercié	<ul style="list-style-type: none"> • No risk, it is good to reunite BA to limit risk on investments. 	No risk if it involves bringing different BA together
5: Mr. Wallace	<ul style="list-style-type: none"> • No anwer 	No answer
6: Mr. Wavre	<ul style="list-style-type: none"> • No answer 	No answer
7: Mr. Rousset	<ul style="list-style-type: none"> • Clustering would reduce diversity and its benefits 	Clustering reduce diversity and benefits

8: Mr. Bulfer	<ul style="list-style-type: none"> Not having a diverse enough outlook 	Clustering reduce diversity and benefits
9: Mr. Dagaeff	<ul style="list-style-type: none"> Heterogeneity does not jeopardize SC/investor relationship. It is good to diversify 	Clustering reduce diversity and benefits
10: Mr. Vanparys	<ul style="list-style-type: none"> Not good to try. Starters need the right BA. 	Miss entrepreneur-BA match
11: Mr. Naim	<ul style="list-style-type: none"> No answer 	No answer
12: Mr. Lacey	<ul style="list-style-type: none"> Important that BA mix together to review potential SC and exchanging experiences 	Clustering reduce diversity and benefits
13: IBAN associate 1	<ul style="list-style-type: none"> A BA could be actively involved in one company and operate the others through financial management style 	Inaccurate results
14: IBAN associate 2	<ul style="list-style-type: none"> No answer 	No answer

Question11:	What are the main criteria you use for the funding decision making process?	Keywords
1: Mr. Tawil-Kummerman	<ul style="list-style-type: none"> A Management team B Good understanding of the environment they are about to live with C Quality of project and realism with which management team approaches the opportunity D A true sense of a mission and no greed as the main motivation. 	Environment; project quality; human capital of team; motivation
2: Ms. Besse Darfeuil	<ul style="list-style-type: none"> A Team B Product C Market/completion D Valuation of the company 	Market potential; product; human capital of team; valuation
3: Mr. Gerritzen	<ul style="list-style-type: none"> A Team: if people mismanage the company it will fail and if product is bad good team will succeed B Time horizon C Risk D Amount of investment required 	Investment required; human capital of team; time-horizon; risk
4: Mr. Mercié	<ul style="list-style-type: none"> No answer 	No answer
5: Mr. Wallace	<ul style="list-style-type: none"> A People: I must believe fully in the team running the company. I am even willing to invest if I sense that team are coachable B Ideas: needs to bring something unique C Market potential: Invest in products with broad market potential D Early enough stage: to have influence as an investor I prefer to be engaged in companies that can leverage my impact 	Early-stage investment; idea; market potential; human capital of team

