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CONFLICTS IN BUSINESS ANGEL NETWORKS: AN EVOLUTIONARY PERSPECTIVE (SUMMARY)

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SUMMARY

CONFLICTS IN BUSINESS ANGEL NETWORKS: AN EVOLUTIONARY PERSPECTIVE

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Principal Topic

Organizations emerge and transform, and by transforming, the organization changes in a way that involves a major break with existing routines along the dimensions of goals, boundaries and activity systems (Aldrich 2000). At the outset of the studied business angel network, the common goal was that investments should be made locally, predominantly within electronics where participants had experience, in order to foster local growth.

Method

We have made interviews with all ten founders of a local business angel network in Sweden, as well as with other relevant actors in the local community. The interviews were semi-structured and lasted for about 2 hours each, all interviews were later transcribed.

Results and Implications

With time, it became apparent that different interpretations of the common goal co-existed within the network, which stemmed from two vastly different investment philosophies. The network started out with a given model based on the portfolio investment philosophy, an investment philosophy that mimics the one used by many venture capital firms, and indeed many of the ideas are taken from the venture capital industry (cf. Fiet, 1995; Manigart, et al., 2000).

The entrepreneurial development philosophy emerged over a long time among some of the more successful business owners involved in the network. These entrepreneurs have a genuine belief that if the portfolio firms are carefully managed and controlled it is possible to make every investment successful, provided a solid due diligence and selection process has been adhered to.

As activities increased in the company, the co-existing philosophies became conflicting philosophies. This led to a transformation as some of the local actors started an alternate network in addition to the old one. In this new network, a more traditional business angel approach is used in investment decisions as well as post-investment monitoring. We show that the quest for network, knowledge and resources (capital) led actors to accept a broad goal formulation. The inherent stress in the divergence between activities and the original goal led to a major break with a reaffirmation of goals, new boundaries (as several of the local business angels broke out) more suited to activities.

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