

**THESIS BY PUBLICATION**  
**EXECUTIVE DOCTORATE IN BUSINESS ADMINISTRATION**

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Business angels' involvement for the venture after investment:

An investigation of the different roles of business angels

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## **2. ABSTRACT**

In the latest European surveys, French Business angels' involvement is reported to be much lower than in other European business angels (EBAN 2018, 2017). This is currently explained by the fact that French surveyed business angels belong to large syndicates in which a lead business angel is likely to represent all the other members of one's syndicate.

Visible syndication is a relatively new phenomenon in France as actual largest business angel networks were only created in the mid-years 2000s and mainly developed in the years 2010s. Though the total visible market is today stagnating around 5500 members and an annual investment of € 43M (France angels, 2019). In fact, in the last years the effort of business angels' networks to recruit new members have just compensated the number of those who stop playing the role because of their age but also because of their dissatisfaction with playing the role.

Given the potential impact of business angels in sustaining entrepreneurial development, the initial intention of this thesis was to explore French business angels' involvement after investment and look at potential differences between individual and syndicated business angels. This iterative research journey led me to first study the governance practices of syndicated business angels, that is, the context in which syndicated business angels invest. Then I was able to explore the roles played by business angels and if there were differences between syndicated and individual business angels. Given that business angels can choose different roles according to their investees, I then decided to explore the beliefs that influence business angels when they choose a role after they invest.



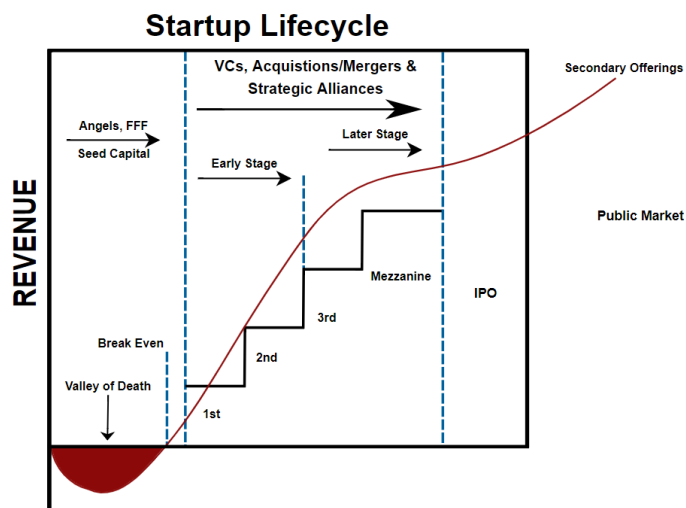
### 3. INTRODUCTION

#### 3.1. THE BIG ISSUE

##### 3.1.1. BUSINESS ANGELS ARE USEFUL RISK-TAKERS TO FINANCE SEED VENTURES

France Angels who is the national federation that represents most of French business angels networks defines a business angel as “a person who invests his own money in an innovative company with high potential and who graciously offers the company his skills, his experience, his network of relationships and part of his time”. Business angels representatives networks converge to systematically say that they are the only funding option for entrepreneurs that need to raise between €100k to €1m, after soliciting personal savings, friends and family money and personal grants and loans, before venture capitalists get ever interested. European business angels’ network (EBAN) reports that business angels represent the biggest share (63,9%) of the investment market at the seed stage with a record of €7.3b of investments in 2017. Business angels play a key funding role because they accept the risk of finalizing a proof of concept and testing marketing strategy on real customers, because they have financial capacity to invest in risky projects, even if it means losing their stake. In that sense they help entrepreneurs to cross the “valley of death” where most startups die in.

**Figure 1. Business angels’ role in the funding chain of the startup lifecycle**



Source: [www.eban.org/angel-investing-explained](http://www.eban.org/angel-investing-explained).

This investment activity is really risky as the common informal statistics circulating within the French business angels’ networks is that one of ten investments compensate the failure and mitigate the bad return of the nine others! As investing in an innovative creative company

usually carries a very high risk that is proportional to the potential capital gain, France Angels warns any business angel to remain cautious while investing. They recommend keeping angel investments under 5 to 10% maximal of one's capital.

The population of active business angels is estimated to be larger by 17% in Europe (337,500) versus in US (238,380). Though, the total investment per year in US is estimated to be \$23.9b, more than 3 times the estimated amount of investment by business angels in Europe. It's because in the US, 54% more ventures are financed (61,560) and the average investment per venture is nearly twice as much (\$388,239). There are differences within European countries on the average investment per venture : around €400k in Germany whereas around €124k in UK and France. It is linked to the fact UK and French business angel networks diversified in much more ventures their investment than in Germany.

*Table 1. US and European Business angels market key figures (2017)*

2017	US	Europe
<b>Active business angels</b>	288,380	337,500
<b>Entrepreneurial ventures financed</b>	61,560	39,990
<b>Total investment</b>	\$23.9b (+12,6%)	€7.3b (+9%)
<b>Average investment per venture financed</b>	\$388,239	€182,000

Source US : Sohl(2018).

Source Europe : EBAN Statistics Compendium 2017.

### **3.1.2. THE VISIBLE BUSINESS ANGEL MARKET IS DIFFICULT TO ACCESS FOR ENTREPRENEURS IN EUROPE AND ESPECIALLY IN FRANCE**

European business angels' visible market only accounts for 10% of the total investment. By visible market, EBAN encompasses activity undertaken by business angels' networks with direct relation with EBAN or reporting through a national federation but also investor groups from which access to information is limited but whose activity can be tracked through data bases where start-up investments are reported. EBAN mentioned that following a period of steady growth, the number of angel networks is consolidated and reported to be 475 in 2017.

According to EBAN statistics, the CEE region has the youngest average age for business angels, between 40 and 45 years old, but though France shows a demographic record with an average age of more than 60. In term of gender, US Female business angels are estimated to stagnate at 19,5% share of the total business angels US population (Sohl 2018) but it's nearly twice as

much as in Western Europe where women business angels still represent an average of 11% of the total population of business angels.

In the European visible market, six innovative sectors concentrate investments amounts in Europe in 2017. By importance of amount invested those sectors are: fintech (25,2%), information and communication technologies (21,3%), health (16,4%), mobility (7,2%), Food (7,1%) and Energy (6,9%).

In the US, business angels also focus their investment in few innovative sectors: software maintained its dominant sector position with 30% of total angel investments in 2017, followed by Healthcare Services/Medical Devices and Equipment (19%), Retail (10%), Biotech (10%), Industrial/Energy (7%) and Financial Services/Business Products and Services (5%). Industrial/Energy investing is predominately in clean tech (Sohl, 2018).

It is also true that even if entrepreneurs play a key role in sustaining innovation and economic growth, they often struggle to fund their venture at the seeding stage when they contact the existing visible business angels' networks. The demand is much larger than the available investing capacity. The current ratio reported annually in one of the leading French business angels' networks is that 1 out 30 projects posted in its website get funded in the end. Most of the projects are desk rejected than later during the due diligence selection phase. Only one third of the innovative projects that were selected through its deal flow process and presented to members get financed in the end, due to the lack of interested available active member investors. Unfortunately, French registered business angels who represent the visible market are very few and difficult to convince. In 2018, France Angels reported only 5,000 active members who invested cumulatively 38 million euros in 455 innovative companies.

In order to match demand to sustain the development of more new ventures, French business angel networks are desperate to increase the number of their members, some of them have been trying to double their size for the past years but the new members recruited annually are just enough to compensate those who stop investing because of reaching the age limit and/they fix themselves and/or their investing capacity limit.

Thus, French visible business angel limited population and investment size should be a concern for the whole entrepreneurial ecosystem both in terms of financial and non-financial resources as we are going to see in next section.

### 3.1.3. BUSINESS ANGELS CAN BRING MORE THAN MONEY

Business angels often complain that they are mostly known and used for their funding capacity. EBAN insist to say that they can also bring much more to the venture: “ Angels usually contribute much more than pure cash – they have industry knowledge and contacts that they pass on to the entrepreneurs, besides experience in starting and growing a company. Angels will often take non-executive board positions in the companies in which they invest and act as advisors to the startup team”. This seems to be acknowledged by the reported experience of some entrepreneurs. In les Echos article “Business angels : bien les choisir et pas seulement pour leur argent” ( Business angels: choose them well and not just for their money), the journalist interviewed entrepreneurs who testify how business angels were useful for them to grow their venture via sharing sectorial expertise, entrepreneurial experience, contacts but also by their strategic advices and their psychological support. One entrepreneur, Briec Oger, reports how long (18 months) it took him to find and seduce the right one, but he says “It's so valuable to convince a digital business angel that this length has been well worth it “. For him, the definition of the “right” business angel to convince is “beyond the financial contribution, the right business angel is the one who will bring professional expertise, an address book and moral support”.

France Invest who is the French association of investors for growth released in 2019 “Le guide des bonnes pratiques du capital innovation”( best practices handbook). Table 2 summarizes all the contributions that any capital innovation board member should bring to a company.

*Table 2: potential contributions of a board member (France Invest)*

Contribution	What is shared
<b>Understanding the sector and the issues</b>	Business model understanding, , being able to say what works or not, having already lived the path faced by the executives
<b>Knowledge of the company</b>	Identification of the project, due diligence of the company and negotiation of the entry of investors with founders
<b>Step back ability</b>	Close relationship but distanced: by speaking to each other on a regular basis, but without being part of the permanent team
<b>Relaying to the outside</b>	Making available to the company a network of contacts, allowing access to the most competent advice
<b>Strengthening the company's image</b>	The entrance of seed investors give a sign of maturity and solidity, but also a demonstration of the team's ability to progress in its projects.

For France invest, the recommendations of their handbook have an educational purpose for the whole entrepreneurial ecosystem : venture capital investors, business angels, founders, executives, expert,... They hope to “improve the quality of dialogue and organization, in the

service of the efficiency and performance of the company”, suggesting that the post-involvement of the seed investors should be improved.

On the entrepreneurs side, the Galion Project think tank who unifies French tech successful entrepreneurs has released in May 2020 a memo about how the covid crisis should lead the entrepreneurs to rethink their relationships with their investors, urging them to also leverage their potential non-financial inputs through informal effective mini boards and the organization of ad hoc expertise workshops that “those investors like the most”, also suggesting that many improvements could be made in the area to better leverage investor’s involvement post-investment.

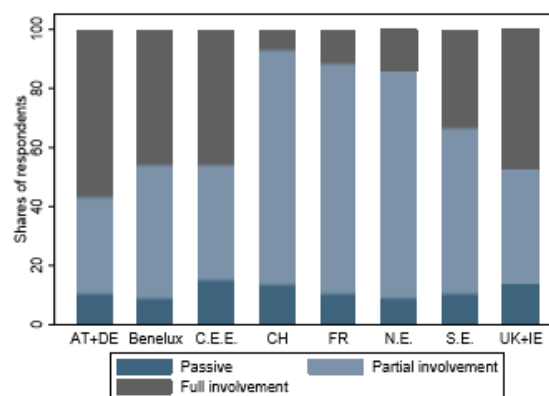
As we are going to see in the next section, French statistics of business angels’ involvement post-investment seem to corroborate the need for entrepreneurs to better solicit the non-financial contributions of French business angels post-investment.

### 3.1.4. BUSINESS ANGELS INVOLVEMENT POST-INVESTMENT SEEMS LOWER IN FRANCE

EBAN 2017 study reveals that there is a wide difference on the average involvement of business angel per country and that engagement of visible French business angels seems lower.

Figure 2 shows differences in the degree of non-financial involvement across European regions. The share of self-reported fully involved business angels is the largest in Austria and Germany, where 58% of business angels declared to be fully involved. Full involvement is also high in the UK and Ireland, the Benelux and Central and Eastern Europe. It is especially low in Switzerland and France, where the vast majority (80% and 77% respectively) reports to be partially involved in the businesses.

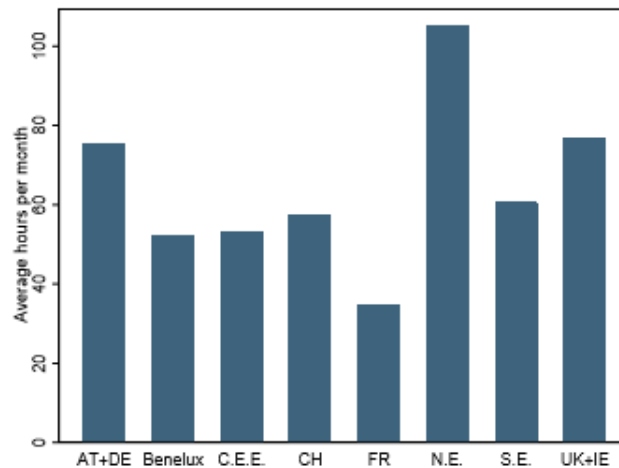
**Figure 2. Business angels’ involvement in investee firms**



Source : European Commission “Understanding the Nature and Impact of the business angels in Funding Research and Innovation Final Report 2017 p.105.

In figure 3, we can observe that the time spent on business angels activities per month is very different per country: once again French business angels are lagging behind with only 35 hours per month vs the European average of 56 hours, not to mention Northern Europeans above 100 hours.

**Figure 3. Time spent on business angels activities per month**



Source : European Commission “Understanding the Nature and Impact of the business angels in Funding Research and Innovation Final Report 2017 p. 107.

One of the suggested reasons is that business angel investment in France involves much more co-investors per investment. Consequently, in French business angels networks some business angels are acting as lead investors that are more frequently in touch with the company (weekly / monthly) compared to the other business angels they represent, who will only exchange or get information on a quarterly basis at best and more likely on a yearly basis at the general assembly. Business angels’ involvement per investee might also vary according to their venture professional experience, skills, networks, and available time. Though it is of their major interest to share skills, experience, network with entrepreneurs to maximize their chances of successful exit. Nevertheless, the following paradox is often observed post-investment: business angels’ engagement varies a lot between them and between their portfolio of ventures.

Next section will focus on understanding why this is relevant to study the involvement of French business angels after investment.

### **3.1.5. WHY IS FRENCH BUSINESS ANGELS POST-INVESTMENT INVOLVEMENT A USEFUL TOPIC TO EXPLORE?**

As mentioned previously, there are some existing business cases where business angels can bring more than finance to the entrepreneurs and their ventures. In my practice both as an entrepreneur advisor and as a business angel, I have observed many forms of business angels' involvement after their investment. There are many ways to be actively involved for a business angel: raising questions, giving answers, advice, doing expert tasks, giving support, providing specific intelligence, exchanging information, sharing contacts... The way to exchange with entrepreneur can also vary between business angels: email, 1to1, meeting, video or audio call, instant text message... as well as their frequency of occurrence, daily, weekly, monthly, yearly. I have also observed very different types of relationships: some are strictly formal, others neutral, others cordial to strong friendships and others are negative and may change over time into a real enmity. As a result, some active business angels' forms of involvement I have witnessed lead to very positive results such as helping actively entrepreneurs to design a sustainable business model, selling to new key account customers, hiring key HR but also helping to overcome ad hoc crisis or conflicts and raise new funds effectively. Other types of involvement or absence of involvement have created frustration for both parties, generating little value and in some cases, severe conflicts with the founders or, ultimately, unexpected bankruptcy.

On the other hand, many business angels I have met in networks are unsatisfied by the way other business angels represent them and, in many cases, it explains why they reduce or stop investing. Main French business angels' networks have acknowledged that they are collectively good to select and negotiate investment deals but that they need now to improve now the involvement and follow up of their representatives in their investments. One of the leading French business angel networks has adopted since 2019 a charter of commitment to be signed before accepting to represent other business angels in a board. They now intend to design a set of new effective trainings dedicated to post-investment involvement.

Given the diversity of their form and their potential positive but also negative impacts for the emerging companies, it is of utmost importance to explore what are the types of involvement that business angel may have after investment and how do they choose them for each of their venture. Better understanding the phenomena can impact positively the whole entrepreneurial ecosystem. First, entrepreneurs could better understand how to leverage the non-financial contribution of their business angels. Second, business angels could find more satisfaction by impacting their investment directly. It could consequently also help business angel networks to

increase their membership and so be more effective to seed finance larger number of innovative ventures. Besides, given the impact of tax reduction to start or stop business-angeling activities, I would love to contribute to convince the French government to design back new tax incentives to foster the recruitment of a new generation of business angels.

To conclude the managerial aim of my research is to explore and unveil what are the different forms of involvement of the French business angels and why do some business angels, whose interests are by definition to share their experience and expertise, choose not to engage actively or stop being involved after their investment. This research is important for entrepreneurs, individual business angels and business angel networks but also for academics and public governments as we have seen previously business angels are some of the few key extra financial resources entrepreneurs can leverage to find sustainability of their business model in the seed stage.



## **3.2. LITERATURE REVIEW**

### **3.2.1. WHO IS A BUSINESS ANGEL ?**

Wetzel (1983) was one of the pioneers to use the term business angel to identify key financing individual contributors of new technology-based firms that faced an equity financing gap in their early stage. Then business angels were identified as being “high net worth individuals who invest a proportion of their assets in high-risk, high-return entrepreneurial ventures” (Freear, Sohl, and Wetzel, 1994).

Business angels are critical as they are the principal source of finance in early-stage ventures and exceed over time in every country studied by scholars those made by the institutional venture capital industry (Landström and Mason, 2016).

The notion of "smart money" was early introduced in the definition: “business angels are value-added investors, contributing their commercial skills, entrepreneurial experience, business know-how and contacts through a variety of hands-on roles (Mason and Harrison, 1995). This hands-on involvement is a key distinction of business angels with other informal investors who are “private individuals who make investments directly in unlisted companies in which they have no family connections” (Mason and Harrison, 2000).

The most cited definition in literature is currently that a business angel is “a high net worth individual, acting alone or in a formal or informal syndicate, who invests his or her own money directly in an unquoted business in which there is no family connection and who, after making the investment, generally takes an active involvement in the business, for example, as an advisor or member of the board of directors” (Mason and Harrison, 2008). This definition nuances somehow the supposed active involvement of any business angel.

For (Avdeitchikova, et al, 2008), the involvement of business angel is a grey area that often causes methodological errors when defining who is a business angel:” it is not possible to define some general criteria for the level of investment activity and hands-on contribution that would qualify an investor as a business angel”. They argue that an increasingly large number of business angels carry out syndicated investments so there is a growing number of business angels who may behave as lead business angel in some investees and at the same time who may be less active in others where they accept that another business angel leads.

Next section gives clues to explain why by essence business angels are not mere investors.

### **3.2.2. NON-FINANCIAL CRITERIA ARE VERY IMPORTANT IN BUSINESS ANGELS' DECISION MAKING PROCESS**

It is widely accepted among past studies that business angels are motivated by financial expectations but also by non-financial considerations, including benefiting from “psychic income”, giving support to the emergence of a new generation of entrepreneurs and improving their own entrepreneurial experience (Mason et al, 2016a).

In fact, venture investment decision making consider many factors as market and industry trends, competition analysis, product differentiation and expected return on investment. Business angels are attracted to proposals where they can apply their knowledge, skills and experience thus bringing value added benefits to the venture (Kelly, 2007).

Exit perspective is not a significant factor in the decision-making process of business angels, in this sense they are considered patient investors. Some business angels expect an exit in a 3 to 5-year time horizon, others in a 6 to 10-year horizon and other none at all. (Mason et al, 2016b). Management team and specially the quality of the entrepreneur, appear to play a major role in the investment decision process (MacMillan et al., 1985). Furthermore, concern about the entrepreneur is the main reason why angels reject investment opportunities (Mason et al., 2016a).

Understanding the non-financial criteria that motivate one business angel is thus key to trigger one's investment decision but also to understand the non-financial involvement one is keen on after investment.

### **3.2.3. BUSINESS ANGEL GOVERNANCE**

By analyzing existing empirical studies, Fili and Grunberg (2016) conceptualized five distinct governance process in post-business angel investment activities: boundary spanning, structuring, leadership, doing, and monitoring. They suggest that business performance could be improved in practice if business angels and entrepreneurs were developing skills in governance processes. For Politis (2016) playing a sounding board/strategic role is one of the four forms of additional value-added roles exercised by the business angel. However, she does not specify how it unfolds in practice.

Some questions remain also open on the governance learning process of business angels. Do they learn from each other? Are there best practices that are shared between experienced and novices and how? How business angels are assigned to join the board and how works communication with the entrepreneur and the other business angels afterwards? ( Collewaert &

al, 2018). The first paper of this thesis “what are the governance practices carried out by syndicated business angels after investment?” is going to unveil shared governance routines that are also very useful to understand the context of post-investment forms of involvement chosen by business angels.

**3.2.4. BUSINESS ANGELS’ INVOLVEMENT POST-INVESTMENT**

The involvement of business angels is commonly categorized in terms of degree of intensity (active vs passive) and in terms of formalization (informal vs formal) (Wetzel, 1983).

*Table 3. Categorization of different forms of involvement by business angels*

Involvement	Formal	Informal
<b>Active</b>	Board Membership Full and part-time job	Consulting and advisory help
<b>Passive</b>	Attending shareholder meetings	Reports reading

Source : Wetzel(1983).

Previous empirical research indicates that the key contribution of business angels to entrepreneurs is their strategic advices (Mason and Harrison, 1996). Networking, marketing, management or financial advice as well as general administration are other contributions cited while a minority of business angels admit no contribution at all (Mason and Harrison, 1996). According to some investees, even passive involvement like monitoring of reports can benefit entrepreneurs as it forces them to be disciplined and accountable for. In contrast, experienced entrepreneurs can be reluctant to active involvement, fearing interferences with the way they want to run their business. However, all entrepreneurs want their business angels to be responsive and supportive if they have reasons to ask for their help (Macht and Robinson, 2009). Task-focused activities or hard-involvement rely on the specific work-related expertise of the business angels (Macht, 2011). Novice business angels should only focus on soft involvement which is people-centered and interpersonal and that adds value to the management team. They should avoid hard involvement as it could be highly unproductive and lead to conflicts with the entrepreneurs if they have no specific expertise to share (Macht, 2011).

Company valuations are significantly and positively associated with business angels' human capital, especially their education and their years of entrepreneurial and law experience. (Collewaert and Manigart, 2015).

For Politis (2016), the hands-on involvement of business angels is characterized by the frequency and forms of contacts and the set of value-added benefits provided.

In a meta review of previous existing empirical studies, Politis (2016) distinguishes four complementary forms of value adding roles performed by business angel: sounding board/strategic role, resource acquisition role, mentoring role and supervision and monitoring role. However, she does not clarify how does it take place in practice and if business angels' roles and activities depend among their investees. After investment, the declared engagement of business angels varies a lot between them as well as time spent per month on business angel activities. A survey by EBAN in 2019 with 90 active business angels from 11 countries indicates that respondents report average spending time of 23.5 hours a month to their entire portfolio of startups. 9,8h for the board, 3,9h to the presence in committee 3,4h for operational actions, 3h for introductions, 2,2h for financial intermediation and 1,1h for other activities. A previous survey by the EBAN in 2017 showed that French business angels are spending 60% less time than the European average. One suggested reason was that the business angel investment through French network generates much more co-investors.

As mentioned earlier, according to Collewaert et al (2018), "there are blind spots in our understanding of how the angel is involved, such as according to the extent, frequency and mode of their engagement". She defines extent of involvement by the depth and intensity of the business angels' activities, their involvement in strategic and operational decisions but also the level and type of venture information business angels get. Frequency is defined by the occurrences of business angels' activities, their interaction with the entrepreneur/venture (daily, weekly, monthly, quarterly,...). Mode is for her the formality type of their role performance (like a board seat) or informal way like a phone call.

Paper 2 "The different roles of business angels after investment : differences between individual and syndicated business angels" uncovers the behaviors, characteristics and functions of each identified role. Paper 3 "after investment, what beliefs might influence business angels when they choose their roles?" explores how behavioral, normative and control beliefs contribute to the choice of one role after investment.

### **3.3. THEORETICAL FRAMEWORK**

The three RQs that were retained necessitated to find and mobilize three different theoretical frameworks. For RQ1 which focuses on the governance practices carried out by syndicated business angels I used strategy-as-practice theory. For RQ2 which explores the roles of business angels after investment I selected the role theory framework. Finally, for RQ3 which focuses on understanding how business angels are influenced to choose between roles after investment I need to use a theoretical framework that was compatible with role theory and explaining how people decide to select a behavior. Thus, I chose theory of planned behavior.

#### **3.3.1. STRATEGY-AS-PRACTICE THEORY**

Whittington (2006) identifies a practice turn in strategy research treating strategy as something people do. Practice perspective is based on the dual sense of practice in social theory: ‘Practice’ (praxis in German) and ‘practices’ (praktiken in German) are different. ‘Practice’ describes the whole of human action in contrast to ‘theory’. A ‘practice’ (Praktik in German) is “a routinized type of behavior which consists of several elements interconnected: forms of bodily activities, forms of mental activities, ‘things’ and their use, a background knowledge in the form of understanding, know-how, states of emotion and motivational knowledge”. ‘Practices’ are the ‘smallest unit’ of social analysis. Thus, a practice represents a pattern which is constituted of numerous single and often unique actions reproducing the practice. The single individual acts as the ‘carrier’ of a practice: not only of patterns of bodily behavior but also of certain routinized ways of understanding, knowing how and desiring. These mental activities of understanding, knowing how and desiring are necessary elements and qualities of a practice in which the single individual participates, not qualities of the individual (Reckwitz, 2002). Besides, the practice as a “nexus of doings and sayings” (Schatzki) is not only understandable to the carrier(s), it is also understandable to observers so far they share the same culture. A practice is thus a “routinized way in which bodies are moved, objects are handled, subjects are treated, things are described and the world is understood”.

Practice perspective in strategy distinguishes also three units of analysis: the praxis, the practices and the practitioners. For Whittington(2006) Praxis means the concrete activities, what people do. Practices are the shared routines of behaviors, common tools and procedures that are used. Practitioners are those who perform the praxis and carry the practices, using their skills. For Jarzabkowski (2019) using a strategy-as-practice perspective does not mean you need to analyze systematically praxis, practices and practitioners. There are not actually analytical

categories there are more an overall perspective. For her we can theorize from the nexus of practices of the individuals who are doing things but to do that, we need to study a relevant corpus of individuals doing those things and connect them in order to understand what are the patterned things people do that are the practices that collectively constitute what we are trying to study. Although she likes observing, she acknowledges this perspective is also suitable with a variety of data collection, like interviewing in depth or watching videos as well as reading minutes. She also mentions that studying all this doing it is not just to show what doing is, it is actually to explain something that is puzzling us. For her as a researcher, we need to tie data that we collect into trying to explain some problem or phenomena of interest and so we should be looking for the actions that explain the phenomena we are studying. For her the main interest of this practice perspective is to be able to understand why people shift what they are doing and with what effects. That should be our main focus as researchers using this perspective.

Interrogated in May 2019 at the end of her webinar about whether it would be relevant to use strategy-as-practice perspective to study what do business angels do, Jarzabowski said that this was clearly a topic that could be studied through a strategy as practice lens but said “what do business angels do is an empirical question not a theoretical question”. “We know this is empirically interesting, but you have to come up with a theoretical reason”. So she encouraged me to focus on what would be the theoretical contribution that I would make by studying business angels practices. I realize that studying the governance practices of syndicated business angel would help a lot to understand the roles they play and how do they choose them That is why I used strategy-as-practice perspective for the first article: “what are the governance practices carried out by syndicated business angels after investment?”

### **3.3.2. ROLE THEORY**

Role concept in literature has been variously used. Some scholars use the term role to refer to structured behaviors and characteristic of people in context (Biddle 1979) others in reference to social parts (Winship & Mandel 1983) and conducts to be performed (Bates & Harvey 1975, Nye 1976, Zurcher 1983).

Biddle (1986) recommends using three distinct terms: role for characteristics behaviors, social positions for parts to be played and expectations for scripts of behavior.