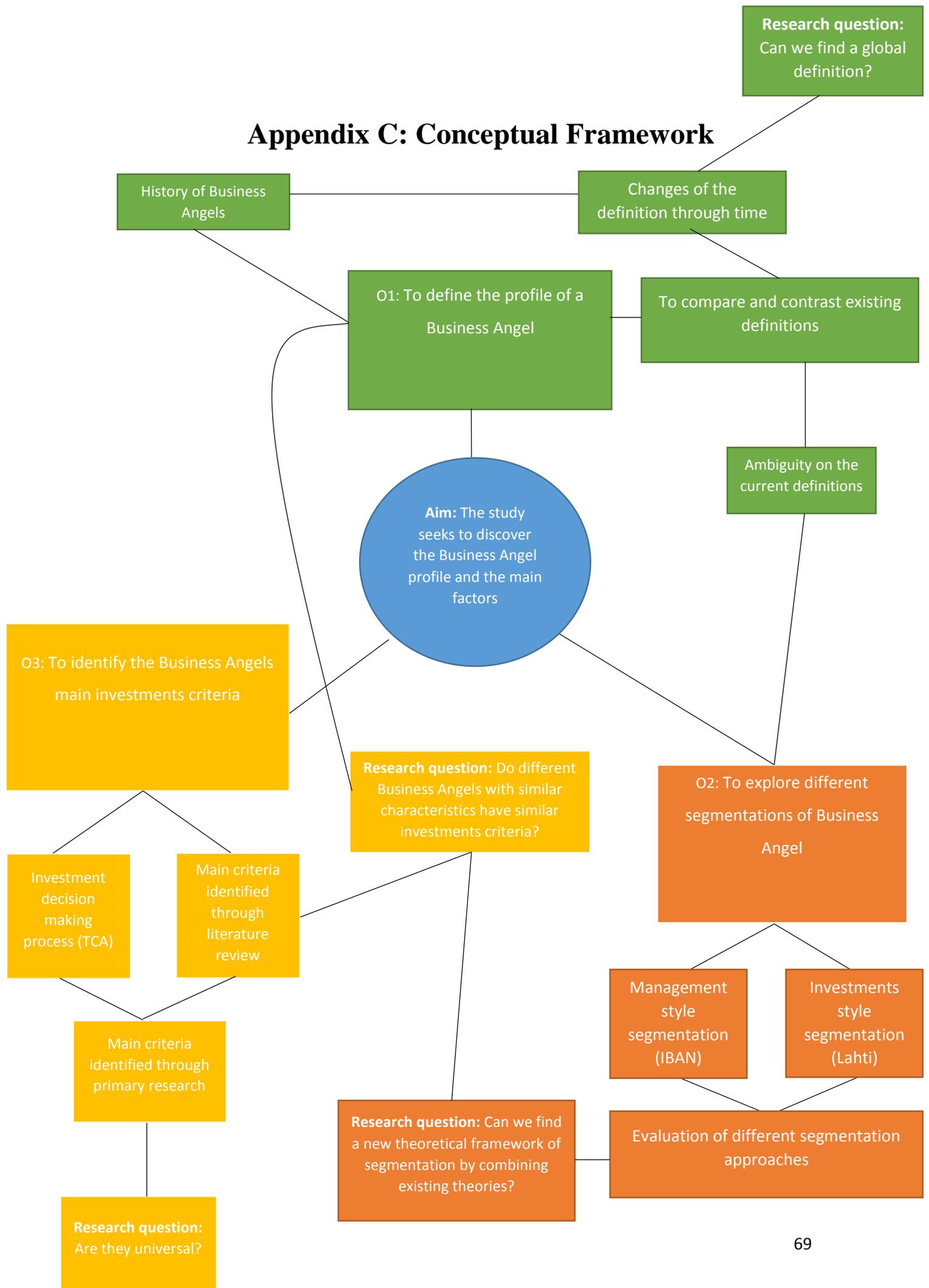
6: Mr. Wavre	<p>A Eliminate the products/fields I don't like - question of ethics for me</p> <p>B Products that are interesting and fulfill a need but eliminate products that need to create a market</p> <p>C Quality of management (Number 1 if bad)</p> <p>D Quality of the presentation because the presenter will represent the SC</p>	Product; founder; human capital of team
7: Mr. Rousset	<p>A Product: my role is to support innovation</p> <p>B Team: good team can achieve anything</p> <p>C Market: Need to know what we'll sell into</p> <p>D Transparency</p>	Market potential; product; transparency; human capital of team
8: Mr. Bulfer	<p>A Excellent team</p> <p>B Big market</p> <p>C Ability to execute</p>	Ability to execute; market potential; human capital of team
9: Mr. Dagaeff	<p>A Alignment of the operational processes with the Go-To-Market strategy</p> <p>B Focus of the team</p> <p>C Lean/agile management</p> <p>D Humility of managers (NEED TO RECHECK INTERVIEW)</p>	Ability to execute; alignment with BA strategy; humility; company's vision
10: Mr. Vanparys	<p>A Founder/CEO</p> <p>B Team</p> <p>C Need for management support/need for smart money</p> <p>D Vision on his company's future</p>	Coaching; company's vision; founder; human capital of team
11: Mr. Naim	<p>A Team: implementation</p> <p>B Idea: In a sector I identify in and need to solve an issue for consumers</p> <p>C Business model: even if based on assumption it shows that the entrepreneur has thought of everything</p> <p>D Exit strategy: Entrepreneur need to have an exit strategy in place at early-stage on how to monetize the investment</p>	Business model; exit opportunity; human capital of team; idea
12: Mr. Lacey	<p>A Empathy with the key players</p> <p>B High demand for the product</p> <p>C Realistic development plan</p> <p>D A prototype of the product</p> <ul style="list-style-type: none"> • Many other criteria influence the four criteria mentioned above • A is the most important because need to see whether I can work with them and to see if I think they can be successful 	Development plan; human capital of team; product
13: IBAN associate 1	<p>A High growth</p> <p>B Strong and engaged management team</p> <p>C Adequate pre-money valuation</p> <p>D BA operational involvement</p>	Growth potential, human capital of team; valuation
14: IBAN associate 2	<p>A Idea</p> <p>B Business model</p>	Business model; Human capital of

