
Do business angels benefit their investee companies?

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ABSTRACT:

Entrepreneurial businesses often face financial and experiential gaps, which can constrain their growth. Business angels (BAs) can provide sources of financial, human, and social capital to overcome these gaps. Building on the work by Munck and Saublens, this paper aims to introduce a framework that seeks to provide a detailed understanding of the benefits that BAs can bring to the firms in which they invest. In order to obtain a detailed understanding of the benefits that BAs bring to their investee companies, semi-structured, in-depth telephone interviews were conducted from an investee perspective. The key managers of nine angel-funded companies were purposefully selected and the transcribed interviews analysed with the help of common qualitative analysis techniques.

KEY FINDINGS:

According to investee managers, BAs provide benefits in all four areas of the proposed framework. Specifically, BAs:

- help overcome funding gaps;
- fill knowledge/experience gaps through provision of their own expertise and involvement;
- provide a wide range of contacts and leverage further funding, including their own follow-on finance.

IMPLICATIONS FOR MANAGERS:

- In-depth interview data enabled a detailed exploration of the financial and non-financial benefits of BA funding from an under-utilised investee perspective.
- The paper's main value, however, lies in establishing the usefulness of a framework showing BAs' benefits in a structured manner.