Role theorists instead of focusing on the origins, dynamics, and effects of roles, social positions, and expectations have been more concerned about practical questions and derived concepts such as role conflict, role taking, role playing, or consensus (Biddle 1986)

According to Biddle (1986), five different perspectives were developed by role theorists.

Table 4: *synthesis of the 5 role theory perspectives ( Biddle, 1986)*

<b>Role theory Perspectives</b>	<b>Focus</b>	<b>Key References</b>
<b>Functional approach</b>	Characteristic behaviors of persons who occupy social positions within a stable social system	Bates & Harvey (1975) Nye (1976)
<b>Symbolic Interactionist</b>	Actual roles are thought to reflect norms, attitudes, contextual demands, negotiation, and the evolving understanding of the situation by the actors	Seminal book: Mead (1934) Role field: Heiss (1976 , 1981) Application of theory: Zurcher (1983) Role identities: Gordon (1976) Role behavior: Stryker & Serpe (1982) Role and the person: Turner (1974, 1978, 1979, 1985)
<b>Structural Role Theory</b>	Social structures are conceived as stable organizations of sets of social positions who share the same roles (patterned behaviors) that are directed towards other sets of social positions in the structure	Structured role relationships : Burt( 1976, 1982), Mandel (1983), White et al (1976), Winship & Mandel (1983)
<b>Organizational Role Theory</b>	Some organizations are preplanned, task-oriented, and hierarchical. Roles in such social systems are assumed to be associated with identified social positions and to be generated by normative expectations. Norms may vary among individuals and may reflect both the official demands of the organizations and the pressures of informal groups.	Seminal books : Gross et al (1958), Kahn et al (1964) Role conflict: Van Sell et al (1981), Fisher & Gitelson (1983), Van de Vliert (1979, 1981)
<b>Cognitive Role Theory</b>	There are relationships between role expectations and behaviors Social conditions give rise to expectations, to techniques for measuring expectations, and to the impact of expectations on social conduct. The way a person perceives the expectations of others has an effects on one's own behavior.	Role playing: Moreno (1934), Janis & Mann (1977) Group norms and the roles of leader and follower: Sherif (1936),Moreland & Levine (1982), Rutte & Wilke (1984), Hollander (1985) Anticipatory role expectations: Rotter (1954), Kelly (1955) Role taking: Piaget (1926), Mead (1934) Enright & Lapsley (1980), Underwood & Moore (1982), Eisenberg & Lennon (1983) Cognitive role theory as an integrative framework: Biddle(1979)

Our empirical research on roles played by business angels matches with the cognitive role theory perspective. Thus, I use in my research the work of Biddle (1979) who provides a conceptual for studying the characteristic behaviors of people in contexts. This theory is based on several underlying propositions (Biddle,1979):

1. Roles correspond to certain structured behaviors and characteristics of people in contexts.
2. Roles are often associated with social positions, that is, groups of people who share a common identity.
3. People are often aware of roles and may, to some extent, be governed by awareness, that is to say, by expectations for their own behaviors and those of other people.
4. Roles may persist, first because of their functions but also because they are often part of a larger social system.
5. People must be taught roles and may find joy or pain in their performance.

In this theoretical approach, being a business angel corresponds to a social position. Studying their roles therefore consists in identifying structured behaviors characteristic of business angels in contexts, as well as their expected functions.

In this research we will use the definition of behavior as composed of four elements: the action performed, the target at which the action is directed, the context in which it is performed and the time at which it is performed (Fishbein & Ajzen, 2009 ).

This was therefore an adequate perspective to answer the call of academics and policy makers for a deeper understanding of the role of business angels beyond financing (Landström and Mason, 2016).

We need now a compatible theory that allows us to understand how business angels select their roles. For Biddle (1986), the work of cognitive scientists Fishbein and Ajzen (1975, 1980) to the comparative impact of attitudes and of attributed norms on conduct are also a contribution to the cognitive role theory perspective.

### **3.3.3. THEORY OF PLANNED BEHAVIOR**

There is a consensus among social psychologists that most human behavior is goal directed: actions are controlled by intentions but not all intentions are carried out (Ajzen, 1985).

Everyday life behaviors can be considered under volitional control that is to say easily performed under normal conditions. The theory of reasoned action is designed to predict volitional behaviors and to understand its psychological determinants. It states that intentions



are the best predictors of behaviors and that they change over time (Ajzen & Fishbein, 1980). According to this theory intentions have two determinants: attitudes towards the behavior and subjective norms. Attitudes towards the behavior reflects personal assumptions of positive or negative effects of performing the behavior. Whereas subjective norms reflect the perceived social pressure to perform or not the behavior.

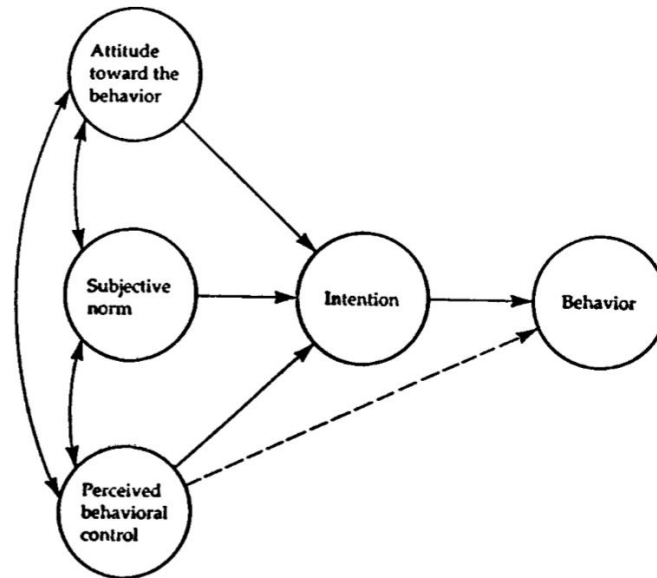
Because all behaviors are not under volitional controls, the theory of reasoned action was expanded to cope with behaviors which are influenced by factors over which people have limited influence. Its extension, the theory of planned behavior (Ajzen, 1991) provides a useful conceptual framework for understanding people's social behavior.

The theory of planned behavior introduces the construct of perceived behavioral control to cope with behaviors over which people have incomplete volitional control, like it is likely to happen in entrepreneurship. According to the theory of planned behavior the immediate determinant of behavior is the intention to perform the behavior, but this is moderated by volitional control that is to say individuals behave according to their intentions so far they are capable of doing the behavior. In this theory, intention determines the attempted behavior and intention is determined by 3 independent determinants: behavioral attitudes, subjective norms and perceived behavioral control. Behavioral beliefs determine the attitude toward a behavior and reflect the favorable or unfavorable personal evaluation of the outcomes associated with the behavior in question. It can be a question of affect: is the behavior enjoyable or not? It can be also instrumental: Is the behavior beneficial or harmful? It can be a mix of the two. The more positively an individual perceives the outcomes of an activity the more favorably should be his/her attitude towards the activity and the stronger his/her intention to engage in the activity.

Subjective norms are determined by normative beliefs which represent the perceived social pressure to perform or not the behavior. There can be injunctive norms: entourage approves or discourages the attitude or there can be descriptive norms that refer to whether others in a personal social group already are engaged in the same behavior or not. The more the opinion or behavior of the social referent group matters for the individual the stronger is the impact on the intention of the individual to engage in the behavior.

Furthermore, perceived behavioral control refers to the personal evaluation of self-efficacy in performing the behavior of interest. It is based on past experience as well as anticipated difficulties: the presence or absence of necessary resources and the opportunities to perform the behavior. It varies across situations and actions. See Figure 1.

**Figure 1. Theory of planned behavior (Ajzen,1991)**



In summary, theory of planned behavior states that when someone thinks an activity is beneficial and enjoyable and if that person is supported by others and that in his/her social group they do the same and ultimately if he/she thinks that he/she has the capability to meet the demand of the behavior, he/she will develop stronger intentions and will be more likely to engage in the behavior. This model is designed to explain and predict human social behavior as well as to guide how to change behavior. Thus, employing a theory of planned behavior model may be particularly valuable for understanding how business angels select and change roles within their portfolio of investees.

### **3.3.1.FOREWORD**

As a part-time entrepreneurship teacher willing to increase her chances to intervene in high-ranked Management programs, the thesis by publication format has seduced me since the very early phase of the executive DBA program. It was also encouraged by Christophe Garonne, my Thesis Director as thanks to him I have dared to submit abstracts to attend to major worldwide Entrepreneurship conferences. This thesis by publication is based on 3 papers. The initial version of Paper 1 was presented in the 2019 BCERC June conference. Founded by Babson College in 1981, BCERC is considered by many to be the premier entrepreneurship research conference in the world. See [Babson BCERC website](#).

The first version of Paper 2 was presented in Adelaide ACERE conference in February 2020. ACERE stands for Australian Centre for Entrepreneurship Research Exchange, an annual

conference in its 17th year. Initiated by Professor Murray Gillin and inspired by BCREC in the United States, these conferences were organised annually by Swinburne University (and co-hosts around Australia and New Zealand) under the label “AGSE IERE” (2004-2011). Queensland University of Technology (QUT) Australian Centre for Entrepreneurship (ACE) has produced the ACERE Conference since 2012. See [ACERE Conference website](#).

The first version of paper 3 was initially written in French for a special issue of *Revue Française de Gestion*. Full details are following.

### **3.4. RESEARCH QUESTIONS**

The initial aim was to understand what business angels were doing beyond financing after investment. Given the theoretical framework used, the collection and analysis of data, I chose the three following research questions (RQs) for my thesis by publication:

**RQ1:** what are the governance practices carried out by syndicated business angels after investment?

**RQ2:** the different roles of business angel after investment: differences between individual and syndicated business angels

**RQ3:** after investment, what beliefs might influence business angels when they choose their roles?

### **3.5. THESIS BY PUBLICATION**

#### **3.5.1.PAPER 1: WHAT ARE THE GOVERNANCE PRACTICES CARRIED OUT BY SYNDICATED BUSINESS ANGELS AFTER INVESTMENT?**

Initial Title: After the investment, what do business angels do for the venture for real ?

Author 1: Anne-Sophie de Gabriac

Author 2: Christophe Garonne

Share of work between author 1 and 2 : 85%/15%.

Anne-Sophie collected and analyzed the data and wrote the abstract and the article. Christophe revised several times her abstract and her article so that Anne-Sophie submitted him a better version before sending the final version to BCERC website.

The timeline of this paper was as following:

- 10/17/18: abstract submitted for the for the 2019 BCERC at Babson College, Babson Park, MA, USA on June 5-8, 2019. The abstract was a two-page, maximum 900-word

that included principal topic, method, and first results. Abstracts were double-blind reviewed.

- 12/13/18: I was notified that the abstract was accepted for presentation in a refereed Interactive Paper Session. The 2019 BCERC received 561 abstracts for 255 available invitations.
- 4/8/19: I was notified that my abstract was promoted to a full paper session.
- 4/24/19: final 6 pages article was sent to BCERC organization.
- 5/1/2019: power point presentation was sent to BCERC organization.
- 6/7/2019: I presented the paper in session 8- Room 202 : 4:00-4:30. The interactions with the audience confirmed that there was a need to study business angels 'involvement after investment. A consensus was on adding more verbatims from business angels in the revised paper version as well as better anchoring findings into existing literature.
- November-December 2019: pre-defense and pre-defense feedbacks document oriented me to revise this article to focus on the governance practices carried out by business angels in order to depict the context in which they practice their roles.
- Part of the first semester 2020 was dedicated to collect more data to be able to revise article accordingly.

### **3.5.2. PAPER 2: THE DIFFERENT ROLES OF BUSINESS ANGELS AFTER INVESTMENT: DIFFERENCES BETWEEN INDIVIDUAL AND SYNDICATED BUSINESS ANGELS**

Initial title: More than funding, what do business angels do for the venture post investment?

Author 1: Anne-Sophie de Gabriac

Author 2: Christophe Garonne

Share of work between author 1 and 2 : 85%/15%.

Based on the feedbacks collected in the presentation of article 1 in BCERC conference Anne-Sophie collected more data that she analyzed and was able to develop a taxonomy of the roles performed by business angels post-investment. Christophe gave her feedbacks to revise her article and submitted it at the end to maximize her chances to be retained at the Development Paper Session.

Based on the written reviews and oral feedbacks obtained in Development Paper Session in ACERE conference, Anne-Sophie revised afterwards.

The timeline of this paper was as following:

- 7/15/19: abstract was submitted for the 2020 ACERE Conference in Adelaide, Australia, 4-7 February 2020.
- 8/13/19: abstract was accepted for paper submission.
- 10/01/2019: final 15 pages article was sent to ACERE organization and submitted for the Development Paper Session
- Paper had 4 blind reviews. One of the reviewer was Colin Mason, one of the “star” scholar of business angel conversation.
- 1/07/2020: paper was admitted.
- 2/06/2020: paper was presented in Development Paper Session. I had the chance that my paper development session was headed by guest speaker Dean Shepherd. Dean is the former Editor-in-Chief of the Journal of Business Venturing.( 2009-2017).

### **3.5.3. PAPER 3: AFTER INVESTMENT, WHAT BELIEFS MIGHT INFLUENCE BUSINESS ANGELS WHEN THEY CHOOSE THEIR ROLES?**

Initial title: Gouvernance, financement et accompagnement des startups en amorçage : quels rôles sont joués par les business angels et comment les choisissent-ils ?

Governance, funding and support for seed startups: what roles do business angels play and how do they choose them?

Author: Anne-Sophie de Gabriac

The initial version of the article targeted a special issue of Revue Française de Gestion on the funding and Governance of innovative startups.

Not to be redundant with paper 2 in my thesis by publication, the final version of paper 3 was shortened and rewritten to explore only what mediate business angels‘ intention and actual involvement by investee using the theory of planned behavior framework. This is both a contribution to the understanding on what mediates business angel involvement as well as to the use of the theory of planned behavior to understand differences and changes of intentions via a qualitative method in the entrepreneurship field.

The timeline of this paper was as following:

- 1/31/2010: article was submitted.
- 4/8/2020: article was rejected mostly because it was too long. I focused on respecting the maximum length in pages, but I doubled the authorized number of characters. Reviewers considered that I would not have the time to shorten my paper in the desired

number of characters limit. Interest of the paper given the quality of collected data was though acknowledged.

- May-June 2020: revision of the article, integrating feedbacks from ACERE Conference and focusing only on how business angels are influenced to choose their roles.

## **4. WHAT ARE THE GOVERNANCE PRACTICES CARRIED OUT BY SYNDICATED BUSINESS ANGELS AFTER INVESTMENT?**

*Anne-Sophie de Gabriac, Université Paris-Dauphine PSL, France*

*Christophe Garonne, KEDGE Business School, France*

### **4.1. ABSTRACT**

This paper uses strategy-as-practice theory as a lens to investigate the governance practices engaged in business angels' involvement post-investment. This research gives evidence that, even if the praxis of business angels' involvement varies a lot among investments and according to ventures' stages of development, the business angels can carry out 3 governance practices: shareholder agreement, strategic committee and business angel representation.

Our findings are based on governance practices that emerge during in depth semi-structured interviews about business angels' roles post involvement. They were enriched by the analysis of business angels training, internal best practices documents, internal business angels' communications, as well of board minutes meetings and board mail exchanges of one of the leading French business angels network. Some observations of business angel meetings and phone calls as well as mail exchanges were also used. It leads to uncover the shared routines of behaviors, common tools and procedures of governance that syndicated business angels carry out after investment.

### **4.2. INTRODUCTION**

Business angels are individuals investing their own money in unlisted companies with no family or friend connection. While they invest individually most of them invest with the support of formal and informal business angels groups (Mason and Harrison, 2008). Business angels are key contributors to entrepreneurship development as their investments are the principal source of finance in early-stage ventures and exceed over time those made by the institutional venture capital industry (Avdeitchikova and Landström, 2016). Previous literature has mainly focused on what happens *before* the investment, especially the decision investment process of the business angels (Landström and Mason, 2016; Tenca and al, 2018). The non-financial contributions of business angels in the early stages of a venture are widely recognized as positive (Politis, 2016). Recent studies tend to define business angels as "hands on investors" that contribute with their "skills, experience and networks to their investee companies through

a variety of formal and informal roles” (Harrison, Botelho and Mason, 2016). Though little is known about the governance practices carried out by syndicated business angels in their involvement after the investment.

### **4.3. LITERATURE REVIEW**

The involvement of business angels is commonly categorized in terms of degree of intensity (active vs passive) and in terms of formalization (informal vs formal) (Wetzel, 1986). Previous empirical research indicates that the that the key contribution of business angels to entrepreneurs is their strategic advices (Mason and Harrison, 1996). Networking, marketing, management or financial advice as well as general administration are other contributions cited while a minority of business angels admit no contribution at all (Mason and Harrison, 1996). According to some investees, even passive involvement like monitoring of reports can benefit entrepreneurs as it forces them to be disciplined and accountable for. In contrast, experienced entrepreneurs can be reluctant to active involvement, fearing interferences with the way they want to run their business. However, all entrepreneurs want their business angels to be responsive and supportive if they have reasons to ask for their help (Macht and Robinson, 2008). Task-focused activities rely on the specific work-related expertise of the business angels. Novice business angels should only focus on soft involvement which is people-centered and interpersonal that adds value to the management team.(Macht, 2011). For Politis (2016), the hands-on involvement of business angels is characterized by the frequency and forms of contacts and the set of value-added benefits provided. She distinguishes four complementary forms of value adding roles that business angels may performed: sounding board/ strategic role, resource acquisition role, mentoring role and supervision and monitoring role. By analyzing existing empirical studies, Fili and Grunberg (2016) conceptualized five distinct governance process in post-business angel investment activities: boundary spanning, structuring, leadership, doing, and monitoring. They suggest that business performance could be improved in practice if business angels and entrepreneurs were developing skills in governance processes. Besides prior studies on angel contracting seem to infer that if business angels do use agreements, they use it more to define how they will manage their relations with entrepreneurs afterwards ( Collewaert & al, 2018). Studies on valuation of angel-backed companies have also demonstrated that angels behave more like partners than pure financiers as they tend to share more value with entrepreneurs than VC ( Collewaert & Manigart, 2015). Nevertheless, some questions remain open in terms of governance: do angels learn from one another? Do they copy



best practices from more experienced counterparts? How business angels are assigned to join the board and which of these angels take on the responsibility for communication with the entrepreneur and the other business angels? (Collewaert & al, 2018). Moreover, the impact of the growing trend of business angels to invest via groups seems to have been ignored until now in the research, before and after investment (Mason et al, 2019). The objective of this paper is to explore what are the shared routines of behaviors, common tools and procedures of governance that syndicated business angels carry on when they get involved after investment.

#### **4.4. THEORETICAL FRAMEWORK**

Social-as-practice theory is based on the dual sense of practice in social theory: praxis and practices. Praxis describes the whole of human action whereas a practice is “a routinized type of behavior which consists of several elements interconnected: forms of bodily activities, forms of mental activities, ‘things’ and their use, a background knowledge in the form of understanding, know-how, states of emotion and motivational knowledge”. The difference between practice and praxis is the difference between the routine that guides activity and the actual activity carried out (Reckwitz 2002). Practices are the ‘smallest unit’ of social analysis. Thus, a practice represents a pattern which is constituted of numerous single and often unique actions reproducing the practice. The single individual acts as the ‘carrier’ of a practice: not only of patterns of bodily behavior but also of certain routinized ways of understanding, knowing how and desiring. These mental activities of understanding, knowing how and desiring are necessary elements and qualities of a practice in which the single individual participates, not qualities of the individual (Reckwitz, 2002). Whittington (2006) identifies a practice turn in strategy research treating strategy as something people do. Practice perspective in strategy also distinguishes three units of analysis: the praxis, the practices and the practitioners. For him praxis means the concrete activities, what people do. Practices are the shared routines of behaviors, common tools and procedures that are used. Practitioners are those who perform the praxis and carry the practices, using their skills. These people include people both within and external to the organization (Jarzabkowski, 2007). Therefore, while praxis is informed and guided by practices, it is unique in that it exists only in the present and includes the routine as well as the non-routine (Whittington 2006, Seidl et al. 2013). Using strategy-as-practice perspective in our field allows us to get an appropriate lens to answer our research question *What are the practices of governance carried out by syndicated business angels after investment.* This theoretical framework implies to focus our exploration on their practices of

governance such as shared routines of behaviors, common tools and procedures (Whittington, 2006).

#### **4.5. METHODOLOGY**

The paper is based on a qualitative research that focuses on exploring syndicated business angels' practices of governance after they invest in innovative early stage ventures, in solo or via a syndicate group. First step was to analyze French leading business angels' networks presentations of the activities of their members, training procedures and contents. Then we analyze governance practices that emerged in 24 in-depth interviews of syndicated business angels talking about their roles after investment. First, we solicited for face to face interviews members of Les Business Angels des Grandes Ecoles, a French leading business angels syndicate whose 300 members have invested collectively more than 20 million euros in 200 ventures, over a period of ten years. In order not to have only syndicated business angels from one syndicate in the sample, other business angels who mentioned in social networks their business angel activity were solicited through introduction. At the end of each interview, each respondent business angel was asked if he/she would introduce us to another business angel that he/she knew. Via this snowball effect method, we got a diversified sample of individuals both in terms of business angel profile ( gender, age, expertise and experiences) and startup portfolio ( number, sectors, investment size). All interviews were recorded than transcribed and we analyzed data concurrently to data collection. We completed our data collection by the observation of business angels meetings and conference calls with entrepreneurs and business angels. Meanwhile we use first author business angel and board member status in Business Angels des Grandes Ecoles network to collect and analyze documents sent to business angels as well as board meetings minutes. Findings were then discussed with founders of two other syndicates of business angels. Myseedcap and 3Aventures. We used Nvivo software and an inductive approach to code. This iterative process for data collection and analysis eventually led to a point when no new themes nor categories emerged.

#### **4.6. FINDINGS**

Business angeling involvement praxis is by essence unique and rely on the different skills and experiences of each syndicated business angel as well as their time availability. but also differs according to venture stage and expressed entrepreneurs' needs. Though, three governance

practices emerge from our analyses of syndicated business angels' involvement: shareholders' agreement, strategic committee, and business angel representation practices.

#### **4.6.1. SHAREHOLDERS' AGREEMENT (SA) PRACTICES**

The SA is to be signed by all associates after they invest in a company and its signature resumes any other previous agreement between existing associates so that is why this governance practice concerns 100% of business angels afterwards. Several business angels mention in their interviews that numerous investments were finally aborted because founders and business angels did not agree on its negotiation. The non-acceptance of the SA is also an investment breaker: all business angels sign at their share subscription an engagement to sign after investment the SA based on the term sheet attached to the letter of intent, to be able to invest in the venture.

Strategy-as-practice framework implies to identify what are the shared procedures, shared behaviors as well as shared tools and skills that are carried out by business angels concerning SA practices.

##### **4.6.1.1. SHARED PROCEDURES**

Business Angels des Grandes Ecoles is considered one of the leading syndicates of France Angels concerning all the SA procedures. The recommended SA structure that they sent to entrepreneurs has 62 pages, 41 articles, 777 paragraphs. See in Appendix 1 the table of Content of the SA. SA is divided in five parts: introduction, capital transactions, governance clauses, founders' engagement and miscellaneous. The analysis of the term sheet agreed among the leading coordinated French business angels' networks as well of the control check list that any business angel leading an investment for Business Angels des Grandes Ecoles reveals among capital transactions clauses, governance clauses and founders' engagement clauses those which are mandatory to be included in the final SA for leading French business angels networks.

##### **4.6.1.1.1. CAPITAL TRANSACTION CLAUSES**

The 8 following clauses on capital transaction are mandatory for French business angels syndicates: free transfer of shares, anti-dilution clause, price adjustment clause, Pari Passu

clause, exit clauses, preferred distribution of share sales clause, liquidity clause, warrant or free share issuing clauses.

1. Transfers of shares are agreed between business angels, their private holding or family members, if of course they accept to sign the SA. This is particularly important for elder business angels who want to anticipate their inheritance.

2. Business angels have an anti-dilution and preference right: they have the right to maintain their participation in any further capital increase and have a right of preference over any new financing transactions of the company.

3. Business angels also require a price adjustment clause, called ratchet clause: they must have a relation mechanism guaranteeing them, in the event of a subsequent dilutive transaction, a weighted average price of their shares equal to the issue price of the said dilutive transaction. This guarantee covers up to three years after the investment round. This clause is to prevent ulterior bad experience resulting from a lower valuation. Many business angels have suffered from accepting a too high valorization when they invested in a company and reported that when new cash is urgently needed, entrepreneurs tend to accept easily to lower the valuation. This clause also helps entrepreneurs and business angels to find an agreement on valuation when business angels estimate that the valuation asked by entrepreneur is too high. Business angels may accept to lower the time period of the validity of this clause, depending on valuation negotiation with entrepreneurs.

4. Pari Passu clause is also most of the time negotiated and its absence in the final version of the SA is a deal breaker for all the experienced syndicated business angels. This clause says that in the event of the creation of new shares or the transformation of existing shares, reserved either for shareholders or third parties, the founder and the company undertake that these special rights, privileges or benefits be, at the request of the majority of business angels, applicable to the shares they will hold on that date or those on which they have a right to subscribe. This clause results from the fact that business angels experience that most investment funds require special rights when they enter, and this may have a disastrous impact on their exit perspectives. Jacques says: *“I do my best to negotiate Paris Passu clause so that we get all the benefits the new entrant could get.”*

5. Business angels require three forms of exit clauses. Total joint exit right allows investors to have a total joint exit right in the event of a third-party control or in the case of the disposal by one or more founders of more than 1/3 of their shares.

Proportionate joint exit right is in the event of a share transfer by a founder, each investor will have the right to give up an equivalent share of his securities on the same terms. Exit Bond (or

drag Along) clause allows that if (usually around) 75% of the shareholders (75% of whom are the investors) accept a firm and irrevocable offer to acquire the entire company, all shareholders must sell their shares. Those exit clauses come from the fact that some business angels have experienced in the beginning of their investing activities founders who exit without dealing the exit of their business angels who, in that case as minority investors got a bad offer or got stuck with their shares and thus cannot reinvest the money in a new venture.

Catherine evidences it and also complains about the attitudes of certain investment funds: *“I think this is something that we should work on in our role as business angel, with funds in particular, when there are funds that treat us badly. I do not see why they treat us badly. They buy new shares at a certain price they could buy ours too, it is quite a minority at a price roughly equivalent. it would make the money go round. I do not know why there is this kind of antinomy. They seem not to like business angels. In one of my investment, the proposal they made to buy the minority was shameful. In fact, they did not want to buy them out to be clear. So, they did one offer and there are three people who followed but very few. And in the end it was preemption that played. Even with the evolution of business angels and big guys who can invest big tickets, we still have our role, the proof is that we still receive lots of investment decks but we should have a way out to recycle our money because after a while we will have to stop, we cannot commit our personal assets beyond a certain limit anyway. We already hear more and more business angels around us that say “now I stop investing”. So we really have to find a way with investing actors who enter into the following rounds agreements with them to buy back our shares so that we can continue to do our job”.*

6. Preferred distribution: in the event of the sale of more than half of the shares, on the proceeds of the sale each selling shareholder first recovers its monetary stake (nominal - issue premium paid), before sharing the balance in proportion to the number of shares. If the amount at stake is insufficient, the same % allowance will be applied to the acquisition value of the securities. This clause is to compensate for instance the unfairness of business angels situation when founders decide to sell their shares at a lower price because meanwhile they have negotiated with the buyers for instance a good salary-package if they stay in the company afterwards the selling.

