THE ROLE OF INVESTESEE COMPANY MANAGERS IN BUSINESS ANGELS' POST-INVESTMENT INVOLVEMENT (INTERACTIVE PAPER)

Stephanie A. Macht  
*Newcastle Business School, UK, s.macht@northumbria.ac.uk*

John Robinson  
*Newcastle Business School, UK*

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INTERACTIVE PAPER

THE ROLE OF INVESTEES COMPANY MANAGERS IN BUSINESS ANGELS’ POST-INVESTMENT INVOLVEMENT

Stephanie A. Macht, Newcastle Business School, UK
John Robinson, Newcastle Business School, UK

Principal Topic

It is widely acknowledged that Business Angels (BAs) conduct post-investment involvement in their investee companies. However, the role that the Managing Directors (MDs) of investee companies play in such involvement has not been explored in the BA discipline and has only been touched upon by very few Venture Capital (VC) researchers (e.g. Sapienza et al., 1996). Most BA research assumes that investee managers simply accept all involvement (Wickham, 2006) and that BAs expect their contributions to be accepted (Busenitz et al., 1997). However, one small strand of research in the VC discipline referred to the degree of investee managers’ responsiveness, or receptivity, to investor involvement as an important determinant for investor-investee interactions (Barney et al., 1994; 1996). The fact that VC researchers have identified the issue of responsiveness, and thus the possibility of non-responsiveness, gave rise to the underlying research which set out to explore the role that investee managers play in BAs’ involvement.

Method

Four matched BA-MD dyads were purposefully selected to diverge according to the BAs’ levels of involvement; the individual dyadic parties were repeatedly interviewed over a one-year period. Interview questions were loosely structured around topics relating to involvement and the dyadic interactions. Subsequently, verbatim transcripts were subjected to common approaches of qualitative data analysis (Eisenhardt, 1989; Miles and Huberman, 1994; Yin, 2003). This allowed for the identification of emerging themes relating to investee managers’ role in BA involvement.

Results and Implications

This research identified various roles that investee managers can play in BA involvement. MDs’ responsiveness suggests that MDs can be considered ‘gatekeepers,’ whose reactions to involvement are crucial for involvement to happen or to add value. This gatekeeper role also determines whether BA involvement creates resources within the investee company (e.g. organisational capital) or the MD himself/herself (e.g. human capital). Moreover, MDs’ communication of their responsiveness (e.g. proactive and explicit vs. reactive and informal), MDs’ ability to initiate involvement and the ways in which MDs react to queries from their investors (e.g. rational vs. emotional response) affect BA involvement. This research adds to the debate about whether BA involvement adds value and suggests that it is important to view involvement not as a purely investor-centred concept.

CONTACT: Stephanie Macht; s.macht@northumbria.ac.uk; (T): 0044191-243-7658; City Campus East, Newcastle-upon-Tyne, NE1 2SW.