ARE YOU AN ANGEL? NON-MONETARY AND OTHER-REGARDING UTILITY COMPONENTS IN BUSINESS ANGELS’ INVESTMENT DECISIONS (INTERACTIVE PAPER)

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INTERACTIVE PAPER

ARE YOU AN ANGEL?
NON-MONETARY AND OTHER-REGARDING UTILITY COMPONENTS IN BUSINESS ANGELS’ INVESTMENT DECISIONS

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Principal Topic
We investigate the financial and nonfinancial motivations of business angels to invest into new ventures as well as their values. More precisely, we would like to answer the following questions: (1) Do business angels primarily invest for financial reasons? (2) Do business angels invest also for nonfinancial reasons? (3) Can the relative weight of monetary and non-monetary investment motives be traced back to personal values?

Method
We approach these questions via the use of multi attribute utility theory. In decision theory, multi attribute models are used to evaluate options that have more than one utility dimension. We assume that a business angels’ overall evaluation of an investment depends on multiple dimensions, part of them financial (F), part of them nonfinancial (NF). These dimensions can also be categorized into self- (SR) and other-regarding (OR). We derived six variables from literature that are suggested to be the motivators of business angels: return (F-SR), default risk (F-SR), fun of project type (NF-SR), enjoying interaction with a specific person (NF-SR), person-directed altruism (NF-OR), society-directed altruism (NF-OR). Our empirical analysis persists of two parts: First, we conduct a conjoint analysis on the above dimensions to quantify the relative importance of the different utility components of business angels. In our conjoint experiment, a group of active business angels compares hypothetical venture profiles for making an informal investment. Second, we investigate the role of personal values for evaluating investment decisions of business angels. We applied the German language version (Roth, 1972) of an established psychological test for personal values (Allport et al., 1951), to determine whether or not angels’ individual personal values have an impact on their relative weights of different financial and nonfinancial as well as self-regarding and other-regarding attributes.

Results and Implications
Data collection is only partially completed yet, so that a report on findings is not possible at this point. We do, however, expect pronounced differences in the weight of different investment dimensions between business angels and a significant impact of the individual personal values on those weights.

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