7. Liquidity clause allows business angels to have an exit perspective. In Business Angels des Grandes Ecoles, the clause says that parties agree to meet regularly from 31 December of the 5th year to find the terms of a business angels exit acceptable to the majority of them. At the time deemed appropriate by the majority of business angels and not all investors as they feel a VC could dilute them, they can ask the entrepreneurs to find a liquidity solution within one

year. If, at this year's deadline, no solution acceptable to the majority of business angels has been found, then they will be able to apply and the company and the founders are obliged to do so within the maximum of one year, the appointment of an agent (by the strategic committee to the qualified majority) who will have an irrevocable mandate to seek a buyer for 100% of company's capital. If business angels representing more than (usually) 2/3 of the shares held by the business angels decide to accept the offer, the other shareholders will be forced to sell all the shares they hold to the potential purchaser, at the prices, terms and conditions set out in the offer. This clause is also pushed by experienced business angel because in some cases, the founders create small businesses that provide them with a job and so they do not want to sell their company after 5 years.

8. Finally, business angels ask that any issuance of warrants or free shares will be subject to the agreement of 2/3 of them. Besides, the beneficiaries of those warrants, or free shares will have to commit to joining the shareholders' agreement. According to shareholders agreement guidelines, the authorized share of warrants and free shares is on average 5% of the total shares and should not exceed 10%. Their main purpose is to incentive existing or key new executives of the ventures and business angels always accept them, even if their exercise dilutes them.

*Table 1: capital transaction clauses and benefits*

<b>Capital transaction clauses</b>	<b>Benefits for the business angel</b>
<b>Free transfer of shares</b>	Facilitation of transfer of shares to the inheritors
<b>Anti-dilution clause</b>	Capacity to maintain share of shares
<b>Price adjustment clause</b>	Compensation of valuation decrease in ulterior financing round(s) in the fixed timeline
<b>Pari Passu clause</b>	Avoid the negotiation by further new entrant of special rights unfavorable to the existing business angels
<b>Exit clauses</b>	Increase or maintain funding capacity
<b>Preferred distribution of share sales clause</b>	Compensation of the premium paid by business angels when they invested
<b>Liquidity clause</b>	Increase or maintain funding capacity
<b>Warrant or free share issuing clauses</b>	Incentives for the founders or key executives

**4.6.1.1.2. GOVERNANCE CLAUSES**

The common vision shared by all French business angels' networks and groups is that the companies in which they invest must be endowed with a strategic committee (SC) after investment in which they can make an impact. They require one representative per significant business angels syndicate in total shares. For 3Aventures, if they do not get a seat there is no investment. All syndicates require to meet at least once a quarter at the invitation of the

President or at the invitation of two or more of its investor members. Members of the SC are volunteers and thus should not be paid. Some syndicates differ on that point. Strategic decisions concerning the company and/or its subsidiary should only be taken by the company provided that it receives the prior favourable opinion of the SC ruling on a qualified majority including the positive vote of at least half of the elected members on the proposal of the investors. The analysis of existing signed SA in Business Angels des Grandes Ecoles reveals that this clause is not so easy to obtain from entrepreneurs, especially when an existing SA signed with previous minor investor does not ask for it. Consequently, some SA signed by business angels of this network say that those strategic decisions have at least to be discussed in SC and that in case of divergent point of views between the majority of investors and founders, other investors should be informed before voting resolution in general assembly. For Business Angels des Grandes Ecoles, there are three types of strategic decisions: financial, industrial and resolutions to be submitted to the general assembly of shareholders. They list 8 financial decisions and 5 strategic decisions of an industrial nature to be voted by the SC as well as the resolutions to be submitted at the general assembly of shareholders. They also require that if general assembly's meetings are convened by the President, they can also be by shareholders representing at least 33% of the voting rights and they want the meetings to be held in the headquarters of the venture or in Paris region (where their main minority investors live). Lastly, Business Angels des Grandes Ecoles also requires having an audit right, once a year, at the company's expense. Entrepreneurs usually accepts the audit right but Alain D., president of 3Aventures business angel group is unfavorable of that. For him, it generates high costs fees for small ventures.

*Table 2: governance clauses and benefits*

Governance clauses	Benefits for business angels
<b>SC composed of one representative per significant investing business angel network that meets at least once a quarter</b>	Representation of minority investors Ability for SC members to also have a non-financial impact Pre information of the members and vote (or at least discussion) of entrepreneurs intended strategic decisions
<b>General assembly</b>	Hold in HQ or Paris region for residential convenience Possibility to convene if they represent 33% of voting rights
<b>Audit right</b>	Get an objective financial vision at the company expense

**4.6.1.1.3. FOUNDERS ENGAGEMENT CLAUSES**

Business Angels des Grandes Ecoles term sheet list 8 founders engagement clauses that can be either in the company statutes and/or the SA:

1. Business angels require by principle from operational entrepreneurs their commitment to time exclusivity. They want operational founders to devote 100% of their time to the development of their company. If it is not the case, Alain D. requires with his group a deadline engagement to stop their other professional activities. Nevertheless, business angels may accept afterwards if the venture faces some cash problem to pay them that they find a temporary extra job to make their living.
2. Syndicated business angels also want a loyalty commitment: the operational founders, commit themselves after the departure of the company not to try to hire employees, nor approach their customers or develop a competing business;
3. In terms of intellectual property, they require the founders and the company state that all creations, designs and inventions developed as part of the company's activity, trademarks, patents, licenses and processes are or will be the property of the company; this clause is asked by business angels because in many situations they have encountered, founders have created in their name.
4. Company executives will be covered by life and disability insurance for the benefit of the company and agents/members of the SC covered by civil responsibility insurance; the reason to ask this clause is especially wanted when the founder is alone and so the venture is at risk if he is impeached. The analysis of SA negotiated by Business Angels des Grandes Ecoles reveals that this clause is more wished than obtained by business angels in reality because when the founders that have accepted this clause present afterwards the quotes for this insurance, it is too expensive for the venture.
5. The founders need to sign a statement of sincerity and guarantees. There are 14 items in the list of items declared sincere and the guarantees to be discussed (see Appendix 2). Any misrepresentation or omission will be subject to the business angels' choice to either compensate for the damage resulting from the company's overvaluation or will open a right to the withdrawal of the business angels; this clause is always signed and its use was never mentioned by business angels so it may contribute to prevent those conflicting situations.
6. in the event of a serious violation of a founders' obligation that is essential in relation to the investment of business angels and in the absence of a remedy brought in within 30 days of its finding, each investor will benefit from a right of withdrawal. The founders will then have to acquire or make acquire the withdrawal business angels shares, at a price that cannot be less than the highest of the two figures the company's latest valuation and the amount invested by withdrawal investors plus an agreed interest rate of 10% to 15%; this clause is used afterwards



by experienced business angels to negotiate with entrepreneurs when they do not agree with their behaviour.

7. in the event of resignation, revocation, or dismissal for serious fault of the founder within 36 months, the founder is called a bad leaver. A special clause defines the modalities to buy his/her shares. The bad leaver founder undertakes to cede all the securities he will then hold, to each shareholder who will request it in proportion to his participation, at an agreed price (the lowest between the average cost price for the founder bad leaver and the assets valuation of the company); 8. in the event of death or disability, termination of any function or mandate not resulting from dismissal/revocation for gross or gross misconduct, resignation before 48 months after the signing of the pact, the founder is then called a good leaver. At the request of the majority of the business angels, he/she would have to undertake to cede a fraction *f* of the securities that he will then hold, to each shareholder who will request it in proportion to his participation, to their market value.

In Business Angels des Grandes Ecoles, the calculation of this fraction is proposed as follows: considering *n* as the number of months rounded to the lower unit between the date of the event and the date of the signing of this shareholders' agreement.

If  $n < 48$  months then  $f \% = 100\% \times (1 - n/48)$

if  $n > 48$  months, then *f* is equal to 0%.

Though, when bad leaver and good leaver clauses already exist in the previous SA, they are usually maintained as.

*Table 3: Founders engagement clauses and benefits*

<b>Founders engagement clauses</b>	<b>Benefits for business angels</b>
<b>Commitment from entrepreneurs to time exclusivity</b>	Prevent situations when entrepreneurs are not focused on their venture success
<b>Loyalty commitment</b>	Prevent unfair attitude of leaving associate such as hiring venture's employees or customers
<b>Intellectual property ownership</b>	Prevent absence of intellectual property in the investment
<b>Top executives' life and disability insurance</b>	Prevent the company from stopping if a key executive is temporarily or permanently prevented from working
<b>Founders' statement of sincerity and guarantees</b>	Prevent conflicting situations and discoveries, after investment
<b>Founders' obligations</b>	Bargaining power by threatening to exercise their right of withdrawal
<b>Bad leaver / Good leaver</b>	Prevent conflicting situations after investment by pre dealing the exit conditions of founders

#### 4.6.1.2. SHARED ROUTINES OF BEHAVIOURS LINKED TO SA

There is usually one lead investor who coordinates the finalization of the shareholders' agreement. In our exploration we have uncovered that there is a real difference between experienced syndicated and individual wealthy business angels. Florence says: *“ Those very wealthy individual business angels, they are really painful during shareholder agreement negotiation because they want zero. We try to negotiate, and they do not want to. They want shareholders' agreement to be signed quickly, they say: " I don't understand that clause, what is the point? who cares!, we'll see at the next round with VC” and they even intervene by sending emails and block our negotiating process! And what I have experienced is that when those guys signed the first shareholders' agreement as they do not care there are nothing inside to protect us, and when we say we should add this clause they do not care. Frankly, they are even not looking at it. Besides, we never see them in the negotiation meetings. We only see them signing and then we do not see them more. Are they going to SC? I'm not even sure! ”*

Once the investment round is closed and the final shareholder's agreement negotiated and completed with past and new associates, the CEO of the company convenes a signature meeting. It used to be a physical meeting where each investor had to sign every page of all original copies of shareholders' agreement. That is to say if 20 shareholders, more than 1 600 pages to sign. So, tables with refreshments would be there to recover between signatures and some informal chatting would then occur with other shareholders and founders. With the development of electronical signature this signature meeting tends disappearing, but some busy business angels appreciate this evolution to be less time fastidious.

After investment, most business angels tend to forget the SA whereas other that has a contract and governance expertise systematically refers to it, controls its implementation, and complain and intervene if it is not properly respected. Jacques is one of the few of them: *“Above all, what interests me with the negotiation of a SA is the governance that results from it. I have realized that most of the time the SA does not interest entrepreneurs. This is like a sticky note, in which they even may see a kind of means of making themselves entangled so they are quite suspicious about it. For me it's a good way from the start to try to establish a kind of understanding of what we are going to seek together and how we are going to function(...) Unfortunately, afterwards there is not really a follow-up and even when you make a comment by informing everyone there are few people who react(...)so each time there is a new round and especially with VCs, I am the one who volunteers to spend a few sleepless night with the lawyer to negotiate our individual minority investor interests.”*

#### 4.6.1.3. SHARED TOOLS AND SKILLS INVOLVED FOR BUSINESS ANGELS

In Business Angels des Grandes Ecoles, there is an online document library with the latest recommended shareholder agreement and copies of the training session presentations. Every clause is explained and commented and there are answers to frequent ask questions in the negotiation and implementation process. Besides, a business angel that leads a negotiation with a venture for the syndicate has now to provide to other business angels willing to participate a check list analysis of all the clauses recommended by the network versus what he has managed to negotiate. If there are differences with what is recommended the lead instructor business angel has to explain why or what are the clauses that replace the missing ones. Besides, a business angel who wants to lead investment in a business angel syndicate has to go through internal training on shareholder agreement negotiation. In Business Angels des Grandes Ecoles, since 2019 it takes 3 half-day training courses for a novice business angel in the network to get through it. Henri, board member of France Angels federation and head of the SA training in Business Angels des Grandes Ecoles always starts his training presentations by telling business angels trainees that the SA is the “fundamental tool to protect minority investors after investment”, like them investing small amounts through syndication. That is why the first time one business angel has to negotiate a SA, the business angel is either accompanied by a more expert business angel or if not has the support of one of the accredited business angel experts. 3 Expert volunteer business angels are afterwards often solicited during negotiations or implementation issues with entrepreneurs. Jean-Paul who recently started to be an instructor says: *“I think that what is most useful in the training provided by our network is everything related to the shareholders' agreement which is the complex part to negotiate with entrepreneurs. I had never approached nor negotiated a shareholder agreement before and now I am in my third, so I am starting to understand a little and see the points that are difficult to discuss. The training file is very well done and each time I need it, I can call Paul, he has a huge experience of shareholder agreements and he knows to distinguish minor to major aspects”*. Paul says: *“I have always been attracted either by the figures or by structuring an agreement, the shareholders' agreement is one of them. I really enjoy negotiating a shareholder agreement while others see it as an obligatory passage”*. Jacques who is another identified expert says: *“I was particularly interested in all these aspects that were in the shareholders' agreement and then I gradually developed a kind of reputation as a specialist in the field that is more or less appealed to”*.

On the other hand, Christian who loves doing due diligence for his network prefers to live the SA negotiation to other business angels, it seems even to be a reason why not being a lead instructor for him. He says: *“I like the discovery of new innovative projects and if we are interested the negotiation of our investment, except the shareholders' agreement, it is not my thing ... it is not my thing at all! So, if there is another one who wants to take care of it, I find it very fine!”*.

Whether involved or not in the negotiation of the SA, every individual or syndicated business angel is affected by SA practices. As we have already seen SA governance practices also interact with SC practices that we are going to explore in next sections.

#### **4.6.2. STRATEGIE COMMITTEE (SC) PRACTICES**

28 out of 31 interviewed business angels declared seating in at least one SC. Most syndicated business angels seat occasionally if they have ruled the due diligence of the investment for their network, other individual business angels seat systematically. Strategy-as-practice framework implies to identify what are the shared procedures, shared behaviours as well as shared tools and skills that are carried out by business angels concerning SC practices.

##### **4.6.2.1. SHARED PROCEDURES**

The exploration of shared procedures concerning SC can be split into three sub procedures: first, the initial composition and evolution of the SC, second the organization procedures and finally the decision-making procedures during meetings.

###### **4.6.2.1.1. COMPOSITION PROCEDURES**

The board is most of the time called the SC among business angels. Usually, it starts after the first seed funding round and its composition evolves after each ulterior funding round. The shareholders' agreements recommended by business angels networks and groups always define the composition, the roles, responsibilities, and the modalities of this SC in terms of organization and frequency of the meetings. In business angels groups, the non-acceptance or presence in a SA of their clause on the roles, responsibilities and modalities of the SC is most of the time a deal breaker. A typical required composition of the SC is: the most significant founders, most significant individual business angels in terms of shares, experience and/or

expertise and 1 to 2 representatives of the more important angel groups in the new capitalization. Business angel networks usually defines the limit to 10 participants but average number of participants to start is around 6. When they are too numerous candidates and not enough seat a censor status with no right to vote can be proposed. The Galion project which is a think tank of successful entrepreneurs recommends in its term sheet for series A, a maximum of 5 with only two representatives of the investors. So, this is why some business angels reported that they are likely to stop seating in the SC at the next round, unless they invest again significantly or still represents significant share of investors. In fact, this also the consequence of the systematic negotiation of a new SA each time a VC fund enters a new venture. Alain R. says” *I am lucky, in this venture I am the only business angel they kept in the SC after their entrance, they have eliminated all the other business angels as they always do when your participation fall under around 1,5% of the total shares.*”

#### **4.6.2.1.2. ORGANIZATIONAL PROCEDURES**

Organizational procedures of the SC meetings concern the frequency of the meeting, the agenda and the share of information.

The frequency of the meetings depends on the stage of the venture but also the profile of the entrepreneurs. Some novice entrepreneurs with no experienced direct reports may require monthly meeting, whereas the usual requirement is every trimester. Frequency can be monthly, even after five years, at least quarterly and each time the CEO calls for it. Those meetings often take two to three hours, even more during the early stage of the firm. For maximum efficiency, dates are set from one meeting to the next, in order to allow every member to be physically present.

The physical meeting takes usually place at the HQ of the venture. If not it can be at the professional or syndicate facilities of one of the members. It is very frequent that very busy professional member is at distance whether by video screen sharing or telephone. In that case they usually dedicate 60 to 90 minutes remotely.

Committee members usually request to receive digitally the agenda and presentation of the meeting ideally one week before but at least 48 hours before the meeting, so that they are able to read and analyze them and eventually ask complementary elements in advance. The analysis of agenda of the SC meeting is generally to review every aspect of the business: R&D, products and services roadmap, operations, business model evolution, sales pipeline, HR recruitment plan, financial KPIs and even disputes.

Habitually, a significant part of the meeting is also dedicated to some key problem solving or business options that entrepreneurs want to discuss with business angels. The idea is for entrepreneurs to test their plan or to have other insights or suggestions or to receive alerts, in particular when they cannot discuss of the subject with their team or if the entrepreneur is the only founder. For them, those meetings are as well a unique opportunity to get collective intelligence for solving problems their venture may encounter and take informed decisions.

After a while when the business model is found, the agenda of the meetings focuses more on the business vision and how to accelerate to get there.

After the meeting any relevant document is shared electronically by the concerned member who has engaged to do so in the meeting. CEO may summarize the key following points in a mail sent to participating and absent members of the committee with an agenda reminder of the next SC meeting.

*Table 4: organizational procedures of a SC meetings*

<b>Organizational procedures</b>	<b>Characteristics</b>
<b>Frequency</b>	Monthly to quarterly
<b>Duration</b>	Between 2 to 3 hours
<b>Location</b>	Venture HQ privileged. If not any location accessible via one of the members Remote access always available
<b>Agenda</b>	Business review Problem solving Business strategy
<b>Information</b>	Agenda and documents sent by CEO at least 48 hours before meeting Key following points and agenda reminder after meeting

**4.6.2.1.3. DECISION-MAKING PROCEDURES**

This committee is chaired by the CEO. Some committees are decisional on a pre-agreed list of strategic topics and decisions. In the term sheet proposed by Business Angels des Grandes Ecoles, 8 financial decisions and 5 strategic decisions are due to be voted by the SC as well as 6 types of resolutions to be voted after in the general assembly of shareholders.

*Table 5: financial decisions to be voted in SC meetings*

<b>Financial Decision</b>	<b>Vote of the SC members</b>
<b>Budget</b>	Adoption and any significant change afterwards
<b>Venture financial commitment</b>	Loan and credit facilities Lease Refund of shareholders account
<b>Debt</b>	Any abandonment in excess of 10,000 euros or any non-compensation for rights against third parties
<b>Real estate</b>	Sell or acquisition
<b>Social agents</b>	Appointment, revocation and setting of their remuneration

<b>Regulated agreements</b>	Conclusion, amendment and termination
<b>Litigation management</b>	Any decisions that financially commit the company
<b>Securities listing</b>	Any mandate or mission for the admission of the company's securities and/or a subsidiary to the listing on a regulated capital market or stock exchange

*Table 6: strategic decisions to be voted in SC meetings*

<b>Strategic Decision</b>	<b>Vote of the SC members</b>
<b>Operations strategy</b>	Creation, changes or termination of any significant business or commercial activity
<b>Assets strategy</b>	Sale, acquisition, transfer or disposal of any essential asset
<b>Partnership strategy</b>	Conclusion of any partnership agreement
<b>Organization strategy</b>	The incorporation, dissolution, merger or reorganization of subsidiaries, opening and closing of offices, branches, establishments
<b>Strategic human resources</b>	The hiring, firing or modifying the employment contract of the company's executives, as well as fixing or changing their remuneration.

Finally, Les Business Angels des Grandes Ecoles term sheet requires that resolutions to be submitted at the general assembly of shareholders should be first voted in SC.

*Table 7: resolutions to be voted by SC members*

<b>Resolutions</b>	<b>Vote of the SC members</b>
<b>Statutes</b>	Any change
<b>Agents</b>	Appointment or removal of agents
<b>Dividends</b>	Any distribution or reserve allocation
<b>Capital</b>	The composition of capital including reduction, amortization, share repurchase, change in the face value of shares, division or consolidation of shares, creation of stock classes or modification of rights attached to shares or other securities
<b>Financial round</b>	The modalities of any new fundraising
<b>Initial Public Offering</b>	Any decision

In case the SC members vote in majority against one of those resolutions, the founders may keep their decisions but need in the general assembly of shareholders to mention the results of the vote in SC.

#### **4.6.2.2. SHARED ROUTINES OF BUSINESS ANGELS' BEHAVIOURS OF SC MEMBERS**

CEO systematically runs the meeting according to schedule sent with presentation documents. First type of behaviour performed by business angels is to prepare meetings by analyzing

documents sent by CEO prior to the meeting. Some of them may propose or accept to revise agenda and documents prior to other members. Once read, all members may ask for extra information before meeting. During the strategy committee meeting, members listen first to the entrepreneurs and team according to the agenda. The unwritten rule for business angels is to give their opinions on subjects in which they have an expertise or previous experience, but they may ask otherwise questions on any subject. That is why the balanced composition of the committee is crucial to benefit from a variety of feedbacks and questions.

Members also need to respect the schedule and must not monopolize the meeting on their own perceived issues or skills. If there is a casting error, other members tend to quickly corner and exit this disturbing member at the next funding round.

Many business angels report that it is common that entrepreneurs do not take systematically into account their advice or warnings and so, they usually need to repeat them meetings after meetings. As Alain R. says “this is the rule we are here to give advice, entrepreneurs take the final decisions”. Thus, business angels, especially novice ones, need also to force themselves in some non-critical situations not to intervene so that this learning process takes place. However, when business angels realize over time that entrepreneurs do not seem to listen to their advice, resulting in non-financial impact of their presence in the committee, they tend to withdraw from the committee to avoid wasting their time and their expertise.

After investment, the first focus of the business angels who are involved in the committee is to define the KPIs and the frequency of the report. Depending on the level of experience and maturity of entrepreneurs, the stage of development of the company, the development of reporting tools can be a tedious activity. There is a consensus among business angels that entrepreneurs should not lose time to edit reporting so the committee members who are at ease with figures and business metrics, are likely to help to design the report and suggest the right tool to automatize it. In digital operated ventures, the major trend is to give open access to SC members of internal dashboards.

At the beginning after investment, business angels tend to help by their feedbacks entrepreneurs to structure their business and to choose the right business and operations priorities. Many entrepreneurs scatter themselves into too many sales fields and do not manage to harvest any of them. The intended behaviour of the business angel is to help them to identify and focus on the right ones. Experienced business angels play a key role to systematically moderate the over optimism of entrepreneurs about their capability of selling.

If the entrepreneurs' team miss some skills, business angels may also push during the budget review the recruitment of the missing skills, with usually a strong benefit for the venture.



They also are very cautious about cash evolution and projection and systematically raise the subject if the cash situation is not presented during the meeting by entrepreneurs. Depending on the projected situation they may alert for the anticipation of a new financial round. Business angels with a solid experience of funding rounds and good exit track records, play a key role to set adequate funding strategies that limit dilution effects and maximize exit perspectives both for business angels and entrepreneurs. This is of major importance for primo entrepreneurs and novice business angels who tend to be quickly blinded by the valuation proposed by the VC funds. As business angels want to be able to exit in the best conditions, they also remind to the entrepreneurs the need to prepare the liquidity of their shares according to what has been fixed in the SA.

Business angels may need also to overcome a conflict between entrepreneurs but also to acknowledge a fundamental strategic disagreement. In that case, business angels reported how they recommended and helped to negotiate the exit of one of the entrepreneurs, especially when the conflict or the entrepreneur’s attitude turned to be harmful to the venture.

SC cycle	Shared routines of behaviours
<b>Before meeting</b>	One member may help CEO to revise agenda and documents prior to meeting All need to read and analyze documents sent by CEO prior attending to meetings Some may ask for extra information
<b>During meeting</b>	Members listen, give feedback, suggest other options, raise questions, defend their opinion especially if a vote is needed Experienced business angels are on the alert for cash situations and exit conditions
<b>After meeting</b>	CEO make and implement decisions and may ask for support Members may give support according to their expertise and/or time availability

**4.6.2.3. SHARED TOOLS AND SKILLS INVOLVED FOR BUSINESS ANGELS**

The observation of SC meetings reveals that business angels use and develop analytical skills, business planning and strategic plan reviewing skills as well as their own individual specific functional expertise whether R&D, manufacturing, marketing, sales, HR or finance. But the skills that are declared to be the most useful by business angels member of SCs are finally quite simple, it is all about common-sense and the ability to raise questions. Jean-Philippe who is a young retiree from a large listed digital company declares: *“I find that my hindsight and common sense are probably the two qualities the most important I can bring to entrepreneurs in a SC. Technical expertise is not very useful. What I have learned so far is that with a little common-sense intelligence we say the things that may seem trivial but they are very widely appreciated by young entrepreneurs because we help them not to waste time with the wrong questions. I think there are questions that we cannot answer for them but there are many things*

*that we can avoid them believing that they have alternatives and other choices. In particular in the area of business development, recruiting, even as financial investments or in the relationship with expert lawyers and auditors, all of these things they discover. I think we can guide them to reassure them, we can save them a lot of time and help them to avoid the mistakes that we have already made in the past, so that they have the financial means to make their own mistakes by avoiding them ours.”* Other business angels share his opinion and say that even if they are not familiar with a sector or a technique, they can bring their product sensibility and their go to market experience to raise questions to the entrepreneurs. Henri, who due to his former responsibilities as head of deal flow than President in Business Angels des Grandes Ecoles, has developed specific competences in seed funding, and so is able to question and suggest better financing options both for entrepreneurs and business angels, especially when they are novice in the field.

Some business angels who are lead instructors in their syndicate but do not want to sit in a SC after their investment believe that they do not have enough skills and/or time availability. Florence who is very expert in SA negotiation and business plan evaluation is one of the few business angels and lead instructors who does not like to sit in a SC. She says: *“I feel I will not be able to really bring them anything. I have had too many disappointments also with the people who represent me in the SC, and I believe that it is necessary to bring lots of skills and lots of availability. When the startup is ok it does not take you lot of time but when it is facing hard times it can take you 3 to 4 days a month, it is at least one day a week.... once I have done the due diligence and I know whose business angels are interested to invest, I ask among those who want to present themselves at the SC to give the list of their competences and to get an appointment with the entrepreneur, who chooses after between candidates. But afterwards if they don't have the time it's completely useless !”*.

Thus, this is fundamental for entrepreneurs at the very beginning post investment to identify both business angels' skills and available time to negotiate and set the most diversified SC.

#### **4.6.3. BUSINESS ANGEL REPRESENTATION AND ACCOMPANYING PRACTICES**

In each business angel network, a business angel is appointed by his peers for each of the companies in which members of the network have invested. Strategy-as-practice framework implies to identify what are the shared procedures, shared behaviours as well as shared tools and skills that are carried out by business angels concerning representation and accompanying practices.

#### 4.6.3.1. SHARED PROCEDURES

The primary mission of the accompanying business angel, whether or not member of the SC or another governance body of the company, is to be the reference to the company, which provides the relay and organizes communication with the shareholders belonging to his association, and with the association itself.

The accompanying business angel is usually co-opted in a collegial way by the other business angels members and investors of this company but the lead instructor is usually designated after the investment to be the representative of all the individual business angels, even if he does not sit in the SC in the case a bigger individual investor of the business angel group required it in exchange of his investment. Paul L. who is the general delegate of Business Angels des Grandes Ecoles says: *“Our business angels can choose to be either more or less passive investors who will choose their projects on a number of criteria, affinities or they can either position themselves as instructors. As we are a non-profit association there must be work provided by certain people, volunteers, members of the association that is then shared among all members. This is particularly the case of the investment due diligence study during which there is an analysis of the business plan, the marketing strategy marketing, R&D assessment that allow to judge the interest, the potential for the future. So, this business angel “instructor” is someone who analyzes the company in depth and who may also create affinities with the management team. And that is very important for after investment. And so, the business angel instructor is likely to continue to follow the company and we call him the accompanying business angel. Of course, it is better that the accompanying business angel seats also in the SC, but it depends on the number of places available for business angels’ networks representatives”*.

