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Understanding the drivers of success in the Business Angel – entrepreneur relationship

Analyza faktoru uspesnosti mezi business angels a podnikately

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Abstraktní

Andělské investice hrály klíčovou roli v raném vývoji mnoha nejznámějších světových firem. Facebook, Google, Apple, Ford a Amazon mají společný jeden aspekt: všechny tyto firmy byly zpočátku financovány prostřednictvím andělské investice. Tyto společnosti obohatily životy tolika lidí, že je těžké si představit život bez jejich produktů. V současné době však není dost zveřejněných výzkumů zabývajících se počátečními interakcemi mezi investory a podnikateli a také tím, jak podnikatel může zvýšit pravděpodobnost zajištění investic.

Cílem této práce je zkoumat komplexitu výše uvedených interakcí, vysvětlit interakce a umožnit pochopení nástrojů, které vedou k úspěšným dohodám mezi vyjednávacími stranami. Větší pochopení těchto skutečností může pomoci budoucím podnikatelům zjistit, co motivuje andělské investory, aby investovali do některých projektů, a co podnikatelé naopak mohou od těchto investorů očekávat. Tato práce také zkoumá motivy pro investice ze strany investorů. Pro analýzu byla použita induktivně-deduktivní metoda, která byla aplikována na pořadu Den D. Počáteční fáze interakce mezi podnikateli a investory byly zkoumány a analyzovány. Zjištění pak byla porovnána s existující literaturou. Výsledky naznačují, že podnikatelé se rozhodují pro určité investice nejen kvůli zisku, ale také proto, aby mohli použít své zkušenosti z podnikání a využít své obchodní kontakty.

Klíčová slova: Dragons Den, Podnikatelé, Business Angels

MSc Thesis Final Report

Understanding the Drivers of Success in the Business Angel - Entrepreneur Relationship

A Dragons' Den Study

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Abstract

Angel investment has played a crucial role in the early development of many of the world's best-known brands. Indeed, Facebook, Google, Apple, Ford and Amazon all have one little known aspect in common; they were all initially funded through angel investment. These companies have added so much to people's way of life that it is hard to imagine life without their products. However there is a lack of published research dealing with the initial angel/entrepreneur interaction and how an entrepreneur may increase the likelihood of securing investment. This study aims to examine the complexities of this interaction, to clarify the interaction and increase our understanding of the drivers of success that lead to both parties agreeing a deal. A greater understanding of these issues may help future entrepreneurs to know what motivates angel investors to invest in certain projects and what entrepreneurs in turn expect of the angels. This paper investigates the motives for investment from the investors' side as well. An inductive-deductive method was adopted, using cases from the Dragons' Den television series to explore and analyse the initial interaction stage between entrepreneur and investor. The findings were then compared to existing literature. Results suggest that entrepreneurs seek out angel investment not just for capital reasons but also to make use of the angels experience in business as well as their business contacts.

Acknowledgements

I would like to thank my two supervisors, Professor Frans Verhees & Professor Stefano Pascucci for their time and assistance with this research. The Dragons' Den manual by Pascucci and Lombardi inspired this paper and I would like to extend my thanks to them for allowing me access to this. Furthermore, I would like to thank the University of Wageningen for the facilities, resources and knowledge that they have provided me with. Finally I would like to thank my family and friends for their support during this process.

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Chapter 1: Introduction

"How many millionaires do you know who have become wealthy by investing in savings accounts? I rest my case"

Robert G. Allen

One of the most important components necessary for a new start-up or business to be successful is funding. Capital in fact is often called the "lifeblood of a new business" (Seaman, 2014). However, since the global recession many financial institutions have become increasingly reluctant to lend to new entrepreneurs (Smith, 2010). Thus, the entrepreneurs must seek alternative sources of finance. This has lead to a rise in the use of angel investors and venture capitalists. In fact it has been stated, "Innovative start-up companies often face difficulties in obtaining finance from traditional sources, such as bank or public stock markets. Private investors, such as venture capitalists or business angels (BA's), have filled this equity gap" (Fairchild, 2011). According to a study undertaken by Wong (2009) on the size of the investment market in the United States, the angel market was estimated to be worth approximately "$100 billion" while the institutional venture capital market was worth slightly less than half the size at "$48.3 billion". Additionally, Forbes magazine in 2014 reported "there are roughly 756,000 active angel investors in the USA". This suggests that the market for angel investment is significant in size. However, this market is not closely regulated, as angel investors are not required to declare their investments publicly. Issues relating to privacy and patent protection also play a part in angel investors' reluctance to publicly divulge details of their investments (Wong, 2009). Due to this secrecy, there is a lack of clear information available about the initial screening process and interaction between the investor and entrepreneur. This study aims to shine some light on this interaction, and provide entrepreneurs with information that can help them be more successful in this stage. It is hoped this report will be of value to investors also, especially inexperienced investors who would like to know more about the practices of their fellow peers and the criteria used to evaluate a quality investment. The initial interaction between the entrepreneur and angel investor is the first stage of the multiple-stage process. The first meeting between these two parties is key to its success. If the relationship is to continue further to funding provision and to the product eventually reaching the market it is important to understand all the intricacies of this interaction. However, little research appears to have been undertaken into what convinces both parties to do business with each other. This study focuses on this initial stage of interaction between investor and entrepreneur and seeks to explain this clearly. In recent years, several television shows have invited entrepreneurs to pitch their ideas to wealthy investors in exchange for equity. Dragons' Den and Shark Tank (in the USA) are two of the best-known shows on a global scale. In this report the show Dragons' Den is used to cover an empirical gap and analyzed to observe the initial screening phase between entrepreneur and investor. The purpose of using this show is that it gives the researcher access to a large number of these initial interactions between entrepreneurs and potential investors. The researcher is aware that using a television show raises a number of questions such as the validity of the findings in an artificial environment. According to Hight (2001) "the use of a reality TV show for academic research raises specific questions regarding whether an artificial environment changes behaviours". This is not the first study to use a television show as a source for empirical data however. Examples of researchers using reality television shows are provided below, alongside the specific show used.

- de Roos and Sarafidis (2006) "Deal or No Deal"
- Fullenkamp (2003) "Deal or No Deal"
- Gertner (1993) "Card Sharks"
- Levitt (2004) " The Weakest Link"
- Maxwell (2011) "Dragons' Den"
- Metrick (1995) "Jeopardy"

In the case of Maxwell (2011), the television show used was in fact Dragons' Den. These research papers have confirmed the general applicability of television shows to "real-world" decision-making. These research papers are deemed reliable as they study people under situations of real consequences, as does the show "Dragons' Den", since investors offer their own funds to real opportunities. The paper by Levitt (2004) deals specifically with the idea of discrimination in reality television show. Levitt notes that, as the television show is broadcast in front of million audience members, participants "may be loath to broadcast racist views on a television game show". This may also hold true for Dragons' Den. It is likely that the shows selectors make efforts to show diversity in the selection process and not to just show, for example, pitches from white British males as they are aware that the viewing audience would respond angrily to any overt display of racial bias. The selection process by the BBC plays a crucial role in how the findings in this study can be extrapolated to the general populous. It is noted that, as the show's purpose is to entertain the viewers, the broadcasters must show the most entertaining moments. The researcher understands that if a selection bias does exist it will have a large impact on the validity of the results. However, the researcher notes that the contestants on the show are not a homogenous group and vary significantly in ethnicity, age and gender. The BBC controls this selection process and little is known about the precise nature of the selection process and whether a bias does exist. For the sake of this research it is assumed there is no bias and each ethnicity, age and gender are given equal opportunity to appear on the show and present their ideas to the Dragons. As the contestants in the season analysed ranged widely in gender, ethnicity and age it is assumed that there is no discrimination in the selection process undertaken by the organizers of the show. Furthermore, the five Dragons themselves vary in ethnicity and gender, being from Britain, Cyprus, & Australia respectively. Also one of the five Dragons (Deborah Meaden) is female while the other four are male. In order to investigate this interaction stage and uncover meaningful findings, the following research questions were answered:

Research Aims and Objectives

This study aims to explore the initial interaction phase between entrepreneur and investor and to investigate the motives that lead the parties to form a business partnership with each other. By investigating this, it is hoped that new information will be uncovered that will be of use to the business world and scientific community alike. The specific objectives are to investigate the following research questions:

General Research Question (GRQ): What are the motives for angel investors to invest?

Specific Research Question (SRQ) 1: What can angel investors bring to a company besides capital?

SRQ 2: Why do angels choose to invest in certain individuals?

SRQ 3: Are angels more likely to invest in areas of their own expertise or do they prefer to diversify their portfolios?

This study follows an inductive-deductive procedure to ensure the researcher could get as much new information as possible from the cases and compare and contrast this information with existing academic literature, while remaining as unbiased as possible. In the next section some famous cases of angel investment are explained in detail and core concepts are defined for clarity. The project followed an inductive-deductive procedure. The research questions were drafted following a preliminary literature review, (empirical research 1) and then fine-tuned from in-depth observations of the pitches. These research questions were then further revised and finalised based on the observations of the literature review and conceptualization procedures (empirical research 2).

Chapter 2: Background

In 2010, the movie " The Social Network", written by Aaron Sorkin and directed by David Fincher was released to critical acclaim and financial success. It is the story of how Mark Zuckerberg created Facebook in a Harvard dormitory room and transformed it into the billion-dollar global phenomenon it is today. Facebook is valued currently at over $200billion making it the 22nd biggest company in the world, just ahead of Japanese car manufacturer Toyota (Bloomberg, 2014). In the movie, the young entrepreneurs were looking for investment to develop the company, enter Peter Thiel. He made a $500,000 investment for 10.2% of Facebook's shares. This investment was a key factor in Facebook's expansion and a savvy move on Thiel's part. By 2014, Thiel had sold the vast majority of his shares in Facebook with a reported profit of over $1Billion making it one of the most successful investments of all time. This situation shows how angel investment can be crucial to turn a start-up company into a successful business. However, this is not an isolated case. In fact many companies throughout history have been funded through angel investment, including: Bell Telephone in 1874, Ford Motor Company in 1903 and even Apple Computer in 1977. Indeed, without angel investment we would not have the Mac computer, the IPhone or the IPod to name but a few products used in everyday life (Van Osnabrugge, 2000). According to the Angel Capital Association (an online directory of US angel groups) there are over 200 active angel groups today in the USA alone. A number of business angels have become well known due to the size of their returns. For example, Andy Bechtolscheim made hundreds of millions of dollars from his investment in Google. Correspondingly, Thomas Alberg earned over $26million from investing in the online retailer Amazon (Shane, 2008). These success stories have encouraged an increasing number of wealthy individuals to invest in new startups in the hope of finding the next Facebook for example, hoping to become the next Peter Thiel and turn a several thousand-dollar investment into something much, much more.

2.1 What is an angel investor?

To understand this study in its entirety it is important to know what an angel investor is. An angel investor is described as a wealthy private individual who makes an informal venture capital equity investment using their own money in an unquoted company in which they have no family connection (Harrison, 1999). These individuals typically invest "a portion of their assets in high-risk high-return entrepreneurial ventures", often in the tech market (Freear, 1994). "Today the term angel investor refers to an affluent individual who provides equity capital for a business start-up" (Wong 2009). According to the Entrepreneurship in the United States Assessment (EUSA) report, between 2001 and 2003, angel investors invested roughly $23Billion a year and the number of individual investors ranged somewhere between 331,100 to 629,000 people (Scott, 2008). These angels are typically made up of individuals who have a net worth of $1million or more (Wong, 2009).

2.2 What is a venture capitalist?

This study is on angel investors and how they interact with entrepreneurs in the initial screening phase. However, as the terms angel investor and venture capital are often used synonymously it is important to clarify the difference between the two parties. A venture capitalist (VC) is defined as "an investor who either provides capital to start-up ventures or supports small companies that wish to expand but do not have access to public funding" (Wetzel, 1983). Venture capitalists differ from angels as they don't invest their own money but instead, will raise money from others and invest this in private firms (Wong 2009). According to Shane, (2008) "companies tend to go to venture capitalists when they need $2million or more". "VC firms devote significant management resources to understanding new technologies and markets, finding promising startups in those spaces, providing them with financial resources, and coaching them through the early part of their lives" (Davila, 2003). The reason behind this is they can earn a massive return on their investments if these companies are successful. In contrast, they can also incur significant losses if they invest in unsuccessful companies. Venture capital firms tend to rarely invest in smaller deals. According to a study undertaken by the National Venture Capital Association in 2010, venture capitalists invested $21.8billion in 3,277 companies in the United States (Brush, 2012). While there is a difference between the two, some papers on venture capitalists were used in this paper (for example: Baum, Silverman, 2004) to better understand angel investors. The reason for this is that these papers provided insight into the investment world and the researcher did not believe the difference between the two parties negated the value of the information.

