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THE IMPORTANCE ANGELS PLACE ON PASSION WHEN MAKING INVESTMENT DECISIONS: WHY DOES IT MATTER TO SOME AND NOT ALL ANGELS?

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ABSTRACT

Despite increasing interest in understanding the role passion plays in investor decision making, little is known about the conditions under which displayed passion is likely to play a significant role in this process. This study seeks to explain the individual characteristics of angel investors that influence the importance angels place on the passion displayed by the entrepreneur when angels make investment decisions. We use affective reactivity as our theoretical framework and integrate literature specific to each individual characteristic to explain how each characteristic likely impacts individuals’ affective reactivity and ultimately the importance these individuals place on passion when making investment decisions.

INTRODUCTION

Angels use various criteria when determining whether or not to invest in a new venture. These investment criteria involve aspects of the opportunity as well as criteria related to the entrepreneur, including commitment, passion, trustworthiness, domain expertise, and track record (MacMillan, Zemann, and SubbaNarashimha, 1987; Sudek, 2006; Tyebjee and Bruno, 1984; Van Osnabrugge, 1998). One investment criteria receiving increasing attention is entrepreneurial passion. Scholars suggest that both angels and VCs rate passion displayed by the entrepreneur as an important investment criterion (Carter and Van Auken, 1992; MacMillan et al., 1987) and recent work finds that the passion displayed by the entrepreneur impacts the passion perceived by angels and ultimately evaluations of funding potential (Cardon, Sudek, and Mitteness, 2009a).

Despite the increasing interest in this phenomenon, little is known about the conditions under which passion is more or less likely to play a significant role in individuals’ decision making. Qualitative evidence suggests that some angel investors place less importance on entrepreneurial passion than other factors (Cardon et al., 2009a). For example, in that study one angel argued that, “Passion is fine and necessary but is no replacement for planning, fact finding, execution and process.” Another suggested that, “It is just one element in the recipe… it would never be more important to me than intelligence but intelligence is insufficient without passion.” The purpose of this study is to explore the factors that influence the importance angels place on the passion of the entrepreneur when making investment decisions. We consider several individual characteristics of the angel investor, including social perception, cognitive style, personality dimensions of extraversion and neuroticism, regulatory focus, what motivated them to join an angel group, as well as demographic characteristic of age and gender.

This study contributes to the literature in several key ways. First, although there is increasing work on how passion may impact angel investment in general (cf. Cardon et al., 2009a), this research has looked at the venture level of analysis and aggregated all of the investor decisions by venture, focusing on characteristics of the venture and/or the entrepreneur and how they may
predict angel interest or investment. In contrast, we focus on the angel investor (not the entrepreneur) and the characteristics of angels that may impact their investment choices. This is an important shift in the focus of analysis. While the field has recognized that “personal chemistry” between the entrepreneur and potential investors can have a large impact on funding outcomes (e.g., Hisrich and Jancowicz, 1990), this chemistry has primarily been looked at by focusing on the entrepreneur’s interpersonal style, skills, and social competence, for example, to explain the “investor fit” (Fried and Hisrich, 1994), rather than examining the other side of the relationship and focusing on the characteristics of angel investors that may impact funding outcomes.

Second, prior work has looked at the interest in investing or actual investment of funds angels make in a particular business as a dependent variable. Our focus instead is on the importance of passion in the decision-making process of angel investors, which takes a more focused look at how angels make decisions about investment choices, more broadly than their specific decisions concerning a particular entrepreneur or venture. This has broader implications for understanding the process through which angels consider affect in their investments. Finally, we seek to contribute to the literature on affective reactivity by examining which individual characteristics increase affective reactivity. In this way, we add to our understanding of individuals within an entrepreneurship context, by focusing on angel investors rather than entrepreneurs, as is the current focus of this literature.

We proceed with a review of literature on affective reactivity and develop theory concerning which individual characteristics of angel investors may contribute to such reactivity, and therefore to the importance they place on displayed passion. We describe our methodology for a study designed to test our hypotheses, present our results, and then discuss implications for research and practice.

