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New Questions for Business Angel Researchers

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1. The Changing Angel Market

past

Invisible
Atomistic
Individuals and ad hoc
groups
Hobby activity
Reliance on word of mouth
for deal flow

present

Visible
Organised
Syndicates and groups
Professional
Web sites

Does this make previous research redundant?



continued

- Research implications
 - New actor: the syndicate ‘gatekeeper’ (or manager)
 - **Definition and Role**
 - Operating models of syndicates
 - Changing the nature of ‘angeling’
 - **Investment decision-making: e.g. group-think, peer pressure, collective decision**
 - **Diminishing hands on role?**
 - **Motivation – less influence of ‘hot buttons’?**
 - **Involvement of ‘non-angels’**
 - Visible
 - **Opportunity for better data?**
 - **Neglect of the ‘invisible’ market?**
 - Links between visible and invisible markets



2. Who is an angel in the 21st century?

- *high net worth individuals who invest their own money, along with their time and expertise, directly in unquoted companies in which they have no family connection, in the hope of financial gain. (Mason, 2006)*
 - Is this definition still valid
 - Should we extend the definition to investors who do not meet these criteria?
 - What about equity-based crowd-funding: should they considered to be angels?



3. Size of Market

- “the total population of business angels and the scale of their investment activity “is unknown and probably unknowable” (WE Wetzel, jr, 1981)
- Must this remain the case?
- Increasing size of the visible market – angel groups: investment activity in this part of the market can be measured (UK, Canada)
- Can we accurately estimate the size of the overall market based from the visible market?
- Government is sitting on lots of data – e.g. tax incentives, co-investment funds. Are they willing to make these data available to researchers?
- BUT – must not forget about the ‘invisible’ market



4. Investment Processes

- Screening stage – effect of using different methodologies
- Detailed investigation stage – how the investment criteria change from the screening stage
- Negotiation stage – remains largely a ‘black box’
 - E.g. approaches to valuation
- Post-investment stage
 - Value-added contribution: what kind? Does it make a difference?
- Follow-on investing: what investment criteria (cf. initial investment?)
- Exit process
 - Exit process, barriers to exit
 - Returns data: how reliable is existing data? Can we get better data?
- Relationship with VC investors – is the funding escalator broken?



5. International comparisons

- Several national studies have been undertaken – but no supra-national studies
- How similar or different are national angel markets?
- What impact does framework conditions have on angel investment activity?
- Is there a distinctive European angel investment model?



5. Policy

- Economic impact of angels on entrepreneurship and economic development
- Returns to the taxpayer for the support of angel investors
- (more) effective policy interventions