

# Characterizing Business Angels

## International Expanded Study

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# Agenda

- I. Introduction
- II. Research Question
- III. Research Method
- IV. Data and Case Studies
- V. Discussion and Thoughts
- VI. Future Research

I.

# INTRODUCTION

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## Importance of Start-Ups

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**Start-ups are playing a vital role**  
in the growth of world economy

**IT is major industry for start-ups**  
dominate the most valuable corporates

Source: <http://www.visualcapitalist.com/chart-valuable-brands-world/>

# INTRODUCTION

## Definition of BA and VC

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### BUSINESS ANGELS

**Wealthy individuals**, often former entrepreneurs themselves, who **place their money** into **early stage** entrepreneurial ventures, acting alone or in angel groups.

### VENTURE CAPITAL

Independent, **professionally managed**, dedicated pools of capital, that focus on equity and equity-linked in privately held, **high growth companies**.

**BAs are vital for seed and early start-up financing, but are less recognized than VC !**

Source: Freear, J., Sohl, J., Wetzel, J., and Wm, E. (1992). The investment attitudes, behavior and characteristics of high net worth individuals. *Frontiers of entrepreneurship research*, 16, 375-387.  
Leach, J. C., and Melicher, R. W. (2017). *Entrepreneurial Finance* (6 ed.).  
Kerr, W. R., Lerner, J., and Schoar, A. (2014). The Consequences of Entrepreneurial Finance: Evidence from Angel Financings. *Review of Financial Studies*, 27(1), 20-55.

# INTRODUCTION

## Start-up Fundraising

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- Challenging to convince investors of the start-ups' growth and investment potential, because:

Difficult to assess  
performance

Little or no experience

No established work routine

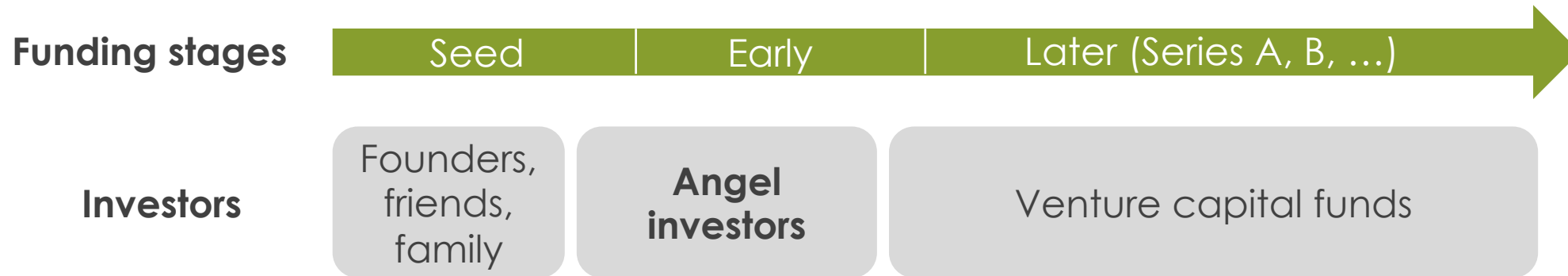
Fast-changing industries

- Entrepreneurs' access to debt finance is hard to procure
- Start-ups often seek equity investment from **Business Angels** or **Venture Capital**

# INTRODUCTION

## Start-up Fundraising

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Source: OECD. (2012). Financing High-Growth Firms: The Role of Angel Investors, ISBN 978-92-64-11877-5

II.

# RESEARCH QUESTION



# RESEARCH QUESTIONS

Main question | subquestions

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What are the characteristics of BAs and their impact on success of start-ups?

What are the similarities shared by business angels in the US and China?

What about the ecosystem for business angel investment?

III.