**AFFECTIVE REACTIVITY**

Affective reactivity concerns the quality and intensity of emotional responses to similar incentives and situational challenges people experience (Hagemann, Hewig, Naumann, Seifert, and Bartussek, 2005) and is known to differ across individuals (Davidson, 1998). Affective reactions to stimuli are often the first reactions that occur automatically and they guide future information processing and judgments (Zajonc, 1980). Therefore, affective reactions serve as an orienting mechanism that helps individuals navigate quickly and efficiently through uncertain situations (Finucane, Peters, and Slovic, 2003). Research regarding affective reactivity suggests that individuals that are better able to process affective cues appear to have a clear preference for those cues when making decisions (Finucane et al., 2003). “Even very important attributes may not be used by a decision maker unless they can be translated into an affective frame of reference” (Finucane et al., 2003). The more precise the affective impressions, the greater the weight affective cues exhibit in impression formation, judgment, and decision making (Hsee, 1996, 1998).

Investing in small, relatively unknown ventures involves considerable uncertainty, and one set of affective cues that may be particularly relevant to angel investors is the extent to which entrepreneurs display different types of passion. The passion an entrepreneur displays can lead investors to be more confident in the entrepreneur (Zacharakis and Shepherd, 2001), to get caught up in the excitement the entrepreneur displays (Cardon, 2008), to make more favorable judgments about the investment opportunity (Chen, Yao, and Kotha, 2009), and therefore to be more likely to invest in the business (Cardon et al., 2009a). As Chen, Yao, and Kotha (2009: 199) suggest,
passion can be critical to “convinc[ing] the targeted individuals to invest their money, time, and effort in the new venture.” This is because the display of positive emotion can be very persuasive (Baron, 2008) since it can provide a strong indication of how willing the entrepreneur is to invest his or her own time and effort needed to make the company a success (Vallerand et al., 2003). Affect can also reduce the level of perceived risk (Peters, Burraston, and Mertz, 2004).

Scholars have focused on three potential types of displayed passion – enthusiasm, preparedness, and commitment – although to our knowledge empirical tests have only been done on the first two (Cardon et al., 2009a; Chen et al., 2009). Enthusiasm reflects the affective state of entrepreneurial passion (Chen et al., 2009), and involves positive and intense feelings directed toward the venture and associated activities (Cardon, Wincent, Singh, and Drnovsek, 2009b). Entrepreneurs display enthusiasm through giving animated presentations using rich body language and facial expressions and by using language that is active and intense when talking about their businesses, for example. Preparedness is a cognitive manifestation of passion, where entrepreneurs who are very passionate about their ventures often spend more time thinking about them and preparing for the future. A well thought-out plan “reveals the time, effort, and resources the author has invested, or how prepared he is” (Chen, et al., 2009: 202). Chen and colleagues report that preparedness may be even more important than enthusiasm for some investors, although Cardon and colleagues (2009a) found that both enthusiasm and preparedness play an important role in the angel investment process.

Although angel investors, in general, have indicated that the passion entrepreneurs display is important to their decision-making, at least for some types of displayed passion, there are a number of angel investors who reportedly do not find displayed passion to be important (Cardon et al., 2009a). The purpose of our study is to explore the individual characteristics of angel investors that impact whether or not (and to what extent) displayed passion matters to them.

**Angel Investors and Displayed Passion**

We integrate the literature on affective reactivity and angel investors to develop hypotheses concerning seven individual characteristics of angel investors that we suggest will impact the importance they place on displayed passion in their investment decisions: social competence, cognitive style, personality (extraversion and neuroticism), regulatory focus, motivation, age, and gender. We discuss each in turn.

**Social Competence.** Hoehn-Weiss, Brush, and Baron (2004) argue that an entrepreneur’s social competence is critically important when entrepreneurs meet with potential investors in the early phase of venture creation in order to try to persuade them to provide capital to the firm. They suggest this is because the entrepreneur’s presentation conveys information about the opportunity as well as the ability of the entrepreneur. We add to this thinking and suggest that the presentation can also convey information about the entrepreneur’s passion for the venture, including both their positive feelings about the venture and opportunity and the personal meaningfulness of the venture to their self-identity. Social competence includes persuasion, social adaptability, impression management, and social perception (Markman and Baron, 2003), and “captures the combined effects of various social skills such as the ability to perceive others accurately, make a good first impression, and persuade others to change their views or behavior” (Hoehn-Weiss et al., 2004). We focus on social perception, the ability to perceive others accurately, including gauging their moods and emotions, “their underlying motives, and their personal characteristics” (Baron and Markman, 2000). This is an important skill in a number of business contexts, and in particular in entrepreneurship (Markman and Baron, 2003). Individuals
skilled at social perception may find it easier to understand other people, including determining if they are being honest or not, and therefore they are better able to choose partners and key employees (Baron and Markman, 2000).

