
Angel investor characteristics that determine whether perceived passion leads to higher evaluations of funding potential

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Source: (2012) *Journal of Business Venturing*, 27(5): 592-606.

ABSTRACT:

Despite interest in understanding the role passion plays in investor decision making, little is known about the conditions under which perceived passion is likely to play a significant role in the funding decision process. We first establish a relationship between perceived passion and evaluations of funding potential, then use affective reactivity as a theoretical framework to explore how several individual characteristics of angel investors impact the relationship between perceived passion and evaluations of funding potential. The results indicate that the relationship is stronger for angel investors who are older, more intuitive, have a high openness personality, or those who are motivated to mentor. Surprisingly, the relationship weakens for angels who are extraverted and those who have a promotion-dominated regulatory focus.

KEY FINDINGS:

- Support was found for the hypothesis that perceived passion increases evaluations of funding potential.
- The hypothesis that accuracy in social perception moderates the relationship between perceived passion and evaluations of funding potential, such that the relationship will be stronger for angels with more accurate social perception than for angels with less accurate social perception, was not supported.
- Support was found for the hypothesis that cognitive style moderates the relationship between perceived passion and evaluations of funding potential, such that the relationship will be stronger for intuitive angels (low cognitive style scores) than analytic angels (high cognitive style scores).
- The hypothesis that extraversion moderates the relationship between passion and evaluations of funding potential, such that the relationship will be stronger for extraverts (high extraversion scores) than for introverts (low extraversion scores), was not supported. In fact it was found that the reverse seems to be the case.
- Support was found for the hypothesis that openness moderates the relationship between perceived passion and evaluations of funding potential, such that the relationship will be stronger for angels with high openness than for angels with low openness.
- The hypothesis that regulatory focus moderates the relationship between perceived passion and evaluations of funding potential, such that the relationship will be stronger for angels with promotion-dominated regulatory focus dominated by prevention focus was not supported. In fact, it was found to be the reverse.
- Support was found for the hypothesis that motivation to mentor moderates the relationship between perceived passion and evaluations of funding potential, such that the

relationship will be stronger for angels with high motivation to mentor than for angels with low motivation to mentor.

- Support was found for the hypothesis that age moderates the relationship between perceived passion and evaluations of funding potential, such that the relationship will be stronger for older angels than for younger angels.

IMPLICATIONS FOR MANAGERS:

- Entrepreneurs should consider how individual characteristics of investors may impact their ability to get funding.
- Entrepreneurs who shy away from enthusiastic displays may want to consider how to express more energy and richer body language when presenting their venture so that they are perceived as more passionate, especially for older, introverted Business Angels who appear creative and intellectual (i.e. who have high openness) and who are motivated to mentor but don't appear to analytical.
- Entrepreneurs may be able to interpret whether a Business Angel has high openness from the type of questions they ask.
- Entrepreneurs who can find out more about the background of the Business Angel they are presenting to should adapt their presentation to suit this audience.
- Business Angels should become more aware of how their own characteristics may impact on their evaluations of funding potential.