So, if the SA provides for a representative of the network to participate in the SC or another statutory body of the company the designated accompanying business angel carries out this mission. In 3Aventures, an investing company founded by a group of business angel, they invest only if they have a seat at the SC, the chairman Alain D. decides who is going to be the accompanying business angel. He says: *“usually there is a group of 3 business angels that are interested to evaluate an investment. At the end if we decide to invest, it is my job to evaluate from the three of them who is the one that has a good personal fit with the founder and who has also the time availability and the ability to understand their market and help them”*. Thanks to this selection process, in 16 investments he only had to change once the accompanying business angel, due to his professional moving to a new continent. Whereas in large business angels’

networks, there is no matching process and all accompanying business angels do not remain in the association and thus does not fulfil their mission in the long distance.

#### **4.6.3.2. SHARED ROUTINES OF BEHAVIOURS**

The nominated accompanying business angel is the reference interlocutor to the head of the company. He has generally no formal mandate from the association or other investor members. He acts on its own behalf but must take into account the interests of all other shareholders who are members of his network or group. To do this, he should organize the flow of information and consultation with these shareholders, on the subjects that deserve it. The nominated accompanying business angel is supposed to meet regularly with the head of the company and develop progressively a relationship of trust with him. If he does not participate in a statutory body of the company, it is up to him to hold interviews at a frequency sufficient to follow the evolution of the company.

The accompanying business angel is supposed by his peers to bring to the venture CEO and other executives his skills, and his relationship to help them in the development of the venture, and mobilizes if necessary the skills and relationships of other members of the association.

The small business angel groups that meet regularly are especially efficient to mobilize their community. For instance, in 3Aventures every monthly meeting starts with the startup life of the portfolio. Accompanying business angel takes advantage to call for help or advice for the venture they represent. After the meeting a report is issued so the absent are also aware of what is needed.

In My Seedcap, a dedicated duo team meet every month with the ventures they have a mandate to accompany. As a result, each month based on the needs expressed by the entrepreneurs or on the situation of the company, they send business angel members or even experts of their network to meet with the founders. For Alain R., it is really a best practice because he always tries to provide the best resource. A monthly report also aggregates all the support provided by their network to their venture portfolio and is shared with the members. Finally, each entrepreneur is invited regularly to pitch in front of all the business angels so that they can follow up and ask questions.

The accompanying business angel must pay specific attention to the financial situation of the company and try to alert and assist as much as possible the executives of the company in difficult phases. The accompanying business angel has a particularly important role in the

fundraising and the exit perspectives of the venture by paying particular attention to obtaining the liquidity of the investment, in the time period as envisaged in the SA.

Some accompanying business angel are particularly vigilant that the SA and the statutes are respected, principally in terms of governance and communication frequency with shareholders. All syndicated business angels rely also on their accompanying business angel to ensure that the company distributes to shareholders all mandatory documents such as tax bundles, summonses and verbal procedures of the general assemblies, as well as all reporting elements as agreed in the signed SA. Unfortunately, on the long run some of the accompanying business angels do not care anymore, mostly when they are no longer member of the syndicate group.

To remedy the differences between what an accompanying should do and what he does, Business Angels des Grandes Ecoles has introduced since 2019 a chart that any accompanying business angel candidate has to sign. This chart fixes his role and his responsibilities. To overcome the lack of communication, he has now to engage to undertake the writing, at least once a year, or on the occasion of a significant event, a summary note on the evolution and perspectives of the company. This communication of information is of course done in strict compliance with confidentiality commitments. New accompanying business angels engage also to communicate annually to the association the unit value of the stock, corresponding to the last capital raising or the last significant transaction on the capital. They are also expected to ensure that the capitalization table, is available for the association. Finally, since 2019 any new accompanying business angel needs also to engage to make available to the association and the investor members all required documents via the internal communication platform tool in the section "my companies followed" for which he has a specific administrator access. In order not to leave the venture without an interlocutor from the network, the accompanying business angel who wishes to interrupt his mission, also engages now to formally resign and ensure with the members shareholders and with the association that another member is appointed to replace him.

Indeed, the lack or worse the absence of communication of accompanying business angels in the larger network with the business angels they represent creates lots of frustration both for other business angels and entrepreneurs. First, the fact of being represented prevent most of the time, the existence of a personal direct relationship between syndicated business angels and entrepreneurs. Second, if they are not regularly informed by their representative and if they are not solicited personally by the founders they are unlikely to be actively involved in the venture apart from monitoring passively performance, attending to annual meeting and giving financial support to the venture in future rounds. On the contrary in large business angels networks some

of the exceptional behaviour of accompanying business angel are praised by their peers. BA19 gives evidence: *“Our network is not responsible for this situation, but I suffered in quotes from the lack of information which is dramatic after investment. And I think that our network will have to solve this problem. We have no information, in fact when a company starts to communicate that means that it is preparing its next fundraising. But on the twenty companies in which I have invested I think that I can count on the fingers of a hand those who communicate regularly. And even if we have instructors who are in the SC but they communicate nothing! but nothing !!! nothing! nothing! The level of information we get from companies and even more accompanying people accompanying people it is scary, scary. There are one or two who does this remarkably and who keeps up with the news, etc. BA3. I think he is the model of the genre, but he is really the exception. Most of the accompanying business angels attend to the SC and they do not report any information afterwards”*. BA3. explains the time he dedicates to company in which BA19 has invested: *“In that company it is a bit exceptional as I am a member of the board of directors which meets every two months. The summer it is nothing but for some period it is full time for 10 days than several days a week on some specific months. It is on average 2 to 3 days a month for 10 months, so around 25 days per year. But as I have lots of shareholders to represent in this company (35) and I have always questions to answer to”*.

On the contrary in small business angel groups, they are very agile to communicate about ventures needs and see how they could help them via using the collective intelligence of their peers. BA6 says: *“We know how to mobilize to organize when we need to. Then we have an hour-and-a-half meeting on a company because we have important decisions to make”*. Other small groups of business angels are constituted of coopted friends. Communication and sharing is part of the pleasure of being a business angel. Christian D. meets regularly for lunch with 2 to 3 other retired business angels to talk about their common portfolio.

Alain R. has a specific recipe in Myseedcap, the investing company of business angels he has cofounded. He proposed to each of its investees an accompanying contract. Each of the venture which has signed an accompanying contract benefit then from a monthly meeting with a dedicated team of their group. This meeting generates afterwards the solicitation of the business angels or experts who are the most relevant versus what has been expressed by the entrepreneurs. For Alain R. it is a non-sense to have one single business angel interlocutor, he prefers to send a new one each time corresponding to the venture’s needs, it is for him a key success-factor to provide the best accompaniment from his business angel investment group and a key differentiation of their value proposal versus all other business angels groups.

#### **4.6.3.3. SHARED TOOLS AND SKILLS INVOLVED FOR BUSINESS ANGELS**

Business angels des Grandes Ecoles is the only network which has developed his own specific communication platform tool that allows each accompanying business angel to share information with all the business angels that have invested in the same company. Since 2019, there is a specific section to update the latest financial kpis of the company, a section to upload company certified accounts, verbal proceedings of the general assembly meetings or any report. The community of investing business angels in a specific company can also use the platform to interact but mails are still a reflex. Other major large French networks are trying to unify themselves to create a shared communication platform to be able to follow their investments afterwards more effectively. The smaller groups use email exchanges only and reports and direct calls and meetings as they all know each other personally.

In terms of training, the large networks have not yet developed any specific session but the existence of a chart in Business Angels des Grandes Ecoles is a first step to routinize and professionalize the accompaniment. As Alain D. summarizes it, the ideal accompanying business angel is the person who has a special fit with the leading founder, an understanding of the company and a capacity to bring something and enough time to dedicate to the accompaniment.

#### **4.7. CONCLUSION**

This paper makes several contributions to the literature on the governance practices of business angels. We confirm that business angels do not see themselves as pure financiers but as entrepreneurs' partners (Collewaert & Manigart, 2015) and uncovers that governance practices learning help business angels gradually to have the best input and return from the ventures they fund.

We uncover that French syndicated business angels may use three form of governance practices while getting involved post-investment: SA, SC and business angel representation and accompanying practices.

We answer still opened questions raised by Collewaert & al (2018) by first uncovering that business angels do learn from experienced business angel on SA practices and by exploring how large syndicate groups have developed special training, tools and mentoring for their members with expert volunteers.

On SC governance practices, we uncover that business angels learn first by doing and that they rely at first on more experienced counterparts when they are novice in a SC, especially for the preparation of the SC and the vigilance regarding cash and exit perspectives.

Concerning assignment to the SC, we unveil that they are shared procedures between business angel networks that they apply for each venture to the SA that has been negotiated.

In terms of representation of the other business angels we unveil that there are differences of practices between the larger business angel groups where business angels do not know each other member and the more intimate ones where everyone knows each other and the communication and occasion to meet are numerous. The new frontier in which larger networks need to improve the skills of their members is the representation of other syndicated business angels and the accompanying practices of entrepreneurs. If SA and SC practices seem quite similar between syndicated business angels from large business angels network and small groups, our exploration shows that representation and accompanying practices seem to be much more efficient and satisfying in the smaller business angels groups. The main difference with larger business angel network is that in small groups every business angel knows each other, the communication is fluid and the meetings and occasions are frequent to discuss about the venture development with other business angels. The major implication for business angel groups is that the increase of their members and the use of digital communication tool should not prevent the existence of personal relationships between investors of a same venture and the organization of dedicated meetings with other syndicated business angel led by the accompanying business angel to talk about and foster their investee development.

Beyond our contributions to the developing conversation on the involvement of syndicated business angels post-investment and their governance practices, this paper also contributes to SAP use in the business angel conversation but also in the emerging research stream that examines entrepreneurship-as-practice (Johannisson 2011; Gartner et al. 2016, Champenois et al. 2019) and the call to extend practice perspective to practitioners that are involved in entrepreneurial support such as business angels recently been made (Champenois et al, 2019).

The use of SAP theoretical framework led us to the exploration of the shared routines of procedures, behaviours, tools and skills when business angels carry out those governance practices. The only use of interviews was not sufficient, and we had to add to our data the analysis of internal documents such as internal website, trainings, board meeting, mails, reports and specific calls to enrich our findings. Further researchers using SAP theoretical framework should be informed that relying only on interviews is likely to be insufficient.



Future research can draw upon the identified governance practices to explore what are the roles played by syndicated and individual business angels in their investees and how they are impacted by the use of those governance practices.

This paper has some limitations as the interviewed people are all investing mostly in France and in French ventures. Comparison of business angel governance practices within Europe would be of great interest and especially the impact of large business angel network.

## 4.8. APPENDIXES

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#### **4.8.2. APPENDIX 2 : 14 ITEMS IN THE STATEMENT OF SINCERITY AND GUARANTEES OF BUSINESS ANGELS DES GRANDES ECOLES 2019**

- i) no special benefit has been granted to a partner or group of associates of the company.
- ii) the company has not, as of the date of the signing of these, issued any securities giving access to the capital or any other form that has been waived the preferential right of subscription of the partners;
- iii) there is no promise, property rights, shareholders' pact or preference pact relating to the Securities created or to be created by the company and valid;
- iv) there is no dispute, exceptional fact or proceeding in progress, or, to the knowledge of the founder, threatening to arise, which could significantly affect the value and/or conduct of the company;
- v) there is no court decision taken as of the date here, against the company against the company that may be enforced and not fully recorded in the accounts;
- vi) the company does not, as of the date of this date, incur any adjustments and/or penalties related to breaches of its obligations; the company is not a party or to the founder's knowledge, is not threatened with being a party to any judicial, arbitration or administrative proceedings, is not the subject of any administrative investigation or criminal proceedings; to date, there is no serious basis for any proceedings against the company, nor has there been any event in relation to workers' compensation that could result in a significant increase in the rate of contributions paid by the company since 1 January;
- vii) the company has not made any off-balance sheet commitments by security or endorsement or otherwise;
- viii) the company has no subsidiary, participation or social mandate in any other company, association, EIG, entity with or without the legal personality;
- ix) all authorizations, financial guarantees, permits and licences necessary for the lawful exercise of the activity have been regularly obtained and remain, to date, in force without adverse changes and all the conditions to which their profit is contingent have been observed to date;
- x) the company does not, as of the date of this, in any way of commercial, industrial or intellectual property rights outside the company, whether for free or expensive;

- xi) the company did not benefit from debt abandonment with a return to better fortune clause or financial assistance, direct or indirect,
- xii) the documents submitted (including the accounting and financial documents and the business plan in appendix, provide a true and sincere picture of the company's assets, liabilities and results and do not contain any serious inaccuracies and that since the last accounting situation. The company has not carried out any transactions affecting the value of its fund and/or equity, and that the reserves have not been the subject of any distribution decision;
- xiii) all copyrights, patents, trademarks and other intellectual or industrial property rights arising from any invention, patentable or not, designs, methods, programs, formulas or processes relating to the company's activity, studies or research that may be protected, carried out by an employee or an officer of the company in the performance of its duties, which involve an inventive mission, belong to or have been transferred to the company;
- xiv) all copyright, patent, trademark and other intellectual or industrial property agreements arising from any invention, patentable or not, designs, methods, programs, formulas or processes relating to the activities, studies or researches required for its activity that may be protected will be concluded on behalf of the company, which will be fully responsible for the company.

## **5. THE DIFFERENT ROLES OF BUSINESS ANGELS AFTER INVESTMENT: DIFFERENCES BETWEEN INDIVIDUAL AND SYNDICATED BUSINESS ANGELS**

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### **5.1. ABSTRACT**

This paper investigates what are the roles of business angels after investment using a grounded theory approach. We combined an analysis of secondary video testimonials of experienced individual business angels and primary in-depth semi-structured interviews with a diversified sample of 31 French business angels. We took a role theory framework to explore the characteristics and occurrences of the different behaviors that business angels may have after investment. We uncover that business angels choose between five types of roles for each of their investment: follower angel, supportive angel, strategic committee member, sparring angel and/or operational associate that they can play cumulatively or successively. We identify how those roles and the related behaviors may benefit to ventures and entrepreneurs, especially at early stage and/or with solo entrepreneurs. We also unveil that paradoxically instead of playing hands-on role in all of their investees, business angels after investing via syndicate group choose to play most of the time a rather passive role as follower angel. We also uncover how business angels' behaviors may differ between ventures depending on communication practices performed by entrepreneurs and/or business angels' representatives.

### **5.2. INTRODUCTION**

Business angels invest their own money in unlisted companies with no family or friend connection. They invest individually but some of them invest with the support of formal and informal business angels groups (Mason and Harrison, 2008). Business angels are key contributors to entrepreneurship development as their investments are the principal source of finance in early-stage ventures and exceed over time those made by the institutional venture capital industry (Avdeitchikova and Landström, 2016). Previous literature has mainly focused on the decision investment process of the business angels (Landström and Mason, 2016; Tenca and al, 2018). The non-financial contributions of business angels in the early stages of a venture are widely recognized as positive (Politis, 2016), though little is known about business angeling *after* the investment. Both academics and policy makers have called for a deeper understanding

of the role of business angels beyond financing (Landström and Mason, 2016). Besides, a review of 75 articles on business angels, published between 1999 and 2017 in *Venture Capital*, deplors that implications given to policy makers, business angels and entrepreneurs are too vague and/or obvious to them and pledge the scholars in the field to write more relevant and insightful implications for practitioners (Landström and Sørheim, 2019). Finally, the growing number of business angels investing in visible business angel groups and or networks also questions the relevance of the current corpus of research on business angels, pre and post investment, which was mainly based on individual business angels' studies. Scholars seem to have ignored this major trend so far (Mason & al, 2019). This paper is a first attempt to explore the different roles of business angels after investment beyond financing; Then, this paper investigates if differences exist between individual and syndicated business angels.

### **5.3. LITERATURE REVIEW**

Tenca and al (2018) identified in an extensive literature review of 148 articles published between 1981 and 2015 that only 11 out 148 articles studied business angels' involvement in the post investment phase. The involvement of business angels is commonly categorized in terms of degree of intensity (active vs passive) and in terms of formalization (informal vs formal) (Wetzel, 1986). Filling knowledge and experience gap is the most studied business angel activity (Prowse, 1998; Politis, 2008; Mason and Harrison, 1996a; Amatucci and Sohl, 2004; Madill et al, 2005; Macht and Robinson, 2009; Fili and Grünberg, 2014; Bjørgum and Sørheim, 2015), than funding facilitation (Prowse, 1998; Madill et al, 2005; Sørheim, 2005; Politis, 2008; Macht and Robinson, 2009).

Previous empirical research indicates that the key contribution of business angels' involvement towards entrepreneurs is their strategic advices (Mason and Harrison, 1996). Networking activities, (Mason and Harrison, 1996a; Madill et al, 2005; Macht and Robinson, 2009; Fili and Grünberg, 2014), monitoring activities (Prowse, 1998; Politis, 2008; Amatucci and Sohl, 2004; Fili and Grünberg, 2014) and mentoring activities (Politis, 2008; Amatucci and Sohl, 2004; Madil et al, 2005; Fili and Grünberg, 2014) are other contributions cited while a minority of business angels admit no contribution at all (Mason and Harrison, 1996).

According to some entrepreneurs, even passive involvement like monitoring of reports can benefit entrepreneurs as it forces them to be disciplined and accountable for. In contrast, experienced entrepreneurs can be reluctant to active involvement, fearing interferences with the way they want to run their business. However, all entrepreneurs want their business angels to

be responsive and supportive if they have reasons to ask for their help (Macht and Robinson, 2009).

Task-focused activities rely on the specific work-related expertise of the business angels. Novice business angels with no expertise related to the venture should only focus on soft involvement which is people-centered and interpersonal and that adds value to the management team (Macht, 2011).

For Politis (2016), the hands-on involvement of business angels is characterized by the frequency and forms of contacts and the set of value-added benefits provided. She distinguishes four complementary forms of value adding roles that business angels may performed: sounding board / strategic role, resource acquisition role, mentoring role and supervision and monitoring role. However, this theory of the value adding roles which is based on previous existing empirical studies, does not clarify yet what are the concrete behaviors after investment and if it depends among their investees.

Finally, Politis' work on value-adding roles does not take into account the impact of belonging to a business angel network or a business angel group on business angels' behaviors post investment, which is one of the remaining avenue of research identified (White and Dumay,2017; Mason and al, 2019).

#### **5.4. THEORETICAL FRAMEWORK**

Role theory concerns one of the most important features of social life, characteristic behavior patterns or roles. Turner (1979) defines role as “a comprehensive pattern for behavior and attitude, constituting a socially identified part in social interaction, and capable of being enacted recognizably by different individuals”. According to Biddle (1986), the variety of role theory perspectives that were developed by scholars is confusing as he identifies at least five different perspectives. In this empirical paper we will focus on the cognitive role theory perspective and use the integrated conceptual framework for studying the characteristic behaviors of people in contexts that Biddle (1979) developed. This conceptual framework is based on the five underlying propositions:

1. Roles coincide to certain structured behaviors and characteristics of people in contexts.
2. Roles are often associated with social positions: groups of people who share a common identity.
3. People are often aware of roles and may be led by awareness: by expectations for their own behaviors and the expectations of other people.



4. Roles persist, first because of their functions and second because they are often part of larger social systems.

5. People must be taught roles by other people and may find joy or pain in their performance.

In this theoretical approach, being a business angel corresponds to a social position. Studying their roles therefore consists in identifying structured behaviors and characteristics of business angels as well as their functions in contexts.

The role theory has also been expanded to study nonbehavioral characteristics of a set of persons that are designated as the profile. A profile might include physical features, background experiences, and any other human characteristics that are context-free.

We used this integrated theoretical framework to get an appropriate lens to answer to our research question *the different roles performed by business angels after investment: differences between individual and syndicated business angels*.

## **5.5. METHODOLOGY**

There are three main ways of studying roles : observation of the role in real-life contexts or in laboratories or via surveys or interviews that asks respondents to describe their own role or those of others (Biddle 1986). Each method has pros and cons. For practical reasons and access to data as well as personal interest, I chose to use in-depth interviewing to study the roles of business angels after investment.

The paper is based on a qualitative research that focuses on exploring business angels' roles after they invest in innovative early stage ventures, in solo or via a syndicate group. First step was to analyze secondary data: 17 video testimonials of French serial individual business angels were transcribed and coded by themes; French leading business angels networks presentations of the activities of their members were also analyzed. Nine themes of practices emerged from this analysis: business angel background, business angel portfolio, business angel roles by investment, business angels behaviors, business angels contacts with entrepreneurs, Venture information received, business angel value creation, Influence factors for business angel involvement, business angels' satisfaction motives. We combined these themes with elements found in the literature to design an interview guide for semi-structured interviews based on Pierre Romelaer (2005) and Blanchet and Gotman (2009) methodological approaches. First, interview starts with individual characteristics questions: address postal code, year of birth, level of education, professional experience, sectorial expertise, functional expertise, entrepreneurial experience, international experience. Then, questions were articulated around 3

themes: the place of business angel role in their investment decision process, what are their roles and behaviors by investment, why do their business angel roles and behaviors may differ and evolve by investment.

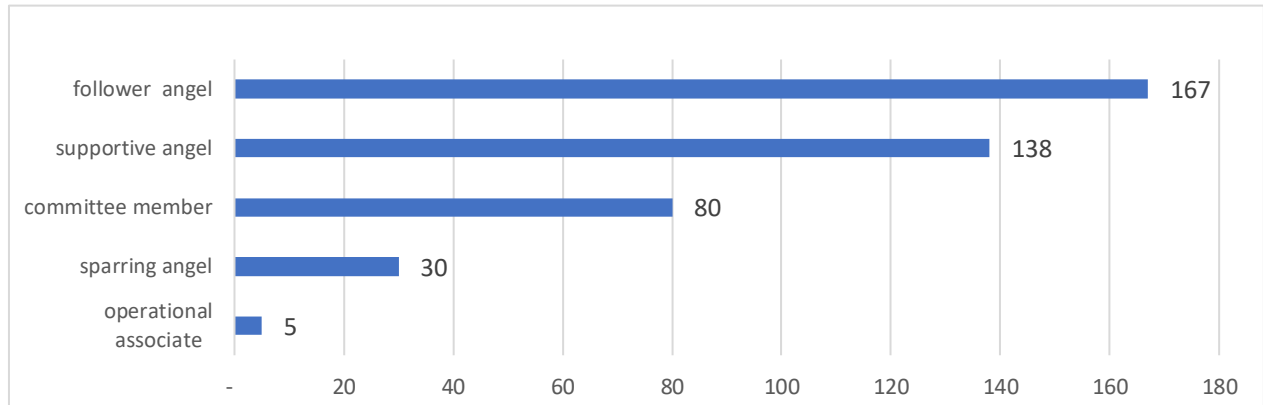
To get interviewees, we solicited for face to face interviews members of a French leading business angels syndicate whose 300 members have invested collectively more than 20 million euros in 200 ventures, over a period of ten years. In order not to have only respondents from one angel network in the sample, other business angels who mentioned in social networks their business angel activity were solicited through introduction. Meanwhile at the end of each interview, each respondent business angel was asked if he/she would introduce us to another business angel that he/she knew. Via this snowball effect method, we created a diversified sample of individuals both in terms of business angel profile (gender, age, syndicated or independent, skills and experiences) and startup portfolio (number, sectors, investment size). In total, 31 interviews were realized: 17 face-to-face, 10 by telephone and 4 by video conference each of them lasting for 67 minutes on average. The 31 business angels interviewed invested cumulatively 12,1 M€ in 402 investees with total investment ranging from €5 000 to 2, 75 M€ with a median of €391 000. Interviews were recorded, transcribed and data was analyzed concurrently to data collection. Nvivo software was used to code iteratively. This iterative process for data collection and analysis eventually led to a point when no new themes nor categories emerged.

## **5.6. FINDINGS**

By analyzing the different behaviors reported post-investment by the 31 French business angels that we interviewed, we were able to distinguish five different roles that they play selectively and sometimes cumulatively, depending on each of their investee. We then built a database to record the occurrences of the roles by business angel. We uncover that in 65% of their investments, business angels, belonging to business angel networks of our sample behave as follower angels. 26 business angels declared a role of strategic committee member but only on average in 25% of their investment. 22 declared playing an ad hoc role of supportive angel on average in 44% of their investment. Based on the skills they may bring and their personal fit with entrepreneurs 10 business angels also declared acting as sparring angel, especially for the primo and solo entrepreneurs, on average in 25% of their ventures. Only 3 business angels were involved in operational associate roles. Those results with this sample of French business angels

nuance and shed light to the vague notion of “hands on” investor commonly agreed in literature when defining a business angel.

**Figure 1: Occurrences of the roles of business angels post-investment**



### **5.6.1. FOLLOWER ANGEL ROLE**

17 out of 31 interviewed business angels mention that they currently perform or used to have a follower angel role in one or more investees. This role is declared in 167 of their total portfolios of 255 investees and is the main role they perform.

Biddle’s (1979) roles conceptual framework implies to identify what are the behaviors and characteristics of the follower angel role, what are the functions of this role and what are the profiles of the role players.

#### **5.6.1.1. BEHAVIORS AND CHARACTERISTICS OF THE FOLLOWER ANGEL ROLE**

Follower angels behave like silent investor as their main activity is to read venture’s information they get and monitor the valorization of their venture portfolio. They eventually attend to annual meeting if they have time and if not give proxy to the president of the venture or their business angel representative. They may fund ulterior rounds and recommend to their personal network to invest in a venture if they are happy of its records. Follower angels have different investment strategies: some only target first round to invest, other once they have invested follow each round until their exit. The key benefits of follower angels are that they are risk takers and contribute very significantly to early stage funding of innovative ventures. They force entrepreneurs to review performance and share information so they are trained from the early beginning to edit KPIs and investors’ information. They may represent also a potential extra

financial resource for ulterior rounds by reinvesting and/or bringing new investors and funds. (Table 1). Nevertheless 10 out of 17 business angels (BA2, BA8, BA9, BA10, BA17, BA19, BA20, BA22, BA23, BA25), complain that they often lack information from entrepreneurs to follow their investment. For some of them this is so disappointing that this is one of the reasons to stop investing with this role (BA9, BA19, BA21) or if combined with an absence of return on the long run to stop investing at all (BA2, BA23). On the other side some business angels (BA2, BA9, BA11, BA17) declared that they meet regularly in their investments business angels who invest through business angels networks but afterwards are disengaged follower angels. For them, they are no longer interested in the life of the venture after their investment even if they are personally solicited afterwards. For BA11 who is very active in his 15 investments, those disengaged follower angels seem only to be motivated to invest in ventures for social recognition and/or for fiscal reasons.

#### **5.6.1.2. FUNCTIONS OF THE FOLLOWER ANGEL ROLE**

The main advantage of business angels followers is that they are risk-takers and they contribute very significantly to financing seed innovative companies. As BA13 explains: *"For me the real business angel is not going to cry because the startup crashed...This is the game, it's risky. That's why we should not recruit some "false" business angel who after two years because the startup is still losing "money" then speaks to his/her bank manager who says "but finally Mr why did you invest in this?! We have much better investments "And so the guy is angry and calls the startup CEO saying" Well I'll come to the General Assembly and then we'll see what we will see! ". I experienced it and in that case it is necessary to make a very formal GA, to bring in a chartered accountant, etc ... And if the guy really comes, he risks asking an avalanche of questions and really risk of deterioration of the atmosphere ... And while probably at that time it is a question of remobilizing the shareholders compared to a plan which requires that they refinance ... and so those types of business angels can really have a disastrous effect "*(BA13). In terms of governance, their presence in the capital requires entrepreneurs to review performance to build reporting and write notes of information, so they are trained from the beginning to develop and monitor performance indicators and to share information with their investors. If a capital increase is needed, the follower business angels may also represent the first base of additional financial resources.