- C Team quality
- D Investment required

team; Idea;
investment
required

Question 12: Do you change those criteria according to the situation?		Keywords
1: Mr. Tawil-Kummerman	<ul style="list-style-type: none"> • Universal to any business 	Universal
2: Ms. Besse Darfeuil	<ul style="list-style-type: none"> • I stick to my criteria 	Universal
3: Mr. Gerritzen	<ul style="list-style-type: none"> • Change them if co-investor with better experience have a different opinion 	Change
4: Mr. Mercié	<ul style="list-style-type: none"> • No answer 	No answer
5: Mr. Wallace	<ul style="list-style-type: none"> • Yes, follow DD approach but change it accordingly to belief and findings 	Change
6: Mr. Wavre	<ul style="list-style-type: none"> • No 	Universal
7: Mr. Rousset	<ul style="list-style-type: none"> • Yes, because BA invest in rational and emotional criteria. The four seemingly rational criteria are certainly deviated at times 	Change
8: Mr. Bulfer	<ul style="list-style-type: none"> • No, critical for success 	Universal
9: Mr. Dagaëff	<ul style="list-style-type: none"> • Yes, change them with more technical criteria sometimes 	Change
10: Mr. Vanparys	<ul style="list-style-type: none"> • Never 	Universal
11: Mr. Naim	<ul style="list-style-type: none"> • Never on these 4 criteria 	Universal
12: Mr. Lacey	<ul style="list-style-type: none"> • No • Priority may vary only during the running of SC 	Universal
13: IBAN associate 1	<ul style="list-style-type: none"> • Yes • If there is no "operational involvement of BA" and "adequate and objective pre-money valuation" it is important to have "a compelling and sustainable business plan" 	Change
14: IBAN associate 2	<ul style="list-style-type: none"> • No 	Universal

Appendix C: Conceptual Framework



Appendix D – Qualitative Interview table

Required Qualitative Information		
Question No	Research question	Purpose of question
Objective 1: To define the profile of Business Angels		
1	<i>Why do you perceive yourself as a BA?</i>	This question has been designed as an introduction question to understand the motivation of BA to invest. It helps to answer objective one by defining the profile of the sample of BA. The researcher expected the main concepts expressed by the sample in question one to be the motivation behind the answers in question three, four and five. The researcher believed that the way interviewees perceive themselves will also be the way they will define themselves.
3	<i>Which of the following definitions of BA fits you best?</i>	Helps to identify the most valid definition among the ones provided
4	<i>Why does it fit you best?</i>	To identify which of the main concepts expressed by each definition are truly relevant to BA
5	<i>What would you add to it?</i>	If there is a contrast between the way a BA perceive himself and the definition chosen this will help to identify which criteria creates the conflict
6	<i>Studies show that BA are a heterogeneous population. These differences between BA strongly jeopardize research on the definition of BA. According to you what can be done to homogenize the group?</i>	To explore possible alternatives to find a global definition for BA
Objective 2: To explore different segmentations of Business Angels		
7	<i>Lahti (2011) present a clustering of BA through their investments style. He proposes four different segments. Which one best reflects your investment style and why?</i>	To test the validity of the segmentation by Lahti
8	<i>The Italian Business Angels Network clusters BA through their management style. It segments them in 2 broad categories. Which one best reflects your management style and why?</i>	To test the validity of the segmentation by IBAN
9	<i>Is your investment style influenced by your management style? In which way?</i>	To identify the relationship between management style and investment style and to explore whether it is