# RESEARCH METHOD

# RESEARCH METHODS

## a. Data analysis

- 2,114 BAs from CrunchBase\*, LinkedIn and Twitter
- Different attributes:  
socio-demographic characteristics, work funding experience and academic education

## b. Case studies

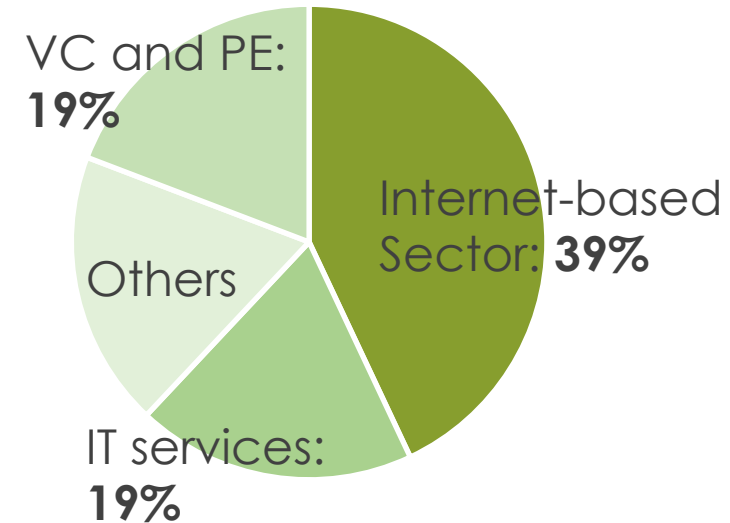
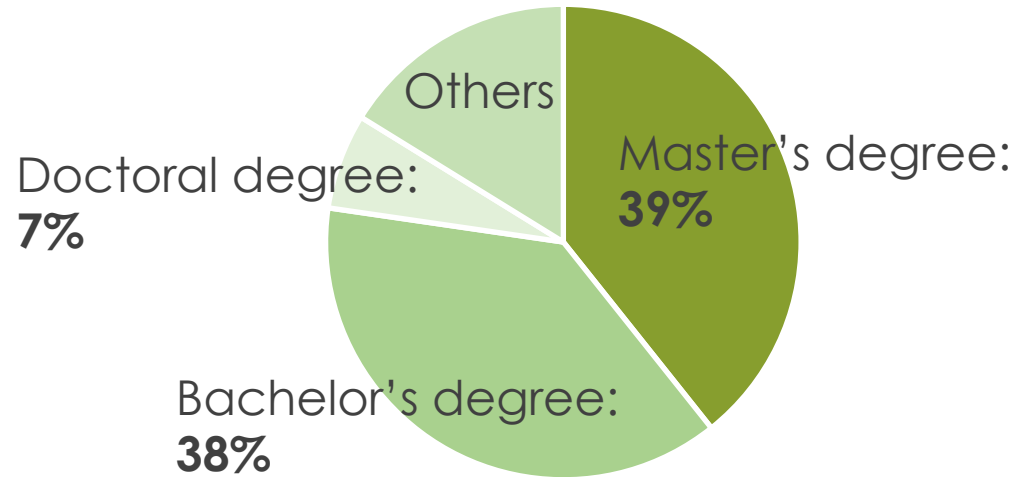
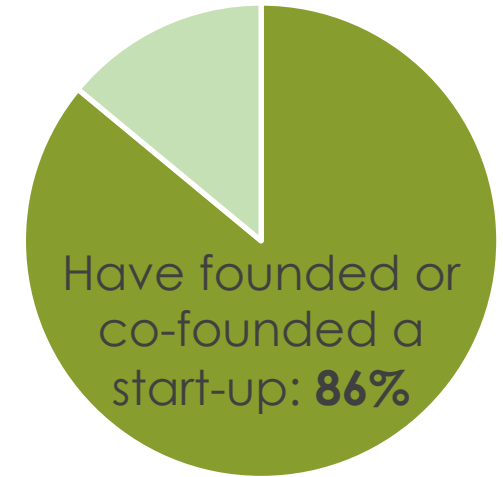
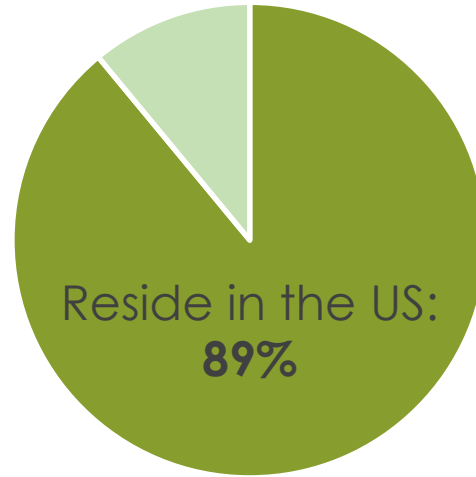
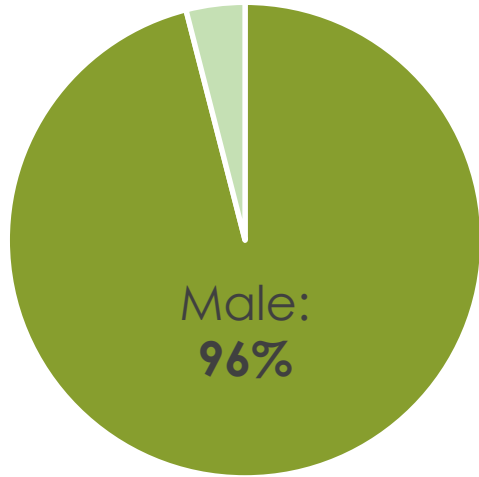
- Information collected from CrunchBase, Pitchbook\* and Zero2IPO\*
- 6 start-up cases from the US
- 3 start-up cases from China