Similarly, angel investors who are skilled at social perception may be better able to determine if information conveyed by entrepreneurs is accurate and complete. This includes emotional information, such as displays of passion. Chen, Yao, and Kotha (2009) and Cardon and colleagues (2009a) suggest that displayed passion can be important to angel investors, and the latter group argue that some angel investors are capable of determining whether or not such displays are authentic. We argue that angel investors with a high degree of social perception will place greater importance on displays of passion because they are able to assess the authenticity of such displays. Based on the literature on social competence, we propose the following:

**H1:** There will be a positive relationship between social perception and the importance angels place on displayed passion when evaluating a company for investment.

**Cognitive Style.** Cognitive style is an important determinant of individual behavior (Sadler-Smith and Badger, 1998) and indicates an individual’s automatic way of organizing and processing information and situations to arrive at judgments (Riding and Rayner, 1998; Streufert and Nogami, 1989). Everyone has a preferred cognitive style and perceives themselves and others as existing along a continuum ranging from highly adaptive to highly innovative (Kirton, 1976; Kirton, 2003). Adaptors (i.e. Analysts) use a structured approach to problem solving and use rational thinking, basing judgment on mental reasoning; they process things analytically. In contrast, Innovators (i.e. Intuitivists) use an open-ended approach to problem solving and use intuition, basing judgment on feelings (Allinson and Hayes, 1996; Kirton, 2003). Innovators use an experiential, rather than analytical, processing system to understand reality; therefore, the experiential system, as opposed to the analytic system, is linked to emotion and affect (Slovic, Finucane, Peters, and MacGregor, 2002). Due to individuals with an Innovator cognitive style (a low cognitive style score) being more likely to perceive and be responsive to displays of passion than individuals with a more adaptor cognitive style (a high cognitive style score), we hypothesize:

**H2:** There will be a negative relationship between cognitive style and the importance angels place on passion when evaluating a company for investment.

**Personality.** Research on the structure of personality has converged around a model of five factors - conscientiousness, extraversion, agreeableness, neuroticism, and openness (Digman, 1990; Judge, Bono, Ilies, and Gerhardt, 2002). We focus on extraversion and neuroticism since prior work has suggested that both are related to affective reactivity. Individuals that score high on extraversion (i.e. extraverts) appear gregarious and sociable (Barrick and Mount, 1991) and are more likely to react to positive stimuli (Rusting and Larsen, 1998). This suggests that extraversion is positively related to affective reactivity. Extraversion also leads to positive affective responses to pleasant stimuli (Gross, Sutton, and Ketelaar, 1998). Based on this research, we expect individuals high in extraversion to place more importance on the emotional stimuli of the passion entrepreneurs display to angel investors, and to react positively to displayed passion.

In contrast, individuals scoring high in neuroticism may lack emotional stability because they appear distressed, dissatisfied with life, or as having a negative self-concept (Barrick and Mount, 1991; Labianca and Brass, 2006). Neuroticism leads people to experience negative affective responses to unpleasant stimuli (Gross et al., 1998), and individuals scoring low rather than high
in neuroticism often appear content, secure, and have a positive self-concept and outlook on life (Labianca and Brass, 2006). This suggests that neuroticism is positively associated with affective reactivity and thus that angel investors higher in neuroticism will place more importance on displayed passion.

\[ \text{H3: There will be a positive relationship between extraversion and the importance angels place on displayed passion when evaluating a company for investment.} \]

\[ \text{H4: There will be a positive relationship between neuroticism and the importance angels place on displayed passion when evaluating a company for investment.} \]