*Table 1: the behaviors, characteristics and functions of the follower angel role*

<b>Behaviors</b>	<b>Occurrence</b>	<b>Skills involved</b>	<b>Functions of the behaviors</b>
<b>Read information sent by entrepreneurs and or their representative in the strategic committee of the venture</b>	Memo sent by Email Time spent: few minutes monthly/quarterly and/or annually	Analytical skills	Keep the flame and interest about the venture
<b>Attend to shareholders meeting if time or give proxy</b>	Annual meeting Time spent: few hours	Organization Administrative skills	Approval of the proposed annual decisions
<b>Finance ulterior financial round</b>	Investment forms filling, Emails exchanges with entrepreneurs and bank Time spent: few hours	Investment evaluation and administrative skills	Financial resource
<b>Promote investment in their network</b>	Email and/or call Time spent: few minutes per contact	Networking Persuasion skills	Help to raise extra funding

To complete the use of Biddle's (1979) roles conceptual framework which implies to identify what are the behaviors and characteristics of the follower angel role and what are the functions of this role, we will explore in next section what are the profiles of the role players that I have encountered in interviews.

### **5.6.1.3. PROFILES OF THE FOLLOWER ANGELS**

In terms of profile, one of our main findings is that all the business angels who declare those behaviors have invested through a network or a club of business angels and that this is the main role that they play in their investments. Most of them are retired (BA1, BA2, BA16, BA18, BA19, BA20, BA21, BA25) and cannot match their skills with what is needed to act as a supportive angel in the venture nor cannot represent their group or network in the strategic committee because someone more legitimate does it already for their group or network. A minority were in their fifties and very busy professionally when they started adopting this role through a business angel network (BA18, BA19, BA21, BA23). They wanted to reduce their taxes while supporting innovative risky ventures. When they were freshly retired they all tended to adopt new roles first as instructors for their business angel network and after investment decision as representative and if possible member of the strategic committee. Most of the time, follower angels accept easily to take this rather passive role after the investment because they have other motivations to invest: some like to gamble on innovative ventures to make money

and expect high returns (BA2,BA23,BA25), other want to stay tune with market and innovation trends (BA1, BA5, B16, B20), another likes to support financially risky ventures that make sense for him (BA21) and some of them who are retired consider business angeling as an activity in itself to maintain social life and/or maintain intellectual activity (BA1, BA16, BA20). Individual business angels are not interested to be follower angel (BA11, BA12, BA14, BA15, BA24, BA30). They systematically negotiate whether their presence in the strategic committee or direct access and privileged communication with entrepreneurs, in exchange of their investment.

### **5.6.2. SUPPORTIVE ANGEL ROLE**

19 out of 31 interviewed business angels mention that they currently perform or used to have a supportive angel role in one or more investees. This role was reported in 138 of the total 402 investees of the sample and thus is the second type of role performed by business angels.

Biddle's (1979) roles conceptual framework implies to identify what are the behaviors and characteristics of the supportive angel role, what are the functions of this role and what are the profiles of the role players.

#### **5.6.2.1. BEHAVIORS AND CHARACTERISTICS OF THE SUPPORTIVE ANGEL ROLE**

Entrepreneurs face a lot of issues and most of the time need to discuss about them. The first behavior of supportive business angels is to be reactive and to respond positively to the solicitations of entrepreneurs. It can be an answer to an email, text message, a quick call or a request for a face-to-face meeting on a particular topic, given their expertise or experience. Another supportive type of action is to work with the founders or one of their employees. Numerous examples were collected on how business angels work to improve business management, operations processes, reduce costs, help to find and negotiate terms with the right supplier or business partner, help to (re)design value proposition and to optimize customer presentations, help to sell more and better, help to recruit and select the right people, help to prepare budget and shareholders presentations, help to prepare investor presentations and to raise funds. Third type of support is to behave like an ambassador within one's network. It gives more legitimacy to the venture. It is very helpful to gain contracts with large accounts, seduce the best talents, negotiate conditions with the best business partners and to convince new investors to join. Ambassadors implicate them more than introducing. They can second

entrepreneurs in trade negotiations and lobby to promote their investees within their network. We got various examples of decisive impact to gain new contracts. In terms of HR, it is frequent that business angels are part of the decision process and meet candidates to help choose the best one but also to promote the risky venture to the candidate. To contract the best business partners, primo entrepreneurs in some areas have no clues and make mistakes. Experienced business angels help them to evaluate their needs, choose the right business partner and help reduce costs significantly. BA12, 49, explains how he saved 44 000 euros per year for one of its investee: *“when I analyze the costs in a company it's not very complicated. There are costs that are justified and there are costs that are totally unjustified. Unjustified cost for this company was to pay a part-time assistant ... a stupid process that cost 50 000 euros per year. I said listen it is not very complicated we will quickly externalize the process of the 20 monthly bills and maybe 30 invoices... we found a solution. Hang on to 500 euros per month which means that the cost was decreased to 6000... So we saved 44,000 euros and it took us only two hours! But for me as I knew the story of course it has not been very complicated to set up. But I think that if I had not helped them they would still be there! it was absurd! If you cumulate things like that you know it's going very fast to go bankrupt! it's going really fast”*. In term of funding, experienced business angels play a key role to design the funding strategy and promote the investment afterwards. It is frequent that they assist in pitches and that they back actively the entrepreneurs during the negotiations of valuation and new shareholder agreement. Depending on venture stage of development and according to entrepreneurs' needs, those supportive actions habitually involve the business angels from a few hours per month up to 2 days per week for a temporary period, on particular important and immediate issues. Most of the time the meetings take place in the venture's premises. A minority of busy prominent business angels meet and work with entrepreneurs at breakfast or lunch or afterwork times, in the most convenience place for them.

#### **5.6.2.2. FUNCTIONS OF THE SUPPORTIVE ANGEL ROLE**

The supportive business angels rise above all the entrepreneurs' social capital. For getting the best business partners, novice entrepreneurs have no experience in some areas and negotiate blindly. Experienced business angels help them assess their needs, choose the right partner and can also help to significantly reduce costs as illustrated by BA12 who explains how he made save 44,000 euros per year for one of its investments. The business angel who acts as an ambassador to its network gives more legitimacy to the company. It can be very useful to win contracts with major accounts. For key recruitments, it is common that this type of business

angels take an integral part of the selection process and meet the pre-selected candidates to help choose the best but also to encourage the best talents to join entrepreneurs in this risky adventure. In terms of financing, experienced angels play a key role in designing the business financing strategy and promote investment in the future. BA2 recounts: "The entrepreneur sought to raise several millions. And we said, but we do not want you to raise money from the funds we do not want to change our shareholders' agreement, we want to hold out a year ... so we managed to convince existing business angels to invest one million". In the capital increase open to external investors, experienced business angels may attend presentation meetings with investors alongside entrepreneurs and advise them systematically in valorization and new shareholders' agreement negotiations.

*Table 2: the behaviors, characteristics and functions of supportive angel role*

<b>Behaviors</b>	<b>Occurrences</b>	<b>Skills involved</b>	<b>Functions of the behaviors</b>
<b>Give answers to questions raised by entrepreneurs related to: management, Finance, legal, RD, marketing, communication, business development or resources or contacts acquisition,...</b>	Email or text messages exchanges	Management and/or financial and/or legal and/or technical and/or marketing and/or communication and/or business development and/or networking skills	Immediate help for problem solving
<b>Open discussions with entrepreneurs</b>	Conversation call or 1to1 meeting	Listening and advising skills based on business angels' expertise and/or experience	Get feedbacks to enhance their decision making and strategic thinking
<b>Work ad hoc with entrepreneurs on: operations processes, cost analysis and reductions, help to select and negotiate terms with the right supplier or business partner, help to (re)design value proposition and to optimize customer presentations</b>	Work meeting sessions	Skills according to the needs of the working session	Extra expertise to improve business management and operations and to enhance customer value propositions to increase sales and profitability
<b>Do for entrepreneurs: prepare or reread budget and shareholders presentations, prepare or reread investor presentations and to raise funds</b>	Remotely Files exchanged via emails	Business planning and/or presentation skills	Extra resource or help to bridge missing skills in the entrepreneurs' team



<b>Recruitment interview</b>	1 to 1 interviews with candidates, rating and debrief	Recruitment skills and/or skills related to the venture job search	Enhance hiring process to recruit and select the right people
<b>Promote venture within his/her own network</b>	Conversation and/or email introduction	Networking skills	Legitimacy gain for the venture and new contacts

To complete the use of Biddle’s (1979) roles conceptual framework which implies to identify what are the behaviors and characteristics of the supportive business angel role and what are the functions of this role, we will explore in next section what are the profiles of the role players that I have encountered in interviews.

### **5.6.2.3. PROFILES OF THE SUPPORTIVES ANGEL ROLE**

In terms of profile, we found that business angels that invest with friends or connections within a business angel group tend to report to be more supportive in a larger share of their investments (BA3, BA6, BA13, BA27). The friendly review of what is happening in the venture or the friendly request of their representatives help them to be informed of venture needs and provide adequate help. In business angel networks, this role is also favored by experienced business angels who gladly give support for governance, financing and crisis management issues ( BA10, B17, BA22). The size of the portfolio has also an effect for very busy professionals: BA15, 47, who has invested in 47 ventures does not have time to be more than occasionally supportive in 30 of his ventures.

### **5.6.3. STRATEGIC COMMITTEE MEMBER ROLE**

26 out of 31 interviewed business angels mention that they currently perform or used to have a strategic committee member role in one or more investees. This role was reported in 80 of the total 402 investees of the sample and thus is the third type of role performed by business angels. Biddle’s (1979) roles conceptual framework implies to identify what are the behaviors and characteristics of the strategic committee member role, what are the functions of this role and what are the profiles of the role players.

### **5.6.3.1. BEHAVIORS AND CHARACTERISTICS OF THE STRATEGIC COMMITTEE MEMBER ROLE**

An informal board is most of the time called the strategic committee among business angels. This board is constituted and chaired by CEO. Usually, it starts after the first seed funding round and its composition evolves after each ulterior funding round. In syndicated angel group the common routine is to deal before investment a shareholders' agreement which defines the composition, the roles, responsibilities and the modalities of this strategic committee. Some committees are decisional on a pre-agreed list of strategic topics and decisions but on operational topics they are merely consultative. Frequency of meetings can be monthly, even after five years, at least quarterly and each time the CEO calls for it. Those meetings often take two to three hours, even more during the early stage of the firm. For maximum efficiency, dates are set from one meeting to the next, in order to allow every member to be physically present. Committee members usually request to receive digitally the agenda and presentation of the meeting at least 48 hours before the meeting, so that they are able to read and analyze them and eventually ask entrepreneurs complementary elements in advance.

After investment, the best practice that emerged from interviews is that the business angels who are members in the committee define with entrepreneurs the KPIs and the frequency of the report and their meetings. Depending on the level of experience and maturity of entrepreneurs, the stage of development of the company, the development of reporting tools can be a tedious activity. There is a consensus among business angels that entrepreneurs should not loose time to edit reporting so the committee members who are at ease with figures and business metrics, are likely to help to design the report and suggest the right tool to automatize it. In digital operated ventures, the major trend is to give open access to internal dashboards. The agenda of the meeting is generally to review every aspect of the business: R&D, products and services roadmap, operations, business model evolution, sales pipeline, HR recruitment plan, financial KPIs and even disputes. The unwritten rule is to intervene on subjects in which board members have an expertise or previous experience.

That is why the balanced composition of the committee is crucial. Members also need to respect the schedule and must not monopolize the meeting on their own perceived issues or skills. When there is a casting error, experienced business angels tend to quickly corner and exit this disturbing member at the next funding round(BA11). Habitually, a significant part of the meeting is also dedicated to some key problem solving or business options that entrepreneurs want to discuss with business angels. The idea is for entrepreneurs to test their plan or to have other insights or suggestions or to receive alerts, in particular when they cannot discuss of the

subject with their team or if the entrepreneur is the only founder. For them those meetings are as well a unique opportunity to get collective intelligence for solving problems their venture may encounter and take informed decisions. Nevertheless, business angels acknowledged that their role is to give their justified opinion so that entrepreneurs make an informed decision afterwards. Many business angels report in the interviews that it is common that entrepreneurs do not take into account their advice or warnings and so, they usually need to repeat them (BA2, BA3, BA8, BA9, BA10, BA11, BA17, BA20, BA22, BA23) . BA11 says that when an entrepreneur realizes after a while that he was right, it becomes part of his/her entrepreneurial learning process and that he/she listens more afterwards. He insists also on the fact that young entrepreneurs need to make mistakes to progress, this is part of their entrepreneurial journey. Thus, he suggests that business angels, especially novice ones, need also to force themselves in some non-critical situations not to intervene so that this learning process takes place. However, when business angels realize over time that entrepreneurs are not interested in taking into account their advice, especially for a question of ego, they declare that they tend to withdraw from the committee to avoid wasting their time and their expertise (BA2,BA8, BA9, BA20). The strategic committee evolves progressively as the venture grows and entrepreneurs mature. At the beginning after investment, business angels tend to help entrepreneurs to structure their business and to choose the right business and operations priorities. Business angels report that most entrepreneurs scatter themselves into too many sales fields and do not manage to harvest any of them. Business angels' role is to help them to identify and focus on the right ones. Their experience helps them also to moderate systematically the over optimism of entrepreneurs about their capability of selling. They can also play a key role to identify if some of the entrepreneurs are harmful to the company or if they miss some skills. Several business angels related how they negotiated the exit of one of their entrepreneurs ( BA 10, BA 12, BA22) or the strong impact of the recruitment of executives that they had forcefully suggested to complete the founders' initial team (BA3, BA10, BA13). After a while when the business model is found, the board meetings focus more on the business vision and how to accelerate to get there. Meanwhile, business angels with a solid experience of funding rounds and good exit track records, play a key role to set in advance adequate funding strategies that limit dilution effects and maximize exit perspectives both for business angels and entrepreneurs. The connections with adequate family funds are key benefits that they can bring to entrepreneurs. This is of major importance for primo entrepreneurs and novice business angels who tend to be quickly blinded by the valuation proposed by the venture capital funds.

### 5.6.3.2. FUNCTIONS OF THE STRATEGIC COMMITTEE MEMBER ROLE

The main impact of a strategic committee for the leaders of the startup test their strategic plans to have other ideas or suggestions or to receive alerts, especially when they cannot discuss the subject with their team or if the entrepreneur is the sole founder. For them, these meetings are also a unique opportunity to get a collective intelligence to solve operational problems that can meet their business and make informed decisions. This is why the balanced composition of the strategic committee is crucial to get a maximum impact. Several business angels mentioned the strong impact of executive search they had proposed to complete the original team of founders and fill critical skills gaps for the development of the startup. The most cited cases are recruiting a chief financial officer, a general manager or a sales manager. In terms of financing, business angels with extensive experience in finance and good track record cycles in output, can play a key role in helping to define in advance adequate financing strategies that limit the effects of dilution and maximize output prospects for business angels and entrepreneurs. The links of some "great business angels" with family offices are key benefits they can bring to entrepreneurs. This is of major importance for first-time entrepreneurs and novice business angels who tend to be easily "blinded" by the valuations proposed by venture capital funds without understanding the subsequent conditions potentially unfavorable for them. In terms of governance, some business angels have been essential to identify the harmful nature of certain startup executives and convinced of the need of their departure for the survival of the startup. BA12 and BA22 told how they organized and negotiated the release of startup leaders. The reported cases are all related to the abuse of startup resources.

*Table 3: the behaviors, characteristics and functions of strategic committee member role*

Behaviors	Occurrence	Skills involved	Functions of the behaviors
<b>Analyze information sent by entrepreneurs prior to strategic committee meeting</b>	Information sent by email at least 48 hours in advance of the meeting	Analytical skills	Force entrepreneurs to make regular business reviews and to identify actual results versus forecasts and to propose corrective action plans
<b>Attend to meetings and give input: Acknowledge, suggest, challenge, alert, debate and eventually vote</b>	Frequency: monthly to quarterly Length: 2 to 3 hours Meeting at the head office and/ or remote video conference	Business review and problem solving and strategic plan discussion skills, according to business angel 's expertise and experiences	Help gradually entrepreneurs to structure business, improve business performance, focus on key priorities, anticipate cash problems, find a sustainable business model, anticipate strategic changes, accelerate business growth

			Votes are mostly consultative but may be decisional on a pre-agreed list of topics according to the eventual shareholder's agreement
<b>Read meeting minutes sent by entrepreneurs</b>	Minutes sent by CEO a few days after meeting	Analytical skills	Force entrepreneurs to take minutes of debates, votes and decisions
<b>Minority investor management(for representatives only): answer to minority investors' questions and synthesize information before and after each strategic committee meetings</b>	Memo sent a few days after meetings	Communication and presentation skills	Manage the relationship with minorities investors and keep them informed and attracted about the venture

To complete the use of Biddle's (1979) roles conceptual framework which implies to identify what are the behaviors and characteristics of the strategic committee member role and what are the functions of this role, we will explore in next section what are the profiles of the role players that I have encountered in interviews.

### 5.6.3.3. PROFILES OF THE STRATEGIC COMMITTEE MEMBERS

The typical business angels members of the strategic committee are the most significant individual business angels in terms of shares, experience and/or expertise and 1 to 2 representatives of the more important syndicated angel groups in the new capitalization, usually being themselves the lead instructors. This composition is a source of frustration for experienced syndicated business angels with low investment power. Some of them report that with experience they have been progressively focusing their investment in the ventures where they can get a seat in their strategic committee that is to say the ventures they have personally audited and recommended to their angel group or network (BA9, BA19, BA21, BA22,BA31). Nevertheless, syndicated business angels who need also to represent their network acknowledge

that above 5 strategic committees it is difficult to really have sufficient time to dedicate to their investment and community of investors they represent (BA10, BA22, BA31).

#### **5.6.4. SPARRING ANGEL ROLE**

10 out of 31 interviewed business angels mention that they currently perform or used to have a sparring partner role: 9 business angels mention this role in one or two investees at a time (BA3, BA7, BA8, BA9, BA12, BA14, BA15, BA21, BA26). Only one business angel (BA11) says that he performs this role in all his investees as this is for him a sine qua non condition for investing. In total this role has been identified in 30 of the 402 investees of the sample and thus is the fourth type of role performed by business angels.

Biddle's (1979) roles conceptual framework implies to identify what are the behaviors and characteristics of the sparring angel role, what are the functions of this role and what are the profiles of the role players.

##### **5.6.4.1. BEHAVIORS AND CHARACTERISTICS OF THE SPARRING ANGEL ROLE**

This sparring angel role refers to the fact that a business angel has established progressively a privileged one to one relationship and trust with an entrepreneur and that he or she is the only business angel to have this role with the entrepreneur concerned. The sparring angel takes the time needed to listen to entrepreneurs and to discuss openly about any issues they face when they face them. BA8 says: *"Our relationship is easy...she calls or we can meet easily as we are neighbors". The sparring angel is also likely to be the first to be contacted by the entrepreneur. BA11, who has always been a sparring angel in all of his 15 investees says: "even just before my exit, the CEO kept calling me quite often, just to talk about things he did not necessarily want to talk to his investors. But not because he had something to hide from them, but because as a business angel you still have the advantage that you have less agenda, you see? And I know that many of my founders if they have an issue they will call me first to ask me what I think because they know they will get an unbiased answer".* The expertise and professional experience that bring sparring angels can boost the venture by helping entrepreneurs to challenge their operational choices (BA12). The main reported activities through the interviews are answering to entrepreneurs' questions, discussions before decisions, brainstorming, helping them to prepare key meetings and the revision of key documents before final version. The modalities of these contacts may be through telephone call, text message, email, skype, coffee

break, lunch or face to face meeting. The contacts are very frequent and as often as the entrepreneur needs, especially when the entrepreneur is the only founder.

#### 5.6.4.2. FUNCTIONS OF THE SPARRING ANGEL ROLE

For the solo entrepreneurs, it really helps them overcome the solitude of entrepreneurship and to become progressively more resilient to ups and downs. BA9, 68, acts as a sparring angel with a solo entrepreneur. She describes the evolution of their relationship: *“she is alone because she does not even have any employees, so for her any exchange...at the beginning it was to keep me informed but progressively it was rather to validate her choices... finally be a bit confronted...to get my opinion more as a person than as an investor...she trusts me and I think she is a bit lonely as well”*. In addition, expertise and experience professional that bring sparring angels with primary entrepreneurs whatever smart as they are, can boost the development of the startup. BA12, 49, describes himself as a business accelerator: *“This company is taking a decisive turn since the sales take off after three consecutive years of losses, in 2019 we will finally have a positive result but the founders have 15 years of experience less than me and actually on this specific case I am again a real accelerator of particles”*.

Table 4: the behaviors, characteristics and function of sparring angel role

Behaviors	Occurrence	Skills involved	Functions of the behaviors
<b>Direct support</b>	Call, email or text messages exchanges Time spent: few minutes when needed	Problem-solving, reactive skills and trustworthy	Immediate and reactive help for any support needed by entrepreneur(s)
<b>Discussion before decision</b>	Call and face-to-face conversation Time spent: few minutes when needed	Listening and feedback skills based on business angels' expertise and/or experience	Immediate feedbacks to enhance decision making
<b>Brainstorming on new development</b>	Informal meeting with key stakeholders Time spent: 1 to 2 hours when needed	Creativity, open-mindedness and topic-specific skills	Extra experience and creativity to maximize the outputs of collective intelligence
<b>Work with entrepreneurs to prepare key meetings</b>	face-to-face or video call with screen sharing Time spent: 1 to 2 hours	General management and coaching skills	Extra expertise and experience to maximize positive outcomes
<b>Revise key documents before release</b>	Email exchanges or video call with screen sharing Time spent: minutes to hours when needed	Analytical, contractual and communication skills	Extra expertise and experience to track pitfalls and identify key missing points.

To complete the use of Biddle's (1979) roles conceptual framework which implies to identify what are the behaviors and characteristics of the sparring angel role and what are the functions of this role, we will explore in next section what are the profiles of the role players that I have encountered in interviews.

#### **5.6.4.3. PROFILES OF THE SPARRING ANGELS**

The common character that sparring angels share is the ability to become available when needed by the entrepreneur. This is easier to be immediate for retired business angel ( BA3, BA9, BA21, BA26) and business-owner business angels ( BA8, BA11,BA12). BA11, who is currently acting as sparring partner in 10 ventures says that what he likes about his sparring partner's activities is that "for 10 years I have never been bored because in fact... I do not even know what I'm going to do this afternoon or tomorrow! It will depend on my founders' needs". The solicitations that get BA11 are quite exceptional and might be linked also to the weight of his investments in his investees and the flexibility of his agenda. Other acting as sparring angels prefer setting regular meetings: BA10 reports that one of his peers has set for more than 10 years now weekly meetings with a solo entrepreneur. BA14 who is a very busy C-level executive declares that he prefers scheduling a 15-minute call every week to catch up with venture and entrepreneur's progress, Another top Executive BA15 sets after work drinks to discuss with entrepreneurs each time his direct support is needed.

#### **5.6.5. OPERATIONAL ASSOCIATE ROLE**

3 out of 31 interviewed business angels mention that they currently perform or used to have a full or part-time operational position in at least one investee (BA4, BA6, BA8). This role was reported in 5 of the total 402 investees of the sample and thus an operational associate role is by far an exceptional role to be played by French business angels in their investees.

Biddle's (1979) roles conceptual framework implies to identify what are the behaviors and characteristics of the operational associate role, what are the functions of this role and what are the profiles of the role players.



**5.6.5.1. BEHAVIORS AND CHARACTERISTICS OF THE OPERATIONAL ASSOCIATE ROLE**

By performing those positions our respondents provided key missing skills in the venture at a much lower cost: general management, financial management, innovation project management. BA8 is currently part-time CEO in three different ventures with significant shares. She really likes it versus her consultant role as now she is really part of the team and thus has a real impact on strategic decisions and their implementation. She said though that each venture was too small for her to be hired full-time and that it would not be challenging enough for her to focus on only one.

BA6, who was looking to take over a firm in the cosmetic industry accepted to be hired as CEO in one of her investees which was in trouble. The female founder who was in charge of creation solicited her once she split with her cofounder, CEO of the venture, just before a funding round. Since then, she has been able to keep angel investing and to be involved in new ventures.

**5.6.5.2. FUNCTIONS OF THE OPERATIONAL ASSOCIATE ROLE**

In these positions, respondents were first providing key missing skills to the venture they invested in at a much lower cost: general management, financial management, innovation project management. By bringing these missing skills to the founding team they increased the chances of success as the attractiveness of their investees.

*Table 5: the behaviors, characteristics and functions of operational associate role*

Behaviors	Occurrences	Skills involved	Functions of the behaviors
<b>CEO:</b> <b>Strategic planning, operations management</b> <b>Represent the organization and interact with investors and key stakeholders</b>	Time spent: full time or part-time	Strategic thinking, general management leadership and relationship management skills	Business angel invests and bring key missing expertise at a lower cost than job market and reinforce founders' team and venture's chances of success
<b>CFO:</b> <b>Business planning and cash flow management</b> <b>Analyze the company's financial strengths and weaknesses and propose corrective actions.</b>	Time spent: part-time	Financial and cash management skills	
<b>Innovation project manager</b>	Time spent: part-time	Topic expert and innovation project management skills	

To complete the use of Biddle's (1979) roles conceptual framework which implies to identify what are the behaviors and characteristics of the operational associate role and what are the functions of this role, we will explore in next section what are the profiles of the role players that I have encountered in interviews.

### 5.6.5.3. PROFILES OF THE OPERATIONAL ASSOCIATES

In terms of profile, what is striking is that the business angels that declared performing operational roles in our sample were all women business angels, former C level executives in high ranked companies and middle aged at that time. BA8, used to be a C-level executive in the software industry then started a small general management consultancy firm for SMEs. Before to help her rebound professionally she had become business angel. She specialized progressively in investing in companies where the entrepreneurs lack CEO or CFO skills. BA6 accepted the CEO position as well as a much lower salary. She explains: *"it is a venture that represents everything I love.... I think there is a great business potential to develop. The founder is a very endearing woman that we really want to accompany and help her to succeed. She is a designer and now she really is, over time, transforming herself into a leader by the force of things...it's very exciting to work with people like that, we form a very good pair and it brings me a lot"*. BA4 who is a pre-retired innovation consultant in the telecommunication industry, 62, started her first investment when she was 46 as she had difficulties to reenter the job market after a long period of expatriation in the US. She dealt her investment in exchange of a job in the venture: *"I made this agreement with them. I invest in exchange I work with you for six months, part-time, that's to help me rebound. I was very clear about what I was looking... for me it was to bounce back, my job search was zero. It was really bad... it allowed me immediately after to sign a two-and-a-half-year mission... so it helped me. it helped me a lot"*. She complains today that she has never managed in her next investments to get again a position in her investees and that her missions never came from her business angel's activities. She says that it is not in the French mentality: for the entrepreneurs she met, business angels should not be paid for their mission as they are supposed to be already wealthy people. For some French leading angel networks this approach to get a paid position is absolutely contrary to their ethics and the volunteer aspect of the activity of their members. For example, they strongly reject any business angel benefits such as free shares in exchange for participating actively in a strategic committee.

## 5.7. CONCLUSION

This paper makes several contributions to the literature on business angels: based on in-depth interviews, we found that business angels may perform five distinct roles per investees and a very large scope of behaviors post-investment that may have high added value both for the start-up and entrepreneurs themselves. This research opens the black box of business angels' behaviors post-investment by building a taxonomy of the five roles performed by business angels. This also sheds light on the value-added functions of those behaviors for the ventures. The five roles that have emerged from our inductive research complete with concrete behaviors the value-added model roles proposed by Politis (2008, 2016). We also unveil the profiles of the business angels that may play the different roles and see differences between individual and syndicated business angels as well as large versus small groups.