2.3 Dragons' Den

The show Dragons' Den will be used to cover an empirical gap and as a tool to explore the interactions between entrepreneurs and investors. The reason being that through this show, the researcher can observe a high number of these interactions and hopefully gain meaningful findings. This paragraph contains a brief history of the show and its origins. The Dragons' Den show originated in Japan but has since been licenced all over the world; it is currently in 26 countries from Afghanistan to the United States. This study will be based on the U.K. version that first aired on BBC in January 2005 (Boyle, 2008). The premise of the show is centred on inventors and entrepreneurs who pitch their ideas in front of a group of wealthy angel investors (the Dragons) for a three-minute period looking for investment in exchange for equity in their company. Figure 2.1 below shows the pitching process and how the den is structured. The five Dragons are seated together in a line where they can clearly see the entrepreneur's pitch. After a three-minute pitch, the entrepreneur invites the Dragons to examine/use their product and to ask questions regarding the financial performance, both current and expected. If the pitcher is successful, they will receive an offer from one or more Dragons in exchange for equity. Sometimes one or more Dragons may compete against each other for the opportunity to invest in a venture. They may compete by offering more capital for the same amount of equity or more equity for the same amount of capital. Sometimes the Dragons agree to invest jointly in a venture and this typically happens when they both have specific expertise that could help bring the product to market and boost the chances of it being a success.

Figure 2.1: Structure of Dragons' Den pitching process

2.4 Why funding is important & how the funding process goes

To better understand why companies seek out angel investment it is important to understand why funding is so important for new start-ups. This and the order of which entrepreneurs typically seek funding are covered in this paragraph.

According to Deborah L. Wince-Smith, president of the Council on Competitiveness, "Entrepreneurship is essential for driving U.S. economic growth and maintaining America's global competitiveness". "Angel investor groups, often assisted by local economic development organizations, provide seed investments to promising local ventures". Funding is key to the success of a new investment and this, at times can be very difficult to find. Banks have become more reluctant to give loans for high-risk innovations forcing entrepreneurs to seek other alternatives. Without funding, start-ups will have great difficulty in getting their products to the market due to high initial R&D costs, funding required to develop the prototype and the large costs of advertising a new brand & product and introducing it to the market. The image below describes how start-up funding typically works and highlights the importance of Venture Capitalists and Angel Investors in this process. (Graham, 2013) As shown in Figure 2.2, angel investors typically have a net worth of over $1,000,000 or an annual salary of $200,000, where as the venture capitalist persuades other people to invest their money into a new start-up, the investments typically amounting to around $500,000 (Wong, 2009). Figure 2.2 also shows the various people that may play a role in the early foundations of a Start-up. For example, it is likely the entrepreneur will first go to family and friends to borrow money but not at a large scale. It also shows how early employees may accept a low wage at first for the agreement of stock in the hopes that at a later stage this will be worth a considerable amount.

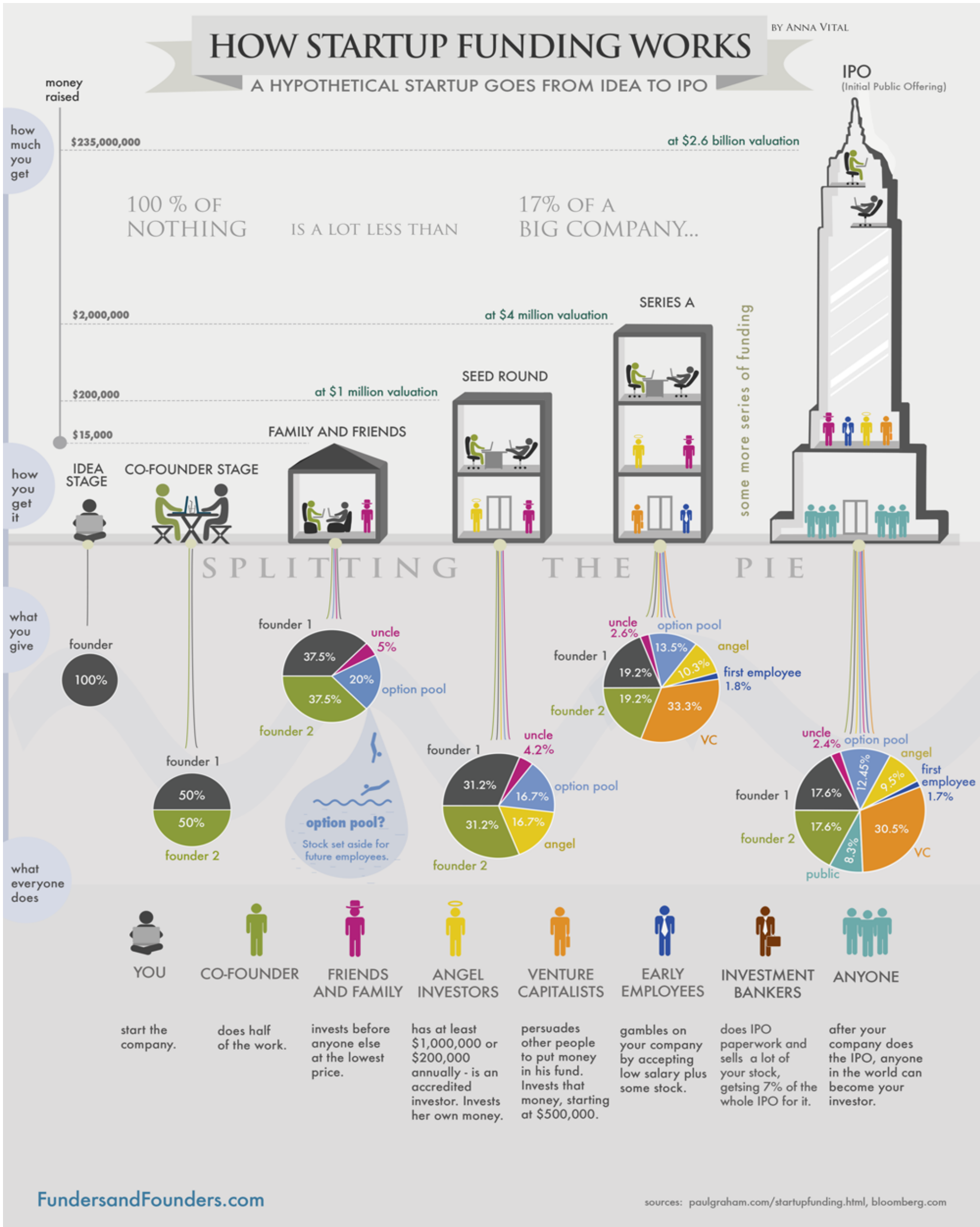

Figure 2.2: Funding options

Chapter 3: Methodology

3.1 Introduction

Faced with any question or problem, people have long searched to understand and advance their knowledge using a mix of experience, reasoning and research. While we all rely on our experience to help us understand the world we live in, personal experience is subjective, bias ridden and deals with events that happen in a rather unplanned way. Reasoning, the means by which people try to understand the world around them, is generally divided into (i) deductive, (ii) inductive and (iii) combined inductive-deductive reasoning. Deductive reasoning has formed the basis of systematic reasoning from the time of Aristotle to the Renaissance Period. It involved the use of a major premise based on a self-evident proposition or pre-conceived notion, a minor premise involving a specific instance and a conclusion reached by extrapolation or 'logical deduction'. However, the main limitation of this approach is that it can only handle specific types of statement and does not take observation and experience into consideration. Francis Bacon in the 1600s criticized the use of pre-conceived notions as a source of inherent bias, putting much greater importance on the observational basis of science. He proposed the method of inductive reasoning where data was collected objectively on a number of cases without any preconceived ideas about their significance and orientation, and the relationships were allowed to emerge. 'Logic and authority in themselves were no longer regarded as conclusive means of proof and instead became sources of hypotheses about the world and its phenomena' (Cohen, 2006). According to Eisenhardt (2007) "inductive and deductive logics are mirrors of one another, with inductive theory building from cases producing new theory from data and deductive theory testing completing the cycle by using data to test theory". "Inductive reasoning is often referred to as a "bottom-up" approach to knowing, in which the researcher uses observations to build an abstraction or to describe a picture of the phenomenon that is being studied" (Lodico, 2010). Strictly speaking, in inductive studies no known theories or patterns need to be tested during the research process. The inductive approach starts with the observations and theories are formulated towards the end of the research, as a result of observations (Goddard, 2004). Inductive research "involves the search for pattern from observation and the development of explanations – theories – for those patterns through series of hypotheses" (Bernard, 2011). In other words, no theories would apply in inductive studies at the beginning of the research and the researcher is free to alter the direction for the study after the research process had commenced. Neuman (2003) affirms inductive research to begin with detailed observations of the world, which moves towards more abstract generalisations and ideas. Therefore, when following inductive approach, beginning with a topic, a researcher tends to develop empirical generalisations and identify preliminary relationships as he progresses through his research. The steps of each methods are described clearly in the image below Figure 3.1, and this report aimed to use both in a way that would garner the best results while allowing the researcher to remain as unbiased as possible.

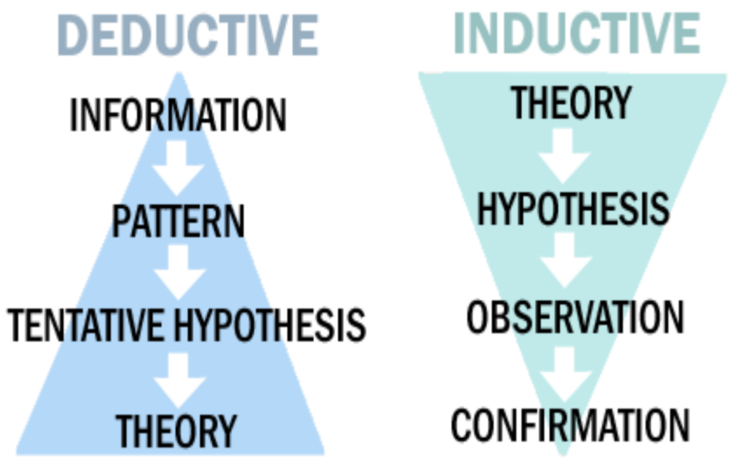

Figure 3.1: The deductive and inductive steps (retrieved from pinterest.com, 2015)

The major differences between deductive and inductive research approaches are shown in table 3.2 below.

Deductive	Inductive
Scientific basis to principles Progresses from theory to data Causal relationships between variables investigated	Research explores meaning of human attachment to events Research context explored in a deeper manner
Researcher is independent from research process Mainly involves quantitative data	Researcher is involved in research process Qualitative data is collected
Highly structured approach with control measures applied to ensure data validity	More flexible approach to research structure to allow for changes during research process
Requires an adequate sample size to allow research conclusions to be generalised	Research findings do not have to be generalised

Table 3.2: **Major differences between deductive and inductive research (Lewis, 2007).**

Inductive-deductive reasoning as selected for this study, combines these two approaches to give a 'back-and-forth' movement where the researcher moves inductively from observation to hypotheses, and then deductively from these hypotheses to their implications, checking their validity and compatibility with accepted knowledge (Mouly, 1978; Cohen, 2006). The methodology is discussed under the following headings: research setting, investigator, research methodology, data collection and analysis, formulation of research propositions.

3.2 Research Setting

A detailed analysis was undertaken of 27 Dragons' Den pitches from a randomly selected season of the U.K. version of Dragons' Den (season four). Season four consists of six episodes, which were all included in the analysis. While the number of entrepreneurs in each episode fluctuated, there were generally four per episode. The episodes were viewed on YouTube and links to the specific episodes are included in the gird created to make it easier for other researchers to investigate or review the findings.

