WOMEN ON THE EDGE OF A BREAKTHROUGH? TOWARDS A THEORY OF WOMEN ANGEL INVESTING (SUMMARY)

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SUMMARY

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TOWARDS A THEORY OF WOMEN ANGEL INVESTING

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Principal Topic

In this paper we develop a theory of women's participation in the angel investment market. First, women may have a lower propensity for risk and a more conservative attitude to investment, reflected in different patterns of investment activity. Second, the homophily principle, that similarity breeds connection, structures network ties of every type: as women are in different social networks than men and as a result have different access to social capital, their investment activity will differ. Third, research into competition and performance in heteronormative environments suggests that women perform less well than in single-sex environments, which would be reflected in lower participation in angel investing through mixed-sex groups. Fourth, there may be a 'glass wall' effect: for women: less diverse career tracks and lower levels of entrepreneurial backgrounds will be reflected in lower investment levels.

Methodology

We explore these issues using data from a new UK survey of 238 business angels (28 women) from 71 angel groups investing in a total of 472 businesses. This is one of the largest-ever surveys of angels in the UK.

Results and Implications

There is evidence to support our four propositions. First, on risk, women investors were less likely to invest in seed stage, made smaller investments and were less likely to invest in innovative ventures. Second, on homophily, women overall were much less likely than men to be members of angel groups, suggesting that similarity does indeed breed connection in this market. Third, on competition, women and men do appear to differ in how they participate in angel groups: women do not participate as fully as men nor do they use the knowledge and opinion of other investor members or gatekeepers/network managers in the same way as men. Fourth, on the glass wall, women are younger, less likely to have entrepreneurial backgrounds, and have less experience at board level in larger businesses. This suggests that the growth of women angels is bringing in women with different backgrounds, attitudes and experience. The paper concludes therefore with recommendations for policy, entrepreneurial practice (for investors and entrepreneurs) and research.

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