LIFTOFF: WHEN STRONG GROWTH IS PREDICTED BY ANGELS AND FUELLED BY PROFESSIONAL VENTURE FUNDS (SUMMARY)

Christophe Bonnet  
Grenoble Ecole de Management, christophe.bonnet@grenoble-em.com

Peter Wirtz  
Université Lyon 3

Recommended Citation
Bonnet, Christophe and Wirtz, Peter (2013) "LIFTOFF: WHEN STRONG GROWTH IS PREDICTED BY ANGELS AND FUELLED BY PROFESSIONAL VENTURE FUNDS (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 33 : Iss. 1 , Article 2.  
Available at: https://digitalknowledge.babson.edu/fer/vol33/iss1/2
This research is an attempt to link knowledge about business angels’ individual cognitive features and about their co-investment practice with professional venture funds in explaining differential rates of growth of young entrepreneurial ventures. Previous research has identified two cognitive dimensions, along which business angels may differ, and which appear as particularly relevant in an entrepreneurial setting: prediction and control (Wiltbank et al. 2009). Our central assumption is that business angels who have a predictive approach when they make investment decisions are more likely to solicit professional venture funds at early stages in the investment process, when they perceive a high potential growth, because their predictive approach enables them to translate perceived growth prospects to professional investors at a low cognitive cost. This makes simultaneous (vs. sequential) co-investment with venture capitalists a viable solution and, given the complementarities between business angels and formal venture capitalists, such a configuration can be considered to be particularly conducive to strong growth rates.

We conducted a survey by questionnaire and were able to gather and analyze a unique dataset concerning the characteristics, investment practice and growth performance of a sample of 124 French business angels having made a total of 222 investments.

Our contribution to the literature is twofold: first, to our knowledge, the present study is the first systematic exploration of the investment practice of business angels in France, and thus helps extend our knowledge of angel investing. Descriptive results of the characteristics of French business angels are consistent with earlier results in North America and the United Kingdom except that the average amount of capital invested by French business angels appears to be significantly smaller.

Second, we make a specific contribution to a better understanding of the determinants of growth in ventures funded by business angels. It appears that business angels who share cognitive features with venture capitalists - i.e. who are high on the prediction scale – are more likely to co-invest simultaneously with venture capitalists, and that this configuration is associated with higher growth rates in sales in the investee companies.

CONTACT: Christophe Bonnet; christophe.bonnet@grenoble-em.com; (T): +336 13 23 73 19; (F): +334 76 70 61 38; Grenoble Ecole de Management, 12 rue Pierre Semard, 38000 Grenoble, France.