3.3 Investigator

A researcher's background and previous training influences the research question, methods and analysis used. In this instance, the researcher was new to the process of research and as a result was required to make certain assumptions regarding the best way to undertake the analysis of the episodes and research process. It is possible that a more experienced researcher may have different research procedures but it was up to this researcher to make the best of the knowledge available to him. One advantage of a researcher having less experience is that they have no preconceived notions or concepts regarding the research and approach it with an open-mind. This should decrease the level of bias in the data collection (observation) and analysis.

3.4 Research Methodology

The aim of the research was to answer the research questions given above, by building theory through case studies, and testing the validity of this information against accepted knowledge by way of a literature review. It was hoped that by answering these research questions, new information would be obtained that might be of value to investors, entrepreneurs and to the scientific community. The inductive/deductive method was chosen to: (i) improve the objectivity of the researcher by reducing the likelihood of him approaching the process of data collection and analysis with any bias derived from pre-conceived ideas and (ii) to help attain new information that could be used to create valuable new propositions. The research followed a predominantly inductive structure, whereby the cases of the Dragons' Den episodes were subjected to a detailed review process, data collected and analysed, propositions formulated and then compared and contrasted with existing literature. However, information on the previous work experience of the Dragons was needed to answer some of the research questions when analysing the series; this was obtained by an examination of as yet unpublished manual by Pascucci and Lombardi.. This manual is attached to the electronic version of this report and can be viewed on request from Wageningen University. Thus, the research involved an initial deductive phase focusing solely on obtaining background information on the potential investors. Thereafter, the research followed an inductive structure as illustrated in the diagram below (Figure 3.3).

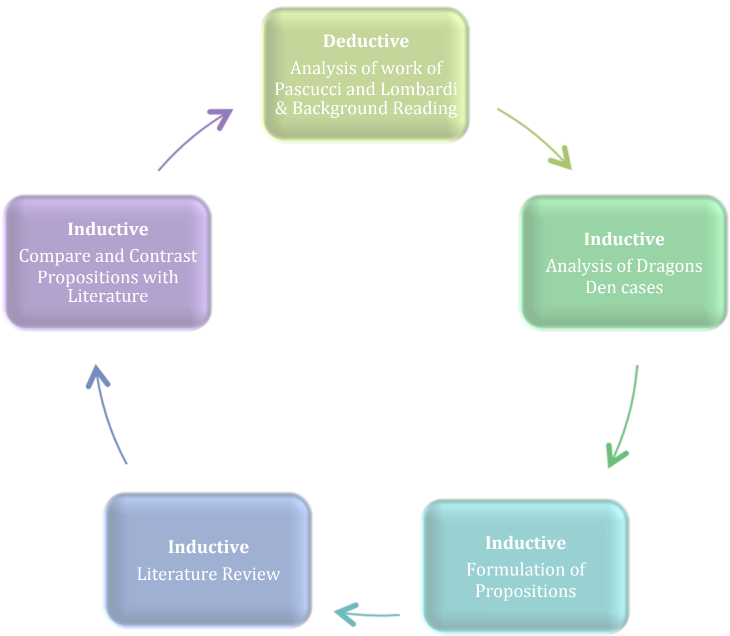

Figure 3.3: The research process/methods

3.5 Data Collection and Analysis

Empirical research is research based on observation. In this study, data was collected by in-depth observation of the six episodes screened in season four of the U.K. version of Dragons' Den. The BBC aired the season in 2007. The researcher followed the process known as data immersion by repeatedly viewing the episodes and reading/rereading notes made by the researcher on the content of these episodes, until he was intimately familiar with the content. Data immersion was defined by Borkan (1999) as "a process whereby researchers immerse themselves in the data they've collected by reading or examining some portion of the data in detail". The researcher uses the expression "pitch" to describe the interaction between the entrepreneur proposing their business idea and the angel investors (Dragons) on the show. All pitches were examined regardless of whether they were successful or not. The Oxford dictionary defines success to be "the accomplishment of an aim or goal". For this report a successful pitch is considered to be one that garners an investment offer from the investor that is acceptable to the entrepreneur in terms of equity and is ultimately accepted. Pitches that fail to receive an acceptable offer of investment or an agreeable equity i.e. those pitches that lead to a contestant leaving without a deal secured will, in this case be counted as unsuccessful. Prior to the analysis of the cases, a grid was created using Microsoft Excel to record the data gathered by the in-depth observation of the entrepreneur/Dragon interaction in all 27 pitches. While the researcher is aware that coding software (such as Atlas.ti) exists it was not used in this particular project, as was decided with the researchers supervisor prior to undertaking the research. The researcher did not have access to a free coding software program furthermore, it was believed that given the small number of cases, and the time that would be required to learn how to competently use a new coding program, this time would be better spent on the main research project due to the limited time frame. Finally, as the study is predominantly observational it is believed that the use of coding software would be limited. The researcher contacted the BBC about the availability of obtaining a transcript for the analysis of the show but unfortunately the BBC responded that they do not keep a transcript of the show. Therefore, the method of analysis of the show was purely observational. A customised Excel grid was designed and used to record the findings of the observations. This grid or rubric was designed following the structure set out in the largely quantitative manual by Pascucci & Lombardi. Initially, the grid contained a small number of headings based on what the researcher expected to be relevant to the research questions; however, this was modified with further headings added as examination of the data progressed based on emerging new information. This grid was used as a tool to record the findings from the case study analysis. As this grid also contains direct quotes and the time of statement, to ensure that the work can be checked for accuracy and easily replicated in the future, it is therefore too large to include in the appendices; however, it is attached to this report in digital format and will be accessible on request from Wageningen University. The headings used in this study, inspired by the work of Pascucci & Lombardi are: Season, Episode, URL, Order of contestants' appearance, Name of contestant, Description of their idea and the Dragons names. Additional headings added into the grid by the researcher in this study included: Dragon whom invests, Reason for/not investing, Time of statement, Exact words used, What entrepreneur is looking for besides capital, What investor offers besides Capital, Dominant quality shown by entrepreneur, Reason stated by investor, Gender, Age, Related to their previous work industry. The headings are described in greater detail in appendix 2. Following the period of data immersion and analysis, 7 propositions were formulated as explained in the following section. These 7 propositions were then compared to current literature through a literature search. This is called Empirical Research 2 and involved a more comprehensive search than the initial review (Empirical Research 1).

3.6 Propositions & how they were formulated

This section describes each of the propositions and how they were formulated through the analysis of the episodes. The contestants name, the order of their appearance, the season and episode they feature as well as the exact quote stated and time of statement are described. The order of the contestants' appearance is described as C and the number in which they appear. Example the first contestant to appear in the episode is described as C1. Similarly, the season (which remains constant as 4 throughout is described) by S and is in this case S04. Finally the episode of the season is described as E, example episode 1 described as E01. The exact quote from the investor or entrepreneur, as well as the time of statement is also recorded. The purpose of this is to make the findings clear so those that read the report can check the findings for reliability; this will also help others to understand how the researcher formed his opinion based on his findings. The following 7 propositions were formulated as a result of the empirical analysis and were later compared with current literature:

Propositions

Proposition (P) 1: "The propensity of a BA to invest in a new venture is primarily conditioned by the degree of innovativeness of its product/service and business model with highly innovative ventures providing a strong incentive for investment"

P2: "The propensity of a BA investing in a new venture decreases with the degree of social orientation of the project as potential investors seem disinclined to invest in those with a charitable status".

P3: "The propensity of a BA to invest in a new venture is primarily influenced by the quality of the presentation delivered by the entrepreneur, inadequate preparation and unrealistic business valuations proving detrimental".

P4: "The propensity of an entrepreneur selecting a specific BA to support their project is primarily conditioned by the potential benefit to be gained from the BA's expertise, relevance of their business contacts along with the degree of financial investment".

P5: "The propensity of a BA investing in a new venture is strongly influenced by the age of the entrepreneur among other personal traits".

P6: "The propensity of a BA investing in a new venture increases by the degree of innovativeness of pitches stimulating BA's imagination".

P7: " The propensity of a BA to invest in a new venture is directly influenced by their previous experience in that particular field which may exert a positive or negative influence".

General Research Question (GRQ): What are the motives for angel investors to invest?

Proposition 1: The propensity of a BA to invest in a new venture is primarily conditioned by the degree of innovativeness of its product/service and business model with highly innovative ventures providing a strong incentive for investment.

Background of proposition

If there is one commonality above all that shines through from the Dragons' Den it is that the product/business is the key factor considered by the Dragons when making a decision on whether or not to invest in a venture/entrepreneur. While other factors may influence an investment, it seems that a good product can overcome a hesitant pitch or miscalculation and secure an investment. The Dragons appear to place considerable emphasis on patent protection and products that are unique seem to have a greater chance of success, provided they have the correct patent protection. Several instances were noted in which the entrepreneurs were likeable and made a strong connection with the Dragons by delivering a passionate pitch, but where they left 'empty handed' as the product/business was not considered a worthwhile investment. An example of this situation was recorded in Season 4: Episode 2 where Jerry and Kate Dailey presented their pitch in a very emotional manner that was well received by the Dragons. However, their idea, a kit to send your lover a kiss, did not receive an investment because the Dragons felt it had insufficient potential to warrant investment; investors would therefore be unlikely to receive a return on their investment in the short term. In contrast, Imran Hakim a young inventor in his 20's pitching a classic teddy bear complete with an interactive tablet inserted in its stomach was considered a worthwhile investment. One of the main reasons for his selection for the investment was due to the fact that he had filed for a patent making him the sole person capable of putting a tablet into a soft toy. He received an investment from Peter Jones because of the potential for a large return on his investment due to the licensing opportunities. He also receives an investment from Paphitis but the investment was given on the condition that the patent application would be successful. This shows the importance investors place on the security of a business/product and the need to protect products from the threat of copycat businesses suggesting that they are unlikely to invest without certainty in the security. Roger Hind, a 21-year-old entrepreneur pitches the concept of his product, an alternative to the traditional clothesline that protects the clothes from the rain. During his presentation, he makes a number of errors and the Dragons discover that he has drastically overestimated the market for his product. However, two of the Dragons, Deborah Meaden and Richard Farleigh, like the product and decide to make an investment. They are willing to overlook the young entrepreneur's lack of experience and errors due to the quality of the product. In most cases in fact, the reason stated for investing by the investor is that they either have faith in the product or, that the business is currently making a profit. This suggests that investors are not influenced easily by emotion but prefer to invest in products/businesses where there is as little risk as possible and where they can see potential for a significant return on their investment in the short term.

Given below are the relevant quotes from the television show. The specific contestant, episode and season are in bold. The Dragon is then quoted along with the time of the statement in the show. The quotes show clearly how the proposition and opinion of the researcher was formed.

Jerry and Kate Dailey (S04 E02 C3)

Theo Paphitis: "I'm not going to be investing because I don't think it's a business for me."

Deborah Meaden: "Not one for me but thank you I'm out."

Time of statement: 00:39:30 & 00:37:00

Roger Hind (S04 E02 C2)

Deborah Meaden: "But I'm actually going to make you an offer because I like the product but I want 20% because I think a lot of work needs to be done".

Time of statement: 00:21:52

Imran Hakim (S04 E02 C4)

Peter Jones: "If you licence content, from shall we say Disney for example could you utilise that in this device". "Very good presentation"

Theo Paphitis: "So we can move along, and make it happen for you, I'll match Peters offer but mines conditional, and it's conditional that the patent stands."
Time of statement: 00:53:30 & 00:52:10

Anthony Coates-Smith & Alistair Turner (S04 E01 C2)
Duncan Bannatyne: "I like this business and I like you guys, I think you've done fantastic, I think you could do with some help to move it forward".
Time of statement: 00:21:33

KC Jones (S04 E04 C4)
Deborah Meaden: "it allows me to get a return within that period of time", "so I would be prepared to invest at that level."
Time of statement: 00:55:12

David Pybus (S04 E05 C4)
Peter Jones: "I think what you've got potentially could be if it's positioned correctly, very, very successful"
Time of statement: 00:51:40

Proposition 2: The propensity of a BA investing in a new venture decreases with the degree of social orientation of the project, as potential investors seem disinclined to invest in those with a charitable status.

