ANGEL INVESTORS AND ENTREPRENEURS: DO THEY LIVE HAPPILY EVER AFTER? (SUMMARY)

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SUMMARY

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DO THEY LIVE HAPPILY EVER AFTER?

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Principal Topic

Despite the importance of exit to both entrepreneurs and investors, little is known about what factors influence their intentions and motivations to voluntarily remain with or leave their businesses (DeTienne, 2008). With regard to external investors, previous exit studies have focused on investor preferences with regard to how (e.g. IPO, acquisition, trade sale) and when to exit, determinants of these exit preferences and the role of contracts in the exit decision (see, for instance, Mason and Harrison, 2002; Hellmann, 2006). None of them have looked into their intentions to exit though, nor approached this decision from a socio-psychological point of view. With regard to entrepreneurial exit, only recently have researchers begun to look into this crucial aspect of the entrepreneurial life cycle (DeTienne, 2008; Wincent et al., 2008). Therefore, building on and extending conflict theory, this paper studies the impact of perceived task and relationship conflicts as well as latent conflicts (as actual goal incompatibilities) between angel investors and entrepreneurs on their intentions to remain (invested) in the company.

Method

Data for this study were gathered in two locations: out of 107 (potentially) eligible Belgian companies, 28 participated and out of 805 (potentially) eligible Californian companies, 26 participated. Questionnaires were distributed to all entrepreneurial team members and angel investors who had a seat on the Board of Directors. Multigroup confirmatory factor analysis provided support for combining the Belgian and Californian samples into one larger sample, consisting of 54 teams and 137 individuals, of which 72 entrepreneurs and 65 angel investors. Hypotheses were tested using hierarchical linear modelling.

Results and Implications

The findings support the view that latent conflicts result in lower intentions to remain. As such, it should be considered equally important as perceived conflicts in that both have a significant, separate and unique impact on team members’ morale. The results further provide support for perceived task conflict’s negative effect on intent to remain, but not so for perceived relationship conflict. When the same model was run for individual-level satisfaction, the opposite results were found. This could point to deciding whether or not to stay in the team or company is more of a business decision for entrepreneurs and angel investors than an emotional one.

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