Regulatory Focus. Individuals with similar goals possess different ways of achieving these goals due to their regulatory focus (Higgins, 1997). Although individuals experience both types of regulatory foci - promotion and prevention focus - they have a predisposition for one or the other (Higgins et al., 2001). Individuals high in promotion focus attempt to ensure hits and ensure against errors of omission, making them more sensitive to the presence or absence of positive outcomes. High prevention focus makes individuals more sensitive to the absence or presence of negative outcomes. These individuals attempt to ensure correct rejections and ensure against errors of commission (Higgins, 1997). Entrepreneurship research suggests that at the earliest stages of the entrepreneurial process, individuals with high promotion focus excel because they are able to better able to consider new possibilities and generate alternatives than individuals with high prevention focus (Brockner, Higgins, and Low, 2004). We extend this logic by considering how the ability of individuals with high promotion focus to consider new possibilities facilitate their increased responsiveness to positive displays of passion, whereas individuals high in prevention focused will be more resistant or skeptical to positive displays of passion.

\[ \text{H5: There will be a positive relationship between regulatory focus dominated by promotion focus and the importance angels place on passion when evaluating a company for investment.} \]

Motivation. Often individuals are motivated to become angel investors out of a desire to share the wisdom gained through their experience and expertise as entrepreneurs themselves (e.g., Benjamin and Margulis, 2000; Van Osnabrugge and Robinson, 2000); they are motivated to become angels in order to mentor others. For example, Cardon and colleagues (2009a) found evidence that angel investors look for “openness” of entrepreneurs to such guidance when making investment decisions. When angels are motivated by the desire to mentor entrepreneurs, they may be more likely to pay attention to the passion entrepreneurs display, and to seek entrepreneurs with a moderate to high, but not extreme amount of displayed passion. This is because entrepreneurs who are passionate about their ventures are likely to do whatever it takes to make the venture successful, including accepting good advice from experts in their industries or those with entrepreneurial experience, such as angel investors. However, too much passion can also lead entrepreneurs to process information less systematically (George and Jones, 2000) or to become obsessive about things (Vallerand et al., 2003), which is why angel investors motivated to mentor entrepreneurs likely prefer a moderate amount of displayed passion, where the entrepreneur is enthusiastic and thoughtful about their venture (prepared), but not so much so that they are impervious to input and advice that could improve their venture plans and performance.

\[ \text{H6: There will be a positive relationship between motivation to mentor and the importance angels place on passion when evaluating a company for investment.} \]
Age. Research in psychology suggests that older adults often experience more positive emotions than do young adults (Charles, Piazza, Luong, and Almeida, 2009; Story et al., 2007). This could be because younger adults are more focused on achieving goals and planning for the future, which leads them to pursue such goals in social situations, sometimes at the cost of emotional well-being (Charles et al., 2009). Older adults instead often focus on improving or at least maintaining their emotional well-being (Carstensen, Isaacowitz, and Charles, 1999), such as by avoiding negative situations (Charles and Carstensen, 2007; Charles et al., 2009). In a recent study of age and affective reactivity in response to potential arguments, Charles et al. (2009) found that older adults also experience greater affective reactivity to actual arguments over avoided arguments, suggesting that older adults engage in active emotion regulation strategies in order to maintain their emotional well-being and minimize their affective reactivity. In terms of angel investors, we suggest that older angels will find displayed passion to be an important component of their investment decision because they are more attuned to affective displays and therefore should be more focused on carefully evaluating the extent and type of passion entrepreneurs display to them.

H7: There will be a positive relationship between age and the importance angels place on displayed passion when evaluating a company for investment.

Gender. Empirical results suggest women have greater levels of affective reactivity than men (Hagemann et al., 1999). Women report more intense emotional responses (Gross and Levenson, 1995; Hagemann et al., 1999), longer latencies in startle responses (Kumari et al., 1996), and more pronounced facial activity (Hubert and de Jong-Meyer, 1990) in response to both positive and negative films. Consistent with this literature, we predict that female angel investors will find displayed passion as more important than male angel investors, due to the greater affective reactivity of women as compared to men.

H8: Females will indicate displayed passion as more important when evaluating a company for investment than males.

METHODS

Data Source

Data were gathered from angels representing multiple US angel investment groups. These angels do not invest as a group; rather each angel in the group decides independently whether to invest in a firm. From the fall of 2008 through the winter of 2010, 1476 angels were asked to participate in this study and 261 angels completed the survey, yielding a response rate of 18%. Twenty one angels were removed from sample because they were members of angel groups with fewer than three respondents for a sample size of 240.