*Table 6: syndicated and individual business angels profiles observed per business angels' roles*

Business Angels Profiles		
Business angels' roles	Syndicated	Individual
<b>Follower angel</b>	Retired with large number of small investments	–
	Business professional for fiscal and interest reasons but with no time availability to get involved	
<b>Supportive angel</b>	Invest and review investments with friends and/or belong to a small business angel group in which venture information is fluid	Size of their portfolio and/or professional activity does not allow time to be more than occasionally supportive
	Identified experienced business angels in large business angel groups with time availability	
<b>Strategic committee member</b>	The lead instructor in large business angel group	Most significant business angel in terms of shares or experience/expertise
	The coopted member in a small group	
<b>Sparring angel</b>	Retired or business owner with time availability and personal fit with the entrepreneur	Business owner with personal fit with entrepreneurs or C level executive with high interest for the venture
<b>Operational associate</b>	C Level multinational executive looking to become entrepreneur	First investment in exchange of a job or a professional paid mission
	Senior consultant looking to become entrepreneur while being paid	

We uncover that entrepreneurs need to understand as early as possible what are the skills, experiences, and potential resources of business angels as well as their motivations and availabilities. This is key to maybe benefit on a day-to-day basis of a sparring angel but also to cast a balanced strategic committee in terms of skills, experiences and access to resources or to solicit ad hoc specific support from expert business angels.

This paper provides implications for entrepreneurs, business angels and business angels groups. Business angels' behaviors post-investment rely first on the different skills and experiences of each individual business angel as well as their time availability but also as the frequency and reliability of the information they get and the personal relationship they have developed with entrepreneurs or their representative if they invest through a network or a group. It appears in our interviews that it is crucial that entrepreneurs or representatives of syndicated business angels establish personal relationships with each business angel as early as possible to identify his/her skills, motivations but also desired communication routines in terms of content, forms and frequency. According to business angels, entrepreneurs and business angels' representatives' communication skills and routines play a key role to trigger the type of role they play and behaviors that they adopt in each investee. Follower angels may disengage or even turn angry angels and complain directly to the entrepreneurs or at the annual shareholders meeting if they are unsatisfied by the frequency, form and content of the communication they get.

Large syndication in many cases may lead to frustration for follower angels and likely for entrepreneurs. The training of business angels' representatives in large business angels network is today very efficient to help even novice business angels negotiate shareholders' agreement but seems to be inadequate to foster positively the five types of roles and behaviors we have identified post investment. French angel networks need first to increase the positive impact of their representatives in strategic committees. An appropriate training and mentoring with more experienced business angels may help them to turn skilled follower angels into more supportive angels.

Operational associate roles and sparring angel roles seem to be quite rare for business angels in France. Considering the benefits both for entrepreneurs and business angels, entrepreneurs and business angels should be perhaps more informed about these roles. Video testimonials of business angel-entrepreneur dyads on those specific roles would benefit to the entire French entrepreneurial ecosystem.

This paper has some limitations as the interviewed people are all investing mostly in France and in French ventures. Comparison of business angel roles within Europe would be of great

interest as well as the existence of differences between members of large network versus small group. Finally, additional research could focus on how business angels choose their role after each of their investments.

## **6. AFTER INVESTMENT, WHAT BELIEFS MIGHT INFLUENCE BUSINESS ANGELS WHEN THEY CHOOSE THEIR ROLES?**

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### **6.1. ABSTRACT**

This qualitative research paper uncovers what beliefs might influence French business angels when they choose between five types of roles after investment: following angel, supportive angel, strategic committee member, sparring angel and/or operational associate. Using a diversified sample of 31 in-depth semi-structured interviews of French business angels talking about their roles after investment, I took a theory of planned behavior framework to explore qualitatively what potential behavioral, normative and control beliefs might influence the choice of each role. This research is first useful for business angel networks to better understand what triggers involvement of their members and how to promote the different roles that business angels can play after investment both internally and externally. It also provides clues to how the attitudes of entrepreneurs and / or business angel representatives might increase the satisfaction of business angels to get involved and keep involving in each of these roles.

### **6.2. INTRODUCTION**

Business angels are key players for the emergence of startups. The business angels' investments are the main source of funding of seed stage start-ups and exceed over time in all the countries studied those made by institutional venture capital industry (Landström and Mason, 2016). According to 2018 statistics from the European Association of Business Angels Networks (EBAN), business angels represent the largest share (60%) of seed financing startups with a record 7.45 billion euros of investment in 2018. Besides, they tend to be patient investors as most research reports approximate exit times from five to seven years, with some even reaching 10 years (Mason & Botelho, 2016).

Non-financial contributions from business angels such as expertise, contacts and strategic advice are also widely recognized as positive, including by entrepreneurs (Politis, 2016). However, a deeper understanding of the role of business angels beyond the funding is still needed (Landström and Mason, 2016). Research has been mainly focusing on business angels' investment criteria and patterns, far less is known about the post-investment involvement of

business angels with their entrepreneurs. Specifically, how business angels govern their relationship with their investees (Collewaert et al, 2018). In addition, a review of 75 articles on business angels, published between 1999 and 2017 in *Venture Capital* urges especially researchers in the field to make more concrete implications for practitioners (Landström and Sorheim, 2019). Finally, the impact of the growing trend of business angels to invest via groups seems to have been ignored until now in the research, before and after investment (Mason et al, 2019). This article is an attempt to respond to these calls by exploring specifically how business angels select the roles they play in their investees post-investment and how syndication influences their choice.

### **6.3. LITERATURE REVIEW**

Business angels are individuals who invest their own money in unlisted companies with no family or friend connection. They invest individually but some of them invest with the support of formal and informal business angels groups (Mason and Harrison, 2008).

Prior studies on business angel governance suggest that, while business angels do use shareholders' agreement, they do it more to define a framework stating how they will cooperate with entrepreneurs, rather than how they will control their investment. Most business angels consider themselves more as partners to the entrepreneur rather than as pure financiers (Collewaert & Manigart, 2016).

Politis (2016) acknowledges that even if the available research evidence typically depicts business angels as a fairly active group of investors there is, however, little is reported about their frequency of contacts with their ventures.

Macht (2011b) gives evidence that the hands-on involvement of business angels necessitates the active involvement of the CEO of the investee. She identifies different CEO behaviors that enable contributions from business angels: active responsiveness to the involvement of the business angel and communication of feedbacks, the CEOs' reaction to queries from the business angels and the CEOs' role in initiating involvement activities. Those behaviors are favorable to allow continuous involvement from the business angels and help them to realize their value-adding potential.

Compared to the level of involvement more is known about the forms. In the existing empirical studies Politis (2008, 2016) identifies four types of additional value-added roles exercised by business angels: sounding board/strategic role, resource acquisition role, mentoring role and supervision and monitoring roles.. However, she does not specify how it unfolds in practice and

what factors are behind the choice of these different roles. Though she identifies critical situational contingencies that may affect the hands-on involvement in and around venture portfolio that are summarized in the following table:

Contingencies	Impact on business angels level of involvement	References
<b>Country-level differences</b>	May explain higher or lower levels	Landström (1993), Reitan and Sørheim (2000)
<b>Business angels with experience from venture operations</b>	Show higher levels	Landström (1992)
<b>Product novelty</b>	Associated with lower levels	Landström (1992)
<b>Close geographical distance</b>	Associated with higher levels and less formal forms	Landström (1992), Wong et al. (2009)
<b>Changing needs of venture</b>	May explain higher or lower levels	Mason and Harrison (1996)
<b>Co-investment with a VC firm Bringing complementarities in expertise, but also diverse goals in the process of venture development</b>	May explain lower levels	Harrison and Mason (2000)
<b>The technology level of the portfolio venture is</b>	Associated with higher involvement at both strategic and operational levels	Erikson and Sørheim (2005)

According to Collewaert et al (2018), there are still some blind spots in our understanding of how the business angel is involved, especially on the scope, frequency and mode of engagement. The purpose of this article is to explore and unveil what are the factors that explain business angels' choice of behavior role after investment in a venture.

#### 6.4. THEORETICAL FRAMEWORK

The theory of planned behavior has become one of the most popular theories to explain and predict the social behavior behaviors of individuals. The original article of Ajzen (1991) has been cited over 80 000 times according to google scholar. This theory is an extension of the theory of reasoned action that affirms that intentions are the best predictors of behavior (Ajzen and Fishbein, 1980). This theory postulates that human behavior to be effective, must first be pre-intentional, hence the name of theory of planned behavior. This intention is determined by three factors: attitudes toward behavior, subjective norms, and perceived behavioral control. The theory of planned behavior brings to the theory of reasoned action the concept of perceived behavioral control to deal with behaviors that people have an incomplete voluntary control, as it is likely to happen in our entrepreneurship field.



It provides a useful conceptual framework (Ajzen, 2005) for studying behaviors in relationships with behavioral normative and control beliefs.

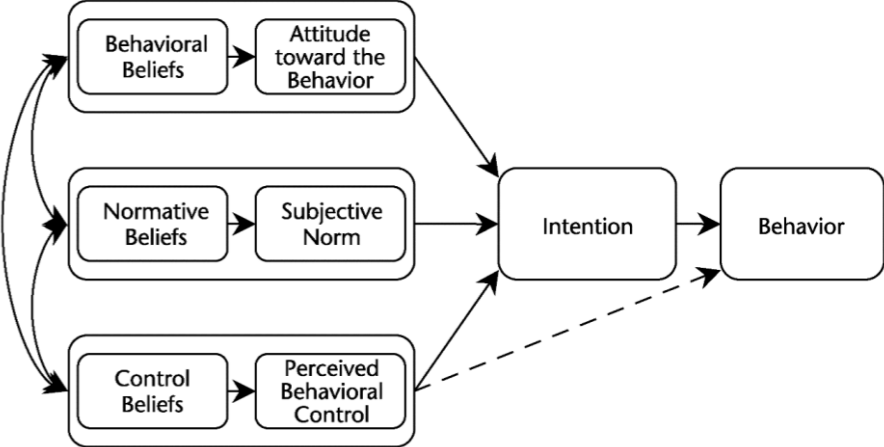
Behavioral beliefs determine the attitude toward behavior and reflect the favorable or unfavorable personal evaluation of results associated with the behavior in question: expected outcomes and experiences. A behavioral belief is the subjective probability that the behavior will produce a given outcome or experience. Although a person may hold many behavioral beliefs with respect to any behavior, only a relatively small number are readily accessible at a given moment. So, the more an individual perceives positively the expected outcomes and experiences, the more favorably should be one's attitude toward the behavior and the stronger one's intention to engage in the behavior.

Subjective norms are determined by normative beliefs that represent the perceived social pressure to perform or not the behavior. They may be injunctive norms: the entourage approves or discourages attitude. Or they may be social norms that indicate whether other members of a social group are already engaged in the same behavior or not. The more the opinion or behavior of the social reference group is important for the individual, the stronger the impact on the intention of the individual to engage in the behavior.

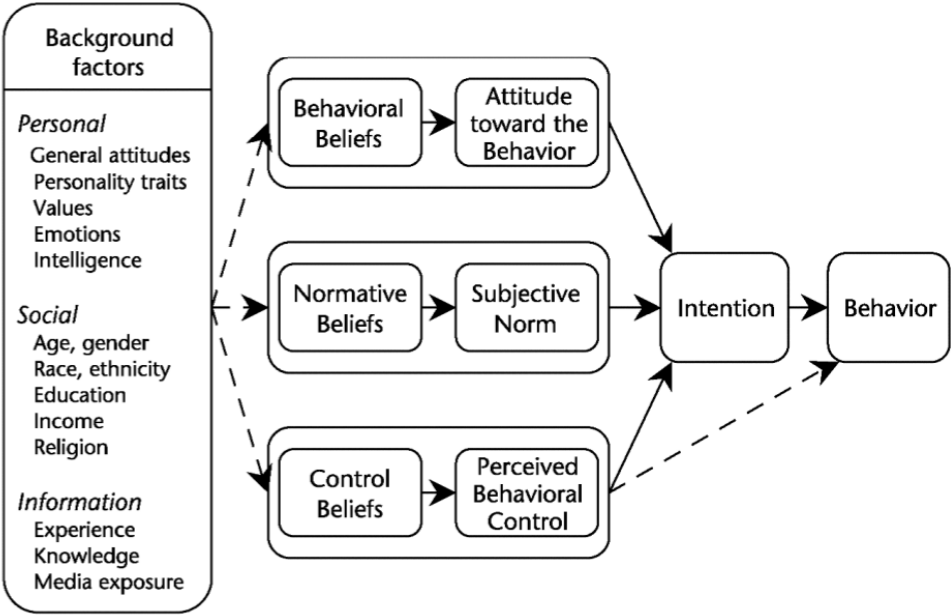
Finally, perceived behavioral control refers to the personal assessment of self-efficacy in the implementation of intentional behavior. It is determined by the accessible control beliefs. factors that may facilitate or impede performance, like the presence or absence of resources and opportunities to implement the behavior. They can be based on past experience and on anticipated difficulties. Consequently, perceived behavioral control varies according to situations and actions. Successful performance of a behavior depends not only on a favorable intention but also on a sufficient level of behavioral control. Together, attitudes toward behavior, subjective norms, and perceived behavioral control have an additive effect on one's intentions. See figure 1. Another aspect important in the theory is that one person may have high intentions to perform a behavior even though one of the antecedents preceding one's intentions might be low.

Multiple factors may be related or influence beliefs and as a result intentions and actions of people. Those background factors are divided into 3 categories: personal, social and informational (Ajzen, 2005). The theory of planned behavior recognizes the potential importance of those factors but dotted lines in figure 2 indicate that there is no necessary influence between background factors and beliefs. Thus, they can complement the theory and improve our knowledge of the determinants of behaviors.

**Figure 1 Beliefs as the informational foundation of intentions and behaviors-Ajzen (2005)**



**Figure 2 The role of background factors in the theory of planned behavior-Ajzen (2005)**



Theory of planned behavior has been used in all types of research field and in entrepreneurship as well. Lortie and Castogiovanni (2015) identified that 42 articles published in entrepreneurship field in top academic journal between 1991 and 2011 used at least partially this theory to explain or predict behavior. 83 % of the articles have been published in the top entrepreneurship journals as compared to the 17 % in the top general management journals and 48% in Entrepreneurship: theory and practice and Journal of business venturing. Venture creation and venture development were the two main phenomena that were evaluated in these articles with the theory. 88 % of the published articles are empirical, they use mainly quantitative methods as only 1 article out of the 42 articles uses a qualitative method.

As mentioned by Ajzen in his FAQ section of his website, “The theory of planned behavior was developed to predict and explain human social behavior, and to serve as a framework for behavior change interventions. Like other theories of this kind, it can be used as a heuristic framework to guide questions to be raised in qualitative research. However, the standard methods developed over the years for use with the theory are largely quantitative in nature. The only part of these methods that requires qualitative research is the elicitation and coding of readily accessible behavioral, normative, and control beliefs”.

Thus, I use the theory of planned behavior model (Figure 1) to explore what are the antecedent beliefs of business angels to the choice of one role ( structured behavior) after investment in a venture.

## **6.5. METHODOLOGY**

The research approach is exploratory with a grounded qualitative research methodology. This approach is particularly relevant when the key research themes are underdeveloped in the literature (Strauss and Corbin, 1998). Data collection was conducted through semi-structured interviews and an interview guide was developed (Blanchet and Gotman, 2009, Garreau and Romelaer, 2019). The initial sample was based on the contact of active members Business Angels des Grandes Ecoles, one of the most important French business angels networks: 350 members individual business angels have invested collectively are more than 30 million euros in 150 companies since 2005. Almost all innovative sectors are covered and the different stages of business maturity. 14 respondents are originated and initially targeted network. To get a diverse sample, 17 business angels do not belong to this network were interviewed either via a snowball effect either by contact via social networks. The interviews were conducted in two waves in 2019, mostly face to face (17), by phone (10) and Skype (4). On average they lasted 63 minutes. predominantly in face to face (17), by telephone (10) and Skype (4). On average they lasted 63 minutes. predominantly in face to face (17), by telephone (10) and Skype (4). On average they lasted 63 minutes.

Through this method, was obtained a diverse sample of 31 people at a time for business profile angel (gender, age, expertise and experience, independent or part of a network / group) and portfolio startups (number , sectors, investment size). Business angels interviewed invested a total of 12.1 million euros in 402 startups. Data was coded and analyzed thanks to Nvivo 12 plus software. Additional nodes for behavioral, normative and control beliefs were added to

initial codes that emerged from iterative coding about the analysis of the roles of business angels after investment that we explored in Paper 2.

## **6.6. FINDINGS**

In Paper 2, the analysis of post-investment behavior reported by 31 French business angels we interviewed, distinguishes 5 different roles after investment: follower business angel, supportive business angel, business angel member of the strategic committee, sparring angel and operational associate. For each of their investments, each business angel adopts selectively and sometimes cumulatively one of these roles for the venture. The study of the occurrence of behaviors by business angel reveals that in most of their investments, business angels, belonging to business angel networks of our sample behave as follower business angels. Playing a role of supportive business angel and / or being a member of the strategic committee are the two main accompaniments played post-investment by business angels. Based on the skills and experience they can bring and especially the quality of the personal relationship they have managed to forge with an entrepreneur, some business angels in some of their companies also act as sparring angels, especially with primo and solo entrepreneurs. In a minority of cases, business angels are involved in operational associate roles.

Applying theory of planned behavior framework, the next sections are going to explore what may be the behavioral, normative and control beliefs of business angels at the origin of their motivation to perform one of the five roles identified post-investment.

### **6.6.1. WHAT BELIEFS MIGHT INFLUENCE A BUSINESS ANGEL TO CHOOSE THE ROLE OF FOLLOWER BUSINESS ANGEL?**

17 of 31 business angels surveyed report that they are currently playing or previously had a business angel follower behavior in one or more investees. This behavior has been reported in 167 of the 402 investment by business angels. This is primarily the role played by business angels in the post-investment sample. See 4.3.6.1 Follower angel role.

The use of the conceptual framework of the theory of planned behavior (Ajzen, 2005) leads to thematize factors that fall under the behavioral beliefs (Table 1 and 2), the normative beliefs (Table 3 and 4 ) and control beliefs (Table 5 and 6) in order to explore what influences the choice of the role of follower business angel .

### 6.6.1.1. BEHAVIORAL BELIEFS INFLUENCING THE CHOICE OF THE ROLE OF FOLLOWER BUSINESS ANGEL

The exploration of behavioral beliefs influencing the role of follower business angel necessitates to identify both expected outcomes and experiences (Ajzen, 2005) through the analysis of business angels interviews.

In terms of expected outcomes some business angels expect to keep learning through this role. Like retired business angels who are formerly very busy professionals. They expect through this role to maintain an intense intellectual activity. Whether retired or still a busy professional, being a follower business angel helps than to better understand the major innovation trends in a sector or in a technical field. Starting to be a follower is also link to fiscal reasons. The former wealth tax was a trigger to start this role while being helpful to a nascent venture. Syndicated business angels who think that only one out of 10 investments is likely to be profitable use this role to spread their risk between ventures. A few of them are pure financiers and only want to make money. On the other hand, some choose the follower role because they want to support risky ventures that make sense for them if they succeed. It can be linked to great cause as ecology, health, poverty.

*Table 1: Expected outcomes influencing the choice of the follower business angel role*

Expected Outcomes	Quotes
<b>Keep learning</b>	
<b>Maintain an intense intellectual activity</b>	<i>"For me it is intellectual it is really a way of living in a younger and much changing environment much more technical with things that are beyond me ... it's much better than watching TV! "(BA20)</i>
<b>Understanding the major trends in innovation</b>	<i>"First one of the factors that attracted me to become a business angel, is to see the variety of projects that are created, innovations and in which direction our society is heading " (BA7)</i>
<b>Financial</b>	
<b>Make money</b>	<i>"My motivation is purely the success of my investments" (BA2)</i>
<b>Gambling on innovation success</b>	<i>"My motivation to start. It is that business angel investing is like gambling in Las Vegas. I only play what I can lose "(BA4) "I had invested 5,000 euros so I was offered 50,000 euros to get out ... I found it was not so much money and I could expect more ... I'm not out. And the year after they offered me 140 times more! ... (BA25)</i>
<b>Tax reduction</b>	<i>"The trigger for this was the ISF (wealth tax) and then the second reason was to give back. I had a happy work life so I am happy now to share it "(BA3) " no startup without business angels and it was good to reduce taxation because it is like a half-risk" (A5) "I took early retirement, and since that time with TEPA ( reduced tax incentive) I thought like it's not silly to invest rather than giving it to the state in the form of wealth tax and therefore there I started "(BA2)</i>

<b>Risk spreading</b>	<i>"As an investor one must spread risks between more companies." (BA31)</i>
<b>Impact investment that makes sense</b>	<i>"My criteria today are ecology and the impact on jobs. That's the kind of project that I want to invest in now because I think that's what it makes sense to help. There may be other beautiful projects, but I think no it's not a priority for the French economy today or for the future "(BA21)</i>

In terms of expected experiences influencing the choice of the role of follower business angel, some business angels use it first as a starting hobby as they are temporary or permanently jobless. Others expect to feel the same excitement as gambling. They like to review innovation investments and bet on those they feel could be a hit, like if they were in a casino or in a racetrack. Others simply mention they play the role because it is fun for them. Finally, other mention the satisfaction and happiness of following the entrepreneurial adventure and success of an entrepreneur they like.

*Table 2: Expected experiences influencing the choice of the follower business angel role*

<b>Expected experiences</b>	<b>Quotes</b>
<b>Hobby</b>	<i>"I was jobless with the inability to return to work and I thought I must take care that I do something else" (BA25)</i>
<b>Excitement and Fun</b>	<i>"I am very playful and the jackpot I won it! "(BA25) "The business angel he must do it for fun" (A5)</i>
<b>Satisfaction to follow a successful entrepreneur</b>	<i>"I'm happy I think the CEO is exceptional. She says what she does, and she does what she says. Her sharing is really extraordinary. Information is very regular and complete so what we get is almost like in a listed company "(BA8)</i>

#### **6.6.1.2. NORMATIVE BELIEFS INFLUENCING THE CHOICE OF THE ROLE OF FOLLOWER BUSINESS ANGEL**

Normative beliefs influencing the choice of the follower business angel role mostly were mostly reported by syndicated business angels. They may correspond to injunctive and social norms. For syndicated former busy executives who are now retired it may be for them a way to keep impressing entourage and relatives by staying tuned with innovation trends and startups. Others recognize that being a business angel is a very good reason to gather and have fun with friends once retired.

*Table 3: Injunctive norms influencing the choice of the follower business angel role*

<b>Injunctive norms</b>	<b>Quotes</b>
<b>Entourage and relatives' opinion</b>	<i>"This allows me to stay in the game when I talk to my children and grandchildren on Sundays" (BA16)</i>

<b>Invest with friends</b>	<i>"We founded 10 years ago with a friend a business angel association. We have co-opted friends of friends and we are now twenty and we have a big annual investment. The first goal is to have fun and spend quality time with friends usefully by trading on our investments and the second is still not to do too much nonsense on the investment side "(BA3)</i>
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Some business angels believe that if they are not the one seating in the strategic committee, they have to take the follower role as they should not interact directly with the venture. Some exterior to the role, especially individual business angels, depict quite contemptuously the follower business angel as someone who is only looking for social recognition, but it was not self-reported in the interviews. Finally, other business angels do not want to invest if they are alone, they prefer to follow a group of investors and rely on some of them to take an active part in the venture afterwards.

*Table 4: Social norms influencing the choice of the follower business angel role*

<b>Social norms</b>	<b>Quotes</b>
<b>Syndicate perceived rules</b>	<i>"I did not speak because I think that somehow they are well advised on many things, because they have the strategic committee members" (BA25)</i>
<b>Social recognition</b>	<i>"There are a lot of business angels that seem only motivated to invest in businesses for social recognition, then they completely do not care" (BA17) "There is also an almost social dimension ... I'll use a term that may not be politically correct, but they bought a "dancer" and the next time they go to a dinner in town they can say they have invested in the dancer "(BA11)</i>
<b>Follow business angel group opinion</b>	<i>"I had trouble finding a project that interested me and as soon as I saw that there was nobody around me I wanted more. So many times, I was tempted to invest but I did not want to do it alone. Each time I came back. So, in that investment there was already a group and I thought ok let's try the adventure "(BA4).</i>

### **6.6.1.3. CONTROL BELIEFS INFLUENCING THE CHOICE OF THE ROLE OF FOLLOWER BUSINESS ANGEL**

Explored control beliefs influencing the choice of the follower angel role may be linked to self-efficacy (Table 5) and conditions met (Table 6).

Self-efficacy perceptions, in some investments very far from their skills, experience or network, lead some business angels to simply not see another role to play.

Nevertheless, to keep playing this role with a venture, they need to be regularly fed via the information sent by entrepreneurs or their business angel representative. Finally, the intensity

of a business angel's professional activity may not allow him/her to have time to get involved more after investment and so the only role he/she can play is the follower angel role.

Table 5: Self-efficacy belief influencing the choice of the follower business angel role

Self-efficacy	Quotes
<b>No perceived potential non-financial value-added</b>	<i>"I'm listening as a minimum, I am involved in all cases, idest if there is something I do not understand and something which I do not agree with, I intervene but of course there are investments where everything is fine. For me it works alone because I'm not the only business angel "(BA1)</i>

Table 6: Conditions met beliefs influencing the choice of the follower business angel role

Conditions met	Quotes
<b>Frequency of venture information</b>	<i>"I have some companies that give very regular information. I have a company that communicates to us every month, this is a plan that is updated and it comes out automatically, it is true that it is very impersonal but is great because you can fully understand what is happening in these conditions "(BA25) "I have lots of cases where the project leader does not send any information and this is really despairing " (BA2)</i>
<b>Time availability</b>	<i>"I think I am far from being alone in the network but at the time when I started I was very busy with my work. In fact I have been for 10 years "a follower": the person who consult investment files and instructor notes and who positions to invest or not"(BA19)</i>

#### 6.6.1.4. BACKGROUND FACTORS INFLUENCING CHANGE BELIEFS ABOUT THE ROLE OF FOLLOWER BUSINESS ANGEL

As acknowledged by Ajzen (2005) beliefs can be influenced by background factors, personal, social or informational.

Background factors that negatively impact the behavioral beliefs about performing a follower business angel role are mostly informational: over time, actual experiences and outcomes of follower business angels may be less favorable than expected.

They may get tired by the experience of the role and do not want any more to spend time studying the investment files and prefer selecting another activity that they prefer.

Some stop investing in seed startups because over time their they are not satisfied with financial outcomes: the bankruptcy funded startups, the absence of positive outcomes may convince the follower business angel that this role is too financially risky and that it would be better to invest one's money in investments more profitable and less risky as there is no longer in France the tax exemption incentive at the entrance to reduce the risk. Add to this that some investment



funds require the exit of business angels when they invest, depriving them of a capital gain that could offset their losses.

BA23, 62, serial successful entrepreneur who has mostly played the role of follower business angel in his € 400 000 investments in 15 startups grumbles: *“ I have always been told that business angel is fooled in the end, I have always heard this message, and then I thought, why ... I have tried and I now have changed my mind... I should get strong money inflows by the end of the year via my business but at no time did I have said to myself “ great I will be able to reinvest in startups”, it's a shame !... and I think I am far from alone! And that the difference between the Anglo-Saxon and French is that successful entrepreneurs start accompanying startups. Still it is necessary that on a cycle of several years it is benefiting. You cannot invest and invest for 10 years without any satisfaction that is not possible, not possible! ”(BA23)*

Background factors that negatively impact the control beliefs about performing a follower business angel role are also mostly informational. Some business angels complained how they are very disappointed with the lack of entrepreneurs that share regularly information with their business angels community.