Background of proposition

In Season 4, Episode 2, an entrepreneur named Paige Allen enters the den, looking for an investment into her charity that produces boxes to protect fruit that school children may use for school. She offers a 5% stake in her business in exchange for the investment of £125,000. However, her pitch is unsuccessful for a number of reasons. Firstly, Duncan Bannatyne mentions that he would prefer not to invest in a socially oriented project for a return of 5% when if he just gave the money to charity he would receive a tax shield and the government would also contribute to this charity making it more worthwhile for him, as well as the charity. As Duncan runs his own charity, the Duncan Bannatyne foundation, he is obviously knowledgeable in this area. "If I just give my money to charity, which I often do, I get a 40% tax relief or the charity gets a 40% tax relief". "So I can give £60 to a charity, it benefits £100". This leads to Bannatyne refraining from investing. Similarly, Theo Paphitis expressed reservations about investing in this charitable project as he considered it would reflect poorly on him if he were seen to be taking money out of a charity. Being the only investor in a charity would mean that he would then be the only one taking money out of the project thereby creating an ethical dilemma for him as well as potentially damaging an investor's public image. The other potential investors expressed similar concerns and ultimately, this project was not offered any investments. This interaction lead to the hypothesis that angel investors are not the right source for capital investment for socially oriented projects.

This proposition is supported by the quotations provided below:

Paige Allen (S04 E05 C3)

Theo Paphitis: "I don't think I could sit in front of ye and look ye in the eye and do that, it wouldn't be morally correct or ethical."

Richard Farleigh: "I'd rather give directly to charity without complications."

Duncan Bannatyne: "If I just give my money to charity, which I often do, I get a 40% tax relief or the charity gets a 40% tax relief."

Deborah Meaden: "If this was a pure commercial proposition I would be saying to you it's a crazy business valuation. I could well be interested cause clearly you're selling the product, but I'd want to negotiate on price, but I don't want to do that, and the reason I don't want to do that is because you're a charity."

Peter Jones: "You're in the wrong place, you've walked down the wrong street as far as I'm concerned."

Time of statement: 00:35:15

Proposition 3: The propensity of a BA to invest in a new venture is primarily influenced by the quality of the presentation delivered by the entrepreneur, inadequate preparation and unrealistic business valuations proving detrimental.

Background of proposition:

A common theme arising from a review of the unsuccessful pitches is how the entrepreneur makes a negative impact when he/she attributes an unrealistic business value to his/her business/venture. In nearly every unsuccessful pitch in Season 4, this reason is cited by at least one Dragon as the cause for rejection. For example: Iain Softley and his idea of a new door bolt to prevent break-ins. Iain is a guest on Episode 3 of Season 4. He values his business at £500,000 and asks the Dragons for an investment of £400,000 in exchange for a 40% equity share in the business. The investors ridicule this valuation and tell him an investment of £10,000 would have had a greater chance at investment but this request was not feasible. Furthermore in this case, the Dragons were not impressed by the lack of preparation displayed by the inventor who failed to bring a working prototype. Poor preparation was something that the investors were not willing to tolerate and this was a recurring theme among the failed investments. In the above case, the inventor does not bring a working door bolt fitted to an actual door instead, brings a scaled down version that is easily broken. Duncan Bannatyne remarked, "20 years and you couldn't get a proper door frame!" Another entrepreneur by the name of Vivian Blick encountered the same issue. Vivian was seeking an investment of £200,000 for 5% of his company that is conducting research and development into alternative sources of energy. This investment calculation gives his business an unrealistic valuation of £4,000,000. Yet another example of the impact an unrealistic valuation can have on the willingness of the investors to support an entrepreneur was seen in the case of, Steve Wright. This entrepreneur wanted to develop a website for his puppet business but he received harsh criticism from Deborah Meaden in relation to his over valuation.

This proposition is supported by the quotations provided below:

Iain Softley (S04 E03 C1)

Theo Paphitis "You've come in looking for £200,000 a ridiculous figure!"

Peter Jones "You would have done far better to say I'm on a wing and a prayer I'm looking for £10,000 today to give that a go".

Richard Farleigh "£200,000 is way too much to throw at something like this just to find out."

Duncan Bannatyne "20 years and you couldn't get a proper door frame."

Time of statement: 00:08:00-00:10:59

Vivian Blick (S04 E03 C3)

Peter Jones: I think you're trying to over value you're company and you should admit this."

Deborah Meaden: "Crazy valuation, crazy valuation!"

Time of statement: 00:41:50 & 00:39:48

Steve Wright (S04 E01 C1)

Deborah Meaden: "Which you are valuing at half a million pounds at which I have to tell you is completely out the window."

Time of statement: 00:07:16

SRQ1: What can angel investors bring to a company besides capital?

Proposition 4: The propensity of an entrepreneur selecting a specific BA to support their project is primarily conditioned by the potential benefit to be gained from the BA's expertise, relevance of their business contacts along with the degree of financial investment.

Background of proposition:

Successful angel investors like the Dragons can offer a lot to a young business apart from an injection of capital. With years of experience in a variety of industries as well as valuable contacts, they can be invaluable in taking a product to market faster than an entrepreneur without this experience. The entrepreneurs often cite this as the main reason they prefer the Dragons' help as opposed to going to a high-street bank and taking out a business loan. Often times, a loan would come at a far lower cost than the equity they eventually agree to in exchange for the Dragons' capital and expertise. Yet, they accept this. In Episode 1, two entrepreneurs, Anthony Coates-Smith & Alistair Turner appear pitching their specialist chilled and frozen transport services business. They are looking to give away as low an equity stake as possible and mention that they would prefer to take out a high-street loan instead of giving away a large equity share. However, they initially offer 8% of their business but eventually make a deal whereby they give away 22.5% in exchange for the capital and the business experience of Duncan Bannatyne and Richard Farleigh. Similarly, a young entrepreneur Imran Hakim pitches the idea of a classic teddy bear with integrated media technology. He enters the Den offering a 15% stake in his business. He eventually agrees to a deal of 40% with Peter Jones and Theo Paphitis citing the expertise the Dragons can bring as a reason for accepting the deal. Yet another example of this behaviour was seen in the case of Roger Hind a 21year old entrepreneur who enters the den pitching his product that is an alternative to the traditional clothesline. He cites the reason for accepting the deal as looking for advice and business expertise as well as additional assistance in certain areas of business. This is also the case for Levi Roots who offers 20% initially but agrees to a 40% deal to secure two Dragons, namely Peter Jones and Richard Farleigh. Roots acknowledges the fact that he lacks business skills and can learn from the Dragons. Similar views were expressed by Denise Hutton who runs a chain of dance, drama and singing schools for children, directly cites this by saying "That's why I've come here today because you've all got so much experience. Yet another example of this attitude to expertise was shown by David Pybus a perfume manufacturer who created a line of ancient themed perfumes. He mentions that the thing he is looking for the Dragons to assist with is getting the product to the market. The Dragons whom invest, Paphitis & Jones both have years of retail expertise and years of valuable business contacts to assist in marketing this product. This is similar to the experience of Christian Lane, a young entrepreneur who entered the den with a line of stationery folders. He received an investment from Paphitis who has years of experience in the stationery industry. Paphitis cited the fact that with him on board, he would get the product to the market faster than any one else. After the interview, Lane revealed that Paphitis is one of his idols that he was hoping would invest due to his experience and business contacts that would help his product break the market and be successful. So in conclusion, the entrepreneurs typically identify that the Dragons have years of business acumen / expertise that they could benefit from by having them on board with their business.

This proposition is supported by the quotations provided below:

Anthony Coates-Smith & Alistair Turner (S04 E01 C2)

"We accept the comment that we could do with some help developing the business in the future". "We would be very pleased to work with yourselves on delivering the future of the business".

Time of statement: 00:22:14

Levi Roots (S04 E01 C4)

"That deal is not ideal for me, but at the same time I think it will be fantastic for the sauce, so I will accept gladly."

Time of statement: 00:57:01

Imran Hakim (S04 E02 C4)

"As well as your finances, your expertise is something that really attracts me and the individual aspects that you can bring to it."

Time of statement: 00:57:01

Roger Hind (S04 E 02 C2)

"As well as the capital, the advice and assistance is very useful."

Time of statement: 00:23:48

Denise Hutton (S04 E03 C4)

"That's why I've come here today because you've all got so much experience."

Time of statement: 00:53:55

Christian Lane (S04 E04 C1)

Sees the Dragon as an "idol and role mode" of his and looks forward to working with him to help break the market.

Time of statement: 00:12:08

David Pybus (S04 E05 C4)

"My weakness on this is I don't have an established route to market"

Time of statement: 00:46:18

SRQ 2: Why do angels invest in certain individuals?

Proposition 5: The propensity of a BA investing in a new venture is strongly influenced by the age of the entrepreneur among other personal traits.

Background of proposition:

The most typical guest that appears on Dragons' Den is a male contestant aged between 30 and 40 years. Interestingly, younger (19- mid 20's) contestants tend to be more successful in general when they take part, with the Dragons being more understanding to mistakes they make due to inexperience. In contrast the Dragons seem to have little patience for older entrepreneurs (40+) who make similar mistakes. For example, American entrepreneur Richard Williamson (an entrepreneur in his 40's) pitches the idea of his online family moviemaker service. He makes a series of errors when trying to calculate the profit his company has made over the years. The Dragons ruthlessly deride him for these mistakes. In Season 4, all of the younger entrepreneurs that have taken part, Christian Lane (19), Roger Hind (21) and Imran Hakim (early 20s) were successful and received investment from the Dragons. While it may just be that these three entrepreneurs have had very investable businesses, however, perhaps the Dragons favour investing in younger entrepreneurs for other reasons. Theo Paphitis offers to mentor Christian Lane if they make a deal, which they ultimately do. Perhaps the other Dragons have more interest in mentoring younger entrepreneurs as they see more potential for growth and may grow the business for years to come giving them a greater return on their investment in the business. Or alternatively, the argument can be made that the Dragons are impatient with men and women in their 40s and 50s who make elementary

mistakes such as over valuing their business or miscalculating profits. An example of this is seen in the case of Mrs Anne Dixon, an entrepreneur who has created a line of gloves attached to baby prams. She makes a series of errors in her financials that leads to the investors saying that they "have lost faith in her". Mrs Dixon has had several other entrepreneurial endeavours and is in her mid 40's; this may have influenced the Dragons causing them to lose patience with her. Kucci Gilly an entrepreneur in her late 30s with a range of relaxation and thermal products and services enters the den in Season 4, Episode 1. However, she mixes up her turnover with projected profits and the investors quickly lose faith in her and do not invest in her. In contrast young male entrepreneur Roger Hind (21) overestimates the market for his product, but still receives investment. It is possible that due to his youth he is forgiven for his mistake. Also, it seems that the Dragons seem more forgiving and patient with male contestants. Of the 16 male contestants (Pairs of males are counted as one contestant in this case) that have taken part, 9 have been successful in obtaining investment. Only one mixed gender couple appeared and they were unsuccessful. Interestingly, only one of the 6 female contestants (Denise Hutton) was successful. Therefore there is some evidence to suggest that the Dragons display a negative potential bias towards female entrepreneurs as well as those past the age of 30.
This proposition is supported by the quotations provided below:

Christian Lane (Young entrepreneur) (S04 E04 C1)
Theo Paphitis: "I'm totally blown away by the fact that you have developed these products applied for patents, got pricing from the far east, and go to the position you are today I'm totally blown away I think you've done really well".
Time of statement: 00:06:10

Kucci Gilly (elderly entrepreneur) (S04 E01 C3)
Theo Paphitis: "Then we got to the numbers, you don't have a clue about the numbers for those reasons I can't invest in you, so I too am out"
Peter Jones: "You make yourself un-investable with your lack of knowledge of the numbers."

Peter Jones: "You have not got a clue, you'd be much be far better off to say you know I really don't know and I've made a big mistake by coming in here and not knowing my numbers."