Measures

The two dependent variables used in this study were adapted from Chen and colleagues (2009) to capture two dimensions of passion - enthusiasm (an affective manifestation of passion) and preparedness (a cognitive manifestation of passion). The items pertaining to enthusiasm included how important it is that the entrepreneur has energetic body movements, rich body language, animated facial expressions, used a lot of gestures, face lit up, and spoke with varied tone and pitch. The items for preparedness included how important it is that the presentation content had substance, was thoughtful and in-depth, was coherent and logical, as well as the presenter
articulated the relationship between his/her business plan and the broader context and cited facts to support his/her arguments. The adaptation from Chen and colleagues (2009) was that instead of asking angel investors to rate entrepreneurs on these items (to what extent an entrepreneur exhibited each of these things), we asked angel investors how important each item is to them when they evaluate entrepreneurs and make funding decisions. Respondents used a five-point Likert scale (1=disagree, 5=agree) for all items and we took the mean of the items related to each dimension to determine a score for the importance of each dimension of passion.

Social perception (Baron and Markman, 2003) was measured using responses to the following questions: “I’m a good judge of other people”, “I can usually recognize others traits accurately by observing their behavior”, “I can usually read others well and tell how they are feeling in a given situation”, “I can tell why people have acted the way they have in most situations”, and “I generally know when it is the right time to ask someone for a favor.” Respondents used a five-point Likert scale (1=disagree, 5=agree) for all items and we calculated the mean of these items. We measured cognitive style using the cognitive style index developed by Allinson and Hayes (1996). Angels responded to 38 items using a trichotomous response scale ranging from 0 to 2 (true – uncertain – false). A high score indicates a more analytical and less intuitive cognitive style. Personality of the angel was measured using a Big Five Personality Instrument (Saucier, 1994) and we used the measures of extraversion and neuroticism from that instrument.

The regulatory focus measurement consisted of an 18-item scale developed by Lockwood and her colleagues (2002). This scale was developed to measure the extent to which individuals vary on the two subscales of promotion and prevention focus theorized by Higgins (1997). We amended some of the items to pertain to the investing context instead of the academic context used in the original scale. The endpoints of this scale indicate “not at all true of me” (1) and “very true of me” (5). We calculated a measure for strength of promotion focus and a measure for strength of prevention focus by averaging the items belonging to each of these subscales. We calculated the degree to which someone is more promotion focused than prevention focused by subtracting the prevention score from the promotion score. Therefore positive scores on this scale reflect a greater promotion focus than prevention focus. Angels indicated their motivation for becoming a member of the angel organization by splitting 100% among five categories. The categories consisted of “to make money”, “to educate yourself about investing”, “to interact with entrepreneurs and other angels”, “to mentor entrepreneurs”, and “to help build or create startup companies”. For this study we focused on the responses to being motivated to become an angel in order “to mentor entrepreneurs”. We used the entrepreneur’s age in years in the analysis. Gender was dichotomous with 1 indicating a male and 0 indicating a female.

**RESULTS**

The model developed in this paper proposes that angels’ individual characteristics impact how important displayed passion is to angel investors when entrepreneurs present their new ventures. Table 1 provides means, standard deviations and correlations for variables used in the study. Fairly low correlations among the independent variables indicate multicollinearity is not an issue. In addition, our diagnostic tests indicate that the data do not violate assumptions of linearity, homoskedasticity, and independence. However, we did find an issue when testing the assumption of normality. Both dependent variables are left skewed (-1.232 for enthusiasm and -1.586 for preparedness). Box-Cox transformation uses a maximum likelihood method to determine the optimal power required to transform variables for purposes of normalization of data (Box and Cox, 1964). This analysis indicated the power transformation required to normalize enthusiasm as 2.5 and 2.9 for preparedness. Although the degree of skewness was reduced (.070 for enthusiasm
and -.777 for preparedness), even after these transformations the test of normality (Kolmogorov-Smirnov & Shapiro-Wilk) still indicates a lack of normality in the data. Because of this, our results should be considered exploratory.