\* CrunchBase: a crowd-funded platform that provides information on start-ups, their founders, their investors and both their company founding and funding processes  
Pitchbook: a PE and VC database with detailed investment and investor information on private companies  
Zero2IPO: a Chinese venture capital and investment data platform with information on investment institutions, investors, and companies

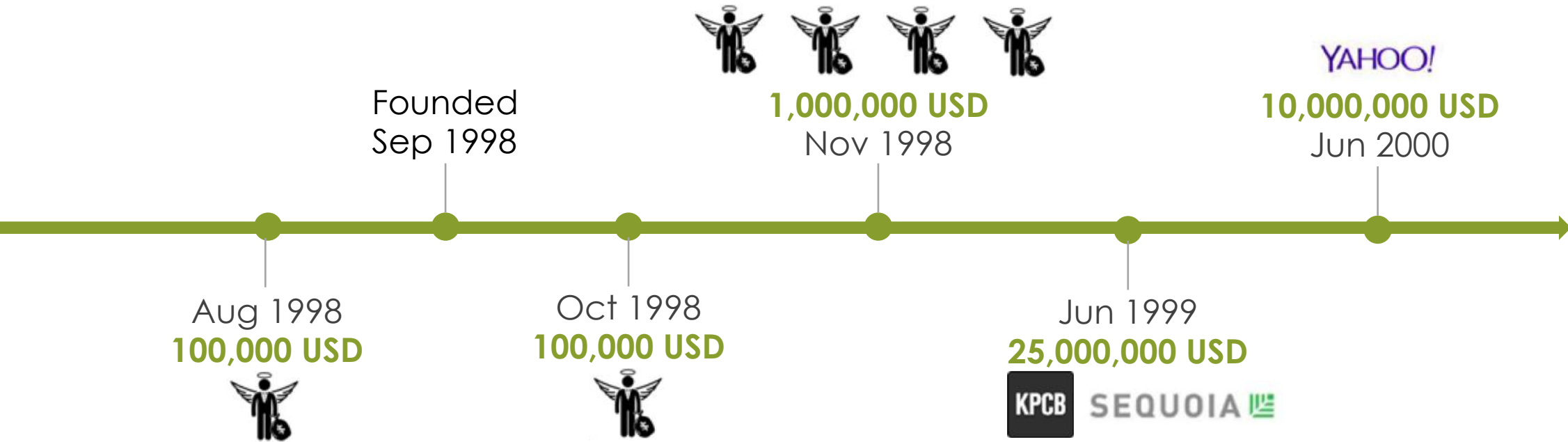
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# DATA & CASE STUDIES