		possible to segmentate BA according to a combination of the two
10	<i>What are the risks and limitations of clustering BA according to their investment and management style?</i>	To test if the relationship between management and investment style is valid and what could be the possible limitations
Objective 3:		To identify the Business Angels main investment criteria
2	<i>In which geographical area do you work and in which sector (if any) do you specialize in?</i>	To test the criteria from literature review regarding BA operating only at a local level
11	<i>What are the main criteria you use for the funding decision making process? (List the 4 most important to you and briefly explain why they are relevant to you?)</i>	To identify and contrast main criteria from the results with main criteria from the literature review
12	<i>Do you change those criteria according to the situation?</i>	To understand if there is universal criteria central to every BA or if there is no fixed criteria

Appendix E – Literature Summary

Literature Summary			
Objective	Author	Key words	Research methods
0	Morrison, Rimmington & Williams (1999)	Entrepreneurship; Hospitality.	N/A
0	Stokes & Wilson (2010)	Startups; Entries to market	N/A
0 - 1	Wong, Bhatia & Freeman (2009)	BA profile; Angels funding; Investment criteria	Secondary data
0 - 3	Scarborough (2012)	Entrepreneurship; BA investment criteria; Fund raising	N/A
1	Aernoudt	Business angels; Small firm equity gap; Smart money	Secondary data
1	Brzozowska (2008)	Business angels profile; Venture Capital Market	Secondary data
1	Harrison & Mason (1999)	Capital market; Capitalist & financiers; Venture capital	Secondary data
1	Mason (2005)	History of BA; BA investment size; BA profile	Secondary data
1	Mason & Harrison (2008)	Angel syndicates; Business Angels profile;	Secondary data
1	Mitteneß; Sudek & Cardon (2012)	Entrepreneurship; Business Angel profile; BA marketplace	Quantitative
1	Shane (2008)	Business Angels profile in US; Accredited Investors	N/A
1	Wetzel (1983)	Business Angels profile; Investment criteria	Secondary data
1 - 3	Harrison, Dibben & Mason (1997)	Equity participations; New business enterprises; Venture capital	Qualitative
1 - 3	Wiltbank & Boeker (2007)	BA profile; Investment size; Investment criteria	Quantitative
2	IBAN	The investment process; Profile of Business Angels	N/A
2	Avdeitchikova (2008)	BA segmentation	Quantitative
2	Dolničar (2004)	Segmentation systematics; priori and posteriori	N/A
2	Lahti (2011)	Business Angels segmentation; Investment style	Quantitative
2	McMullen, Shepherd (2006)	Investment decision making process	Qualitative method
3	Brush, Edelman & Manolova (2012)	Investment criteria	Quantitative
3	Feeney, Haines & Riding (1999)	Angels; Investment criteria; Private investors; Qualitative analysis	Qualitative
3	Fiet & Patel (2006)	Investment criteria	Quantitative
3	Haar, Starr & MacMillan (1998)	Investment criteria	Secondary data

3	Hall & Hofer (1993)	Investment criteria	Qualitative
3	Mittiness; Baucus & Sudek (2012)	Business Angels; Angel funding decision process; Investment criteria	Qualitative
3	Paul, Whittam & Wyper (2007)	Investment criteria; Informal market; Venture capital	Qualitative
3	Sudek (2006)	Venture capital; Business Angels Role; Investment Decision Making Process	Mixed method