BUSINESS ANGELS’ INVESTMENT DECISION AND RISK AVERSION: A GENDER-RELATED DIFFERENCE PERSPECTIVE (SUMMARY)

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SUMMARY

BUSINESS ANGELS’ INVESTMENT DECISION AND RISK AVERSION: A GENDER-RELATED DIFFERENCE PERSPECTIVE

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Principal Topics

The literature on angel investors’ decision-making criteria highlights a great screening of candidates for financing by the angels’ group throughout the appraisal process (Clark, 2008; Mason and Harrison, 2003; Carpentier and Suret, 2015; Maxwell et al., 2011; Huang and Pearce, 2015). Some studies on gender differences in risk aversion showed that women were more risk averse than men (Barber and Odean, 2001; Deo and Sundar, 2015). However, some experiments also showed that individuals’ risk preferences were affected by the gender composition of the appraisal group to which they belonged (Booth and Nolen, 2012) or that a stereotype threat increased risk aversion in women when negative stereotypes about their abilities were relevant (Carr and Steele, 2010). Using the stereotype threat theory and the angel investors’ decision-making process, we analyze the risk aversion differences between female angels and their male counterparts.

Method

We collected data from 2011 to 2016 from one of the largest angels’ groups in France, a male-dominated angels’ group with only 7% of female membership. The data covered the characteristics of the 79 projects financed during this period, the information about the individual angels (the amount invested in each project at the end of the due diligence period and the characteristics of the investor) as well as the real-time reaction of each investor at the end of the pitch (the investment intention and his/her appraisal of the pitch).

Results and Implications

When they are outnumbered by their male counterparts during the pitches, female angels rate the credibility of business plans lower. There was no gender-related difference in risk aversion (measured by the average amount invested in each startup) when the decision was made at the end of the pitches. Interestingly, in the case of a discrepancy between their investment intention and their final decision, female angels invested a larger amount than male investors, which contrasts with studies linking extended decision times with doubt about the option under consideration (Van de Ven et al., 2010). As female investors take more risks when they are not under the pressure of a stereotype threat, our results suggest that the environment must be considered when assessing women’s risk-aversion.

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