Table 2 shows results of the multiple regression analysis. Hypothesis 1 proposed social perception would be positively related to the importance angels place on displayed passion when evaluating a company for investment. Support for this hypothesis was found for enthusiasm (b = .197, p < .01) but not for preparedness (b = .014, p > .05). Hypotheses 2 suggests cognitive style would have a negative relationship with the importance of passion due to a low cognitive style score indicating a more intuitive way of processing information. Surprisingly, cognitive style exhibited a positive relationship with preparedness (b = .188, p < .01) and no relationship with enthusiasm. Both extraversion and neuroticism were hypothesized to exhibit a positive relationship with the importance of passion. Support for hypothesis 3 involving extraversion was found for enthusiasm (b = .183, p < .05) and no support was found for hypothesis 4 which involves neuroticism.

Hypothesis 5 proposed there would be a positive relationship between regulatory focus and the importance angels place on passion. We find support for this hypothesis for preparedness but not for enthusiasm (b = .157, p < .05 and b = .092, p > .05, respectively). Motivation to mentor was expected to exhibit a positive relationship with the importance of passion (hypothesis 6). Surprisingly, motivation to mentor instead demonstrates a negative relationship with preparedness (b = -.178, p < .01). Support for hypothesis 7 was found when examining the relationship between age and enthusiasm but not when predicting preparedness (b = .215, p < .01 and b = .092, p > .05 respectively). The last hypothesis stated that females would indicate displayed passion as more important than males. Evidence of this effect was found when examining preparedness but not enthusiasm (b = -.158, p < .05 and b = .088, p > .05 respectively).

**DISCUSSION**

Researchers have argued that passion is a critical component of entrepreneurship (e.g., Bird, 1989; Cardon et al., 2009b), and an important part of angel investing (Cardon et al., 2009a; Sudek, 2006). We add to this literature by providing an empirical assessment of the factors that impact the extent to which passion is important to angel investors. There are research and practical implications of our findings.

First, our findings add to the literature on entrepreneur-investor relationships (e.g., Fried and Hisrich, 1994; Hisrich and Jancowicz, 1990) by focusing on the cognitive style, motivation, demographics, and social competence of angel investors and how these factors influence the cues angel investors attend to during the investment process. In particular, we found evidence that angel investors who are high in social perceptiveness and extraversion, as well as those who are older, place more importance on the displayed passion of enthusiasm, the expression of positive and intense feelings entrepreneurs have for their businesses and/or products. In contrast, angels who placed more importance on preparedness of entrepreneurs, a cognitive manifestation of displayed passion, appear to be more analytical in cognitive style, have more of a promotion focus, less of a motivation to mentor entrepreneurs, and were women. This suggests that broad generalizations about what angel investors find important in their investment decisions, while important, may not tell the full story since there appear to be differences among angel investors in terms of which aspects of displayed passion they find important based on their unique characteristics. We provide evidence that angel investors do not represent a homogenous group of investors.
Our findings also provide further evidence for the distinction in the type of displayed passion being examined (Cardon et al., 2009a; Chen et al., 2009). The literature has made claims that passion, in general, can make entrepreneurs more persuasive (Baron, 2008) and more successful in acquiring resources from outsiders. Yet our results suggest that different types of displayed passion may yield different results in this regard, since angel investors place varying importance on entrepreneurs’ enthusiasm versus their preparedness.

Finally, we add to the literature on affective reactivity. Angel investing represents an interesting context to examine affective reactivity because affect has a greater impact on cognition in environments that are highly unpredictable and filled with rapid change, which is quite true of entrepreneurship (Baron, 2008; Forgas, 1995). Our results support research on social perception and affective reactivity that indicate that a lot of useful and reasonably accurate information can be acquired from others from brief encounters (Zebrowitz and Collins, 1997). Further, the social and affective information gathered can impact decisions, whether through processes of lowering risk perceptions (e.g., Peters et al., 2004), or through the use of an “affect heuristic” (Slovic et al., 2002), where people base their judgments of an activity or person not only on what they think but also on how they feel. When the judgment is good, risks are seen as low and benefits high, and when the judgment is bad, risks are seen as high and benefits low. Overall this process is one in which affective perceptions direct and drive decisions (Peters et al., 2004). Our results support this perspective, given that angel investors rate passion as “highly important” to their investment decisions (Cardon et al., 2009a), but also suggest that the affective-decision process differs not only based on characteristics of entrepreneurs exhibiting that affect, but also based on the characteristics of angel investors perceiving and reacting to it.

