KNOWLEDGE TRANSFER IN THE ANGEL-ENTREPRENEUR RELATIONSHIP (SUMMARY)

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Recommended Citation  
Available at: http://digitalknowledge.babson.edu/fer/vol27/iss2/5
SUMMARY

KNOWLEDGE TRANSFERENCE IN THE ANGEL-ENTREPRENEUR RELATIONSHIP

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Principal Topic

Previous researchers (Sahlman, 1990; Timmons, 1994) found that entrepreneurial firms receiving outside capital funding had higher success rates. The implication that something beyond the financial transactions transpired between the angel investor and the entrepreneur is suggested but not fully developed. This study builds from previous researchers (Chandler & Hanks, 1998; Gimeno, Folta, Cooper & Woo, 1997; Mayfield, 2000; Stuart & Abetti, 1990; Zacharakis & Eshghi, 1997) who anecdotally noted non-financial methods in which angels assisted entrepreneurs and the affects of information asymmetry on the angel-entrepreneur relationship.

Mayfield (2000) supported this issue with the application of the Prisoner’s Dilemma theory to the developing relationship between the angel and entrepreneur. Baron and Shane (2005) concluded that information asymmetry within the angel-entrepreneur relationship influences the exchange of information, and potentially affects knowledge transference, thereby inhibiting the success of the venture.

Within the context of information asymmetry, the purpose of this study is to determine what non-financial knowledge do angel investors transfer to entrepreneurs and concomitantly, how much of this knowledge do entrepreneurs receive.

Method

The authors interviewed five angels and the corresponding funded entrepreneurs at various points within their relationship to discover what types of knowledge the angel imparts to the funded entrepreneur and what knowledge the entrepreneur receives. The authors identified critical inflection points through exploration of the angel-entrepreneur relationship, resulting in the identification of information asymmetry affects on the transference of knowledge.

Results and Implications

Our research shows that the more experienced the angel, the greater the non-financial contributions to the entrepreneur. Specifically, the angels contributed through their reputation and personal network, thereby supporting Sahlman (1990) and Timmons (1994) supposition that outside capital funding contributes to entrepreneurial success. The entrepreneurs recognized that their access to lines of credit, suppliers, and customers resulted from the angels’ personal credibility, noting the magnitude of respect garnered through the relationship. Additionally, the angels contributed to the ventures success by recognizing gaps within the venture, recommending solutions to these gaps.

The angel and the entrepreneur noted asymmetry of information affects and critical inflection points revolving around money. The angels noted a quick response to any information asymmetry by reminding the entrepreneur of their power, and the ultimate goal, the ventures success.

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