Some social factors influence logically normative beliefs negatively. Especially, an age above 70 cumulated with the expected necessary length of shares detention from 5 to 10 years before exiting are factors that can push some to simply stop investing. Added to this is the lack of any support from entourage. BA2 who started investing 12 years ago and said, *“Today I have a little backed off, I am more than 70 years, you need to keep shares at least five years, my wife is not interested at all, my children could not care less ... so I try to follow my startups investment portfolio and if I get a very successful exit I will reinvest to avoid capital gain taxes but otherwise I look at all of this from afar”*. To the contrary, changes in the professional life that give business angels more available time, typically the newly retired or temporarily unemployed, may push business angels to get involved in other more implicating roles in supporting post-investment startups because they expect to get more satisfaction.

#### **6.6.2. WHAT BELIEFS MIGHT INFLUENCE A BUSINESS ANGEL TO CHOOSE THE ROLE OF SUPPORTIVE BUSINESS ANGEL?**

Of the 31 business angels interviewed, 19 indicated they currently play or had a supporting role in one or more portfolio companies. This behavior has been reported in 138 of the 402 companies held a total of the sample and therefore the second type of behavior practiced by business angels in the sample. See 4.3.6.2 Supportive angel role.

The use of the conceptual framework of the theory of planned behavior (Ajzen, 2005) leads to thematize factors that fall under the behavioral beliefs (Table 7 and 8), the normative beliefs (Table 9 ) and control beliefs (Table 10 and 11) in order to explore what influences the choice of the role of supportive business angel.

#### 6.6.2.1. BEHAVIORAL BELIEFS INFLUENCING THE CHOICE OF THE ROLE OF SUPPORTIVE BUSINESS ANGEL

Applying Ajzen(2005) we explore how behavioral beliefs link the role of supportive business angel to both expected outcomes (Table 7) and experiences (Table 8).

In terms of expected outcomes, for off-position executives, adopting the supportive role help them to maintain their expertise and experience but also to convince both themselves and recruiters that they their professional capacity is still at their full capacity. Finally, for some former very active executives or entrepreneurs now retired, they expect supportive role to give them a way not to waste their skills, experience, or network and a way to keeping a rewarding intellectual activity which is also useful to others.

*Table 7: Expected outcomes influencing the choice of the supportive business angel role*

Expected outcomes	Quotes
<b>Keep learning</b>	
<b>Maintain professional capacity</b>	<i>"Women have much less confidence. And when they have a career accident to manage for example, to see that they are useful in the real economy to do, to actively participate in the economy of tomorrow. Even if it is only indirectly, it already gives an occupation, it makes you feel useful and have one' s skills recognized "(BA8)</i>
<b>Rewarding intellectual activity for retired</b>	<i>"It is an intellectual activity which is very rewarding. This is also why we find many retired people who were business and/or industry captains who continue to exercise this profession on a voluntary basis for one hand to benefit the company of their expertise but also for them to keep a rewarding intellectual activity. "(BA7)</i>
<b>Keep being useful</b>	
<b>Share experience and skills</b>	<i>"My career is now over, but I try to do something useful and helpful ... I have a know-how and I will not sleep over and spend my life in the Balearic Islands sunbathing and doing nothing. It is not possible ! The guy who was an active boss in one way or another it does not stop, he cannot stop. And that's what motivates at least 50% of them. "(BA10)</i>

In terms of experience beliefs influencing the choice of the role of supportive business angel, some very busy executives mention how playing the role of supportive business angel help

them to escape from their professional environment by discovering new worlds, whether it is stressful or being too much of a routine and somewhat becoming boring. It can be a way for to oxygenate from professional life and to be able to think out of the box via discovering new contexts or knowledge frontiers. Other expect to feel the pleasure to make an immediate impact by giving advice in another professional context. Others say how they are having fun while practicing a useful activity or the pleasure of exchanging with bright young entrepreneurs. Retired business angels enjoy particularly to still be useful in a professional context, it provides them a real personal benefit.

Table 8: Expected experiences influencing the choice of the supportive business angel role

Expected experiences	Quotes
<b>Adventure</b>	
<b>Escape from everyday professional life</b>	<i>"This exchange is a real adventure and I meet people that I would never meet otherwise in activities that are not at all familiar to me. It does not serve me today professionally in my daily job but it is a kind of valve that I need. This is oxygen it opens the 'chakras', I love it and I need it. I think it's great. Otherwise one is quickly living in closed worlds with "me too", it is our business and it's me, that's what I enjoy "(BA14) "When you do the same activity, for some time, it is necessarily affecting morale and therefore spending part of one's time and money in this activity is re-energizing" (BA8)</i>
<b>Fun</b>	<i>"Well I have fun. Being a business angel is much more fun than giving money to a banker saying put it. I do that too but it is not the same satisfaction because it's nice to pass, it's nice to help financially in addition to advice. If at some point you get the feeling of ingratitude and you are bored you have to stop "(BA31)</i>
<b>Pleasure</b>	
<b>Pleasure to make an impact</b>	<i>"It is an indispensable oxygen, I really like this activity and there is also a very cool side the fact that I can do it "(BA14)</i>
<b>Pleasure to be listened by young talented entrepreneurs</b>	<i>"I had to deal with entrepreneurs in their thirties, smart and attentive to advice, convinced that we must learn from others, this is the positive side that made me invest and have very good feelings "(BA23)</i>
<b>Pleasure of being useful, especially for retired business angel</b>	<i>"Just to see the smiling team once you have spent half a day with them. it is sufficient, you are paid a hundred times! " (BA21)</i>

### 6.6.2.2. NORMATIVE BELIEFS INFLUENCING THE CHOICE OF THE ROLE OF SUPPORTIVE BUSINESS ANGEL

The type of the normative beliefs that were reported in business angels' interviews were only injunctive norms (and not social) and vary according to the professional status (table 9). For busy active professionals, the involvement in the supportive business angel role is linked to the fact that they are solicited by people of their network they know well or that they appreciate like former colleagues or peers. For soon to be former busy active professionals, the familial entourage may be at the origin of the suggestion to involve in such role. Finally, the recommendation of a friend who is already having fun in the supportive role is also a very good trigger to start this role with her/him at the beginning.

Table 9: Injunctive norms influencing the choice of the supportive business angel role

Injunctive norms	Quotes
<b>Colleagues</b>	
<b>Respond positively to knowledge sharing with former colleagues</b>	<i>"I was approached by former colleagues I had recruited. They wanted to launch their own business, and they needed my advice to help them challenge then their business model "(BA14)</i>
<b>Family</b>	
<b>Wife's suggestion in anticipation of retirement</b>	<i>"The first that led me to that, it's my wife two years before I retire, she said you should look at this activity. She was afraid that I get bored one retired. It was a bright idea because I'm very interested to do it plus it is useful "(BA3)</i>
<b>Friend</b>	
<b>Recommendation from a friend to join one's business angel group once he was retired</b>	<i>"As I was wondering to invest time and money in seed companies, I met an old friend who praised to me his business angels' network. I joined and I invested and got involved quite quickly in some companies "(BA31)</i>

### 6.6.2.3. CONTROL BELIEFS INFLUENCING THE CHOICE OF THE ROLE OF SUPPORTIVE BUSINESS ANGEL

Explored control beliefs influencing the choice of the follower angel role were linked to self-efficacy (Table 10) and conditions met (Table 11).

Regarding self-efficacy beliefs, some business angels need to apprehend if they have the skills, resources and/or experience to help. They also report to evaluate if it is worth to spend time in the venture versus another of their portfolio.

Conditions met beliefs may be important too. First, business angels considering this role need to consider they have sufficient available time to answer to entrepreneurs demands. To take the business angel supportive role they need as well to be informed regularly as expected but also

to be solicited by entrepreneurs for inputs and feedbacks. The listening skills of the entrepreneurs seem also an expected condition.

Table 10: Self-efficacy beliefs influencing the choice of the supportive business angel role

Self-efficacy	Quotes
<b>Perceived potential value-added</b>	<i>"I had a pretty clear vision of what they would be facing soon to start their business from scratch, I anticipated the issues they were having to deal quickly on the part IT and technical development. And it was a business that was going to consume cash and which required the establishment of an efficient logistics "(BA14)</i>
<b>Impact of investing time</b>	<i>"In some of my investments I am not in the strategic committee. If my representative says there is not much happening, but I think it can bounce back then I will invest time if not I let it go... "(BA8)</i>

Table 11: Conditions met beliefs influencing the choice of the supportive business angel role

Conditions met	Quotes
<b>Time availability</b>	<i>"You only have to respond to requests, to spend time and finally it's quite simple" (BA14)</i>
<b>Frequency and quality of information received</b>	<i>"Every quarter we get 5 pages: a small memorandum with the analysis of milestones and challenges by major area, if there are difficulties encountered and what has been advanced in the quarter. The last two pages are the status of accounts and cash "(BA2)</i>
<b>Entrepreneur's contacting and listening skills</b>	<i>"It came very naturally with him as he is someone who has an easy contact and it's true he has this natural reflex to call me to inform me or ask me questions" (BA19)</i>

#### 6.6.2.4. BACKGROUND FACTORS INFLUENCING CHANGE BELIEFS ABOUT THE ROLE OF SUPPORTIVE BUSINESS ANGEL

As already mentioned, beliefs of the theory of planned behavior may be influenced beliefs can be influenced by background factors, personal, social or informational (Ajzen, 2005).

Background factors that were reported to negatively impact the behavioral beliefs about performing a supportive business angel role are mostly informational. The main reported reasons to stop or not to play supportive business angel role are related to information. If there is no regular communication or solicitation and that the startup does not seem promising, business angels do not involve or more: *"There are some entrepreneurs who do not remember us once our money has been transferred, they inform us one year, two years and after then they forget. If we think there is no potential, then you drop "(BA8)*. And in these cases if the representative of a business angels network does not communicate either it is very unsatisfactory and therefore it is impossible to engage: *"the level of information we get from*

*startups and even more from our networks representatives is bad... terribly bad. There may be one or two representatives that are excellent and keep us informed. Unfortunately, most of strategic committee members attend to strategic committee and then give no feedbacks to us”(BA19). Moreover, some followers business angels in large business angels networks believe that it is the role of the one who is in the strategic committee to advise entrepreneurs and that they should remain spectators, " I think I don't need to intervene, it is not worth it since they are advised on many things because they have the committee "(BA25). " My rule is to have only interactions with our business angel network representative, if not it is a mess!" (BA20). So social factors like belonging to a large business angel group can amplify the impossibility over time to take a supportive business angel role if both entrepreneurs and business angels' representative do not communicate with hem.*

### **6.6.3. WHAT BELIEFS MIGHT INFLUENCE A BUSINESS ANGEL TO CHOOSE THE ROLE OF BUSINESS ANGEL MEMBER OF THE STRATEGIC COMMITTEE**

#### **6.6.3.1. THE STRATEGIC COMMITTEE IN A SEED STARTUP**

An informal board is mostly called the strategic committee by business angels. This board is formed and chaired by the President of the startup. Usually it starts after the first seed funding round and its composition changes after each subsequent round of funding. In business angels' networks, the practice is systematically required to conclude before investing a shareholders' agreement which defines in specific terms composition, roles, responsibilities, and terms of this strategic committee. (See Paper 1).

26 of 31 business angels surveyed report that they currently hold or previously held a member of the strategic committee role in one or more investees. This role has been reported in 80 of the 402 holdings in total by business angels of the sample. So this is the third type of role played by business angels. See 4.3.6.3 Strategic committee member role.

The use of the conceptual framework of the theory of planned behavior (Ajzen, 2005) leads to thematize factors that fall under the behavioral beliefs (Table 12 and 13), the normative beliefs (Table 14 ) and control beliefs (Table 15 and 16) in order to explore what influences the choice of the role of strategic committee member.

### 6.6.3.2. BEHAVIORAL BELIEFS INFLUENCING THE CHOICE OF THE ROLE OF STRATEGIC COMMITTEE MEMBER

Explored behavioral beliefs influencing the choice of the role of strategic committee member were linked to expected outcomes (Table 12) and expected experiences (Table 13).

In terms of expected outcomes, especially for novice business angel, this role allows to discover and follow from inside new venture foundation and development. For retired business angels, the keep learning possibility of this role is also very positively perceived. For other business angels they select this role because they want to give inputs. Some business angels reported that at least at the beginning, they only wanted to support financially a venture if they can also support them non-financially. This role is perceived for them as the best way to do so and that is why at the beginning some business angels tend only to invest in a new venture if they expect to get the role. For others, the low level of efforts needed when exercising common sense or bringing experience versus the positive benefit for entrepreneurs is a motivation to ask for the role. Finally, this is also a way to ensure a positive financial outcome for business angels by controlling that the venture is growing and that strategic and operational choices will maximize their return on investment.

Table 12: Expected outcomes influencing the choice of strategic committee member role

Expected outcomes	Quotes
<b>Keep learning</b>	
<b>Discover inside the world of entrepreneurship</b>	<i>"I find it very rewarding as totally different from my professional activities. It allows me to meet entrepreneurs who start a business, I have great respect for them. And then to discover a totally different world "(BA30)</i>
<b>Intellectual curiosity</b>	<i>"It was more out of curiosity to be exposed to very strong trends of society" (BA30)</i>
<b>Give inputs</b>	
<b>Only invest if you become a member of the strategic committee post-investment</b>	<i>"At first I told myself that I would only invest in companies who need something other than my money" (BA31)</i>
<b>Bring common sense and help entrepreneurs to step back</b>	<i>"I think hindsight and common sense are the two qualities that I bring the most in committee. We say things that may seem trivial but which are widely appreciated by young entrepreneurs because it helps them not to waste time with the wrong questions. I think there are questions we cannot answer for them but there are many things we can prevent them from believing they have alternatives"(BA31)</i>
<b>Guide entrepreneurs who discover some facets by providing experience</b>	<i>"Whether in the field of business development, in the field of human choice, financial investment, in the relationship with expert lawyers and auditors, all these things they discover, I think we can guide and reassure them that make them save a lot of time "(BA31)</i>

<b>Financial</b>	
<b>Maximize through interventions in strategic committee the chance of success of investment</b>	<i>"It brings a look that is both internal and external which remains kind. What animates us is that the company is progressing so that our money will increase "(BA8)</i>

In terms of expected experience beliefs influencing the choice of strategic committee member role, some of them feel the pleasure to follow every aspect of a developing venture. Others say how being an active actor in the strategic committee makes them feel they are living the entrepreneurial adventure. For others, the whole cycle of investment is fun and for them if they lead instruction of a venture investment, they want after to seat at the strategic committee until the exit stage and its negotiation.

Table 13: Expected experiences influencing the choice of strategic committee member role

<b>Expected experiences</b>	
<b>Pleasure</b>	
<b>Follow closely a developing venture</b>	<i>"What I prefer is really to follow the activities the development of enterprises, it is a real curiosity to see how it goes how it develops, it is really here that is interesting. In the general sense, not only financial development, market developments, the teams, to see how it all falls into place, I'm interested to see how it happens and intervene if necessary when I have the feeling that things should be done differently "(BA1)</i>
<b>Adventure</b>	
<b>Be part of the entrepreneurial adventure</b>	<i>"Yes, in fact I feel somewhere to participate in the creation of a company, and I say yes I can do it, I'm on an adventure, at my level, modestly. And so for me it is very fulfilling. Yes it's really a motor "(BA14)</i>
<b>Fun</b>	
<b>Accompanying a company from investment due diligence to business angels exit negotiations</b>	<i>"What it is interesting is the whole cycle in fact, it is to support a company ... I am enjoying myself a lot" (BA9)</i>

### 6.6.3.3. NORMATIVE BELIEFS INFLUENCING THE CHOICE OF THE ROLE OF STRATEGIC COMMITTEE MEMBER

The type of the normative beliefs that were reported in business angels' interviews for this role were only social norms beliefs (and not injunctive) and were all linked to governance practices (see Paper 2 and Table 14).

The role is proposed to business angels who have the most significant investment at the individual level or at the syndicate level they represent. In some cases, even if the size of one's investment is somewhat insignificant, one business angel may be proposed the role by the potential impact of one's expertise and/or experience and/or time availability.



Table 14: Social norms favorable for choice of the role of strategic committee member

Social norms	Quotes
<b>Governance practices</b>	
<b>The biggest individual investors are ex officio members</b>	<i>"The places on the committee is for big business angels and that's where the problem is" (BA23)</i>
<b>The instructor (leader) of the business angel network becomes the representative of one's network unless larger networks of investors in terms of size of investment impede presence in the committee</b>	<i>"In principle the rule as I have been experiencing is that when you are head of the due diligence of the company you automatically go to the strategic committee" (BA20) "The instructor is naturally someone who will analyze the company in depth and will also create an affinity with the management team. And so, the instructor is someone who can continue to follow the company not only for us but also for everyone ... in the network it's called the accompanying business angel ". (BA7) "Not only in our group but obviously what happens in other business angels networks, I think there are really two possibilities: there is the case where it is one of the instructors, one of the people who was interested this project among the first, or a business angel who has one of the most significant investment weight "(BA1)</i>
<b>One member may be selected for her/his potential impact of one's expertise and/or experience and time availability</b>	<i>"When I lead an investment for my network, at the end I ask those who are interested by being a member of the strategic committee to give their competences and time availability and then they have to take an interview with the entrepreneur and I ask the entrepreneur to choose the one he/she prefers"(BA17)</i>

#### 6.6.3.4. CONTROL BELIEFS INFLUENCING THE CHOICE OF THE ROLE OF STRATEGIC COMMITTEE MEMBER

Explored control beliefs influencing the choice of the strategic committee role were linked to self-efficacy (Table 15) and conditions met (Table 16).

Regarding self-efficacy beliefs, in favor of choosing the strategic committee role, business angels need to be interested by seating at the strategic committee. They also need to demonstrate an empathetic attitude toward the entrepreneurs in order to be listened to.

Table 15: Self-efficacy beliefs influencing the choice of the strategic committee member role

Self-efficacy	Quotes
<b>Personal interest</b>	<i>"Participate in the end it is quite simple. You just have to give time, desire and interest". (BA14)</i>
<b>Empathetic attitude</b>	<i>"Entrepreneurs listen to us when we feel empathy for their projects and their business, when we truly are there to share their desire to succeed and not only to make a nice exit "(BA22 )</i>

Concerning conditions, business angels who intend to play the role need to have sufficient time availability to prepare and attend to strategic committee meetings, at least 3 to 4 times a year. If they represent a network, they also need to have sufficient time to communicate and exchange with investor members they represent. But respect of governance practices by entrepreneurs are also key. To be able to play their strategic committee member role, business angels need that the entrepreneurs respect what has been agreed in the shareholders' agreement in terms of composition, schedule and agenda of the meetings as well as the frequency and content of the information they receive.

Table 16: Conditions met beliefs influencing the choice of the strategic committee member role

Conditions met	Quotes
<b>Time availability</b>	
<b>Time to prepare and attend to meetings</b>	<i>"A committee it takes me three hours per quarter. This corresponds to the reading of the documents and the presence in the strategic committee" (BA30) You have truly the time to be at 5/6 maximum corporate committee "(BA31)</i>
<b>Time to represent, share and communicate with investors one represents (network)</b>	<i>"It's still an average of two or three days a week, it's 20 to 30 days a year because there are 4 to 6 meetings a year and then there are often communication. Besides in both companies where I am a strategic committee member, I represent many shareholders and they have very often issues to discuss "</i>
<b>Respect of governance practices</b>	
<b>Frequency of meetings and reporting information</b>	<i>"We try to set via the shareholder agreement a quarterly meeting. The idea is to be regularly aware of the business without being a burden in everyday startup life. The monthly meeting is really when there is a crisis or a big issue to talk about. Our objective is not to let the entrepreneur spend too much time reporting and talking with shareholders "(BA8) "In my 20 investments I would say that 12 startups have played the rules of the strategic committee" (BA20)</i>

**6.6.3.5. BACKGROUND FACTORS INFLUENCING CHANGE BELIEFS ABOUT THE ROLE OF STRATEGIC COMMITTEE MEMBER**

Control beliefs behind the intention to commit in the strategic committee can over time deteriorate.

For some, it is for personal reasons of actual perceived self-efficacy: the business angel believes he/she does not have all the skills and/or or the time required to fully play the role in the committee. *"I find it necessary to bring a lot of time and then a lot of skills. And so far, I have been badly represented so I do not want to do that. And what I'm doing now when I am in charge of the due diligence of an investment, I ask the business angels who want to represent*

*us in the committee to make a review of their skills and to get an interview with the entrepreneur for him who then chooses the representative of our network "(BA17).*

This may be related to experience and the absence or changing conditions:

- the information is not reliable or not communicated regularly or require repeated reminders that are themselves sometimes vain.
- In other cases, leaders do not listen to advice. It can be for a reason of leader's ego, related to their diplomas, their market expertise or their past successful entrepreneurship experience. Listening attitude of the entrepreneurs may also evolve negatively toward business angels, even if they respect governance practices: they may show very little interest about taking into account business angels advice and opinions during meetings. This may also be related to the evolution of the financing needs of the startup and the entry of new investors, with a much larger weight in capitalization such as investment funds, that then retain all the listening ability of entrepreneurs. In these cases, the motivation of business angels to participate in the committee is deteriorating and they tend to gradually withdraw to avoid wasting their time and expertise. Besides if being a member of a strategic committee becomes unpleasant, they tend to intervene less in committee or skip meetings. They can also leave their seats whenever there is a capital increase and when new entrants investors are candidates to participate in the strategic committee.

With experience and in case of portfolio with many lines, another reason for not wanting to be part of the strategic committee is the personal lack of available time to systematically participate and therefore prefer the role of supportive business angel provided to continue to receive information. *"Overall, I tend to refuse now board seats whereas before I had a tendency to systematically insist to get one seat ... saying if I'm not on the board I do not invest ... I have realized that being on the board is too time consuming because it mostly takes place from 2pm to 4pm and for me the most expensive schedule in my agenda is between 9am and noon and 2pm and 7pm. So as the boards never take place at my offices and roughly take me 3 hours it's always the event that blocks an afternoon. Consequently, I am less and less the guy to say I absolutely want to be on the board. Also in my business I have clauses requiring me to say to my investing funds partners I go to the board of this company and I do not want to send them this kind of message too often...Then I realized with experience that ultimately what is important is the terms of the shareholders ' agreement that give you access to information. Being on the board as such it is not necessarily useful because often decisions are taken outside,*

*so I am less and less likely to say that I want to be on the board and when I might accept I prefer this to be more a strategic committee, with an advisory role not a formal board"(BA15).*

#### **6.6.4. WHAT BELIEFS MIGHT INFLUENCE A BUSINESS ANGEL TO CHOOSE THE ROLE OF SPARRING ANGEL**

10 of 31 business angels interviewed mentioned that they are currently playing or previously had an attitude of sparring partner. 9 business angels mention this attitude in one or two of their shareholdings. BA11, experienced business angel, and said he has been with all its "founders" because it is for him the indispensable trigger condition to invest in a startup. In total, this behavior was identified in 30 of the sample of 402 holdings and is therefore the fourth type of behavior practiced by business angels. See 4.3.6.3 Sparring angel role.

The use of the conceptual framework of the theory of planned behavior (Ajzen, 2005) leads to thematize factors that fall under the behavioral beliefs (Table 17 and 18), the normative beliefs (Table 19) and control beliefs (Table 20) in order to explore what beliefs influence the choice of the role of sparring angel.

##### **6.6.4.1. BEHAVIORAL BELIEFS INFLUENCING THE CHOICE OF THE ROLE OF SPARRING ANGEL**

Explored behavioral beliefs influencing the choice of the role of sparring angel were linked to expected outcomes (Table 17) and expected experiences (Table 18).

In terms of expected outcomes, the positive effect of choosing to be the sparring angel of an entrepreneur is when she/he has no cofounder nor experienced team and so cannot be questioned or cannot exchange about her/his difficulties and/or decisions. On the other side being a sparring angel allows to have very often exchanges with entrepreneurs and so is very beneficial for the business angel who can stay tune with latest innovations trends.

In terms of expected experiences influencing the choice of the role of sparring angel, playing a sparring angel role is reported to be a very satisfying experience. In case of venture success, this role seems to multiply the perceived satisfaction to have supported the entrepreneur so closely. It is also described as a very fun activity that is never routine as it evolves according to the needs of entrepreneurs and the evolution of the market.

Table 17: Expected outcomes influencing the choice of sparring angel role

Expected outcomes	Quotes
<b>Be a sparring partner</b>	
<b>By challenging and giving feedbacks, especially solo entrepreneurs</b>	<i>"There is the sparring partner side since she's all alone and therefore she needs as much challenge as exchange about her questions" (BA8)</i>
<b>Keep learning by frequent interactions with entrepreneurs, understand the most complex innovations</b>	<i>"Today we are in a system where things are changing so fast that if you are not in contact with young people who are there, for example in the mobile, if you are not in touch with these people - There it is so difficult to really continue to understand what is happening. There are transitions that are so violent that it is hard to understand and that for me is the other aspect that interests me is the fact of continuing to learn from people who make things that I would honestly be incapable of." (BA11)</i>

Table 18: Expected experiences influencing the choice of sparring angel role

Expected experiences	Quotes
<b>Satisfaction</b>	
<b>To play the role</b>	<i>"I like the role of sparring partner, it pleases me enormously" (BA8)</i>
<b>For having indirectly contributed to the success of entrepreneurs</b>	<i>"My biggest satisfaction is to see them succeed. Honestly, there is nothing that breaks me more than that. Especially when you have followed for five or seven years and at the end, they really make something that explodes!" (BA11)</i>
<b>Fun</b>	
<b>An activity that is never routine and evolves according to the demands of entrepreneurs and market news</b>	<i>"When I was CEO I ran a business and then actually after a while I got bored whereas for the last 10 years I have never been bored because I do not even know what I will do this afternoon or tomorrow as this will depend on the needs of my entrepreneurs, what is happening in their market etc ... " (BA11)</i>

#### 6.6.4.2. NORMATIVE BELIEFS INFLUENCING THE CHOICE OF THE ROLE OF SPARRING ANGEL

Not surprisingly, as this role is finally quite rare among business angels especially syndicated ones, no identified social norms that play in its favor were reported in interviews (Table 19) . In terms of injunctive beliefs, one of the interviewed sparring angels reported that the knowledge he gains from this role allows him to impress his children by being able to explain the latest complex innovations.

Table 19: Injunctive norms influencing the choice of sparring angel role

Injunctive norms	Quotes
<b>Family</b>	
<b>Impress his/her entourage explaining complex innovations</b>	<i>"What I like a lot also thanks to what I learn with my entrepreneurs is that when I talk to my children I tell them things they do not know!"(BA11)</i>
<b>No identified favorable social norm</b>	

#### 6.6.4.3. CONTROL BELIEFS INFLUENCING THE CHOICE OF THE ROLE OF SPARRING ANGEL

Explored control beliefs influencing the choice of sparring angel role were only linked to conditions met beliefs (Table 20). The belief is mostly linked to the quality of the relationship built between the sparring angel and the entrepreneur. Mutual trust and the ease of their communications seem to be a must in order to take this role.

Table 20: Conditions met beliefs influencing the choice of sparring angel role

Conditions met	Quotes
<b>Relationship quality</b>	
<b>Based on trust</b>	<i>"She wants to get my opinion more as a person than as an investor ... she trusted me and she is a little lonely, I also think so" (BA9)</i>
<b>Smooth communication</b>	<i>"Our relationship is easy ... she calls or we can meet easily because we live in the same neighborhood " (BA8)</i>

#### 6.6.4.4. BACKGROUND FACTORS INFLUENCING CHANGE BELIEFS ABOUT THE ROLE OF SPARRING ANGEL

The experience of sparring angel seems to be very positive for all of the interviewed sparring angels. So, no personal nor social nor informational negative factors were reported. The actual positive experience of this role comforts expected and existing beliefs. The only reason to stop exercising the role is the exit from venture or the venture legal death.