Time of statement: 00:37:32 – 00:41:00

Anne Dixon (elderly entrepreneur) (S04 E04 C3)

Theo Paphitis: "Peter has given you the first test, and your answer has been, I haven't got the answer to that". "If you don't know the answer, how can you expect anyone to invest in you?"

Time of statement: 00:35:30

Richard Williamson (elderly entrepreneur) (S04 E05 C1)

Theo Paphitis: "Ok, let's do that maths again shall we?"

Time of statement: 00:06:53

Proposition 6: The propensity of a BA investing in a new venture increases by the degree of innovativeness of pitches stimulating BA's imagination.

Background of proposition:

As Albert Einstein once said, "the true sign of intelligence isn't knowledge but imagination". Bearing that in mind it is worth considering the power of being imaginative and delivering a pitch from a different way then the traditional business pitch. A traditional pitch in Dragons' Den generally involves one/two entrepreneurs, who present their case in a formal manner for approximately three minutes. This comprises of an introduction to the business, an example of their product and a round of questions. The decision is then taken on whether the entrepreneur will be leaving with or without securing the investment. A review of the series suggests that entrepreneurs who break from the norm and capture the imagination of the investors have been more successful. Two such examples are; Levi Roots and Denise Hutton. Levi Roots appears in Season 4, Episode 2 pitching his line of spicy BBQ sauce products. Roots entered the den playing a reggae themed song to promote the sauce and give a brief description of the ingredients, flavours and uses. The song seemed to catch the attention of the Dragons and a strong connection was made. This may have played a part in them forgiving him for making a large miscalculation with a proposed order for the sauce, mixing up 2,500 litres with the significantly larger amount of 2.5million litres. Roots' charisma and attitude seems to play a large part in securing the offer of investment. It is quite likely that a more typical contestant making a more traditional pitch would not have received the investment. To this day Roots is the biggest success story of the UK version of the show with an approximate net worth of over £30million. Similarly, Denise Hutton, an entrepreneur that owns a chain of a chain of dance, drama and singing schools for children entered the Den in Episode 3 of Season 4 with an unconventional pitch with children from one of her schools performing a song and dance for the Dragons. This immediately catches their eye and the Dragons noticeably enjoy the display. This demonstrated passion to the Dragons which leads to Bannatyne investing in her citing that he believes her "enthusiasm" would make her a good person to invest in.

This proposition is supported by the quotations provided below:

Levi Roots (S04 E01 C4)

Peter Jones: "The industry is seriously, seriously competitive. Almost impossible! Just to let you now where I am, I like impossible challenges." "It is a complete punt but I probably would enjoy it."

Richard Farleigh: "You're a fantastic guy, you're a lot of fun but that is irrelevant; in terms of you managing a business, I'd be a bit worried". "Sitting here thinking do I want the gamble?"

Time of statement: 00:57:01

Denise Hutton (S04 E03 C4)

Duncan Bannatyne: "I know Stagecoach very well, because I invested in them, and when I sold my investment I did very well, and I know how it works, and I think, with your enthusiasm you could possibly build the second Stagecoach". "So on that basis, if your accounts are correct" "then I want to invest".

Time of statement: 00:56:10

SRQ 3: Are angels more likely to invest in areas of their own expertise.

Proposition 7: The propensity of a BA to invest in a new venture is directly influenced by their previous experience in that particular field which may exert a positive or negative influence

Background of proposition:

The investors' past experience certainly plays an important role in their decision to invest in a product or not. However, it by no means ensures that an investment will be made. While there have been cases where the Dragons' past experience in an industry has lead to an investment, however, there has also been an instance where a Dragon's experience in an industry has assured him that the product would not be a success and therefore not to invest. An example of an investment made based on past experience occurs in Season 4, Episode 1. Businessmen Anthony Coates-Smith and Alistair Turner seek an investment into their frozen-truck delivery business. Duncan Bannatyne and Richard Farleigh invest in this company. Bannatyne previously owned a fleet of ice cream vans in Glasgow so he has some experience in the frozen transport industry. Bannatyne was again involved in a separate investment where his past experience lead to investment. In Episode 3 of Season 4 an entrepreneur by the name of Denise Hutton enters the den looking for an investment into her chain of dance schools. Bannatyne has previously invested in a dance school that he remarks he did "very well from". Due to this investment, he has knowledge of the industry that leads him to invest in Denise Hutton's business. In Episode 4 of Season 4 Paphitis invests in Christian Lane's stationery line. Paphitis has years of experience in the stationery industry and even offers to mentor the entrepreneur. In contrast, Richard Farleigh's experience in technology leads him to not invest. In Season 4 Episode 3 business owner Vivian Blick appears on the show, pitching his business that uses alternative sources of energy to power batteries. Blick is looking for an investment towards research and development of a new line. Richard Farleigh has made a career out of investing in British technology firms and identifies that Blick is doing nothing new from what hundreds of other companies are doing and Universities and big companies are already researching. Farleigh accuses Blick of trying to mislead the other Dragons who have less experience in the market than him in an attempt to get them to invest in a product that is subpar. Farleigh does not invest and clearly shows that experience in an industry does not always lead to the entrepreneur gaining an investment. In conclusion, an investors past experience in an industry can give them an overview of the strengths and weaknesses of a business. This experience can help them make an informed decision on whether to invest or

This proposition is supported by the quotations provided below:

Vivian Blick (S04 E03 C3)
Richard Farleigh: "I don't often get annoyed by business presentations but I find this quite annoying, because I know, that you know, you're pulling the wool over our eyes, I know that, cause what you've done is mundane compared to what I know hundreds of companies are out there trying to develop fuel cells." "You've designed some toys that run off trickle power"
Time of statement: 00:40:07

Denise Hutton (S04 E03 C4)
Duncan Bannatyne: "I know Stagecoach very well, because I invested in them, and when I sold my investment I did very well, and I know how it works, and I think with your enthusiasm you could possibly build the second Stagecoach". "So on that basis if your accounts are correct" "then I want to invest".
Time of statement: 00:56:10

Christian Lane (S04 E04 C1)
Theo Paphitis "I'll support you, I'll mentor you and I'll put this product to the market faster than anyone else".
Time of statement: 00:10:54

Chapter 4: Empirical Research & Background Reading

4.1 Empirical Research 1

This study followed an inductive-deductive approach. At the beginning of the research stage, background research was done to learn more about the Dragons (the investors) who are on the show. The purpose of this was, to be able to accurately address SRQ3 (does prior experience play a part in an investors choice to invest) when doing the analysis of the cases. Without prior knowledge of the occupational history of the investors, it would not be possible to answer the question accurately. The purpose of using inductive-deductive method was to ensure that the new data could be obtained from the cases without prior knowledge of existing literature. The reason for this is to try to prevent existing literature affecting the results from the case studies and to ensure that the researcher remains as unbiased as possible. Also, prior to the analysis of the cases, a review of the work done by Pascucci & Lombardi (2015) was undertaken. This report seeks to and builds on their work. The manual of Pascucci & Lombardi also included an excel grid which was used as a tool to record the quantitative findings. This grid was reviewed prior to the beginning of this report and used to inspire the format of the data entry grid used during the case analysis to record the findings. Some of the initial headings used were based on the work of Pascucci & Lombardi with additional headings introduced as the analysis was being performed. A further literature review was conducted at a later stage, and is described in this report as: Empirical Research 2. The rest of the research follows an inductive approach, whereby the television show was analysed, propositions were created and a literature research was used to see how the propositions compare to current academic literature.

4.2 Background Reading

The section contains a brief analysis of the background of the investors so it was clear to the researcher when undertaking the case analysis whether the investor was investing in an area of their own expertise. This relates to the specific research question 3 (Are angels more likely to invest in areas of their own expertise or do they look more to diversify their portfolios?). Their age, nationality, career experience, education, other interests and charity work were all investigated. As the Dragons are well known individuals in the public eye, they all have their own websites that included detailed autobiographies. This was very useful source of biographical information. The season in question, season 4, involved 5 Dragon investors namely, Duncan Bannatyne, Richard Farleigh, Deborah Meaden, Peter Jones and Theo Paphitis. This section provides a brief overview of the background information these investors. The findings are summarised in Table 4.1 (a-e) providing the reader with the most important information of the Dragons biographies (bio); more detailed information is provided in Appendix 2.

NAME	Duncan Bannatyne
AGE	66
NATIONALITY	British
CAREER	Owns a franchise of Health Clubs and Spas
EDUCATION	Did not attend University
OTHER	Written 7 books on Business
CHARITY	Founded the Bannatyne Charitable Trust

Table 4.1 (a): Bio of Duncan Bannatyne

NAME	Deborah Meaden
AGE	56
NATIONALITY	British
CAREER	Family- Holiday sector
EDUCATION	Degree in Business from the Brighton Technical College
OTHER	Self proclaimed Animal lover
CHARITY	Ambassador of the charity the Tusks fund

Table 4.1 (b): Bio of Deborah Meaden

NAME	Richard Farleigh
AGE	54
NATIONALITY	Australian
CAREER	Investor in British Tech Firms
EDUCATION	Master degree in economics from the University of New South Wales.
OTHER	Has played chess competitively at international level
CHARITY	Supports the charity Action for Children supporting fostered children

Table 4.1 (c): Bio of Richard Farleigh

NAME	Theo Paphitis
AGE	55
NATIONALITY	Cypriot
CAREER	Owns a chain of Lingerie shops and Stationery businesses
EDUCATION	Did not attend University
OTHER	Former chairman of Millwall Football Club
CHARITY	Founded the Theo Paphitis Foundation

Table 4.1(d): Bio of Theo Paphitis

NAME	Peter Jones
AGE	48
NATIONALITY	British
CAREER	Mobile-phone industry
EDUCATION	Did not attend University
OTHER	Keen interest in Tennis
CHARITY	Founded the Peter Jones Foundation

Table 4.1 (e): Bio of Peter Jones

Dragons	Age	Gender	Career Sector	Other interests	Charity work
Duncan Bannatyne	66	Male	**Health Clubs** and Spas	Written seven books about business	Bannatyne Charitable Trust
Peter Jones	48	Male	**Mobile Phone** Industry	Keen interest in Tennis	Peter Jones foundation
Theo Paphitis	55	Male	**Retail** Industry	Former chairman of Millwall FC	Theo Paphitis foundation
Deborah Meaden	56	Female	**Family Holiday** Business	Self proclaimed animal lover	Ambassador of Tusks fund
Richard Farleigh	54	Male	Invested in **British Tech Firms**	Has played chess at international level	Supports the charity Action for Children

Table 4.2: Synopsising the Dragons' backgrounds

4.3 Empirical Research 2

This is the second stage of the literature review that was undertaken following the detailed case observation and data analysis. As stated earlier, this study followed an inductive-deductive procedure. This section describes the review that followed the inductive procedure, where the cases were already analysed, propositions formulated, and then compared with current academic literature. The lack of theorization and empirical evidence about the initial screening phase between entrepreneurs and investors required that this empirical research be carried out after the analysis of the cases instead of before. If it were carried out before it would bias the researchers viewpoint and affect how the show is perceived and increase bias. Through the analysis of the television show episodes, seven propositions were formulated relating to the research questions. It was necessary to undertake a detailed literature review to see how these propositions compared to existing scientific information. The research of the literature was undertaken in the same order as the propositions and the search engines Scopus, Google Scholar and JSTOR were used to uncover the literature. The key words used stemmed from the propositions and a large variety of combinations were used. All the articles were collected and analysed and checked to see how relevant to the propositions they are.

The articles used relating to each proposition are listed below.

This literature was used to see if the findings from the emperical analysis (the analysis of the episodes) was in line with existing research, contradictory, or new information. The findings are discussed in greater detail in the results section.

P1: The propensity of a BA to invest in a new venture is primarily conditioned by the degree of innovativeness of its product/service and business model with highly innovative ventures providing a strong incentive for investment

Articles used: Mason (2014), Mitteness, (2012), Fiet, (1995), Hall, (1993) Kaplan, (2009), Zacharakis, (1995)

P2: The propensity of a BA investing in a new venture decreases with the degree of social orientation of the project, as potential investors seem disinclined to invest in those with a charitable status.
Articles used: Bugg-Levine, (2011), Emerson, (2003), Hebb, (2013), O'Donohoe, (2010) Starr, (2015), Wood, (2013).