# DATA of BAs from CrunchBase



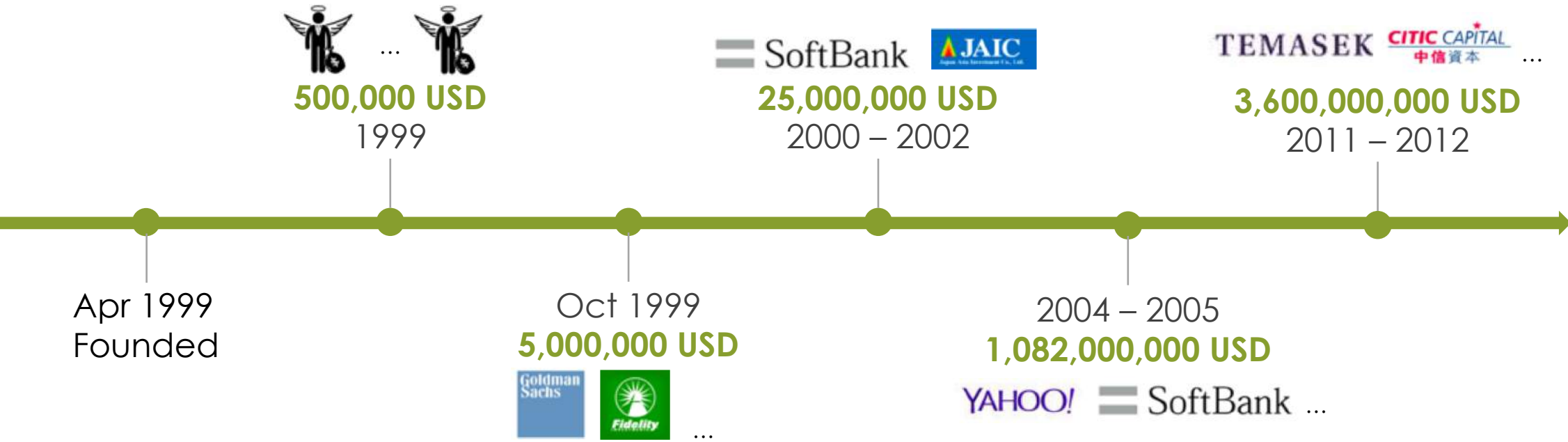
# Case Study - Google



## Human capital similarities among the BAs:

Operate in sectors of Google's strategy and goals	Have been start-up founders
Academic background in computer science, electrical engineering, business administration	Active, repeating investors
Have managerial experience	All reside in the US



# Case Study - Alibaba



## Human capital similarities among the BAs:

Operate in sectors of Alibaba's strategy and company goals	Academic background in business administration, physics
Have managerial experience	Active with various public positions in China
Have been founder of capital investment companies	

# SUMMARIZED BA COMMONALITIES

	Investment Experience	Socio-demographic Characteristic		Main Industry	Professional Experience			Academic Background
	Serial Investor	Nationality	Residence	Sector	Start-up (founder)	Executive Job	Dual Job (managerial & technical)	Degree Program
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Notes: commonalities in respective category for BAs founded in case studies \*\*\* = all BAs; \*\* = vast majority; \* = several; - = no correspondence



V.

