SOCIAL INFLUENCE IN ANGEL INVESTING (SUMMARY)

Cheryl R. Mitteness
Northeastern University, c.mitteness@neu.edu

Richard Sudek
Chapman University

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Social Influence in Angel Investing

Cheryl R. Mitteness, Northeastern University, USA
Richard Sudek, Chapman University, USA

Principal Topic
Social influence describes processes by which individuals modify their attitudes, perceptions, or behavior to that of others in their social environment (Barry, 2001; Leenders, 1997; Raven, 2001; Salancik & Pfeffer, 1978). Individuals strive to make accurate decisions but also attempt to develop and preserve meaningful social relationships (Wood, 2000). Therefore, they allow themselves to be influenced in order to reduce uncertainty and validate private beliefs, but also to avoid social rejection and become accepted as part of the group (Deutsch & Gerard, 1955). We develop a theoretical model explaining when each interaction structure leads to social influence by integrating literature regarding each of the three types of interpersonal relations typically found in organizations – advice, friendship, and adversarial relations into social influence theory.

Method
Data were collected from angels representing a chapter of one of the largest angel organization in the United States. We used self-administered questionnaires to collect data regarding interpersonal relations in June 2008 and measures of felt influence were collected in October 2008. Another dependent variable capturing potentially unfelt influence (investment similarity) was collected by the angel organization as new ventures received funding.

This study maintains the dyad as the unit of analysis. For the influence to invest scenario, we asked angels to respond based on the most recent company in which they had made an investment. A second decision scenario involved angels responding based on the most recent company they strongly considered making an investment but ultimately decided not to invest. For the interpersonal relation data, angels indicated the extent to which they have gone to each angel for investing advice in the past and how they generally feel about each angel to determine friendship and adversarial relations. Due to the autocorrelation in network data sets, multiple regression quadratic assignment procedure (MRQAP) was used (Dekker, Krackhardt, and Snijders 2007).

Results and Implications
This study extends Friedkin’s (1993) model of interpersonal influence by integrating literatures involving interaction structures, interpersonal relations, uncertainty, and motivation to develop a framework for examining social influence in different influence scenarios. The findings underscore the importance of considering the social forces that surround angels when they are making funding decisions.

CONTACT: Cheryl Mitteness; c.mitteness@neu.edu; (T): 617-373-3728; 360 Huntington Ave, Boston MA 02115.