P3: The propensity of a BA to invest in a new venture is primarily influenced by the quality of the presentation delivered by the entrepreneur, inadequate preparation and unrealistic business valuations proving detrimental
Articles used: Chen (2009), Chen (2011), Maxwell (2011), Noble, (2001)

P4: The propensity of an entrepreneur selecting a specific BA to support their project is primarily conditioned by the potential benefit to be gained from the BA's expertise, relevance of their business contacts along with the degree of financial investmentArticles used: Brettel, (2003), Halo Business Angel Network (2012), Mason, (2014), Van Osnabrugge, (2000)

P5: The propensity of a BA investing in a new venture is strongly influenced by the age of the entrepreneur among other personal traits.
Articles used: Halo Business Angel Network (2012), Mason, (2014)

P6: The propensity of a BA investing in a new venture increases by the degree of innovativeness of pitches stimulating BA's imagination.
Articles used: Bolino, (1999), Gallo, (2014), Isaacson, (2012), Murray, (1998), Parhankangas, (2014)

P7: The propensity of a BA to invest in a new venture is directly influenced by their previous experience in that particular field which may exert a positive or negative influence.
Articles used: Aernoudt, R. (1999), Mason, (2004), Mitteness, (2012) Wiltbank, (2007)

Chapter 5 Results: Comparing and contrasting propositions with literature

In this section the results from the empirical research 2 are discussed. The section compares the propositions formulated with the existing research in detail and says whether it compares, contrasts or is new information. The results are presented in the order that relates to the general and specific research questions. At the end of the section the results are summarised in Table 5.4.

GRQ1: What are the motives for angel investors to invest?

Propostion1: The propensity of a BA to invest in a new venture is primarily conditioned by the degree of innovativeness of its product/service and business model with highly innovative ventures providing a strong incentive for investment

A review of current literature failed to determine what the key motivating factor in the eye of the angel investor. Indeed the literature contains contradictory results. Often times, it is cited that entrepreneur is more important than the product, and vice versa. This may mean they are both considered equally important, or, that some angels favour one over the other in terms of importance. However, it is clear that one can't generalize that the product is always the most important reason for investing. Mason, (2014) undertook a study of UK angel investors for 473 investments. The two factors that dominated the investment decision-making process of the investor were the market/product (mentioned in 39%) and the people running the business (31%). The lack of agreement in relation to this issue has been highlighted in the literature with Mitteness, (2012) reporting that "A substantial amount of research has found conflicting results when tackling the question of whether private equity investors such as angel investors and venture capitalists (VCs) place more weight on investment criteria relating to the entrepreneur or the opportunity when evaluating the funding potential of new ventures". They go on to say that most of this research shows that both VCs and angel investors rank the entrepreneur as more important than the opportunity. However this finding is contradicted by the work of: Fiet (1995) Hall, (1993) Kaplan, (2009) & Zacharakis (1995) which showed that private equity investors place greater weight on the strength of the opportunity rather than the entrepreneur.

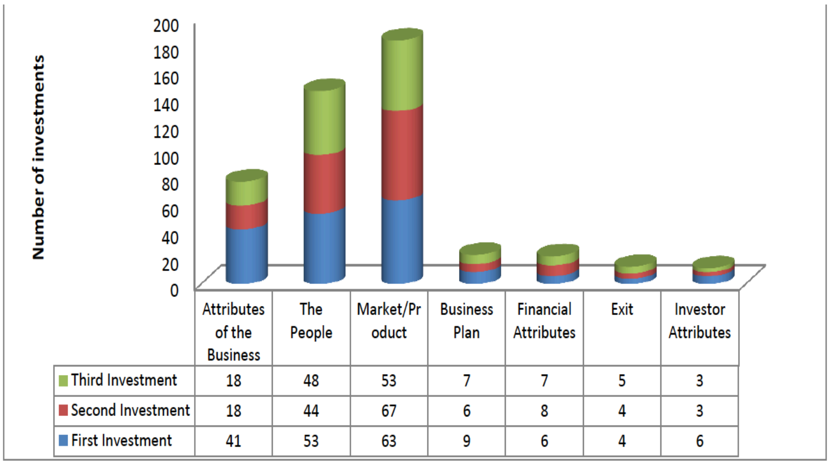

Table 5.1 Showing the Reasons why Business Angels invest (Mason, 2014)

#	Answer		Response	%
1	The People		88	59%
2	Product/Market		73	49%
3	Exit		19	13%
4	Business Plan		35	24%
5	Financial Attributes		37	25%
6	Attributes of the Business		39	26%
7	Investor Attributes		11	7%

Table 5.2 Showing the breakdown of Business Angels reasons for rejecting business opportunities (Mason, 2014)

In conclusion, as angels are not a homogenous group it is difficult to say that they all rate the business over the entrepreneur; however, it can be stated with certainty that those two criteria are the most significant when considering investment.

Proposition 2: The propensity of a BA investing in a new venture decreases with the degree of social orientation of the project, as potential investors seem disinclined to invest in those with a charitable status

Analysis of the Dragons' Den show suggested that potential investors seemed disinclined to invest in those with a charitable status. In the show, the reason stated by the Dragons is that they would prefer to give directly to the charities to make use of tax shields and so the charity can benefit more also. It also raised a discussion in the Den over whether investing in charities is ethically correct and how the investors would feel taking profits out of a charity. Ultimately no charitable projects received an offer of investment. However, the literature review revealed information contradicting this trail of thought. A term for this investment process was uncovered. Impact investing is the practice of investing with "the intent to create measurable social or environmental benefits in addition to financial return" (Wood, 2013). According to The Global Investing Impact Network (the GIIN), impact investments are: "investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return". Impact investments can be made in emerging and developed markets, and target a range of returns from "below market, to market rate, depending upon the circumstances" (GIIN). Impact investing is also referred to as; "double and triple bottom line, mission related investing, program-related investment, blended-value, economically targeted investing and social finance" (Emerson, 2003). With a market valuation estimated between $1 trillion to $14 trillion (when including global infrastructure investments) it is a very sizeable market (O'Donohoe, 2010). However the fact that there is more than one definition for this form of investment leads to some confusion. According to Kevin Starr from the Stanford Social Innovation Review:

"The definition of impact investing is still a dog's breakfast. Inclusive definitions throw in everything from small donations (huh?) to investments that provide a market rate of return or above (which sounds a lot like plain vanilla investing). Impact investing is the practice of putting money—loans or equity—into impact-focused organizations, while expecting less than a market rate of return. Investments that provide a big return don't count: the market will take

care of those, and we don't need conferences to get people to put money into them" (Starr, 2015).

So according to this definition, it appears that impact investing is, in a sense, a cheap loan for the charity and the investor benefits through mostly social change. The investor will, (if the project is in fact successful) receive a return on his investment but this is stated often to be less than the market rate of return. In conclusion, there are different definitions for impact investing, with different stated returns on the investment. However, the size of the market shows that some angels are in fact investing in socially oriented projects contradicting the researcher's stated proposition.

Proposition 3: The propensity of a BA to invest in a new venture is primarily influenced by the quality of the presentation delivered by the entrepreneur, inadequate preparation and unrealistic business valuations proving detrimental

In line with the proposition stated, further research has shown literature to be congruent with this proposition. An unrealistic business valuation is in fact one of the most contentious issues angel investors have with entrepreneurs. According to Brettel, (2003) "An unrealistic evaluation of the company is mentioned by 27% of the interviewed business-angels as a reason for rejecting the opportunity." This shows that it is a highly significant problem that can seriously impact upon the investment process. This is supported by research undertaken by Maxwell (2011) who also found that business angels rejected proposals due to unrealistic business valuation. This leaves an entrepreneur with a tough decision to make regarding setting a correct business valuation prior to seeking investment. "If entrepreneurs seek too high of a valuation, they run the risk of scaring investors away before they have a chance to review the concept" (Noble De, 2001). However, if they set too low a valuation they will suffer financially long term. Bad preparation featured in the paper by Maxwell (2011). In the paper he cites inconsistency as a problem relation to preparedness. "We also found that if the entrepreneur was inconsistent when presenting information or the BA knew that information presented by the entrepreneur was incorrect, the interaction ended". According to Chen, (2009) "VCs' perception of entrepreneurs' passion and preparedness in presenting their business plan would have a significant positive impact on the VCs' decision to fund the venture". Although Chen's study relates to Venture Capitalists and not angel investors, it is still relevant as the two terms can be used synonymously in this case. Chen's findings show that preparedness is as important as the entrepreneur showing passion, and thus, if absent, highly decreases the likelihood of securing investment. "It appears that both passion (affective) and preparedness (cognitive) are likely to be considered relevant information in VCs' judgment of whether the proposed venture is worth funding" (Chen 2011).

SRQ2: What can angel investors bring to a company besides capital?

Proposition 4: The propensity of an entrepreneur selecting a specific BA to support their project is primarily conditioned by the potential benefit to be gained from the BA's expertise, relevance of their business contacts along with the degree of financial investment.

The literature is in line with this proposition. According to Mason, (2014) "the majority (of angels) are entrepreneurs – the entrepreneurs that they back also benefit from their investor's advice, insights, knowledge and contacts". Furthermore 59% of Angels in the UK have been the CEO of small-medium-sized enterprises, (SME's) and 57% have held positions in medium and large sized companies. Finally 34% have been involved in a management buyout (Mason, 2014). These percentages show the various experiences that the angels have been through which will provide useful business expertise to the entrepreneurs. "Often, Angels will work part-time with periods of full-time commitment to help entrepreneurs through challenging issues" (e.g., Van Osnabrugge, 2000). "Angels usually contribute much more than pure cash – they often have industry knowledge and contacts that they pass on to entrepreneurs. Angels will often take non-executive board positions in the companies in which they invest" (Halo Business Angel Network 2012). This shows how valuable angels can be and the skills and attributes they bring to the table, which entrepreneurs would not receive from a straight capital loan from a bank. This is why entrepreneurs are willing to sacrifice an equity stake in their business in exchange for working with these experienced business professionals. Table 5.3 below shows the breakdown of the contribution that angel investors bring to the table, taken from Brettel, (2003). Besides Capital, Networking, business know-how and coaching are the biggest contributions.

	General contributions		Most important contribution	
Contribution of the business angels to their investments	Number of instances	Investors (%)	Number of investors	Investors (%)
Coaching	28	58	14	29
Network and contacts	42	85	14	29
Financial know-how	25	52	5	11
Marketing know-how	15	31	3	6
Strategy	5	11	2	4
Capital	48	100	2	4
Management know-how	22	46	1	2
Personnel development	5	11	1	2
Industry know-how	14	29	1	2
Other	6	13	5	11
Total			48	100

Table 5.3: Contributions of the Business Angels to investments (Brettel, 2003)

This information obtained from the literature is in line with the stated proposition.

SRQ 2: Why do angels invest in certain individuals?

Proposition 5: The propensity of a BA investing in a new venture is strongly influenced by the age of the entrepreneur among other personal traits.

Angel investors are typically individuals who have accumulated wealth through their own business endeavours. Therefore it is no real surprise that most angel investors tend to be middle-aged or older. In fact in 2014 in the UK, 29% of business angels were aged 45-54 and 38% were aged 55-64. A further 18% were 65 years and older, meaning 95% of angel investors were over 45 (Mason & Botelho 2014). According to Mason, (2014) angel investors may invest for the "opportunity to mentor younger entrepreneurs who may be facing similar issues that the angel has tackled previously". This mentoring provides an added benefit of enhancing the start-up's chance of success". Research has shown that companies greatly benefit when Angel investors provide mentoring and other business services. This gives credence to the idea that angels are interested in mentoring younger entrepreneurs. However no literature was uncovered which indicate that investors were less interested in working with older entrepreneurs. In conclusion this proposition could neither be shown to be consistent or inconsistent with available literature. Not enough literature could be found related to angel investor's preference of working with older or younger entrepreneurs. This suggested that this issue merits further research.

Proposition 6: The propensity of a BA investing in a new venture increases by the degree of innovativeness of pitches stimulating BA's imagination.