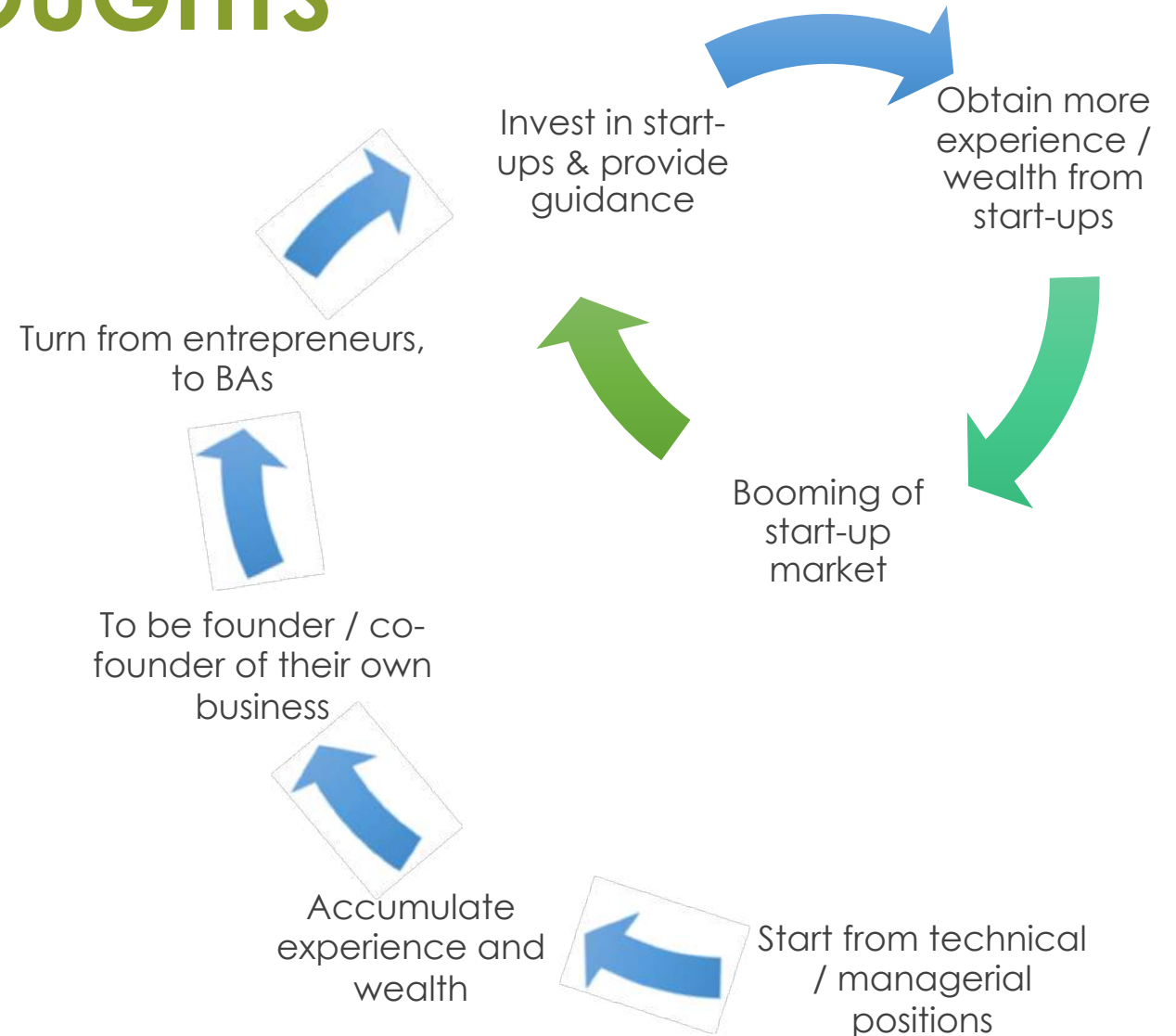
# DISCUSSION & THOUGHTS

# DISCUSSION AND THOUGHTS

- BAs represent **an important asset for new companies**, because they are **experts** in the industries where they invest and they **know how to organize a company**. It is often a combination of managerial experience and technical knowledge that truly defines an angel investor
- BAs in **China share a set of similarities** with BAs in the US. Development of BA market in China is going to the same direction as the US. The most remarkable aspect was, that the **investors were all Chinese** and **also reside in China**

# DISCUSSION AND THOUGHTS

- There is not yet a widely shared **definition of entrepreneurial ecosystem** for BAs
- The approach has occurred during the **past few years**
- A **spiral ecosystem for BA investment** could be drawn out



Source: World Economic Forum. (2014). Entrepreneurial Ecosystems Around the Globe and Early-Stage Company Growth Dynamics, January 2014

Stam, E. (2015). Entrepreneurial Ecosystems and Regional Policy: A Sympathetic Critique. European Planning Studies, 3:9, 1759-1769, DOI:10.1080/09654313.2015.1061484

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- Etc.

**THANK YOU!**  
**QUESTIONS?**