INFLUENCING INVESTORS: AN EXAMINATION OF ANGEL INVESTOR PERCEPTIONS OF ENTREPRENEURIAL INVESTMENT OPPORTUNITIES

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ABSTRACT

This dissertation examines the factors which influence angel investor perceptions and their eventual investment decision. I propose a model which has perceived risk and expected return at its core. Visually, this model can be translated into a malleable hurdle rate which entrepreneurs must exceed to receive financing. In this model, influential factors can exert influence in two ways - by moving the investment relative to the hurdle rate and/or moving the hurdle rate relative to the investment. Using a survey data from 203 investment opportunities analyzed by 106 angel investors, this model is empirically tested. The direct effect of leadership quality and business quality had no effect on perceived risk, but leadership quality did have a direct effect on expected return (business quality could not be tested). Experience (as an investor, in industry, and as an entrepreneur), an angel characteristic, had no moderating effect on these relationships. Further analyses suggest that angel investors rely only on return expectations and seem not to consider risk when making investment decisions. Entrepreneur enthusiasm and having a social tie moderated the risk-investment relationship while personal relevance and risk aversion moderated the return-investment relationship. Finally, the nuances of social ties are examined with findings suggesting that entrepreneurs with stronger relationships with the investor benefited by securing investment to a greater extent than entrepreneurs with weaker ties or no ties. Other tie nuances did not seem to have an effect.