When seeking investors, the entrepreneur may not always be able to give the potential investor solid facts. For example, the market size may be unknown or the product itself may still be in prototype phase. There is a whole list of reasons why uncertainty may be present. Therefore, the investor is often placing their trust in the investor and taking a leap of faith in them that they will in fact deliver what they have stated. "Early-stage investments often involve unproven technologies, unfinished products and services, as well as unverified market demand" (Murray, 1998). Consequently the impression the entrepreneur makes with the investor in the initial stage is of the utmost importance. This falls into the heading of the term impression management which is a process through which "people seek to influence the image others have of them in order to attain a specific goal" (Bolino, 1999). In this scenario, the goal is to secure investment. The entrepreneur is seeking to create a positive impression of themselves and their business to convince the investor they are worth taking a chance on. The best selling book "Talk like TED" by Carmine Gallo discusses the presentation styles of the world's best-known presenters. The book describes in great detail the styles of former CEO of Apple, Steve Jobs and founder of Microsoft Bill Gates (Gallo, 2014). Both are well known for their unique approach to presentations and according to Isaccson, (2012) "Jobs hated formal presentations" and once said "people who know what they're talking about don't need Powerpoint". Jobs was known for his creative presentations which were never the same and always left the audience enthused. The book describes two interactions in great detail: (i) the presentation in which Jobs introduced the iPhone and (ii) Bill Gates' speech on malaria in Africa. Prior to Jobs' speech he told the audience he would be unveiling three products: an mp3, a phone and an Internet device. Instead he revealed the iPhone and how it does the work of all three. This surprised the audience and created a lasting impression. Bill Gates, one of the world's richest men, also is known for his non-traditional approach to business presentations. In 2009, while giving a presentation on the malaria epidemic in Africa, he famously released several mosquitoes in to the room. He assured the crowd after several moments that they were malaria free leading to applause and laughter from the captivated audience. The video of this presentation has over 2 million views on YouTube and certainly falls into the category of non-traditional. In conclusion the book and articles show how the best presenters in the world don't deliver traditional pitches and this is one of the reasons why they are successful. By delivering a different, non-traditional pitch they leave a more lasting impression on the viewer and this is the case in business presentations also which agrees with the proposition.

SRQ 3: Are angels more likely to invest in areas of their own expertise.

Proposition 7: The propensity of a BA to invest in a new venture is directly influenced by their previous experience in that particular field which may exert a positive or negative influence.

The proposition states that propensity of a BA to invest in a new venture is directly influenced by their previous experience in that particular field. This proposition was backed up by further research that concurs with this. "Angel investors often invest in sectors related to their knowledge" (Aernoudt, 1999). One of the reasons stated is that the knowledge of the industry increases the investors' ability to contribute to the new venture after the investment (Mason, 2004). "Whether individuals have knowledge specific to the opportunity impacts their perceptions of the feasibility of an opportunity" (Krueger, 1993).

Furthermore, it has been stated that it doesn't just play a role in their decision to invest, but also the success of the venture. According to Wiltbank (2007) "An angel investor's expertise in the industry of the venture in which they invest also is related to greater returns". By investing in an area where they have experience, "an investor simplifies their due diligence work and can provide more insightful evaluation of the factors critical to the ventures success as well as provide opportunities for connecting that venture to new Talent and opportunities". (Wiltbank, 2007) In conclusion, this research was found to be succinct with the stated proposition.

Proposition 1
The propensity of a BA to invest in a new venture is primarily conditioned by the degree of innovativeness of its product/service and business model with highly innovative ventures providing a strong incentive for investment
Result from Empirical Research 2
Proposition not backed up by further literature. As angel investors are not a homogenous group, it is not possible to generalise that the single most important thing is always the business as many found that the entrepreneur is more important.
However, these two issues are regarded as the two most important factors when considering an investment universally.
Is this consistent with literature, contradictory or new information: *Contradictory*
Proposition 2
The propensity of a BA investing in a new venture decreases with the degree of social orientation of the project, as potential investors seem disinclined to invest in those with a charitable status.
Result from Empirical Research 2
Impact investing is an increasingly popular form of investment where angels invest in socially oriented causes.
Therefore while none of the angels in the season studied invested in charitable projects, the literature revealed that angels elsewhere are in fact investing in socially oriented projects contradicting the stated proposition.
Is this consistent with literature, contradictory or new information: *Contradictory*
Proposition 3
The propensity of a BA to invest in a new venture is primarily influenced by the quality of the presentation delivered by the entrepreneur, inadequate preparation and unrealistic business valuations proving detrimental
Result from Empirical Research 2
"An unrealistic valuation of the company is mentioned by 27% of the interviewed business-angels as a reason for rejecting the opportunity. This shows that it is a highly significant problem that can seriously impact the investment process".
"VC's perception of entrepreneurs' passion and preparedness in presenting their business plan would have a significant positive impact on the VCs' decision to fund the venture"
Is this consistent with literature, contradictory or new information: *Consistent*
Proposition 4
The propensity of an entrepreneur selecting a specific BA to support their project is primarily conditioned by the potential benefit to be gained from the BA's expertise, relevance of their business contacts along with the degree of financial investment
Result from Empirical Research 2
"The majority (of angels) are entrepreneurs, the entrepreneurs that they back also benefit from their investor's advice, insights, knowledge and contacts"
"Angels usually contribute much more than pure cash, they often have industry knowledge and contacts that they pass on to entrepreneurs". "Angels will often take non-executive board positions in the companies in which they invest"
Is this consistent with literature, contradictory or new information:

Consistent
Proposition 5
The propensity of a BA investing in a new venture is strongly influenced by the age of the entrepreneur among other personal traits.
Result from Empirical Research 2
Angel investors may invest for the "opportunity to mentor younger entrepreneurs who may be facing similar issues that the angel has tackled previously".
This gives credence to the idea that angles are interested in mentoring younger entrepreneurs. However no literature was uncovered which showed that investors were not as excited to work with older entrepreneurs
Is this consistent with literature, contradictory or new information: *New information*
Proposition 6
The propensity of a BA investing in a new venture increases by the degree of innovativeness of pitches stimulating BA's imagination.
Result from Empirical Research 2
According to research by delivering a different, non-traditional pitch entrepreneurs leave a more lasting impression on the audience this agrees with the proposition.
"Jobs hated formal presentations"
Bill Gates one of the world's richest men also is known for his non-traditional approach to business presentations
Is this consistent with literature, contradictory or new information: *Consistent*
Proposition 7
The propensity of a BA to invest in a new venture is directly influenced by their previous experience in that particular field which may exert a positive or negative influence.
Result from Empirical Research 2
"An investor simplifies their due diligence work and can provide more insightful evaluation of the factors critical to the ventures success as well as provide opportunities for connecting that venture to new talent and opportunities
"Angel investors often invest in sectors related to their knowledge "
"An angel investor's expertise in the industry of the venture in which they invest also is related to greater returns"
Is this consistent with literature, contradictory or new information: *Consistent*

Table 5.4: Summary of results

Chapter 6: Discussion & Conclusion

6.1 Discussion

Through the analysis of the Dragons' Den television series, seven propositions were formulated:

1. The propensity of a BA to invest in a new venture is primarily conditioned by the degree of innovativeness of its product/service and business model with highly innovative ventures providing a strong incentive for investment

2. The propensity of a BA investing in a new venture decreases with the degree of social orientation of the project, as potential investors seem disinclined to invest in those with a charitable status.

3. The propensity of a BA to invest in a new venture is primarily influenced by the quality of the presentation delivered by the entrepreneur, inadequate preparation and unrealistic business valuations proving detrimental

4. The propensity of an entrepreneur selecting a specific BA to support their project is primarily conditioned by the potential benefit to be gained from the BA's expertise, relevance of their business contacts along with the degree of financial investment

5. The propensity of a BA investing in a new venture is strongly influenced by the age of the entrepreneur among other personal traits.

6. The propensity of a BA investing in a new venture increases by the degree of innovativeness of pitches stimulating BA's imagination.

7. The propensity of a BA to invest in a new venture is directly influenced by their previous experience in that particular field which may exert a positive or negative influence.

The propositions, which are consistent with current academic literature:

- The propensity of a BA to invest in a new venture is primarily influenced by the quality of the presentation delivered by the entrepreneur, inadequate preparation and unrealistic business valuations proving detrimental
- The propensity of an entrepreneur selecting a specific BA to support their project is primarily conditioned by the potential benefit to be gained from the BA's expertise, relevance of their business contacts along with the degree of financial investment
- The propensity of a BA investing in a new venture increases by the degree of innovativeness of pitches stimulating BA's imagination
- The propensity of a BA to invest in a new venture is directly influenced by their previous experience in that particular field which may exert a positive or negative influence.

The propositions, which are contradictory to current academic literature:

- The propensity of a BA to invest in a new venture is primarily conditioned by the degree of innovativeness of its product/service and business model with highly innovative ventures providing a strong incentive for investment
- The propensity of a BA investing in a new venture decreases with the degree of social orientation of the project, as potential investors seem disinclined to invest in those with a charitable status.

New information identified by this study and on which there seems to be a lack of published research in current literature:

- The propensity of a BA investing in a new venture is strongly influenced by the age of the entrepreneur among other personal traits. Investors tend to be excited to work with/mentor younger investors rather than older entrepreneurs This new proposition requires further research to test its credibility but if it is proved from further research may have significant impact on the investment sector.

6.2 Conclusion

While the study undertaken involved a single series of this investment show, some important results were obtained. Through the analysis of the television show seven propositions were formed and compared with existing literature. A number of these propositions conformed to existing literature and others contrasted. The fact that the propositions contrasted does not disprove the theories formed however; it just means that in the case of this season it differed. The most significant new finding that this researcher found is that investors seem to prefer to invest in younger entrepreneurs. This finding is relevant for entrepreneurs of all ages as it may affect their decision on whether or not they should seek angel investment, as they may feel that the likelihood of being successful may be determined not by the quality of the product or pitch but by their age. This is an interesting proposition as it highlights a potential age-bias in the investment community. This finding is important, as it does seem to have not been investigated previously in academic literature. It is hoped by the researcher that this report will be of value to entrepreneurs, investors and the academic world alike.

Benefit to investors

The study provides a useful insight into the criteria with which investors evaluate a potential venture. From the investor's perspective, what they can take away from this information is the criteria with which their peers evaluate an opportunity. They will be made aware that their fellow investors do in fact invest in social change, and that bad preparation and unrealistic business valuation are two red flags that often lead to other investors not investing. It is hoped this will be useful for novice investors to use these findings as part of their criteria for deciding whether to invest in an entrepreneur's idea or not investors will be interested in knowing this, as they need to know what is expected of them from the angel's perspective if they do make a deal. It is important for investors to know what the entrepreneurs expect help with. First time investors need to know of the common practices of their peers in the field if they are to be successful and this researcher believes this report would certainly be of value to them

Benefit to entrepreneurs

If further research confirms a bias towards younger entrepreneurs, it may lead to an increase in activity from younger entrepreneurs seeking angel investment. In addition, this is likely to have a 'knock on' effect on older entrepreneurs who may consider angel investment to be a young man's game and decide to pursue capital through other more traditional sources such as financial institutions or venture capitalists. By using the information from this report, entrepreneurs can be better prepared for this initial interaction ensuring less friction and a greater chance of securing investment. The key findings for entrepreneurs were (i) that investors place a high value on the product/business idea and (ii) the investors' impression of the entrepreneurs is one of the key factors when evaluating whether to invest or not. It is paramount for entrepreneurs that their business valuation is set at a realistic valuation. Although they may be tempted to exaggerate their valuation to ensure they give away as little as their business as possible, they need to realize that in doing so they run the risk of angering potential investors which will lead to no investment being made. Moreover, it has been shown that they must be thoroughly prepared going into the meeting, both in terms of knowing their financial results, or providing a working prototype. If not, the investors will lose faith in the entrepreneur and refuse to invest in them. Interestingly, this study suggests that entrepreneurs are more likely to gain investment if they deliver a non-traditional pitch and catch the imagination of the investor through unconventional pitching.

