ASSESSING BIASES ASSOCIATED WITH BUSINESS ANGEL RESEARCH: A THEORETICAL AND EMPIRICAL ANALYSIS OF THE SIZE AND DIRECTION OF VARIANCES BETWEEN NETWORKED AND REPRESENTATIVELY SAMPLED ANGELS (SUMMARY)

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SUMMARY

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Principal Topic

The current stock of knowledge regarding business angels or informal venture capital investors has been derived from convenience samples composed of business introduction services (BIS), business angel networks (BAN), snowball samples, business service association lists and other methods of convenience. However, angels who belong to BANs and BISs represent only the tip of the iceberg as regards the total population of angels. Because of the unusual samples associated with business angel research, the academy has been advised to acknowledge the biases associated with samples of networked angels. It is expected that findings from BAN-sampled studies should differ from a more representatively sampled group of angels, but no empirical studies have been undertaken to assess the magnitude and direction of these variances. This study uses information asymmetry and social network theory to advance propositions regarding the direction of variances between BAN-sampled angels and those sampled more representatively. Hypotheses are advanced regarding the differences as regards their investment motivations, their deal generation activities and cognition.

Method

The variables of research interest include deal generation, motivations and the cognitive heuristics of overconfidence and representativeness. The sample design was composed of a random, representative sample undertaken from the known population of incorporated businesses in Atlantic Canada, as well as a distribution to a new BAN in the region. A detailed postal survey acquired particulars about a number of investments over a long period of time. The biases and variances are assessed using principal components analysis and logistic regression.

Results and Implications

The identification of biases – formerly only estimated by speculation and guesswork, and with considerable variation – have the potential to add credibility to business angel research. Scholars can use these results to cite the biases intrinsic to their work when using convenience samples that are sampled from BANs. If significant deficits are found between the capabilities and behaviours of the representative group, policy-makers and angels then have superior information on which to base potential improvement efforts of BANs, or the content presented at angel academies. Practitioners may observe tangible benefits of joining a BAN and entrepreneurs may adjust their search techniques depending on the nature of the group or individuals they are soliciting.

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