The results of this study suggest there are practical implications for both entrepreneurs and angel investors with regards to the investment decision process. Entrepreneurs should consider how individual characteristics of investors may impact their ability to get funding. First, entrepreneurs should understand the impact of the two types of passion discussed, enthusiasm and preparedness. Entrepreneurs who might not display enthusiasm may want to consider how to express more energy and richer body language when presenting their venture, especially to older, extraverted angels who appear to have a high degree of social perceptiveness. Preparedness is displayed in how thoughtful and in-depth organized the presentation is, as well as whether the entrepreneur supports his/her arguments. An audience that is more analytical or contains more women than men may be more receptive to a strong preparedness style. However, entrepreneurs need to be aware that high preparedness could indicate a lack of flexibility and may turn off angels with a strong motivation to mentor. Some of the characteristics would be difficult for an entrepreneur to access before presenting, however, asking questions about the makeup of an angel group in advance of the presentation, and asking questions during the presentation may provide cues to help the entrepreneur understand the characteristics of the angels.

Angels should become more aware how their characteristics may impact their perception of an investment opportunity. This study suggests that angels that belong to angel groups may want to profile their members and attempt to create more heterogeneous screening groups when evaluating investment opportunities. Some angels groups screen with small initial committees (1-3 angels), before they have the entrepreneur present to the boarder membership. Many angels are motivated to invest for different reasons. This study shows that motivation may impact how angels evaluate opportunities. Becoming more aware of their motivation to invest and how their characteristics may impact their perception of an opportunity may lead some angels to strive to be more
objective. In addition, angels may want to seek input from other angels on a specific opportunity who may have different motivations and characteristics.

This study reminds us that the interaction between entrepreneurs and angels is not just about the objective components of the business plan and return on investment, but rather how characteristics of each party play into the investment decision. Often angels see a presentation before a business plan, thus the interaction and relationship that starts to develop in the screening process impacts entrepreneurs’ ability to get funding, and our results suggest that displayed passion is an important part of this interaction.

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REFERENCES


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<td>-.109</td>
<td>.001</td>
<td>.061</td>
<td>.058</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Age</td>
<td>55.16</td>
<td>10.77</td>
<td>238</td>
<td>.171*</td>
<td>.041</td>
<td>-.144*</td>
<td>.067</td>
<td>-.036</td>
<td>.171**</td>
<td>-.127</td>
<td>.068</td>
<td></td>
</tr>
<tr>
<td>10. Gender</td>
<td>.76</td>
<td>.43</td>
<td>240</td>
<td>.063</td>
<td>-.150*</td>
<td>-.090</td>
<td>.023</td>
<td>-.174**</td>
<td>-.072</td>
<td>.036</td>
<td>.049</td>
<td>.105</td>
</tr>
</tbody>
</table>

*p < .05; ** p < .01
Table 2: Multiple Regression Results

<table>
<thead>
<tr>
<th></th>
<th>Enthusiasm</th>
<th>Preparedness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Perception</td>
<td>.197**</td>
<td>.014</td>
</tr>
<tr>
<td>Cognitive Style</td>
<td>-.052</td>
<td>.188**</td>
</tr>
<tr>
<td>Extraversion</td>
<td>.183*</td>
<td>.039</td>
</tr>
<tr>
<td>Neuroticism</td>
<td>-.009</td>
<td>-.069</td>
</tr>
<tr>
<td>Regulatory Focus</td>
<td>.092</td>
<td>.157*</td>
</tr>
<tr>
<td>Motivation-Mentoring</td>
<td>-.018</td>
<td>-.178**</td>
</tr>
<tr>
<td>Age</td>
<td>.215**</td>
<td>.092</td>
</tr>
<tr>
<td>Gender</td>
<td>.088</td>
<td>-.158*</td>
</tr>
</tbody>
</table>

R^2                             .154***   .111**
adjusted R^2                    .117       .076

Standardized regression coefficients are displayed in the table.

*p < .05
**p < .01
***p < .001