Benefit to academic world

This research seeks to contribute to the academic world also. Through the empirical research 2 it was understood that there is a scarcity of published research on the initial screening phase between entrepreneur and business angel. It is hoped that this report could help to address this literature gap. Furthermore, it is hoped that this report may stimulate further research in this field and can be of assistance to other researchers. The dissemination of the results of this project, either by means of the online thesis suppository of Wageningen or as a potential business presentation or conference as a published paper might stimulate other researchers to delve in further into the angel investor/entrepreneur interaction phases.

Chapter 7: Managerial Implications, Limitations & Further Research

7.1 Managerial Implications

This study provides useful information to managers in the investment industry. Each of the seven results presented and discussed above, provides important information for a manager in the investment sector which will allow them to better understand the initial interaction stage with the entrepreneur. The angel investors are typically retired businessmen who have years of experience in the business industry. However, they may be first time investors and lack the investing experience of a venture capitalist or an experience angel investor. By understanding the habits and preferences of their peers in the sector, a new inexperienced angel investor may feel better prepared and gain important experience of the industry ensuring they make a more informed decision.

7.2 Limitations

As the main tool of analysis to extract data was a television show, Dragons' Den, it raises questions of potential validity issues due to the artificial environment of a television show. While the show as screened by the BBC is 44 minutes long and typically includes 4 business pitches, in reality the investors must face several hours of pitches per day. Although it is unrealistic to suggest that all these hours of interactions would be aired, it must be acknowledged that the researcher did not have access to the full interactions. As the show is edited so to show the viewer the most interesting interactions and key moments it must be realised that this raises questions also of selection bias. However, researchers have previously used television shows for academic research (Levitt 2004, Maxwell 2011). In the case of Maxwell (2011), the television show used was in fact Dragons' Den. In the case of Levitt (2004), the show used was the Weakest Link.. The vast majority of successful pitches have been from men, and women seem to have been less successful. If these five investors have preferences for investing in male entrepreneurs, it is important to know before a generalization of the angel investor public at large can be made. The potential for bias also played a part as a limitation in this study. If the BBC is in fact biased in their selection process against a certain race/age or gender on the show, either to compete or to be shown on TV, it will seriously affect how valid the results are The potential of bias arose also with the investing preference on the show. It appeared that the entrepreneurs that were most successful on the show tended to be male. If the investors were bias towards male it would also negatively affect the results. Researching the other seasons of the show with the same investors and seeing if this trend continued could investigate this. The fact that the research and analysis was carried out by a single relatively inexperienced researcher must also be acknowledged as a limitation. Qualitative research is by its very nature subjective and when single person coding is used this increases the chance of personal bias influencing the analysis and interpretation of the results. Time constraints also made it so only one season could be analysed. Further research needs to be undertaken using a greater sample of this series with collaborative coding as this found it would add credibility to the findings.

7.3 Further Research

Further research is highly recommended. One of the 7 propositions, proposition 5 (The propensity of a BA investing in a new venture is strongly influenced by the age of the entrepreneur among other personal traits) could be supported or disproven by further research and this would be an ideal starting point for additional research. To investigate this proposition it is advised that real life angel-investors are interviewed to see if they have a preference for working with younger or older entrepreneurs. A quantitative analysis could also be used to undertake a large-scale analysis to find out if an age bias does exist regarding entrepreneurs who receive investment, as well as this, a study of the gender of the entrepreneur would be interesting to see if a male bias does exist.

The other propositions need to be further tested for reliability and to see whether it is reflected by other scientific articles and testing. Also, other seasons of the Dragons' Den should be used to see if the findings are reflective of the larger sample. Finally, in further research the season used should be re-watched by several other researchers so as to see if the same conclusions are arrived at.

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Appendices

Appendix 1. The biographical details of Business Angels

Name: Duncan Bannatyne

Age: 66

Nationality: British

Career Experience

Bannatyne is best known today for his franchise of Health Clubs and Spas. Previously owned ice-cream van business, a nursing home and chain of children's nurseries.

Education

Bannatyne did not attend University and indeed was an early school leaver, finishing his formal education at the age of 15. Nonetheless, he was subsequently awarded an honorary Doctorate of Science (D.Sc.) by Glasgow Caledonian University for his business and charity work. He was also awarded an honorary Doctorate of Business Administration (DBA) from Teesside University.

Other interests

He is as established author with 7 business books to his name, the most famous of these being: *Anyone Can Do It, Wake up and Change Your Life.*

Charity work

Bannatyne owns his own charity, The Bannatyne Charitable Trust and has received an OBE for his charity work that includes work against HIV, famine and helping orphans in Romania.

Source: Bannatyne.co.uk,. (2015). *About Duncan - Bannatyne*. Retrieved 10 March 2015, from http://www.bannatyne.co.uk/about-duncan/

Name: Richard Farleigh

Age: 54

Nationality: Australian

Career Experience

Farleigh is best known for his investments in British Tech-firms. He is a retired hedge-fund manager and he has also worked as an investment banker and trader. Furthermore, Farleigh has invested in a private members club in London, a financial services business, a pharmaceutical company as well as a series of computer processor related firms.

Education

Farleigh has a Master degree in economics from the University of New South Wales.

Other interests

Has played chess competitively at international level and resides in Monte Carlo.

Charity work

Supports the charity Action for Children supporting fostered children.

Source

Richard Farleigh,. (2015). *Biography - Richard Farleigh*.

Retrieved 10 March 2015, from http://www.farleigh.com/biography/

Name: Deborah Meaden

Age: 56

Nationality: British

Career Experience

Deborah Meaden made the majority of her fortune in the Family-Holiday sector. She has previously owned a glass and ceramics export agency, and a textiles franchise. She currently owns an online store selling luxury British made goods.

Education

Studied and received a degree in business from the Brighton Technical College. Received an honorary degree from the University of Exeter Business School, Staffordshire University Keele University and Bath Spa University.

Other interests

She is a self proclaimed animal lover and supports many animal charities

Charity work

Meaden is an ambassador of the charity the Tusks fund. Also, Meaden is a well-known member and patron of the World Wildlife Fund. Furthermore, she contributes heavily to the charity Dogs Trust and to various children's hospices.

Source

Deborahmeaden.com. (2015). *Successful UK entrepreneur and investor Deborah Meaden.*

Retrieved 10 March 2015, from http://www.deborahmeaden.com/2/about-me

Name: Theo Paphitis

Age: 55

Nationality: Cypriot

Career Experience

Paphitis specialises in the retail industry developing a chain of lingerie shops. He also owns a stationery chain and a house-ware product chain. He has had a diverse work history having worked in a watch shop, sold commercial mortgages, set up a property finance company and owned a Tele-communications company.

Education

Did not attend University.

Other interests

He is the Former chairman of Millwall Football Club, and a keen collector of cars who follows the Formula 1 racing closely.

Charity work

Founded the Theo Paphitis Foundation that provides funds to children's charities and elderly hospices.

Source

Theopaphitis.com (2015). *Theo Paphitis - Biography.*

Retrieved 10 March 2015, from http://www.theopaphitis.com/theo-biography.html

Name: Peter Jones

Age: 48

Nationality: British

Career Experience

Jones made the majority of his fortune in the Mobile-phone industry. He has previously owned a cocktail bar and a computer manufacturing business. He currently owns a photographic retailing company, a television network, an online wine and champagne retailer as well as a specialist recruitment agency.

Education

Did not attend University and left school at age 15. Nonetheless, he has been awarded an honorary Doctorate of Science (D.Sc.) by Glasgow Caledonian University on 5 July 2006 for services to business and charity. He was also awarded an honorary Doctorate of Business Administration (DBA) from Teesside University, on 6 February 2009.

Other interests

Jones has a keen interest in tennis. He has appeared on many other television shows encouraging entrepreneurship.

Charity work

Founded the Peter Jones foundation that provides funding to young entrepreneurs.

Source

Peterjones.com (2015). *Peter Jones | About Peter Jones > About Me.*
Retrieved 10 March 2015, from http://www.peterjones.com/about-peter-jones/

Appendix 2: The layout of the excel grid used to record findings.

The GRQ table was labelled as follows:

1A)

Table 1 for GRQ1

1B)

What are the motives for angel investors to invest? The question is defined here.

2A)

Season. Season 4 was the preselected season through randomisation as previously stated.

2B)

Episode. Here the episode is listed for the purpose of keeping the records clear.

2C)

URL. Here a link is provided to YouTube where the episode is readily available to be viewed.

2D)

Contestant. The order the contestants are listed here in the order they appear on the show.

2E)

Entrepreneur name. The name of the contestant/entrepreneur who is pitching the investors is recorded here.

2F)

Dragons. Here the investors/dragons are named. For this season, they are Duncan Bannatyne, Deborah Meaden, Richard Farleigh, Theo Paphitis and Peter Jones.

2G)

Entrepreneur idea. Here the idea that is being pitched to the investors appears. This idea is a product or service their company provides which they are looking for a cash injection in exchange for equity in the business.

2H)

Dragon that invests. Here the investor is recorded.

2I)

Reason for/not investing. Here the reason for the investment is stated. It is hoped that this will show a pattern that will help propositions to be made at a later stage after the analysis.

2J)

Time of statement: For the purpose of further research and for being able to accurately check finding the time of the statement is recorded here.

2K)

Exact words used. As the study will be of qualitative nature, it is important to record the exact words used to analyse.

119A) Table 1 for SRQ 1

119B)

What can angel investors bring to a company besides capital?

120A)

Season. Season 4 was the preselected season through randomisation as previously stated

120B)

Episode. Here the episode is listed for the purpose of keeping the records clear.

120C)

URL. Here a link is provided to YouTube where the episode is readily available to be viewed.

120D)

Contestant. The order the contestants are listed here in the order they appear on the show.

120E)

Entrepreneur name. The name of the contestant/entrepreneur who is pitching the investors is recorded here.

120F)

Dragons. Here the investors/dragons are named. For this season, they are Duncan Bannatyne, Deborah Meaden, Richard Farleigh, Theo Paphitis and Peter Jones

120G)

Entrepreneur idea. Here the idea that is being pitched to the investors appears. This idea is a product or service their company provides which they are looking for a cash injection in exchange for equity in the business.

120H)

Dragon that invests. Here the investor is recorded.

120I)

What entrepreneur is looking for besides capital?

120J)

What investor offer besides capital if stated

120K)

Time of interaction

120L)

Exact words used

240A) Table 2 for SRQ 2

240B)

Why do angels invest in certain individuals?

241A)

Season. Season 4 was the preselected season through randomisation as previously stated

241B)

Episode. Here the episode is listed for the purpose of keeping the records clear.

241C)

URL. Here a link is provided to YouTube where the episode is readily available to be viewed

241D)

Contestant. The order the contestants are listed here in the order they appear on the show.

241E)

Entrepreneur Name. The name of the contestant/entrepreneur who is pitching the investors is recorded here.

241F)

Dragons. Here the investors/dragons are named. For this season, they are Duncan Bannatyne, Deborah Meaden, Richard Farleigh, Theo Paphitis and Peter Jones

241G)

Entrepreneur idea. Here the idea that is being pitched to the investors appears. This idea is a product or service their company provides which they are looking for a cash injection in exchange for equity in the business.

241H)

Dragon that invests. Here the investor is recorded.

241I)

Dominant quality shown by entrepreneur

241J)

Reason stated by investor if any

360A) Table 3 for SRQ 3

360B)

Are angles more likely to invest in areas of their own expertise?

361A)

Season. Season 4 was the preselected season through randomisation as previously stated

361B)

Episode. Here the episode is listed for the purpose of keeping the records clear.

361C)

URL. Here a link is provided to YouTube where the episode is readily available to be viewed.

361D)

Contestant. The order the contestants are listed here in the order they appear on the show.

361E)

Entrepreneur name. The name of the contestant/entrepreneur who is pitching the investors is recorded here.

361F)

Dragons. Here the investors/dragons are named. For this season, they are Duncan Bannatyne, Deborah Meaden, Richard Farleigh, Theo Paphitis and Peter Jones

361G)

Entrepreneur idea. Here the idea that is being pitched to the investors appears. This idea is a product or service their company provides which they are looking for a cash injection in exchange for equity in the business.

361H)

Dragon that invests. Here the investor is recorded.

361I)

Related to their previous work industry? Here it will be said whether the idea pitched is relevant to the investors past working experience. To do this it is necessary to do a background analysis of the dragons past work.