#### 6.6.5. WHAT BELIEFS MIGHT INFLUENCE A BUSINESS ANGEL TO CHOOSE THE ROLE OF OPERATIONAL ASSOCIATE

3 of 31 business angels surveyed report that they currently hold or previously held an operational full-time or part-time in one or more of their holdings. This role was reported in 5 of the 402 sample participations and associated operational role so far is an exceptional role

played by French business angels. What is striking is that those in our sample are all mid-forties women at that time, former executives in high-ranking companies and looking to make a fresh professional start. See 4.3.6.5 Operational associate role.

The use of the conceptual framework of the theory of planned behavior (Ajzen, 2005) leads to thematize factors that fall under the behavioral beliefs (Table 21 and 22), the normative beliefs (Table 23 ) and control beliefs (Table 24 and 25) in order to explore what beliefs influence the choice of the role of operational associate.

#### 6.6.5.1. BEHAVIORAL BELIEFS INFLUENCING THE CHOICE OF THE ROLE OF OPERATIONAL ASSOCIATE

Explored behavioral beliefs influencing the choice of the role of operational associate were linked to expected outcomes (table 21) and expected experiences (table 22).

Bouncing professionally when the business angel is unemployed is the first motivation of taking this role by obtaining a professional activity and maintain one's activity. Being complementary to the team in terms of skills or experience is very positive for the venture but as well for the business angel taking this role as he/she learns a lot from this experience. This role may allow a C-level executive to become an entrepreneur as a CEO or CFO and test his/her abilities to do so in a small venture.

*Table 21: Expected outcomes influencing the choice of an operational associate role*

Expected outcomes	Quotes
<b>Professional</b>	
Learning to be an entrepreneur	<i>This CEO position is going to be a beautiful experience but hard, I had no doubts about it but I will learn a lot (BA6)</i>
<b>Bouncing professionally</b>	<i>"I made this agreement with the two founders: I invest in exchange I'm working with you for six months, part-time, this is to help me rebound. I was very clear about what I was looking for me it was bouncing back, my job search was ... zero. And it helped me to get after a consultancy mission of two years and a half, so it helped me, it helped me a lot. "(BA4)</i>
<b>Profile complementarity</b>	<i>"We are a very good pair and it brings me a lot" (BA6)</i>

In terms of expected experiences influencing the choice of the role of an operational role, affective components seem to be very strong incentives. It may sound like a crush: one is fond of the venture and/or really likes the associates one is going to work with. Another great expected feeling is being fully part of the venture adventure.

Table 22: Expected experiences influencing the choice of an operational associate role

Expected experiences	Quotes
<b>Living a crush</b>	
<b>Investing in a startup one is fond of, with great development potential</b>	<i>"This is a company that represents everything I like .... I think there is a great market potential to develop "(BA6)</i>
<b>Working daily with an entrepreneur you are fond of</b>	<i>"The founder is a very charming woman I really want to support and help her succeed. She is creative and now, over time, it really turns into leader by force of things ... it's very exciting to work with people like that "(BA6)</i>
<b>Adventure</b>	
<b>Venture from inside</b>	<i>"And that's very personal but I think it brings together all my activities since being part of the adventure rather than an external advisor is something that is close to my heart "(BA8)</i>

#### 6.6.5.2. NORMATIVE BELIEFS INFLUENCING THE CHOICE OF THE ROLE OF OPERATIONAL ASSOCIATE

Low reported normative beliefs are mostly linked to the fact that this role is very uncommon in France and novice business angels need to know this is possible to offer to take the role in exchange of their investment. We did not identify injunctive norms in favor of it.

Table 23: Social norms influencing the choice of an operational associate role

Social norms	Quotes
<b>Recommandation of an entrepreneurial expert</b>	<i>"In 2005 when I was struggling to sell me on consulting assignments, I met the boss of an incubator at the forefront of innovation that said," but be innovative. Make something of your life! "He convinced me to go for a ride in startups that he housed. And he said, "listen (at the time I was 46 it was not a really good age either!). There are some that are seeking funds and I think a good way to attack startups is to say I invest in your venture and in exchange I work with you. " And that's what I managed to do "(BA4)</i>

#### 6.6.5.3. CONTROL BELIEFS INFLUENCING THE CHOICE OF THE ROLE OF OPERATIONAL ASSOCIATE

Explored control beliefs influencing the choice of an operational associate role were linked to self-efficacy (Table 24) and conditions met (Table 25).

Self efficacy beliefs in favor of choosing the business angel operational associate role is first to be sure to take an active role in strategic decisions. This seems to provoke much stronger motivation toward the venture success. 2 of 3 interviewed operational associates expressed also the belief that they had nothing to loose professionally by taking this professional experience.



Table 24: Self-efficacy beliefs influencing the choice of operational associate role

Self-efficacy	Quotes
<b>Strategic role</b>	<i>"I am the general manager but as I am now associate and not an external consultant I really weight in strategic choices and in addition I have a much stronger motivation to the company's success (BA8)</i>
<b>Nothing to lose</b>	<i>"I said to myself, I have nothing to lose, it's a great experience, I had enough confidence in myself to tell me with the network that I had made at the time already and the level of position that I had reached, I did not have and I still do not have to worry about the fact that I can at any time switch back"(BA6) "My job search was zero"(BA4)</i>

For 2 out of the 3 operational associate business angels identified, the condition to take this role was to be paid to make their living. The third one acknowledged that she was able to take this position because of her couple wealth and the fact that she could accept a low salary because she could rely on her husband wage and support.

Table 25: Conditions met beliefs influencing the choice of operational associate role

Conditions met	Quotes
<b>Make a living</b>	
Family financial support	<i>"We couldn't do anything, I guess if we don't have a family behind us. I'm lucky to have my supportive husband. This is an important point"</i>
<b>Getting paid on time spent</b>	<i>"I need to earn my living, so I invest in the startup and I am operational associate. As it is not full-time, I earn fees not a wage but I'm not an external advisor "(BA8)</i>

#### 6.6.5.4. BACKGROUND FACTORS INFLUENCING CHANGE BELIEFS ABOUT THE ROLE OF OPERATIONAL ASSOCIATE

Social factors were the only explored background factors (Ajzen, 2005) that influence change of beliefs about the role of operational associate.

The temporary nature of the contract was the reason to stop the role in the case of BA4. She took over a long mission after the 6 months mission that had been agreed with the startup in exchange of her investment. Relationships changes with other associates are also a factor of beliefs change. BA4 also stressed that in any case she did not want to stay longer because meantime a founder's brother had joined as an associate, with whom she had different views on her operational missions she had to run and so the working atmosphere would eventually have been likely no longer satisfying if she had stayed longer.

BA4 emphasizes that social norms are unfavorable for this role in France and that attitudes must change both among entrepreneurs and business angel network. She deplores especially large business angel networks expect that this activity is purely voluntary, *"the perverse effect that I found it's I am a bit confined in the "Investor" role and so for the French I am supposed to be "rich" but that's deplorable and therefore you do not need anything for a living! So you are a volunteer and that's unbearable I think these are French biases and I do not think we passed the stage that investment in startup is for rich ... People looking for tax deductions are rich .... If you are an investor than you are rich. And I found really unfortunate is that I also counted on it to expand my network and possibly rebound in a slightly more permanent way. To my deception, my consulting missions were always found outside of that circle"*.

## **6.7. CONCLUSION**

Using the theory of planned behavior framework to analyze in-depth interviews of 31 French business angels, this paper explores the beliefs and factors behind their choice between the five possible roles played by them in their investees after investment. It informs about various potential normal, social and control beliefs influencing the choice of one role in an investee. It reveals that keep learning is a potential expected outcome of each of the role played and that active involvement roles seem to be more linked to being useful and give inputs versus financial gain expectation. In terms of experience, it gives concrete verbatims for each role of how important it may be for business angels to have fun and how they are pleased/or satisfied, especially when they feel being part of the entrepreneurial adventure.

Concerning injunctive norms, it reveals that they are a good trigger to start the role of follower or supportive business angel but not after to choose more involving role. Social norms are cited to take the role of follower or in strategic committee but not for the three other roles at all.

In terms of control beliefs, we report factors of self-efficacy and some conditions to be met for each of the role played. Finally, we unveil transversally for each role how time availability, access and frequency of adequate received information and contacts with entrepreneurs, are factors that are taken into account by business angels to choose one or change roles.

This research has some limitations as only 3 out 31 interviewed business angels reported to play or having played an operational associate role in one of their investee. Besides our sample is composed of French business angels investing in mostly French ventures. Finally, we have only been able to identify factors influencing the choice of role post-investment as qualitative method cannot test the impact of each factor. Therefore, future research could use quantitative

methods and use theory of planned behavior framework to test the different factors identified in this paper and test how they can predict attitudes toward the role, subjective norms and perceived behavioral control and thus predict intention of playing each role.

However, this paper gives concrete implications to be used by business angels networks and entrepreneurs. The different beliefs associated with each role are very instructive and could be used by syndicate of business angels in their effort to enroll new members. The systematic awareness and training of their members about the different roles that business angels can provide and an adequate support will make it possible to engage business angels even more, in more sustainable and satisfactory ways for the benefit of the whole entrepreneurial eco-system. In particular the operational associate role and sparring angel role seem rarely played by business angels in France meanwhile the social norms were not cited as a favorable factor to take these roles. Given the perceived benefits for both entrepreneurs and business angels who have free time or are jobless, entrepreneurs and business angels should perhaps be better informed of the existence of these roles. Business angels' networks could perhaps use more testimony videos of dyads of business angels and entrepreneurs to promote these specific roles and thus increase as well their non-financial value-added to the ventures post-investment. Understanding how business angel are influenced to choose their role is also key for entrepreneurs to satisfy the follower business angels, benefit from supportive business angels and select the proper sparring angel. It is also fundamental to rely on a balanced strategy committee for skills, experiences, and access to resources. In addition, we reveal how the attitudes of entrepreneurs, their respect of governance and information sharing practices can impact the beliefs and background factors at the origin of business angel role choice and change after and during investment.

## **7. DISCUSSION AND CONCLUSION**

### **7.1. 3 RQ JUSTIFICATION**

The initial practical aim of this research was to understand what were doing French business angels after investment in order first to promote their activities and extend the number of business angels whose visible market is 12 times less the UK one. The second practical aim, given the unfavorable differences in the French business angels statistics in terms of age, time spent and involvement versus statistics of other European countries, was to understand the reasons that may explain them especially by exploring how the French business angels choose their roles after investments. The literature review and the analysis of data have confirmed the need to, first explore the governance practices of syndicated business angels, then to explore what are their roles after investment and finally given the theoretical framework that was chosen what beliefs might influence business angels when they choose their roles after investment.

### **7.2. THEORETICAL FRAMEWORK JUSTIFICATION**

The three RQs that were retained for this thesis by publication justify three different theoretical frameworks. Chapter 3.3.1 explains what the differences are between practices, praxis and practitioner and how strategy-as-practice theory is relevant to answer to what are the governance practices for syndicated business angels after investment. In chapter 3.3.2, theory of role was mobilized in order to define role concept in literature and get an appropriate framework to answer to the question what the roles of business angels are after investment. As Biddle (1979) defines roles as “certain” structured behaviors and characteristics of people in context and given the fact that business angels happen to select different roles depending on their investment, understanding how they choose their roles after investment necessitates to find a compatible cognitive theory that might explain the choice of behavior. Chapter 3.3.3 describes the theory of planned behavior ( Ajzen, 1991, 2005 ) and how it fits with the study of how business angels choose their roles after investment via the study of behavioral, normative and control beliefs.

### **7.3. CONTRIBUTION TO LITERATURE**

This research has already made several contributions to the literature on business angels’ involvement post-investment and the differences observed between individual and syndicated business angels.

### **7.3.1. CONTRIBUTION OF PAPER 1: WHAT ARE THE GOVERNANCE PRACTICES CARRIED OUT BY SYNDICATED BUSINESS ANGELS AFTER INVESTMENT?**

This paper answers to questions raised by Collewaert & al (2018) as do angels learn from one another? Do they copy best practices from more experienced counterparts? How business angels are assigned to join the board and which of these angels take on the responsibility for communication with the entrepreneur and the other business angels? Paper 1 also responds to the need of better understanding the impact before and after investment of the growing trend of business angels to invest via groups (Mason et al, 2019).

First, Paper 1 uncovers what are the governance practices that especially impact the roles of syndicated business angels after investment: shareholder agreements, strategic committee, and syndicated business angel representation. It begins by explaining the various capital, governance and founders' clauses that are more or less mandatory to be included in shareholders' agreement for syndicate groups of business angels. Then, it explores the shared routines of behaviors, tools and skills linked to shareholders' agreement.

Paper 1 is the first paper in literature to really explain what a strategic committee generally is in terms of composition, governance, agenda and topics, the practices and the benefits of those regular meetings are explained, especially for novice entrepreneurs. We show evidences that if shareholder agreement is well mastered through training and mentoring by syndicated business angel, strategic committee practices are carried out more or less extensively as they rely on each business angel experience and time availability.

Finally, we unveil how business angel representation is the next frontier of training for large syndicate of business angels as this is a source of frustration for many represented business angels.

### **7.3.2. CONTRIBUTION OF PAPER 2: THE DIFFERENT ROLES OF BUSINESS ANGELS AFTER INVESTMENT: DIFFERENCES BETWEEN INDIVIDUAL AND SYNDICATED BUSINESS ANGELS**

Paper 2 reveals and defines using role theory framework (Biddle 1979), the 5 business angel 's involvement roles for the venture after they invest: follower angel, supportive angel, strategic committee member, sparring angel and operational associate. The five roles that have emerged from our qualitative research complete with concrete behaviors the four value-added model roles: strategic, resource acquisition, mentoring, supervision and control Politis (2008, 2016). See the following table.

Table 1: The behavior model of business angel after investment vs Politis model (2008, 2016)

Politis value-added roles vs de Gabriac Explored Behaviors	Strategic role	Ressource acquisition role	Mentoring role	Supervision and control role
<b>Follower angel behaviors</b>		Finance ulterior round  Promote investment round within his/her network		Read shareholder information  Attend to general assembly
<b>Supportive angel behaviors</b>	Give answers to strategic questions raised by entrepreneurs	Work ad hoc  Recruitment interview  Promote venture	Ad hoc Open discussion	Ad hoc support to revise documents
<b>Strategic Committee member behaviors</b>	Suggest acknowledge challenge anticipate strategic changes	Suggest acknowledge challenge resource acquisition		Analyze information sent prior to meeting  Attend to committee meeting : challenge, alert, debate and eventually vote  Read and check minutes
<b>Sparring angel behaviors</b>	Work with to prepare strategic decision	Systematic discussion before entrepreneur decision	Systematic Direct support	Systematic Revision of key documents before issuing  Work with to prepare key shareholder meetings
<b>Operational associate behaviors</b>	According to operational role CEO, CFO,..	Systematic Revision of key documents before issuing Work with to prepare key shareholder meetings		According to operational role

Table 1 shows that follower angels never play strategic role nor mentoring role. Their resource acquisition role is limited to funding and their supervision and control role is a very similar to an informal investor. The only roles that may perform the four value-added roles (Politis 2008, 2016) are supportive angels and sparring angels roles. Supportive angel role is in response to a specific solicitation in an area of expertise or experience whereas sparring angel role is systematic and does not even have to wait a solicitation. Business angels who perform only in

a venture a follower angel role, or strategic committee members roles and/or operational associates do not declare to play mentoring roles. Some strategic committee members may play also a mentoring role but only because they act as well as the only sparring angel of one entrepreneur (BA3, BA7, BA11, BA12).

*Table 2: Involvement roles of the sample of interviewed business angels*

BA	W / M	Age	Synd. / Ind.	operational associate	sparring angel	committee member	supportive angel	follower angel
BA1	M	61	Synd.			2	1	3
BA2	M	71	Synd.			1	3	18
BA3	M	71	Synd.		1	1	8	
BA4	W	63	Synd.	1		1		1
BA5	M	69	Synd.				10	40
BA6	W	46	Synd.	1			3	
BA7	M	60	Synd.		1	3		3
BA8	W	47	Synd.	3	1	2		5
BA9	W	68	Synd.		1	3		2
BA10	M	71	Synd.			6	14	5
BA11	M	55	Ind.		15	15		
BA12	M	49	Ind.		2	2		
BA13	M	65	Synd.			4	7	
BA14	M	41	Ind.		1	1		
BA15	M	47	Ind.		5	10	32	
BA16	M	78	Synd.			2	0	4
BA17	W	54	Synd.			2	18	
BA18	M	66	Synd.			3	4	10
BA19	M	62	Synd.			1	2	12
BA20	M	76	Synd.			3		17
BA21	M	65	Synd.		1	1	2	11
BA22	M	73	Synd.			5	7	
BA23	M	62	Ind.			1	0	14
BA24	W	53	Ind.			1	1	
BA25	W	60	Synd.				2	17
BA26	W	58	Synd.		2		3	
BA27	M	67	Synd.			1	11	3
BA28	W	59	Synd.				1	
BA29	M	70	Synd.			1	1	2
BA30	M	55	Ind.			1		
BA31	M	58	Synd.			7	8	
	M=22, W=9	61,3	Synd.=24, Ind.=7	<b>5</b>	<b>30</b>	<b>80</b>	<b>138</b>	<b>167</b>
				<b>1%</b>	<b>7%</b>	<b>20%</b>	<b>34%</b>	<b>42%</b>

In addition, Paper 2 reveals that business angels behave differently among investees. Being a follower angel is the most passive form of involvement but is also the most practiced form of involvement, especially among syndicated French business angels I interviewed. To the contrary taking an operational associate role is the most active form of involvement and is the least practiced form of involvement: 5 roles out of 420 practiced roles are reported! This is far from the definition commonly agreed so far of a supposed “hands-on” business angel (See Table 2).

We uncover that roles played by individual and syndicated business angels are likely to be different, especially regarding follower business angel who is a role only played by syndicated business angel. We analyze for each of the role what are their characteristics and functions. Follower angels behave like silent investor as their main activity is to read venture’s information they get and monitor the valorization of their venture portfolio. Supportive business angels are reactive and always respond positively to the solicitations of entrepreneurs. It can be an answer to an email, text message, a quick call or a request for a face-to-face meeting on a particular topic, given their expertise or experience. Another supportive type of action is to work with the entrepreneurs or one of their employees on specific subjects he/she feels relevant to. Strategic committee member is a member of an informal board usually composed of the key founders, the most significant individual business angels in terms of shares, experience and/or expertise and 1 to 2 representatives of the more important angel groups. Sparring angel has a privileged one to one relationship and trust with an entrepreneur. He/she takes the time needed to listen to entrepreneurs and to discuss openly about any issues they face when they face them, what is particularly useful for solo entrepreneurs. An operational associate role is to take full or part-time operational position in one investee.

### **7.3.3. CONTRIBUTION OF PAPER 3: AFTER INVESTMENT, WHAT BELIEFS MIGHT INFLUENCE BUSINESS ANGELS WHEN THEY CHOOSE THEIR ROLES?**

Paper 3 examines the beliefs of business angels that influence them when they choose between involvement roles after they invest. It explains the effect of belonging to a business angel group on the choice of the follower angel role versus strategic committee member. It completes paper 2 and the attempt to answer to questions raised by Collewaert & al (2018) on the share of best practices from more experienced counterparts and the ways to join the board. Besides, it also responds to the need of better understanding the impact before and after investment of the growing trend of business angels to invest via groups (Mason et al, 2019). The unusual use of



the theory of planned behavior framework in this qualitative study helps to explore more deeply what might mediate the intention of business angels to choose between the potential forms of involvement per venture as well as their involvement changes over time.

	follower angel	supportive angel	strategic committee member	sparring angel	operational associate
<b>Behavioral beliefs</b>					
<b>Expected Outcomes</b>					
Keep learning	X	X	X	X	
Keep being useful		X			
Financial	X		X		
Give inputs			X	X	
Professional					X
<b>Expected experience</b>					
Hobby	X				
Fun	X	X	X	X	
Satisfaction	X			X	
Adventure		X	X		X
Pleasure		X	X		
Living a crush					X
<b>Normative beliefs</b>					
<b>Injunctive norms</b>					
Entourage	X				
Friends	X	X			
Colleagues		X			
Family		X		X	
<b>Social norms</b>					
Governance practices	X		X		
Group opinion	X				
Social recognition	X				
Expert recommendation					X
<b>Control beliefs</b>					
<b>Self-efficacy</b>					
Potential value added	no perceived value- added	X			X
Personal interest			X		
Empathetic attitude			X		
Strategic role					X
Nothing to lose professionally					X
<b>Conditions met</b>					
Time availability	X	X	X		
Frequency and quality of information received	X	X	X		

	follower angel	supportive angel	strategic committee member	sparring angel	operational associate
<b>Entrepreneur's contacting and listening skills</b>		X			
<b>Respect of governance practices</b>			X		
<b>Relationship quality</b>				X	
<b>Make a living</b>					X

By identifying the behavioral, normative and control beliefs that may lead a business angel to the choice of a role post investment, it gives clues to entrepreneurs as well as business angels representatives, and business angels groups to better involve business angels after investment and enhance their satisfaction. If Entrepreneurs and business angels representatives need to understand as early as possible what are the skills, experiences and potential resources of their business angels it shows as well that understanding business angels' involvement intentions and time availabilities are key to be able to solicit them for the rights things in the right way at the right time. Thus, the very early phase post-investment appears to be essential to build an appropriate communication routine between the entrepreneur and each type of business angels given his/her intentions to get involved for the venture.

#### **7.4. IMPLICATIONS FOR PRACTITIONERS**

This research expects to provide implications for business angels, business angels groups and entrepreneurs.

First this research unveils the governance practices that are carried out by business angels belonging to groups. Entrepreneurs need to be trained or coached about governance practices by syndicated business angels: shareholder agreement, strategic committee, and business angel network representation. This is key to be able understand how to negotiate a win win shareholders' agreement, to set a strategic committee and adequate communication routines with shareholders.

Second, it reveals the five different roles that business angels may play after they invest: follower angel, supportive angel, strategic committee member, sparring angel or operational associate roles. By showing the behaviors, occurrences and functions as well as the business angel profile of each business angel role after investment, it also gives clues to entrepreneurs to better understand the potential non-financial contributions that they may benefit from their

business angels. It also allows entrepreneurial practitioners to better understand the differences observed between syndicated and individual business angels and leverage them.

Third, the training importance of business angeling is also pointed out. Business angel learns progressively with experience how to get and be better involved. Novice business angels need supports to be turned from skilled follower business angels to supportive angel or strategic committee member. Thus, formal, and informal business angel groups need to address better the training and support of their novice business angels as well as their novice representatives in investees. Video testimonials and individual mentoring are suggested ways to cope with these issues.

Fourth, it also uncovers how it is crucial for entrepreneurs and business angels' representatives to know their business angels' profiles and beliefs that influence their choice between follower angel, supportive angel, strategic committee member, sparring angel or operational associate roles. Expected outcomes like keep learning imply that entrepreneurs give sufficient and relevant information. Expected experiences like having fun or living an adventure necessitate also that entrepreneurs interact adequately with business angels: when they pitch their innovation and/or their market strategy, they need to demonstrate passion for their venture, it should be exciting and understandable. The absence of social beliefs for the supportive angel, sparring angel and operational associate role show areas in which business angels groups could increase the motivation of their members to engage in active involvement roles. Finally, to maintain the motivation and ability to perform those roles it uncovers the importance and impacts of control beliefs for business angels. Depending on the self-efficacy perception of each of their business angels, entrepreneurs need to set appropriate communication routines in terms of content, frequency and form between entrepreneurs and business angels and/or their representatives but also demonstrate adequate behavior as the importance of contact and listening skills. They have to be transparent and trustworthy: they should not keep problems or hide things from their business angels associates. Before making their own decisions, they talk and take several opinions. Progressively they develop their entrepreneurial and managerial skills and in return business angels learn and extend their experience. Whereas if entrepreneurs do not solicit business angels anymore, if they do not give enough information and transparency or if the entrepreneurs are installed and satisfied in a routine, they will not benefit from the non-financial resources provided by business angels and are likely to lose their motivation to be supportive both financially and non-financially.

## **7.5. LIMITATIONS**

First, this research is based on a qualitative exploration, focusing first on semi-directed interviews of French business angels and on the governance practices carried out by business angels belonging to French business angel groups, which may limit the pertinence of the findings for other countries. This might be especially true for the United States as the business angel market is much more developed. Though it may be relevant for other similar countries within Europe in terms of business angels' profiles. The sample was also intentionally overrepresented in syndicated business angels: 24 out of 31 business angels. This allowed to have different business angels' groups and sizes of groups in order to better understand the various impact of syndications. In terms of industries business angels that we interrogated were focusing investments on innovative industries and startups. A very limited number of investments were reported to be in small and more traditional businesses, so our findings are more adapted to business angels investing in innovative startups.

On another hand, as this research is a thesis by publication, my publications correspond to different stages of maturation of the whole EDBA program. First article was started at the beginning of the second year of the program and had to respect a 6-page BCREC conference format. It had to be written again afterwards and data collection was reinforced to take into account strategy-as-practice framework constraints. Second paper benefited from the feedbacks I got at Babson BCREC conference and the second wave of interviews and was begun at the end of my second EDBA year but had to be finished before the proper coding of the second wave of interviews. It was enriched with the pre-defence comments and the reviews obtained before and during Acere Conference where its original version was presented. Third paper benefited from the full coding of the second wave of interviews, the integration of theory of planned behavior framework, pre-defence and Acere conference feedbacks as well as *Revue Française de Gestion* reviewer comments. So, a lot of writing and rewriting has been made and I do hope that I manage overall thanks to my Thesis director supervision and feedbacks to maintain an integrative and coherent research work overall for the reader.

## **7.6. FUTURE RESEARCH**

Based on the limitations of Paper 1 which only use French governance data and interviews with business angels investing mostly in France and in French ventures, future research could first compare explored French business angel governance practices with other European countries.

It would be also of great interest to study the impact of large business angel network versus small business angel groups in those governance practices.

Paper 2 explores what are the roles played by business angels in their investees and the differences between individual and syndicated groups. A quantitative survey could help to confirm the low practice of operational associate role and test the impact of the different forms of business angels' syndication on the choice of one role after investment. As well, comparison of business angel roles within Europe would be of great interest. First, to investigate if differences are observed, especially if operational associate and sparring angel roles are more practiced, where, and why. Second to identify if also exist differences between syndicated and individual business angels. Third to explore the influence of large network versus smaller group membership in the choice of role after investment.

Finally, as mentioned in Paper 3, future research could use quantitative methods and use theory of planned behavior framework to test the different identified factors influencing the choice of role post-investment. Therefore, test how attitudes toward the role, subjective norms and perceived behavioral control can thus predict intention of playing each of the five identified roles post-investment.

## **7.7. CONCLUSION**

My research expected to open the black box of business angels' involvement for the venture beyond financing and explore as well the French syndication impact as business angels are one of the few resources that entrepreneurs may rely on in the early stages of their venture development and their involvement post-investment is still in a grey area for scholars and policymakers but also for novice practitioners.

During this iterative research journey it happens that it was necessary first to explore the governance practices of syndicated business angels and to reveal the importance of shareholders' agreement, strategic committee, and business angel representation. Using this foundation, it was easier to revise the exploration of the different roles business angels may choose after investment and describe the related behaviors, occurrences, skills and functions of these roles. The third step was finally to explore how business angels are influenced when they choose their roles after investment.

I hope this research will be useful to novice business angels to improve their involvement as well as their satisfaction to play the role.

I also hope that it will help business angels networks to promote the role but as well to better train their members who are representatives and as a result to better satisfy and retain their members.

Finally, by developing a better understanding on how and in what context business angels' involvement can foster value creation for entrepreneurs, investees and business angels themselves, I hope to contribute that the financial and non-financial impact of the business angels be better leveraged by entrepreneurs. This could help to improve entrepreneurial venture creation and growth, as business angels are one of the few stakeholders that entrepreneurs may rely on in the early stages of their venture development.

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